

# COVID-19: Building commercial resilience for facilities management providers

As a public health emergency, COVID-19 is one of the most challenging periods we have faced. The pandemic is causing widespread disruption, impacting facilities management (FM) providers' clients, supply chains and the labour market. FM providers have needed to move quickly to identify and manage the threats presented by the COVID-19 pandemic and to be flexible in their operations. This paper outlines KPMG's perspectives of the specific challenges and concerns, industry insights, and then practical steps that organisations can take to maintain and protect their commercial resilience.

## Challenges and concerns

- FM providers often have a mix of public and private sector contracts which will respond differently in the current environment with further differences across individual hard and soft FM service areas.
- Workforces are spread over many locations adding complexity around management and control. Some services are having to be delivered in a different way, the demand for which has significantly changed in the short-term.
- Remote working in non-critical areas, staff sickness and the move to non-core hours impacts decision-making as well as all other activities.
- Lower revenues in areas where volume has reduced and the commercial mechanism includes limited fixed price components.
- Liquidity and the challenges faced in particular by the "squeezed middle" companies. Judging the additional funding required.
- Identifying how best to prepare to support customers to re-mobilise.
- Identifying how to re-shape the organisation to be fit for the new world.

## Industry insights

- Home working has considerably reduced the requirement for certain office based services. At the same time, demand for some services forming part of critical frontline FM contracts has increased.
- Maintenance is being re-prioritised around statutory maintenance, essential works, and works that can be carried out easily.
- Governance procedures are being adapted for staff that are now home working and changes are required in the oversight of critical frontline services.
- Reliable and timely internal reporting is now more critical than ever.
- FM providers are reviewing their contractual positions, seeking to agree sensible approaches with their customers and suppliers and working collaboratively to develop least-impact solutions.
- Materials supplies, particularly of personal protective equipment (PPE), have been impacted.
- Right-sizing and re-shaping organisations to be fit for the new world are a key focus.

1: Short term	2: Medium term	3: Long term
<ul style="list-style-type: none"> <li> Assess and monitor daily the latest government and industry advice and restrictions to ensure compliance.</li> <li> Establish clear lines of communication with staff, clients and the supply chain.</li> <li> Establish delegated authority in the case of illness for key personnel.</li> <li> Prioritise the portfolio taking account of changes in customer requirements.</li> <li> Assess IT infrastructure and remote working capabilities to support new ways of working and service needs.</li> <li> Reorganise operations and working arrangements and PPE where required.</li> <li> Review and implement contingency plans and crisis responses.</li> <li> Review cash flow and liquidity; implement effective cash management strategies; re-prioritise capital works; consider options to access government funding; consider FM workforce pooling options.</li> <li> Review contracts and commercial arrangements and assess implications.</li> </ul>	<ul style="list-style-type: none"> <li> Use enhanced communications, governance, controls and reporting processes to monitor and assess the evolving situation.</li> <li> Plan re-shaping of operations to suit the new world and meet client needs.</li> <li> Align operational structure and cost base with anticipated new world service mix and volumes.</li> <li> Strengthen resource management, and back-up plans to cover staff sickness and demand surges.</li> <li> Re-review portfolio and assess continued operations to check if service levels which have not been relaxed, are being met.</li> <li> Re-review statutory and other maintenance work plans and reprioritise.</li> <li> Collaboratively develop least-impact options and build effective customer re-mobilisation support plans.</li> <li> Perform risk assessments of supply chain resilience and mitigation strategies.</li> <li> Ensure effective assurance, and firm controls over cash management and performance reporting.</li> <li> Contingency plan different scenarios.</li> </ul>	<ul style="list-style-type: none"> <li> Review the portfolio and assess implications of the disruption.</li> <li> Implement new strategy and keep under review – markets will change and pre-crisis norms may not be returned to.</li> <li> Implement mobilisation plan to restart services that have been reduced or paused and initiate new offerings.</li> <li> Align operational structure and cost base with new world service mix and volumes.</li> <li> Assess status of portfolio of capital and project works post start-up and re-prioritise and re-baseline considering commercial implications.</li> <li> Negotiate variations and claims that have resulted as an impact of COVID-19.</li> <li> Robustly manage cash to optimise working capital as business grows.</li> <li> Maintain and enhance supplier risk management protocols and develop new approach to commercial controls, expecting a more vulnerable supply chain.</li> <li> Review revenue and cost projections.</li> </ul>



## How is KPMG helping?

Enabling you to rapidly assess the commercial resilience of your organisation and develop robust mitigation plans for COVID-19 impact. We are using our Commercial Resilience Pulse Check capability assessment tool to work with businesses to complete real-time assessments, tailored to their specific businesses.

### The key areas we are helping clients with our Commercial resilience assessments:

- Resilience:** business continuity, delay and disruption mitigation, responses to building closures, programme changes, working capital management, insurance claims, resource management. Defining and aligning new operating structures and cost bases to the new world.
- Supply chain:** supplier resilience risk assessments, critical supplier analysis, supplier cash flow.
- Re-planning:** Creating plans for capital and maintenance works that have been delayed, for re-mobilising including paused service provision, enhancing existing services.
- Project/Contract management:** governance, sufficiency and accuracy of reporting, WIP and accruals reviews, contract review processes, cash flow management, disruption claims management and fraud prevention and detection approaches.
- Baseline:** Assessing the pre-COVID-19 contractual position, including financial, legal, contract and risk assessments, and assessing potential impacts of the crisis.

#### 1: Short term

This is the time to complete a rapid assessment, either across the organisation or in specific areas. This highlights whether you have appropriate capabilities in place and are taking appropriate actions quickly enough to achieve commercial and supply chain resilience. Understand the gaps and weaknesses then mitigate with agile, effective and realistically achievable actions.

#### 2: Medium term

Government advice on distancing and remote working may lead to issues in implementing preferred actions. Agility and flexibility is required to assess and adapt plans as the situation changes. You will need to design your new operating model, decide what to prioritise, develop your re-mobilisation plan and act at pace, whilst maintaining effective controls and assurance.

#### 3: Long term

Businesses should have utilised their time well over the short and medium term to build resilience, manage cash, right-size their business and revise, if necessary, their operating model. They should have created effective re-mobilisation strategies, reviewed the operation of critical controls around their infrastructure projects, looked after their staff and supply chain, and completed effective assurance across key areas. These businesses are likely to have the best chances in their sectors of recovering more quickly in the long term and thereafter.

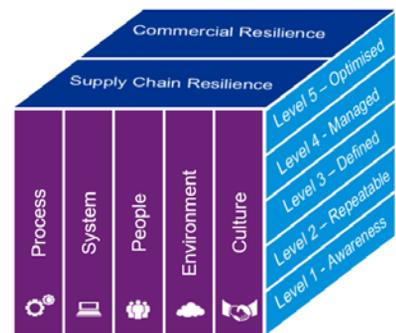
#### Remote ways of working:

- KPMG has adopted established methods when working with clients remotely, to support ongoing delivery and collaborative working. These are now the norm on all activities in light of COVID-19.
- All team members are familiar and practiced in agile working methods for producing deliverables and maintaining contact. All have laptops, access to required software and to remote back-office support functions.
- We are using Microsoft Teams to create a virtual workspace which allows us and our clients to share, review and edit documents in real-time. We are using file sharing sites e.g. SharePoint and others to issue documents to clients securely.

#### COVID-19 resource centre:

- Our latest insights and practical expertise to help you build resilience through this period of extended uncertainty can be found at [home.kpmg/uk/covid19](https://home.kpmg/uk/covid19)
- You can use the link to register for our webinars and insights series, access recordings of previous webinars, and view our weekly Economy Insights.
- Our COVID-19 response assessment is available at [kpmgcovid19response.co.uk](https://kpmgcovid19response.co.uk)

### KPMG Commercial resilience pulse check



To discuss any of the issues or challenges facing FM providers covered in this document, or more generally how to respond to COVID-19 challenges as part of your business and interests, then please contact:



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