

For general release

<b>REPORT TO:</b>	<b>SCRUTINY AND OVERVIEW COMMITTEE</b> 8 <sup>th</sup> September 2015
<b>AGENDA ITEM:</b>	7
<b>SUBJECT:</b>	<b>FM CONTRACT PROCUREMENT - UPDATE</b>
<b>LEAD OFFICER:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate Resources and Section 151 Officer)</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall, Cabinet Member for Finance and Treasury</b>
<b>PERSON LEADING AT SCRUTINY COMMITTEE MEETING:</b>	<b>Richard Simpson, Assistant Chief Executive (Corporate Resources and Section 151 Officer)</b>

<b>ORIGIN OF ITEM:</b>	This item is contained in the Committee's work programme
<b>BRIEF FOR THE COMMITTEE:</b>	<p>The Scrutiny and Strategic Overview Committee considered a pre-decision scrutiny item on the Facilities Management (FM) Contract Procurement in September 2014.</p> <p>The Committee seeks an update on the procurement process and how the council has responded to the Committee's recommendations particularly in relation to the design of contract 'bundles', the opportunity to procure some elements of the contract in-house or through locally-based organisations, the inclusion of social value criteria and the support offered to small and medium sized enterprises to achieve pre-qualifying procurement criteria.</p>

## **1. EXECUTIVE SUMMARY**

- 1.1 This report sets out the current position and provides an update on the re-procurement of Facilities Management (FM) services in response to the Committee request to seek an update on the procurement process and how the Council has responded to the Committee's recommendations.

## 2. FM CONTRACT PROCUREMENT - UPDATE

### 2.1 Introduction

2.1.1 In September 2014 a Facilities Management commissioning strategy was presented to the Scrutiny committee. The recommended approach was a “bundled service model” as set out below:-

Contract 1 – Cleaning Services	Contract 2 – Security Services	Contract 3 – Catering Services	Contract 4 – Environmental, H&S & compliance	Contract 5 - Logistics	Contract 6 – Fabric, Mechanical & Electrical ( Hard services)
Cleaning Pest Control Window Cleaning	Security Staff Access Control CCTV- electronic security Building Traffic Management	Catering Hospitality	Energy procurement Energy Management Bill verification Water treatment Asbestos Management Risk assessment H&S Management DSE DDA Accident systems	Portering AV Setup Mailroom Reprographics Archiving Document Storage / Management Floorwalkers/ Concierge	Planned Preventative Maintenance Reactive Repairs & Maintenance Specialist Sub-Contractors, i.e. HVAC Small project management Capital projects Lift contract Asset Maintenance Fabric Maintenance Fit Out Meter Reading PAT testing

2.1.2 The Scrutiny committee made a number of recommendations, particularly in relation to the design of contract ‘bundles’, the opportunity to procure some elements of the contract in-house or through locally-based organisations, the inclusion of social value criteria and the support offered to small and medium sized enterprises to achieve pre-qualifying procurement criteria.

2.1.3 The proposed FM procurement strategy was approved following the cabinet Report dated 17<sup>th</sup> February 2015. The strategy set out the requirement for a flexible approach to meet future service delivery whilst supporting the local economy encouraging local SMEs.

2.1.4 The procurement strategy reflects a new approach to FM service delivery through ‘bundled’ service models that combines new service specific contracts and an ‘in-house’ FM soft services (logistics) team and a reorganised FM intelligent client function. This structure will also support the Council’s move towards a Corporate Landlord operating model (CLM) whereby premises related budgets will be centralised into the FM and Asset Management services to support strategic asset decision making and ensure greater financial control.

2.1.5 The delivery of a repairs and maintenance service for Lifts within the corporate estate is being procured in a separate contract along with the Council’s Housing lifts.

2.1.6 The ‘bundled’ service model is broken down into six discreet service areas, and these are set out in the table below.

Bundles Facilities Management Services From July 2016					
Bundle 1	Bundle 2	Bundle 3	Bundle 4	Bundle 5	Bundle 6
Cleaning Services	Security Services	Catering Services	Professional & Specialist Services	Logistics	Hard FM
Cleaning	Security Staff	Catering	Energy Services	Portering	Planned Preventative Maintenance
Window Cleaning	Access Control	Meeting Room Service	Water Risk Assessments & treatment	AV Setup	Reactive Repairs & Maintenance
Feminine Hygiene	Building related CCTV		Risk Assessment	Mailroom	Specialist Sub-Contractors i.e. HVAC
Waste Management	Electronic Security		H&S Management	Reprographics	Capital Projects
Recycling	Building Traffic Management		DSE	Archiving	Asset Maintenance
Specialist Services	Out of hours building security		DDA Accident Systems	Document Storage / Management	Statutory Compliance
Carpet Cleaning			Professional services (Structural Engineering, General Practice)	Concierge	Emergency out of hours maintenance
Stone Floor Cleaning			Pest control	Minor Repairs	
				Asbestos Management	
				Helpdesk	

### Delivery Models

Outsourced under one contract	Outsourced under one contract	Outsource	Outsourced as a range of stand alone contracts	Deliver in-house	Outsourced under two contracts
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## 2.2 Current Procurement Progress

2.2.1 With less than 12 months remaining on the existing contract and in line with the FM re-procurement strategy, the LBC FM team are now currently focusing resources to ensure key services are delivered during the last year, and to deliver the objectives set out in the procurement strategy. A significant part of this exercise is to gather the data required to support the new service specific ‘bundles’ and specifications. This exercise also includes data validation and the integration of helpdesk transactions, which equates to approximately 7000 calls per annum.

2.2.2 Project governance and a project board are now well established with the FM project team being supported by HR, Legal and Procurement teams.

2.2.3 Through an early negotiation process (with Interserve) all TUPE data has been

2.2.4 Market ‘warming’ has been undertaken for a number of the ‘bundles’ which supports the procurement strategy in particular local SME engagement and this process continues.

2.2.5 The in-sourcing model continues to be explored using the helpdesk data to ensure this service is both efficient and effective to support the new ways of working and the future Corporate Landlord operating model. This model will also adopt a structure that enables the Council to take control of risk through better management and decision making on all property and FM matters in line with the Corporate Asset Management Strategy.

2.2.6 All contracts are being made flexible, in terms of volumes, to allow for any changes to the Council's estate.

### 2.3 **Cleaning bundle**

2.3.1 The cleaning contract award is scheduled for January 2016 and the PQQ closed on 29<sup>th</sup> July where some 20 companies are to be evaluated with a good mix of both national and local SME's. The cleaning specification has been developed to meet the Council's requirements following market 'warming' and stakeholder engagement and will be an outcome based service contract.

2.3.2 Social value key performance indicators have been included as part of the contract management arrangements and through a PQQ bidders briefing day there was a positive response to social value, in particular the Council's commitment to London Living Wage.

### 2.4 **Security bundle**

2.4.1 Security services have been explored to ensure any future service is from a specialist provider with procurement to commence in September.

2.4.2 Following market 'warming' no local Croydon based companies have been identified. However, this process has identified an existing framework which has a number of benefits that include:

- Pre-qualified specialist security companies
- Quicker and more efficient route to market saving around three months in procurement / officer time than following a traditional restricted process
- Flexibility to include social value outcomes, London Living wage and our own key performance indicators
- Wide scope meaning the Council's requirements can be met, including any specific requirements
- Companies on the framework in the London area are SME's
- OJEU compliant
- TUPE compliant ensuring the transfer of existing staff, many of which are local

This option is being explored, with security specifications currently being developed. This includes looking at whether there is scope to reduce the number of CCTV control rooms that the Council currently has.

## **2.5 Catering bundle**

- 2.5.1 All non-FM catering services are with the corporate procurement team as a part of the wider Adults Services programme. The remaining catering services are being reviewed to determine the most appropriate future delivery model.
- 2.5.2 Local agents have been engaged to review the options for both BWH and the Clocktower café for either a joint or single marketing opportunity. In consultation with legal services a commercial (leasehold approach) or concession arrangement are being explored to determine a preferred approach for future catering.
- 2.5.3 As part of this review internal stakeholders are to be contacted to understand all food & beverage requirements and this will shape any future catering service. This will also consider the wider review of the Town Hall civic complex use and in particular the impact on the Clocktower café.

## **2.6 Professional Services bundle**

- 2.6.1 This 'bundle' has been developed following a better understanding of the current arrangements and services under the TFM model, in particular its supply chain and sub-contractors required to deliver a TFM package.
- 2.6.2 A joint professional services framework with Asset Management & Estates is to be procured and will support the delivery of an in-house FM service. Discussions with Lambeth Council will commence in August with a focus on Energy Services.
- 2.6.3 A number of service functions in this bundle will now be included in the in-house model to ensure better control, compliance and to reduce cost, for example, Asbestos Management services.
- 2.6.4 A number of supply chain requirements have been identified and smaller lots such as pest control services are to be procured, with local SME's targeted.

## **2.7 In-House bundle**

- 2.7.1 This will involve the in-house sourcing of all functions identified under 'logistics' and include services such as concierge, caretaking, mail room and reprographics. For some teams, this will be a 'drag and drop' approach, but for other areas this will involve a reorganisation to provide a service which is both cost effective and efficient. This will include, for example, a 'handy person' service which will carry out some statutory functions such as Legionella temperature checks and minor cyclical maintenance activities.
- 2.7.2 This 'bundle' will include the helpdesk function. The in-house model will provide opportunities for local people, for example, the current Interserve help desk is located in Birmingham.

## 2.8 Hard FM Services bundle (Repairs, Maintenance & Statutory Compliance)

- 2.8.1 The operating model is being developed and following market warming and the future Corporate Landlord operating model this service will consist of two lots: a Mechanical & Electrical service and a General Building service. This approach will provide better opportunities for local SME's and reduce the supply chain costs associated with a single provider approach.
- 2.8.2 This will be a flexible contract with minimal upfront commitment and will reserve the right to tender major revenue and capital works to ensure value for money and benchmarking. This approach represents a step change from the current position. The data gathering exercise and specification is well developed and a technical consultant has been appointed to support this work, working with the project team.
- 2.8.3 The tender process is to commence in early September and the contract is to be awarded in February/March 2016.
- 2.8.4 Competitive dialogue is to be used for the social value aspect of the Hard FM procurement process to ensure better outcomes are leveraged.
- 2.8.5 Lifts are to be excluded from this service and will form part of a single Council-wide lift contract, covering our Housing estate and corporate estate.

## 3.0 Procurement Timeline

- 3.1 Set out in the table below is the high level procurement timeline, showing the key milestones by month and year.

### Procurement Timeline

	2015							2016						
	Jun	Jul	Aug	Sept	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul
Bundle 1 - Cleaning	PQQ		ITT				Award			Mobilisation			Go-Live	
Bundle 2 – Security				ITT			Award				Mobilisation		Go-Live	
Bundle 3 – Catering				ITT / Letting			Award			Mobilisation		Go-Live		
Bundle 4 – Professional Services				PQQ				ITT		Award	Mobilisation		Go-Live	
Bundle 5 – Logistics	Scoping						Transformation						Go-Live	
Bundle 6 – Hard FM				PQQ	ITT			Award		Mobilisation		Go-Live		

## 4.0 Social Value

- 4.1 At the pre-qualification stage specific questions relating to the companies experience and track record in delivering social value have been included and are evaluated. The key criteria outlined in this section links directly to the Council commitment to: -

- Support local employment
- Create accessible pathways to work for local residents
- Support local supply chains

- Support and contribute to the location as a community
  - Enable and ensure delivery through governance and compliance
  - Support the strategic alliance and other key partners in maximising social value opportunities
- 4.2 Firms that are shortlisted and invited to tender are required to set out as part of the evaluation criteria how they will contribute to and meet the Council's social value requirements. The submission is evaluated and scored as part of the qualitative assessment.
- 4.3 Every contract that is let through this procurement exercise contractually requires the supplier to pay staff the London Living wage. Each contract also includes Key Performance Indicators that specifically measure the supplier's performance against their Social Value commitments.

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**BACKGROUND DOCUMENTS:** Facilities Management Procurement Strategy  
Cabinet report February 2015