

Report Title	Asset Strategy Update - Facilities Management Services		
Committee	Strategy & Resources Committee		
Committee Date	5 July 2021		
Committee Chair	Councillor Ruth Dombey, Leader of the Council		
Lead Member	Councillor Sunita Gordon, Lead Member for Resources		
Report From	Richard Simpson, Strategic Director of Resources		
Report Author(s)	Mark Norrell, Assistant Director of Assets		
Ward(s) Affected	All Wards		
Ambitious for Sutton priorities	Smarter Ways of Working		
Open/Exempt	Open		
Signed		Date	22 June 2021

1 Summary

- 1.1 As part of the Ambitious for Sutton corporate plan, Sutton Council is committed to supporting its staff and improving the services it delivers to residents by ensuring our facilities are safe to use and support front line service delivery. This report provides an update on the delivery of the Asset Strategy, which was approved by the Strategy and Resources Committee on 12 October 2020. This strategy set out the Council's holistic approach to property services and its management of buildings through the adoption of the Corporate Landlord Model (CLM). This will ensure property functions and intelligence are 'under one roof' and to enable properly informed decisions on the shape and growth of the estate based upon full knowledge of both the properties within it and the services carried out from them.
- 1.2 As part of the CLM, the Facilities Management (FM) functions are transforming their service delivery to provide a more efficient and corporate approach to the management, maintenance and cleaning of all Council buildings. This transformation will consider the Council's internal FM structure and will require the insourcing of a small number of staff from the current FM providers and the procurement of new FM service contracts.

2 Recommendation(s)

- 2.1 To note the new FM contract model that creates 'Soft' FM and 'Hard' FM service contracts and the transformation of the FM service.

2.2 To delegate to the Strategic Director of Resources the award of both contracts for the new Facilities Management services in accordance with the conditions set out in this report, for:

- 2.2.1 Contract 1 - Hard Facilities Management services; and
- 2.2.2 Contract 2 - Soft Facilities Management services.

3 Background and Key Information

3.1 From taking a more joined up approach to manage our buildings more efficiently a revenue saving was included in the 2021/23 revenue budgets decision approved by this committee in February 2021 and Council in March 2021. This savings target sets the timescale required to transform the FM service resulting in early market engagement undertaken this year and the implementation of the CLM and new FM service contracts from the start of the 22/23 financial year.

3.2 The CLM and FM procurement is part of the Asset Strategy and is one of the ten key transformation programmes that forms part of the Ambitious for Sutton Transformation Portfolio.

3.3 The existing FM contracts commenced on 1 April 2014, for an initial period of seven years, with an option to extend the contracts for a further three-year period which is subject to a 3 month rolling notice period where both parties can terminate.

3.4 The table below sets out the current services procured and the Service Providers:

Lot No.	Lot Description	Service Provider
1	Repairs, Maintenance & Capital Projects	Mitie
2	Building Cleaning	Atalian Servest
3	Facilities Services (incl. Helpdesk, Post, Security, Portering & Caretaking and Waste Management)	Mitie

3.5 In order to develop the CLM, an alignment of the services to support this model is necessary and therefore the proposed service provision from April 2022 is to move to a more traditional package of services managed by a professional and technical in-house FM team. Early market engagement and soft market testing including a review of FM operational structures of similar Councils including the impact on the FM industry and emerging models since the demise of Carillion, has seen a shift in operating models that provide greater control and is considered a more traditional FM model combining specialist outsourced FM services managed by a professional and technical FM operations team within the Council. This provides and enables greater control and improved decision making covering both premises management and budget.

- 3.6 It is proposed to 'break up' the existing structure and augment the service grouping to a more traditional 'Hard' FM Service (repairs, maintenance and capital projects) and a 'Soft' Services model (cleaning, security and pest control) and to insource the Facilities Management team and self-deliver the core building management, helpdesk and mailroom services. This approach will deliver a service that is flexible and responsive to the Council's changing needs and allow the Council to approach the market in a more focused way thereby ensuring greater accessibility to a range of suppliers including SME's and Nationals. This 'hybrid' service delivery model also supports the Council's move towards a Corporate Landlord Model whereby premises related budgets and staff will be centralised into the FM Service to support better financial control and enable prioritisation of resources including responsibility and oversight for all building statutory premises tasks and activities.
- 3.7 The table below sets out the proposed contract structure and high level service functions:

Contract 1 - Soft FM Services	Contract 2 - Hard FM Services	Insourced – Facilities Management
Cleaning	Mechanical (M)	Helpdesk
Window Cleaning	Electrical (E)	Mailroom
Security	Building Fabric	Reprographics (print room)
Consumables suppliers	Specialist M&E Services	Portering & Caretaking
Pest Control	Projects	Building Management
	Specialist Risk Assessments	
	Surveys	

This new structure and approach will provide the Council with the benefits of being able to deploy resources effectively and more efficiently and the current model has shown limitations during the recent pandemic, in particular, around the Council's flexibility to control and re-prioritise what we do, how we do it and where. This new approach will benefit the Council having specialist partners supporting the Council's day to day in-house building management function providing greater flexibility around how we manage and control resources in order to prioritise service delivery based on a combined approach linked to budget, risk management and impact on front line services. This new model will drive improvements to service standards and premises compliance, and offer better value for money.

- 3.8 Each Contract will have its own specific delivery model and specification which is outlined below:

Contract 1: Soft FM Services

- Soft FM Services anticipated total contract value of c£7.5m over the full term and annual value c£1.5m.
- The contract term for Soft FM Services will be for a period of 3 years with an option to extend for a further two 12-month periods (12 months + 12 months). The

- contract term enables the Council and supplier to build a relationship whilst also ensuring the contract is attractive to the wider market due to the security of term.
- One specialist company will be procured to deliver the Council's requirements.
 - The contract will include provision for all cleaning services (including window cleaning), supply of consumables and regular planned collections of confidential waste, nappy, feminine hygiene and sharps bins.
 - The contract will include provision for Security Services for static guarding and a full out of hours service along with mobile patrols, key holding and alarm monitoring services.
 - The contract will also include the provision for pest control services.

Contract 2: Hard FM Services

- Hard FM Services anticipated total contract value of c£11.2m over the full term and an annual value of c£1.6m.
- The contract term for Hard FM Services will be let for a period of 4 years with an option to extend a further 3 years (12 months + 12 months + 12 months). A term of 4 years will provide the supplier with the confidence to invest in the logistical supplies and staffing that will be required to provide a service of this nature. The Council and supplier will be able to build a relationship and the supplier can create a specialist supply chain in the knowledge of a medium-term commitment.
- This contract covers the repairs and maintenance of the Council's buildings and will also include the delivery of project such as refurbishments and capital maintenance replacement work.
- One specialist company will be procured to deliver the Council's requirements for the delivery of all planned, preventative, reactive and statutory maintenance including other specialist building fabric and M&E services.
- This contract will also include the provision of 'pass through' services for specialist risk assessments and surveying services, such as glazing, fire and stock condition surveys.

3.9 The services to be insourced to the Council currently provided by Mitie, will include the helpdesk, mailroom, reprographics and the portering & caretaking services. All Mitie staff associated with these services will be subject to the Transfer Under Protection of Employment (TUPE) Regulations and transferred back to the Council. These services will then be managed directly and form part of the in-house FM team. This will provide the council with the ability to 'triage' and instruct work based on the Council's priorities, budgets, risk and decision making plus opportunities to provide deployment of resources where the Council needs it most. It also enables links to wider council objectives where direct control enables and improves working together opportunities, for example, the Digital agenda and our paper light ambitions working closely with the Councils ICT services.

3.10 The contracted staff from Mitie who under TUPE will transfer to the Council will form the first stage of the transformation of FM services. It is estimated this could be approximately 6 to 8 staff members from Mitie. Stage 2 is through centralisation of facilities and property activities currently undertaken within specific Council services areas to enable the implementation of the CLM model that provides the Council with a truly corporate approach to property and facilities functions.

- 3.11 Both the Hard and Soft FM contracts will be procured via a restricted process. Both groups of services are well understood and defined and therefore, the restricted process provides enough flexibility and is efficient enough to meet the Council's needs. Bidder briefing sessions and market engagement has taken place and there is likely to be a high level of interest in both contracts.
- 3.12 The scoring will be based on 50% price and 50% quality for each tender. A balanced weighting has been selected as the services are well defined and understood, there is a good level of competition for both sets of services in the market and it is believed that a higher weighting towards price would deter the better quality suppliers in the market. The quality element of the tender also includes 10% of the scoring allocated to Social Value and environmental standards that are aligned to our Environmental Strategy.
- 3.13 Social value will form part of the tender evaluation process for both contracts. Tenderers will be asked to set out their approach to ensuring social value is achieved through the delivery of the contracts. All potential bidders will be encouraged to make use of existing resources, such as the Social Value toolkit, in order to prepare for their response to this part of the tender. It is anticipated that responses will include:
- Use of the local supply chain and supporting local business development
 - Supporting local employment
 - Supporting skills and training opportunities (including apprenticeships)
 - Supporting local communities and community groups
 - Improving environmental sustainability
- 3.14 Robust contract management will be vital to the success of this procurement and each contract will be supported by a robust suite of KPIs (including social value considerations) that will be monitored and reported on a regular basis through a contracted Meeting Governance structure and the Councils formal reporting structure. Specific KPIs will be used to ensure full compliance with tendered commitments.
- 3.15 Bidder briefing sessions have been carried out for both Hard and Soft services which were well received with positive responses that provided both confidence and evidence that the proposed change is in line with the wider FM industry and FM market.
- 3.16 The tables below set out the key milestone dates for each contract:

Soft FM Services Contract - Key Dates	
Event	Date
Invitation To Tender - Shortlisted Bidders	18 th June 2021
Bidders Site Visits	28 th June - 2 nd July 2021
Deadline for receipt of Tenders	28 th July 2021 at 12 noon
Evaluation of Tenders	29 th July - 10 th September 2021
Successful tenderer selected	10 th September 2021

Standstill period	10 th - 21 st September 2021
Contract award	22 nd September 2021
Contract Mobilisation	1 st October 2021 – 31 st March 2022
Contract Commencement Date	1 st April 2022

Hard FM Services Contract - Key Dates	
Event	Date
Invitation To Tender - Shortlisted Bidders	9 th July 2021
Deadline for receipt of Tenders	20 th August 2021
Evaluation of Tenders	23 rd August – 29 th September 2021
Successful tenderer selected	30 th September 2021
Standstill period	30 th September – 10 th October 2021
Contract award	11 th October 2021
Contract Mobilisation	18 th October 2021 – 31 st March 2022
Contract Commencement Date	1 st April 2022

3.17 Tenders will be returned electronically via the e-tendering portal. An evaluation panel will be established to assess each submission, at both SQ and ITT stage, and will be evaluated in accordance with the Tenders and Contracts Regulations and Corporate Evaluation Guidance to ensure probity, value for money and that the most economically advantageous contractor is chosen.

- 3.18 The bidder evaluation and moderation panel will consist of at least the following officers: -
- A member of the Procurement Team (Chair and lead)
 - A technical expert in the service tendered
 - One member of the Assets Division
 - Appointed Consultant

Social value submissions will also be evaluated by the Commissioning Unit that has been engaged from the outset of this procurement and Health and Safety matters will be evaluated by the Councils Health & Safety Consultancy.

4 Benefits to Sutton and its Residents

- 4.1 The transformation of FM services and procurement of redesigned FM contracts supports the Ambitious for Sutton Smarter Ways of Working objective by creating a flexible and efficient estate that will be maintained efficiently and effectively. A flexible approach to FM Services will enable services to use buildings effectively and to meet residents demands and needs as they change and to meet service delivery transformation.
- 4.2 A flexible approach to Facilities Management means that the Facilities Management team will have direct control over budgets and spend and therefore resources can be targeted in a prioritised manner. By moving away from the current fixed fee approach the Facilities

Management service will have more scope to support services and buildings in the most efficient manner.

- 4.3 The change in service delivery model will provide the Council with the most flexible and cost effective solution to supporting the maintenance and cleaning of Council property assets.

5 Implications

- 5.1 The recommendation to award Hard and Soft FM services and in source specific FM services will have the benefit of delivering a model that is consistent with the CLM and to ensure oversight of all facilities and property activity ensuring all critical tasks linked to specific premises legislation is undertaken and monitored.

Delegating the Contract Award to the Strategic Director of Resources will ensure that the procurement timetable can be met and to ensure that sufficient time is provided for both the Council and Contractors to mobilise their resources (within a sensible timeframe of 4-6 months) for this complex undertaking. Any shorter period will present significant risk to the start date of the new contract of 1 April 2022

- 5.2 Due to the service provision changes, the Council and the Contractors will be required to ensure that the employment rights of existing contractor staff who may transfer to the new provider are taken into account. The list of staff identified as being affected by Transfer Under Protection of Employment (TUPE) Regulations will be properly exchanged with Tenderers during the procurement process at the appropriate time. This process will mean that existing staff will formally transfer from the incumbent providers to any new providers, where applicable, and in accordance with TUPE.
- 5.3 Post transfer, there may be a requirement to reorganise any Council staff or FM Service staff as a result of the CLM implementation (see 3.10) , this will be a proposed measure as part of the TUPE process. If a reorganisation is required post transfer, there will be appropriate consultation following the council's reorganisation policies

6 Finance and Legal Commentary

Finance Comment

- 6.1 The budget for the current contracts combined (for all 3 lots) is c£2.5m per annum. Current spend is as per the budget and includes elements of ad hoc, reactive and off contract service activity.
- 6.2 The proposed annual contract value will be reduced through reduced management fees and contracted 'mark ups' including charges for out of scope activity for services that are to be brought back under direct control of the Council and it is anticipated to be c£2.3m per annum, which represents a reduction of £200,000 or 8% of spend across all FM service activity.

- 6.3 The agreed savings target for 2022/23 is £200,000, which is achievable, given the current budget, expected 8% cost reduction and if all suggested milestone dates are met. Any delay in implementation could reduce this value.
- 6.4 Further efficiencies are expected to be gained through innovation opportunities by working smarter to reduce travel and through better use of digital technology to improve reporting and completion of work activities.

Legal Comment

- 6.5 The Council is using a restricted procedure procurement process as the Councils requirements are technically complex with a detailed technical selection and award criteria and where the market is well established, with a high level of interest and to help improve the quality of bids due to the fact there is a increased chance of a bidder being successful and the Council has selected their shortlist of 'pre-qualified' suppliers. All tenders are evaluated in line with the methodology and criteria set out in the procurement documents as proposed in the main body of this report.
- 6.6 To avoid the risk of challenge, the Council must ensure that the procedures for procuring services are followed and that the procurement complies with relevant legal requirements namely transparency, non-discrimination, equal treatment and proportionality.
- 6.7 It is noted that the Transfer of Undertakings Protection of Employment Regulations (TUPE) applies to this procurement therefore the relevant provisions of TUPE as relates to transferring staff must be complied with.
- 6.8 The delegation of authority to award to the Director of Strategy and Resources recommended in this report is lawful as it is permissible under Section 101 (1) (a) of the Local Government Act 1972.

Legal Risks

- 6.9 There are 2 lots which comprise this procurement, both with individual values in excess of £1 million . This is therefore an above EU threshold (£189,330) procurement for the supply of services and is subject to the full requirements of the Public Contracts Regulations 2015. In particular, a contract notice must be published on the FTS e-notification service, a 10 day minimum standstill period observed and following evaluation, the selection of the provider who has submitted the most economically advantageous tender. New procurement legislation and regulations are still at the consultation stage and therefore the EU regulations still apply.
- 6.10 The Council's Contract Standing Orders (CSO) 52, sets out the procurement process and required authorisation (Table 1, at CSO 52.10) for all procurement activity undertaken by the Council. The Strategic & Resources Committee is empowered to approve the award of both contracts. All tender award notifications must be conducted through the Council's e-Tendering portal.

- 6.11 Provided that the above are complied with, the risk of challenge to the award of the contracts are low.

7 Appendices and Background Documents

7.1 Appendices

Appendix Letter	Appendix Title
N/A	N/A

7.2 Background Documents

Date of Expiry	Background Document
N/A	N/A

8 Consultations

Consultees	Yes/No	Officer	Date of Comments
Finance	Yes	Carol Worne Strategic Finance Business Partner	11/06/2021
Legal	Yes	Sanura Lambert (Lawyer) Procurement and Information Team, South London Legal Partnership	05/06/2021
Others	Yes	Steve Hoy Policy and Project Manager (Procurement and Contracts)	05/06/2021
Others	Yes	Virginia Unciano Senior Organisational Development Business Partner	08/06/2021
EQIA	Yes	Diane Telford Policy and Projects Officer	10/06/2021