

## CABINET

18<sup>th</sup> December 2018

### THE FUTURE DELIVERY OF FACILITIES MANAGEMENT

#### Report of the Strategic Director for Places

Strategic Aim:	Sound Financial Planning and Workforce Planning	
Key Decision: Yes	Forward Plan Reference: FP/191018	
Exempt Information	Yes – APPENDIX A contains exempt information as defined in Paragraph 3 of Part 1 of Schedule 12A of the Local Government Act 1972	
Cabinet Member(s) Responsible:	Mr Gordon Brown, Portfolio Holder for Planning, Environment, Property and Finance.	
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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. Authorise the Head of Property Services in consultation with the Portfolio Holder for Property Services and the Director of Resources to determine a procurement route, award criteria and if a suitable supplier or suppliers are identified move forward and award a contract.
3. Authorise the Head of Property Services in consultation with the Portfolio Holder for Property Services and the Director of Resources to amend the scope of the project to ensure that the project is of a sufficient size to attract competitive bids.
4. Authorise the Head of Property Services in consultation with the Portfolio Holder for Property Services and the Director of Resources to extend, where required, existing contracts to ensure a smooth transition to the new arrangements.
5. Authorise the Head of Property Services in consultation with the Portfolio Holder for Property Services and the Director of Resources to extend the contract 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 for two reasons; firstly to build additional resilience into service delivery and secondly to 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 In particular, outsourcing if specified correctly will contribute to the overall efficiency of the Council. However it will also address an issue over resilience. Whilst posts are filled at the moment and the team is working well, the Council has historically suffered from issues around resilience. All teams are small and gaps in the structure as a result of illness, resignations etc always put service delivery at risk. Since any new contract will be service driven it will be the responsibility of the supplier to ensure that staff levels are capable of providing the necessary levels of service.
- 2.3 On the 19<sup>th</sup> September 2017 a report was submitted to Cabinet requesting authority to move forward with the outsourcing of Facility Management Services. Cabinet requested that a further report be provided that would provide further information regarding the award criteria.
- 2.4 Since then further work has been undertaken in developing the scope of the project and addressing the issues raised by Cabinet.
- 2.5 In anticipation of a new more effective approach to FM, a budget saving of £45k has been allowed for in Financial Year 19/20. This paper sets out how Rutland County Council can move forward and realise these savings during FY19/20.

## **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. Details of full costs are identified at exempt Appendix A. A summary of Premises Officer Costs are set out below:

Description	2018/19 Q2 Outturn (£)	2018/19 Budget (£)	2019/20 Budget (£)
<b>Total Premises Officer Costs</b>	<b>76,000</b>	<b>78,000</b>	<b>79,000</b>

### 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 Agreement (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 Council’s 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 in accordance with established procedures.

3.3.5 Approximately 20% of a full time equivalent (FTE) is spent managing the Property Service Desk – the rest being spent on the management of service charges, recharges and technical support to the Building Surveyors and Estate Surveyors.

3.3.6 A summary of costs is provided below. Full costs are identified in Exempt Appendix A.

Description	2018/19 Q2 Outturn (£)	2018/19 Budget (£)	2019/20 Budget (£)
<b>Property Services Desk</b>	<b>5,000</b>	<b>3,000</b>	<b>6,000</b>

### 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 FTEs.
- 3.4.3 The approach adopted for each asset together with the direct staff costs are summarised below. It should be noted that a saving of £45,000 has not been included. Further details are provided at exempt Appendix A

Description	2018/19 Q2 Outturn (£)	2018/19 Budget (£)	2019/20 Budget (£)
Cleaning Services	146,500	148,500	162,900

### 3.5 Total Costs

- 3.5.1 The total cost for the provision of the FM functions is budgeted (FY19/20) at circa £248k – excluded any anticipated saving. This cost is 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.
- 3.5.2 In addition the costs identified above do not include ‘one-off’ activities such as cleaning up after an incident or as a result of a function in a Council asset. In such circumstances this will be funded by the relevant department or the party using the facilities.

## 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. Additional Premises Staff could be requested to support new Council initiatives such as the King Centre.
- 4.3 At present it is proposed that as a minimum cleaning and janitorial duties are included within the scope of the contract. However as the project develops it is likely that additional areas will be identified which can be included within the overall scope of the project.

#### **4.4 Option 1: Do Nothing**

4.4.1 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.

#### **4.5 Option 2: Tender as One Package of Work (Competitive Bid)**

4.5.1 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.

4.5.2 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.

4.5.3 However if this is the preferred route then there is no reason why local suppliers cannot submit a joint bid for the services or sub-contract to a 'management' company. 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.

4.5.4 Taking all factors into account this is the recommended approach.

#### **4.6 Option 3: Tender as one package of work (Framework)**

4.6.1 This would involve engaging a contractor through a suitable framework. The advantage of this approach is the speed with which an appointment can be made.

4.6.2 Whilst it is likely that there will be an element of competition (dependent upon the framework) it will be unlikely that local companies will be able to compete for the works as they need to be included within the original framework.

#### **4.7 Option 4: Multiple Work Packages**

4.7.1 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.

4.7.2 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.

4.7.3 The disadvantage is that RCC will still be left to manage multiple contracts with the corresponding resource implications. This is little different to the approach currently in place.

## 5 PROCUREMENT

- 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 Property, the Monitoring Officer and the Director of 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 £1m 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. 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 or to adopt a framework.
- 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 Property, the Monitoring Officer 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 SELECTION CRITERIA

- 6.1 The selection criteria will vary dependent upon the procurement route selected. If a framework arrangement is adopted then it will be based purely on price as a framework provider will have already demonstrated that they have the technical expertise to deliver the project.
- 6.2 As outlined earlier it has been assumed that the procurement of the service will be via Competitive Tender (Option 2). Given this the award criteria will be as follows:

Description	Maximum Score (%)
Staff Resources	15
Experience of Operatives	5
Method Statement	20
Response Times	10
Company Structure	10
<b>Maximum Technical Score</b>	<b>60</b>
<b>Financial Score</b>	<b>40</b>
<b>Maximum overall score</b>	<b>100</b>

- 6.3 As the project scope is developed the award criteria will be further refined to address specific issues. For example the staff resources marking of 15% will be further refined to reflect the skills of specific roles within the proposed team.

## **7 CONSULTATION**

- 7.1 Consultation has taken place internally with Senior Elected Members, Senior Officers and informally with staff who may be affected by these proposals.
- 7.2 Staff who are likely to be impacted by these changes have also been advised to attend meetings to discuss the issues. Several of these meetings have taken place and staff have been briefed on the proposals. They were also advised that this was not part of the formal consultation process.

## **8 ALTERNATIVE OPTIONS**

- 8.1 Alternative options are considered in section 4 of this report.

## **9 FINANCIAL IMPLICATIONS**

- 9.1 As outlined earlier in the report the budgeted cost (FY19/20) of the FM Service is circa £248k. Initial indications are that the approach advocated within this report (Option 2) should lead to a reduction of cost of approximately £45k – however this can only be confirmed after tenders have been received and may be more if the scope of the project is increased to include those areas not considered.
- 9.2 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.

## **10 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 10.1 The service will be procured in accordance with Contract Procedure Rules and will follow the EU Procurement Rules.
- 10.2 Delegation of Authority to the Head of Property Services in consultation with the Portfolio Holder for Property Services and the Director of Resources will ensure that the project can move forward without delay.

## **11 DATA PROTECTION IMPLICATIONS**

- 11.1 A Data Protection Impact Assessments (DPIA) has not been completed as this project will not involve the retention of any data that would impact on the rights and freedoms of natural persons.

## **12 EQUALITY IMPACT ASSESSMENT (EIA)**

- 12.1 This report requests approval to seek contracts 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 is clarified.

## **13 COMMUNITY SAFETY IMPLICATIONS**

- 13.1 There are no Community Safety Implications.

## **14 HEALTH AND WELLBEING IMPLICATIONS**

- 14.1 There are no Health and Wellbeing implications.

## **15 HUMAN RESOURCES IMPLICATIONS**

### **15.1 Pension Matters**

- 15.1.1 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.
- 15.1.2 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.
- 15.1.3 In cases of delegation to another LGPS Employer, pension protection can be achieved by ensuring that transferring staff have either:
- Continuing access to Membership of the LGPS, or
  - Access to a pension scheme which has been certified by the Government Actuary Department (GAD) as being 'broadly comparable' to the LGPS.
- 15.1.4 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.
- 15.1.5 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.

## **15.2 Transfer of Undertakings (TUPE)**

- 15.2.1 Seven staff have the potential to 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.
- 15.2.2 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.

## **16 ORGANISATIONAL IMPLICATIONS**

- 16.1 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.

## **17 CONCLUSION AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

- 17.1 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.
- 17.2 The proposed delegations will ensure that RCC will be able to move forward without delay.

## **18 BACKGROUND PAPERS**

- 18.1 There are no background papers.

## **19 APPENDICES**

- 19.1 Exempt Appendix A provides detailed costs for the provision of the FM Service.

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