

Constructing Excellence Wales (CEW) Review – Briefing November 2015

1. The Council's building maintenance framework commenced in June 2013.
2. The purpose of this briefing paper is to provide a summary of the findings of the recent CEW review into the framework and show the progress that has been made to date with regards to delivering the recommendations. Attached to this briefing paper members will find a copy of the CEW Review Executive Summary, together with an up to date version of the Action Plan officers have been progressing since receipt of the CEW review.
3. The building maintenance framework plays a key role in the way the Council manages both its "domestic" and "non-domestic" estate.
4. Towards the end of the first year of its life (June 2014) it was decided that the framework would benefit from an independent review – CEW were approached due to their experience in reviewing frameworks on behalf of the public sector. Examples of other reviews they have done include the health sector's Design for Life programme, the South East Wales highways Framework, and the "SEWSCAP" schools framework.

Key features of the Framework Agreement

5. To assist in understanding the mechanisms of the framework, the following paragraphs highlight the framework's key features.
6. The framework was established as a mechanism to allow the Council to procure building maintenance services on a "call-off" basis from a number of "pre-qualified" Contractors.
7. Services are categorised as domestic (housing), non-domestic (essentially public buildings including schools and commercial premises) and disabled adaptations (disabled facilities grant works).
8. The framework agreement is divided into the following five Lots, and a series of providers were appointed to each Lot (see Appendix 1 for details):

Lot 1	domestic general building
Lot 2	non-domestic general building
Lot 3	domestic mechanical and electrical
Lot 4	non-domestic mechanical and electrical
Lot 5	disabled adaptations

9. There are two key mechanisms within the framework for ordering works:
 - the cascade approach - here a job or order under £30,000 in value in Lots 1, 2, 3, and 4 always goes to the number one ranked provider. If the ranked one bidder

cannot undertake the work (usually due to capacity issues) then the work is cascaded down the ranking.

- the mini-competition approach - here a job or order over £30,000 in value in Lots 1, 2, 3, and 4 is awarded via mini-competition between all of the appointed providers on the relevant Lot.
10. In Lot 5, owing to the law relating to disabled grants, the differentiating value for deciding whether to use the cascade or mini-competition route is £36,000, i.e. if an order is above £36,000, a mini-competition is undertaken.
 11. Estimated ratios of cascade work to mini-competition work per Lot per annum (to support the tender evaluation process) were put together prior to the procurement process with the assistance of all relevant sections of the Council (see Appendix 2 for these details).
 12. It should be noted that in the context of low value works in Lots 1, 3 and 5 (the domestic lots) the vast majority of works are ordered using schedules of works that have been developed by the key user, Community Maintenance Services (CMS) over a number of years.
 13. In contrast, the service area that predominantly use Lots 2 and 4, Facilities Maintenance (FM) were to utilise industry standard schedules, the “National schedule of Rates”(NSR). This was a “new” approach for FM and they had no schedules of works which the project team could use as part of the procurement process.

Review Focus and Review Process

14. The CEW review focussed on:
 - a) how the framework is performing against its core objectives;
 - b) how it measures against the UK Government’s ‘Effectiveness of Frameworks’ criteria;
 - c) how key stakeholders view the provision of services; and
 - d) how cost effective the services are in a broader value for money context.
15. The review process was based on three elements:
 - a) interviews and workshops with clients, members, contractors and end users to better understand their issues and concerns;
 - b) review of relevant contract documentation, reports and best practice guidance; and
 - c) the knowledge and experience of the reviewers.

Key supply side findings – the experiences of “users”

16. The following bullet points provide a brief insight to some of the views expressed by client “users” of the framework (Council officers, Members and Schools) and what CEW could glean from this “client” side engagement:
 - The quality of work has frequently been unsatisfactory to clients; particularly in relation to some of the cascade approach work (generally the experience where

mini competitions have been used is better with one contractor performing to a very high standard).

- Various concerns have been raised regarding the health and safety activities of some of the contractors (across all lots).
- There are clear communications issues – since the start of the framework there have been numerous instances of non-attendance by contractors at pre-arranged meetings for example. Also, there have been numerous instances where there are too many meetings, involving too many people before works actually start on site.
- With regards to the schools in particular there appears to be a lack of focus on the customer and end user – this has been identified as a significant issue for the schools.
- There would appear to be a clear lack of management of sub-contractors on the ground by the "Tier 1" contractors, i.e. our appointed suppliers are not managing their sub-contractors on the ground. This also links to the quality issue (the first bullet point above). Again, this is a problem with schools in particular.
- There needs to be more visibility as to what any uplift % being charged is actually for – for example it needs to be clearer if it is for pricing services, if it is for sub-contractor management etc. The pricing principles paper agreed between contractors and the Council needs to become part of day to day operations. Again, this is a problem with schools in particular.
- There are clear capacity issues with some of the ranked 1 providers.
- Within some organisations, the contractors themselves seem to be operating in silos, i.e. very different approaches between 'planned' and 'responsive' teams. Officers have had experience of this on a number of occasions – one side of the contractor's business has said they cannot do something, whilst officers have rung other sections of the business and they send someone out to do the work.

Key demand side findings – the experiences of those “delivering” the services, i.e. the external contractors providing the services to the Council

17. The following bullet points provide an insight to some of the views expressed by contractors, and what CEW could glean from those delivering the services to the Council:

- There are longstanding cultural and behavioural issues within client service areas. The Council is very “transactional” focused, i.e. the contractor treated very much at arms' length, which makes the development of trust and a joint working/ partnership approach extremely difficult.

- Even though a framework dealing with payments, variations, performance management etc. has been set up, it is not being followed. Directorates have simply slipped into doing what they've always done; essentially the framework is not being managed operationally as intended.
- With regards to schools in particular, the process/ activity of the client service area, i.e. the Council seems to forget about the customer/ end user.
- CEW identified a corporate risk presented by uncertainties and inconsistencies in the way the Council manages its statutory responsibilities – there is a particular issue with the non-domestic estate.
- Restructuring of relevant directorates, i.e. those using the framework, has had an impact on the framework's operation and success, particularly in its early days. Capacity and resource issues also exist with regards to some directorates/ service areas.
- There is overlap between the activities of some Council areas, i.e. two service areas in particular seem to be doing the same thing, which is creating confusion [SOP section of Education and FM (Building Services)].
- Overall management of contractors on the ground by the Council is an issue across the framework, but particularly with regards to schools.
- The FM side of the business has struggled to comply with their obligations under the arrangement, which has caused an issue with contractors. It has also caused mistrust and misunderstanding.

Clear positives where the framework is concerned

18. In addition to the above, it also has to be remembered that there are some clear positives where this framework is concerned:

Value for Money (VfM)

19. There are significant savings being delivered via the framework where mini competitions are concerned. Over £2.5 million worth of savings has been identified since the start of the framework via this mini-competition route alone.
20. Also, whilst we may be paying more for some low value works, we are paying less for other low value works – in essence it is a 'mix bag' where these low works and services are concerned.
21. The workshops conducted with contractors also saw contractors refer to previous pre-framework Council practices as representing poor value for money. Mention was made of the uplift for inflation being applied annually to contracts from 2006 to 2012, despite the serious economic downturn in 2008 and the subsequent decline in prices

across the construction industry. The new framework has been structured differently in that there is no uplift as of right; rather contractors have to justify their uplifts.

Community Benefits

22. Whilst more can always be done in this area, it is clear that this framework is delivering on this aspect.
23. Ian Williams Ltd's community benefits figures show that as a direct result of this framework, 13 apprentices and 11 graduates trainees have been appointed, either directly by Ian Williams Ltd, or within their supply chain.
24. Another key point is that in 2014 Ian Williams Ltd spent 100% of spend (i.e. in their supply chain for this contract) with businesses in Wales, and 91% of this was spent with SMEs. Also, the Welsh local multiplier figure for Ian Williams Ltd under this framework (which essentially shows that for every £1 spent on this framework, the following amount of money has been reinvested in the Welsh economy) sits at £1.98.
25. Kier Services spent 97% of their supply chain spend with businesses in Wales, and 55% with SMEs; and R&M Williams Ltd 94% of their spend with businesses in Wales, 100% of this with SMEs in Wales.

Governance and risk

26. Although there remains an issue with the Council's statutory obligations works and services on non-domestic buildings, using this arrangement sees the Council utilising capable contractors in line with its contract standing orders and procurement rules. The Council has now largely tackled issues regarding the procurement of building maintenance/ minor works in a manner inconsistent with these rules. The arrangement has seen a step change in that the Council is now procuring its building maintenance works and services in way that is lawful, reflects best practice and manages risk.

The CEW Recommendations

27. Whilst a number of specific recommendations have been proposed based on the report's conclusions a number of broad and over-arching themes have emerged. These themes have led to the following key recommendations being made by CEW:

1. Operational management of the framework

Whilst a robust process was followed to establish the framework, accountability for the operational management of the framework is unclear. It is, therefore, recommended that a single entity or individual is made accountable for the management and performance of the framework.

2. Organisation of the Client-body

Roles and responsibilities and service standards across the client organisations are unclear. This leads to areas of duplication, wasteful practices, inefficiencies and potential gaps in service which pose a particular corporate risk with respect to statutory responsibilities. It is recommended that a full review of the client function be undertaken.

3. Performance management

Performance is not being actively managed despite being a requirement of the contract. It is recommended that a suite of KPIs, covering both client and contractor performance, be jointly developed and applied to all aspects of the contract.

4. Collaboration and integration

Current relationships between clients and contractors are highly “transactional” in nature and lack the trust and collaborative approaches needed to fully realise the benefits of the framework. A more integrated relationship between the client and contractor teams based on partnering principles is needed to fully exploit the strengths of all partners. This will involve significant commitment to building relationships and fostering behaviours based on shared objectives and trust. It should also have a clear focus on the end-user to ensure that all processes are customer focused which, in turn, will foster greater innovation.

5. Communication

Communication between all partners needs to be improved to increase mutual awareness, transparency and ownership of framework issues and opportunities. This will support greater innovation.

6. Visibility of workload

By increasing the visibility of its forward programme of work the Council can support its framework contractors to better plan and resource this work which in turn will deliver a better value service to the Council. This will need a partnered approach to be effective as opposed to the current “transactional” relationship. This will allow greater innovation.

7. Cost competitiveness

The framework has the opportunity to deliver greater value for money by reducing inconsistencies and duplications in the pricing process asked of contractors. The success of mini-tenders should be extended through the packaging of more work into a greater number of packages. This should be combined with early agreement and consistency in the agreeing of rogue items from the schedule of rates together with any professional fees.

8. Social value

The framework offers significant opportunities to increase the value that this framework, through the Council’s investment in its property assets, can deliver across the Council’s communities. A community benefits board should be established with

senior client and contractor representatives to develop a framework-wide approach to community benefits which should include employment, training, local spend and community engagement initiatives (including schools and colleges).

Work done by service areas to complement the CEW review

28. Officers are acutely aware of the numerous issues and complaints that have been received from stakeholders (members, schools etc.) since the commencement of this framework. In addition to the commissioning of CEW to undertake a review of the framework (and the subsequent action plan) officers have also undertaken their own pieces of analysis into the framework, and taken some major actions to improve matters since the framework's commencement (and since the CEW workshops took place). Below is a précis of some of the "business as usual" work that has been done since the commencement of the framework to try and improve delivery (naturally, some of this has fed into the CEW review).

Void/ vacant property repairs

29. Analysis of the time taken to undertake repairs to vacant properties has shown that there has been an increase as to the time taken since the commencement of the framework (the average currently stands at 40 days). Officers however have been engaging with the contractors on the framework to address the same (agreeing numbers, looking at specifications etc.). It also needs to be recognised that the Council has shifted its approach slightly with these properties since the framework commenced – we now have external works and services undertaken (together with other elements if needed, such as new bathrooms and kitchens) before re-letting these properties, which has had programme implications.
30. Analysis to date indicates that the cost of work to void properties via the new framework is less than before the introduction of the new framework.

Responsive repairs (Emergencies, Urgent and Routine)

31. Given issues with the contractors in managing the volume of responsive repairs (there were clear issues with the contractors' ability to manage the delivery of these services given the fact that these services are heavily customer driven) officers within CMS took the decision to increase the internal workforce for delivery (from 90 to 130 plus) for these services, and to cap the maximum responsive orders going out to the contractors (currently capped at 100 p.w.).

It should be noted that officers are also currently undertaking a detailed review of performance regarding responsive repairs by contractors, with the intention of reporting the results of the same to Informal Cabinet in December' 15.

Disabled adaptations

32. The time taken to delivered Disabled Facilities Grant works has increased from 171 days during 2013/14 to 197 in 2014/ 15, a reduction in performance of 15.2%.

33. CMS have recently put in place increased monitoring of this work to help understand exactly why such a drop in performance has occurred, and to aid in improving the turn-around time of these works. Further analysis is ongoing to ascertain the exact reasoning behind the drop in performance.

Mini-competition process

34. The mini-competition process has seen issues arise with regards to the Council's historic specifications and tender pricing methods. It has essentially been necessary to update council documentation - on occasions this has seen delays in getting contractors to site. It needs to be remembered however that these types of issues are expected when bringing in this type of strategic arrangement. It was (and still is) expected that service areas will learn and improve their specifications, methods etc., during the life of the framework.

Engagement with Commissioning & Procurement

35. A good working relationship has developed between Commissioning & Procurement, CMS and FM, and key experiences such as the following are known by all and will be addressed in the next generation of the framework:
- The need to gear up second placed contractors as they usually take time and require price uplifts.
 - Managing such strategic arrangements requires different (and in some areas increased) service area resource to what has been in place historically – in particular operational contract management was under developed in the early months of the framework.

Information shared during recent council Employees road shows and at the Ambassador Groups will also be incorporated into the current framework where possible, and certainly in any subsequent framework.

Recent Satisfaction levels from CMS – Council operatives compared to Council contractors

36. A recent comparison of overall satisfaction levels between Council contractors and Council operatives indicate just over four-fifths (80.6%) of respondents were satisfied with how repairs were dealt with by Council operatives, with over two-fifths (43%) 'very satisfied'. Just under three-quarters (74.4%) of respondents were satisfied with Council contractors, with a third (33.3%) 'very satisfied'. Almost 19.2% of respondents were dissatisfied with Council contractors, with 11.1% indicating they were 'very dissatisfied'. Dissatisfaction with Council operatives was cited by 12.7% of respondents, with 6.1% indicating they were 'very dissatisfied'.

2014/ 15 CMS complaints figures

37. CMS has seen a decrease of 23% in the number of complaints it received in 2013/14 regarding its responsive and planned maintenance.

Actions by FM in response to complaints received since the commencement of the framework, both from Council service areas and schools, as well as the CEW engagement

38. Specific FM actions taken in the last year following feedback from customers (and from the CEW engagement) regarding there being a lack of focus on the customer and end user – (particularly in relation to schools):
- Dedicated surveying and customer support teams for schools established with a commitment to two meetings per annum from a dedicated officer for primary schools and one visit per annum for secondary schools to discuss property maintenance issues.
 - Customer feedback mechanisms formally established in the form of annual surveys, monthly telephone surveys and satisfaction surveys at the end of planned works.
 - FM attendance at head teacher conferences including representatives from our partnership contractors such as Ian Williams and Kier to discuss performance.
 - A revised Service Level Agreement has been issued with updated key contacts.
 - A 'Property Matters' newsletter has been established for schools and the first issue was delivered in July 2015.
 - Appointment of a Building Services specific Business Manager to oversee customer service, performance, finance and process.

Expenditure to date with the main contractors, i.e. those ranked 1

39. Below is a summary of the expenditure via the framework (with the ranked 1 providers) since the framework's commencement in 2013.
40. It should be noted that the figures include both directly awarded work, and work the ranked 1 contractors have won via mini competition.

	Ian Williams Limited	Kier Services Limited	R&M Williams Limited
2013/ 14	£10.7m	£1.1m	£2.2m
2014/ 15 (up to end of Jan 2015)	£18.5m	£0.7m	£3.6m
Total since inception	£29.2m	£1.8m	£5.8m

Performance to date with main contractors

Lots 1 and 3 (Ian Williams Limited) completed orders for CMS

41. The following table provides order data for 2014/ 15

	Ian Williams Limited
Emergency orders	3, 014
Urgent orders	6, 900
Routine orders	13, 982
Total order volume	23, 896

42. 23, 896 completed orders undertaken by Ian Williams Ltd for CMS in 2014/ 15.
43. CMS reported a “formal” customer complaints volume against Ian Williams Ltd of 74 for 2014/15.
44. This equates to a % of “formal” complaints against order volume of 0.31%.
45. It should be noted that the above figure only relates to “formal” complaints. Matters rung through directly to CMS, or communicated directly to members for example are not included. If one was to multiply the complaints figures by 4 however (to try and take account of these “non-formal” complaints) this would still only mean a % of complaints against order volume of 1.24%.
46. Accordingly it would appear that most orders are completed satisfactorily where domestic works are concerned.

Lots 2 and 4 – non domestic lots (Ian Williams Limited and Kier services) call/ order volumes

47. The following table provides order data for 2014/15

	Ian Williams Limited	Kier Services Limited	Internal
Emergency orders	646	2194	773
Urgent orders	490	1051	1471
Routine orders	351	312	1129
Total order volume	1, 487	3, 557	3, 373

48. FM are reporting a “formal” customer complaints volume of 71 across contractors and internal workforce (combined) for this financial year. As with CMS however this does not include “non-formal-complaints”.
49. 0.84% of orders have therefore been the subject of complaints. Even if one assumes that all of these related to external contractors, that would still only see a complaints rate of circa 1.4%.
50. If one was to multiply the complaints figures by 4 however, and again assume that all complaints related to external contractors (to try and take account of “non-formal” complaints) this would still only mean a % of complaints against order volume of 5.6%.
51. Again, accordingly it would appear that most orders are completed satisfactorily where non-domestic works are concerned.

Current position with the CEW review and progress to date with regards the CEW recommendations

52. Members' attention is drawn to the action plan that has been circulated with this note. Within the action plan, officers have set out the actions being taken to deliver on the CEW recommendations, and as can be seen, good progress is being made. Officers intend to continue delivering against the actions in the coming months, and indeed for the remainder of the life of the framework. A board has been set up to ensure delivery against these actions, comprising officers from CMS, FM, Audit and Commissioning & Procurement.
53. In addition, it has been agreed that the governance route for formal monitoring of the action plan will be to the council's Asset Management Board and for school specific actions, the existing headteacher focus group will be utilised.
54. It is also the intention to take the CEW review to Cabinet in January 2016 so that Cabinet may (i) instruct officers to commence working on the next generation of the building maintenance framework (ii) note the findings of the report, and (iii) approve a series of variations on the back of the CEW review.
55. With regards to (i) above it should be remembered that the first generation of a framework will always be challenging, but as pointed out in the CEW review, the establishment of the current framework provides a sound basis from which to further improve. The key for the Council is to take on board the lessons from the current generation of the framework and improve the next framework – officers have experience of using this “phased” approach successfully elsewhere – for example the regional frameworks for capital schemes (SEWSCAP) and highways work (SEWHFC) saw a marked improvement in areas such as costs and programme from the first generation to second generation framework – the same is expected where this framework is concerned.

Appendix 1 – Lots and Contractors

Lot 1 – Domestic General Building – estimated £11m/annum

Rank 1- Ian Williams Limited
Rank 2- Vinci Construction UK Ltd
Rank 3 Wates Construction Ltd
Rank 4- R & M Williams Ltd
Rank 5- Kier Services Ltd

Lot 2 – Non-Domestic General Building – estimated £5m/annum

Rank 1- Ian Williams Limited
Rank 2- Kier Services Limited
Rank 3- Vinci Construction UK Limited
Rank 4- Knox & Wells Limited
Rank 5- Novus Property Solutions

Lot 3 – Domestic M&E – estimated £2.7m/annum

Rank 1- Ian Williams Limited
Rank 2- Vinci Construction UK Limited
Rank 3- R & M Williams Limited
Rank 4- Kier Services Limited
Rank 5 Bullock Construction Limited

Lot 4 – Non-Domestic M&E - £3m/annum

Rank 1- Kier Services Limited
Rank 2- Vinci Construction UK Limited
Rank 3- Lorne Stewart PLC
Rank 4- Cardiff Consortium Limited

Lot 5 – Disabled Adaptations - £4m/annum

Rank 1- R&M Williams Ltd
Rank 2- Kier Services Limited
Rank 3- Wates Ltd
Rank 4- Vinci Construction UK Limited

Appendix 2 – ratio of what was expected to go to the ranked 1 providers Ian Williams Limited, Kier Services Limited and R&M Williams Limited

Estimated ratio of schedule of rates work to mini-competition work per Lot, i.e. amount we expected to go to the ranked 1 providers Ian Williams Limited, Kier Services Limited and R&M Williams Limited			
Lot description	Estimated Annual Lot Value	Estimated amount of Schedule of Rates work	Estimated amount of Mini-competition work
Lot 1 Domestic GB	c£11m	90 %	10%
Lot 2 Non-domestic GB	c£5m	45%	55 %
Lot 3 Domestic M&E	c£2.7m	90%	10%
Lot 4 Non- domestic M&E	c£3m	45%	55 %
Lot 5 Domestic Disabled Adaptations works	c£4m	90%	10%