



Centrica

Centrica is a leading international energy services and solutions provider focused on satisfying the changing needs of their customers and enabling the transition to a lower carbon future. The business is founded on a 200 year heritage of serving people. They supply energy and services to over 26.2 million customer accounts mainly in the UK, Ireland and North America through strong brands such as British Gas, supported by around 9,000 engineers and technicians.

Background

Centrica engaged their current Facilities Management Service Provider on a national basis, where the original term of the contract was for three years, which had the additional option of being extended by the Client in 12 month periods.

With the current contract entering its final year, the Service Provider commenced a process to re-negotiate a new contract with the Client through the preparation of a 'Greenfield' approach.

The last few years have been challenging for the Client organisation, leading to a considerable level of evaluation and assessment to seek to reduce overall operating costs. Whilst the partnership has been successful, and an initial level of savings initiatives have been met, the Client's estate portfolio has been changing to meet the demands of the business and its internal customers. As a result the Client's Central Real Estate and FM team were keen to establish if value for money was being achieved.

Brief

Litmus FM was appointed to review the value received from the service provider by benchmarking the actual total spend, followed by an assessment of the new Greenfield proposal. As part of this review, Litmus undertook a series of key stakeholder discussions, in addition to carrying out sample site visits to the Clients' facilities.

Approach

Litmus FM issued requests for supporting information for all sites, which included:

- ▶ Financial data;
- ▶ Local Operating Procedures; and
- ▶ The contract and service specifications.

Site visits were then carried out by Litmus FM Consultants to assess the in-scope FM service delivery and its compliance against the contract requirements and industry best-practice. During these visits the team also met with key stakeholders and end-user customers; the insights gathered during these visits helped with our understanding of the site data.

►► *This strategic benchmarking exercise has improved our overall understanding of the cost we are receiving today and indicated that the Service Provider's proposal was good value to us. Furthermore, it has helped us with our long-term strategy and approach to provide an FM solution to our employees by examining the core FM competencies, product and services whilst developing new and innovative strategies.* ◀◀

Head of Corporate Real Estate, Centrica

Litmus FM then carried out a desk-based analysis of all of the data and information received and benchmarked the Client's services, using industry-approved as well as Litmus FM's well-developed database of benchmarking data comprising of financial metrics collected from many different businesses and associations. All of the Client's FM services were benchmarked including FM Management and Administration, Internal and External Maintenance and Repairs, Cleaning, Mailroom, Security and Reception Services, Waste Management and Horticultural Services.

Outcomes

All findings were then collated into a detailed report that provided:

- ▶ **A better understanding of what was being achieved, by service** – confirming where services were being delivered in line with the performance requirements and where there needed to be improvements – in short, guiding the Client and the Service Provider on where to concentrate their efforts.
- ▶ **A well-informed competitive understanding** – giving clarity on how well the Service Provider was performing in comparison to their competitors.
- ▶ **A straightforward way of tracking the renegotiation progress** – in absolute terms, comparing the new Greenfield proposition to that of the competition.

The exercise confirmed that the total budget cost to the Client in the new Greenfield budget represented very good value with positive outcomes against all of the benchmarks at a total cost level.

The FM Management cost was demonstrably lower than all the benchmarks and this was a trend throughout the report. Whilst salary benchmarking was not a requirement of this activity, Litmus FM did have sight of the salary costs of the Service Provider's team in the budget for the Greenfield proposals, and an overall assessment was that they were highly competitive, especially for site-based roles.



For more information about Litmus get in touch:

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