



Department
for Transport

Bid Pack

Attachment 3 – Specification

Annex F – Shared Savings and Continuous Improvement

Department for Transport

Further competition under Lot 1c of Facilities Management & Workplace Services RM6232

1. Definitions

1.1 In this section of the Scope, the following words shall have the following meanings:

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| "Continuous Improvement Proposal" | has the meaning given to it in paragraph 2.2 of this section of the Scope; |
| "Savings" | A reduction in Price as a result of either a Continuous Improvement Proposal or a Shared Savings Proposal |
| "Savings Investment" | the value of the <i>Service Provider's</i> investment in developing a Shared Savings Proposal which has been agreed in writing by the <i>Service Manager</i> |
| "Shared Savings Proposal" | has the meaning given to it in paragraph 3.1 of this section of the Scope; |
| "SRM" | means the <i>Client's</i> Strategic Relationship Management programme |

2. Continuous Improvement

2.1 The *Service Provider* provides all reasonable assistance to the *Client* to help improve the service and how it is performed. For the avoidance of doubt, this may include financial or non-financial improvements. As a minimum, the *Service Provider* is required to:

- participate in the SRM;
- attend quarterly meetings with the *Client*, or at such frequency as the *Service Manager* notifies, to discuss such improvements to the service; and
- produce and submit to the *Service Manager* at the start of each year of the Service Period a plan for improving the provision of the service and / or reducing the Prices (without adversely affecting the performance of this contract) during that year.

2.2 The *Service Provider* may propose that the Scope is changed in order to take account of proposed improvements to the *service* and how it is performed, other than:

- a reduction to the amount the *Client* pays to the *Service Provider* for Providing the Service;
- a reduction of service levels; or

- a change which adversely affects the performance of this contract,

(a "**Continuous Improvement Proposal**").

2.3 The *Service Provider* may propose to the *Service Manager* at any time that the Scope is changed in order to reduce the cost of operating and maintaining the Affected Property, other than:

- a reduction of service levels without an agreed reduction in price; or
- a change which adversely affects the performance of this contract in other areas without agreement from the *Service Manager* without an agreed reduction in price.

3 Shared Savings

3.1 A saving is where an innovation or non-business as usual action delivered or facilitated by the *Service Provider* delivers a measurable reduction in the cost of a service or an element of it. A saving will only be valid where the *Service Manager* confirms that it fulfils the following criteria:

3.1.1 It represents a *Service Provider* investment;

3.1.2 Service levels are not reduced or compromised – this is a reduced service for a lower price and therefore not a saving;

3.1.3 There are tangible and quantifiable cost reductions; and

3.1.4 The saving has not been identified or instigated by the *Client* – the *Service Provider* doesn't get paid for the *Client's* ideas (any *Service Provider* investment or incurred costs to realise *Client* identified savings shall be managed via the Service Orders and Project Orders process within Annex I to the Specification.

(a "**Shared Savings Proposal**").

4. Approval Process

4.1 If the *Service Manager* is prepared to consider a Shared Savings Proposal or Continuous Improvement Proposal, the *Service Provider* submits a proposal, including a quotation for implementing such proposal where applicable, which includes, or is accompanied by, as a minimum:

- A detailed description of the Shared Savings Proposal or Continuous Improvement Proposal,
- The forecast financial implications to the *Client*, if any, including:
 - Cost reductions of operating and maintaining the Affected Property over its whole life;
 - Implications for overall asset life in relation to the Affected Property; and
 - Implementation costs.
- Details of any changes to service levels;

- An analysis of the resulting risks to the *Client*,
- The proposed changes to the Prices and Performance Table;
- Details of any non-financial benefits; and
- A revised plan showing any changes to the timing of the service.

The *Service Provider* may be required to provide additional supporting information when requested by the *Service Manager*.

4.2 The *Service Manager* will review the proposal and where necessary consult with the *Service Provider* about the Shared Savings Proposal or Continuous Improvement Proposal and associated quotation. The *Service Manager* replies within the period for reply. The reply is either:

- acceptance of the proposal and, where applicable, the associated quotation; or
- the reasons for not accepting it.

The *Service Manager* may give any reason for not accepting the proposal and, where applicable, the associated quotation, including, for the avoidance of doubt, that the proposal relates to a change implemented by the *Client*.

4.3 The *Service Manager* does not change the Scope as proposed by the *Service Provider* unless the Shared Savings Proposal or Continuous Improvement Proposal and associated quotation is accepted.

4.4 When a Shared Savings Proposal or Continuous Improvement Proposal and any associated quotation is accepted the *Service Manager* changes the Scope, the Prices and the Performance Table accordingly and accepts the revised plan. The change to the Scope is not a compensation event.

4.5 Should any changes implemented pursuant to a Shared Savings Proposal result in a reduction to the Prices then the *Client* compensates the *Service Provider* for the relevant Savings Investment from the Savings realised, provided that such compensation shall not exceed the amount of the associated Savings.

Any remaining amount of the associated Savings shall be shared between the *Client* and *Service Provider* in the ratio of 50% to the *Client* and 50% to the *Service Provider* for the twelve (12) month period following the date on which the *Client* has paid the Savings Investment in full to the *Service Provider*, provided that no Savings shall be realised or shared, and no Savings Investments paid, upon expiry or termination of the contract.

Upon the expiry of such twelve (12) month period, any remaining cost savings with respect to such change shall be retained by the *Client*.