

FM CLINIC

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Q:

Is the rush to outsource public services in central and local government going to slow down as a result of the public becoming disillusioned by management consultants and major service providers securing large profits amidst claims of very poor levels of service? Will the good work done by FM service providers in the UK be tarnished by the failures of decision makers on the client side and poor results by the few major plc's repeatedly selected for this work?

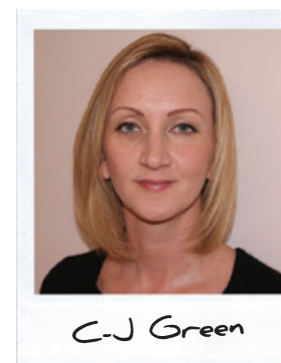
Even so, the pressures which led to the PFI continued and it was eventually replaced with the PF2, an evolutionary change rather than a wholesale replacement or abandonment of the principle. Andrew Buisson of Norton Rose wrote a revealing comparison of the change in 2013 which gives an excellent insight owing to his unique point of view.

One of the main issues with the PFI was the perception of excessive profits being made by private companies for delivering public services. Having had first-hand experience of public/private partnerships, the public

public sector. Equally, public sector clients must change their focus towards becoming commissioners rather than deliverers of certain services in order to efficiently procure and manage outsourcing projects. The question is not, will it end, but how can we all do it better? □

THE HR VIEW

C-J GREEN,
GROUP HR DIRECTOR
SERVEST GROUP



FM moves in peaks and troughs. In the general sense, the industry seems to be easily influenced by trends. One minute, everyone's outsourcing - the next, in-house is in vogue again. Similarly, client needs tend to fluctuate as regularly as the changing tide; for example, single service requirements sometimes trump full service provisions, and likewise.

That being said, we haven't really noticed a rush to outsource public services in central and local government. Nor have we seen noticeably more involvement from managing consultants.

Regardless of the ebbs and flows, the outsourcing trend - when reduced to its most basic level - stems from the desire to find a way to make things work in the business as cost effectively as possible. As with anything, you pay for what you get. Dwindling budgets can, of course, impact service delivery. However, more often than not, poor planning, lax communication and ineffective collaboration are often the overriding factors behind lacklustre results.

With regards as to whether the industry will be tarnished by the disaster stories out there...? Well, perhaps. But, to be honest, there will always be these stories. We will never cease hearing about the dangerous cocktails of poor decisions resulting in shoddy results. This isn't solely reserved for FM either; it applies to every sector. As a nation, we love bad news, don't we?! And we especially love hearing about how big, successful companies with vast customer bases become unstuck. When they get it wrong, it's something we take notice of.

The truth is that contracts can be poorly managed by small and big companies alike; but we only tend to hear about it when the larger players are involved.

As a result, there may be some disappointment about how other

providers have delivered their service... but where there's doom and gloom, there are also success stories. If you skip past the headlines, you'll see plenty of examples of how things have gone well. You must not allow the failings of others to cloud what you're trying to achieve. You have to focus on what you deliver as a business and what you offer as a team.

Regardless of the business size, it's imperative not to become arrogant or complacent, or else the service delivery will suffer. Lots of things play a part in the good provision of FM. In this industry of ours, the customer has to be at the heart of everything - and maintaining a keen sense of integrity and breathing life into this core value is of paramount importance.

Ultimately, poor decisions will inevitably result in poor results. Part of our job as an FM service provider is to work with our clients to ensure that we offer guidance when it comes to making the right decisions that will filter down through the operations.

At Servest, we have greater success when we go into our client relationships with a true partnership approach. This combined with experience and commitment to values makes the world of difference. If you have a convincing reason why the customer should engage with you, then you shouldn't be tarnished by the core providers that are named and shamed in the press. □

In FMJ's regular monthly column, our team of FM experts answer your questions about the world of facilities management

A:

THE SERVICE PROVIDER'S VIEW

OWEN GOWER,
COMMERCIAL AND FINANCE
MANAGER - BUSINESS
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EUROPA



The main reasons for outsourcing public services are to save money, transfer risk and allow that public body to focus on its core delivery such as curing the sick or educating children. Money pressures don't seem to be abating so I don't predict these pressures in favour of outsourcing will disappear in the near future. Outsourcing will continue and has even been predicted to rise in Wales; the councils there having been, up to now, relatively sheltered from financial pressures by the Welsh Assembly Government, Pembrokeshire council's recent vote in favour of outsourcing being an example of this.

Regardless of financial motivation, public disillusionment has a powerful influence over outsourcing, the public and media backlash against the PFI being the most recent evidence. The political reaction to this led to drastic reform of the model, subsequent banning and eventual dissolution of the procurement method.

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- Owen Gower

sector's aim to outsource risk directly contributed to this perception - if the risk does not materialise then the public does not benefit from the reward. Economies of scale and secondary market refinancing of debt also created a rise in profits for the private sector - a revenue stream not accessible for local government in any other procurement route.

However tarnished by this perception outsourcing may have been, I don't believe that excessive profits are as significant in the current climate (indeed, many service providers are concerned with the 'race to the bottom' on price when winning contracts), the political landscape and influence of far left socialist values brings with it the perception that any profits made on public services is morally inappropriate. Privatisation is a dirty word in the UK and outsourcing is seen as "privatisation by stealth".

There is a generally accepted view that services can be performed more efficiently and effectively by specialists, so why not public services such as maintaining street lighting, or the sourcing, supply and development of specialist machinery? It's within the very nature of our capitalist economy that profits are required to encourage competition and innovation. Specialism and diversification as a business strategy ebb and flow as market conditions dictate, and I believe we are seeing a return to specialists or partial in-house delivery from the recent tradition of procuring a sole provider to perform all services which slightly overlap, otherwise known as Total Facilities Management. Mitie's recent profit warning and subsequent share slide is an indication of market conditions affecting a major player in our industry.

With limited possibility yet obvious requirement to make profits from public outsourcing, service providers must innovate and disrupt the traditional method of structuring and performing services in order to effectively deliver to the

THE DIRECTOR'S VIEW

PHIL RUSSELL,
DIRECTOR SALES &
MARKETING FOR VINCI
FACILITIES



The pattern of outsourcing non-core services across the public sector is going to continue because it makes economic sense. This of course assumes that there is, as a minimum, no deterioration in service quality and the policy can be justified to the electorate - i.e. the end users of these services - by their respective central and local government officials. That means there is pressure on public sector procurement teams to find the right deal and not simply at the lowest cost.

If outsourcing is going to succeed in the longer run - i.e. not

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Public sector procurement in some instances need to realise when they have reached the bottom and where there is a real risk of buying a service that is not sustainable for either the supplier or the beneficiaries of the service.”

just balance the books in year one but deliver a sustainable, effective service for the five years of the contract term – then value must be the priority, not cost. Public sector procurement generally places too much emphasis on the headline price and not enough on value. In the past and probably still today the larger procurement projects are attracting bids from larger suppliers who need volume. They are prepared to sacrifice operational profit (and potentially service delivery) in what is a very tightly controlled procurement process, pinning their hopes on a counter-balancing profit from yet another round of further efficiencies, changes in contract specification or the injection of new capital projects. No one denies the cost and quality benefits of outsourcing but there is a point where continuously driving for further price decreases (and let's face it, the biggest cost, labour costs reduce further) is not sustainable and places an unequitable proportion of financial risk with the supplier. But it takes two after all, and service providers also need to judge more carefully the risks they are prepared to take – financial or reputational and be prepared to walk away when a deal isn't right for them.

Public sector procurement in some instances need to realise when they have reached the bottom and where there is a real risk of buying a service that is not sustainable for either the supplier or the beneficiaries of the service. We are now seeing a more collaborative public sector in its outsourced agreements by involving suppliers at an earlier stage looking jointly at opportunities to further reduce cost but recognising the possible impact on services and adjusting the specification and selection process accordingly. There is a commercial imperative for everyone involved. Outsourcing works and needs to work, but everyone needs to take a bigger picture perspective. Luckily, at VINCI Facilities, we are fortunate to work with some enlightened public sector clients. The suppliers and the support service sector as a whole, needs to take a firmer position and work more closely with clients about a more collaborative approach to ensure that the relationship between us is more equitable. □

THE COACH'S VIEW

DAVID KENTISH,
DIRECTOR & CO FOUNDER
KENTISH AND CO

The general public doesn't have a clue as to what FM is. The only awareness of it they have is when a prisoner escapes or the media latch on to suggested overspending by government bodies on refurbishing the Houses of Parliament, HS2 or the new runway at Heathrow. These make the



David Kentish

headlines, but do not make for understanding of what facilities management is, or does.

Therefore it will not be the public who force any changes, (if indeed any come) it will be the clients or the service providers themselves.

The problem with government decisions to give the go-ahead (or not) to certain projects or services is that they are motivated as much by politics as they are in the need to invest in up-to-date infrastructure and the long term running of it. The other problem is that there appears to be no joined up procurement processes between departments; just ask any potential supplier how frustrating that can be.

When you take FM as a whole, not just FM for public services, the most difficult issue for clients and the providers to agree on is cost versus value.

If the client continually drives down the cost of services provided, then they should not be surprised if the level of the service provided reduces.

Likewise if the service provider agrees to these cost reductions and confirms the service levels will remain as the original contract, they should not be surprised if the client throws their toys out of the pram when it is not delivered.

In many cases both sides can be at fault for a failed delivery of services, but blame has to be attributed to someone, or else someone will lose their job or the contract will be lost. This is defensive and negative thinking. There have been enough instances where this has happened and the lessons have never been learned; the same mistakes are repeated over and over again.

Is that really progress?

FM companies provide every conceivable service that follows on from construction or refurbishment work being completed and they want their service to be the best it can be. And I don't believe that anyone on the client side wants anything different. So how do we end up with the problems that so many of us are aware of?

I'm not suggesting that I have the answer, however clients and FM companies who do get it right have one thing in common. They have shared values. And they have people in those companies who understand those values. When negotiating, it's not about us and them and the conflict that brings, it's about all of us!

Now, wouldn't it be wonderful if that type of behaviour was introduced not just into the general FM arena but specifically into the outsourcing of government contracts, or would that be too politically correct? **FMJ**



Do you have a question that you'd like answered by the FMJ Clinic?

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