

PERFORMANCE SCRUTINY COMMITTEE – 26 SEPTEMBER 2013

THE PROPERTY & FACILITIES CONTRACT WITH CARILLION

Report by the Director for Environment & Economy

Introduction

1. Following an extensive procurement exercise which was a result of the council adopting the 'driving change' business case to develop an integrated property and facilities management contractual arrangement, Carillion were appointed as the main contractor to deliver services for a 10 year period, with the potential for a further 10 year extension. The contract has an annual value of around £33 million which varies annually depending on the value of construction work undertaken.
2. Although Carillion planned to form a joint venture with Capita Symonds, late on in contractual dialogue, Capita Symonds announced that they were unable to progress along these lines. This resulted in them becoming a traditional sub-consultant to Carillion.
3. The contract commenced on 1st of July 2012. Works included in the contract include Capital Construction; by adopting a Design & Build approach to Capital construction for projects below £5m in value (it was estimated that a 3% an efficiency saving could be achieved), strategic asset management, transactional estates work, energy, facilities management including cleaning and catering, repairs and maintenance of all buildings, health and safety in relation to staff and buildings. The majority of these services have been outsourced since 1992, with the former QCS cleaning, and the FwT catering service being included in an outsource contract for the first time. The demands of the contract are diverse and extensive. To ensure that all works have good governance arrangements and service implementation is coordinated and managed a robust programme management unit is an integral part of the overall management structure.

Background to the appointment of Carillion

4. On the 6th October 2010 the County Council Management Team (CCMT) approved the Property & Facilities Business Case: Oxfordshire Property Driving Change. The business case proposed a fundamental change to the Councils role and how services were to be delivered during a period of unprecedented change within the public sector, including reduced funding, with an increased expectation of service improvement. The business case set out the fundamental link between strategic asset planning and Council objectives, allowing the Council to develop capability in and focus on the

strategic objectives, with an integrated service provider taking responsibility for project and operational activities.

5. The business case recommended integration and co-location with the private sector delivery partner to deliver direct efficiencies and improved service outcomes managed by a lean client and with a substantial outsourced supply chain. These proposals were incorporated into the Environment & Economy budget recommended to Council in February 2011 which included a revenue savings target of £550k, based on the forecast efficiency savings by adopting this approach. The recommendation was approved and included in the Council's Medium Term Financial Plan. (MTFP)

Contract Mobilisation

6. The Contract had a mobilisation period of 10 weeks (19th April to 1st July 2012). For a contract of this size and complexity this was an extremely short timetable. Carillion secured a partnership office at Cuffas Lea House, Cowley. Mobilisation involved the setting up of a local helpdesk, and the mobilisation of 10 work-streams and the systems to support delivery. Over 700 staff TUPE transferred to the partnership from Oxfordshire County Council, Mouchel (the outgoing service provider) and local supply chain including two apprentices. To mobilise the contract in such a short period was a significant achievement. The progress on contract mobilisation was reported to the Strategy & Partnerships Scrutiny Committee on the 29th November 2012.

Current contractual position

7. The target operating model was implemented on the 1st March 2013. The contract has three phases; mobilisation, transition and optimised service. Carillion are now in the service optimisation phase of contract implementation which concludes in December 2013.
8. The size and diversity of this contract, a 10 week mobilisation period, and a very diverse and disparate group of staff that transferred into Carillion across all the services has made the first year of the contract challenging. Similar to any major organisational change, the people and the services on this contract are going through the change curve at different rates of change. That said all now understand and are supportive of the Councils original objectives. There have been some significant successes, balanced against several areas in need of improvement.
9. There are some critical service areas in need of improvement including;
 - Estates
 - Energy
 - Design & Construct processes
 - Use of information technology

10. To strengthen the Strategic focus of the contract and the ability to co-ordinate effectively within the Council Carillion are developing a new management structure which will strengthen and integrate the important role of the Programme Management Office. In addition the County Council have recognised the need to develop and improve their contract management and are introducing improved management arrangements.
The new Carillion structure is planned to be implemented imminently. In addition the contract performance reporting mechanisms need improving to ensure performance is accurately measured and objectively reviewed to allow the service to be developed and improved,. In addition Carillion will implement 'ServExcel' a specialist client and customer feedback system, which will help Carillion report accurately on client and customer feedback, and objectively identify areas that the contract needs to improve. ServExcel will be implemented across the contract from September, feedback will be obtained from front line customers, and the wider client directorate and contract management team.
11. The contract includes the introduction and use of several information technology software programmes. Discussions are taking place to ensure that relevant programmes are implemented and managed in line with contractual requirements.
12. The Council needs to continue to strive to achieve a number of the original objectives set out in the driving change business case, in particular:
 - A simplified workload commissioning process
 - Clear strategy and planning responsibilities identified by an intelligent client function
 - The centralisation of budgets to enable a single corporate landlord unit to coordinate all property and facilities matters has not been implemented fully.
13. In addition further work needs to be carried out on the quality of the annual work plan process, and project briefings. Until these are resolved fast and effective delivery will continue to be a challenge. Notwithstanding the aforementioned by continuing to address the challenges faced in the partnership, working together as one team, it is clear from the progress made to date that the ambition set out in the driving change strategy should be realised.

Service Delivery and Performance

14. Attached as annex 1 is Carillion's first year review report which focuses on transition during the first year of the contract.
15. Contract performance is measured through Key Performance Indicators (KPI's). There are 16 main KPI's which have sub-indicators underpinning them. In addition there are 14 Operational Performance Indicators. The KPI's are listed in the following table.

PROPERTY & FACILITIES KPI's	
KPI 1	Strategic Asset Management – Estate financial efficiencies and other benefits realised in accordance with the asset strategy and requirements of the related implementation programmes (including asset rationalisation, locality reviews, new ways of working etc.) or other alternative strategic solutions or models that enable the Council to achieve best value through Asset Management.
KPI 2	Strategic Asset Management – Estate size reduced in accordance with requirements of the asset rationalisation programme and of other strategic programmes.
KPI 3	Contract Management quality.
KPI 4	Performance levels achieved as set out in the Scope of Services & Requirements.
KPI 5	Co ₂ Emission and Energy Use.
KPI 6	Portfolio delivered to Time and Budget.
KPI 7	Customer Satisfaction.
KPI 8	Office Efficiency.
KPI 9	Annual reduction in the number of Reportable Accidents or Incidents.
KPI 10	Reduction in repairs backlog for School and non-School estate.
KPI 11	Asset Register (Building and Fixed Assets) and associated condition data is current with no backlog.
KPI 12	All Capital Programmes (excluding those projects classed as high risk which are measured in KPI 13) developed and delivered to time and budget.
KPI 13	All high risk Capital Programmes developed and delivered to time and budget.
KPI 14	Statutory Compliance achieved each year for the entire estate.
KPI 15	Meet Food Standards for Food with Thought.
KPI 16	Socioeconomic Regeneration.

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16. Although KPI's formed part of original contract documentation, measures to monitor performance were not fully developed. Dialogue has taken place during the first year of the contract to develop these. Attached as Annex 2 are KPI's that have been agreed and are operating. Annex 3 identifies those KPI's where measures are being finalised.

Governance arrangements

17. The contract includes two governance groups to ensure that the contract is delivering planned outcomes and that any contractual issues are raised and resolved. The property and facilities operations board (PSOB), chaired by the Deputy Director, Commercial in Environment & Economy, deals with operational aspects and meets monthly. In addition a strategic partnership board (SPB) meets quarterly and is chaired by the Director of Environment & Economy and includes the portfolio holder for property & facilities and Senior Directors from Carillion. This group ensures that there is a strategic overview of the contract, deals with any issues escalated from PSOB and considers future efficiencies and improvements.

Engagement with stakeholders

18. Communication is recognised as being in need of improvement. This is particularly so in schools where there are many individual stakeholders. Carillion have recognised this and have appointed a member of staff dealing solely with communications.
19. A contract of this size and complexity demands new ways of thinking and changes in cultural behaviours of stakeholders. An extremely important aspect in helping learning and understanding is communication. During the first year dialogue has taken place with the schools forum services and contract sub-committee, meetings have been held on site with Head Teachers and school governors when any specific concerns have been raised. The council's contract manager and senior managers from Carillion have attended the North, Central and South school partnership groups in September. A briefing has been given to all tier 3 service managers informing them about operational arrangements and receiving feedback on any issues and concerns that they had. Further briefings and engagement of stakeholders are planned during the coming months.

Schools

20. The contract includes both the council's corporate estate and schools. In the corporate estate all Property & Facilities services are offered. In schools, recognising a move towards academy status and the delegated authorities of maintained schools, limited services are offered. Schools have freedom to choose their own cleaning provider, but the council offer through Carillion a full managed service: providing both staff, equipment and cleaning

materials .Absence/sickness cover is included within this service. The provision of consumables. Portable Appliance Testing of cleaning equipment are undertaken by the Service Provider.

21. In terms of catering, Carillion provide meals to primary schools. Again schools have freedom to choose other providers if it so wishes.
22. Site Health, Safety & Well-being compliance and limited planned preventative maintenance is carried out in schools by Carillion on behalf of the council. The planned maintenance activities delivered through the contract are limited to:
 - Lift testing and inspection for insurance certificates
 - Five yearly fixed wire testing
 - Annual lightning conductor testing
 - Twice yearly water hygiene risk assessments
 - Periodic swimming pool water quality testing (not statutory)
 - Inspection of extract ventilation systems to fume cupboards, laboratories and workshops
23. When schools become academies, these activities become the responsibility of the school and they are free to choose alternative service provider. All other planned or reactive maintenance is the responsibility of the school and they are free to choose their own provider.

Financial Implications

24. There are no specific financial implications in this report

Legal Implications

25. Professional consultants Turner & Townsend and legal experts, Sharpe Pritchard advised the council throughout the contractual preparation, dialogue, evaluation and appointment of the contractor. Legal colleagues were key members of the council's project team.
26. In the first year of operation dialogue has been maintained with legal colleagues and will continue to take place on any contractual issues warranting clarification

Risk Implications

27. Comprehensive risk logs are maintained by the County Council and Carillion. These are considered by the property services operations board at each meeting.

RECOMMENDATION

- 28. The Performance Scrutiny Committee notes the performance of Carillion in the first year of the property and facilities contract and recognises both the successes and areas for improvement moving forward.**

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Background papers:
'Driving change' strategy for the management of property and facilities
Cabinet reports leading up to the award of the contract

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11 September 2013