

APPENDIX 3

Percentage of Facilities Cost Plan Price Elements not earned

The Percentage of Facilities Cost Plan Price Elements not earned for each Contract Year shall be as set out below:

1. All Contract Years up to and including the Contract Year ending 31 March 2004:

Performance Score	Percentage Deduction
95 or more	[withheld]
94	[withheld]
93	[withheld]
92	[withheld]
91	[withheld]
90	[withheld]
89	[withheld]
88	[withheld]
87	[withheld]
86	[withheld]
85	[withheld]
84	[withheld]
83	[withheld]
82	[withheld]
81	[withheld]
80	[withheld]
79	[withheld]
78	[withheld]
77	[withheld]
76	[withheld]
75	[withheld]
74	[withheld]

73	[withheld]
72	[withheld]
71	[withheld]
70	[withheld]
69	[withheld]
68	[withheld]
67	[withheld]
66	[withheld]
65	[withheld]
64	[withheld]
63	[withheld]
62	[withheld]
61	[withheld]
60	[withheld]
59	[withheld]
58	[withheld]
57	[withheld]
56	[withheld]
55	[withheld]
54	[withheld]
53	[withheld]
52	[withheld]
51	[withheld]
50 or less	[withheld]

2. The Contract Year ending 31 March 2005:

Performance Score	Percentage Deduction
96 or more	[withheld]
95	[withheld]

94	[withheld]
93	[withheld]
92	[withheld]
91	[withheld]
90	[withheld]
89	[withheld]
88	[withheld]
87	[withheld]
86	[withheld]
85	[withheld]
84	[withheld]
83	[withheld]
82	[withheld]
81	[withheld]
80	[withheld]
79	[withheld]
78	[withheld]
77	[withheld]
76	[withheld]
75	[withheld]
74	[withheld]
73	[withheld]
72	[withheld]
71	[withheld]
70	[withheld]
69	[withheld]
68	[withheld]
67	[withheld]
66	[withheld]

65	[withheld]
64	[withheld]
63	[withheld]
62	[withheld]
61	[withheld]
60	[withheld]
59	[withheld]
58	[withheld]
57	[withheld]
56	[withheld]
55	[withheld]
54	[withheld]
53	[withheld]
52	[withheld]
51 or less	[withheld]

3. For all remaining Contract Years:

Performance Score	Percentage Deduction
97 or more	[withheld]
96	[withheld]
95	[withheld]
94	[withheld]
93	[withheld]
92	[withheld]
91	[withheld]
90	[withheld]
89	[withheld]
88	[withheld]
87	[withheld]

86	[withheld]
85	[withheld]
84	[withheld]
83	[withheld]
82	[withheld]
81	[withheld]
80	[withheld]
79	[withheld]
78	[withheld]
77	[withheld]
76	[withheld]
75	[withheld]
74	[withheld]
73	[withheld]
72	[withheld]
71	[withheld]
70	[withheld]
69	[withheld]
68	[withheld]
67	[withheld]
66	[withheld]
65	[withheld]
64	[withheld]
63	[withheld]
62	[withheld]
61	[withheld]
60	[withheld]
59	[withheld]
58	[withheld]

57	[withheld]
56	[withheld]
55	[withheld]
54	[withheld]
53	[withheld]
52 or less	[withheld]

APPENDIX 4**Measurement of Cleaning Standards**

- The Contractor is required to measure Cleaning Standards in all buildings, once a month for the purpose of the Performance Measurement System.
- The areas in the table below correspond to the cleaning Performance Indicators (PIs) as set out in Appendix 1 to Part 1 of this Schedule 14
- Cleaning points are recorded during the inspections as per table 1 below:

Actual standard achieved	Cleaning points
Equal to minimum standard acceptable or above	0
1 level below minimum standard acceptable	1
2 or more levels below minimum standard acceptable	2

- In the event of an area being at different standards across the building, the lowest standard should be recorded. (I.e. all areas must meet the minimum standard for no point to be recorded)
- In events where an aspect does not apply to an area, (e.g. consumables in office areas), no point should be recorded.
- Note: deep cleaning of catering facilities and external cleaning is excluded from this measurement and is the subject of a separate PI
- The Cleaning Point Records Sheet in table 2 below illustrates the format in which cleaning points will be recorded. The areas correspond to the different PIs.

Table 2: Example of Cleaning Points Record Sheet

Areas/ Aspects	Hard floors	Soft floors	Vertical surfaces and ceilings	Furniture, Equipment, fixtures and fittings	Bins, ashtrays	Sanitary fittings	Consumables	Job points	Number of cleaning points awarded
Public areas									
Office areas									
Common areas									
Hygiene areas									
Catering areas									

Notes:

- Examples of public areas include, but are not limited to areas to which the public have access such as public caller areas, reception, waiting areas, building entrances, interview rooms, meeting rooms.
- Examples of office areas include, but are not limited to open plan offices, cellular offices
- Examples of common areas include but are not limited to: corridors, staircases, landing and lifts and non public facing reception, non public facing meeting rooms
- Examples of hygiene areas include, but are not limited to toilets, washrooms, shower areas, changing rooms, first aid areas
- Examples of catering areas include, but are not limited to, restaurants, self catering areas, tea points

Calculation of internal cleaning PIs scores

Performance levels are awarded as per table 3 below.

Table 3 - Conversion of cleaning points to a performance level %

Number of cleaning points	Performance level %
0	100
1	97
2	94
3	90
4	85
5	80
6	75
7	70
8	65
9	60
10	55
11	50
12	40
13	30
14	20
15	10
16 Maximum points available	0

PART 2

Alternative Performance Measuring System

PERFORMANCE MANAGEMENT SYSTEM

The purpose of this schedule is to describe the provisions relating to performance and compensation (the "**PMS**") that may apply as an alternative to the Operating PMS. Recognising that they cannot at this time determine all of the specifics of the PMS, the parties have set forth specific Principles, Elements and Procedures that will help them to finalise the details of the PMS. The parties commit to work in good faith to complete the PMS along the lines of this Schedule, recognising further that if they fail to do so, the Operating Performance Measurement System will prevail. ***None of the terms of this schedule beyond the commitment to work in good faith shall be binding upon either party.***

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1. PRINCIPLES

The following Principles (Heads of Terms) will guide the parties in completing the PMS:

- (a) The use of an incentive-based PMS of a "deduction-based" PMS
- (b) Customer satisfaction will be a key driver and measurement
- (c) The use of a PMS that aligns the interests in a transparent manner of DWP, the PRIME Contractor and the other subcontractors
- (d) Shared operating savings and an open book approach to costs
- (e) A system based upon the measurement and management of results instead of processes ("manage to success")
- (f) Measurements of success will be based on the clear Goals and Objectives of the PRIME Contractor
- (g) A commitment to Continuous Improvement
- (h) A recognition that every detail cannot be agreed upon upfront and that change is inevitable and desirable
- (i) The system is designed to measure performance on a building-by-building basis.

2. ELEMENTS

The following elements will affect the total compensation paid to the PRIME Contractor:

(a) Core Performance Payment

"Core Performance" shall be comprised of two sub-elements:

(i) Providing Uninterrupted Enjoyment of the Facilities (Unavailability)

This is the equivalent to the "Unavailability" concept already in the Contract. If, DWP is unable to effectively use any part of the Facilities for any time beyond the agreed period of 2 hours, the FUP allocated to that part for that period of time shall be subtracted from the total FUP.

Except in the case of Unavailability (as described above) or Termination (as defined in the Contract), the PRIME Contractor will be entitled to receive its Non-FM Fixed Costs without deduction. **"Non-FM Fixed Costs"** shall mean that portion of the FUP which is not the direct costs related to the provision of the Facilities Management services, plus related overhead and profit.

(ii) Maintaining the Foundation for Critical Performance (Core Standards)

To insure that the PRIME Contractor has put in place and maintained those programmes, processes and tools necessary to provide safe, secure and reliable service, the parties will agree upon certain Core Standards relating to:

- (1) Predictive, preventative and standard maintenance and other measures related to Reliability;
- (2) Safety;

- (3) Security;
- (4) Legal compliance (e.g. licensing, environmental, disability access, etc.)

The PRIME Contractor's failure to provide the Core Standards will result in a withholding by DWP of a portion (yet to be agreed) of the FUP related to the Facilities Payment. (It is noted that the Facilities Payment included LCCE costs. How the LCCE costs are treated under the this system is to be discussed.)

While the fundamental principle behind this performance measurement proposal in this schedule is based on reward for "results" as opposed to reward for "processes", this measure relies on process because the parties cannot allow a negative result in the case of safety, security and legal compliance.

The Core Standards and the method of determining how much of the Facilities Payment (excluding LCCE costs) may be withheld are discussed in more detail in Section 3.1 below.

(b) Performance Quality Score (Customer Satisfaction/Quality Targets)

The heart of the PMS shall be the calculation of a Performance Quality Score. The Performance Quality Score will be calculated according to the process described in 3.2 below. Depending upon the number calculated as the Performance Quality Score for a given period, the PRIME Contractor will be entitled to something less, equal to, or more than the amount of the total FUP that is equivalent to [withheld]% of the Facilities Payment (excluding LCCE costs).

However, if the PRIME Contractor's aggregate score falls to a level which is deemed to be totally unacceptable (as agreed to by the parties), a proportion greater than [withheld]% but lower than a per cent yet to be agreed of the Facilities Payment (excluding LCCE costs) will be withheld.

(c) Sharing of Cost Savings

In order to further align their interests in balancing cost versus quality, the parties agree to share in any future operating cost savings that result from agreed changes to the Generic Method Statement, the Output Requirements, or other positive input from DWP. (Any sharing of savings in Occupancy Costs and Project Costs, shall be negotiated at the time that any occupancy initiative or project is being planned.) The formula for sharing operating costs must be negotiated. There is a split in opinion at this time as to whether the sharing percentage should be fixed at a guideline of [withheld]%/ [withheld]%, for example - or negotiated on a case-by-case basis taking into account the relative impact of the process change or other initiative leading to the savings upon the respective parties. This concept requires that the PRIME Contractor "open its books" to DWP to understand where costs savings might be available.

3. PROCEDURES

The following is additional detail regarding the completion of the elements of the PMS.

(a) Core Performance Payments

As stated at 2.(a)(ii) the parties will agree upon a set of Core Standards. The PRIME Contractor will provide a list of standard procedures relating to maintenance and reliability, security, safety, and legal compliance. The parties

expect that these procedures will be agreed and in place as part of the year 1 system. DWP and the PRIME Contractor will review these procedures and either accept them as is or make suggested additions or modifications.

Subsequent modifications to the Core Standards can be suggested by either party and either accepted or amended according to the Annual Recalibration Process (discussed in 3(d) below).

The parties will also agree to appropriate notice and rights to cure provisions (with the exception of availability) and to a means of calibrating the amount of the Facilities Payment (excluding LCCE costs) withheld as a result of a failure to maintain the Core Standards. The calibration shall be based upon such factors as duration, potential (not necessarily actual) impact of a failure to provide, the size of the portfolio over which the failure occurs, etc.

There is the option for discussion regarding the potential for redefining and/or combining the Unavailability element with the Core Standards element of Core Performance, into one performance measure. This could not be considered without revisiting the impact on the payment, and agreeing a revised payment structure.

(b) Performance Quality Score

(i) Goals and Objectives and related KPMs

The parties have tentatively agreed to the following Goals and objectives and related KPMs

Goals and Objectives	KPM
Service that supports the business of DWP	Business Unit Head Surveys Scores External Customer Surveys Scores
Safe and secure facilities	# of security incidences by facility type and location # of accidents by facility type and location Internal Customer Survey Scores
Clean and comfortable facilities	Internal (and External) Customer Survey Scores
Reliable facilities and systems	# of Critical Building failures (covered in Core Performance) # of non-Critical Customer Survey Scores
Courteous and responsive service	Internal Customer Survey Scores

The parties acknowledge that there are a number of services such as landscaping, catering, waste management, etc. that may only be indirectly reflected in the KPMs listed above. To insure the proper delivery of these services, the parties will do the following:

- agree upon a scope of services and an infrastructure for delivering these services that will be included in the Core Standards
- include in the Customer Surveys, specific questions addressing satisfaction regarding these services.

These will be modified as agreed upon by the parties prior to the execution of the Project Agreement. Resetting the KPMs shall be part of the Annual Recalibration Process.

(ii) Scoring and Surveys

The primary means of scoring the quality of the PRIME Contractor's performance will be Satisfaction Surveys. As described above, there will be three types of surveys: Internal Customer Surveys, Business Unit Head Surveys, and (possibly) External Customer Surveys.

The parties agree that a professional surveying company will be engaged to design the surveys and the methodology so that the process provides accurate measurement on a building-by-building basis. The surveying company will assist in determining the number of targeted respondents required to provide statistically reliable information, but the parties believe that there does not need to be more than one survey each year and that the survey population should be only a representative sample of the total DWP population. There are similar customer satisfaction surveys already running in the United States which should be considered by both parties when initial thoughts on both the content of such surveys, and the impact of results, can be further considered in relation to the overall proposal.

The KPMs related to Reliability, Safety and Security will be measured by the recording of actual events (ie systems failures, safety incidences, etc). It is expected that most, if not all, of these events will be recorded by the PRIME Contractor's Customer Service Centre or operational management systems.

(iii) Baseline and Continuous Improvement

The parties recognise that there do not exist baseline performance measures for any of the KPMs. Accordingly, the parties contemplate that during the first 12 months, they will endeavour to measure the various KPMs to determine baselines.

The parties will agree annually on their goals for improvement for the next year. In order to provide as much structure as possible prior to execution of the Project Agreement, the parties will endeavour to develop guidelines for continuous improvement goals that may follow the following approach:

- (1) for "poor" performance that falls below a certain score, there will be a requirement that there be a "substantial percentage" increase in each year until a "satisfactory" score is reached;
- (2) for "satisfactory" to "excellent" performance there will be a requirement that there will be a "reasonable percentage" increase in each year until an "excellent" score is reached;
- (3) for any "excellent" performance, further improvements or degradation of service will be determined by the parties based upon a cost/benefit analysis. (The parties will try to use pilot projects where appropriate to test cost/benefits.)

The parties will each year review the Goals and Objectives, KPMs performance goals and Performance Scales and modify, as necessary ("Annual Recalibration Process"). This process will be begun by the PRIME Contractor delivering (early in the fourth quarter) an annual report regarding projected current year performances, with suggested changes to the KPMs, goals, etc. DWP will review and comment as appropriate.

(iv) Weighting and Calibration

The Goals and the individual KPMs will be mutually weighted by DWP and the PRIME Contractor.

The Performance Score for each location will be weighted on an agreed basis eg upon the proportion that the FUP for such location bears to the total FUP. (To prevent continuing unsatisfactory performance for small locations, the parties will consider having an increasing penalty in subsequent years if performance remains unsatisfactory.)

The parties will determine an annual goal for each KPM and assign a value of 100% for each goal. The parties will also agree on a "Performance Scale" that reduces the value below 100% for performance that falls short of the goal and increases the value above 100% for performance that exceeds the goal.

The calculation of a score for any individual location will be calculated according to the following formula:

$$\text{KPM\%} \times \text{Location \%} \times (\text{Score as converted on Performance Scale}) = \text{Location Score}$$

All individual Location Scores will be totalled and the total Performance Quality Score will be applied against the Total Performance Scale (agreed upon by the parties) to determine the size of the annual payment. Annex B illustrates how this process may work.

The principles of aggregation for smaller sites is still to be discussed.

(v) **Frequency of Measurement and Payment**

The parties will agree upon the frequency of measurement and payment. However, it is likely that the Customer Satisfaction Surveys and the calculation of their financial impact will be done on an annual basis, by means of reconciliation.

The intention is that the PRIME Contractor's cashflow is not prejudiced by this system.

ANNEX A

BASIS OF CONTINUOUS IMPROVEMENT FOR CUSTOMER BASED PERFORMANCE MEASUREMENT SYSTEM

Definitions of Performance Levels

Definition	=	Level of Customer Satisfaction
Poor performance	=	Below 70%
Satisfactory Performance	=	70%
Excellent Performance	=	90%
Cost/Benefit level	=	over 90%

Annual Target Setting Timetable

Baseline during Yr 1 (98/99)

Customer Measurement Survey	December 98/Jan 99
PRIME Liaison Committee to set April 99 to March 00 Targets	Feb 99

Subsequent Years

Customer Measurement Survey 99/00	December 99/Jan 00
Assess impact on payment mechanism and adjust payment	Feb 00
PRIME Liaison Committee to set April 00 to March 01 Targets	Feb 00

(continuing)

Per cent Stages for Annual Continuous Improvement

Any scores under 70% will be set a minimum target of 70% for the following year*

Any scores between 70% and 85% will be set a 5% increase as a target for the following year

Any scores between 86% and 89% will be set a target of 90% for the following year

Any scores which achieve 90%, will not be automatically increased in the following years, but the Cost/Benefits will be considered before further targets are set.

*Scores significantly falling below the poor threshold of 70% may have an interim in year measurement depending on severity and customer perception.

ANNEX B

The Sheet 1 table set out in Annex B of Part 2 of Schedule 14 of the original Prime Agreement dated 27 March 1998 shall apply to this Annex B of Part 2 of Schedule 14 of the Expanded PRIME Contract.

Results of Customer Survey Scores 99/00			SCUNTHORPE			Variation in targets met = reduction in payment					
Goals	Weighting	Location Size %	Satisfaction Target	Satisfaction Score	Performance Score from Table	Location Score					
Service Supports the Business	20%	0.05%	80	73	85%	0.000085					
Safe and Secure Facilities	20%	0.05%	75	79	104%	0.000104					
Clean and Comfortable Facilities	10%	0.05%	89	89	100%	0.0001					
Reliable Facilities and Systems	20%	0.05%	84	82	98%	0.000098					
Courteous and Responsive Service	20%	0.05%	90	89	98%	0.000098					
					Total	= 0.000485					
0.000485 is then applied to the FM Profit element of the FUP to generate the payment for Scunthorpe											
Note: This may not be the appropriate way to apply the score to the payment, it may need to be related to Scunthorpes specific FUP, but these details can be worked out later.											
As long as the figure used for the Location Size % is the agreed figure subject to loss and gain, the correct financial impact will result.											

Results of Customer Survey Scores 99/00			SCUNTHORPE			Variation in targets met = increase in payment					
Goals	Weighting	Location Size %	Satisfaction Target	Satisfaction Score	Performance Score from Table	Location Score					
Service Supports the Business	20%	0.05%	80	92	110%	0.00011					
Safe and Secure Facilities	20%	0.05%	75	70	95%	0.000095					
Clean and Comfortable Facilities	10%	0.05%	89	89	100%	0.0001					
Reliable Facilities and Systems	20%	0.05%	84	86	102%	0.000102					
Courteous and Responsive Service	20%	0.05%	90	94	100%	0.0001					
					Total	= 0.000507					
0.000507 is then applied to the FM Profit element of the FUP to generate the payment for Scunthorpe											
<p>Note: This may not be the appropriate way to apply the score to the payment, it may need to be related to Scunthorpes specific FUP, but these details can be worked out later.</p> <p>As long as the figure used for the Location Size % is the agreed figure subject to loss and gain, the correct financial impact will result.</p>											
Results of Customer Survey Scores 99/00			SCUNTHORPE			100% Targets Met = 100% Payment					

Goals	Weighting	Location Size %	Satisfaction Target	Satisfaction Score	Performance Score from Table	Location Score					
Service Supports the Business	20%	0.05%	80	80	100%	0.0001					
Safe and Secure Facilities	20%	0.05%	75	75	100%	0.0001					
Clean and Comfortable Facilities	10%	0.05%	89	89	100%	0.0001					
Reliable Facilities and Systems	20%	0.05%	84	84	100%	0.0001					
Courteous and Responsive Service	20%	0.05%	90	96	100%	0.0001					
					Total	= 0.000500					
0.000500 is then applied to the FM Profit element of the FUP to generate the payment for Scunthorpe											
<p>Note: This may not be the appropriate way to apply the score to the payment, it may need to be related to Scunthorpes specific FUP, but these details can be worked out later.</p> <p>As long as the figure used for the Location Size % is the agreed figure subject to loss and gain, the correct financial impact will result.</p>											