

Facilities Management Group

Background

- From 1995 to 2000 facilities management for the Abbey Wood site was procured through two separate contracts, one delivering Hard FM (building infrastructure), the other Soft FM (cleaning and catering etc.). In 2000 this strategy was changed where one Total Facilities Management Contract (TFM) was let over a 7 year term, combining both disciplines to overcome interface issues. The Contract was let in December 2000 by a Contracts Branch in Glasgow with the main project team based at Abbey Wood.
- The soft services sections of the Contract have been compiled using detailed and tailored information generated from intelligent customer teams and original services provider. Combined with the Contract Branch experience in this field, the soft services elements of the contract were comprehensive and universally understood.
- Hard Services were addressed separately by importing a generic DE WSM style contract into the document. The rigid deliverable nature of this style of contract, and the 'bolted-on' application did not engender the integrated approach sought or allow for innovative delivery.

Some Early Problems

- Once the TFM Contract was let the level of commercial support was not considered to require dedicated resource and responsibility was passed to the Commercial Services Group (CSG) in Abbey Wood.
- With there being no dedicated commercial support appointed at the start of the contract no-one within the MOD 'owned' the contract. As a result contract administration was lacking and documents were not filed properly.
- The DE WSM style contract has served its purpose in enabling the TFM Concept to be put into practice in one of the first integrated applications of this type. Delivery has been compliant and satisfactory however the principles of the contract did not sit comfortably with DPA's vision for the TFM Concept in relation to procurement methodology and stifling of innovation. Using DE's Spec 005 approach to contracting did not offer the budgetary certainty, financial controls and commercial process inherent within DPA's own procurement processes.
- DPA were not fully conversant with the Spec 005 approach to the administration of the Estimated Annual Value (EAV) for works. In addition the soft services financial and commercial processes used a different mechanism which was familiar to the organisation. As a result DPA were not comfortable with the commercial process associated with procuring works services perceiving weaknesses in relation to SOW, acceptance criteria, pricing mechanism and payment verification process.
- It is not clear from the start whether the Defence Bills Agency (DBA) and the MoD staff at Abbey Wood understood the diverse range of payment mechanisms associated with the TFM Contract.

In Summary;

- A Difference in the understanding and expectation of the Contract on both sides was evident from the very outset, with particular emphasis on hard services.
- Not enough time was set aside to negotiate the new Contract. The re-let stated just 18 months prior to award.
- The tenders only carried out one site visit.
- The control process at the DBA was described as a 'bit hit and miss' and there is little staff at the DPA can do to control processes at the DBA.
- The Contract was too segmented in structure making mutual understanding and managing very difficult for both parties.
- At the time of letting there was little or no specialist within the Facilities Management Group that could comment on the commercial aspects and implications of the contract with regard to Specification 005. Defence Estates were asked for comment but were not heavily involved.
- No proper due diligence process was followed after contract award.

What has changed?

- It was identified that the size and diversity of the TFM Contract required dedicated commercial support. This resulted in the appointment of a Senior Commercial Officer in November 2003. A key objective of this role was to work with the TFM Provider to develop a new integrated TFM solution to deliver all out of scope works. This would incorporate DPA procurement principles wherever possible within the existing TFM Framework.
- To achieve this change a new delivery philosophy had to be developed between MoD and the TFM Provider.
- Working closely together, significant development has been achieved. In the introduction of new pricing mechanisms and commercial administration and Management of the annual Planned Maintenance Programme.
- Milestone payments have now been introduced on new amendments where appropriate which gives an added layer of leverage to the MoD when it comes to making payments.
- In the delivery of DE Specification 005 there is an ingrained mindset which has presented a challenge for both parties to overcome. The introduction of risk transfer and alternative pricing mechanisms introduces a need for new skill sets of which this includes a higher degree of commercial acumen. The benefits of achieving this mindset change can appear simple but are significant. In relation to the PMP traditionally 50 interim payments in a 9 month period could be expected. Under the DPA philosophy introduced, this has been reduced to just four. This has the added benefit of reducing payment administration costs throughout, including DBA.
- Although Spec 005 still forms part of the contract further significant changes have been introduced which has been to the benefit of both parties. This is a continuous process aligning DPA procurement principles where possible with the TFM Contract.
- As Spec 005 forms an integral part of the current agreement it is recognised that it is not feasible to alter the main contract framework until the contract comes up for renewal. However, with objective Commercial support in place contract administration and amendment process is now effectively controlled.
- The contract is up for renewal in December 2007. Work has already started on the re-letting process where the new contract will be compiled to reflect the procurement principles currently recognised as being best practice within the DPA arena.

- The current contract contains over 100 Key Performance indicators. Although covering an extensive and diverse contract this volume is impractical for effective monthly monitoring. A more focussed and consolidated solution will feature as key deliverable in any new contract.
- Through creating a joint new delivery philosophy and the introduction of strategic changes both parties now enjoy the benefits of having clear direction and visibility of process and information.
- The TFM Contract has been through a difficult process of change. The strong relationship built at the start of the contract has stood both parties in good stead during difficult times where the relationship is now considered stronger for it.
- Continuous development of the new philosophy is required where the DE philosophy still drives some of the procurement processes. Specific areas will be targeted to bring them in line with DPA best practice.
- There remain challenges to the contract which MOD and TFM Provider are continuing to explore together. An example of this relates to the application of output based specifications and in particular the occasional difficulty in defining measurable and mutually acceptable acceptance criteria. This has been experienced such diverse tasks as cleaning, or the introduction of bird control.
- Within the DE Specification financial and probity control dictates a low monetary value above which all works must be competed. This can be very onerous on the TFM Provider and small businesses where the Provider is currently exploring alternative methods of contracting works.

The Contractor has always performed well within the constraints of the original contract scope and philosophy. With the positive move to introduce new commercial processes and practices within hard services, both parties now benefit from improved working practices, commercial administration and budget management.