

<b>Item No:</b> 13.	<b>Classification:</b> Open	<b>Date:</b> 14 December 2010	<b>Meeting name:</b> Cabinet
<b>Report title</b>	Gateway 1 – Procurement strategy approval Consolidated facilities management contract for 160 Tooley Street		
<b>Ward(s) or groups affected</b>	All		
<b>Cabinet Member:</b>	Councillor Richard Livingstone, Finance and Resources		

## **FOREWORD – COUNCILLOR RICHARD LIVINGSTONE, CABINET MEMBER FOR FINANCE AND RESOURCES**

1. Our offices at 160 Tooley Street are currently served by a number of short-term facilities contracts, together with in-house services. To achieve the scale of savings required as a result of the Spending Review, this report sets out how these should be brought together in a consolidated Facilities Management contract for 160 Tooley Street.
2. The proposal set out below is to tender for a single contract to cover those facilities management services for 160 Tooley Street that are currently provided by a number of external contracts. To ensure value for money, it is also proposed to tender for a variant proposal that includes both these external contracts and those facilities management services currently being delivered in-house. The report therefore proposes that bids are sought for both solutions.
3. The report proposes that the procurement is tendered through the Buying Solutions Facilities Management Framework and is fully compliant with EU procurement regulations. It is also envisaged that similar arrangements will be developed for facilities management outside of 160 Tooley Street.
4. I would therefore recommend that, after due consideration, Cabinet agrees the following recommendations.

## **RECOMMENDATIONS**

5. That the Cabinet approves the use of the procurement strategy outlined in this report in paragraphs 41 to 46, which follows a further competition utilising the Buying Solutions Facilities Management Framework, to procure a consolidated facilities management [FM] contract for 160 Tooley Street.
6. That the Cabinet notes that suppliers will be asked to submit both standard and variant bids (as set out in paragraphs 14 to 15 and 25 to 26) specifically to address the options for the provision of the service desk and operational FM services.
7. That the Cabinet notes the option to incorporate other council and partner properties as set out in paragraphs 34 to 35 of this report.

## **BACKGROUND INFORMATION**

8. 160 Tooley Street is the council's main administrative centre accommodating 2,200 people in a modern and flexible working environment. The large majority of the building's occupants

were moved in during a phased fit out and relocation spanning the 6 month period from February 2009 through to August 2009.

9. In order to support delivery of the council's core business, this building requires a comprehensive, resilient FM service providing repairs and maintenance, day to day operations and associated FM services. Additionally the council's obligations under the lease arrangements require appropriate management and investment in the building.
  10. The procurement strategy recommended here is for the procurement of a consolidated facilities management contract for 160 Tooley Street.
  11. This forms the first strand of delivery of the procurement strategy for facilities management services across the operational estate. In summary, the strategy aims to move progressively towards a consolidated approach to FM service provision across the operational estate; from a situation in which the council has multiple, disparate, outmoded contracts and in house arrangements; to a consolidated or "bundled" solution with a few larger contract arrangements.
  12. This CFM strategy is to be delivered through 4 procurement work streams that can be tracked through the Council's Forward Plan:
    - Consolidated facilities management for 160 Tooley Street (this report);
    - Building related compliance audit (e.g. fire risk assessments, water hygiene risk assessments and related compliance inspections)
    - Consolidated repairs and maintenance for the operational estate (excluding 160 Tooley Street);
    - Consolidated soft services for the operational estate (excluding 160 Tooley Street).
- These work streams will be complemented by a concurrent restructure of the CFM division to deliver the client function to support the effective management of these arrangements. It is planned that the restructure will commence with the formal consultation process by the end of 2010 and be implemented during 2011 to coincide with the mobilisation of new contractual arrangements. The procurements themselves will be complete in 2013.
13. This procurement plan will provide the platform to bring together all facilities management arrangements for the operational estate, and to develop those with partners to deliver further efficiencies through economies of scale supporting the council's current overall savings target of 25% on the net costs of services being delivered.
  14. The contract is primarily for services and will:
    - Replace short term arrangements required to be put into place to deliver a safe compliant building (e.g. the current repairs and maintenance [R&M] and planned preventative maintenance [PPM] contract);
    - Replace services currently provided through corporate contracts (e.g. security, cleaning, etc.);
    - Provide new arrangements for services that are currently not provided, or are provided through ad hoc arrangements only, should they be required (e.g. internal and external fabric maintenance, furniture, etc.).
  15. A variant bid will also be sought, which will additionally:

- Provide specific building related day to day management of contracts and provision of services which the council has in place either corporately or on a localised basis (e.g. vending, etc.);
  - Provide for either the whole building facilities management function including post, reception, meeting room management) currently delivered through a combination of internal and outsourced elements;
  - Provide the FM service desk function for 160 Tooley Street, and also for the wider estate.
16. Interim arrangements are already in place or are being put into place (subject of separate reports) in order to ensure delivery of a safe and compliant building and working environment, while enabling the delivery of the procurement strategy for FM services across 160 Tooley Street and the wider operational estate.
17. An external provision is being sought in order to deliver a contained and well-defined service to the building in a relatively compressed period of time. This approach is targeted towards the delivery of further efficiencies, building upon the achievements of the modernisation and office accommodation programmes. It will enable the council to focus on its core business of the delivery of its services to the community of Southwark. This is described further in paragraphs 31 to 38.

### **Facilities management services**

18. Facilities management services are all of the building related services required to provide a safe, compliant environment for staff and visitors. These fall into two main areas which are known as “hard services” and “soft services.”
19. Hard services relate to the operation and management of the physical plant, services and overall building fabric. At a high level for this procurement they include:
- Planned preventative maintenance regime, e.g. for lifts, lighting installations, door handles
  - Works projects, e.g. replacement of a boiler, installation of new equipment
  - Reactive repairs and maintenance, e.g. unblocking drains, repairing broken locks
  - Spares and consumables, e.g. light bulbs (lamps), water filters
  - Compliance with statutory requirements
  - Maintenance of building related equipment, e.g. clocks, microwaves
  - Furniture management
  - Signage
20. Soft services are those which are unrelated to physical plant and fabric of the building and associated services. They are the services that are required to manage and operate the premises and at a high level for this procurement they include:
- Catering, e.g. vending machines
  - Room bookings
  - Display boards
  - Cleaning
  - Pest control
  - Waste management
  - Reception services
  - Security services
  - Mail and messenger (internal mail) services

- Porterage
  - Storage, management and distribution of stationery
21. To enable the delivery of these hard and soft services, an element of managed services is required for the building relating to:
- Contractor health and safety
  - Authorised persons and permit to work
  - Special needs services
  - Risk management
  - Environmental and sustainability management
  - Business continuity planning
  - Help desk, computer aided FM [CAFM] and associated systems

### **Current arrangements**

22. Currently facilities management services for 160 Tooley Street are provided through a combination of outsourced and in-house operational arrangements.
23. The outsourced arrangements are as follows:
- Repairs & Maintenance – contract with Crown House Technologies which covers all routine repairs and maintenance excluding internal and external fabric. The contract has been extended until 31 May 2011.
  - Cleaning – utilises the council’s existing corporate contract with Interserve which provides for the full building cleaning regime, e.g. general cleaning, window cleaning, feminine hygiene. This corporate contract was due to come to the end of its 5 year term on 10 November 2010; however a variation has recently been awarded to take up the available extension options. This variation was the subject of a separate report. Under the terms of the contract, buildings can be added or be removed with 3 months’ notice.
  - Security – utilises the council’s existing corporate contract with Charter Security and covers the full building security requirements. This corporate contract is due to come to the end of its 5 year term on 6 April 2011, but a variation is being sought to take up the available extension options. This variation is the subject of a separate report. Under the terms of the contract, buildings can be added or be removed with 3 months notice.
  - “Wells Fargo” messenger service – currently based at Peckham Town Hall and utilises the existing corporate contract with Charter Security. As mentioned above this contract is due to come to the end of its 5 year term on 6 April 2011, but a variation is being sought to take up the available extension options. This variation will take into account the need to be able to terminate the “Wells Fargo” service given sufficient notice.
  - Café – a new arrangement through a contract and “license to occupy” for the provision of a café at Tooley Street has been entered into with the Camden Society. The contract commenced on 1 June 2010 with an initial contract period of 3 years. It is anticipated that only the day to day management of this arrangement would be required for this area (managing agent), subject to specification and depending upon the decision at award.
  - Vending – the current contract for Tooley Street is with Seymour Valentine. It was let in February 2009 and expires on 9 February 2012 with no option for extension.
  - Some ad hoc arrangements, e.g. flowers at reception, signage, furniture, building fabric repairs and maintenance.
24. Currently, internal arrangements comprise:

- Day to day operational management and FM services – provided through a team of in-house staff. This team delivers the following services:
  - mail
  - reception
  - meeting room management
  - minor maintenance (handyman) tasks
  - audio visual (AV) equipment service and support
  - portering
  - response to service desk requests
  - pool car/cycle management
  - key management
  - all other FM duties
- The Tooley Street helpdesk function is provided as part of the Corporate FM [CFM] service desk, which also provides a service desk function to the wider estate for repairs and maintenance, and soft services related issues.
- Contract management and monitoring of the outsourced contract arrangements is undertaken within CFM (the contract management team supported by the technical and commissioning team).

### **Proposed new arrangements**

25. Two options are being considered for the delivery of FM services to 160 Tooley Street and the service desk function for 160 Tooley Street and the wider operational estate. Bids will be required for both options:
- A standard bid for a consolidated FM contract which bundles together most currently outsourced services, i.e. R&M, cleaning, security, vending, and other ad hoc arrangements. The council taking overall responsibility and providing a single point of contact for all building related services to include this outsourced arrangement and the current in house provision which would remain as described in paragraph 24;
  - A variant bid to deliver all of the FM functions to be provided by the standard bid, also those functions that are currently provided in-house and described in paragraph 24. This is known as a “total FM” [TFM] contract, where the contractor is responsible for all building related support services, providing a single point of contact and accountability.
26. Tooley Street as a new building with new infrastructure, defined maintenance regimes, and discrete FM arrangements, presents the ideal anchor for the informed outsourcing approach. The outsourced and in house services delivered to Tooley Street and as set out in paragraphs 23 to 24, are definable as a single or partially outsourced service and allow for an accurate and detailed specification.
27. The variant bid is anticipated to have the greater contract value because it has the greater scope, providing for all building related services for 160 Tooley Street in addition to the service desk for the operational estate. The estimated maximum annual cost is £2.47m; an estimated maximum contract value of £12.37m over five years at current prices. This includes all direct costs and overheads included within the service definition. The evaluation of the bids (both variant and standard) submitted by tenderers will seek to identify the annual cost of maintaining some of the service in house and options for doing so and will seek to secure the most economically advantageous option for the council.
28. This valuation has been derived from actual data and also benchmark data for areas where costs are not known. The benchmark data is based upon similar requirements in the public

sector over the last 5 years. Where appropriate, adjustments have been made to allow for an increase in density of occupation or unique building requirements.

29. This contract will have an extension provision for 2 years (1+1 years) with the flexibility to terminate the contract during the extension period with sufficient notice, making a total estimated maximum contract value of £17.3m.
30. The council also will seek to put in place an annual service improvement programme with the aim of achieving year on year cashable efficiency savings.

### **Summary of the business case/justification for the procurement**

31. A consolidated FM contract (TFM) for Tooley Street (with the potential for other key council and partner buildings in future) will enable the council to concentrate on its core activities.
32. Expected benefits of this approach and, to a lesser extent the partial outsourcing approach, include:
  - Council able to concentrate resources on core activities
  - Lower bid prices
  - Economies of scale driven through continuous improvement through the contractor's own service delivery and its supply chain.
  - Total fixed price for the services specified
  - Single point of contact for the outsourced service elements
  - Clear delineation of responsibilities, with a greater degree of risk transfer to the contractor for the outsourced service elements
  - Reduced administration (e.g. consolidated invoicing)
  - Efficiencies built into the contract due to the holistic approach
  - Supplier side innovation
  - The collection of detailed information about 160 Tooley Street, its assets and condition (also the wider estate through the help desk function)
  - Multi-skilled resources completing a number of services, potentially more efficiently and flexibly
33. The FM service requirements for 160 Tooley Street utilise the Buying Solutions FM framework specification documentation as a base. The tender documentation development process builds upon this documentation to deliver an "output" based specification. This focuses on the desired outputs of the service rather than a detailed specification of how the service is to be provided. This approach allows providers scope to propose innovative solutions. The process for developing the tender documentation is described in paragraphs 34 to 38 and 68 to 71 of this document.
34. The proposed procurement strategy will enable procurement of a contract that may be utilised to provide a TFM or partially bundled service to other council buildings or those of the council's partners. The development of the tender documentation, including the specification and the evaluation methodology will take these requirements into account.
35. The council's asset management strategy targets the rationalisation of the current operational estate. The procurement should enable the option to include one or more other buildings under the contract and subject to a separate report. It is envisaged that the evaluation will test proposals on the potential for discounts, cost savings and economies of scale with the addition of other buildings. While the contract will be flexible enough to add other buildings, this option would only be exercised following a satisfactory test of costs.

36. Stakeholders have been engaged through one to one and group briefings, and review meetings. Technical specialist input has been provided for the development of the Specification, contract and associated tender documentation, also for the evaluation.
37. As a part of the governance structure for this programme, a “user stakeholder group” representing all departments has been set up to challenge, to engage with the development of the tender documentation and to participate in the evaluation process.
38. This process will ensure a comprehensively specified contract that provides for flexibility of service within the council’s cost parameters.

### **Market considerations**

39. The preferred approach is to procure a contractor through the recently tendered Buying Solutions facilities management framework agreement. Buying Solutions is the national procurement partner for all UK public services and is part of the Efficiency and Reform Group within the Cabinet Office. It was established in 2001 as a result of the Gershon Report, through a merger of the procurement functions of the Buying Agency and CCTA. It is the largest professional buying organisation in the wider public sector and the only one with a legal remit to trade across the whole of UK public services. Buying Solutions’ primary role is to maximise the value for money obtained by Government departments and other public bodies through the procurement and supply of goods and services.
40. There are 8 contractors on the Buying Solutions FM framework which was procured under an EU restricted process:
  - Carillion
  - EC Harris
  - Europa
  - Interserve
  - ISS
  - MITIE
  - Norland
  - Skanska

### **Proposed procurement route**

41. This procurement is for services and its contract value will exceed the EU threshold of £156,442. It is therefore subject to EU procurement regulations and an EU compliant process must be followed.
42. CSO 5.4 requires that the council take all reasonable steps to obtain at least 5 tenders following a publicly advertised competitive tendering process. CSO 3.2 states that this requirement shall not apply where the council intends to purchase under a “consortium contract” so long as approval for the use of that “consortium contract” has been given via a Gateway 1 report.
43. The council is in a position to fully understand the facilities management requirements for 160 Tooley Street, having been in full occupation of the building since August 2009. Interim arrangements are in train to ensure that facilities management services can continue to be provided to the building while this procurement is undertaken. However, time is of the essence, and there is a need to procure replacement services for elements of the service provided to the council under these interim arrangements prior to their expiry.

44. The preferred procurement strategy is to carry out a further competition on the Buying Solutions facilities management framework; a pre-tendered framework which has followed a full EU compliant procurement process.
45. The overall timeline from a decision to approve this procurement approach to contract start is estimated to be 10 months; and with the approval of this procurement strategy, it is feasible to procure the contract and ensure continuity of service within these time frames; provided there is very little slippage.
46. In addition to an achievable time frame which meets the need to have in place a service as quickly as possible, the benefits of using this procurement approach are:
  - Eight pre-tendered suppliers procured through an EU compliant procurement all of which are major market providers of these services
  - Reduced time, cost and resources in relation to the procurement
  - Ongoing support from Buying Solutions with user-group meetings which present opportunities for networking and sharing of experiences
  - The adoption of the NEC3 Term Service Contract, part of a new generation of contracts designed to be flexible, clear and a stimulus to good contract management
  - Bulk of documentation already developed and which can be tailored to meet the council's requirements, thereby reducing the need for external technical or legal resources which may be required when drafting specifications, standard contract documents, etc.
  - Pre-agreed Key Performance Indicators resulting in profit reduction in cases of non-compliance, with flexibility to add additional KPIs should the council require
  - Efficiencies built into the Framework Agreement for continuous improvement in service provision
  - Value added services, e.g. benchmarking, dispute resolution

#### **Options for procurement including procurement approach**

47. This report recommends carrying out a further competition on the new Buying Solutions FM framework (paragraphs 44 to 46).
48. The procurement is for facilities management services which largely, although not entirely, fall under section A of schedule 3 of the EU regulations. This is subject to the full EU procurement regime.
49. Utilising a full EU procurement procedure, the overall timeline from approval of the procurement strategy to contract start is estimated to be 12 months which is 2 months longer than the use of the Buying Solutions FM framework (the preferred route.) This is on the basis of using the full OJEU restricted process which is the most straightforward, and is largely due to the additional time (PQQ period and evaluation), required to reach the stage of having a long list of suppliers to invite to tender; also because of the requirement for an additional minimum 10 day standstill period (ALCATEL) after contract award.
50. Other EU procurement options considered, but rejected, are:
  - Full EU procurement procedure other than restricted procedure – alternatives to the restricted procedure are either not suitable for this type of procurement or would require significant additional time
  - Alternative EU compliant framework agreement including consortium – an alternative suitable framework arrangement is not available to the council.



51. The development of arrangements through existing strategic partnership agreements has been considered, but in the case of this procurement, the time frames required to achieve this are challenging. The protocol and procedure for single supplier negotiation does not allow for price testing. The council needs to fully demonstrate best value is being achieved and therefore a competitive process is required to ensure this.
52. The council is in dialogue with other London based authorities in terms of their arrangements and plans for provision of similar services in the future. These authorities are all at different stages in the development of their facilities management strategies and this is not a short term option. However the strategy for the longer term provision of these building related facilities services for the council is to seek to work with partners to facilitate the effective delivery of these services and achieve efficiencies through partnership working.

### Identified risks and how they will be managed

53. Risks relating to this procurement and how they will be managed are shown in the table below.

Risk	Mitigation strategy
Primary TUPE issues are not managed satisfactorily, potentially resulting in union, consultation and staff issues.	<ol style="list-style-type: none"> <li>1. Early involvement of HR resource (in progress, on project team, programme board and evaluation panel)</li> <li>2. Robust communication strategy and plan (draft prepared)</li> <li>3. Early union consultation and continued involvement (as per communications plan)</li> <li>4. An effective consultation process for affected staff (communications plan prepared)</li> <li>5. Keep a strong focus on TUPE issues with bidders during the procurement process (incorporated in GW1 and being addressed at each stage of process)</li> <li>6. Early and ongoing involvement of legal specialists (in progress)</li> </ol>
The council fails to dedicate sufficient time and resource to enable the project to proceed with sufficient input and in line with the project time scales.	<ol style="list-style-type: none"> <li>1. Resource requirements to be identified and put in place (complete)</li> <li>2. Monitor progress at fortnightly project meeting (governance structure in place)</li> <li>3. Escalate through governance structure if required (governance structure in place, regular meetings scheduled and taking place)</li> </ol>
The current FM service (Tooley Street and wider estate) may degrade once in-house service staff are notified of the overarching CFM strategy and potential TUPE implications	<ol style="list-style-type: none"> <li>1. Communication strategy and plan to be put in place (completed).</li> <li>2. Early consultation with staff and unions (as per plan)</li> <li>3. Increased management awareness and support</li> </ol>

Risk	Mitigation strategy
<p>Not all approvals required to proceed with the procurement or finalise the procurement are obtained within the current time table causing delays in implementation and increasing risk of legal challenge in relation to interim measures</p>	<ol style="list-style-type: none"> <li>1. Timely preparation of approval documentation</li> <li>2. Include appropriate time period to prepare and review approval documentation</li> <li>3. Review by FM, finance, legal, procurement and all relevant stakeholders (quality, timeliness, approver briefing) right input at the right time</li> <li>4. Ongoing consultation re impact on interim arrangements with legal &amp; procurement</li> <li>5. Monitor political aspirations</li> </ol>
<p>Insufficient information of the current service and service requirements will result in an increased risk premium applied to the tender costs (data pack and specification)</p>	<ol style="list-style-type: none"> <li>1. Ensure that service specification robust, succinct and complete (in progress)</li> <li>2. Engage with stakeholders/advisers to ensure quality of specification and associated measures (through governance structure)</li> <li>3. Use an output based specification to enable contractors to be innovative, deliver required service, and drive out efficiencies</li> <li>4. Ensure that sufficient data provided with respect to existing services and provided through the invitation to tender (data pack preparation in progress)</li> </ol>

54. The procurement will consider options surrounding any requirement for a performance bond or parent company guarantee for this contract.

**KEY ISSUES FOR CONSIDERATION**

**Key /Non Key decisions**

55. This is a strategic procurement (on the basis of value and potential impact on staff). It is a key decision.

**Policy implications**

56. The key element of the corporate plan that this strategy supports is “transforming public services”. Sound resource management around the council’s property assets, how they are utilised and their effective operational and financial management are at the heart of the FM strategy.

57. The medium term resources strategy aligns financial priorities with the management of assets and the associated resources with which the council delivers its services. A modern FM service platform and an informed FM client function will significantly support the council’s medium and long term objectives providing flexibility and opportunities for efficiency savings.

58. The theme of “valuing the environment” will be increasingly supported through the delivery of a new FM service delivery platform and effective strategic management of FM. Supported policies include “Southwark Cleaner Greener Safer” and the “Sustainable Community Strategy”.

59. Other key corporate objectives are indirectly supported through an improving working environment, improving customer facilities and enabling more effective service delivery.

#### Procurement project plan

60. The key milestones for the preferred procurement route are shown in the table below.

Activity	Complete by:
Forward Plan	14/04/2010
DCRB review gateway 1: procurement strategy approval report (this report)	07/10/2010
CCRB review gateway 1: procurement strategy approval report (this report)	14/10/2010
CMT review gateway 1: procurement strategy approval report (this report)	17/11/2010
Notification of forthcoming decision - Five clear working days (for Strategic Procurement)	07/12/2010
Approval of Gateway 1: Procurement strategy report (this report)	14/12/2010
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	04/01/2011
Completion of tender documentation	07/01/2011
Invitation to tender sent out	10/01/2010
Closing date for return of tenders	18/02/2011
Completion of evaluation of written tenders	16/03/2011
Completion of short-listing of applicants	18/03/2011
Completion of post tender meetings and reference site visits	01/04/2011
DCRB Review Gateway 2: Contract award report	21/04/2011
CCRB Review Gateway 2: Contract award report	05/05/2011
Notification of forthcoming decision (five clear working days)	14/06/2011
Approval of Gateway 2: Contract Award Report	21/06/2011
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	22/06/2011
Contract award	12/07/2011
Contract start	24/10/2011
Contract completion date	23/10/2016

## **TUPE implications**

61. For the standard bid TUPE will apply on a secondary basis (affecting staff of existing contractors). TUPE applies on two levels for the variant bid (fully outsourced), secondary and also primary (affecting council staff). It will be addressed through the tendering process through early engagement with incumbent suppliers and early consultation with unions and staff (in early November 2010 by agreement with HR and legal). The project team are being advised by HR, procurement and legal on all aspects in relation to TUPE including consultation requirements; two tier pension and pay implications; monitoring requirements on the council for two tier pension and pay and TUPE implications (both primary and secondary).
62. The procurement timetable allows for a 3 month mobilisation period to include staff consultation in relation to TUPE.
63. The development of the specification and contract amendments, the data pack and the evaluation methodology will also address TUPE.

## **Pensions**

64. The council will be compiling the information in relation to pension provisions that will be needed in relation to TUPE transfer.
65. Suppliers will be requested to provide the details of their employees affected by TUPE and associated pension information.
66. HR is engaging with the pensions' team who will instruct the actuary to establish the pension costs. Tender documents will ask the tenderers to detail their intentions on how pensions will be dealt with and include a draft admission agreement. This will be factored into the tender return and form a part of the financial evaluation.
67. A pension bond may be required subject to professional advice.

## **Development of the tender documentation**

68. The tender documentation will be designed to ensure that proposals are received for two service models to help inform award decisions and will include:
  - Specification and key performance indicators (KPIs)
  - Instructions to bidders document and associated appendices:-
    - Evaluation - methodology, matrices and statement of requirements
    - Pricing schedule and charges
    - Contract
    - Data pack comprising all available information in relation to the FM operation of the building, e.g. existing reactive call volume by discipline, occupancy levels and hours of opening, technical data relating to the building fabric and mechanical and electrical plant, financial data, asset registers, waste volumes and provision, site access initial information relating to TUPE, hospitality and catering historic and actual data, service task requirements and rotas.
69. The documentation is being developed through the use of workshops and individual meetings and, where appropriate, review stages by the relevant members of the project team and technical specialists from the council and elsewhere.

70. Consultation on the tender documentation is being undertaken with corporate support from legal, procurement, finance and HR where appropriate and these functions are also represented in the governance structure for the overall programme.
71. An ongoing briefing and consultation process is also underway with representatives from corporate strategy, economic development, sustainable services, information services, business continuity and emergency planning, and health and safety. These areas have agreed to provide support during the procurement process.

### **Advertising the contract**

72. In order to utilise the new Buying Solutions FM framework it is necessary to give all contractors on the framework an opportunity to bid. For this procurement a short capacity assessment will be carried out enabling framework suppliers to determine whether to bid in line with the rules for use of the framework. The invitation to tender will then be sent to all contractors on the framework that have not de-selected themselves from the process.

### **Evaluation**

73. The evaluation methodology and models will be developed by the evaluation panel appointed by the project team and agreed through the project governance, so this can only be indicative at this stage.
74. For this procurement it is anticipated that the evaluation will be a two stage process further to all framework contractors being invited to quote:
  - To short list suppliers to three further to written tender and clarification evaluation
  - To award the contract further to post tender meetings and reference site visits.
75. It is anticipated that a 70:30 price/quality weighted model will be used to evaluate tenders (both standard and variant.) Generally the same areas will be tested for both options; however, there will be differences in the model in relation to the service desk and operational FM functions depending upon which variant is being evaluated. The option selected (whether standard or variant bid) will be the most economically advantageous to the council. The quality evaluation will take into account safeguarding of affected council staff.
76. The tender evaluation panel will comprise the following:
  - CFM operations manager
  - CFM strategy and performance manager
  - Specialist FM technical advisors
  - User representation (nominated by the User Stakeholder Group)
  - CFM principal quantity surveyor
  - Finance representative
  - Other representatives, including human resources, information technology, sustainability, health and safety, business continuity, and economic development.
77. Advice will be sought from legal and procurement throughout the process. Any additional evaluation in relation to diversity and equality, health and safety and financial robustness will be carried out through the finance transactional shared services/approved list team and the health and safety manager, and will feed back into the evaluation process appropriately.

### **Community impact statement**

78. Paragraph 88 of this report states that all of the contractors on the framework will have their own supply chains in place. This contract will primarily provide a consolidated FM service contract to deliver part or all FM services to 160 Tooley Street. It may additionally provide an FM service desk to the wider operational estate (currently comprising 172 buildings). Paragraph 88 also explains how local economic and social benefits will be built into the procurement process.
79. 160 Tooley Street is largely a “back office” headquarters building; however it also houses the council’s elected administration; provides facilities for all elected members; hosts an increasing number of committee and other meetings; and will continue to host other events attracting a wide variety of visitors from Southwark and elsewhere.
80. This contract will provide a working environment that will ensure that none of the six strands of the council’s equality agenda are negatively impacted. It will deliver all of the “in scope” building related services that will enable 160 Tooley Street to continue to welcome staff, and visitors to the council.
81. The nature of much of the outsourced service arrangements is such that the contractor will utilise the local employment pool as is the case for the council’s current arrangements.

### **Sustainability and other considerations – framework evaluation**

82. The Buying Solutions FM framework has evaluated contractors at PQQ and tender stage in relation to sustainability, environmental, economic and social considerations in the operation of their business and delivery of services to their customers. This is detailed in Appendix 1.
83. The council’s evaluation panel will evaluate how the council’s specific requirements are met and will include a specialist technical evaluation of these aspects.

### **Sustainability and environmental considerations**

84. In late 2008 the corporate management team (CMT) agreed a set of environmental performance targets for Council buildings. These targets cover energy, water, waste minimisation, recycling paper use and staff commute. It was felt that 160 Tooley Street should aim to meet industry “best practice” benchmarks for all of these.
85. The targets for Tooley Street are outlined in the table below:

<b>Theme</b>	<b>Tooley street targets</b>
Energy	To not exceed ‘good practice’ benchmarks set by CIBSE/ Carbon Trust
Water	To not exceed 2.0m <sup>3</sup> /person/year or 4.0m <sup>3</sup> /m <sup>2</sup> /year (whichever is felt to be most accurate)
Procurement (of paper)	To not exceed 7 reams of A4 paper to be ordered via the service desk per person per year
Waste minimisation	To not exceed 200 kg of waste/ person /year (excluding café).
Recycling	To aspire to recycle 80% of total waste (excluding café).
Cycle parking	Provision of cycle parking for 150% of current levels (at time of agreement of targets).

Theme	Tooley street targets
	Additional monitoring of: <ul style="list-style-type: none"> <li>i) Shower facilities</li> <li>ii) Take-up of bike loans</li> <li>iii) Take-up of Cycle Allowance</li> </ul>

86. It is anticipated that these targets will be refined during 2010/11 as a result of work being carried out by CFM's technical commissioning team and the environment and sustainability team and progress has been made towards achieving the targets set out.
87. The successful contractor will be required to have targets in place to minimise consumption of energy and emissions of pollutants and be able to demonstrate the effectiveness of these procedures.

### **Economic and social considerations**

88. All of the contractors on the framework will have their own supply chains in place; however, local economic and social benefits will be built into the procurement in a variety of ways including evaluation of the contractors' approach to:
- Engagement with borough-wide employment programmes such as Southwark Works and Building London Creating Futures to support unemployed residents' access to training, skills and sustainable employment
  - Engagement with apprenticeship schemes which have a target of one apprentice per £1,000,000 annual contract expenditure.
  - Engagement with local companies in their sub-contracting and supply chain arrangements wherever possible
  - Engagement with small to medium enterprises (SMEs) and black and minority ethnic, women and disabled owned businesses or those operated by the voluntary and community sector.
  - How they will build local economic benefits into the delivery of the contracted services.
  - How they will achieve continuous and measurable improvement while working in partnership with the council to deliver its objectives in this area.

### **Plans for the monitoring and management of the contract**

89. This contract will be managed by CFM. The success of this contract is dependent upon best practice contract management principles including the establishment of appropriate KPIs and SLAs.
90. To ensure that CFM set exemplar standards in relation to the contract management of this and future FM contracts the service is currently being reviewed, and the new structure will be implemented in April 2011, delivering the informed client function (also known as the Intelligent Client Function [ICF]) with contract management at its centre.
91. Concurrent to this review, work to define and establish a contract monitoring function to serve finance and resources contracts is progressing. This will provide best practice contract monitoring; delivering effective contract performance reporting.
92. Best practice arrangements and systems will be put in place for the management and monitoring of the contract in respect of:

- Compliance with the specification and contract
  - The performance of the contractor/supplier
  - Cost
  - Customer relationship management
  - User satisfaction
  - Risk Management
93. The NEC3 (New Engineering Contract version 3) contract suite has been adopted for the new Buying Solutions property related frameworks where appropriate. The NEC3 Term Service Contract is applicable to the new Buying Solutions FM framework and is new to the Council. It has undergone significant review by the project team, including legal and procurement advisors, and is considered to be well suited to best practice contract management. It binds both client and contractor to active and transparent management of the relationship and provides structured and time bound process.
94. The NEC contracts have been designed to provide a clear, flexible contract which provides a stimulus to good management through a variety of tools. The contracts have been designed to support different methods of pricing and payment with an appropriate allocation of risk. The contracts are user-friendly and clear using plain English to avoid unnecessary legal terms without compromising legal robustness.
95. Project management disciplines have developed rapidly over recent years and the NEC contracts have been designed to support this. Good management is stimulated through collaborative foresight to mitigate problems and shrink risks; and through a clear division of function and responsibility, and thus accountability; motivating the participants to play their part.
96. Risk management is a major element of the contract and a variety of tools are built into the contract to support this, e.g. the early warning procedure. A forward-thinking, proactive approach by all parties is required and supported by the way in which payments are determined and made; the use of KPIs for contract management and in the determination of the payment due; and the handling of compensation events which may lead to a change in payment.

## **Resource implications**

### **Staffing/procurement implications**

97. The governance for this procurement project is provided through the agreed governance structure for the overall programme.
98. The procurement project team reports into the CFM strategic procurement programme board appointed by the Head of CFM who is the senior responsible officer for the delivery of this procurement. The team comprises the following:
- CFM procurement lead/project manager
  - CFM core team including the CFM strategy and performance manager, the technical and commissioning manager and the operations manager plus nominated CFM team members as and when needed, e.g. Quantity surveyor, contract management and administrative staff
  - Specialist technical advisors for the development of the tender documentation and the evaluation and implementation of the contract



- Representatives from HR, legal, procurement and finance to support the procurement process and provide professional advice
  - Representatives from other council departments such as sustainability, economic development, corporate policy, business continuity, property, and information systems
  - User representation, as appointed by the user stakeholder group.
99. The programme board meets on a fortnightly or more frequent basis to drive forward this procurement and also the other procurement work streams listed in paragraph 12. It reports into the CFM strategic procurement steering group which is chaired by the finance director.
100. The user stakeholder group reports into the programme board and will provide user input into this and the other CFM procurement work streams.
101. The staffing resource required to deliver this procurement is to be funded through existing staff budgets.

### **Financial implications**

102. The contract is to be funded from the existing Tooley Street budget, CH222 which is currently estimated at £2.47m per annum for the wider scope provided by the TFM approach (variant bid). Some of these costs are recoverable from the council's tenants within the building. The procurement strategy for a total facilities management contract solution is expected to deliver annual savings against this figure.
103. The contract will be subject to, and linked to, a price index which will be set out in the contract terms and conditions of contract. Payment may also be tied in to performance with the possibility of a "gain-share" mechanism being put in place based upon performance against KPIs and the delivery of further efficiencies. This is being developed further through the tender documentation development process and is fully supported by the adoption of the NEC3 Term Service Contract.

### **Legal implications**

104. All legal implications are noted in paragraphs 112 to 113.

### **Consultation**

105. This procurement strategy has been developed to deliver an element of the CFM strategy.
106. Consultation in the development of the procurement strategy recommended in this report has been undertaken with internal corporate functions including HR (including liaison with the pensions team), legal (including HR/TUPE implications), procurement, finance, corporate strategy, sustainability, economic development and information systems. Varying degrees of resource has been assigned from these areas and will continue to be engaged in the procurement during the development of the tender documentation, tender, evaluation and will continue to be involved during the procurement process.
107. Advice has been sought from external parties including Buying Solutions (in relation to the FM framework and its use). In addition to technical advice being provided from within the council, expert specialist advice is also being utilised to support this procurement where it is required.
108. Further consultation is being undertaken with other key stakeholders including staff, suppliers and trade unions. User consultation (including those with special needs) is being undertaken through the overall programme's "user stakeholder group."

## **Other implications or issues**

109. This procurement will take into consideration the impact on other projects/programmes, and services including:
- Revised office accommodation strategy and further modernisation activity – the ability to extend the service provision at 160 Tooley Street through the use of this contract to other identified key buildings will be considered as a part of the procurement.
  - Customer service centre – this currently provides an out of hours service for all FM service desk calls including Tooley Street. It is likely that the service will be provided by the contractor in future. Consideration may also be given to the provision of the service desk function as a whole being provided by this contract. It is unlikely to be a requirement that the service desk be based on-site; however, contingency arrangements would need to be in place in the event of loss of telephony, etc.
110. It is anticipated that the successful contractor will require access to council facilities, systems and services. The extent is to be determined, but considerations include:
- Space, e.g. facilities room on ground floor, furniture and other storage, “building manager’s” office; security areas; access to hot-desking, meeting and other facilities.
  - Access to telephony and IT, possibly installation of supplier’s own systems/on-site servers if required; Citrix access and access to information systems as appropriate and to be determined.
  - Access (including administrator rights) to property/FM systems including Manhattan; resource scheduler; ATRACS and building specific systems, e.g. building management system, fire alarm access.
111. The “branding” of the service will be developed as a part of the specification development and evaluation process. The service provision might be clearly branded as “contractor” in some areas, but will be providing a service on behalf of Southwark, e.g. reception, in which case the Southwark brand is particularly important.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Communities, Law & Governance**

112. This report seeks Cabinet’s approval to the procurement strategy for the consolidated facilities management contract for 160 Tooley Street. At an estimated value of over £4 million for services, the procurement is a Strategic Procurement and therefore this approval is reserved to Cabinet.
113. The nature and value of the services to be procured are such that they are subject to the full tendering requirements of the Public Services Contract Regulations 2006. However the report at paragraphs 44-46 explains the council’s preferred approach to the procurement of these services, and its intention to invite tenders from the Buying Solutions Facilities Management framework. Having been tendered in accordance with the EU Regulations, the use of the framework meets those procurement requirements and may therefore be used as an EU compliant process.

### **Finance Director**

114. This report recommends the adoption of either the standard or variant approach to facilities management for 160 Tooley Street. Subject to recommendation and contract award there

would be either a single bundled service contract with an in house service element or one contract covering all aspects of facilities management. The net cost of funding the Tooley Street facilities management contract is expected to be reduced by way of this procurement exercise given the strategy is to seek a price to quality ratio of 70:30 in favour of price.

**Head of Procurement**

- 115. This report is seeking approval to source consolidated facilities management services for Tooley Street via the Buying Solutions framework.
- 116. For a contract of this nature and value the EU regulations apply. The Buying Solutions framework is an EU compliant route for procurement. All of the providers that appear on the category list have been subjected to a full EU procurement process. By embarking on a further competition process LBS will assess these providers against local requirements ensuring our specific requirements can be met and the council’s standards for equalities and health and safety satisfied. The benefits of using this procurement route are described in paragraph 46.
- 117. For this procurement route to remain EU compliant it is important that the operating rules for the framework are adhered to. Paragraphs 73-77 describe the proposed approach for evaluation. The framework rules allow some flexibility with regards to evaluation and with the current climate the council will be able to give increased focus on price. Paragraph 75 confirms that a weighted model of 70/30 (price/quality) will be used.
- 118. Paragraphs 14-15, 25 and 68 confirm that the procurement process will accommodate the assessment of two service delivery models. These being a) Bundled FM services with some retained in house function and b) Total outsourced FM solution. Paragraph 75 confirms that the final recommendation for award will include recommendation for service delivery model which will be based on the most economically advantageous solution for the council.
- 119. Paragraphs 97-101 outline the governance arrangements for the project which will ensure that key documentation for the procurement will receive the appropriate sign off. Corporate procurement is represented on the programme board and will provide ongoing support to the project.

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
None		

**APPENDICES**

Appendix number	Title of appendix
1	Buying solutions evaluation criteria for environmental, social and economic factors for the new Facilities Management framework.

## AUDIT TRAIL

<b>Cabinet Member</b>	Councillor Richard Livingstone, Finance and Resources		
<b>Lead Officer</b>	Matthew Hunt, Head of Corporate Facilities Management		
<b>Report Author</b>	Andrée Mitchell		
<b>Version</b>	Final		
<b>Dated</b>	02/12/2010		
<b>Key Decision?</b>	Yes	<b>If yes, date appeared on forward plan</b>	14/04/2010
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>			
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Finance Director	Yes	Yes	
Head of Procurement	Yes	Yes	
<b>Contract Review Boards</b>			
Departmental Contracts Review Board	Yes	Yes	
Corporate Contracts Review Board	Yes	Yes	
<b>Cabinet Member</b>	<b>Yes</b>	<b>Yes</b>	
<b>Date final report sent to Constitutional Team</b>			02/12/2010

## APPENDIX 1

### Buying solutions evaluation criteria for environmental, social and economic factors for the new Facilities Management framework.

1. The Buying Solutions invitation to quote (ITQ) has requested and evaluates the tenderers approach to environmental considerations as a part of the framework procurement process under question 8 of the “Appendix E: Statement of Requirements” of the ITQ. This asks that bidders outline how they will ensure the services are provided in the most sustainable manner to the customer, and provide advice on sustainability matters including the following aspects:
  - Environmental: waste and emissions; resource use and replenishment; impacts on habitats and biodiversity;
  - Social: culture; people; diversity and equality;
  - Economic: development and stability.
  
2. The evaluators’ guidance, which is provided to the tendering suppliers, requires the response to be evaluated on the following anticipated outcomes:
  - Details of the process to monitor compliance with sustainability legislation, and provide details of the specific legislation that needs to be considered for the Estate;
  - Details of the process to ensure compliance, report and monitor improvements in line with Government’s SOGE (Sustainable Operations on the Government Estate) targets. More information on the SOGE targets is available at: <http://www.defra.gov.uk/sustainable/government/gov/estates/targets.htm>
  - Details of the process to identify and manage the sustainable procurement risks, considering the life cycle impacts of the goods and services delivered to the Customer(s);
  - An explanation of how the tenderer will deliver sustainable solutions for the Customer(s) through:
    - Challenging the purchase of unnecessary goods and services and helping customers to identify and re-use redundant equipment;
    - Encouraging the customer and their staff to use equipment more efficiently;
    - Protecting and enhancing biodiversity.
  - Details of the process to ensure that staff employed by the tenderer have the required qualifications, skills and training to meet these sustainability requirements;
  - Details of the process to ensure that immigrant workers are vetted as appropriate;
  - Details of the process to consider the use of SME's and Third Sector suppliers for delivering some aspects of the Services;
  - Details of the process to consider apprenticeship schemes and return to work schemes;
  - Details of the process to provide information to Customers on the make up of the supply chains used;
  - An explanation of how the tenderer will develop, monitor and report against sustainability targets for the Estate. As a minimum these targets should consider the following:
    - Compliance with all relevant sustainability and employment legislation;
    - Compliance with sustainability product standards such as OGC Quick Wins, Green Public Procurement standards and/or eco-labels or equivalent Standards;
    - Fair Trade products;
    - CO2 impacts from delivering the goods and services;
    - Volumes of waste, re-used, recycled, incinerated and to landfill;

- Sustainable procurement risk assessments for individual products and services;
- Supply chain compliance audits;
- Diversity and make up of sub-tenderers and staff employed.
- Details of the process to ensure that their sub-contractors consider the sustainability requirements of the Estate.