



## Open Report on behalf of Andrew Crookham, Executive Director – Resources

|            |  |
|------------|--|
| Report to: | <b>Overview and Scrutiny Management Board</b>                          |
| Date:      | <b>30 March 2023</b>   |
| Subject:   | <b>Property Services Contract Year 7 Report and Interim for Year 8</b> |

### Summary:

This report updates the Board on the performance of the Property Services Contract with VINCI Facilities at the end of the seventh year of the contract with an interim report for year eight.

### Actions Required:

The Overview and Scrutiny Management Board is asked to:

1. seek assurance on the performance of the Property Services Contract.
2. provide feedback and challenge as required.

## 1. Background

In March 2022, the Overview and Scrutiny Management Board considered the performance of the VINCI contract for year six (2020-2021). This report informs the Board about the performance of the contract in year seven (2021-2022) and furthermore, provides an interim report on year eight (2022-2023).

## 2. Contractors Performance

### 2.1 Service Manager's Assessment

As reported in the previous report, COVID continued to be a challenge going into year seven however this became less prevalent during year eight as it became a business-as-usual risk.

The year eight challenge has been in rising costs across the property and construction industry including a large rise in the contractual inflationary indices NOMACOS which saw an annual increase of 8.94%.

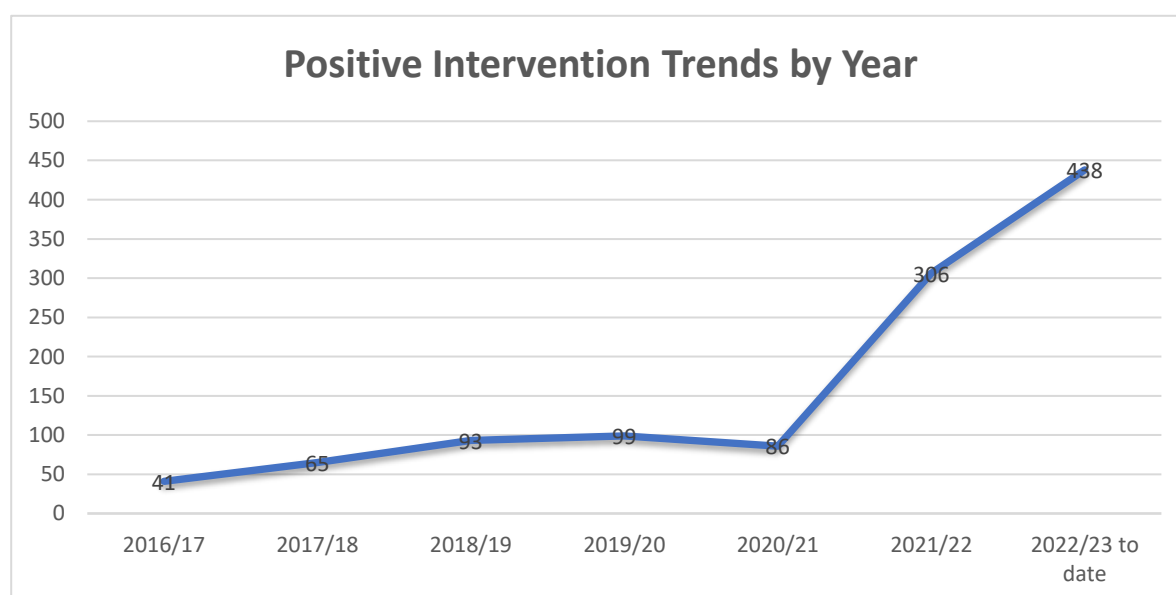
In respect to property running costs, energy costs have seen a sharp increase with gas prices increasing by 70% in April 2022 and electricity increasing by 100% in October 2022. One of the reasons for these increases is attributed to the Russia-Ukraine war due to cuts in supplies. Electricity costs are linked to gas costs and therefore follow a similar trend.

Lincolnshire County Council (LCC) has received a total of £246,000 via the Government's Energy Bill Relief Scheme Discounts (EBRS) across the school and non-school portfolios from October 2022 to January 2023.

The latest energy briefing from ESPO is forecasting a 200-300% increase in gas prices from April 2023 and a 15-20% increase in electricity from October 2023.

Construction costs have also risen during 2022/23 financial year. Building materials saw an overall increase of approximately 25% higher in 2022 than they were in 2021<sup>1</sup> which affects any LCC construction project work. Furthermore, this impacts on costs of capital repairs and maintenance structural work and cost of materials for general facilities management.

## 2.2 Health and Safety



Positive interventions continue to show a marked increase year-on-year. To date during year eight (2022/23), 438 positive interventions have been undertaken by the mobile resource technicians (MRTs). This is the highest recorded number since the contract commenced. The mobile resource technicians are encouraged to undertake a positive

<sup>1</sup> Monthly Statistics of Building Materials and Components January 2023 Report, Department for Business, Energy & Industrial Strategy which can be found at the following link:  
[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/1134673/23-cs2- Construction Building Materials - Commentary January 2023.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1134673/23-cs2- Construction Building Materials - Commentary January 2023.pdf)

intervention where possible and receive frequent training to spot potential risks and threats to health and safety of visitors, staff, and the public in general.

An example of a positive intervention during the year is a VINCI MRT being vigilant whilst undertaking a planned maintenance of a solar panel array spotting an inverter burning slowly which if left unchecked could have had the potential to start a fire. The inverter was made safe by the technician on the spot.

A key priority for the contract is operating safely and a key component of that is positive interventions to offset accidents before they happen.

There were several injuries during 2021/22 and 2022/23. Some notable ones include a waste collection operative straining his back whilst moving a 1100 litre wheeled bin, two of the four wheels were in a gravel strip and unfortunately the staff member did not follow the correct working procedure or ask for assistance which resulted in the injury. Another member of contractor staff accidentally smashed a window on the Lincoln County Offices campus which did not result in lost time. The window was replaced at the expense of the contractor.

The bi-annual Health and Safety Committee continues to meet to discuss improvements in sub-contractor health and safety practice. This committee feeds into the corporate health and safety groups within Lincolnshire County Council to ensure best practice and learning remains high.

## 2.3 Finance

- **Pain/Gain Result for 2021/22.** A proportion of the contract operates on a target cost basis, the costs of which were competitively tendered. The collaborative principle of shared risk against target costs has incentivised the identification of inefficiencies.

The pain/gain element to the contract are calculated as follows:

| Share                  | LCC | VINCI |
|------------------------|-----|-------|
| Gain i.e. under target | 50% | 50%   |
| Pain from 101% to 110% | 50% | 50%   |
| Pain from 111% to 120% | 25% | 75%   |
| Pain over 120%         | 0%  | 100%  |

The gain-share for year six and year seven is broken down for comparison in the table below:

| Item                       | Year Six             | Year Seven           |
|----------------------------|----------------------|----------------------|
| Contract Target Costs Gain | £310,100.56          | £274,112.62          |
| LCC/VINCI split            | £155,050.28          | £137,056.31          |
| LCC share                  | £160,942.19          | £143,319.78          |
| KPI % deduction applied    | £149,158.37 to VINCI | £130,792.84 to VINCI |

The gain share in year seven is attributed to some vacancies within the Kier estates and valuations team and the CDM (Construction Design and Management) team respectively. These both appear within the costs for 'Other Property Services' which form part of the target cost. In addition, VINCI's subcontractors held their prices for the second year of a three-year period (up to and including end of year eight) which is an avoided cost to the Council. Furthermore, as VINCI insourced the commissionaire team from a subcontractor during year six, this also contributed to the net saving within the target cost.

- **Low Service Damages (LSDs).** One of the performance levers within the contract is the application of Low Service Damages for reactive and planned maintenance tasks. Each task is time-bounded and failure to meet the time constraints without adequate justification will lead to an LSD per job. Sanctions for delayed response and completion range from £150 to £250 per occurrence depending upon the type of job.

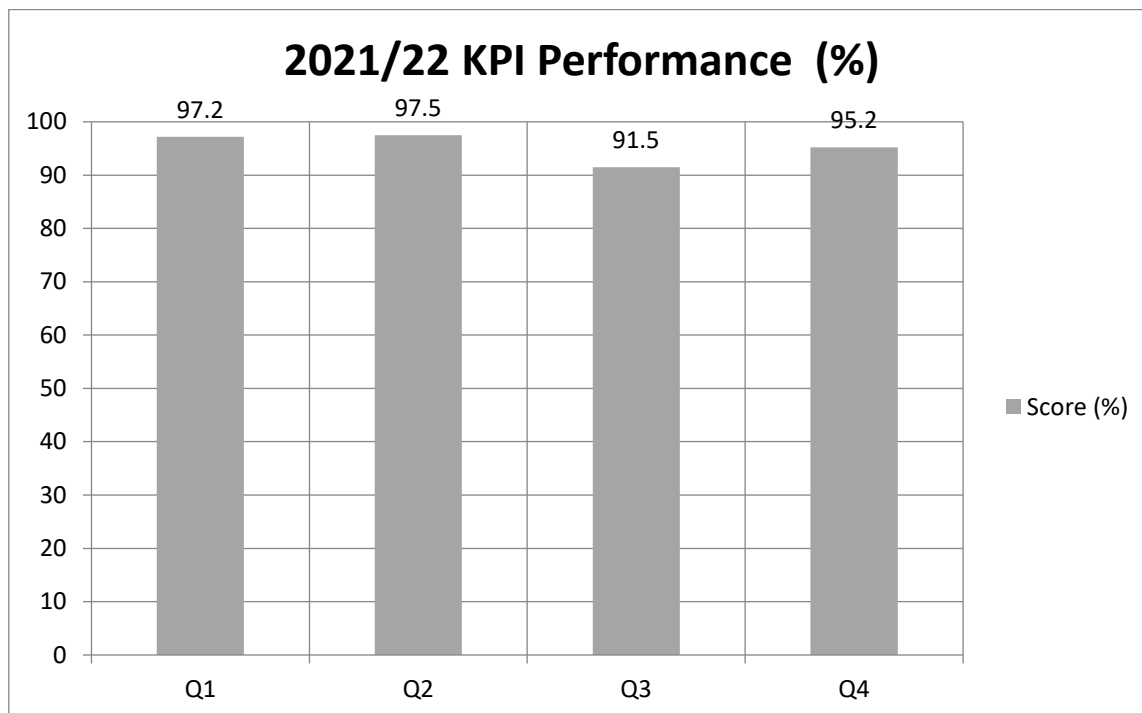
The following shows the value of (credits) generated from LSDs:

| Year                                       | Sum of LSDs     |
|--|-----------------|
| <b>2016/17 (Year 2)</b>                    | <b>£37,950</b>  |
| <b>2017/18 (Year 3)</b>                    | <b>£10,250</b>  |
| <b>2018/19 (Year 4)</b>                    | <b>£53,000</b>  |
| <b>2019/20 (Year 5)</b>                    | <b>£38,650</b>  |
| <b>2020/21 (Year 6)</b>                    | <b>£8,350</b>   |
| <b>2021/22 (Year 7)</b>                    | <b>£6,400</b>   |
| <b>2022/23 (Year 8) to end of Jan 2023</b> | <b>£5,450</b>   |
| <b>Total</b>                               | <b>£160,050</b> |

Recent financials are showing a reduction in respect to LSD charges, as VINCI is working more closely on educating their supply chain on ensuring that work is completed within timescales, closer working and implementing routine quality audits. Furthermore, an additional £5,968.09 (Year 7) and £2,957.48 (Year 8 to date) respectively was recouped from poor subcontractor performance.

## 2.4 Key Performance Indicators (KPIs) – Year Seven

Year seven outturn was 95.4% which is a slight reduction in performance from 96.2% outturn for year six. The annual 'stretch' target is 90%, the baseline (contract) target is 75%. The chart below shows the annual results by quarter.



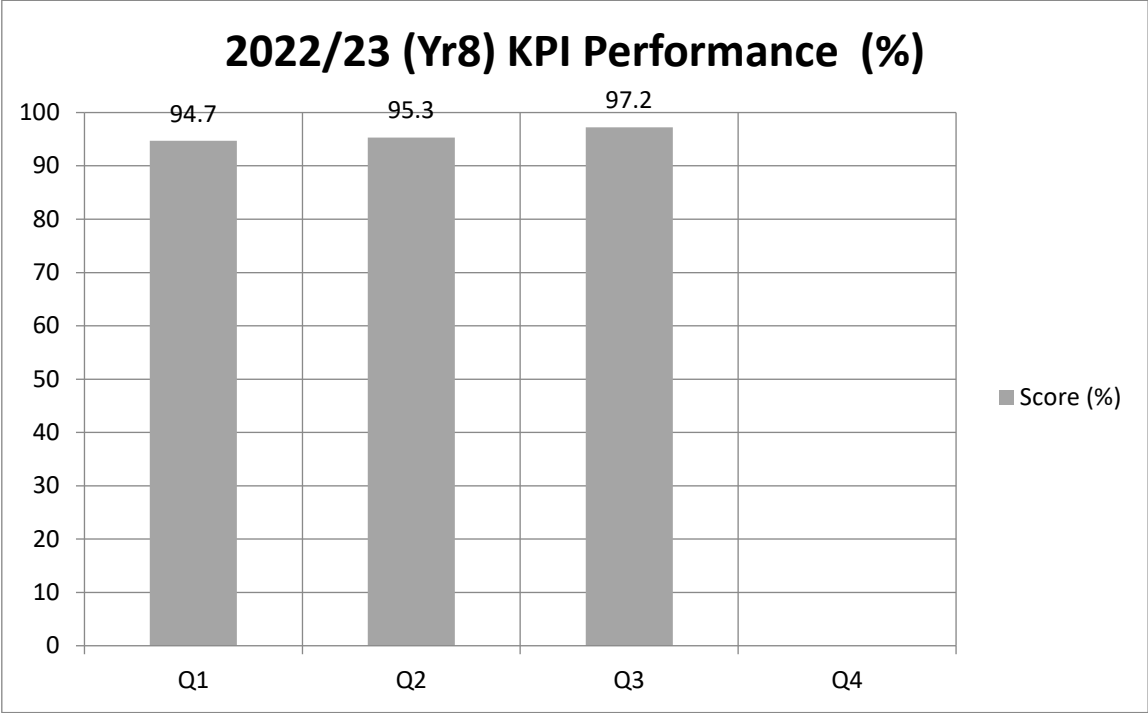
Generally, VINCI performed well in year seven. Quarter 3 (Q3) saw a drop to 91.5% which was attributed to two failures to complete statutory testing and inspections within contractual timescales. It is worth noting however that the contract has more strict timescales here than the regulation requires and both tasks were subsequently completed. Furthermore, in terms of context, there were 96 tasks in total here and two were failures, that is 98% completion criteria against the total jobs, but the scoring mechanism of the contract is tougher in terms of a score reduction because of the critical nature of these jobs.

Furthermore, there were some failures on reactive jobs, eight in total. Again, to put this measure into context, there were 182 reactive jobs in total for the quarter, eight of which fell outside of the contractual timescales.

### Year Eight to date

Performance has remained consistently high during year eight to date as can be seen in the chart below. For the first two quarters of the year, there were two missed planned maintenance tasks, one for each quarter which were subsequently corrected. Furthermore, there were five failures of reactive maintenance work for each of the first two quarters (Q1 and Q2), some of these related to poor record keeping of work carried out by subcontractors, so LCC officers were unable to verify when or if the work was

completed in time. VINCI has been working hard to improve the record keeping of their subcontractors which can be seen in the improved Q3 score.



**2.5 Special Educational Needs and Disability (SEND) Projects**

VINCI’s principal subcontractor for property professional services is Kier, and Kier has provided technical project management, cost advisory and clerks of works services in the delivery of the SEND programme.

The SEND programme is well underway with several projects now completed including the opening of a new 148 place school, Boston Endeavour Academy in September 2021 and expansions to Bourne Willoughby Academy, Spilsby Eresby School and Louth St Bernard’s School, opened in December 2021, May 2022 and September 2022 respectively. The completion of these four schools has provided an additional 184 SEND school places for Lincolnshire children.

Projects currently underway are the expansion of Spalding the Priory (now known as Tulip Academy), anticipated to be completed in April 2023 and the new 150 place Lincoln St Christopher’s Primary School which is due for completion ahead of its programmed date with handover scheduled for 27 March 2023. Enabling works have been taking place over the past year on the Lincoln St Christopher’s Secondary school site with the main works due to begin once the primary school is handed over. The works to the secondary school site are due to be completed in September 2024. This project will see the demolition of a large part of the school and replaced with a new block of accommodation.

Pre-construction activities continue at both Lincoln St Francis School and Gosberton House Academy. St Francis School will see a large-scale refurbishment with works

planned to start on site in the summer of 2023. Gosberton House Academy will be provided with a four classroom new block with works anticipated to begin on site towards the end of 2023.

## **2.6 Capital Receipts**

The Kier Estates team manage the capital receipts service on behalf of the Council. The two-year disposal programme (ending 2023/2024) has a target capital receipt total of £14m. The current forecasted two-year total is £17,302,668 (net of S77 contributions), £18,974,418 gross.

Since April 2021, the total capital receipt secured is £3,683,068 gross. This figure includes sales of several sites, notably Judges Lodgings and Wallis House in Louth.

## **2.7 Recovering from the impact of Covid.**

Covid has had several notable impacts on the property services. VINCI and Corporate Property have been working together to ensure that LCC sites remain compliant, and furthermore to tackle Covid by working closely with Public Health and the Health and Safety teams in providing hand sanitising stations and surface cleaning wipes to help minimise the risk of infection.

As previously reported to the Board in March 2022, due to the Covid pandemic, we unfortunately lost the catering provision at The Quad, which was provided through the property contract. The Adult Care and Wellbeing Day Opportunities team worked closely with Corporate Property to reopen The Quad and provide the catering provision whilst also promoting social value through work-based volunteering opportunities to people with learning disabilities.

## **2.8 VMOST**

VMOST, (**V**ision, **M**ission, **O**bjectives, **S**trategies and **T**actics) is a business planning model that VINCI introduced to the contract from the outset and is used to shape the 12-18 month business plan.

The existing VMOST strategies are as follows:

- Reducing the carbon footprint of the estate
- Increase the efficiency and effectiveness of the estate
- Grow, inspire and motivate our One Team
- Deliver the Corporate Landlord model

Following a recent review of the VMOST, most tactics under each strategy have been completed with a progress report currently being written up with the view of a new VMOST to be developed for the final two years of the property contract.

## 2.9 Continuous Improvement

Corporate Property and VINCI have continued to drive improvements and efficiencies using improved working processes, procedures, and systems.

- **VINCI electric vehicle fleet.** VINCI have been proactively looking at ways to reduce the CO2 emissions of the services provided through the property contract and have introduced three new electric vehicles for their mobile resource technicians.
- **New model for FM cover for County Offices Lincoln Campus and South Park Tri-Service Station.** VINCI and Corporate Property have been looking at ways to make cost efficiencies, one of these is reviewing the FM cover across the two sites. This service improvement has generated an approximate financial saving of circa £28k.
- **Insourcing of TMV (Thermal Mixing Valve) maintenance.** As another continuous improvement item VINCI has successfully insourced the TMV maintenance from a subcontractor. This will provide a more efficient, reliable, and cost-effective service.

## 3. Conclusion

The Board is asked to review performance of year seven and the interim report for year eight. Corporate Property is continuing to work hard to deliver and identify further opportunities for efficiencies, savings and to work more effectively within the One Team.

## 4. Consultation

### a) Risks and Impact Analysis

Not Applicable

## 5. Background Papers

No background papers within Section 100D of the Local Government Act 1972 were used in the preparation of this report.

This report was written by Stuart Wright, who can be contacted on 07872 675264 or by email at [stuart.wright@lincolnshire.gov.uk](mailto:stuart.wright@lincolnshire.gov.uk).