

<b>For Information</b>	
<b>Public</b>	
<b>Report to:</b>	<b>Audit and Scrutiny Panel</b>
<b>Date of Meeting:</b>	<b>28 September 2017</b>
<b>Report of:</b>	<b>R. Adams, Commercial Director, East Midlands Strategic Commercial Unit</b>
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<b>Agenda Item:</b>	<b>10</b>

\*If Non Public, please state under which category number from the guidance in the space provided.

## **Public Finance Initiative Contracts (August 2017)**

### **1. Purpose of the Report**

- 1.1 Nottinghamshire Police currently have two public finance initiative contracts (PFI), Venson – Provision of vehicles & vehicle services and Miven – Accommodation Services Riverside. Both suppliers are categorised as strategic suppliers and the East Midlands Strategic Commercial Unit (EMSCU) are working closely with the Fleet Manager and the Facilities Manager to manage the contracts at the appropriate level.
- 1.2 EMSCU Supplier Services have introduced a number of initiatives for the Venson contract and undertaken a deep dive review of the Miven contract to improve management of both PFI contracts as set out in Appendix A.
- 1.3 The report informs the Audit and Scrutiny Panel of the work being undertaken by the EMSCU Supplier Services team to improve the management of the PFI contracts for the period August 2016 until November 2017.

### **2. Recommendations**

- 2.1 There are no recommendations this report is for information only.

### **3. Reasons for Recommendations**

- 3.1 Not applicable

### **4. Summary of Key Points**

- 4.1 Nothing further to note.

### **5. Financial Implications and Budget Provision**

- 5.1 Not applicable

## **6. Human Resources Implications**

6.1 Not applicable

## **7. Equality Implications**

7.1 Not applicable

## **8. Risk Management**

8.1 EMSCU maintains its own Risk Register and manages and controls all identified commercial risks. Currently, there are no high risks recorded in relation to PFI contracts.

## **9. Policy Implications and links to the Police and Crime Plan Priorities**

9.1 Not applicable

## **10. Changes in Legislation or other Legal Considerations**

10.1 None to note at present.

## **11. Details of outcome of consultation**

11.1 Not applicable

## **12. Appendices**

Appendix A

## **PUBLIC FINANCE INITIATIVE CONTRACTS**

### **APPENDIX A**

#### **Venson PFI**

The annual budget for the contract is made up of pence per mile (PPM), charge of £1,817,115 and a daily slot availability fee (DSAF), charge of £1,299,060 giving a total of £3,116,175. This is off-set with income of £1,269,540 leaving the balance of contract at £1,846,635.

The costs are determined by a five year repricing/benchmarking exercise. The DSAF and PPM costs cannot be reduced until the next repricing exercise is signed off.

The 2017 repricing exercise is currently in progress and on track for finalisation in line with the November deadline. Venson have confirmed that amended pricing will be backdated should agreement of new pricing structures be delayed or protracted for any reason.

Local partnerships provided expertise and support assisting in the initial stages of the re-pricing and benchmarking exercise. They also conducted a wider review of the contract performance. The following is an extract from the conclusion of the LP report in relation to potential cost savings:

‘The first indication we will have will be the repricing quote due at the end of July (*now due 28<sup>th</sup> August*), this will be the time when we can start to consider **IF** there will be any savings as an output of the exercise’.

Ongoing operational scrutiny and the wider performance review identified a series of unreported contractual non-compliance incidents that, if appropriately recorded, would have invoked penalty deduction points and DSAF credits. These related to statutory testing, accuracy of reporting & complaints management. A credit of £12,974 was applied against March invoices, it is considered that there are further savings to be gained and the review continues.

The project was handed over to PFI specialists - P2G, in its entirety, in July 2017. P2G will be responsible for concluding the repricing exercise, reviewing contractual approach and advising with regards to ongoing management of the agreement.

A governing board is in place (including ACC Cooper and ACO Dawkins) to oversee the P2G contractual approach and repricing work.

The EMSCU Supplier Services team continues to work closely with the fleet manager to manage the contract at a strategic level. The fleet manager manages operational aspects of the contract with daily interrogation and cost challenging.

#### **Miven – Riverside PFI**

The annual budget is made up of estates costs of £1,161,823, off-set by income of £588,180, leaving a balance of contract at £573,643.

EMSCU Supplier Services started a deep dive review of the contract in March 2016. This has involved consulting with Local Partnerships, Eversheds – the original solicitors that let the contract and others. This provided a better understanding around the failure of the PFI contract and then the failures of the SPV's agent. Intensive management and board meetings have taken place with the SPV's agent to ensure that Nottinghamshire Polices position on this has been taken seriously.

EMSCU had noted that the following had occurred:

- Poor upkeep of the building internally and externally
- Non replacement of fixtures and fittings such as fridges, freezers, desks, chairs
- Poor maintenance of assets

Since the contract has been robustly managed and the PFI's agent Pario, and the FM company have been held to account the following outcomes (in no particular order) have been achieved:

- Pario contract manager has been replaced;
- SPV commitment to undertake a full conditional survey including a fire safety survey;
- Carpets have been replaced;
- Internal redecorations carried out in meeting rooms;
- Intumescent strips on fire doors replaced;
- Landscaping works undertaken (for the first time in 15 years);
- Had the 2 variations Nott's Police were being charged for removed as there was no evidence these were requested.
- Recouped £5,100 for chairs Nott's Police had purchased 2 years ago that Accuro should have provided
- Fire Safety work to be undertaken
- Agreed that only one jet wash would remain (the other one was damaged)
- Main fridge to be replaced
- Gardner employed to maintain grounds on a regular basis (as opposed to caretaker)
- A part-time site manager to be recruited to manage site (hadn't intended to do this when the old one left in Aug 16)
- A glass cleaning company commissioned to clean windows on a more regular basis
- Maintenance is now done to schedule as opposed to when Accuro feel like it, and notify us when there are changes
- Accuro are consulting with Nott's Police as to what specification is required. Previously we had what we were given.
- Men's shower room refurbished
- A temporary shower unit was hired in (Accuro recommended that staff alternated using the female shower room – Nott's declined this option)
- Reports have improved after continually complaining about monthly reports and data provided – are now starting to be more meaningful
- Reactive log – is now starting to be logged & reported accurately, and correct timescales assigned. Although this is still having to be robustly managed.
- KPIs started to be properly reviewed – not just signed off as 100% accurate by rote, and no review. Starting to see credit on invoices as KPIs are not met.
- Pario/Miven has accepted that they cannot just access the site without our authority or that they are vetted to our standards
- Equally Contractors cannot access the site without being vetted or being escorted by Nott's Police. Miven, Pario nor Accuro can escort. Previously contractors and non vetted personnel were freely given access to the site

A number of areas have been identified where potential savings may arise:

- The first benchmarking exercise which has just been undertaken in the 15 years of the contract history – this is to be reviewed to see what potential there is for savings.
- Lifecycle costs were not being spent to maintain the building. Miven has had to allocate over their budget this year to make good on various areas. Unlikely to be able to claim for 'lost' lifecycle expenditure, as the risk is with Miven.
- Terminate the contract negotiated with Miven to sublet to HMRC. Essentially Miven are taking 50% of the income generated. NP already paying for the accommodation so effectively paying twice. Approx £30k due in income by re letting the contract with HMRC. Contract is due to end shortly, Tim Wendels to confirm if we wish to

continue sub-letting and for a new negotiation to be undertaken.

- Consideration also needs to be taken on what the longer term plan for Riverside is. The contract will end 2025, and 12 months' notice needs to be served if we wish to buy the property for 50% of the market rate.

Work is about to begin with P2G to see if there are any opportunities for greater savings to be made, or what the implications would be around terminating the contract.

Both Venson and Miven are categorised as strategic suppliers and therefore are managed with an operational contract owner, OCO, for the day to day management and an identified strategic lead from the EMSCU Supplier Services team.

Ronnie Adams  
Commercial Director

A number of areas have been identified where potential savings may arise:

- Confirming the benchmarking exercise which has not been undertaken in the 15 years of the contract history
- Amounts have been factored in for lifecycle replacement. Approx £87K for year 10 and £294K for year 15. On first inspection it would seem that no lifecycle replacement/upgrades have taken place. Now working with Eversheds/EMPLS to ensure missing documentation and contractual information is provided to challenge Miven about this.
- Termination of various services that Miven have implemented and charge NP for in the monthly amount
- Terminate the contract negotiated with Miven to sub let to HMRC. Essentially Miven are taking 50% of the income generated. NP already paying for the accommodation so effectively paying twice. Approx £30k due in income by re letting the contract with HMRC
- Retrospective credits for furniture purchased by NP as it should be part of the contract.

The short term plan, 2 – 4 weeks is to raise all of the concerns with Miven and give them 14 days to detail an action plan to address the poor state of the building. Alongside this is to estimate a value for potential compensation of the poor service provided. Further work with EMPLS is required to achieve this and estimated around six weeks to achieve a full understanding of exactly what can be challenged.

The medium term plan between October and December is to review the whole contract and reduce the monthly commitment/payments to Miven. However, it is likely we may have to engage expert support to achieve significant savings and a further report will be provided for decision once the exact amount is confirmed.

Both Venson and Miven are categorised as strategic suppliers and therefore are managed with an operational contract owner, OCO, for the day to day management and an identified strategic lead from Supplier Services, EMSCU.

Ronnie Adams  
Commercial Director