

Chapter 1

The Changing Context within which Building Maintenance Operates

Over recent years there have been many developments of a generic nature that have had a profound effect on the manner in which estates are managed and maintained. A significant driver has been the rapid growth of facilities management, and connected with this, directly and indirectly, have been initiatives in procurement strategies, contracting out, and performance monitoring and measurement. Whilst these changes have affected both private and public sectors, there have been particularly important changes in the latter, which have had important repercussions for the context in which the maintenance of their building stock is carried out.

This chapter examines a number of these developments but uses as a starting point the growth of facilities management (FM). Whilst many of the issues discussed have a relationship with FM, it is emphasised that in some cases they are of wider significance in relation to managing building maintenance.

Facilities management

For some time it has been clear that managing buildings or estates has been carried out in the context of what has become known as facilities management. The scope of FM has now increased beyond early concepts and has taken a massive hold of strategic thinking in the management of buildings to the point where any sensible study of maintenance management cannot take place without reference to it. Associated with it are a number of concepts with which it has become synonymous such as outsourcing, service level agreements, ideas of best practice or value, and new approaches in procurement where a more holistic view of building life is implied.

The growth of FM as a key service industry has been extremely rapid and there have been a number of key reports analysing its size and composition. A difficulty in this respect is one of definition. Of some interest is the question of whether or not one should consider it as a discipline, profession or a strategic management concept. For our purposes we have preferred to keep to a rather more conceptual treatment.

Various definitions have emerged, including the following:

The infrastructure that supports the people in the organisation in their endeavors to achieve business goals.

The practice of co-ordinating the physical workplace with the people and work of the organisation; integrates the principles of business information, architecture and the behavioral and engineering sciences.

(USA Library of Congress)

Facilities management is a distinct management function and, as such, involves a well defined and consistent set of responsibilities. Simply stated, it is management of a vital asset – the organization's facilities . . . Facility management combines proven management with current technical knowledge to provide humane and effective work environments. It is the business practice of planning, providing and managing productive work environments.

(International Facility Management Association)

Facilities management is the integration of multi-disciplinary activities within the built environment and the management of their impact upon people and the workplace. Effective facilities management is vital to the success of an organisation by contributing to the delivery of its strategic and operational objectives.

(British Institute of Facilities Management)

It should be noted that these definitions do not necessarily, within themselves, reflect the range of services offered by FM service providers, which may range from the sophisticated to the apparently mundane. They do need, however, to be considered holistically as they all contribute to the proper (and efficient) management of a built asset/facility.

Broadly, FM divides itself into three operational facets:

- ❑ in-house management of facilities
- ❑ contracted out individual packages/contracts/services – e.g. catering
- ❑ total facilities management (TFM), sometimes referred to as strategic FM, where an integrated service is 'bought in' by the organisation or, conversely, contracted out.

To these it may be argued we should add Public Private Partnerships (PPP) and in particular the Private Finance Initiative (PFI), which, although much broader conceptually, is of massive significance and merits specific attention later.

Estimations of the market value for facilities management activity are difficult to arrive at, particularly when one also includes manpower, training and service level management costs. However, the value is huge, leading Roland Gribbens¹ to comment that facilities management is the boom industry of the twenty-first century.

A report for the Facilities Management Faculty of the RICS in September 2003² estimated the UK market for FM to be £94.9 billion in 2002, an increase of 35% in the period from 1998. For integrated FM, MSI³ placed the value of the market at £4.5 billion in 2001 and reported that the largest portion was accounted for by the public sector, circa 57%. This is seen to be as a result of increasing attention being paid to a holistic

approach rather than the creation of complex patterns of agreement through a multiplicity of individual contracts. This thinking is in turn driving a move towards the formation of strategic partnerships and a significant move into this market by major contractors. This is fuelled by such contractors who seek to broaden their markets, raise their image and create consistent workloads. In a number of cases contractors have absorbed existing FM service providers to enhance the diversity of skills they possess and give them competitive advantage.

The RICS report also estimated that in-house FM had reduced its share of the market to 36%, and predicted that the TFM or Integrated FM market will increase to £10.4 billion up to 2007 and the market value as a whole will exceed £100 billion.

The move towards contracting out or 'outsourcing' is presumed to be client driven as organisations seek to focus on core activity and divest themselves of the responsibility for non-core activity. Thus the major activities to be outsourced include catering, cleaning and security, to which we can increasingly add maintenance.

The origins and reasons for this growth are complex and it has given rise to a number of important associated issues. The origins of FM are probably in North America, but its spread to Europe and the Far East has been rapid and is a result of both supply and demand factors. Professional service providers and new entrants seek new markets whilst business organisations and public sector bodies have re-appraised the nature, characteristics and role of their properties and the manner in which they are managed. Although FM has broadened itself to reach beyond property or building management, for the purposes of this text we will confine ourselves to buildings and their management.

In this view of FM we can identify a clear and significant change in emphasis away from the traditional view of property as an investment, towards consideration of buildings as a factor of production. As a consequence, maintenance management has become more firmly positioned in the context of strategic management in both public and private sectors. Indeed, as pointed out above, strategic FM in the public sector has been a major growth area.

A survey of a range of reports conducted by McGregor and Then identified a number of conclusions with respect to the conventional approach to property management:

- ❑ Reactive rather than proactive property management . . . property only seriously considered by organisations when they were under severe profit or cost constraints.
- ❑ Only on rare occasions does property receive explicit treatment in corporate plans.
- ❑ More often than not property is viewed as incidental, as an asset that requires little management, generates cost but has little or no value.
- ❑ . . . the whole area of monitoring organisational property assets is new . . .
- ❑ . . . few (companies surveyed) had a property strategy for their operations that amounted to more than 'we'll find space when we need it'.
- ❑ . . . property seen as a cost of business rather than a business resource . . .

- ❑ . . . real estate lags behind other key resource areas in terms of attention given and performance achieved.
- ❑ Given the acknowledged link between the workplace environment, employee satisfaction and profitability, senior managers do appear to be missing an opportunity to manage the working environment for competitive advantage.
- ❑ Space planning must play a bigger part in overall business development . . .

From this one could identify a scenario where too often we may have:

- ❑ corporate management that ignores the role of property or considers it to be a liability
- ❑ management viewing property purely in investment terms with a consequent over-reliance on the property market to 'bail them out'
- ❑ property departments operating in isolation, unaware of broad corporate objectives
- ❑ lack of information on the property portfolio which may be only an indication of a much more deeply seated malaise
- ❑ conflict between property departments and client departments because of inconsistency of perspective and priority
- ❑ separation of property operations along professional lines – e.g. separation of designers from building management
- ❑ a non-strategic financial strategy that, for example, allocates resources separately for revenue and capital without considering the relationship between them, which may therefore give rise to higher cost in use
- ❑ a tendency to be over-preoccupied with physical elements and ignore location, function, space and value
- ❑ alternatively, a tendency to view commercial property in investment terms as judged by the market.

These perceived shortcomings underpin what can be seen as a 'push-pull' effect, described diagrammatically in figure 1.1, which as much as anything has driven the FM expansion and provided a basis for the strategic approach to property that typifies FM activity.

The scope of facilities management

In the early days practitioners of FM preoccupied themselves not only with issues of definition but also as to whether it represented a profession, discipline or simply a concept. The emergence of organised professional bodies such as the British Institute of Facilities Management (BIFM) have done much to address these concerns and, by establishing training and education programmes, given us a major insight into the scope as perceived by the professional.

An initial perhaps simplistic view suggests that the following list provides a view of the scope of FM:

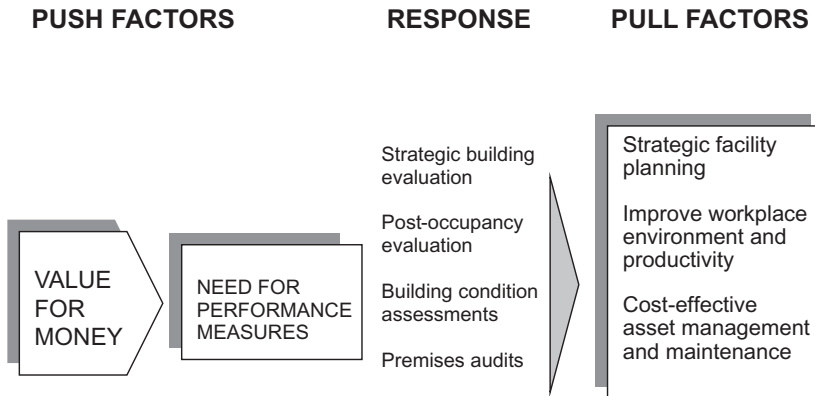


Figure 1.1 Push–pull factors.

- ☐ cleaning and waste disposal
- ☐ energy management
- ☐ environmental management
- ☐ estates management
- ☐ equipment and consumable purchasing
- ☐ fire safety
- ☐ grounds maintenance
- ☐ health and safety
- ☐ human resources
- ☐ office management
- ☐ property and engineering services maintenance
- ☐ relocation, refurbishment, adaptation, new build, etc.
- ☐ security
- ☐ space management and planning.

This list of activities, however, does little to reveal the nature of FM as it bypasses consideration of the management concepts that lie at its heart. There are a number of clues, given by the competencies identified by the BIFM and any number of FM provider internet sites that identify the scope of their activity.

The BIFM competencies⁴ for their professional examinations are listed under the following headings:

- ☐ Understanding business organisation
- ☐ Managing people
- ☐ Managing premises
- ☐ Managing services
- ☐ Managing the working environment
- ☐ Managing resources.

The immediate concern of this text, managing building fabric, comes under the heading of Managing premises, and building services is one of a number of subheadings under Managing services.

Their Understanding facilities management (Foundation) course includes the following topics:

- ☐ the role of FM in achieving corporate success
- ☐ an introduction to buildings and services
- ☐ practical space planning and management
- ☐ re-housing the office
- ☐ energy management and environmental strategy
- ☐ maintenance management
- ☐ commissioning and managing contract services.

The Centre for Facilities Consultancy⁵ gives the following as an indication of the scope of their services:

- ☐ strategic facilities planning
- ☐ staffing structure
- ☐ accommodation strategy
- ☐ customer surveys
- ☐ space planning, office moves and relocation
- ☐ computerised facilities and maintenance systems
- ☐ output specifications
- ☐ outsourcing exercises
- ☐ performance measurement systems
- ☐ occupancy cost studies
- ☐ business continuity plans
- ☐ financial systems and cost control
- ☐ change management
- ☐ video conferencing facilities.

Considering the range of services now encompassed within FM, one is tempted to think it easier to ask the question as to what is not included in FM.

The answer, then, cannot really lie in what FM does but in the approach it brings, and it is at this level that its importance to maintenance management clearly articulates itself. The BIFM in their introduction to FM say:

Facilities Management is the integration of multi-disciplinary activities within the built environment and the management of their impact upon people and the workplace.

They go on to say:

Within this fast growing professional discipline, Facilities Managers have extensive responsibilities for providing, maintaining and developing myriad services. These range from property strategy, space management and communications infrastructure to building maintenance, administration and contract management.

Another way of approaching the question of scope is to look at the recipients of the service. Broadly we can distinguish between the private and public sectors. The initial impetus for the growth of FM was in the former, and within this context FM has responsibility to shareholders to preserve the value of the company assets and to increase profits through delivering optimum use from a built asset as a factor of production. In addition, a key aspect of an improved built asset management is an improved working environment leading to higher productivity, lower absenteeism and improved motivation. These improvements should in turn provide a better customer interface, with the attendant marketing benefits.

The public sector, although slightly slower to respond, is now paying increased attention to a more holistic manner of looking after its estates. This has been extended to strategies that consider more specifically the whole life of the building from procurement to disposal in a manner that embraces many of the principles of FM.

Synchronous with this, in both public and private sectors, has been the focus on core business and hence the search for the means for an organisation to divest itself of non-core activity. This is not without its share of controversy, particularly in the public sector, where this process is often seen as privatisation.

In both sectors, however, it is clear that a move towards the introduction of a more integrated facilities management service, whether by in-house means, outsourcing or a hybrid approach, represents a complex exercise in change management.

Implementation of facilities management services

The implementation of an FM service carries all the risks associated with any change in management strategy. To manage these risks it is convenient to think of implementation in terms of processes. A number of models exist that have a great deal of commonality in that they describe FM processes in terms of the following levels:

- ☐ strategic
- ☐ tactical
- ☐ operational.

In some other models these levels are preceded by one related to notions of organisational culture, environment or climate. The latter is clearly of significance at a time when the external environment of economics and politics is a major influence on changing organisational cultures.

In both public and private sectors the changing nature of client/customer expectations is a major driver. We can conclude, therefore, that organisational culture and externalities are mutually dependent.

We can also assume that, subject to the action of externalities, an organisational culture derives from corporate management and that its characteristics will be heavily dependent on its core business. In many cases FM has been responsible for initiating culture change in the operation of key aspects of the organisation's business, for example within the UK public sector generally and perhaps the health service in particular.

An understanding of organisational culture is essential if FM is to be effectively implemented and is part of a wider issue that ensures, as in a classic project management exercise, that the project is fully scoped.

As well as ensuring that all stakeholders have a proper grasp of organisational culture it is essential in a scoping exercise to ask such fundamental questions as:

- ☐ How can we work with the existing culture?
- ☐ Are there characteristics that can be turned to advantage in the strategy adopted?
- ☐ Does the existing culture impede development?
- ☐ If it does, do the solutions lie in initiating a culture change, or should the strategy be adapted to meet this challenge?
- ☐ Are the existing cultural characteristics consistent with external imperatives?
- ☐ Can the existing organisation effectively accommodate the changes that the FM operation will bring? Should it be done at all?

Any project of this type becomes a real exercise in change management, in which the principles of project management should be followed. Without robust project scoping at the outset, the success of the following levels may be seriously compromised.

At the strategic level, then, the task is to begin to build on a proper scoping exercise and engage in a carefully derived planning process. In strategic management terms it is normal to think in terms of planning within a three- to five-year time frame within which more detailed short-term plans are developed. This is consistent with the planned maintenance framework described later.

In the broader FM context, one of the other major outputs from the strategic planning exercise should be a clearly articulated mission statement. The production of this may well beg questions at a corporate level, and consistency with corporate mission statements is clearly necessary. Strategy development is something of an iterative exercise, and firming up of key objectives and movement to the next level of detail should not occur until the required number of iterations has taken place.

A mission statement should include a number of key statements defining the strategic objectives and these then provide a basis for detailed planning of actions that are more specifically detailed within shorter-term time frames.

An important output at this stage, which is a result of both corporate and strategic processes, is the formulation of an FM policy. Again it must be stressed that without proper scoping, strategy formulation and iteration a robust policy statement will not emerge. In developing FM policy at this stage a start can be made to:

- ☐ define roles and responsibilities
- ☐ produce a management organisation structure
- ☐ begin to define operating structures
- ☐ design communication systems
- ☐ 'sell' the proposition to all the stakeholders, many of whom have not yet been involved
- ☐ develop an embryonic performance measuring system.

The policy statement endorses senior management commitment to the project and this can be thought of as a Project Gateway⁶ which has to be passed through before we move to the tactical phase.

At this level executive responsibility should be taken to put organisational structures in place and define management roles associated with:

- ☐ setting standards
- ☐ implications for managing change down to a departmental level
- ☐ identifying and managing resource implications
- ☐ budgeting
- ☐ communication systems.

Planning at the tactical level will need to be accompanied by detailed documentation to fully describe all the activities associated with the operation of the facilities management process or processes to be undertaken, which effectively becomes an operational manual. The documentation not only ensures a shared understanding amongst all parties; its preparation will also force management to ask all the essential questions necessary for a proper infrastructure to be put in place to underpin the operational level of FM.

At this stage important issues related to control systems, in terms of money, time and quality, and human resources management are identified and, significantly, an understanding of the manner in which the FM services are to be procured is developed. The literature is rather conflicting as to which level this resides in, and it is wise to assume that the levels referred to should be seen not as discrete but as a continuum from which the procurement strategy emerges as one of the key FM policies.

Early, rather simpler views of FM saw it as an internal organisational issue aimed at more effective structures within the organisation for managing its facilities. However, the evolution of facilities management has seen a gradual shift towards a position where FM services are contracted out or outsourced.

Although outsourcing and facilities management are often seen as inseparable, it is stressed that they should in fact be seen as distinct processes, with the former being one of a number of ways in which a facilities strategy can be implemented.

Public sector developments

The pace of change in the public sector is rapid, particularly in local government and, for example, in the NHS where notions of value and performance are driving an agenda that means building maintenance is being executed within a very different context than hitherto. Public sector organisations pose interesting questions as to what represents their core business. In some cases, such as that of local authorities, this question is complicated and answers may tend to be somewhat politically loaded. On the other hand, the NHS clearly defines its core business as medical and clinical patient care and the ancillary services associated with this, such as laundry, cleaning, building maintenance and catering, can be contracted out or outsourced as part of its facilities

management strategy. Increasingly, in fact, as a cursory study of the websites of service providers reveals, outsourcing is becoming almost synonymous with facilities management.

Although the core business of a local authority is less easy to define, around the edges it can contract out or outsource a number of functions. Refuse collection, for example, is commonly subject to this process.

All public sector bodies do, however, have a set of common characteristics. There will be:

- ❑ multiple service objectives and multiplicity of expectations for each of these
- ❑ a number of external and internal influences on policy – economic, social and political
- ❑ strong influences from funding bodies
- ❑ a possible tension between local and national funding agencies
- ❑ a high proportion of resources from central government
- ❑ resources maybe received ‘up front’ but with constraints on how they are utilised
- ❑ recipients of the service who do not directly or in some cases even indirectly pay for the service.

Managing an estate in this context is therefore complex and the development of a strategy has to be carried out in the context of major pressures and strong competition for resources. What is certain, however, is that poor management of the estate will have a detrimental effect on the delivery of other services. Unfortunately it is not often recognised that a well-run estate contributes to improved quality.

Given the range of pressures, it is not surprising that FM has only recently been seen by much of the public sector as an all-embracing integrated approach.

Alexander⁷ states that facilities management in the public sector needs to be:

managed as a public service [and] balanced with the democratic needs of the local community. Public services are managed for social results and must maintain a strong financial performance while achieving primary social goals such as equity, access, community accountability, environmental responsibility and equal opportunity.

He goes on to say:

Facilities Management in the Public Sector is not only about organisational effectiveness, but also about public service and responsibility, particularly in the face of change. The challenge is to bring about change, to anticipate public needs, to identify the contribution that facilities make to public service, and to manage for the effective use of public assets and resources.

Implicit in this is that the operation must deliver value for money and it is here that perceptions of value give us cause for concern. There are numerous attempts to define this in facilities management terms. For example, Featherstone and Baldry⁸ offer:

The process by which the facilities function creates and nurtures an optimum environment and delivers effective support services to meet organisational objectives at best cost.

It becomes clear from this that for a public sector organisation to develop an effective FM strategy there has to be a comprehensive understanding of the climate/environment within which it operates, and a clear recognition that within this there has to be a customer/public focus. Although this can be said to be true also of a private sector organisation, one has to keep a clear awareness that the customer for the public sector organisation is the public at large, and a very different set of perceptions will operate. Within this environment successive governments have sought to increase the effectiveness of public sector service delivery, often with the focus very firmly on the cost rather than the quality side of the value equation. To raise awareness of value in terms of public services is therefore not easy.

Local government

Within local government the dominant theme at the time of writing is one of 'best value'. The Local Government Act 1999 placed a duty on local authorities to:

Make arrangements to secure continuous improvements in the way in which they exercise their functions, having regard to a combination of economy, efficiency and effectiveness.

Local authorities are required to set measurable standards for the services they manage and undertake performance reviews on these services over a five-year period. These reviews are required to demonstrate that continuous improvements are being made.

In 2000 'best value' replaced the previous regime, which relied on Compulsory Competitive Tendering (CCT) to improve performance and cut costs in the public sector. The stated aim of the best value initiative was to:

ensure that within five years all council services achieve performance levels that were only achieved by the top 25% of councils at the start of the five-year period.⁹

With the emphasis on continuous improvement and performance monitoring, the major responsibility for administering the regime lies with the Audit Commission. Opposition to the initial scheme focused around its heavy-handed approach and a resource-hungry, time-consuming inspection procedure. As a consequence of this, the system was modified so that the best-performing councils should only be subjected to a light-touch approach in terms of auditing. This led to the introduction of the Comprehensive Performance Assessment (CPA) via a White Paper in December 2001. This comprehensive inspection was aimed at ranking all councils into categories 1 to 5, poor to excellent. As an incentive, councils with the top rankings would be given increased autonomy in terms of their budgets.

Under this evolving system councils were now no longer required to produce detailed reviews of all their services but only those highlighted by the CPA.

Best value is, however, the underlying theme throughout all this evolutionary process and the principle is that councils should apply what are called the four Cs:

- ☐ Challenge
- ☐ Consult
- ☐ Compare
- ☐ Compete.

Under the Act councils produce a Best Value Performance Plan (BVPP) within which are embedded performance indicators (BVPI). There are two types of BVPI:

- ☐ Best Value corporate health indicators to provide a snapshot of overall performance
- ☐ Best Value service delivery indicators.

Up until 2002/3 the Audit Commission also specified performance indicators. This is no longer the case as the government continuously seeks to streamline the best value processes. Although best value replaces CCT, this forerunner was, and still is, influential in that it encourages local authorities to take a more holistic view of performance, and this includes the manner in which it procures its services. This has inevitably led to an FM approach and an increased tendency to contract out or outsource. It has also begun to seriously challenge what were hitherto rigid approaches to procuring those services and built assets, particularly schools, although it must be pointed out that there are also other drivers for the changes in procurement practices within local authorities.

The National Health Service

The creation of the internal market in the National Health Service in the 1990s was a major catalyst for change, which forced NHS trusts to examine very critically the way in which non-clinical services are delivered. The response of many trusts was initially to create single directorates to bring together estates and support services such as laundry, catering and cleaning.

Over the last ten years the NHS, FM and the notion of the internal market have evolved quite radically. The White Paper 'A New NHS'¹⁰ shifted the emphasis away from competition towards partnership and collaboration. The philosophy embedded in the White Paper emphasises that quality of service should be based not only on clinical treatment, but on the whole healthcare experience. Improving the quality of support services is therefore seen as an integral part of continuous improvement and encourages a general move towards a strategic facilities management approach. Implicit in this development have been two key trends:

- ☐ outsourcing of services considered to be supporting core activity of clinical care – often through an integrated FM package

- ❑ for the development of new facilities, a Public Private Partnership approach through the Private Finance Initiative.

Both of these issues merit particular attention as they are of huge significance to the context within which maintenance is carried out, not only in the health service but also in the rest of the public sector and in the private sector.

Outsourcing

Outsourcing has been defined as a process whereby an organisation employs a separate company or supplier to perform a function that had previously been carried out in house. This is often accompanied by a transfer to the contractor or supplier of assets, including people and management responsibility.

The objective of outsourcing is for an organisation to divest itself of non-core, peripheral functions in order to reduce costs in performing and managing what are considered low-priority operations. Associated with this is the prospect of improving efficiency through the use of specialist providers. Within the public sector the search for increased efficiency driven by best practice has been a major stimulus to outsourcing.

Each organisation may develop its own view as to the services it wishes to outsource, depending on its definitions of core and non-core business. Deciding what is and is not core business has led to heated debate within organisations. However, four basic models have developed:

- ❑ A diverse range of services are contracted out piecemeal by a range of managers from various parts of the organisation. Although on the face of it this appears to lack a co-ordinated strategic approach, it may in fact represent a pragmatic view for some types of organisation.
- ❑ A centralised control of outsourced service contracts has, however, become a much more common approach and has many benefits in terms of achieving value for money from the exercise. Centralised monitoring of service quality fosters the development of expertise and better evaluation, with the potential to draw comparisons and even engage in internal benchmarking exercises and co-ordinated and shared data.
- ❑ The grouping together of a number of contracts is referred to as 'bundling'. This approach begins to move the organisation seriously towards a much more strategic view in terms of decision-making. There are various levels of bundling. At one extreme the collection of services having similar characteristics may occur to form a number of 'bundles'. For example, the grouping of cleaning and security seems sensible. At the other extreme, a single strategic bundle may be formed, and we move into the realm of total outsourcing, or total FM.
- ❑ Total FM places all service contracts under the direct control of an FM company. This creates an environment that has the potential to deliver very efficiently but clearly has attendant risks. To manage such a service requires sophisticated control and monitoring systems and requires a service provider with highly developed

management skills. There is obviously a large amount of trust implicit in this approach, and partnering arrangements, particularly in the public sector, are becoming commonplace. The provider is unlikely to be able to offer the complete package of services in house and some elements may be subcontracted. This has the potential to create complications, particularly in respect of accountability.

Facilities management outsourcing experienced massive growth during the 1990s and it is estimated that in 2003 the market was worth approximately £12 billion.¹¹ This growth has been underpinned not only by a buoyant corporate sector, but also the emergence of Public Private Partnerships (PPP) arising from the government's drive to improve the quality of the public sector building stock, notably schools and health buildings where the Private Finance Initiative has been the main procurement tool.

The trend in outsourcing has been towards 'bundled' service delivery and ultimately total facilities management rather than piecemeal single-service packaging.

It is clear from all this that outsourced service contracts are complex. A policy of renewing contracts at regular intervals is clearly tempting as it provides the option to rid oneself of a bad provider and keep the contractor on his toes, with the potential for cost-saving through rigorous competition. However, careful account should be taken of the nature of the work. With work of an ongoing nature, the benefits of building up lasting working relationships with a provider are not to be taken lightly. There is thus a balancing act to be achieved and the need for an extremely careful approach to the selection process, robust specification of service needs and a fully shared understanding of what is required. This is an extremely complex task.

When seeking a contractor, it is imperative that the client has a clear specification and that this is accompanied by a clear explanation of what is required of the contractor. This is expensive and time-consuming but should culminate in a clear, unambiguous set of actions, outcomes and quantifiable performance requirements. It is essential, therefore, that the rules of engagement are clearly defined and, as what is being outsourced is clearly a service, careful consideration of these needs to be framed into a service level agreement. By implication these agreements lead to the establishment of relationships that are longer term than those existing in a more traditional client-contractor engagement. In the context of the public sector this inevitably draws us into consideration of partnering and the drive from central government as reflected in a number of publications that emanated from the Office of the Deputy Prime Minister* targeted at improving service delivery.

* At the time of compiling the text for this book, the Office of the Deputy Prime Minister was responsible for driving forward many of the agendas referred to in this chapter and later ones. Between that time and going to publication, the Office of the Deputy Prime Minister was effectively disbanded and its responsibilities gradually re-distributed. At the time of writing this note the process is still ongoing. This presented us with something of a dilemma, but after consideration we have left the original reference sources intact. We apologise if in the future this provides the reader with difficulty in tracking down some of these sources. An attempt to do anything other than this would have been 'crystal-ball-gazing' to some extent, and would have been equally confusing.

Public Private Partnerships (PPP)

Traditional contracts tend to be very specific, with performance measured against tightly articulated requirements with defined penalties for non-compliance. There is a tendency for them to be self-perpetuating in the sense that they are framed in a manner that assumes things will be done in the same way as they were in the past. The contractual relationship does not therefore encourage flexibility and innovation and may degenerate into an adversarial relationship between the parties. On the other hand, a partnering arrangement seeks to:

take a long-term perspective on needs, costs and solutions; involve shared risks, costs and rewards; have agreed problem resolution methods; have joint governance arrangements and [be] capable of change and development.¹²

Government publications refer to strategic partnering because it believes that real improvements can be created if the public sector in general, and local government in particular, takes a corporate view of long-term objectives rather than a piecemeal approach. Therefore in order to assist local authorities to develop effective partnerships to achieve its commitment to 'drive up the standard of public services',¹³ the Strategic Partnering Taskforce was formed in September 2001. This group embarked on a programme of projects with 24 so-called Pathfinder Strategic Service Delivery Partnerships in order to identify and draw out good practice. The results of this work have been disseminated in a series of 'Rethinking Service Delivery' publications. These publications also draw on the work and guidance provided by a number of other initiatives and provide a basis for addressing the recommendations of the Audit Commission's report *Competitive Procurement*.¹⁴ Thus the concept of Strategic Service Delivery Partnerships has emerged.

These initiatives all fall under the broad umbrella of PPP. They significantly influence the manner in which the maintenance of buildings is executed in the public sector and will continue to do so for the foreseeable future.

PPP is a generic term for a range of scenarios in which relationships are forged between public and private sector bodies with the aim not only of injecting private sector finance into the improvement of public services, but also of bringing together expertise from both sectors. The expectancy is that these partnerships will be increasingly effective in terms of both procurement of public facilities and ongoing service delivery. In some scenarios procurement, construction and operation are merged into one agreement. The working relationships set up can be loose, formal, short-term or long-term, or strategic. In its most advanced form a strategic partnership to design, build, finance and operate (DBFO) effectively creates a service contract and may be brought about by the formation of joint venture companies.

Amongst the variants is the Private Finance Initiative (PFI), the key characteristics of which are:

- ☐ provision of capital assets funded by the private sector partner
- ☐ a long-term service contract for a private sector partner

- ❑ a single unified payment from the public sector body
- ❑ integration of design, construction, finance and operation
- ❑ complex arrangements for the allocation of risk
- ❑ an arrangement for the specifying of performance standards for the service delivery
- ❑ performance-related remuneration for the private sector partner.

Since its introduction by the Conservative government in 1992, use of PFI has accelerated markedly. For example, the NHS plan, at the time of writing, states that 100 new hospitals will be delivered under PFI by 2010.

By 2005 more than 400 PFI projects, each having a capital value over £15 million, had been signed. Given the nature of the service delivery package, PFI is having a profound effect on the way in which maintenance services are delivered, although the full significance of this is not yet fully understood other than anecdotally. That the approach is shrouded in controversy is underlined by an article in *The Guardian* which said:

Growing concern has recently been expressed amongst experts about the cost of PFI. Public Sector Accountants claim that hospitals and schools would be cheaper to build using traditional funding methods. The National Audit Office described the value for money test used to justify PFI projects as ‘pseudo-scientific mumbo jumbo’.¹⁵

However, according to the National Audit Office,¹⁶ 78% of projects have been delivered on time and at agreed cost. Very tellingly, with respect to the implications for building maintenance, the *Guardian* article quoted above concluded with the comment: ‘However, it will take at least another 20 years, when the first PFI contracts have been completed, before the real cost [or value] of PFI can be judged.’

Despite these concerns, the present government remains committed to the PPP concept as it recognises that the public sector working in isolation cannot finance the investment required to improve the nation’s infrastructure. The use of PPP service delivery is therefore likely to remain on the agenda for the foreseeable future and it is now clearly acknowledged that new skills and attitudes are required to establish a proper framework for its implementation.

The Strategic Partnering Taskforce is central to this agenda, and in particular its guidance on Strategic Service Delivery Partnerships. It defines a Strategic Service Delivery Partnership (SSP) as:

A long-term partnership between organisations that work collaboratively to achieve the authority’s aims for delivering services.

There is an emphasis on the partners developing a high level of shared objectives, and to achieve best value for money coupled with a culture of continuous improvement. By implication this should generate a constructive, genuinely collaborative relationship.

It should be emphasised here that philosophically the objective is to generate partnerships, and in terms of maintenance management it is the PPP environment that is

likely to have the most significance. The Task Force identifies the following key aspirational characteristics that distinguish an SSP from a conventional contract:

- ❑ Detailed contracts are used but there is a greater focus on relationships and achieving compatibility of management cultures.
- ❑ Management and administrative protocols are developed in a collaborative environment.
- ❑ A methodology for evaluating/measuring outcomes and achievements is agreed.
- ❑ There are equitable payment mechanisms.
- ❑ Monitoring mechanisms are developed by the partnership that are transparently open to external audit.
- ❑ A culture of problem solution is emphasised in place of the 'blame culture' that often characterises conventional contracts.
- ❑ Re-evaluation and monitoring systems are developed, aimed at continuous improvement (improvement planning and value engineering).
- ❑ There is a shift away from a lowest cost philosophy towards one of value and quality of service delivery.
- ❑ The partnership have an agreement to a flexible approach to achieve continuous improvement.

A number of issues are raised by these characteristics, and research on the operation of PPPs suggests there is still some way to go before they are all resolved. Of particular interest is the issue of management culture and the need to achieve alignment of partners' objectives.¹⁷ Whilst the contract can define the limits of each partner's responsibility, it does not specify deliverables without which the main thrust of the aspirations listed above cannot be achieved. A wide range of management issues are acknowledged, and will only be resolved with increased experience and enlightened and robust staff development. To ensure shared understanding and to fully elaborate on deliverables, supporting infrastructure documents need to be in place.

A key document is a service level agreement which, as the name implies, defines expected levels of performance. Defining performance levels is a related generic issue in its own right in all partnerships, contracted-out or outsourced arrangements, and these receive more specific attention later in this text when maintenance execution issues are explored.

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