

Report for Leader Signing 7th April 2020

Title: Transfer of 'Hard' Facilities Management (FM) Services to Homes for Haringey (HfH)

Report authorised by: Dan Hawthorn, Director of Housing, Regeneration and Planning

Lead Officer: Barry Phelps, Head of Procurement

Ward(s) affected: All wards

**Report for Key/
Non Key Decision:** Key

1. Describe the issue under consideration

- 1.1 On 9th July 2019, Cabinet approved the insource of FM Services from the then current provider, (AMEY), effective from 1st April 2020.
- 1.2 The approval confirmed that 'hard' services including electrical, mechanical engineering and trade's people would transfer to Homes for Haringey (HfH) as part of the corporate insource of FM. 'Soft' services such as cleaning, mailroom and post room were confirmed to transfer to the council directly.
- 1.3 A detailed FM Commissioning Strategy was published alongside the FM Cabinet report in July 2019. The forecast budget envelope for hard services was projected at £1,650,000 to cover the range of services required from HfH as the 'hard' services provider including but not limited to statutory testing, planned preventative maintenance and reactive repairs.
- 1.4 The provision of 'hard' FM services by HfH on behalf of the Council is required to be commissioned outside of the formal Management Agreement which the Council has entered into with HfH for a period of up to 12 months to 31st March 2021 through a Letter of Appointment for Interim Services as a temporary measure.
- 1.5 During the above period HfH will agree to provide 'hard' FM services on behalf of the Council. The Council will in return agree to cover all reasonable costs on an 'open book' basis for the provision of 'hard' FM services commissioned by the Council.
- 1.6 A full-service specification and delivery plan will be produced by the Council's Corporate Landlord Team. The agreed specification and delivery plan will be led by HfH and overseen by the Corporate Landlord team.
- 1.7 The development of a full 'hard' services specification was not possible pre-transfer of services for a number of reasons relating to the inaccuracy of estate

and asset data received from the previous provider, and the knock-on resource impact of Coronavirus. Both the Council and HfH intend to enter into this Interim Agreement in good faith and with awareness of the shared risks and opportunities arising from the FM insource.

2. Cabinet Member Introduction

N/A

3. Recommendations

For the Leader to approve:

- 3.1 The Interim Agreement for the provision of 'hard' FM services for a period of up to 12 months to 31st March 2021, whilst the longer term detailed contractual agreement can be put in place.
- 3.2 Delegated and insofar as is necessary retrospective authority to the Director of Housing, Regeneration and Planning to commission 'hard' FM services from Homes for Haringey within the forecast 2020-21 budget envelope of £1,650,000 as agreed by Cabinet in the FM Commissioning Strategy 2019.

4. Reasons for decision

- 4.1 Following the Cabinet decision on 9th July 2019, joint mobilisation planning for the FM insource was undertaken between the Council and HfH to prepare for the transfer of all FM functions coming back in-house.
- 4.2 HfH has mobilised to take-on Hard FM Services and temporary management arrangements are required to manage transferring staff while the confirmation of an Interim FM Manager is finalised.
- 4.3. The Interim Agreement provides the authority for HfH to deliver 'hard' FM services from 1st April 2020 while the detailed FM specification and delivery plan are developed jointly between both organisations.
- 4.4 There is currently a lack of detail relating to the condition of the Council's estate to enable the Council to draft a service specification and delivery plan that would enable HfH to understand the cost implications. The Covid-19 crisis has impacted on the ability of the project team to develop the service specification and delivery plan and it is unknown how long this crisis will prevail. Therefore, adopting an interim agreement whilst the Council and HfH manages the Covid -19 crisis and understand the condition of the Council's assets in more detail would enable

sufficient time to develop the specification, delivery plan and cost model acceptable to both HfH and the Council.

- 4.5 The above approach underpins the principles of an open and collaborative / trusted relationship between the Council and HfH with the aim of services being provided on a cost neutral basis.

5. Alternative options considered

- 5.1 Enter an agreement with an unclear specification, delivery plan and unknown associated costs. This would establish an unsustainable partnership between HfH and the Council that would likely result in constant disputes throughout the term of the agreement.

6. Background information

- 6.1 Facilities Management (FM) is the organisational function which integrates people, place and process within the built environment with the purpose of improving the quality of life of people and the productivity of the core business. It encompasses:

- Hard FM (to be provided by Homes for Haringey) - Repairs, planned maintenance, statutory testing, improvements and minor project works
- Soft FM (to be provided by the council) Security services, cleaning, mailroom, and other building support functions.

- 6.2 In Haringey, the coverage of these services varies according to need, site by site, across the following portfolios of buildings:

- Corporate buildings, including offices and civic buildings
- Operational estates, including depots, mortuary, coroners court,
- Schools and children's centres and other educational/youth provision
- Adult services buildings such as day centres and care homes
- Commercial property, including industrial estates, shops and offices.

- 6.3 In November 2015 the Council let a contract to Amey Community Ltd, for Total Facilities Management (TFM) services. The contract was for a period of five years, with the option to extend for a further two years. Although the contract was due to expire at the end of October 2020, it included an option for the Council to terminate the contract, in whole or in part, by giving six months' notice to Amey.

- 6.4 The Council concluded that bringing the service back in-house was in the overall interest of the Council. At its meeting on 9th July 2019, Cabinet agreed that the Council would bring the facilities management function back in house to be delivered by a combination of the council and Homes for Haringey (HfH). Formal

notice was subsequently provided to Amey in August 2019 to end the contract on 31st March 2020 in order that service provision commenced in-house on 1st April 2020.

- 6.5 Attempts were made by officers on both sides to amend the Management Agreement between the Council and HfH to incorporate the transferring services. However, when it became apparent that this would not be achievable by 1st April 2020, agreement was reached to enter into an interim arrangement for the period 1st April 2020 up to 31st March 2021. That agreement was put into a letter dated 31st March 2020 authorised by the Director of Housing, Regeneration and Planning, a copy of which is at Appendix 1. Confirmation of agreement to the letter was received from HfH on 1st April 2020, a copy of which is also at Appendix 1.
- 6.6 The intention is that the Management Agreement will be varied to accommodate the new services on or before 31st March 2021.

7. Contribution to strategic outcomes

- 7.1 The Borough Plan sets out overarching priorities, and the FM Service needs to operate successfully in order to enable all of them to succeed. As such, it aligns most closely to the 'Your Council' theme.
- 7.2 The proposal also:
- Supports the delivery of Jobs and Growth by prioritising local employment and local procurement.
 - Supports the workforce plan by promoting the wellbeing of staff by
 - enabling better working environments for employees.
 - Enables the delivery of the Council's carbon reduction and sustainability objectives.
 - Supports the Accommodation Strategy.
- 7.3 The amendment to the FM Operating Model to transfer Cleaning directly to Haringey Council is not anticipated to alter the strategic outcomes set out in the report.

8. Statutory Officers comments (Chief Finance Officer, Head of Procurement), Assistant Director of Corporate Governance, Equalities)

8.1 Finance

In July 2019, Cabinet approved the FM report, and this was published alongside a detailed FM Commissioning Strategy.

The forecast budget envelope for hard services was projected at £1,650,000 to cover the range of services required from HfH.

This Interim Agreement is for the provision of the hard FM services for a period of up to 12 months at a total cost of £1.65m.

This cost is slightly lower than the current cost of providing this service, £1.67m and reflects the outcome of the VFM review carried in 2019 as shown in table below.

	Current Cost (£'000)	Supplier 1 (£'000)	Supplier 2 (£'000)	Supplier 3 (£'000)	Supplier 4 (£'000)	Supplier 5 (£'000)	Benchmark TFM Pricing (£'000)	Hybrid Model (£'000)
Statutory Testing	1,098	671	246	157	207	70	270	1,082
Planned Maintenance		1,015	588	633	850	605	738	
Reactive Repairs	576	Not Priced					576	568
Hard Services Subtotal	1,674						1,584	1,650

The £1.65m will be met from the existing FM services budget.

8.2 Procurement

Strategic Procurement confirms the proposed interim agreement complies with Regulation 12(1) of the Public Contracts Regulations 2015 (*Award of contracts to controlled persons*), and see no reasons preventing the Council from entering this agreement.

8.3 Legal

The Assistant Director of Corporate Governance notes the contents of the report.

Pursuant to the provisions of Regulation 12(1) of the Public Contracts Regulations 2015, the Council may award a contract to a legal entity controlled by it without the need to go through the public procurement regime and as such the proposed interim agreement between the Council and Homes for Haringey that would enable Homes for Haringey to provide 'hard' FM services is in line with public procurement regulations.

Pursuant to CSO 9.07.1(d), Cabinet may approve the award of a contract if the value of the contract is £500,000 or more and as such Cabinet has power to approve the

arrangement to enter into the interim agreement that would enable Homes for Haringey to provide 'hard' FM services as per the content of this Report.

The Assistant Director of Corporate Governance sees no legal reasons preventing the approval of the recommendations in the report.

8.4 Equality

The Council has a Public Sector Equality Duty under the Equality Act (2010) to have due regard to the need to:

- Eliminate discrimination, harassment and victimisation and any other conduct prohibited under the Act
- Advance equality of opportunity between people who share those protected characteristics and people who do not
- Foster good relations between people who share those characteristics and people who do not.

The three parts of the duty applies to the following protected characteristics: age, disability, gender reassignment, pregnancy/maternity, race, religion/faith, sex and sexual orientation. Marriage and civil partnership status applies to the first part of the duty

The proposed decision is to approve the transfer of 'hard' FM services to Homes for Haringey for a period of up to 12 months through a Letter of Appointment for Interim Services as a temporary measure in the absence of a formal management agreement. Those affected by this decision will be Haringey Council staff, among whom women and BAME communities are overrepresented relative to the population of the borough as a whole. The Council workforce also includes a significant number of individuals with disabilities, members of various religious and faith groups, and people who identify as LGBTQ+. As an organisation carrying out a public function on behalf of a public body, Homes for Haringey will be required to have due regard for the need to achieve the three aims of the Public Sector Equality Duty stated above. Contract management arrangements should be informed by the Public Sector Equality Duty.

9. Use of Appendices

Appendix 1 - Letter of Agreement dated 31st March 2020 and acceptance notification dated 1st April 2020.

10. Local Government (Access to Information) Act 1985

None