

# Housing, Finance & Corporate Services Policy and Scrutiny Committee

<b>Date:</b>	Wednesday 13 April 2016
<b>Classification:</b>	General Release
<b>Title:</b>	Total Facilities Management – Performance and Contract Report
<b>Report of:</b>	Debbie Morris
<b>Cabinet Member Portfolio</b>	Cllr. Tim Mitchell <a href="http://www.westminster.gov.uk/cabinet">www.westminster.gov.uk/cabinet</a>
<b>Wards Involved:</b>	All
<b>Policy Context:</b>	City for Choice / Heritage / Aspiration
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## 1. Executive Summary

- 1.1 This report provides an overview of the Total Facilities Management (TFM) service that was implemented in October 2013. It covers both the outsourced service provider (Amey) performance and information on the in-house FM team (LINK) working for the Tri-Borough Councils, including added value and objectives.
- 1.2 As this is the first time since the implementation of the TFM service that a report has been issued to WCC Scrutiny, the report aims to cover background information on the service provided, a comparison to the service provided prior to implementation and current issues.
- 1.3 The report also details what has gone well and what changes are required in order to improve service delivery. As a summary:  
  
What has gone well
  - Saving realised immediately of over £1,200,000 pa for WCC with significant ongoing annual savings

- As the contract is fixed price, there is cost certainty throughout the contract
- Performance measurement has been introduced via Key Performance Indicators
- Response times for tasks have been introduced
- Property data has been reviewed and is more comprehensive, giving confidence in understanding across our estate
- The estate is now 100% compliant and in line with statutory requirements
- Various additional improvements and savings have been implemented for the Council such as identifying duplication of costs for depots and implementation of Fire Plans for all operational buildings

#### What has not gone so well

- Transition of the FM contract was not completed effectively which has meant several restructures, turnover of staff within Amey and service levels dropping
- Setting up of the in-house team at the same time as outsourcing of FM has meant that the FM team has focussed on management set up, clarity of data and compliance rather than physical audit and has led to a lack of visibility within the buildings
- Inaccurate data at outset has meant additional work has been required to get to a confident position (with regards to statutory compliance) with focus taken off service at building level
- KPIs are focussed on statistics and should be more quality focussed
- The contract standardises service levels and requirements and is not reflective of specific needs for types of building users
- Poor due diligence and handover at outset has meant that equipment such as lifts were not highlighted for replacement immediately and therefore multiple repairs have been required with lengthy lead times, as parts that are obsolete have needed to be manufactured

#### Improvements being made

- Amey have replaced key members of staff and are now focussing on improving service delivery. This has included recruiting an Account Manager for each borough rather than one Tri-Borough Account Manager as detailed in the bid
- The LINK has been restructured to focus on service delivery and improvements, with a specific role being dedicated to audit and verification
- The LINK are now splitting their time between Kensington and Westminster to enable more visibility and building focus
- KPIs are currently under review to take in to account the quality of service provided and customer perception
- A review of specific requirements is planned to be undertaken with a role within LINK being dedicated to strategy and improvements. This will enable us to fully understand and appreciate business unit requirements and strategy, changing the contract accordingly
- The Customer Service Excellence programme is being re-established via the new LINK Communications Manager to improve service delivery throughout the contract



## **2. Key Matters for the Committee's Consideration**

- 2.1 This report has been written to provide information on the Facilities Management services provided and to advise Councillors of current objectives/changes planned.
- 2.2 No decisions are required but the intention is to obtain valuable feedback on the perception of the service delivery in order for consideration to be made with regards to taking the service forward.

## **3. Background**

- 3.1 A Total Facilities Management (TFM) contract was awarded to Amey Community Ltd (ACL) in June 2013 for the provision of services on a Tri-Borough basis for London Borough of Hammersmith & Fulham (LBHF), Westminster City Council (WCC) and Royal Borough of Kensington and Chelsea (RBKC). In addition, there is a framework contract which allows Amey to provide FM services to other London Boroughs and schools.
- 3.2 At the same time an in-house team was set up to manage the service provision on a Tri-Borough basis, as it was requested by all bidders that the contract was managed by one Client team. This team was renamed the 'LINK' during mobilisation and was given the remit of ensuring the TFM contract was mobilised effectively, transitioned to incorporate the contract requirements and longer term, transformed in to a contract providing service excellence throughout the Tri-Borough.
- 3.3 The LINK is also in place to devise and drive forward FM strategy for the Tri-Borough, ensuring innovation and greater estate knowledge is embedded both within the business and the contract.
- 3.4 Initially, the Business Case approved by the three Cabinets set a target of £2 million of savings per annum to be achieved at the conclusion of the tendering exercise. This target has been exceeded, and based upon the current solution, has identified average net savings of approximately £6 million across the three boroughs in the first year and more when further contracted efficiencies are realised.

### Statutory Compliance

- 3.5 Statutory compliance is a level of maintenance requirement for various plant and equipment that is dictated by law. Although not contractually binding, the expectation was for the estate to be 100% compliant at handover to Amey/LINK – this was not the case.



- 3.6 **Appendix 1** shows the level of compliance at handover, however the real level of compliance was lower as various equipment and associated maintenance were missing altogether.
- 3.7 The Service Matrix (which details which services and buildings are covered by the provisions of the Contract) was re-visited during mobilisation, resulting in over 4,135 individual changes, 1590 (38%) of which were changes to the WCC data. Therefore, significant changes and additions had to be made to the maintenance regimes, help desk data and contract to pick up these additional service requirements. This has led to a much more comprehensive understanding of our estate.
- 3.8 As non compliance can lead to prosecution, this has been a priority for the LINK, who have been validating 100% of certification to ensure documentation and compliance is accurate.

#### Key Performance Indicators

- 3.9 Since the start of the TFM Contract, Amey have been measured on a suite of 13 Key Performance Indicators (KPIs) and these have been continually developed to meet the Borough's needs, with the last amendments coming into effect from July 2015.
- 3.10 Dependent upon Amey's overall performance across the suite of indicators, financial deductions are imposed by the enforcing of the Payment and Performance Mechanism within the Contract. There has been a gradual but continual improvement in Amey's performance, however many of these improvements have been seen in quantifiable measures. The next KPI revisions that will be implemented from 1<sup>st</sup> October 2016 will shift some of the focus to more qualitative measures.

## 4. Savings Realised

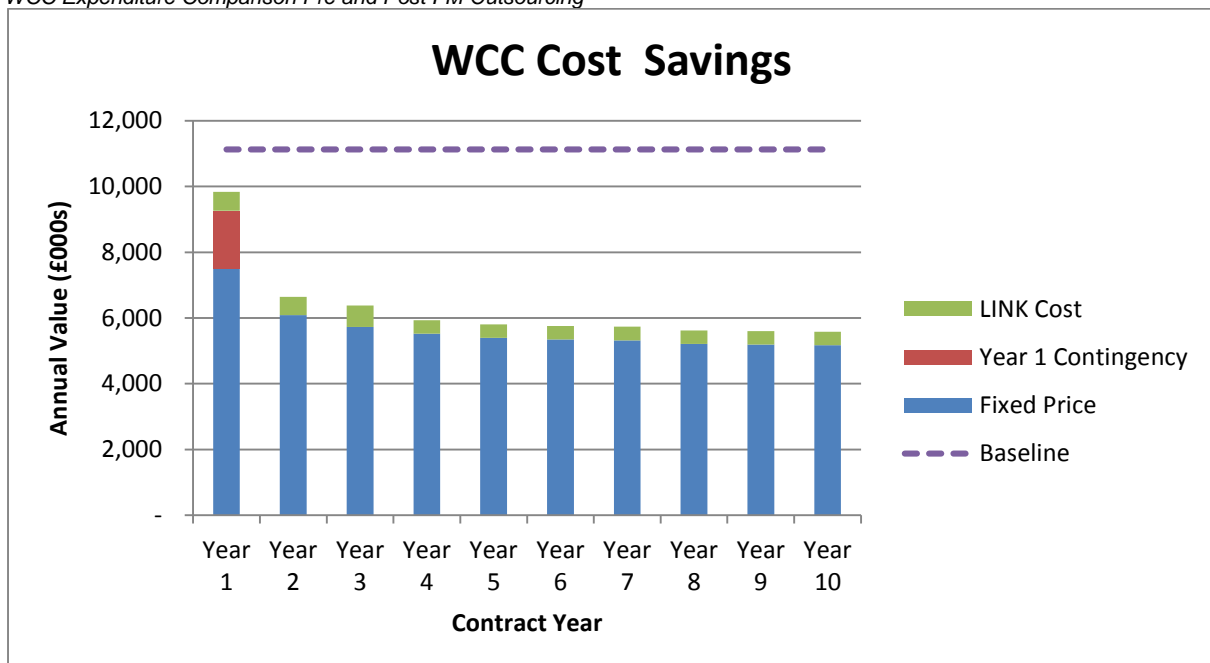
- 4.1 Over the ten year term the Amey contract, the forecast is to deliver approximately £79m of savings for the 3 Councils against its previous expenditure on Facilities Management. It is hoped that these savings will go some way to releasing the financial pressure on front line Council services. Specific WCC savings are detailed in **Appendix 2**.
- 4.2 As the contract is a "lump sum fixed price" the Councils have certainty of costs and certainty of savings. The Councils have achieved these savings through the following two ways:
- The grouping of services to achieve economies of scale
  - Pan-London FM framework
- 4.3 By grouping c.2000 different sites across three London Boroughs into one contract, Amey is able to standardise service, allocate its overhead and hedge its risk over a far greater estate than one London Borough could individually



achieve. This has resulted in greater economies of scale and a technical efficiency that is reflected in the savings.

- 4.4 A Pan-London FM framework accompanies the Amey contract; this allows other London Boroughs to call off to provide similar services to those already used by the 3 Councils. The benefit of this accompanying framework is that Amey has guaranteed an additional £12.5m discount over the term of the contract. In addition to the guaranteed discount, should revenues from the framework be greater than £250m, then Amey and the 3 Councils would share any profit over this value 50%/50%.
- 4.5 The graph below illustrates the pre and post FM outsourcing expenditure on facilities management within WCC. The gap between the stacked columns and the baseline value represents the annual savings, which increase over the term of the contract. This is specifically detailed in **Appendix 2**.

WCC Expenditure Comparison Pre and Post FM Outsourcing



- 4.6 As there were such significant savings for the Tri-borough, it was agreed between CEOs to each hold a contingency of 15% of the contract value to be used for any unforeseen risks or scope creep. This was to be held for the term of the contract, however as only £100,000 was required after the first year, the Councils removed the contingency going forward.
- 4.7 In addition to a reduction in contract costs, the LINK budget decreases in Years 4-10, reflecting the change in LINK Structure which comes in to effect from 1<sup>st</sup> April 2016.

## 5. Added Value

- 5.1 Whilst the intention of LINK was originally to manage and oversee the outsourced FM contract, it soon became apparent that there were other areas within FM (and indeed the Councils) that would benefit from improvement.
- 5.2 LINK has therefore worked with the Councils to implement these improvements and has added value within the business. Some of these improvements have been detailed below:
- 5.3 Tri-Borough Compliance Board - As a Tri-borough service, LINK recognised that there were inconsistencies with the delivery of compliance within the 3 Councils. Therefore LINK set up a Compliance Board which consists of Health & Safety representatives for each Council, LINK representative and schools representatives. The Board is chaired by the RBKC Director of Corporate Property. To date, various improvements and standardisations have been made.
- 5.4 WCC Operational Building Fire Plans - LINK identified a shortfall of fire plans within all WCC operational buildings. Some did not exist and those that did varied widely in format, content and legislative compliance. The original proposal submitted to the Director of Property and the Head of the Operational Estate in April 2015 indicated that some 55 buildings were potentially eligible candidates for fire plan production.
- 5.5 As the project progressed, it became clear that a number of additional properties needed to be added to the project.
- 5.6 Since the completion of the project, some 86 buildings have been reviewed and their requirement for a Council produced fire plan assessed. This included the identification of a number of Children's Centre's that did not feature as part of the FM contract.
- 5.7 Of the 86, 34 buildings required council produced fire plans - these have been completed and issued to Premises Controllers and WCC Corporate Health & Safety for comment. LINK will continue to support the Premises Controllers in fine tuning these plans alongside the WCC Corporate Health & Safety team.
- 5.3 WCC Compliance - The WCC Compliance Recovery Project was originally commissioned in February 2013 to address a wide range of statutory compliance issues across the Councils operational portfolio. It consists of four separate phases:
- PHASE 1 – Compliance Status Review exercise
  - PHASE 2 – Provision of Compliance Documentation
  - PHASE 3 – Identification & Implementation of remedial actions
  - PHASE 4 – Compliance Monitoring Strategy





- 5.6 The initial recommendation for the programme had been put together by the Corporate Property team and had been approved by the Executive Management Team. However, with staff leaving the team, this project had not been taken forward. LINK proposed to the Corporate Property Director that they take responsibility for programming and delivery of this project. Since Q2 2015, LINK has reviewed the compliance documentation obtained from the previous phase and proposed an enabling project review of all remedial works identified within the compliance documentation. The aim of this was to undertake a comprehensive review of the documentation, identify and classify all required remedial works, produce a detailed works specification and budget costs that were meaningful and appropriate to cover all WCC legal and operational responsibilities. The specification was then able to be tendered out to ensure consistency and value for money was obtained from the tendering exercise.
- 5.7 The original budget figure for the required works was £983,000. The enabling project review achieved, through value engineering and forensic analysis of the operational portfolio, a reduction in cost to £525,000 against the original budget figure. This was achieved without the need to reduce the scope of the project, enabling the Council to fund the closeout of outstanding legacy compliance issues across the whole operational portfolio. All remedial works are currently underway and are on schedule for completion by the end of Q2 2016.
- 5.8 Duplication of FM costs at WCC Depots - LINK reviewed the Westminster City Council's depot leases and identified that building maintenance should have been undertaken by the Waste Mgmt Contractor (Tenant) and not WCC. Effectively the Council was paying both the Tenant and Amey (TFM Contractor) to undertake the same works, duplicating many works and costs. The historic overspend was calculated at circa £1.1m and several existing capital projects were immediately reduced or cancelled due to the responsibilities clarification provided by LINK – the actual additional savings achieved have yet to be quantified. An options and recommendations paper to resolve this issue going forward was issued to WCC for review and implementation.
- 5.9 Energy Management (WCC/RBKC) - LINK currently employs an Energy Manager for both RBKC and WCC funded directly by each Council outside of the TFM LINK Fee. The Energy Manager's role has a wide scope incorporating energy procurement, statutory legislation and compliance responsibilities, budget management, invoice reconciliation and payment, energy saving initiatives and carbon reduction management. The role requires both management and strategic skills plus there is a considerable day to day workload.

#### Financial Savings:

- WCC: Developing energy reduction schemes for the Westminster Central Archives Building with a capital fund of circa £170,000 to create a green corporate flagship.
- Effective risk management and proactive CCS management of utility procurement has realised savings of circa £167,000 per annum for the two boroughs.
- Proactive portfolio management ensuring buildings are added into the CCS procurement framework or removed if meters and/or buildings are not used or are no longer the boroughs responsibility has realised savings of circa £22,000 per annum for the two boroughs.
- Effective management of the CRC carbon allowances has realised savings of circa £450,000 for the two boroughs.
- There are also significant fines for not keeping and producing data with regards to CRCs. This can result in each Council potentially receiving fines of c£600,000 per annum. No fines have been received to date following the Energy Manager's efforts.

## 6. Customer Service Excellence Programme

- 6.1 During the second and third years of the contract, there has been a shift in focus to improve customer satisfaction and perception. In order to deliver this, a programme has been developed that includes the publication of a Customer Charter, obtaining accreditation to the national Customer Service Excellence Standard, a realignment of processes and procedures and staff training and cultural change management that will support this initiative.
- 6.2 This initiative presents an opportunity to transform FM delivery by focussing on what the customer needs, providing a better FM service that supports the operational needs and ensuring that staff will be engaged, trained and motivated. Accreditation to the standard will act as a driver of continuous improvement and as an independent validation of achievement. An initial assessment was carried out in October 2015, and whilst rectification on all actions identified stalled due to the lead staff member leaving, LINK has now recruited a Communications Manager to lead the project and drive it to conclusion.

### Improvements in Hand

- 6.3 There are a number of additional service improvements in hand including:

#### TFM Helpdesk

- Increasing staffing levels to improve the service and increase response times
- Training staff on how to better look after customers
- Reducing the backlog of non-urgent tasks





- Improving communication with callers to determine which tasks are high priority

#### Operations

- Allocating dedicated Facilities Managers (FMs) to each business unit e.g. one FM responsible for Corporate building, one for Libraries, one for Adult Social Care etc to better understand service requirements and to have one point of contact
- Dedicated Account Manager per borough to be a senior point of contact for customers and focus on borough specific issues
- The re-establishing of Building User Groups for the Corporate buildings (City Hall, Lisson Grove)

## 7. Value for Money

- 7.1 To provide value for money, LINK ensure that all additional works are priced in accordance with the contract terms and the WCC constitution. In addition to this, the breadth of supplier-side technical experience within the LINK team also ensures that the Councils are not overcharged.
- 7.2 The fees paid to Amey for project works have also been benchmarked against other professional services frameworks and the fees previously paid by WCC prior to Amey, this has achieved savings of c.10%. In addition, LINK has negotiated greater risk transfer to Amey than previously thus reducing total project costs and giving certainty over costs.
- 7.3 To ensure that the contract offers value for money over the term of the contract, it is a requirement that the contract is benchmarked at the third and sixth anniversary. If the contract is found to offer poor value for money then the Council has a right to reduce the contract value. If the contract is found to offer excellent value for money then the Councils get the benefit of this.
- 7.4 In reality, as the London construction and facilities market has awoken from a deep recession and demand is starting to outstrip supply, tender prices are beginning to rise at a greater rate than general inflation. If this continues to happen then the contract will only offer greater value for money as the price is fixed for the term of the contract.

**If you have any queries about this Report or wish to inspect any of the Background Papers please contact Debbie Morris x3189  
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## **APPENDICES:**

**Appendix 1** – Statutory Compliance Handed Over at Contract Start

**Appendix 2** – WCC Costs & Savings over the 10 Year Term of the FM Contract

## **BACKGROUND PAPERS**

N/A



## Appendix 1 – Statutory Compliance Handed Over at Contract Start

	WCC			
	Required	Received	Outstanding	% Complete
Passenger Lifts (6M)	56	49	7	87.50%
Goods Lift (12M)	6	6	0	100.00%
Lifting Beams (12M)	17	16	1	94.12%
Eye Bolts & Safety Lines (12M)	1	0	1	0.00%
Harnesses and Ancillary Equipment (12M)	0	0	0	100.00%
FRA	84	1	83	1.19%
Fire Fighting Equip (12M)	146	140	6	95.89%
Fire Alarm Maintenance (12M)	105	94	11	89.52%
Emergency light testing (12M)	105	97	8	92.38%
Dry Risers (12M)	2	2	0	100.00%
Sprinkler Systems (12M)	7	3	4	42.86%
Fixed electrical installations (5Yr)	197	195	2	98.98%
Portable electrical appliances (12M)	39	15	24	38.46%
Lightning Protection (12M)	50	41	9	82.00%
Boiler (12M)	107	92	15	85.98%
Flue (12M)	107	92	15	85.98%
Gas Pipework (12M)	107	92	15	85.98%
Catering Equipment (12M)	0	0	0	100.00%
Asbestos (12M)	140	115	25	82.14%
L8 (2Yr)	171	164	7	95.91%
Written Schemes of Work (12M)	0	0	0	100.00%
DEC (2Yr)	58	58	0	100.00%
Air Con Over 250kW (5Yr)	14	0	14	0.00%
Air Con over 12kW (6Yr)	0	0	0	100.00%
F-Gas (12M)	41	40	1	97.56%
	<b>1560</b>	<b>1312</b>	<b>248</b>	
<b>% received</b>			<b>84.10%</b>	

## Appendix 2 - WCC Costs & Savings over the 10 Year Term of the FM Contract

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Total
LINK Cost	571	550	649	411	411	411	411	411	411	411	4,647
Year 1 Contingency	1,755	-	-	-	-	-	-	-	-	-	1,755
Fixed Price	7,509	6,092	5,730	5,520	5,393	5,347	5,322	5,212	5,194	5,169	56,488
<b>Total cost of FM from 1/10/13</b>	<b>9,835</b>	<b>6,642</b>	<b>6,378</b>	<b>5,931</b>	<b>5,804</b>	<b>5,758</b>	<b>5,733</b>	<b>5,623</b>	<b>5,605</b>	<b>5,580</b>	<b>62,890</b>
Baseline costs pre TFM	11,127	11,127	11,127	11,127	11,127	11,127	11,127	11,127	11,127	11,127	111,270
Saving	<b>1,292</b>	<b>4,485</b>	<b>4,749</b>	<b>5,196</b>	<b>5,323</b>	<b>5,369</b>	<b>5,394</b>	<b>5,504</b>	<b>5,522</b>	<b>5,547</b>	<b>48,380</b>