

REPORT FOR: **CABINET**

Date of Meeting:	23 April 2015
Subject:	Total Facilities Management Procurement
Key Decision:	Yes
Responsible Officer:	Caroline Bruce, Corporate Director of Environment and Enterprise
Portfolio Holder:	Councillor Keith Ferry, Deputy Leader and Portfolio Holder for Business, Planning and Regeneration
Exempt:	No, except for appendix 1 which is exempt under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information).
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	Appendix 1 - (Exempt)

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to enter into a new 5 years Total Facilities Management Contract for the maintenance, cleaning and security of the Council's buildings.

Recommendations:

Cabinet is requested to grant authority to the Corporate Director of Environment and Enterprise, following consultation with the Portfolio Holder for Business, Planning and Regeneration, to enter into new Facilities Management contracts with Cofely GDF Suez UK.

Reason: (For recommendation)

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

Section 2 – Report**Introductory paragraph**

The November 2014 Cabinet granted approval to embark on the procurement exercise for the provision of Facilities Management (FM) service covering planned and reactive repairs; cleaning; security and associated services..

As part of the 2014 Commissioning panel exercise FM was identified as a cross-council expenditure that had the potential to benefit from a more commercial approach using category management and a corporate landlord model to procure these services for the whole of the Council's estate and thereby exploit value for money opportunities.

Background and Current situation

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 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, sometimes in the same Directorate. There are also some services that are delivered in-house.

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.

Why a change is needed

Harrow currently operates a mixed model of management that has some elements of a centralised approach and some elements of a decentralised approach. Key disadvantages of this approach include:

- 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 undertake maintenance 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.

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 underway but can only be fully delivered by robust FM contracts with enforceable Key Performance Indicators (KPIs) and an efficient mechanism of commissioning ad hoc work, backed by stringent contract management.

The award of these contracts provides the foundation for a successful Corporate Landlord model.

Options Considered

The main options considered were to buy into current FM frameworks; buy into contracts run by other Councils; or provide all services in-house. These options were not pursued because:

- The risk share arrangements negotiated by the other Councils explored did not include the school estate. This would not be suitable for Harrow, given the SLAs that are in place to cover FM in schools.
- 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.
- In-house arrangements would lead to increased costs.

The options appraisal done to inform the procurement business case concluded that better value for money was achievable by an open market procurement exercise.

Recommendation

To award the contracts for Hard FM; Cleaning and Security to Cofely GDZ Suez for a period of five (5) years with the option to extend for a further two (2) years.

Implications of the recommendations

Following the procurement exercise new contracts will be awarded to Cofely to provide Hard FM; Cleaning and elements of Security Services for a period of five (5) years from July 2015 with an option to extend for an additional two (2) years. This recommendation is being made as Cofely scored the highest in all three lots in evaluation. This award means that the Council will have a single main supplier providing all the FM Services in a Total FM model.

The award of these contracts to Cofely means that the Council will benefit from the FM expertise of a global facilities services company. Cofely is a subsidiary of GDF Suez which operates in over 30 countries with a global turnover of £12.5bn. In December 2013 Cofely acquired Balfour Beatty Workplace and the combined venture positioned them as a leading services business in the UK across public, private and healthcare sectors.

Cofely has a £1bn turnover in the UK and employs 15,200 staff providing services across 1400 sites incorporating 12 major hospitals, 200 schools, 500 government buildings and 6 nuclear power stations. Cofely is the winner of the Premises and Facilities Management 2013 award for Partnership of the Year as well as the 2013 Partner in Expert Services Award. They are also the winner of the Building Institute of Facilities Management 2013 Award for Sustainability and Environment Impact.

Tender Process

The tender was conducted under an OJEU restricted tender process. The OJEU notice was posted in November 2014 using the London Tenders e-tendering portal. At the Pre-qualification Questionnaire (PQQ) stage 48 submissions were received. From the PQQ evaluation, an average of 5 suppliers were shortlisted for each Lot on the basis that they were all well-established companies, with the appropriate experience and the financial stability required to deliver the services.

The bidders selected at the PQQ stage were issued with an Invitation to Tender (ITT) on 6th February. Bidders were invited to bid for one, all or any combination of lots. This approach provided the opportunity for those bidders who were interested in only one lot to participate in the process.

The ITT included the detailed evaluation criteria as well as the scoring methodology so that all bidders were aware of how their tenders would be evaluated. The evaluation criteria was based on 80% quality and 20% price on the basis that the price criteria was built on an affordability cap (based on current budgets) and that any tender submission that exceeded this affordability cap would be deemed non-compliant and eliminated from the process.

During the ITT stage 3 bidders withdrew from the process citing the challenging commercial position in terms of the affordability against the state of the assets and the performance management regime that would underpin the contracts. However, the Council had engaged the services of Faithful & Gould as expert Technical Advisors who have provided advice in terms of what services can be expected within the affordability cap.

On receipt of the tenders in March, a team of seven officers drawn from Legal Services; Finance; Corporate Procurement; CHW; E&E (Economic Development ,

FM and Commissioning) evaluated the submissions. The technical assessment was managed by the external technical Advisor from Faithful & Gould.

Of the four tenders received two exceeded the affordability cap and in keeping with the evaluation criteria they were deemed non-compliant and excluded from the procurement process. Although the remaining suppliers scored well on quality and technical aspects Cofely scored the highest because their offer of the Service and Facilities Group (SFG) Gold standard maintenance regime for the Civic Centre complex was superior to the offer of a statutory maintenance regime from the other supplier.

Additionally the Cofely tender scored highest on price for Hard FM as it provided a reduction in cost against the affordability cap. In summary the award to Cofely provides the following range of benefits:

- A maintenance regime that delivers a higher standard of service than currently being provided. The Council currently undertakes maintenance at statutory compliance level only. This award provides maintenance at the Civic Centre complex at SFG20 Gold level which incorporate proactive repairs/replacement to prevent breakdowns rather than a purely reactive service;
- Financial savings against budgets (see Financial Implications below);
- A reactive comprehensive regime which means the first £500 of all reactive mechanical, electrical, fabric is included in the comprehensive fixed fee;
- Wide-reaching social value benefits including 15 apprentices; 12 work placements; 2 graduate placements; a work placement for each school in the contract ; creation of a Harrow Community Fund (potential of £55k) to support community projects; planting 500 trees; sponsorship of two Dragons Den projects including one for schools ;
- Performance Management regime built on faster response times and guaranteed full statutory compliance at all times;
- Robust KPIs with financial penalties for performance failures. Additionally financial penalties are on an escalating ratchet for repeat failures, but most importantly the Council has step in rights for persistent failures;
- Computer Aided Facilities Management (CAFM) system to record all assets; track maintenance jobs; provide reports; provide alerts when servicing is due and allows schools to check the date of their planned service arrangements;
- A customer portal as part of the helpdesk arrangements so that users can log issues and track progress.
- Scalability of the contract as the Council's accommodation needs changes.

Legal Implications

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") which applied at the time the tender exercise commenced. The total value of the contract is in excess of the Regulation's threshold in the sum of £172,514 and so officers have undertaken a full procurement exercise in accordance with the Regulations and the Council's Contract Procedure Rules.

The conclusion of this procurement process is the selection of a recommended bidder that scored the highest overall marks based on the evaluation criteria.

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 these 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

The total value of the contract award is £3.23m per year including schools. This will be met from the budget available in Environment and Enterprise (and appropriate SLA recharge to schools) after the transfer of budgets from across the Council under the Corporate Landlord model. This cost includes London Living Wage on the corporate cleaning contract.

This award of the contracts to Cofely represents an 18.5% savings on Hard FM; 15% savings on cleaning and 10% savings on Security Services (i.e. £250k; £272k; £40k respectively) against current budgets. This is an overall saving from this award of £562k per year for 5 years. Some of these savings (£244K) are included in the MTFS for 2016/17. There will be part year savings in 2015/16 which will be utilised for one-off mobilisation costs and any pass through costs arising from the finalisation of the TUPE process.

In addition, schools that currently have SLA with the Council will benefit from the savings achieved through the award of this contract including a reduction in schedule of rates for reactive works.

Performance Issues

The legal contract for his award includes a detailed Performance Management regime that is underpinned by a suite of Key Performance Indicators (KPIs). These include performance standards as well as the level of penalties for each failure to deliver on the standards. There are 47 performance standards across the three contracts covering areas linked to :

- Meeting response times to urgent, priority and routine request for reactive repair
- undertaking all compliance testing and associated repairs on time
- no failure to meet standards for cleaning
- completion of cyclical maintenance to agreed schedule
- maintenance of asset data
- no breach of health and safety
- provision of accurate data with no failure for data integrity or data access
- undertaking staff satisfaction surveys and acting on the results

These KPIs have been assigned financial penalties depending on whether the failure of the KPI affects the Council's ability to carry on business as usual or affects health and safety. The KPI regime includes a ratchet mechanism so that a repeat failure is penalised at a 150% the penalty of the first failure. A persistent failure (i.e. 4 failure of an "A" rated KPI in a monitoring period can give rise to step in rights and lead to a contractor breach of contract. In any given month the contractor risks 30% of their monthly fees if there is underperformance.

In addition to these financial KPIs there are a series of Performance Indicators (PIs) which although not attracting a financial penalty for failure requires the contractor to provide a rectification plan to address any failure. Likewise four consecutive failures of the same PI escalate the PI to a chargeable KPI.

The Council is finalising the restructure of the FM team and the new structure includes robust client side arrangements incorporating three monitoring officers with the technical expertise to provide the challenge function needed. Additionally E&E has a dedicated Contracts Management team who will provide specialist contract management and manage the automated Payment mechanism.

Environmental Impact

The contractor has made the contractual commitment to sustainability and supporting the Council with its Carbon Reduction Strategy and subsequent action plan. A key proposal from the contractor is to support energy saving initiatives across the Council's buildings.

The Contractor will cover the cost of planting 500 trees over the life of the contract.

Risk Management Implications

A risk register will be created for the mobilisation period after which a Contract risk register will be created

Equalities implications

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.

An initial Equalities Impact Assessment has been carried out and has not identified any impacts.

Council Priorities

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.

The recommendation supports these priorities by:

- The provision of 15 apprenticeships over the contract term;
- The provision of 12 Paid Work Placements (as minimum) over the contract term ;
- Guaranteed re-investment of 10% (potentially £55,000) of net profit into a Harrow Community Fund to support local projects ;
- The provision of two (2) full graduate work placement in the Cofely Worldwide Partnership for local young people
- The provision of 1 work placement for every school who buys into the Council's SLA ;
- Provision of work experience for 3 young people in the borough as part of the Prince's Trust Get into FM programme ;
- Guaranteed 70% of addressable spend (spend to fix/repair items) with local SME's
- Quarterly skills works shops and 4 mentoring sessions per year to local SMEs
- Support the Harrow Business Den with mentoring, office facilities, training and annual funding (£5,000) of a successful project;
- Support a Schools Dragons Den project with a £5,000 per year sponsorship
- Mentoring, CV writing, interviews training session for every school that uses this SLA.
- Planting 500 trees over the contract term
- Work with Re-Powering London to help the Council in any project to tackle Fuel poverty.

Section 3 - Statutory Officer Clearance

Name: Jessie Man

on behalf of the
Chief Financial Officer

Date: 31 March 2015

Name: Sarah Inverary

on behalf of the
Monitoring Officer

Date: 31 March 2015

Ward Councillors notified:

NO

EqIA carried out:

No, see para. on Equalities
Impact above

EqIA cleared by:

N/A
*[Services apply to all in the
same way. No negative
impact on protected
characteristics]*

Section 6 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste

Tel: 020 8424 1492

Background Papers: None.

**Call-In Waived by the
Chairman of Overview
and Scrutiny Committee**

NOT APPLICABLE

[Call-in applies]