
REPORT FOR: CABINET

Date of Meeting:	15 February 2018
Subject:	Facilities Management Contract Re-Procurement
Key Decision:	Yes
Responsible Officer:	Paul Walker, Corporate Director of Community
Portfolio Holder:	Councillor Graham Henson, Portfolio Holder for Environment
Exempt:	No
Decision subject to Call-in:	Yes
Wards affected:	All
Enclosures:	None

Section 1 – Summary and Recommendations

This report seeks Cabinet approval to embark on the procurement exercise for the re-procurement of the Facilities Management Contract for the maintenance, cleaning and security of the Council's buildings and for those schools that buy these services from the Council.

Recommendations:

Cabinet is requested to:

1. grant approval to procure and select the provider(s) for the Facilities Management services and approve the mutual termination of the current contract.
2. delegate authority to the Corporate Director of Community, following consultation with the Portfolio Holder Environment and the Portfolio Holder for Finance and Commercialisation, to finalise the procurement and award of the contract/s.

Reason: (For recommendations)

To ensure the Council fulfils its statutory responsibilities for maintaining its building and related assets.

Section 2 – Report

- 2.1 The Council has a responsibility to maintain its array of buildings including those used for corporate purposes, schools and academies (via Service Level Agreements), those in parks and open spaces; communal areas on housing estates and the Council's commercial portfolio depending on leasing arrangements.
- 2.2 The services to be procured includes :
 - Cleaning – covering routine clearing, periodic deep cleans, external litter picking; reactive/ad hoc cleaning and window cleaning services
 - Repairs and Maintenance – covering cyclical maintenance services to meet statutory compliance obligations. This also includes planned preventative maintenance regimes as well as reactive maintenance. It also incorporates the contracts for the provision of minor works or refurbishment, roofing and building works below OJEU level, as well as the associated professional services.
 - Security services – this is limited to alarm call outs , key holding and ad hoc security requirements. It does not include the security services provided as routine at the Civic centre as that remains in house.

3. Background

- 3.1 The Facilities Management Services are currently delivered under a Total Facilities Management contract with Engie. There has been a range of performance challenges with the contract which has made it necessary for the Council to let framework contracts, the most recent

being in December 2017. These framework contracts provide resilience to the Engie service to ensure that the Council meets its obligations, not just in regard to its buildings but importantly to those third party organisations whose FM services are managed by the Council.

- 3.2 The Council continues to exercise all performance remedies under the contract and not only is this costly to Engie, it also means that the Council extends significant contract management time, particularly in ensuring back up arrangements .
- 3.3 The re-procurement of the contract/s provides the opportunity to deliver greater value for money as well as more efficient contract management arrangements.

4. Options considered

4.1 The options considered are:

- (A) **Do Nothing** – and continue the service delivery with Engie for a further two years. This option is not viable as performance issues have resulted in the Council providing alternative back-up arrangements. Continuing these arrangements will negate the savings already built into the MTFs for these FM services. This is not a viable option as the current contract ends.
- (B) **Deliver the service in-house** - This option is not viable as the Council does not have the resources or the in-house skills to deliver this service internally.. Additionally the timeline required for these arrangements eliminates the opportunity for the Council to change the service delivery model. However over the next two years the Council will be exploring the commercial benefits, or otherwise of delivering these internally and selling this to other boroughs.
- (C) **Re-procure the contract via competitive tender** – This generally maintains the outsourced current delivery model and provides opportunities to secure best value.

4.2 In progressing Option C the procurement options and strategy considered included:

- Accessing a Facilities Management framework and call off the services required. This option is not recommended, because although it saves time, it eliminates the opportunity to use terms and conditions specific to Harrow and therefore reduces the opportunity to maximise value for money and social value commitments.
- A procurement tender exercise following the OJEU Open Tender process which would include a single stage procurement phase.

This route is recommended as Facilities Management is a mature market for bidders and the Council's requirements are fairly standard. This allows for procurement in lots to maximise revenue. Additionally the minor works element will provide a framework of suppliers to supplement the repairs and maintenance elements of the contract/s.

- The contract/s will be for three years plus an option to extend for a further three years at the Authority's sole discretion.

5. Recommendations

It is recommended that **option C** above is progressed and a competitive tender process is undertaken to re-procure the FM services.

6. Risk Management Implications

Risk included on Directorate risk register? No
Separate risk register in place? No

There are no risk management implications.

7. Legal Implications

1. 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
- 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.

The procurement process undertaken by the Council for the new FM provider/s will be carried out in accordance with the Public Contract Regulations 2015 taking into consideration required thresholds for services and works contracts and the general treaty principles of equal treatment, transparency, mutual recognition and proportionality.

The award of the contract/s will be in accordance with the Council's Contract Procedure Rules (CPRs).

8. Financial Implications

The costs of FM contracts are currently funded from both revenue and capital budgets depending on the nature of the works/services.

The revenue expenditure on reactive repair works is forecast to be around £1m in 17/18 excluding schools. The new contracts/s will commence from April 2018. Any financial savings secured from this procurement exercise will contribute to the contracts re-procurement saving target in the 18/19 MTFS (£250k in 19/20 which is expected to be generated from various procurements).

9. Equalities implications / Public Sector Equality Duty

The proposals described above do not adversely impact upon persons within the protected categories.

10. Council Priorities

This report incorporates the following administration's priority:

- **Making a difference for communities**

By procuring the FM services in the most competitive manner possible, enables the effective and efficient delivery of a service used by all residents

- **Be more Business-like and Business Friendly –**
Undertaking a competitive provides value for money.

Section 3 - Statutory Officer Clearance

Name: Jessie Mann	<input checked="" type="checkbox"/>	on behalf of the Chief Financial Officer
Date: 16 January 2018.		
Name: Sarah Inverary	<input checked="" type="checkbox"/>	on behalf of the Monitoring Officer
Date: 16 January 2018		

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Ward Councillors notified:	NO, as it impacts on all Wards
EqIA carried out:	NO
EqIA cleared by:	This is an existing service and no change is being projected in terms of delivery model.

Section 4 - Contact Details and Background Papers

Contact: Venetia Reid-Baptiste
Tel: 020 8424 2492
Venetia Reid-Baptiste @harrow.gov.uk

Background Papers: None

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

NOT APPLICABLE

[Call-in applies]