

Item No. 18.	Classification: Open	Date: 9 March 2021	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Facilities Management Contract Procurement for the operational estate	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Rebecca Lury, Cabinet Member for Finance, Business and Jobs	

FOREWORD – COUNCILLOR REBECCA LURY, CABINET MEMBER FOR FINANCE, BUSINESS AND JOBS

The management of the council's operational estate is currently delivered through a combination of a large external contract and a mixed model of in-house service delivery across our many buildings.

This report sets out a way forward to look at how we provide suitable facilities management in the coming years. It will consider potential changes to the size and composition of the estate, and reflect our anticipated needs over the coming period.

RECOMMENDATIONS

1. That Cabinet approve the following recommendations:
2. To bring the Corporate Facilities Management (CFM) cleaning services outlined in paragraph 59 in-house on expiry of the current contract in September 2022.
3. To procure the remaining hard and soft facilities management (FM) services recommended in this procurement strategy (outlined in paragraphs 34 to 35) via a further competition process using the Crown Commercial Services (CCS) framework agreement, RM3830 at an estimated annual cost of £7.6m for 4 years totalling £30.4m with an option to extend by a further two years, totalling an estimated £45.6m
4. To approve potential (not guaranteed) lifecycle capital investment works to the value of £3.5m per annum (outlined in paragraph 35), thereby increasing contract cost up to £66.6m.
5. That cabinet note the amendment to the approach approved in the Gateway 0 report, in line with the recommended new procurement strategy as set out below.

6. That cabinet delegate the Gateway 2 decision to the strategic director for housing and modernisation, for the reasons outlined in paragraph 39 of this report.

BACKGROUND INFORMATION

7. A Gateway 0 report was presented to and approved by Cabinet on 13 March 2018. The paper recommended the approval of the strategic delivery option to divide the corporate facilities management services into three areas; in-house services, soft and hard FM services which would have been subject to a tender process.
8. Cabinet approved the 2020 procurement exercise via a Gateway 1 report dated 18 December 2018.
9. Having issued the invitation tender documents in June 2020, despite robust market testing and multiple expressions of interest the council received 4 x hard FM (technical services) and 1 x soft FM (cleaning, security etc.) tender submissions. However the council were unable to make a recommendation to award any contracts. In December 2020, a decision was taken by the Strategic Director of Housing and Modernisation to stop the procurement and carry out a review of the strategy, size and scope for facilities management services. The reasons for stopping the procurement and the outcome of the review are outlined in paragraphs 13 – 15 of this report.

KEY ISSUES

10. The vision statement for the Corporate Facilities Management (CFM) team is, 'CFM aim to provide a reliable, consistent and proactive FM service to ensure our employees and the public have clean, safe and welcoming operational buildings provided by the council. We strive to provide our customers with services that are value for money'.
11. The service provides hard FM (planned preventative maintenance, reactive maintenance and statutory compliance such as fire and water risk assessments) and soft FM (help desk, cleaning, pest control, security services (fixed and ad-hoc), confidential waste, vending service and inter-site mail) to operational non-residential buildings within the borough.
12. Following a competitive procurement process and subsequent approval of the Gateway 2 on 23 October 2012, Interserve (now Mitie) were appointed to provide a Total Facilities Management (TFM) solution (hard and soft FM services) on behalf of Tooley Street, Queens Road and other principal buildings within the estate. The contract was awarded for a period of five years from February 2013, with an option to extend for a further two years. The contract was further extended in 2019 until 31 March 2021. A Gateway 3 report seeking a further extension will be presented to Cabinet in March 2021 seeking a further eighteen month extension, to enable the procurement programme to complete resulting in an estimated total contract value of £79m for the TFM contract.

13. Despite robust market testing and following a competitive tender exercise in 2020, the council were not able to award contracts. The council has subsequently reviewed the procurement strategy and post evaluation feedback suggests the following reasons also impacted on the procurement:
- Covid-19 pandemic meant all meetings with the Crown Commercial Services (CCS) and bidders were virtual, in turn bidders were unable to visit sites to get a better understanding of the mechanical assets or building fabric condition.
 - For Soft FM - the Council had concerns that there was insufficient genuine competition due to the number of tenders received to allow an award to be recommended. Some bidders that had expressed an interest failed to bid as they wanted the hard FM contract instead, in addition feedback suggested the removal of the cleaning service from flagship sites from the soft FM contract reduced supplier interest.
 - For Hard FM - the bids received showed a significant variance in terms of cost, structure and delivery models. This and the relatively low response rate led to doubts about the viability and sustainability of more than one of the tenders submitted.
 - The procurement was highly complex, and resulted in tender returns that would not enable the council to award a contract that would deliver the expected service standards.
14. Since the tender was issued and in response to the pandemic, the council has reviewed the way it delivers front-line services, resulting in the need for fewer operational buildings; by removing 5 key buildings (Sumner House, Talfourd Place, Curlew House, Kingswood House, Bournemouth Road) the contract scope and value of the new contract has now reduced significantly.
15. Finally, the Council believes that the packaging of the services may have acted as a disincentive to participation in the tender process for the reasons set out above.

Summary of the business case/justification for the procurement

16. The council is responsible for ensuring the council buildings are maintained and are statutorily compliant for the health, safety and wellbeing of its employees. The business case/justification for the procurement is also detailed in paragraphs 14 and 18 - 19 of this report.
17. To ensure the council has enough time to procure, mobilise a new contract and undertake any Transfer of Undertakings (Protection of Employment) (TUPE) as deemed appropriate within the current contract, a further extension has been recommended of up to 18 months (which will include a break clause).

Market considerations

18. The Gateway 0 report 13 March 2018 offered various options for the delivery of FM services and while that report suggested that following the collapse of Carillion the market moved away from the 'one size fits all' Facilities Management model the Covid-19 pandemic and subsequent tender returns suggest the market has shifted back to favouring the delivery of hard (technical) and Soft (cleaning, security etc.) facilities management contracts.
19. Based on the recent procurement experience and following feedback from the suppliers, the council has reviewed the strategy of having two contracts and would recommend returning to a contract that provides both hard and soft FM services to the operational estate, which would be more attractive to the market.
20. The Crown Commercial Services framework RM3830 was established in accordance with the Public Contracts Regulations 2015 and has therefore sought national engagement with multiple suppliers.
21. The framework is divided into three lots depending on the total contract spend:
 - Lot 1a – Total Contract Value up to £7m
 - Lot 1b – Total Contract Value between £7m and £50m (likely range)
 - Lot 1c – Total Contract Value over £50m.
22. Under the framework only suppliers with the capacity and resources to sustain the volume of work under Lot 1b are able to bid for each new contract, thus protecting both the supplier and the council.
23. The estimated cost for a bundled hard FM and soft FM contract is based on the current cost for these services, taking into consideration that the existing financial risk to the contractor is not uniform across the estate as buildings transferred from Kier to Interserve not being subject to the inclusive repair threshold (IRT) of £750 per reactive maintenance task.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

24. The council has reviewed the previous procurement strategy as outlined in the Gateway 1 report 18 December 2018 and has considered the following procurement options prior to determining the procurement strategy set out in paragraphs 29 and 34 of this report.

Option 1 - Do nothing

25. This is not an option available to the council. The corporate facilities management team are responsible for ensuring council buildings are

maintained and continue to achieve statutory compliance. The contract for the incumbent provider (Mitie) is subject to an extension until 2022 to allow time to complete the procurement, as a replacement contract is required to continue the service.

Option 2 - Provide services in-house

26. Following careful analysis and consideration, some of the services were deemed viable to bring in house (and formed part of the recommendation in the Gateway 0 report, however, due the remaining services not falling within the council's core business, significant resources would be required to deliver services to the required standard, which could result in very little return. The cost to deliver will be higher than an outsourced model.
27. The ability to deliver this in-house is not there at the moment although the new in-house service supporting the residential estate is improving it remains too early to transfer this complex service to the asset management Southwark Building Services team at this time. This remains an option for the future and should be considered ahead of the expiration of the new contract.

Option 3 - Procure via an existing Public Contract Regulation 2015 (PCR) compliant framework agreement (recommended)

28. There are five organisations that have facilities management framework agreements that are available for the council to use: CCS, Eastern Shires Purchasing Organisation (ESPO), Fusion 21, NHS Shared Business Services and the Scape Group.
29. While there are a number of frameworks available for the council to use. The assessment has not changed and to reduce the procurement timescale, it is considered that the CCS framework RM3830 Management marketplace, Lot 1b (£7m - £50m) meets all of the council's essential requirements as shown in the Gateway 1 report 11 December 2018 and remains a preferred option.

Option 4 - Procure in line with the Public Contract Regulations 2015 (PCR)

30. Due to the estimated value of the new FM contract being over the PCR Services threshold of £189,330 it is subject to the procurement regulations and therefore a PCR compliant procurement procedure is required to be followed. The council could therefore undertake a competitive procurement process via the restricted procedure, however this process would take longer (requiring more of the council's resource) than undertaking a further competition via a framework agreement.
31. This does not guarantee to attract anymore suppliers than those already on the framework agreement, as most of the major suppliers are on Lot 1b (£7m - £50m) which is the recommended Lot.
32. It is possible to split the procurement into hard FM and soft FM with an option to use RH3830 as the hard FM option and seek invitations tender through

the restricted tender route, although this would be very time consuming and be a very complex procurement project.

Option 5 – Shared services

33. There are currently no opportunities to work with neighbouring councils to join shared service FM agreements. The longer term view detailed in option 2 is a future option for the council.

Proposed procurement route

34. Following the aborted procurement in December 2020, and having considered all of the options and opportunities available to the council to use the existing compliant framework agreement RM3830 Facilities Management Marketplace, Lot 1b (£7m - £50m) remains the preferred option. The following services would be provided under this contract:

- Building fabric
- Mechanical, electrical and plumbing (MEP)
- Lifts and equipment falling within the lifting operations lifting equipment regulations 1998 (LOLER)
- Statutory Compliance (Fire safety, water hygiene, and asbestos etc.)
- Small works projects
- Cleaning (wider estate)
- Washroom services
- Security services
- Vending services (pass through)
- Confidential waste
- Inter-site mail.

35. In addition, the contract would allow for project works i.e. refurbishment and alterations consisting of works above £25,000 and up to £499,000 required by the council to alter or improve the working environment and activities which fall outside the repairs and maintenance regime.

36. The approach will be outlined in more detail in the Gateway 2 report but in essence it would request exemption under CSO 6.8 for the requirement to obtain five tenders from approved list, making the contract more attractive to bidders and reducing the time necessary to deliver small value projects. Offering 3 out of 4 projects to the contractor subject to value for money assessment and 1 out of 4 projects to the councils preferred supplier list or the wider market will ensure the council has the ability to benchmark costs and ensure continued best value.

Identified risks for the procurement

No	Risk	Risk Rating	Description and Mitigation
1	Abnormally low bids There would be a risk of suppliers providing an unsustainable pricing model which could lead to particularly high or low cost models being submitted	Low	Robust evaluation of the pricing proposals will be conducted to ensure that the successful supplier can deliver sustainable services to the desired quality. CCS framework has an abnormally low bid process line with Public contract regulations
2	Exceptionally high bids There is a risk that bidders will increase costs	Medium	Robust evaluation and reviews of the pricing proposals, increase in the number of evaluators assessing this area Hold accompanied site visit to ensure asset and building understanding (pandemic permitting) Challenge bidders understanding of contract pricing
3	Insufficiently robust specification Poor specification results in contracted services not being fit for purpose to meet the council's requirements.	Low	Effective stakeholder engagement to identify needs and the analysis of services and their value to define the scope and specification of services. The project manager will hold workshops with internal stakeholders to ensure that all requirements are identified.
4	Insufficient resource Not having the appropriate resource to deliver this project could result in long delays or even stop this project. Not providing this service would leave would leave the council vulnerable	Low	Appropriate resources have been identified to ensure this procurement is resourced correctly.
5	Poor response A poor response resulting in few suppliers presenting submissions undermines the procurement and limits the council's choice of suppliers.	Low	Open days for bidders will be held to inform potential suppliers and promote the procurement to the market. Following supplier feedback a bundled TFM approach is more attractive to bidders.
6	Failure of Suppliers Working in low margin areas	Low	Tender evaluation methodology will provide reassurance of bidders' financial

No	Risk	Risk Rating	Description and Mitigation
	such as facilities management, results in strain on suppliers when things go wrong (financially)		security. Reducing risk to the council
7	TUPE Staffs that are subject to TUPE on the insourced contract choose not to TUPE over to the council.	Low	In the event of the staff subject to TUPE on the insourced contract not wishing to TUPE into the council, the council will employ temporary / agency workers in the first instance, which will be followed by a recruitment campaign to permanently fill required vacancies.
8	Delays to procurement programme Procurement programme is delayed	Low	Resources are identified, tender and contractual documentation is in advanced format this has been built into the timetable.
9	Changes to the way we work Following the pandemic, changes to the way we use the operational estate, may require wholesale change to the size and scope of the contract, resulting in a contract that is vastly different from planned	Medium	Review of how and where we work will be completed prior to the invitation to tender being issued Confirmation of departmental requirements will be sought prior to deliverables matrix completion
10	Brexit Following the UK withdrawal from the European Union, a supplier may struggle with staff, sourcing spare parts or equipment	Medium	The newer buildings on the operational estate were built using items sourced in the EU – replacement is slow and challenging. Engineers are in short supply as are cleaners and security guards. This area will be closely monitored, the contract will allow flexibility of supply chain if required.

Key / Non Key decisions

37. This report deals with a key decision.

Policy Implications

38. The theme of “Valuing the environment” and “Value for money” will be increasingly supported through the provision of the new FM service delivery platform and effective strategic management of FM. Supported policies include “Southwark Cleaner Safer” and the “Sustainable Community Strategy”.

Procurement Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	12/01/2021
DCRB Review Gateway 1	09/02/2021
CCRB Review Gateway 1	11/02/2021
Brief relevant cabinet member (over £100k)	11/02/2021
Notification of forthcoming decision - Cabinet	15/02/2021
Approval of Gateway 1: Procurement strategy report	09/03/2021
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	19/03/2021
Completion of tender documentation	30/09/2021
Closing date for receipt of expressions of interest	08/10/2021
Completion of short-listing of applicants	08/10/2021
Invitation to tender	12/10/2021
Closing date for return of tenders	06/01/2022
Completion of any clarification meetings/presentations/evaluation interviews	20/01/2022
Completion of evaluation of tenders	24/02/2022
Forward Plan (if Strategic Procurement) Gateway 2	25/02/2022
DCRB Review Gateway 2:	16/03/2022
CCRB Review Gateway 2	24/03/2022
Notification of forthcoming decision	25/03/2022
Approval of Gateway 2: Contract Award Report	11/04/2022
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	25/04/2022
Debrief Notice and Standstill Period (if applicable)	06/05/2022
Contract award	16/05/2022
Add to Contract Register	16/05/2022
Mobilisation	01/06./2022
TUPE Consultation period (if applicable)	01/06/2022
Place award notice on Contracts Finder	01/06/2022
Contract start	01/10/2022
Initial contract completion date	30/09/2026
Contract completion date – (if extension(s) exercised)	30/09/2028

39. As noted in paragraph 6 approval is being sought to delegate the Gateway 2 (award) decision to the strategic director of housing and modernisation. As shown in the procurement project plan, award of the contract is expected in April 2022, at a time which coincides with the local government elections and therefore absence of a cabinet meeting in which to seek approval. Allowing approval by the strategic director will ensure that the contract can be awarded and mobilised for the start date of 1 October 2022.

TUPE/Pensions implications

40. The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) are likely to apply to this proposed procurement exercise. The appointment of a new supplier for, and the insourcing of, the existing services could amount to a service Provision Change under TUPE. These will be reported on in the Gateway 2.
41. The proposal to bring in-house the cleaning service listed in paragraph 59 presents TUPE and pension implications for the council as an employer as any supplier employees engaged in the delivery of these services may transfer to the council.
42. TUPE may also apply to any incumbent and new supplier listed in paragraph 55, if that is the outcome of the tender, and in which case may result in the transfer of staff from one supplier to the other and/or their sub-contractors. There may also be pension implications for the council if there is a transfer to a new supplier from any incumbent supplier of any staff who were originally employed by the council to deliver the service/s and who are member of or who may be eligible for membership of the Local Government Pension Scheme (LGPS).
43. Due diligence work will need to be carried out and staffing information sought from the current suppliers. Once this due diligence information is provided the full TUPE and pensions implications can be more closely determined. The due diligence information will, as relevant, also be made available to bidders within the tender documentation pack.
44. The procurement project timetable will need to include sufficient timelines to ensure that the council and any affected supplier are able to comply with legal obligations that could potentially arise in respect of TUPE.

Development of the tender documentation

45. The further competition documents will be a mix of council standard documents and CCS general tender documents for this framework agreement, and will be written by procurement and FM professionals. In order to conduct the further competition with the framework suppliers, the following areas will be included, but not limited to, in the final suite of documents: (1) specification of requirements; (2) pricing; (3) competition timescales; (4) evaluation criteria and weightings; (5) evaluation process;

and (6) Social value terms and conditions such as London Living Wage commitment and (7) additional, service levels, key performance indicators, insurances, implementation and exit plans. The CCS eSourcing tool will be used to undertake this procurement process due to all 34 suppliers already having their details uploaded onto this system. The final documents will be unloaded onto the council's e-procurement system (pro-contract) on conclusion of the procurement process.

Advertising the contract

46. The contract will be advertised to the suppliers on the CCS portal under the RM3830 Facilities Management Marketplace Framework Agreement, Lot 1b - Facilities Management Services. There will be no need to advertise separately as this was already done when the framework was set up by the CCS.

Evaluation

47. The evaluation panel that will be formed to evaluate the tender responses will consist of internal stakeholders (within the Council) and specialist external stakeholders as required. Expertise will be obtained from Corporate Facilities Management, Procurement, Legal, Finance and HR.
48. The suppliers registered on Lot 1b will be shortlisted based on the location they are able to provide services (for example, some smaller suppliers may choose to only provide services to the North of the country) and the council's requirements contained within the tender documentation. CCS has advised that access to Lot 1b is calculated by multiplying the contract sum x time (£5.5m x 6 years) making a total of £33m for Lot 1b. However, experience over the last four years shows that the actual value of works expected to use the contract is circa £7.6m per annum, equating to £45.6m over 6 years.
49. The high level weighting criteria used by CCS to appoint suppliers onto the framework agreement is 60% Price, 40% Quality (5% of which will be evaluated as social value). Whilst CCS would recommend that this is adopted by authorities using the agreement, there will be flexibility should the council choose to amend these weightings.
50. The procurement process will be undertaken via the CCS Framework Agreement, 'Facilities Management Marketplace (RM3830), Lot 1b, Facilities Management Services'.

Lot 1 – Facilities Management services

Sub-lot	Value	Anticipated number of London area suppliers
A	£0 to -£7m	75
B	£7m to -£50m	34
C	£50+	30

51. The CCS framework agreement allows some flexibility in the evaluation criteria, to enable each organisation to tailor the framework contract to meet their own specific requirements. The council recommend the evaluation criteria as price (60%) and quality (40%); this is amended slightly from the council's standard 70% / 30% weighting due to the importance of providing a statutorily compliant services for health, safety and wellbeing of its staff and residents.
52. Pricing at (60%) shall be based on value for money for the council, the evaluation will consider the whole life cost of the contract.
53. Quality (40%) will include (but will not be limited to):
- providing all of the 'mandatory services' required by the council (to be included in the tender documents)
 - providing the above in the required 'geographical location'
 - the use of SME's within the supplier's supply chain
 - use of supply chain partners
 - added value / innovation
 - 5% (min) social value
 - approach to service delivery
 - mobilisation.
54. The 34 suppliers on the CCS Framework 3830 will be invited to tender for the contract (including small works projects) as part of a Facilities Management contract for the reasons set out in this report.

Community impact statement

55. The contract will have a direct impact on those local residents who visit council premises which are subject to these contracts, and it would be expected that the appointed supplier complies with all relevant council policies and procedures.

Social Value considerations

56. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the wellbeing of the local area can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.
57. Cabinet will recall the Gateway 0, 11 March 2018 and the Gateway 1, 18 December 2018 which outlined the in-house service options on expiry of existing contract. These were:
- **Tooley Street** - *Cleaning* and the FM Help desk
 - **Queens Road** – Post Room, Reception, *Cleaning* and Building management

- **Operational Estate – Pest Control.**

58. The council has successfully brought most of these services in house, leaving **cleaning** at Queens Road and Tooley Street as the last remaining service, this is planned to be completed as part of any new contract mobilisation.
59. The council also expects suppliers to consider the additional benefits of social value to be delivered, this must support the social, economic or environmental well-being of Southwark and its residents and specifically support the delivery of the council's Fairer Future commitments and policies. Key areas of social value commitments include:
- Apprenticeships
 - Job creation
 - Work placement opportunities
 - Payment of London Living Wage where appropriate
 - Environmental and sustainability considerations
 - Health and wellbeing considerations.
60. Requirement for suppliers to comply with the council's Safer Lorries, Safer Cycling Pledge including the Fleet Operator's Recognition Scheme at Gold standard where appropriate.

Economic considerations

61. The successful supplier will be encouraged to develop a local supply chain where possible, however a proportion of components are highly specialised and only available from national and international suppliers.
62. The CCS framework RM3830 also encourages the supplier to use local SME's to support their service delivery model, in addition to the council (potentially) awarding 1 in 4 small works projects to the wider market London market place.
63. The supplier will be required to provide apprenticeship opportunities for every £1m spent on the contract. The contract manager will monitor the contractor and report on progress. The key areas that the council believe are key to the success of any apprenticeship are:
- Minimum contract for 12 months
 - Quality training provision
 - Mentoring and support.

Social considerations

64. The successful supplier will be required to demonstrate that they offer their staff and contractors guaranteed hours (and do not employ them on zero hours contracts), they operate an Equal Opportunities Policy, comply with the

provisions of the Equalities Legislation and the Employment Relations Act 1999 (Blacklists) Regulations 2010, and make guidance or policy documents concerning how the organisation embeds equality and diversity available to employees / subcontractors, recognised trade unions or other representative groups of employees.

65. The council is an officially accredited London Living Wage (LLW) Employer and is committed, to ensuring where appropriate contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. It is expected that payment of the LLW by the successful contractor for these contracts will result in quality improvements for the council. These should include a higher calibre of staff that will contribute to the delivery of services on site and it is therefore considered that best value will be achieved by including this requirement. It is therefore considered appropriate for the payment of LLW to be required. The successful contractors will be expected to meet LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. As part of the tender process, bidders will also be required to confirm how productivity will be improved by payment of LLW. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.
66. A full equalities impact assessment will be carried out prior to issuing the tender documentation.

Environmental/Sustainability considerations

67. Throughout the tender process the appointed suppliers will be required to agree to adhere to the following:
- not to use single use plastic and to use recycled paper where practical
 - conform to the council's modernised and agile ways of working (hot desking and better use of technology) whilst working onsite
 - encourage the use of low emission vehicles and the minimisation of journeys
 - report on the suppliers energy use, water consumption and CO2 emissions to ensure the industry standards are adhered to
 - ensure the disposal of all electrical equipment being replaced is in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE).
 - all new equipment will be low energy rated to meet current regulations
 - ensure that all recyclable packaging will be set aside and disposed of via a recycling centre
 - ensure that no hazardous materials will be used
 - encouraged to assist the council achieve its 2030 carbon neutral target by recognising there is a climate emergency and bringing innovation to facilities management service delivery.

Plans for the monitoring and management of the contract

68. The council will create a steering board, which will be chaired independently from Corporate Facilities Management with representatives from Legal, Finance and Procurement who will be invited to ensure that all relevant council policies and procedures are adhered to.
69. The contract will be let and managed by the corporate facilities management division.
70. Key performance indicators (KPI's) will be set and challenged to ensure the successful contractor's performance is to the required standard.
71. The corporate facilities contracts team will review all applications for payment and monitor and administer defaults and recovery of costs for poor performance.
72. Monthly progress meetings, to be attended by officers will be arranged and recorded to review performance and compliance.
73. Annual performance reviews will be submitted to departmental contract review board (DCRB) and corporate contract review board (CCRB) in line with Contract Standing Orders.

Staffing/procurement implications

74. FM and procurement resource have been identified to deliver this procurement project, with CCS providing additional support to shortlist the suppliers, ensure tender returns are compliant and will offer to independently chair the evaluation consensus meetings.
75. The likely insourcing of staff under TUPE will increase CFM staff numbers and internal management requirements as well as increasing wider management overheads in the council. The existing CFM contracts team already carry out contract management functions but the specification, procurement, TUPE and HR issues will require additional specialist resource to achieve.

Financial implications

76. The proposal is to award one FM contract. The contract will cover planned hard FM services including small works projects and soft FM services (cleaning, security etc.) and laid out in paragraph 34 - 35. The current estimated annual cost is £7.6m for the FM services element and £3.5m for the small works. For an initial contract term of 4 years plus provision to extend for a further 2, gives a total contract value of £45.6m excluding inflation.
77. It is anticipated that the cleaning service (Tooley Street and Queens Road), waiting to be brought in house will be achieved during the new contract

mobilisation period, funding will be released through a reduction in any future contracted costs for FM services, this will only be properly evaluated as the process moves towards awarding the contract.

78. FM support in Tooley Street and Queens Road is currently provided in house and includes: post room, reception, event management, FM help desk and building management. These are all expected to continue.
79. Other financial considerations will be those associated with TUPE, the context of which is set out earlier in this report.
80. The planned contract arrangements will be funded through resources established within CFM other than those services requested as ad-hoc, where departments have responsibility to ensure they have the necessary funding.
81. Although the cancelled procurement did not reflect the expected higher costs as shown in Gateway 1, 18 December 2018, this report continues to err on the side of caution in terms of the estimated contract price. The actual financial impact will not be known until tenders are assessed. In the event that additional resources are required to fund the contract, this will be confirmed at the Gateway 2 report stage and addressed as part of the Council's budget setting process for 2023-24 along with any saving proposals to help fund the cost.
82. The contract is likely to be subject to an annual uplift for inflation, and London living wage details of which will also be confirmed in the Gateway 2 contracts approval report.
83. While this procurement process will be supported by current in house resources, it is recognised that additional expertise and support is also required to ensure that the right outcome is achieved. Plans are in place to help fund the cost of this support.

Investment implications

84. None

Legal implications

85. Please see concurrent from the Director of Law and Governance outlined below.

Consultation

86. All internal departmental stakeholders have been consulted.

Other implications or issues

87. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M 20/137)

88. This report seeks cabinet approval to the procurement strategy outlined in this report for the provision of soft and hard facilities management (FM) services to the council's operational buildings and includes cleaning services at Tooley Street and Queens Road being brought in house.
89. Budget provision will be reviewed as future costs become clear and immediate variations addressed through approval of the Gateway 2 contract award report, including the part year impact in 2022-23. The full year variation plus annual inflation and any uplift required by London Living Wage will also be reported and approved as part of the budget setting process for 2023-24 and subsequent years to ensure that adequate funding is available and any potential savings identified.
90. All potential lifecycle capital investment will be incorporated into the Council's capital programme and reported to Cabinet via future capital monitoring and programme refresh reports.

Head of Procurement

91. The report seeks the approve of Cabinet to bring the Corporate Facilities Management (CFM) cleaning services outlined in paragraph 59 in-house on expiry of the current contract in September 2022.
92. This report seeks the approve of Cabinet to procure the remaining hard and soft facilities management (FM) services recommended in this procurement strategy (outlined in paragraphs 31 to 41) via a further competition process using the Crown Commercial Services (CCS) framework agreement, RM3830. The estimated annual cost is £7.6m over 4 years, totalling £30.4m with an option to extend by a further two years, making an estimated total contract value of £45.6m.
93. The report seeks approve for the inclusion of not guaranteed, potential lifecycle capital investment works under the external contract, up to the value of £3.5m per annum. More information is contained within paragraph 35 of the report, but this may increase the external contract value by a total of £21m over 6 years, equating to a potential contract value of up to £66.6m.
94. Cabinet are asked to note the amendment to the approach approved in the Gateway 0 report, in line with the recommended new procurement strategy.
95. The report details the proposed procurement strategy in paragraphs 34-36 of the report and the proposed evaluation criteria and process in paragraphs 47-55. Social value considerations, including the payment of London Living Wage are set out in paragraphs 57-68.

Director of Law and Governance

96. This report seeks the approval of the cabinet to the procurement strategy for a facilities management contract for the council's operational estate outlined in this report.
97. CSO 5.1.2 provides that any procurement involving the use of a third party's Framework contract is subject to usual Gateway 1 procedures. This report therefore seeks approval to the use of the CCS Framework contract as outlined in paragraphs 3, 34 and 35 of this report.
98. As the Framework contract has already been tendered in accordance with the Public Contracts Regulations 2015, the council is not required to undertake a separate tendering exercise. The procurement strategy proposes the carrying out of a mini-tendering exercise between suppliers who are parties to the CCS Framework agreement, as is set out in the report, and which should enable a best value solution to be agreed with a preferred provider.
99. The TUPE/pensions implications in respect of bring the cleaning services back in-house and the outsourcing of the hard and soft FM are set out in paragraphs 40- 44 of this report as well as paragraph 76.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 0 - facilities management contract for the council's operational estate 13 March 2018	160 Tooley Street, SE1 2QH.	Paul Symington Phone number 0207 525 0225
Gateway 1 – Procurement strategy approval Facilities Management (FM) contract for the Council's Operational Estate 11 December 2018		
Gateway 3 – Extension of the Interserve Facilities Management contract 18 May 2020		
Links (please and copy and paste into browser): http://moderngov.southwark.gov.uk/documents/s74539/GW0%20-%20FM%20contract%20for%20the%20councils%20corporate%20estate.pdf http://moderngov.southwark.gov.uk/documents/s79139/Report%20Gateway%201%20-%20Procurement%20Strategy%20Approval%20Facilities%20Management%20FM		

Background Documents	Held At	Contact
%20Contract%20for%20the%20Counci.pdf http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=4543 http://moderngov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=6667&Ver=4		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Rebecca Lury, Finance, Business and Jobs		
Lead Officer	Paul Symington, Head of Corporate Facilities Management		
Report Author	Paul Symington, Head of Corporate Facilities Management		
Version	Final		
Dated	25 February 2021		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Finance and Governance	Yes	Yes	
Head of Procurement	Yes	Yes	
Director of Law and Governance	Yes	Yes	
Contract Review Boards			
Departmental Contract Review Board	Yes	Yes	
Corporate Contract Review Board	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Team		25 February 2021	