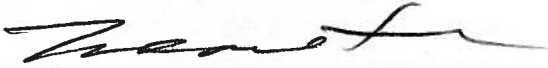


Haringey Council

Report for:	Cabinet 18th November 2014	Item Number:	
Title:	Provision of Facilities Management Services for Council buildings		
Report Authorised by:	Tracie Evans, Chief Operating Officer 		
Lead Officer:	Malcolm Greaves, Head of Asset Management		
Ward(s) affected: None	Report for Key Decisions: Key		

1. Describe the issue under consideration

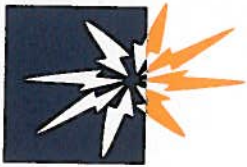
- 1.1 The Council currently spends approx £4.1m pa on Facilities Management (FM) services for its Operational, Commercial and Community buildings. This report describes how our FM Services are currently delivered, explores the options for future delivery and recommends a preferred delivery solution.
- 1.2 The Council currently delivers FM through a "mixed economy" combination of in-house service provision and external contracts. This includes "hard" FM services to maintain our buildings and "soft" FM services which support our use and occupation of the mainly corporate office buildings.
- 1.3 The table below indicates the core services under each heading:

Hard FM Services	Soft FM Services
Reactive repairs and maintenance	Postal & Courier
Planned maintenance	Room Bookings and management
Service contracts	Security guarding and systems



Statutory compliance testing and surveys	Reception services
Grounds maintenance	Porterage
	Car park Management
	Stationery Management
	Building Cleaning

- 1.4 The current hard FM contract, awarded to Europa Facility Services Limited as Managing Agent in September 2008, is due to end in November 2014. This contract delivers most hard FM elements except asbestos management and grounds maintenance.
- 1.5 The majority of soft FM services, except Cleaning and Security, are directly delivered by the Council's facilities management team based in Asset Management and the Library site management team. There is approx 46 staff delivering these services of which 35 are directly affected by the recommendation in this report.
- 1.6 Cleaning services are provided by Cofely gdf-Suez under a contract which terminates in November 2016 and Security is provided by United Guarding under a contract which terminates in May 2016.
- 1.7 The requirement to re-procure the hard FM contracts has afforded the opportunity to consider a range of delivery models, including combining with soft FM; driving better value and efficiency now and into the future.
- 1.8 Alternative delivery models have been considered and it is believed that moving to a Total Facilities Management (TFM) arrangement will best meet the Council's criteria, offering the optimum level of savings across the contract term, without increased risk of a reduction in service quality. TFM is a service delivery model bringing together delivery of all hard and soft FM into a single delivery contract.
- 1.9 The Tri-borough Authorities (Westminster, Royal Borough of Kensington & Chelsea and Hammersmith & Fulham) have entered into a 10 year TFM contract with Amey. The contract commenced on 1 October 2013 for a period of 10 years (with an option to extend for a further 3 years). The arrangements include a Framework Agreement ("FA") which allows other London Boroughs and schools to enter into separate agreements with Amey. Haringey expressed an interest and has an opportunity to benefit from the same economies of scale.



1.10 The Tri-borough framework has been identified as the most appropriate solution and this report outlines the process undertaken, resultant immediate benefits and requests approval to award the contract. Under these arrangements all soft FM delivery staff would transfer to Amey under the TUPE regulations 2006.

1.11 Further savings can be achieved during the contract period through the adoption of new innovative methods of working and through the improved provision of certain centralised functions such as mailroom. Whilst the adoption of new and innovative ways may not be available immediately at contract award they will be phased in at the appropriate time.

2. Cabinet Member introduction

2.1 This report sets out a proposal to award a Total Facilities Management contract for Council buildings, which represents both an improvement in service offering and financial efficiencies.

2.2 I am pleased that all transferred staff will be paid at or above the London Living Wage (as they are now) and that Amey will pay at or above the LLW to all other staff working on the Facilities Management contract.

2.3 The proposal will provide cost certainty and the flexibility to meet the Council's changing requirements, whilst securing the benefits offered by this established framework.

3. Recommendations

3.1 That, subject to paragraph 3.2, Cabinet approve the award by way of a call off from the Tri-borough single supplier Framework Agreement to Amey Community Limited ("Amey") of a Total Facilities Management services contract for a period of 5 years starting in early 2015 with an option to extend for up to a further 3 one-year periods making a potential total of 8 years, for the total estimated all-inclusive price of £29.724M as further detailed in the exempt part of this report.

3.2 That Cabinet delegate authority to the Chief Operating Officer in consultation with the Cabinet Member for Housing and Regeneration to finalise the detailed pricing, service levels and other contract terms.

4. Alternative options considered

4.1 Using the detailed work carried out by the Tri-borough authorities as part of their extensive procurement process we have applied that to Haringey's criteria for determining the optimum solution. To "do nothing" is not a viable option.



4.2 The following criteria have been considered:

- Flexibility and scalability
- Financial savings
- Quality of delivery and performance
- Risk transfer
- Innovation

4.3 Five principle models have been considered for the delivery of FM services across the Council estate. Each of these is described in turn below:

4.3.1 Option 1: Mixed economy – a combination of in-house service provision and external contracts. Evolving incrementally over time this is an 'as is' operating model for FM that exists for the Council with in-house teams for soft FM whilst cleaning, security, helpdesk and managing agent function is provided through external suppliers.

Consideration: Discounted as the desire to expand the influence of the Corporate Landlord across the estate (thereby controlling spend, standardising processes and better managing compliance) means that this is not a feasible operating model for the future requirements of the Council. This model would continue to deliver minor savings only and be limited in extent innovation and risk transfer.

4.3.2 Option 2: In house – a full suite of FM services (soft, hard and client side functions) provided by an in-house resource. This was the model of 'Direct Labour Organisations' previously operated but generally found no longer cost effective or flexible enough to meet Council needs. There is, however, a desire to protect the income levels of the lower paid cohort of employees

Consideration: Discounted as long as the preferred option ensures that the external provider is assured to adopt the London Living Wage (LLW) any advantages of in-house service provision would be negated. This model would require increased investment to in-source currently out-sourced services. There is no scope for risk transfer or externally driven innovation.

4.3.3 Option 3: Single services: a series of individual contracts for each separate service line (e.g. maintenance, security, cleaning, helpdesk provision etc). Such contracts are generally let for short periods of time (typically two to three years) and offer the advantage of regular market appraisal but do not encourage innovation from the supplier. They incur increased procurement costs.

Consideration: Discounted as the management of performance and spend data gathering required for effective management information can prove difficult to manage the diverse number of contracts and control off contract



Haringey Council

spend and is opposed to the strategic direction of the Council. This model would derive very few savings due to the low economies of scale with minimal transfer of risks.

- 4.3.4 Option 4: Bundled and/or integrated services: when a number of similar contracts are bundled together to deliver greater savings and/or enhanced service provision. The effectiveness of this form of delivery model is often dependent upon the geographical location of the procuring authority and type of services to be bundled and will not necessarily facilitate a 'thinner' client side operation.

Consideration: Shortlisted as it can meet most of the criteria to some extent.

- 4.3.5 Option 5: Total Facilities Management (TFM): a 'one stop shop' outsourced solution for all facilities services. Innovation and self management of the account assist the Council in transforming the client model to that of an intelligent client function. As such the TFM provides a platform for the Corporate Landlord function.

Consideration: Shortlisted as it can meet all of the criteria.

- 4.4 The two shortlisted options (option 4 and option 5) were then taken forward to further determine their ability to fulfil the criteria necessary for the successful delivery of FM.
- 4.5 Although it is considered that the adoption of a bundled/integrated model of FM service delivery would deliver the majority of the Council's requirements, scalability would be more limited and difficult to action without affecting prices due to the lack of economy of scale in each bundle. Achieving consistent quality and savings would require greater management across the bundles. Risk transfer would be possible but limited due to the lower value of each bundle, similarly innovation would be limited to within the scope of the bundle rather than the totality of FM Services.
- 4.6 It is believed that to build and promote the TFM model offers greater benefits to the Council with least risk. This model maximises the opportunity for integrated innovative delivery and savings through a single provider. Risk can be transferred to and managed by the provider across the whole FM service which provides greater cost certainty. This option offers considerable flexibility to accommodate changes in the size and scope of the managed estate. It is expected that the LBH estate will reduce in size significantly over the coming years and this option allows the Council to remove buildings and reduce its FM spend accordingly. Therefore Option 5, the TFM model, is recommended.
- 4.7 The option of a full competitive procurement solely for Haringey, requiring notification in the Official Journal of the European Union, was considered



prior to expressing an interest in the Tri-Borough framework in 2011. This option would normally take 12 – 18 months to complete and is unlikely to deliver a significant level of savings from the current FM budget, at a significantly higher procurement cost of circa £150k based on previous procurement.

- 4.8 An alternative framework, the Crown Commercial Services framework was considered; however, this is currently being re-procured and is unlikely to be available before December 2014. Following this a further period of mini competition tendering would be required.
- 4.9 The Tri-borough FA provides a delivery option that fulfils the Council's requirements whilst providing a scope of services whereby new and innovative ways of working will be available to the Council during the life of the contract. The ability to call-off from this existing FA provides for a cost effective and time efficient procurement route to the Council.

5. Background information

5.1 The following buildings and services are in scope:

- Buildings:
 - Operational estate of approx 107 buildings, including depots, libraries, community buildings and facilities
 - Commercial estate of approx 146 buildings (limited reactive repairs)
 - Parks and leisure buildings and spaces (limited reactive repairs)
- Services to operational buildings:
 - Repairs and maintenance (PPM, reactive and statutory)
 - Compliance testing and surveys
 - Cleaning services
 - Security
 - Mailroom and soft FM support services
- Capital funded repairs and maintenance

5.2 The following services are currently out of scope:

- Corporate Office receptions, with the intention of transferring to Customer Services.
- Schools FM, although the FA allows schools to procure these services directly should they so wish.
- Housing maintenance, delivered through Homes for Haringey.



- 5.3 Schools generally contract on a stand-alone basis with some advisory support from Asset Management and Corporate Property & Major Projects teams. They are not therefore included in the current scope of services but can opt to use the framework at a later date if required.
- 5.4 Following commencement of the Tri-borough contract in October 2013 and subsequent availability of the framework, in June and July 2014, officers from the Tri-borough met officers from LBH to workshop possible applications of the framework agreement (FA). Specifically, the purpose of the meeting was to explain, explore and understand:
- what the FA has to offer and how the FA operates
 - clienting opportunities
 - potential timescales
 - stakeholder issues
 - data requirements and templates
 - service scope and specification
- 5.5 Further meetings have been held to refine LBH's requirements following which a feasibility study was undertaken, the purpose of which was to determine the minimum savings level ("MSL") and other benefits of entering into a contract with Amey (called off from the Tri-borough FA), across soft and hard services. The options appraisal undertaken indicates that the Tri-borough TFM FA presents the most favourable option for the provision of FM services for the corporate estate.
- 5.6 Following a robust and extensive competitive procurement process, the Tri-borough TFM FA has been in place since 1 October 2013 and LBH officers understand it has performed well. Amey also delivers many large, well established contracts for major government departments including the Home Office, MOD and the Department of Transport.
- 5.7 The recommended option for the provision of TFM services for the Council's estate is a contract with Amey called off from the Tri-borough TFM FA. This recommendation is based on the criteria described at 4.2 above and opportunity for further efficiency savings in areas such as post, security etc (currently priced as "pass through" services) through the adoption of new innovative models of operation.
- 5.8 An initial price has been submitted by Amey and this would generate an initial guaranteed net minimum savings level of £221k per annum, for the properties and services in scope. The pricing is to be further refined and as discussions with the contractor are completed, the final amount could reduce further increasing the level of projected saving.



- 5.9 The proposed price is TUPE, pensions and London Living Wage (LLW) neutral. The final contract price will be adjusted to allow for the effects of TUPE, pensions, LLW as actually incurred. It was felt this would provide the most favourable outcome for the Council as contractors would generally include a significant premium in their price to allow for this risk. A contingency of £500k has been allowed for this, which can be amortised over 5 years at £100k per annum, the actual cost of which may be considerably less.
- 5.10 There will be one off transitional and mobilisation costs as a result of the recommended award of contract as set out in the Exempt Information part of this report. It will be possible to amortise this cost over the duration of the contract.
- 5.11 Under the terms of the call off contract there is no limit of liability for reactive repairs, substantially all reactive maintenance risk arising from the transfer date will be transferred to Amey, providing greater cost certainty. LBH will carry the risks of data quality and TUPE.
- 5.12 It is proposed that Amey will take on the role of Managing Agent of a small number of contracts including cleaning and security contracts until expiry. This will enable LBH to avoid the high termination costs and enable a smooth transition of service to Amey at contract end and to continue to benefit from a significant level of TFM savings. This will increase savings further after this 18 month period.
- 5.13 A number of services in scope, including directly delivered and specialist services, such as post room and FM Support, have been priced by Amey at cost ("pass through" services). There will be further efficiency savings through the adoption of new innovative models of operation; these savings will be shared with Amey on an 80/20 basis (LBH/Amey).
- 5.14 The award of contract for the services in scope would transfer approx 35 staff from the Council's facilities management and library site management services to Amey. The majority of this affected staff group is living locally and their services will be retained. All transferred posts will have their terms and conditions protected in accordance with the TUPE regulations 2006. Amey will have admitted body status so pensions will be protected. It is envisaged a small number of contractor staff may also be subject to transfer.
- 5.15 All transferred staff will be paid at or above the London Living Wage as they are now and Amey will pay at or above the London Living Wage (LLW) to all other staff working on the FM contract in accordance with the Council's requirements.

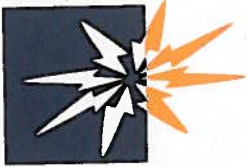


Haringey Council

- 5.16 Amey have committed to extending their apprenticeship schemes to this contract, recruiting and training 20 or more apprenticeships through the contract.
- 5.17 Amey have committed to engaging with local suppliers, including the existing supply chain, to support the delivery of a TFM contract. It is proposed to hold a supplier event during the mobilisation period.
- 5.18 The proposed price stipulates an RPIx annual inflationary increase and it is assumed the Council will manage this inflationary pressure through its MTFP.
- 5.19 Capital repair maintenance and improvement works of up to £250k per project are in the scope of the framework. Amey will be responsible for the forward maintenance plan and it is proposed will manage the works programme.
- 5.20 The form of contract is based on a Model Services contract drafted for Local Partnerships (4Ps). This incorporates a robust performance management mechanism based on a Balanced Scorecard that allows the Council flexibility in determining its Key Performance Indicators and associated weightings.
- 5.21 The contract includes an output based Specification and comprehensive Service Delivery Plans. A comprehensive suite of KPI's has been developed and performance will be benchmarked across all the Tri-borough contracts
- 5.22 The contract will be managed by an intelligent client team in Asset Management to ensure contract performance, manage the interface between key stakeholders & Amey and provide strategic management of the corporate estate.
- 5.23 It is proposed to finalise the contract fully in time for contract mobilisation to start in Jan. 2015 with a target operational start date for the new TFM services on 1 May 2015.

6. Comments of the Chief Finance Officer and financial implications

- 6.1 The CFO confirms that the total current budgeted cost of Facilities Management for the buildings in the proposed contract scope is just over £4.1m per annum.
- 6.2 Details of the proposed annual contract price, the contingencies required to cover elements still to be negotiated, and the mobilisation costs for the initial 5 year term are set out in the table in Part B. The estimated costs are compared against budget to demonstrate the savings expected to be achieved over 5 years, and the potential for continued savings if the contract were extended for up to a possible further three years.



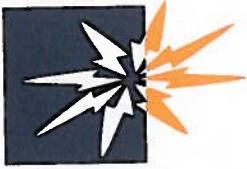
- 6.3 Estimated savings in the first full year are £221k, rising to £353k per annum from years 2-5. After 5 years, all mobilisation costs would have been fully paid for, and the annual savings would increase to £530k per annum if the contract continued for a further 3 years. Annual market testing of the contract rates will be undertaken throughout the contract, with the contractor obliged to match rates where beneficial to the Council. The Council would also have the option to fully test the market after the initial 5 year period in order to ensure best value continued to be obtained.
- 6.4 The contractor's total estimated all-inclusive price which delivers the guaranteed minimum savings level secured as part of the contract will offer the benefit of budget stability and certainty in relation to the basic costs of facilities management, as the risk of increased input costs is passed to the contractor.
- 6.5 The contract proposes that certain elements of the Council's existing costs are treated as pass through costs. These elements will require more detailed investigation over the initial contract period to determine whether further efficiencies and additional savings can be derived. Security costs for the Council's estate are currently volatile as the Council seeks to both rationalise property and also to support regeneration plans with strategic acquisitions. The Council will therefore need to continue to cover the risk on security costs until a more stable position is achieved on its operational estate.
- 6.6 Until discussion on the final terms is concluded, there remains a risk in relation to the costs of any TUPE transfers including pension rights. The contractor's final costs are dependant on the final details of potential transfers and the pension status of those concerned. A contingency sum to cover these costs has been included in the calculations of potential savings. This contingency sum is considered adequate, but there remains a low risk that additional costs would erode the savings achievable based on the current estimated price.
- 6.7 The main residual risk for the Council concerns the existing condition of buildings proposed to be managed in the contract, and the potential for significant repairs to be required over the contract period. The Council will therefore continue to need to make provision in its medium term capital programme to invest in maintaining and enhancing its operational buildings. The current annual provision is £750k per annum, which is relatively low given the size of the estate. There is therefore a risk that specific additional works are identified through a more rigorous condition survey regime which requires further investment. The Council will be responsible for agreeing the priorities and overall level of investment for this programme although it is proposed that the proposed Facilities Management contractor manages the future works programme.



- 6.8 In relation to the Council's Medium Term Financial Plan it should be noted that planned savings from facilities management efficiencies of a total of £175k were agreed for the 14/15 financial year, and have therefore already been applied to the Council's base budget. In the current year these savings are partially being met by one off savings, but pressures on the current year budget remain. The savings identified from the proposed contract would therefore allow the base budget savings already taken to be sustained, and allow a further base budget saving of £46k in 15/16 (£221k less £175k already taken), and a further base budget saving from 16/17 for the duration of the contract of £132k per annum (£353k-£221k).
- 6.9 In line with the Council's corporate landlord policy, all savings from the proposed contract and any rationalisation of property holding costs are savings due to be credited to corporate property services and the corporate accommodation savings target. Where necessary and appropriate any service budgets for such costs will be centralised in order to effect the implementation of these savings and overall improved control of property costs for the Council as a whole.

7. Comments of Assistant Director of Corporate Governance and legal implications

- 7.1 The report recommends the award of a contract for up to 8 years for services which are Part A services subject to the EU tender regime, as reflected in the Public Contract Regulations 2006 ("PCR 2006").
- 7.2 Contract Standing Orders (CSOs) also apply to this procurement in as far as they allow the Council to award a contract to a contractor selected from a framework established by another public sector body under the PCR 2006.
- 7.3 Paragraph 3.1 of the report proposes that the contract be awarded to Amey, the provider appointed to a single provider framework set up by the Tri-borough group of London boroughs. The framework was set up pursuant to an EU tender led by the Borough of Hammersmith and Fulham under the PCR 2006. The tender specifically provided for all London boroughs to call off contracts from the framework. It also provided for contracts to be called off from the framework for terms longer than 4 years depending on the contract's subject matter. This is what is proposed here given the need to allow time to build an innovative total facilities management delivery model.
- 7.4 The Council's proposed award will be compliant with EU procurement rules in as far as the Tri-borough procurement has followed PCR 2006 procedures and the Council has applied the terms of the specific framework agreement.
- 7.5 Because award relates to a contract valued over £500,000, the decision must normally be taken by Cabinet under CSO 9.06.1d. It is also a Key Decision



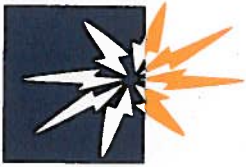
and 28 clear days' notice of intention to make it should normally be given through publication in the Council's Forward Plan. This has been done.

- 7.6 The recommendation in paragraph 3.2 of the report is for Cabinet to delegate authority to finalise the contract terms to the Chief Operating Officer in consultation with the lead Cabinet Member. Cabinet has the power under section 15(5)(b) of the Local Government Act 2000 to make this delegation.
- 7.7 Legal Services should continue to be consulted in the process of finalising the contract terms, including to ensure that TUPE procedures are fully implemented.
- 7.8 The Assistant Director of Corporate Governance confirms that there are no legal reasons preventing Cabinet from approving the recommendations in paragraph 3 of this report.

8. Equalities and Community Cohesion Comments

- 8.1 The Council has a general equality duty to ensure that in all its functions it has due regard to the need to among other things, advance equality for persons and groups who share the characteristics protected by the Equality Act 2010
- 8.2 The facilities management services will continue to be available to the Council and its employees whatever their protected characteristics and irrespective of who the provider is. The proposal has no equality relevance from a service provision perspective as there is no risk of adverse impact on any section of the Council who use this service.
- 8.3 No staff will be adversely affected as a result of the proposals in this report as all affected staff will transfer with existing terms and conditions under the TUPE regulations 2006.
- 8.4 An EqIA was carried out prior to the Tri-borough Cabinet approving the award of the Tri-borough contract and framework agreement to Amey. The procurement process was carried out within the Council's corporate procurement guidelines which have relevant equalities considerations at all the key stage including evaluation of qualitative criteria on the submitted bids.
- 8.5 An EqIA has been completed for the award of this Framework Agreement and is available on the website [insert link]
- 8.6 In regard to both service provision and employment the proposals have no adverse implications for the Council's public sector equality duty.

9. Head of Procurement Comments



Haringey Council

- 9.1 The Tri-borough arrangement appears to offer the Council significant savings and benefits over alternative options – but these will not be fully known until further detailed discussions on the final contract terms are completed with the Tri-boroughs and Amey
- 9.2 Joining an established framework with other London authorities would provide Haringey will greater supplier influence than if we procure alone.
- 9.3 Existing related contracts would be transferred under Amey so that these can be managed to their contractual expiry date, without contract breach or claims for damages
- 9.4 The Head of Procurement therefore supports the recommendation to progress the option of entering into contract with Amey through the Tri-borough framework.

10. Policy Implication

- 10.1 Approval of this report has no direct impact on Council policy.

11. Reasons for Decision

- 11.1 The Council needs to replace the managed service contract for its FM service.

12. Use of Appendices

None

13. Local Government (Access to Information) Act 1985

- 13.1 This report contains exempt and non-exempt information. Exempt information is contained in the Exempt Information Part of this report and is not for publication. The information is exempt under the following category (identified in the amended Schedule 12 A of the Local Government Act 1972).
- 13.2 Category 3 - Information relating to financial or business affairs of any particular person (including the authority holding that information)

14. Background Papers

- 14.1 None

