

CABINET

19th September 2017

FUTURE DELIVERY OF FACILITY MANAGEMENT SERVICES

Report of the Director for Places

Strategic Aim:	Sound financial planning and workforce planning	
Key Decision: Yes	Forward Plan Reference: FP190517	
Exempt Information	No	
Cabinet Member(s) Responsible:	Councillor Oliver Hemsley, Deputy Leader and Portfolio Holder for Growth, Trading Services and Resources	
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Ward Councillors	All	

DECISION RECOMMENDATIONS

That Cabinet:

1. Endorse the proposal to contract out Facilities Management as one package of works
2. Authorises the Head of Property Services in consultation with the Portfolio Holder Growth, Trading Standards and Resources , the Director for Resources and Peterborough Legal Services to determine a procurement route, award criteria and if a suitable supplier or suppliers are identified move forward and award a contract
3. Authorises the Head of Property Services in consultation with the Portfolio Holder for Growth, Trading Standards and Resources, the Director for Resources and Peterborough Legal Services to extend, where required existing contracts to ensure a smooth transition to the new arrangements.
4. Authorises the Head of Property Services in consultation with the Portfolio Holder for Growth, Trading Standards and Resources, the Director for Resources and Peterborough Legal Services to extend the contact let at (2) for an additional 2 years without reference back to Cabinet.

1 PURPOSE OF THE REPORT

- 1.1 This report seeks approval from Cabinet for the placement of one contract to provide Facility Management Services. This approach is being proposed to build additional resilience into service delivery and also provide a service that is more effective and efficient.
- 1.2 To seek Cabinet approvals as set out in the recommendations above. The approvals requested will ensure that the contract can be placed with the minimum of delays.

2 BACKGROUND AND MAIN CONSIDERATIONS

- 2.1 Since December 2015 a number of options have been explored regarding the provision of Facilities Management (FM) Services and how the service can be more efficient and cost effective. One of which was the potential outsourcing of the FM function and the potential benefits to the Council
- 2.2 To facilitate this a number of discussions have taken place with other local authorities and the private sector. Whilst it is clear that outsourcing can bring benefits to the Council it was equally clear that to be attractive to the private sector it was necessary to have work packages of a suitable size.
- 2.3 This paper sets out how Rutland County Council can move forward and bring various functions together to provide the “critical mass” that would allow realistic and competitive bids.

3 HOW THE FUNCTION IS CURRENTLY DELIVERED

- 3.1 There are numerous definitions of FM but for the purposes of this report it is assumed to include those activities required to provide effective and efficient operation of the property portfolio on a daily basis. Included within the scope of this report are the following:
 - 3.2 **Premises Officers:**
 - 3.2.1 Provide a janitorial service across all Council assets from 07:30 in the morning until close of business – which could be a late committee meeting.
 - 3.2.2 They also provide an initial assessment when a problem within the operational property portfolio is identified. If resolution of the issue is within their capabilities then they will take the necessary action. If not they will report back to the Property Service Desk who will take any further action required.
 - 3.2.3 They also provide an ‘out-of-hours’ service should an issue arise. A typical example could be as a result of activation of fire or burglar alarms.
 - 3.2.4 RCC currently engage the services of 3 full time Premises Officers – 2 based at Catmose with a third at OEP.
 - 3.2.5 Premises Officer costs are set out below:

Asset	Provider	2017/18 Budgets £	2017/18 Forecast Spend £	Budget Variance	Comments
Premises Officers					
Catmose	Salaries 2017/18 Premises Officers	£47,300	£44,900	(£2,400)	Assumes vacant posts recruited to from 1 September 2017 and agency costs for 2 months.
Oakham Enterprise Park	Salaries 2017/18 Premises Officers	£23,200	£23,000	(£200)	
Total Premises Officers		£70,500	£67,900	(£2,600)	

3.3 Property Service Desk

- 3.3.1 This provides a reactive service during office hours. Requests for action are reported by either telephone or e-mail. It also includes the provision of a service to schools who utilise a Service Level Agreements (SLA).
- 3.3.2 Should a call be received a decision will be made on the urgency of the issue and if necessary a suitable contractor will be instructed to visit the site and undertake a suitable repair and report back.
- 3.3.3 Should the issue require more than just a repair one of the Councils Building Surveyors will be tasked and will take resolution of the issue forward in accordance with established processes.
- 3.3.4 An out-of-hours service is provided by Harborough lifeline. Their remit is only to address issues that could be considered an "emergency". They are in possession of a list of contractors who are familiar with RCC sites. They will instruct the contractor to go out and undertake a repair that will address the immediate issue and identify any follow up action necessary. This will be reported to the Service Desk who will then take whatever action is needed to accordance with established procedures.
- 3.3.5 Costs associated with operating the Property Service Desk are set out below:

Asset	Provider	2017/18 Budgets	2017/18 Forecast Spend	Budget Variance	Comments
Property Service Desk					
Catmose	Salaries 2017/18 Technical Administration Post	£16,200	25,400	£9,200	Agency cover from July and forecast spend assumes continuation for financial year.
Total Property Services Desk		£16,200	£25,400	£9,200	

3.4 Cleaning Services

3.4.1 Currently the cleaning function is provided by a combination of contracts and RCC staff.

3.4.2 The number of staff directly employed to deliver a cleaning service amounts to 4 staff. These are all on part time contracts. Combined they amount to 1.34 Full Time Equivalents (FTE).

3.4.3 The approach adopted for each asset together with the direct staff costs are set out:

Asset	Provider	2017/18 Budgets	2017/18 Forecast Spend	Budget Variance	Comments
Cleaning Services					
Catmose Offices	Internal RCC Staff	£29,400	£74,705	£43,305	Although only £1k contract cleaning budget shown, vacancies held in staffing budget for cleaners to mitigate the costs for Always Available. However as it was anticipated a new Facilities Management Package would be in place in 2017/18 £45k savings were taken.
Museum & Libraries	Internal RCC Staff/Contractors	£1,000	£1,500	£500	
Jules House/Children's Centre	Internal RCC Staff/Contractors	£18,000	£10,400	(£7,600)	
Oakham Enterprise Park – Common Areas/RALLS	Contractor	£10,400	£12,200	£1,800	
Ashwell Business Units	Contractor	£3,300	£3,800	£500	
Oakham Bus Station/Uppingham W/Cs, Cemetery and Restroom	Contractor	£6,700	£7,700	£1,000	Includes WCs
Sport and Leisure	Contractor	£2,200	£9,100	£6,900	
Total Cleaning Services		£84,600	£131,200	£46,600	

3.5 Total Costs

3.5.1 The total cost for the provision of the FM functions is circa £224k. This cost is and spread across a number of differing budgets e.g. the cleaning of the libraries is funded by Culture and Recreation whilst the Premises Officers are funded by Property Services. It is proposed that all budgets are brought together as part of this exercise.

Total Facilities Management Services Budgets and Forecasts	£171,300	£224,500	£53,200	Direct Costs only.
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4 OPTIONS FOR FUTURE DELIVERY

- 4.1 There are a number of options that need to be considered in taking this forward. However if the option involves outsourcing then the assumption is that any contract will be based upon performance. The contract will not specify how many staff RCC need – e.g. in the case of Premises Officers RCC will stipulate when cover is needed rather than the number of staff on site at any one time. Likewise the contract will also include performance indicators for the provision of the cleaning element.
- 4.2 The commercial contract will also enable us to have ‘call-down’ menu of additional services. An example would be the requirement to have additional staff to support Council activities. With suitable notice RCC could request this additional resource to cover periods such as elections on hourly rate. In addition this approach will also make it easier to manage changes in the Portfolio. Addition Premises Staff could be requested to support new Council initiatives such as the King Centre.
- 4.3 **Option 1: Do Nothing**
- 4.3.1 RCC would continue as at present. The delivery of the service would remain fragmented and any staff shortages or pressures would be ours to resolve. In addition the ability to bring in additional resources at short notice would be limited.
- 4.4 **Option 2: Tender as One Package of Work**
- 4.4.1 This would involve inviting tenders for the complete package. The advantage of this approach is that RCC would have one supplier covering all aspects of the service. It will be the responsibility of the supplier to provide the resources to meet the performance specification. Furthermore the larger the contract the more scope there will be for any supplier to drive out economies of scale and thereby provide a more competitive price.
- 4.4.2 The risk with this approach is that to deliver it will be necessary for the supplier to be multi-skilled and the financial benefits of the combined work packages may not be sufficiently lucrative to attract the larger companies. Local suppliers who currently undertake cleaning under contract will not be able to undertake the full scope of works and will not bid for the complete package.
- 4.4.3 However if this is the preferred route then there is no reason why local suppliers cannot submit a joint bid for the services. As a Council we would need there to be a clear management structure that clearly identifies overall responsibility. We would also need to undertake due diligence on such a structure to ensure that it is financially viable and has all of the relevant insurances in place.
- 4.4.3 Given the advantage of this approach this is the recommended Option

4.5 Option 3: Multiple Work Packages

- 4.5.1 This option would involve giving potential suppliers the opportunity of tendering for specific packages of work in addition to the complete package. Whilst they could tender for the whole package it does give smaller local companies the opportunity of bidding for part of the contract.
- 4.5.2 This would also mean that should there be no interest in a single contract or that the single contract is unaffordable RCC have the opportunity of letting smaller contracts without the need to go back to the market.
- 4.5.3 The disadvantage is that RCC will still be left to manage multiple contracts with the corresponding resource implications.

5 PROCUREMENT ROUTES

- 5.1 It is proposed that this contract is initially for 3 years with the potential to extend for up to an additional 2 years. Cabinet will be asked to delegate authority to the Head of Property Services in consultation with the Portfolio Holder for Growth Trading Services and Resources the Head of Legal Services and the Director for Resources approval to extend the contract for up to 2 years.
- 5.2 Given that the value of the contract is anticipated to be circa £800k based on a 5 year contract a full tendering exercise will be required. It is envisaged that this will be a 2 stage process (Restricted Tender Process) with an initial expression of interest followed by a full tender.
- 5.3 An advantage of this approach is that at Stage 1 RCC will have some indication of the interest there is in delivering this service for RCC. Should this not be to the level RCC require then there is the option of changing the procurement route or work packages to ensure that competitive bids are achieved.
- 5.4 Given the nature of this project it is proposed that Cabinet delegate to the Head of Property Services in consultation with the Portfolio Holder for Growth Trading Services and Resources, the Head of Legal Services and the Director for Resources authority to determine the award criteria and if a suitable supplier or suppliers is identified move forward with an appointment.

6 STAFF IMPLICATIONS

- 6.1 7 staff have the potential to be affected by the proposals set out in this report. Assuming that Cabinet agree to the market testing of single or multiple packages of work it will be necessary to enter into formal consultation with the recognised Trade Unions and staff regarding a TUPE transfer. It is considered at this stage that TUPE would apply. Staff have already been informally advised of the proposals.
- 6.2 Formal consultation on the proposal will take place when there is an agreement to proceed from Cabinet. It is intended that this will run in parallel with the tender process.

7 EXISTING FACILITIES CONTRACTS

- 7.1 As outlined earlier in the report there are a number of contracts already in place. It is proposed that cabinet delegate authority to the Head of Property Services in

consultation with the Portfolio Holder for Growth Trading Services and Resources, the Head of Legal Services and the Director for Resources to extend these contracts (where they will exceed £50k) to a suitable point to allow a smooth transition from one supplier to the next.

8 PROCUREMENT PROGRAMME

At outline programme is set out below:

Action	By Who	By When	
Agree procurement approach	All	04/09/17	Underway
Draft Standard Selection Questionnaire (PQQ) inc. criteria and weightings	WProc	01/09/17	Underway
Draft Invitation to Tender documents inc. criteria and weightings	WProc	29/08/17	Underway
Draft OJEU notice	WProc	29/08/17	Underway
Approval for procurement	Cabinet	19/09/17	
Agree all procurement documentation	RCC	25/09/17	
Publish OJEU notice	WProc	26/09/17	
Publish Contracts Finder/ Source Rutland notices	WProc	27/09/17	
Deadline for clarification questions	Bidders	11/10/17	
Deadline for responses to clarification questions	All	16/10/17	
Return date for SSQ submission	Bidders	30/10/17	
SSQ evaluation	All	13/11/17	
Agree shortlist	All	20/11/17	
Issue invitation to submit tender	WProc	23/11/17	
Deadline for clarification questions	Bidders	07/12/17	
Deadline for responses to clarification questions	All	13/12/17	
Return date for tender	Bidders	05/01/18	
Tender evaluations (paper submissions)	All	15/01/18	
Clarification meetings (if required)	All	15/02/18	
Agree preferred bidder	All	22/02/18	
Issue notification of award	WProc	26/02/18	
Standstill starts		27/02/18	Please note that due diligence also happens during this period
Standstill ends		06/03/18	
Award contract	RCC	07/03/18	
Transition period		08/03/18 – 30/04/18	
Contract commencement		01/05/18	

9 CONSULTATION

- 9.1 Consultation has taken place internally with Senior Elected Members, Senior Officers within the Council including Finance and Legal Services. Externally consultation has taken place with Welland Procurement.

10 ALTERNATIVE OPTIONS

10.1 Alternative options are considered in Section 4 of the report.

11 FINANCIAL IMPLICATIONS

11.1 As outlined earlier in the report the cost of the FM Service is circa £224k. Initial indications are that the approach advocated within this report (Option 2) should lead to a reduction of cost of at least 20% (approximately £45k) – however this can only be confirmed after tenders have been received.

11.2 The cost of the delivery of the service is actually greater than the budget provision – exceeding it by £53k. The proposals set out in this report will not reduce the budget provision but will reduce the overall cost of the service. However it anticipate that the reduced use of Interims to support FM often on an ad-hoc basis will generate further savings and will address the gap of £7k.

11.3 The directly employed staff (The Premises Officers and Cleaners) are funded through the Property Services budget. Contract Cleaners are funded from a number of Service Budgets. It is proposed that these budgets are brought together and that the FM function is centrally funded.

12 LEGAL AND GOVERNANCE CONSIDERATIONS

12.1 The service will be procured in accordance with Contract Procedural Rules and will follow the EU Procurement Rules.

12.2 Delegation of Authority to the Head of Property Services in consultation with the Portfolio Holder for Growth, Trading Services and Resources, the Head of Legal Services and the Director for Resources will ensure that the project can move forward without delay.

13 EQUALITY IMPACT ASSESSMENT

13.1 This report seeks approval to seek tenders and award a contract. Whilst not required at this stage an EIA will be completed later in the process when the full scope of the works becomes clear.

14 COMMUNITY SAFETY IMPLICATIONS

14.1 There are no community safety issues.

15 HEALTH AND WELLBEING IMPLICATIONS

15.1 There are no Health and Wellbeing Implications

16 HUMAN RESOURCES IMPLICATIONS

16.1 Pension Matters

16.1.1 Employees are given protection by the 'Transfer of Undertakings (Protection of Employment) Regulations 1981 (TUPE) if the service in which they are employed changes hands. In effect their employment and any associated liabilities, legally moves from the old employer to the new employer.

- 16.1.2 Employees' pension rights are not directly protected by the TUPE Regulations. However, employers that participate in the LGPS should be aware of the legal position regarding staff TUPE transferring from their organisation to an external service provider (i.e. a Contractor) including obligations to ensure 'pension protection' going forward.
- 16.1.3 In cases of delegation to another LGPS Employer, pension protection can be achieved by ensuring that transferring staff have either:
- (a), Continuing access to Membership of the LGPS, or
 - (b) Access to a pension scheme which has been certified by the Government Actuary Department (GAD) as being 'broadly comparable' to the LGPS.
- 16.1.4 Risk relates to liabilities and deficits which have already accrued or can accrue over the course of an agreement, regarding funding the provision of Members' LGPS benefits. RCC, as the Scheme Employer will need to decide whether any pensions deficit which there may already be in respect of the employees to be TUPE transferred will be retained by ourselves (i.e. the transferred service is to be treated as fully-funded); or any pensions deficit is to be transferred to the contractor.
- 16.1.5 It is assumed that the Council will not look to transfer any pension deficit which may exist (at this stage the Council is not aware of any deficit or what the level of it is) but given the number of staff involved this is not considered to be significant. Should the pension deficit remain with the Council this would be funded through ongoing contribution rates. (Once staff have transferred the Fund Actuary may calculate a new Employer Contribution Rate - the charge made to a Scheme Employer of underpinning costs of providing the occupational pension scheme benefits provided by the LGPS not met by Member contributions and returns on Fund investments. Given the likely number of staff transferring, it is unlikely that the Council's contribution rate would change significantly). A lump sum payment to clear any deficit is not required.

16.2 Transfer of Undertakings (TUPE)

- 16.2.1 Seven staff have the potential be directly affected by the proposals set out in this report depending upon the option selected. Assuming that the placement of a contract does proceed it will be necessary to enter into formal consultation with the recognised Trade Unions and staff regarding a TUPE transfer. It is considered at this stage that TUPE would apply. Staff have already been informally advised of the proposals.
- 16.2.2 Formal consultation on the proposal will take place when there is an agreement to proceed. Staff will be kept up to date during the tender process and in particular the development of the tender documentation.

17 ORGANISATIONAL IMPLICATIONS

- 17.1 Dependent upon the route selected there is the potential for up to seven staff to be subject to TUPE. If this is the outcome then any transfer will be conducted in accordance with current policy and legal requirements.

18 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 18.1 The proposals set out in this report will ensure that the Council can move forward with the procurement of a FM contract that will deliver efficiencies for the Council. In particular it will ensure that the service delivered will be effective and provide the necessary level of flexibility over the coming years.
- 18.2 The proposed delegations will ensure that RCC will be able to move forward without delay.

19 BACKGROUND PAPERS

There are no additional background papers

20 APPENDICES

There are no Appendices

A Large Print Version of this Report is available upon request – Contact 01572 722577.