

**FACILITIES MANAGEMENT (HARD SERVICES)
TERM SERVICES CONTRACTS**

BUSINESS CASE



Contents

| | |
|---|-------------------------------------|
| 1.0 EXECUTIVE SUMMARY | 3 |
| 2.0 INTRODUCTION | 3 |
| 3.0 CURRENT POSITION | 3 |
| 4.0 OPTIONS | 4 |
| 5.0 PROPOSED DELIVERY OPTION | 6 |
| 6.0 PROPOSAL | 6 |
| 7.0 PROCUREMENT | 6 |
| 8.0 SCOPE | 8 |
| 9.0 COSTS | 9 |
| 10.0 RISKS | 10 |
| 11.0 TIMESCALES..... | 11 |
| 12.0 APPENDICES | Error! Bookmark not defined. |

1.0 EXECUTIVE SUMMARY

The current Facilities Management (Hard Services) term services contracts expire February 2023.

This business case supports the procurement of the term services contracts which provide Plymouth City Council with specialist contractors who provide repairs, maintenance and compliance works to PCC's corporate property estate.

In order to safeguard continuity and protect 'business as usual' it is of paramount importance that Plymouth City Council undertake a new procurement and tender process for Facilities Management (Hard Services) term services contracts.

This business case provides the evidence to support the re-procurement of the term services contracts:

- To procure repairs, maintenance and compliance of Plymouth City Council property assets through term services contracts beginning in February 2023.
- To undertake a new procurement and tender process with 15 specialist 'Lots' split by discipline.
- To delegate authority to the Strategic Director for Customer and Corporate Services to award contracts following the procurement exercise for the Facilities Management (Hard Services).

2.0 INTRODUCTION

The Facilities Management (Hard Services) Team is responsible for the upkeep of 2961 assets. This maintenance includes reactive repairs, maintenance and compliance with Health and Safety legislation to Plymouth City Council's property assets.

It is recommended in accordance with the commissioned Options Appraisal (externally commissioned) that Plymouth City Council needs to retain its current term services contracts arrangement.

3.0 CURRENT POSITION

3.1 Facilities Management (Hard Services) currently manage eleven term contractors (twelve term services contracts) as detailed in Table 1:

Table 1: Current Term Contracts

| CONTRACTOR | 'LOT' DESCRIPTION |
|---------------------|---|
| JNE Construction | General Building Repairs |
| Dodd Group | Mechanical Reactive |
| KK Controls | Electrical Reactive |
| Gilpin Demolition | Asbestos Sampling, Surveying & Removals |
| Abacus Drainage | Drainage – Repairs & Maintenance |
| Clegg & Shortman | Roofing – Repairs & Maintenance |
| Doorcare South West | Specialist Doors – Repairs & Maintenance |
| I J Cannings | Electrical Compliance |
| I J Cannings | Mechanical Compliance |
| Securi-Guard | Security & Fire Systems / Equipment Maintenance |
| Churchill Services | Water Hygiene Compliance |
| Euro-Lifts | Lifts – Repairs & Maintenance |

- 3.2 The current Facilities Management (Hard Services) term services contracts was procured in 2019. There has been positive outcomes from the current management of these contracts which include:
- Supporting local economy – term contracts have attracted local SMEs, many have recruited apprenticeships to support the contracts.
 - PCC have strong control over repairs, maintenance and compliance works that have been outsourced, with decision making retained by the Council.
 - Plymouth City Council are able to communicate directly with the outsourced specialist term contractors. This enables accurate instructions and contributes to services being delivered in a timely manner.
 - Instructing emergency repairs has been streamlined through digital Firmstep platform.
 - Invoice processing has been reduced through appointing term service contractors, supporting the delivery of back office savings.
 - Support the mitigation of risk associated with high levels of expenditure through strong supplier management.

4.0 OPTIONS

- 4.1 Five strategic options of future operating models were assessed and evaluated for the delivery of Facilities Management (Hard Services) Services. These options are as follows:

- Option 1:** Insource
- Option 2:** Outsource delivery to multiple term contractors
- Option 3:** Outsource to one supplier (Total FM)
- Option 4:** Establish a Joint Venture (JV) with an FM expert
- Option 4A:** Publically owned partner
- Option 4B:** Privately owned partner
- Option 5:** Establish a Shared Service

These options have been the subject of an external options appraisal. The next section of this business case presents a summary of this external options appraisal. The Options Appraisal document has been completed by a Third Party to ensure an impartial evaluation of all the options on behalf of Plymouth City Council and is available as Appendix A to this business case.

The summary of these options is as follows:

4.2 **Option 1:** Insource

In sourcing means the Council retains full control and flexibility but it also means it takes all the risk in terms of direct delivery. PCC would have no third-party recourse under this Option if work is found to be defective. Considerable upfront investment and planning is required and we do not have the timeframe available for this. We also do not have the skills to deliver an efficient or effective insourced service for Facilities Management (Hard Services) and this option was rejected.

4.3 **Option 2:** Outsource delivery to multiple term contractors

This option performs well for delivery of our Facilities Management (Hard Services) services with expertise from the private sector delivering repairs, maintenance and compliance services alongside a specialist in house technical contract management, compliance and property team.

Appointment of experienced contractors through a thorough Procurement process transfers/shares risk and also ensures expertise and knowledge. Multiple contracts spreads risks

across a number of different contractors – reduces the impact of possible insolvency. Appointment of contractors eliminates PCC upfront capital expenditure in relation to plant, machinery and materials. PCC can define reaction times and key performance indicators within/as part of the Agreement. Underperformance by one Contractor only affects that specific 'Lot'/Contract. Contractors will insure the works (subject to agreement) and will be responsible for Health and Safety and Statutory Compliance. Contractors will warranty the work they undertake – recourse for PCC if the work is found to be defective.

This model is proposed for Facilities Management (Hard Services) with the procurement of new term service contracts.

4.4 **Option 3:** Outsource to one supplier (Total Facilities Management)

This could bring the expertise of a market leader who has extensive experience and track record in running efficient services, delivering service quality improvements, can provide cost certainty and deliver savings. A Total FM provider could also bring a significant supply chain buying power. This delivery model involves many aspects of control handed directly to the contractor which is a risk. It is also unlikely that an FM provider will be able to self-deliver all Lots. Therefore, the FM provider will appoint specialist contractors. This will result in multiple layers of overheads and management costs. The potential FM provider will incur a significant management cost which will be passed on to PCC in the form of a 'fixed management fee'. Also, most contracts of this nature are for a 10 year period which does not give flexibility in times of uncertainty. This option was therefore rejected.

4.5 **Option 4a:** Establish a Joint Venture (JV) with a publically owned partner

A partner could bring additional expertise, scale and supply chain buying power, commercial skill and track record of success to add to our operations. A public sector partner would align better with our values and business ethics. This option could be delivered using a 'Teckal' exemption which permits public bodies to collaborate to deliver services without an open market competition subject to the 'Teckal Test'. Whilst this option showed some modest financial benefits, there were two areas of reservation. Firstly the market leading partner who was interested would take their benefit out of the Plymouth region. And secondly, they would require a 10 year partnership contract which could rule out the opportunity for a local public sector joint venture, collaboration or shared service opportunity in the medium term, which might have bigger local benefit. Setting up a Joint Venture is complex and cannot be completed quickly. The length of time to form a robust and workable Joint Venture is outside the timescale available.

4.6 **Option 4b:** Establish a Joint Venture (JV) with a privately owned partner

This would be a similar to option 3 but would give the Council greater control and flexibility. Whilst some assumptions had to be made as no specific provider could be evaluated and this model is rare within Facilities Management (Hard Services) service delivery as the private sector prefers direct contracting. It is currently not known how much interest, if any, there might be from the private sector as no market engagement has been undertaken. It is understood that a direct award could not be made to a private sector joint venture as 'Teckal' would not apply therefore a new company would have to compete for work from Plymouth City Council with the open market. Setting up a Joint Venture is complex and cannot be completed quickly. The length of time to form a robust and workable Joint Venture is outside the timescale available. This option has therefore been rejected

4.7 **Option 5:** Establish a shared service

The benefits of sharing a wider Facilities Management service are around bringing economies of scale and driving efficiencies through joint operation and management. To set up a shared service would take considerable investment from PCC in terms of time and money. This is a complicated process that requires significant due diligence and review to ensure PCC's required outputs are achieved, and within the available budgets. The time required to achieve this is in excess of the period available to PCC. It is also unlikely an Authority would have the resources to facilitate the specialist Lots, therefore a sub-contractor would have to be appointed, either as a sub-contractor under the agreement, or directly by PCC outside of the agreement. There is a risk if services are provided by another Authority – whose work would take priority? Would the other Authority prioritise their local work over the agreement with PCC? This option has therefore been rejected.

5.0 PROPOSED DELIVERY OPTION

- 5.1. The Options Appraisal report indicated that **Option 2: Outsource delivery to multiple term services contracts** remains the best option and we are confident that Facilities Management (Hard Services) can be delivered via this option, to best meet Plymouth City Council's corporate plan objectives.
- 5.2 This report therefore proposes that Plymouth City Council's Facilities Management (Hard Services) procure term service contractors to provide repairs, maintenance and compliance works via an outsourcing to multiple specialist term contractors. This report also proposes that in order to do this successfully, the FM Maintenance Contracts Project must undertake a new procurement and tender process with 'Lots' split by disciplines.

6.0 PROPOSAL

- 6.1 This business case proposes that Plymouth City Council's Facilities Management (Hard Services) outsource the repairs, maintenance and compliance works to multiple specialist term contractors.
- 6.2 That PCC undertake a new procurement and tender process with term service contract 'Lots' split by discipline.
- 6.3 There will be 15 term services contracts – this is an increase from the previous 12 term services contracts. The additional term services contracts are due to splitting the works required around Asbestos and also adding two further contracts: 'Building Management Systems and Controls' and 'Marine Works'. This will all also maximise the opportunity to engage with the local supply chains.
- 6.5 This business case also proposes that authority is delegated to Strategic Director for Corporate and Customer Services to award contracts following the procurement exercise for the Hard Facilities Management Term Services Contracts.

7.0 PROCUREMENT

- 7.1 In line with the Council Contracts Standing Orders and Public Contracts Regulations 2015 the following procurement route to the market options have been considered:

7.1.1 Restricted Procedure – Public Contracts Regulations 2015

Advertising the opportunity to the open market. The subject matter and value of the proposed contract/s would make this procurement subject to the full force of the Public Contracts Regulations 2015. This is the most expensive and time-consuming option.

Restricted Procedure is a two-stage process. The opportunity will be openly advertised within the UK marketplace. Any interested party can express an interest and submit a pre-selection documentation: PAS91 or a Selection Questionnaire.

- Stage 1 - is a pre-selection stage which is used to assess the suitability of suppliers. This enables a detailed selection assessment. We can choose to limit the amount of suppliers that can be shortlisted to the second stage. Only those suppliers selected may be invited to Stage 2.
- Stage 2 - is the tender stage and is used to determine a successful supplier to whom a contract will be awarded. The contract will be awarded to the most economically advantageous tender (MEAT).

7.1.2 Request for Quotation (RFQ)

In line with the Council's Contract Standing Orders the Procurement will seek at least 3 written quotations, from local suppliers, where possible. The suppliers invited to quote will be selected by the Council. By undertaking a Request for Quotation the Council can select any supplier it thinks may be capable of completing the contract in its entirety. This is a one-stage process, which comprises suitability assessment criteria and contract award criteria. The contract will be awarded to the most economically advantageous tender (MEAT).

7.2 Procurement Route Recommendation

Hard Facilities Management requirements include the following mixture of Works and Services types of contracts.

- High value Works and Services contracts.
These are above the GPA (used to be OJEU) threshold procurements, which are subject to the full Public Contracts Regulations 2015
- Low value Works type contracts
These are below the GPA (used to be called OJEU) threshold procurements and as such are subject to the Council's Contracts Standing Orders and not to the Public Contracts Regulations 2015

Procurement recommends that in order to achieve value for money, support Small and Medium Enterprises and local economy, the following purchasing strategy is applied:

- Single procurement subject to the full force of the Public Contracts Regulations 2015 for nine (9) contract requirements, which have been classified as high value Works type contracts:
 - General Building Repairs,
 - Marine Works,
 - Asbestos Analysis, Sampling and Surveying,
 - Electrical Compliance,
 - Electrical Reactive,
 - Mechanical Compliance
 - Mechanical Reactive,
 - Fire and Security Systems – Equipment Maintenance
 - Water Hygiene Compliance
- Six (6) separate procurements, subject to competitive Request for Quotation (RFQ) process for six (6) remaining contract requirements, which have been classified as low value:
 - Asbestos Removal,
 - Roofing Repairs and Maintenance
 - Drainage Repairs and Maintenance
 - Specialist Door Repair and Maintenance
 - BMS and Controls
 - Lifts – Repair and Maintenance

Both types of procurements shall be carried out at the same time. Contracts deriving from these procurements shall have co-terminus commencement date.

Should a change in circumstances occur and the recommended procurement route cannot be undertaken or no longer represents best value for the Council any subsequent procurement route undertaken will be in accordance with the Council's Contract Standing Orders and Procurement Law.

8.0 SCOPE

8.1 The Facilities Management teams provide a range of services to manage Plymouth City Council's property assets. The service is arranged into two functional areas for operational management – Hard Facilities Management and Soft Facilities Management.

It is important to clarify what is 'in scope' and 'out of scope' in relation to this business case.

8.1.1 In Scope

The new term services contracts will provide a service for:

- Plymouth City Council
- Plymouth Active Leisure (PAL)
- Delt Shared Services Ltd
- Schools (Maintained)
- CaterED
- Commercial tenants of Plymouth City Council buildings (subject to detail of Lease)
- Partnership tenants of Plymouth City Council buildings (subject to detail of Lease)

Facilities Management (Hard Services) Term Services Contracts:

- General Building Repairs
- Marine Works
- Asbestos Removals
- Asbestos Analysis, Sampling & Surveying
- Roofing Repairs & Maintenance
- Drainage Repairs & Maintenance
- Specialist Doors Repairs & Maintenance
- Electrical Compliance
- Electrical Reactive
- BMS & Controls
- Mechanical Compliance
- Mechanical Reactive
- Security & Fire Systems - Equipment Maintenance
- Lifts – Repair & Maintenance
- Water Hygiene Compliance

8.1.2 Out of Scope

- Soft Facilities Management
- Demolitions works (Capital / Strategic projects)
- Schools (Not maintained by PCC)
- Listed buildings specialist work

9.0 COSTS

9.1 Current Costs

The table below shows the awarded contract values from 2018 and a comparison to current costs.

Table 2: 2018 Awarded Contract Values / Current Actual Costs

| CONTRACTOR | 'LOT' DESCRIPTION | AWARDED VALUE £m | OCTOBER 2021 £m |
|-----------------------------------|---|------------------|-----------------|
| JNE Construction | General Building Repairs | £3.000 | £4.521 |
| Dodd Group | Mechanical Reactive | £1.000 | £0.750 |
| KK Controls | Electrical Reactive | £1.000 | £1.501 |
| Gilpin Demolition | Asbestos Sampling, Surveying & Removals | £0.120 | £2.030 |
| Abacus Drainage | Drainage – Repairs & Maintenance | £0.200 | £0.596 |
| Clegg & Shortman | Roofing – Repairs & Maintenance | £0.800 | £0.353 |
| Doorcare South West | Specialist Doors – Repairs & Maintenance | £0.400 | £0.437 |
| I J Cannings | Electrical Compliance | £0.120 | n/a |
| I J Cannings | Mechanical Compliance | £0.200 | n/a |
| Scutum SW (Formerly Securi-Guard) | Security & Fire Systems / Equipment Maintenance | £0.240 | £0.906 |
| Churchill Services | Water Hygiene Compliance | £0.200 | £0.286 |
| Euro-Lifts | Lifts – Repairs & Maintenance | £0.120 | £0.299 |
| | | £7.400 | £11.680 |

9.2 Estimated Contact Value

Plymouth City Council new procurement and tender process for Facilities Management (Hard Services) contracts will be achieved through a suite of individual term services contracts. Indicative total value of all tenders is estimated to be £31 million (see table below) over the 4 years initial contract term with the ability to extend by a further 2 years + 1 year. Increasing total potential contract value to £55 million.

In addition, the capital funded backlog maintenance programme, an uplift of Plymouth Active Leisure Ltd. and allowances for the 'Net Zero Carbon' programme (latter programme is pending approval) have been included in the cost estimate. These figures are contextualised further in Table 3.

The capital funded backlog maintenance programme is estimated to be £24.000m (of which £23.000m will be future capital work) based on survey work carried out in 2018. Work is currently underway to update this but the total value is not available for this business case.

The values in the table below will be included in the procurement tender as indicative and are not in any way contractual.

Table 3: Outline of included figures in the indicative total value of this proposed arrangement.

| | 1 YEAR SPEND £m | 4 YEAR SPEND £m | 7 YEAR SPEND £m |
|------------------------------|-----------------|-----------------|-----------------|
| PCC Revenue | £2.945 | £11.680 | £20.615 |
| Backlog Maintenance Capital | £3.286 | £13.144 | £23.000 |
| Plymouth Active Leisure Ltd. | £0.815 | £3.260 | £5.705 |
| Net Zero Carbon Capital | £0.830 | £3.320 | £5.810 |
| Totals | £7.876 | £31.504 | £55.130 |

9.3 Financial Management

As per the current contract the Hard Facilities Management team will manage and process ordering and invoicing for Plymouth City Council assets. All other services will manage this themselves (i.e Plymouth Active Leisure Ltd, Maintained Schools).

All costs must be allocated to the correct assets as is currently the case. This will form part of the procurement process. In addition, suppliers will be asked to provide data/invoices in a format suitable for interfacing with our systems to maximise efficiencies. Further work is to be undertaken by the Project Team to explore using existing software (TechForge Cloud) to process/ check these invoices and interface with Civica Financials.

Review of spend against contract will be completed periodically to ensure we are receiving best value for money and are managing spend against budgets. This will also be included in the Scope of the contract for contractors to provide quarterly performance reports.

10.0 RISKS

10.1 Facilities Management (Hard Services) Project Team manages, maintains and monitors Risk, Assumptions, Issues and Dependencies (RAID) Logs, attached as Appendix B.

10.2 Key Risks

The following tables present the key risks in respect of the Facilities Management Term Services Contract Procurement.

| | | | |
|---|------------------------------|-------------------------------|----------|
| Risk 1 | | | H |
| Risk Type: Engagement | RAID Score Rating: 20 | | |
| Supplier Engagement | | | |
| Lack of supplier engagement due to reduced engagement period and limited methods of communications. | | | |
| Likelihood/Probability Score: | 4 | Impact/Severity Score: | 5 |
| Impact Description: The local market may not be 'warmed up' to the upcoming opportunity resulting in fewer compliant tenders. | | | |
| Potential Mitigation: | | | |
| Supplier engagement is priority in 'Comms and Engagement' planning and discussions. Working with DELT to ensure capability to facilitate an Online Supplier Engagement Event. Procurement work with/around PIN Notice. Facilities Management work with direct supplier engagement. Building in outreach plans into effective Comms & Engagement Plan. | | | |

| | | | |
|---|------------------------------|-------------------------------|----------|
| Risk 2 | | | H |
| Risk Type: Financial | RAID Score Rating: 15 | | |
| Budget Control and Monitoring | | | |
| Contracts are corporately held with spend across multiple service areas not just Corporate FM Budget. | | | |
| Likelihood/Probability Score: | 3 | Impact/Severity Score: | 5 |
| Impact Description: Lack of control and visibility of spend may lead to inaccurate contract value estimates. | | | |
| Potential Mitigation: | | | |
| Ensure Finance Lead/representation included at Project Board. Ensure collaboration with FM/Finance to understand budget management system FM currently operating. Develop understanding around current position | | | |

and lessons learned from previous Project. Scoping and ensuring approval/agreement achieved in terms of what this Project 'covers' in relation to budget/costs.

| Risk 3 | | | M |
|--|-----------------------------|-------------------------------|---|
| Risk Type: Quality | RAID Score Rating: 9 | | |
| Non-compliant Tenders | | | |
| Bidders don't understand/comply with procurement process requirements. | | | |
| Likelihood/Probability Score: | 3 | Impact/Severity Score: | 3 |
| Impact Description: Not complying with the PCC Procurement process will mean failure to submit correct/any documents and so unable to successfully bid for any Lots. | | | |
| Potential Mitigation: | | | |
| ITT and Evaluation documents to include safeguarding mechanisms, e.g. relevant Quality criteria and weightings. Bidders will be given a period to clarify any uncertainties they may have regarding tender documents. Sufficient clarification period for bidders. | | | |

| Risk 4 | | | H |
|---|------------------------------|-------------------------------|---|
| Risk Type: Timescale | RAID Score Rating: 16 | | |
| Timeline / Schedule | | | |
| Not able to hit deadlines and keep to Project schedule / timeline. | | | |
| Likelihood/Probability Score: | 4 | Impact/Severity Score: | 4 |
| Impact Description: Not hitting deadlines will have an impact in not achieving key milestones and would ultimately cause an issue in being able to successfully deliver the Project. Failure to deliver the Project in allocated time would potentially lead to not having contracts in place when the current contracts expire. This would threaten Plymouth City Council service delivery and 'business as usual'. | | | |
| Potential Mitigation: | | | |
| Positive collaboration in Project Team. Ensure communication clear and accessible. Discuss and agree timeline/schedule – the various components that need to be included. Identify where further timeline schedule specifics is required. Ensure that deadlines are realistic and factor in resource availability. Clear and effective method available to raise issues/concerns. Weekly project meetings to ensure all on track. There is also the safety net of having the availability of a legal extension to the current contract/contracts arrangement. | | | |

11.0 TIMESCALES

11.1 Key Milestones

The project's key milestones are outlined in Table 4 below.

Table 4: Project Milestones

| MILESTONE | INDICATIVE COMPLETION DATE |
|--------------------------------------|----------------------------|
| Project Board Approval | 6 May 2022 |
| CMT Meeting | 10 May 2022 |
| Cabinet Meeting | 9 June 2022 |
| Cabinet Decision – Can be Actioned | 20 June 2022 |
| Project launched on ProActis | 21 June 2022 |
| Tender Opening | 28 September 2022 |
| Contract Award Report (CAR) Sign-Off | 2 December 2022 |
| Contract Commences | 1 February 2023 |

11.2 Project Lifecycle

The Project Team also monitors and maintains a visual timeline (as depicted in Image 1) which provides a helpful overview of the Project. This is something that is built into the Highlight Reports submitted to Project Board.

Image 1: Project Timeline

