

REPORT FOR: **CABINET**

Date of Meeting:	20 November 2014
Subject:	Total Facilities Management Procurement
Key Decision:	Yes
Responsible Officer:	Caroline Bruce, Corporate Director Environment and Enterprise
Portfolio Holder:	Councillor Keith Ferry, Portfolio Holder for Business, Planning and Regeneration Portfolio Holder Councillor Sachin Shah, Portfolio Holder for Finance & Major Contracts
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix - Equality Impact Assessment

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to embark on a procurement exercise for the Council's Facilities Management service

Recommendations:

Cabinet is requested to grant approval to start the procurement exercise for the selection of provider(s) for the Council's Facilities Management service.

Reason: (For recommendation)

To ensure the Council fulfils its statutory responsibilities for maintaining its assets

Section 2 – Report**Introductory paragraph**

1. The Council has a responsibility to maintain its array of buildings including those used for corporate purposes, schools (via a Service Level Agreement), those in parks and open spaces and its commercial portfolio depending on leasing arrangements.
2. The financial challenge facing the Council over the next four years has provided the impetus for the review of areas where cashable savings can be found.
3. Facilities Management (FM) has been identified as an aspect of cross-Council expenditure that could be explored as part of improved commercialisation.

Background

4. A review of the various FM categories of expenditure (such as repairs and maintenance, cleaning and security) has shown that there is significant potential for greater economies of scale in one procurement using a more strategic commercial approach.
5. Market intelligence shows that currently there is a move by the public sector away from multiple contract providers and towards Total FM packages and/or bundled services as there is a perception that a single provider will give greater savings. However, there are also Councils that have brought their FM services back in house and others who are embarking on procurement for single suppliers for each type of service.

Current situation

6. FM services are currently delivered by a number of small to medium sized contracts managed primarily by an in-house client team located in the Environment and Enterprise (E&E) Directorate. However, each Directorate holds various FM related budgets and this has led to the scenario where the Council has different suppliers for the same type of service. There are also some services that are delivered in-house.
7. This mixed economy is a significant constraint in any drive to gain value for money on two main fronts. Firstly, it leaves the Council in a position where there is no consistent maintenance standard and secondly the piecemeal procurement means less bargaining power.

8. There are currently over 40 FM contracts in place covering the following services:
- Planned and reactive Maintenance (such as buildings and lifts);
 - Specialist Statutory testing (such as asbestos, water testing and portable appliances);
 - Cleaning; and,
 - Security.
9. The Council currently spends circa £4.2M on these services. This includes FM spend on office buildings, libraries, car parks, cemetery and parks buildings, community buildings and schools but excludes Housing. This includes some works that are classified as capital and the cost of which is met from capital budgets.
10. The 2014 – 2015 revenue budget allocated for the services above is £1.5M and is summarised by Directorate in Table 1 below. In addition to this, SLAs are in place with schools who buy the services from the Council. The estimated spend for these schools in 2014 – 2015 is £2.2M. These represent indicative budgets for the procurement at this stage and do not take into account any budget reductions as part of the future MTFS and/or any other exclusions relating to ring-fenced accounts. The final Total Facilities Management budget will be confirmed through the budget aggregation exercise that will be in place for 2015 – 2016.

TABLE 1: Facilities Management budget 2014 – 2015

	Children & Families	Community, Health & Wellbeing	Environment & Enterprise	Resources	Total
2014/15 Budget	212,600	408,418	867,120	17,270	1,505,408

Why a change is needed

11. Harrow currently operates a mixed model of management that has some elements of a centralised approach and some elements of a decentralised approach.
12. The mixed economy has the following disadvantages:
- There is no single overview of the running costs for Council assets;
 - This negates the ability to identify savings by moving to a statutory minimum standard of maintenance;
 - Inconsistent standards are applied to maintenance of Council buildings as Directorates maintain in accordance with their budgets;
 - Little or no economies of scale as procurement is done on a piecemeal basis;
 - Operational data is maintained across multiple IT systems and a single electronic lifecycle replacement regime is not possible; and,
 - Service delivery teams spend time managing buildings rather than focusing on core services.

13. A Corporate Strategic Board decision is already in place to consolidate and centralise the provision of FM across the Council under a Corporate Landlord model that incorporates the transfer of maintenance budgets to the FM team in E&E and the provision of services underpinned by a Service Level Agreement (SLA). This operational change is being progressed as part of this project.
14. In preparation for moving to this functional model, the E&E Directorate incorporated a restructure of its client team as part of the MTFs proposals in this financial year. This restructure, completed in August 2014 has resulted in a leaner and more streamlined client team. Accompanying this organisational change is a series of business process changes to facilitate the response times on which SLAs would be built.
15. The key aspect remaining is the consolidation of the contracts base and a more commercial approach to the market. This can only be done as part of an open procurement exercise, underpinned by the merged buying power mentioned above.

Options Considered

16. The main option considered was to buy into current FM frameworks or contracts run by other Councils. Following discussions with three Councils and a review of two framework arrangements, it was clear that neither option would meet Harrow's requirement. The main reasons were:
 - The risk share arrangements negotiated by other Councils did not include the school estate. This would not be suitable for Harrow, given the SLA that are in place to cover FM in schools, as well as the Council's obligations to cover lifecycle replacement for its maintained /Community schools; and,
 - For the framework arrangements, Harrow would be a small player and would not have the influence on contractual arrangements and therefore little recourse in seeking remedies to enforce performance.
17. The option to combine some or all contracts with the Housing department was also explored but did not meet requirements due to the difference in services required and the timing of the expiry of the current Housing contracts.

Recommendation

18. To embark on a procurement exercise structured to provide Cabinet with a range of options so that the final contractual arrangements provide best value for money both quantitatively and qualitatively.

Implications of the recommendations

19. This procurement project will be structured so that a variety of options will be evaluated and Cabinet will be able to decide on the best value arrangements in terms of:

- having a single supplier providing all FM services in a Total FM model; or,
- bundled service contractors such as one contractor for Hard FM (repairs and maintenance) and one for cleaning.

20. To that extent the procurement approach to the market will be a service specified in Lots as follows:

TABLE 2: Procurement Lots

FM Service	Description and Delivery Arrangements
Reactive and Planned maintenance	Provision of reactive and planned maintenance to public buildings including core office buildings, libraries (per contracts), Parks buildings, Car Parks, depot, cemeteries and schools. These are delivered by a range of contractors and some framework arrangements. These will include mechanical, electrical, lifecycle Lifts, seasonal works, decorations, servicing clocks, War memorials
Cleaning and janitorial	Cleaning to public buildings, park buildings, periodic deep clean programme, window cleaning, disposal of recycling, general and confidential material, provision of hygiene bins, hygiene vending, provision of consumables
Specialist statutory Services	Water Testing and treatment, Asbestos, Electrical, Gas, fire alarms and extinguishers, mechanical, Portable Appliance Testing
Security Services	Including out of hours, key holding for schools; intruder alarms and responsive aspects
Capital works	Minor Building related construction works (up to the value of £25,000), including project design services; strategic advice on space utilisation

21. Bidders will be able to bid for one, all or any combination of the Lots above. A Total FM solution will be possible if one bidder wins all lots. Bidders are familiar with this approach and tend to include commercial commentary to show how their prices would vary if they are awarded a certain combination of lots.

22. Bidders will be required to demonstrate how they will provide trainees and apprentices as part of their offer and will not progress in the procurement without support for the Council's apprenticeship agenda.

23. This procurement approach would ensure that :

- Cabinet is provided with the maximum amount of delivery options and the associated prices, quality and risk implications of all options;
- Pricing is on a per building basis, which allows for flexibility in the Change Control procedures to add or remove a building as the

Council makes changes to its estate in line with its Regeneration and accompanying accommodation strategies;

- Local businesses are provided with maximum opportunities to participate either by bidding directly for a Lot or bidding as a sub-contractor;
- The contract pricing will be based on budgets rather than spend so that actual cashable savings can be demonstrated in line with existing MTFS targets;
- Consistent FM service standards are introduced for the Council's estate, thereby ensuring that all statutory obligations are met; and,
- Standardise the management of the Council's estate.

Legal Implications

24. The tender of the management of total facilities services consists of a mixture of activities which fall within Parts A and B of Schedule 3 of the Public Contracts Regulations 2006 (the "Regulations"). The total value of the contract will also be in excess of the Regulation's threshold in the sum of £172,514. This will mean that officers will be required to undertake a full procurement exercise in accordance with the Regulations and the Council's Contract Procedure Rules.

25. The Facilities Management service covers a range of statutory requirements in relation to the maintenance of assets:

- The Control of Asbestos Regulations 2012 - The Regulations apply to all non domestic premises and place a duty to manage on the person in control of a building so as to make sure that persons working in the building or visitors are not subject to risks associated with coming into contact with Asbestos Fibres;
- The Fire Reform Order 2005 - The Fire Reform Order consolidated all earlier legislation and applies to all types of buildings other than private dwellings;
- The Electricity at Work Regulations 1989 - The Regulations simply state that all electrical systems must be maintained in a safe condition at all times. This can be achieved by an effective maintenance regime and cyclical testing;
- Gas Regulations 1998 - Under the regulations users of Refrigeration and Air Conditioning systems must put in place a strict regime of testing and record keeping;
- Lifting Operations and Lifting Equipment Regulations 1998 (LOLER) - These Regulations place duties on people and companies who own, operate or have control over lifting equipment (inspect, service & maintain);

- Legionella Code of Practice (LCoP8) - Risk assessments and management plan must be in place and monitoring carried out regularly; and,
- Construction Design and Management Regulations 2007 - The CDM Regulations apply to almost all construction work undertaken in commercial buildings and Clients have certain specific and potentially onerous duties under the Regulations.

Financial Implications

26. The total revenue spend on FM services across the Council in 2013 - 2014 was £1.5M excluding schools. The spend on schools related FM activities was £2.2M. Capital spend on FM related works in 2013 - 2014 was £0.7M across the Council.
27. As described in paragraph 10 of the report, the 2015 – 2016 budget build process will inform the total revenue budget available to be transferred to E&E as part of the operation under a Corporate Landlord Model. This will take into consideration any saving proposals in the 2015 – 2016 MTFS that have an implication on building responsibilities in the future
28. The procurement exercise will be delivered using existing resources within Environment and Enterprise, Resources, Schools Capital Team and service user representatives.

Performance Issues

29. There are no performance issues at this stage. Performance issues will form part of the evaluation criteria of the procurement exercise where financial performance indicators and associated penalties will be incorporated in the Conditions of Contract.

Environmental Impact

30. There are no environmental impact issues at this stage. Environmental Impact issues will form part of the evaluation criteria of the procurement exercise.

Risk Management Implications

31. Any risk management issues arising from the procurement exercise will be managed through the Environment and Enterprise directorate and Commissioning Services divisional risk registers.

Equalities implications

32. Section 149 of the Equality Act 2010 requires that public bodies, in exercising their functions, have due regard to the need to (1) eliminate discrimination, harassment, victimisation and other unlawful conduct under the Act, (2) advance equality of opportunity and (3) foster good relations between persons who share a protected characteristic and persons who do not share it.

33. The procurement exercise will be carried out under those principles.
34. An initial Equalities Impact Assessment has been carried out and has not identified any impacts. This document will be maintained and updated during the procurement exercise.

Council Priorities

35. The Council Priorities are as follows:

- Making a difference for the vulnerable
- Making a difference for communities
- Making a difference for local businesses
- Making a difference for families.

36. The recommendation supports these priorities by:

- Ensuring that the Council fulfils its statutory duties in relation to facilities management;
- Providing opportunities for local businesses to participate in the procurement exercise; and,
- The evaluation criteria will include Community Benefits and Social Value requirements as key aspects of the procurement and no Bidder will progress in the procurement without support for the Council's apprenticeship agenda.

Section 3 - Statutory Officer Clearance

Name: Jessie Man	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 21 October 2014		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 22 October 2014		

Section 4 – Performance Officer Clearance

Name: Solakha Lal	<input checked="" type="checkbox"/>	on behalf of the Divisional Director Strategic Commissioning
Date: 21 October 2014		

Section 5 – Environmental Impact Officer Clearance

Name: Hanif Islam	<input checked="" type="checkbox"/>	on behalf of the Corporate Director (Environment & Enterprise)
Date: 20 October 2014		

Ward Councillors notified:	NO
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Section 6 - Contact Details and Background Papers

Contact: Andrew Smith, Strategic Commissioner
Tel: 020 8424 7698

Background Papers: Equalities Impact Assessment (see enclosure)

Call-In Waived by the Chairman of Overview and Scrutiny Committee	NOT APPLICABLE <i>[Call-in applies]</i>
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