

PLYMOUTH CITY COUNCIL

Subject:	To procure a framework agreement for the provision of repairs, maintenance and statutory compliance for Plymouth City Council Facilities Management
Committee:	Cabinet
Date:	13 th February 2018
Cabinet Member:	Councillor Darcy
CMT Member:	Andrew Hardingham (Interim Joint Strategic Director – Transformation and Change)
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Ref:	
Key Decision:	Yes
Part:	I

Purpose of the report:

The Facilities Management function of Plymouth City Council provides a range of property support services through a mix of in-house provision and outsourced contracted services. The outsourced contracts come to an end in autumn 2018 and a strategic options appraisal has been undertaken to review and evaluate all potential options for future service delivery to best meet the Council's corporate plan objectives. The report presents key information and a review of the current Facilities Management service and presents a summary of the strategic options appraisal. The report recommendations are as follows:

- To retain an in house Soft Facilities Management service.
- To outsource property repairs, maintenance and compliance through a framework agreement though undertaking a new procurement with framework lots split by discipline.
- To retain an in house Hard Facilities Management client, compliance and property team, based on the current model.
- To develop a series of improvements for the Facilities Management service to realise further savings and efficiencies in operating and managing our assets.
- To undertake a future review of the service with a view to collaborating with local partners, potentially through DELT.

The Corporate Plan 2016 - 19:

Pioneering Vision:

1. Balancing the books – cost effective delivery of services evidenced through the procurement process.
2. Best use of Council assets – to use robust asset management plans and national best practice to deliver planned and reactive maintenance safely and cost effectively.

Growing Vision:

1. Quality jobs and skills – through providing jobs, apprenticeships and training opportunities through framework service providers.
2. Increased levels of investment – supporting jobs in the Plymouth area.

**Implications for Medium Term Financial Plan and Resource Implications:
Including finance, human, IT and land:**

- In 2016/17 we spent £1.44million on repairs, maintenance and statutory compliance works from the revenue budgets with additional spend from grant and capital project work through the frameworks.
- When a public body like PCC buys (procures) services of this value an EU wide competition is required by law (an OJEU process). This process will take 8 months to complete and the project resource requirement can be met under existing budgets.
- Instructing emergency repairs has been streamlined through our digital Firmstep platform and invoice processing has been reduced through appointing framework contractors, supporting the delivery of back office savings.
- The repairs, maintenance and compliance contracts form part of a wider Facilities Management service. In 2016/17 the combined financial accounts for Facilities Management included nearly £14 million of expenditure and £2.2 million of income. Alongside the framework procurement, an improvement programme for the retained in house functions in facilities management will deliver service improvements and financial savings.

Other Implications: e.g. Child Poverty, Community Safety, Health and Safety and Risk Management:

The proposal will:

- Support the delivery of statutory compliance and will ensure the required levels of Health and Safety.
- Support the effective implementation of our Asset Management Plans objectives of further reducing backlog maintenance.
- Support the mitigation of risk associated with high levels of expenditure through strong supplier management

Equality and Diversity

Has an Equality Impact Assessment been undertaken? Yes

Recommendations and Reasons for recommended action:

The report requests for three decisions:

- To endorse the options appraisal for Facilities Management and its conclusions.
- To authorise the procurement of a Framework Agreement for the provision of repairs, maintenance and statutory compliance in accordance with contract standing orders. Indicative total value of the framework estimated to be £11 million over 4 years.
- To delegate authority for the award of call-off contracts under the Framework Agreement to the Strategic Director for Customer and Corporate.

Alternative options considered and rejected:

A service review and strategic options appraisal was undertaken to identify alternative options for delivery of the repairs, maintenance and compliance functions and the wider facilities management service. The options considered and rejected were:

- Insource Hard FM.
- Outsource Soft FM to a specialist provider
- Outsource to one supplier (Total FM).
- Establish a Joint Venture with the public sector.
- Establish a Joint Venture with the private sector.
- Establish a Shared Service (DELT).

Published work / information:

<http://democracy.plymouth.gov.uk/documents/s41573/Emergency%20Repairs%20and%20statutory%20compliance%20framework.pdf>

Background papers:

Strategic Options Review for the provision of Facilities Management Service – August 2017 – Commercial in Confidence

Future Facilities Management Service – Report to CMT December 2017- Commercial in Confidence

Title	Part I	Part II	Exemption Paragraph Number						
			1	2	3	4	5	6	7

Sign off:

Fin	AKH1718 .190	Leg	ALT/2792 1	Mon Off	HR	Assets	IT	Strat Proc	LC/PSF/461/ CP/0218
Originating SMT Member									
Has the Cabinet Member(s) agreed the contents of the report? Yes									

1.0 Introduction

- 1.1 This report proposes that Plymouth City Council retain its current model for service delivery for the facilities management service and a new framework of outsourced contracts is procured to deliver repairs, maintenance and compliance works.
- 1.2 A further review is proposed in 2019/20 to re-examine strategic options for the facilities management service, including understanding if the potential has changed for collaboration through joint ventures or shared services, and/or to include further potential transfers to DELT.

2.0 Current Position

- 2.1 The Facilities Management teams provide a range of services to manage Plymouth City Council assets. The service is arranged into two functional areas for operational management; Hard Facilities Management and Soft Facilities Management. The combined financial accounts for 16/17 include nearly £14 million of expenditure and £2.2 million of income.
- 2.2 The Hard Facilities Management team is responsible for the upkeep of approximately 2,000 assets; from war memorials and historic forts through to libraries, corporate office buildings and the commercial property estate which is delivered under a Corporate Landlord scheme. This includes proactive and reactive repairs and maintenance; and compliance with a series of legislation related to premises and assets. The technical delivery aspects of the Hard Facilities Management Service is outsourced to seven framework providers with an insourced intelligent client team of technical staff who also undertake and lead property compliance roles. The current contracts end later this year and cannot be extended. There is also an insourced Property and Terrier team which provides a Council wide property data and intelligence function including statutory functions for addresses and databases.
- 2.3 The 16/17 financial accounts for Hard Facilities Management show expenditure of £9.97 million which includes corporate utility bills (£1.7m), rents and business rates (£3.58m) and repairs, maintenance and compliance through the framework (£1.44m). The revenue budget is also offset by an income of £1.23 million, mainly through renting out corporate property. Capitalised repair and maintenance work is undertaken as capital project work. Some of this work is funded through grants however most capital work is funded through loans repaid by the revenue budget. Low value capital works can be delivered through the framework.
- 2.4 The Soft Facilities Management team is responsible for operational building management over a smaller number of corporate assets. This includes concierge, cleaning, security, post, courier and bulk print services. The Soft Facilities Management service is predominately run in-house with some small aspects such as some manned guarding being outsourced.
- 2.5 The financial accounts for 16/17 for Soft Facilities Management includes an annual expenditure of £3.85 million of which £2.84million (74%) is spent on staffing as this service is mainly delivered in house. The expenditure is offset by £1.05 million of income which is generated predominately from providing cleaning and caretaking to schools.
- 2.6 The property compliance elements and building safety are delivered by both Hard and Soft Facilities Management with additional responsibilities sat with building users; Person In Control (PIC) role.

The full list of services are listed below:

- Statutory maintenance and compliance
- Building, property and asset repairs and maintenance
- Concierge services including front desk and meeting room management
- Cleaning and caretaking (corporate assets and schools buy back)
- Public toilet cleaning
- Security including opening and closing of buildings
- Mailroom, courier and printing
- Energy management and sustainability
- Utilities, Business rates and bill payment
- Street naming and numbering
- Property database functions including statutory record and database management
- Grounds maintenance
- Un-adopted highways road and footpath works
- Staff Catering and vending

3.0 Performance of the current service

3.1 The current service delivery model put in place in 2013 is performing well. Key areas of improvement are noted as follows:

- Our Corporate Landlord model (approved by members in 2012) for managing assets remains best practice nationally and is now mature, whilst some other councils are only in the process of implementing this model.
- Our property compliance has improved over the last 4 years and we are making good progress at addressing backlog maintenance through asset management plans including through capitalised maintenance works and the estate rationalisation project.
- We have strong control over maintenance works that have been outsourced, with most decision making retained by the Council.
- The recent digital transformation project with our “Firmstep” platform has delivered efficiencies and back office process improvements and will further support intelligence led interrogation of repairs and maintenance data.
- In Soft Facilities management our multi-skilled concierge approach to service delivery reflects best practice and has enabled staff to take a stronger customer focused approach. By having an insourced service we have full control over the service and workforce which includes the ability to flex service provision to meet changing business needs.
- By paying the living wage to our staff, such as our cleaners we have supported improving the quality of life to our workforce.
- For both Hard and Soft Facilities Management we have skilled and committed internal staff who are focused on our Council objectives, understand customer service and enjoy working for the Council. The Council offers a breadth of training and skills development opportunities to our internal workforce as well as development opportunities in facilities management including apprenticeships.

4.0 Options

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

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

4.1 Option 1, Insourced Facilities Management Service

Insourcing means the Council retains full control and flexibility but it also means it takes all the risk in terms of direct delivery. The Hard Facilities Management services have been outsourced for over 4 years under the current framework contract with a less efficient outsourced delivery model before this point. We do not have the skills to deliver an efficient or effective insourced service for Hard Facilities Management and this option was rejected. Our current Soft Facilities Management service is insourced and staff benefit from our preferential terms, conditions and pay compared to the private sector although there would be TUPE protections. Retaining this model for most of the Soft Facilities Management service is proposed.

4.2 Option 2, Outsourced to multiple specialist providers and in-house client team

This option performs well for delivery of our Hard Facilities management service with expertise from the private sector delivering repairs, maintenance and compliance services alongside a specialist in house technical contract management, compliance and property team. This model is proposed for Hard Facilities Management with the procurement of a new framework contract. By outsourcing Soft Facilities Management to specialist providers, staff terms and conditions are likely to be eroded to give the private sector the required profit margin due to the nature of this manual work. This option for Soft Facilities Management has been rejected.

4.3 Option 3, Outsource to one supplier (Total FM)

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. 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.

4.4 Option 4A, Joint Venture with a public sector expert

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 were seeking 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. Whilst this public sector joint venture option remains potentially viable in the medium term, only modest financial benefits were identified at this stage and some of these could be realised through our own improvement programmes.

- 4.5 Option 4B, Joint Venture with a private sector expert
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 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. This option has therefore been rejected.
- 4.6 Option 5, Establish a shared service with DELT
The Print and Document Services (PADS), functions (including mail and courier) within the current service are heavily reliant on DELT for current operational printing activities and infrastructure. The service will also require technology investment for further digital transformation and business improvement. It is therefore proposed to prepare a business case to transfer this function and team to DELT. This will be taken forward under Future of Shared Services proposals.
The benefits of sharing a wider Facilities Management service are around bringing economies of scale and driving efficiencies through joint operation and management. DELT is the obvious vehicle to take this forward across the peninsular. During the review process there have been a number of areas identified, where improvements can be made to our business that will deliver efficiencies and savings. It is therefore appropriate that these are put in place first before considering a shared arrangement. In addition to this, whilst early discussions are on-going, there is not current partner for a shared Facilities Management service. Whilst this option has been rejected at this point in time it remains potentially viable in the medium term. The conditions for PCC to reconsider this option would be that:
- Internal transformation has advanced and developed sufficiently (anticipated to be at the end of this calendar year 2018):
 - A partnership is identified that brings economies of scale and collaboration opportunities.

5. Proposed delivery model conclusion:

- 5.1 In summary the proposal is to take forward the following model for delivery of the Facilities Management service:
- To retain an in house Soft Facilities Management service.
 - To outsource property repairs, maintenance and compliance through a framework agreement though undertaking a new procurement with framework lots split by discipline.
 - To retain an in house Hard Facilities Management client, compliance and property team, based on the current model.
 - To develop a series of improvements for the Facilities Management service to realise further savings and efficiencies in operating and managing our assets.
 - To undertake a future review of the service with a view to collaborating with local partners, potentially through DELT.

6. Framework Procurement and Contracts

6.1 The Framework Agreement for Repairs, Maintenance and Statutory Compliance will be tendered in accordance with European Procurement law (OJEU) and will run for a maximum of four years. The framework will be split into appropriate lots related to specialist discipline as follows:

- General building repairs
- Mechanical repairs
- Electrical repairs
- Asbestos remedial works and surveying and sampling for asbestos
- Drainage inspection and repairs,
- Fencing, screens, railings, gates, posts, and bollards
- Roofing repairs,
- Glazing repairs
- Repairs to floor coverings
- Door repairs and maintenance (to include automatic doors)
- Electrical compliance
- Mechanical compliance
- Security and fire services
- Water Hygiene compliance
- Lift servicing and maintenance

6.2 This proposed framework model builds on lessons learned from the current framework which expires this year for our Corporate Landlord managed estate through the Facilities Management service. This compliant procurement proposal maximises the opportunities for Plymouth SME's through reducing subcontracting by creating specialist lots by discipline. Local businesses and suppliers will also be supported through supplier engagement and tender training in the early phases of the procurement. Prompt payment to local suppliers and SME's will also be within the contract documentation. Suppliers will be given the security of a contract for the term so incentivised to invest in the service. Creation of local jobs, apprenticeships, training opportunities, delivery of social value and developing a local supply chain; will all form part of the evaluation process. The tender and contracting process will take 8 months with new contracts commencing on the 1st October 2018.