

Item No.	Classification: Open	Date: 6 June 2013	Decision Taker: Strategic Director for Finance and Corporate Services
Report title:		Gateway 3 – Variation Approval Variation to the consolidated facilities management contract for 160 Tooley Street to include 132 Queens Road and 1 Lugard Road	
Ward(s) or groups affected:		None	
From:		Head of Corporate Facilities Management	

RECOMMENDATION

1. That the strategic director for finance and corporate services approves the variation to the Tooley Street consolidated facilities management contract with Interserve PLC, expanding the operational scope by the issue of task orders to include new sites at Queens Road 1 (132 Queens Road), and Queens Road 3 (1 Lugard Road) with effect from 1 July 2013 to 31 January 2018, with an option to extend the contract for a further 2 years. The estimated contract increase is £4.34 million for the 6 years 7 months, giving a revised estimated contract value of £14.35 million. This excludes inflation.

BACKGROUND INFORMATION

2. Facilities Management (FM) is a fundamental business support service that is vital to service delivery and business continuity. FM supports the council's ability to deliver the wider office accommodation strategy.
3. Following a procurement exercise using the Government Procurement Service solutions framework, Interserve PLC were awarded a contract to provide consolidated facilities management services for the council's headquarters at 160 Tooley Street in October 2012. The contract commenced in February 2013 and will run for five years with an option to extend the contract for an additional two years.
4. This procurement exercise replaced a large number of different contractors with a single supplier. This has resulted in economies of scale through the contractor's own service delivery processes and its supply chain and the elimination of the multiple management layers inherent in the former supplier arrangements.
5. Cost savings of over £300,000 per annum are expected as a result of the consolidated facilities management contract for 160 Tooley Street, while at the same time ensuring that all contractors employed on that contract are paid at least the London living wage.
6. The new contract for 160 Tooley Street includes the option to bring a number of other properties into the scope of these arrangements, including the new operational properties at Queens Road.
7. The purpose of this report is to seek approval to issue task orders under this contract to include 132 Queens Road and 1 Lugard Road. This will support the

corporate facilities management (CFM) team's aim of reducing the number of suppliers delivering services to the operational estate and will result in streamlined management and administration arrangements and cost reductions. A similar report will be developed in November 2013 to include the operational building at 134 Queens Road into the scope of this contract once the building works are completed at this site.

8. Extending the scope of the current contract to include the properties at Queens Road will support the delivery of an integrated approach to delivering facilities management services across additional properties in the operational estate and tie in with the plans for larger facilities management services contracts for the operational estate to be awarded in July 2014.
9. Including these additional buildings within the scope of the contract will result in a number of benefits:
 - Reduction in the management and administration costs inherent in managing a number of different suppliers of fm services e.g. one invoice a month
 - Improved management information on the council's assets serviced by the contract and the performance of the supplier
 - Delivery to high standards supported by focused key performance indicators (KPI's) and a strong, contractual performance mechanism. The KPI schedule is attached at appendix 1
 - A high degree of cost certainty over the life of the contract as 86% of the costs are fixed.
10. Under this contract the service provider will deliver the following integrated services to the properties at Queens Road and Lugard Road:
 - Planned preventative building maintenance, primarily routine and scheduled maintenance activity to building services and fabric
 - Reactive building repairs and maintenance, e.g. repairs to building failure such as broken glass
 - Compliance with statutory regulations to meet all statutory and regulatory requirements relating to the building's fabric, plant and equipment (excluding those compliance activities that fall within the scope of the engineering inspection contract)
 - Maintenance of building related equipment to maintain all such equipment in good working order
 - Provision of spares and consumables to include lighting tubes, plant lubricants and engineering parts
 - Works projects i.e. refurbishment and alterations consisting of works required by the council to alter or improve the working environment
 - Cleaning, including internal and external window cleaning with the provision of all equipment and consumables such as toilet and hand tissues
 - Providing a comprehensive security operation delivering a safe and secure environment for all building users
 - Reception and building management staff
 - Vending to provide a good quality service for hot and cold drinks and snacks
 - Pest control to keep the building as free as possible through a proactive pest control service.

KEY ISSUES FOR CONSIDERATION

Key aspects of proposed variation

11. The nature of the proposed variation is to extend the scope of the current contract for consolidated facilities management for 160 Tooley Street to include 132 Queens Road and 1 Lugard Road.

Reasons for variation

12. The extension of scope will support corporate facilities management strategy of ensuring best value is achieved to meet the challenges posed by the spending review and to move progressively towards a consolidated approach to FM service provision with a smaller number of larger contracts across the operational estate.
13. The original contract awarded in October 2012 specifically included the option to add these two properties to the scope of the contract once CFM were confident that any transition issues had been resolved and that Interserve were in a strong position to take on responsibility for additional properties.
14. The performance of Interserve PLC since being awarded the consolidated facilities management services contract for Tooley Street is in line with expectations and is on target to deliver the anticipated contract cost reduction. Additionally associated reductions in management overhead have been achieved as part of CFM's 2012/13 savings target.
15. Regular monthly monitoring of the performance targets detailed at appendix 1 is taking place and the targets are being met. Where shortfalls in performance occur, as was expected during the early stages of the new contract, these are being addressed effectively through action plans and performance meetings. CFM are satisfied that similar levels of performance can be achieved at other locations in the operational estate.

Alternative options considered

16. As the contract for consolidated facilities management at Tooley Street specifically allows the scope of the contract to include additional properties and the performance of the supplier is improving in line with expectations, no other options were considered.

Identified risks for the variation

17. Details of the risks and how they will be managed are outlined below:

No.	Risk	Risk Level	Mitigating Action
1	Best value not achieved as a result of the absence of competition.	Low	Negotiation approach compared cost proposals against the costs of providing FM services at properties of a similar size and age. The original contract was awarded in October 2012 and good value was obtained in terms of those submitted by the competitors.
2.	Secondary TUPE issues are not	Low	Number of contractor staff affected by TUPE is low. The early involvement of

	managed satisfactorily, potentially resulting in consultation and staff issues.		HR and legal to provide advice and guidance will mitigate any risks. Early tracking of suppliers HR engagement approach. TUPE implications were dealt with effectively by the contractor when implementing the FM contract for 160 Tooley Street.
3.	Incorporating additional buildings into the scope of the contract will potentially result in the supplier over extending their capacity and lead to a reduction in performance.	Low	Supplier is a major international company with more than 50,000 employees. Risk of over extending themselves is low. Strong contract management processes put in place to ensure service levels are improved and maintained at a high level.

Policy implications

18. 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.

TUPE implications

19. As on-site security services at 132 Queens Road are currently provided by Charter Security PLC there will be TUPE implications as a result of extending the scope of this contract. Interserve PLC are aware of these implications and have extensive experience of successfully dealing with TUPE transfers. CFM are confident that the transfer of any staff affected will be handled effectively and sensitively.

Contract management and monitoring

20. The contract will continue to be managed by the CFM contracts team, primarily by the contracts manager, with the support of the contracts officer. The team's responsibilities in relation to the delivery of this contract will include:
- Monitoring budget spend and compiling monthly spend profile reports for CFM
 - Checking the invoice for accuracy
 - Providing a robust single point of contact for end users
 - Responding to complaints and service improvement requests
 - Chairing monthly performance monitoring meetings
 - Ensuring contractor performance reports are received
 - Risk management
 - Monitoring key performance targets and other performance standards.

Community impact statement

21. This decision has been judged to have no or a very small impact on local people and communities, however Interserve will continue to pro-actively promote employment of local staff to service the contracts.

Economic considerations

22. Interserve will seek where possible to use local companies in their supply chain and to employ local people to service the contract.

Social considerations

23. The extended scope of the contract will ensure that all staff servicing the contract at the new locations will be paid at least the London living wage resulting in better customer service from operatives, increasing productivity and improving staff retention.

Environmental considerations

24. Interserve use environmentally friendly cleaning products and continue to work with CFM to improve recycled waste removal targets and that all general waste is removed in line with the council's waste policy.

Financial implications

25. The extension of scope to the two new sites will be funded from existing corporate and departmental budgets.
26. Negotiations around the cost of the extension of scope of the contract has taken place between the operations manager of CFM and Interserve. CFM are confident that the extension of scope achieves best value as the unit costs for contractor staff employed on the contract are similar to those at Tooley Street.
27. The cost of repairs and maintenance falls within the range expected for properties of this size and age. Interserve have considered the warranties the council hold for the new plant in both properties and have factored these into their cost proposals.
28. The contract costs fall into a number of streams, the fixed price lump sum anticipated to account for 86% of the overall contract cost and two variable cost streams anticipated to account for 14% of the overall contract cost.
29. The fixed price lump sum is the contractor's inclusive price for all works and services up to the financial threshold liability (FTL) threshold. Costs for works over this threshold are met by the council. For any item over £1,000 the contractor will meet the cost up to £1,000 with the council meeting the balance over £1,000. The main variable cost stream includes this element along with other defined exclusions to the fixed lump sum price. The third cost stream consists of costs for pass through items which will be passed on to the council with no overhead or profit.

30. The contract is subject to an annual price review with the indexation mechanism originally linked to the RPIX. As this inflation rate is currently under review by the Office for National Statistics the fixed price lump sum will increase on the anniversary of the contract start date each contract year in line with the mechanism that replaces the RPIX rate. The day rates and schedule of rates in the variable cost streams will also increase annually in line with the new mechanism.

Legal implications

31. Please refer to the legal concurrent from the director of legal services

Consultation

32. None.

Other implications or issues

33. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

34. This is a gateway three report seeking a variation to the current consolidated facilities management contract for 160 Tooley Street.
35. The variation sought is to extend the scope of the contract to include two additional operational sites. The report advises that it was always the intention to add further sites to this contract post award, and the legal concurrent confirms that mechanisms were included in the contract to facilitate this.
36. Paragraphs 7 - 9 summarises how this variation will contribute to the council's overall facilities management programme, whilst paragraph 10 confirms the services that will now also be delivered to the new sites.
37. Paragraphs 14 – 15 advises that whilst not all performance targets have been met during this first operational quarter, this is not unusual during the embedding stage of such a contract, and CFM are confident that areas where improvements are needed are being satisfactorily addressed and so there are no current performance issues that would prohibit the approval of this variation.
38. Paragraph 16 confirms that as the current contract has the ability to have further sites added to the service delivery portfolio, no other procurements were considered.
39. Paragraph 17 advises that the risks identified are deemed low, and paragraph 18 confirms that TUPE will apply and that the appropriate advice has been sought.
40. Paragraph 20 confirms the contract management and monitoring arrangements that will be expanded to the new sites.
41. Paragraph 26 confirms that CFM are satisfied that the pricing for the two new sites does represent best value for the council.

Director of Legal Services

- 42. This report seeks the approval of the strategic director of finance and corporate services to the expansion of the operational scope of the Tooley Street consolidated facilities management contract with Interserve PLC to include new sites at Queens Road 1 (132 Queens Road), and Queens Road 3 (1 Lugard Road). This report sets out the reasons why this expansion is necessary. Paragraph 6 of the report confirms that the existing consolidated facilities management contract includes provisions that allow the council to expand its scope in the manner that is referred to in this report.
- 43. CSO 4.6.1 provides that the decision to allow the variation of this contract can be taken on the basis of a written report by the relevant chief officer or under his/her delegated authority in line with the department's scheme of management.

Strategic Director of Finance and Corporate Services (F&CS13/018)

- 44. The Strategic Director of Finance and Corporate Services notes the financial implications detailed in paragraphs 25 to 30 of this report. Funding is available within the 2013/14 budget to fund this contract.
- 45. Funding for future years, including any inflationary increases, will be sought through the council's budget setting process. The contract will need to be closely monitored to ensure it continues to deliver best value.
- 46. The option to extend this contract for a further two years will be subject to available funding and will need to follow contract standing orders and protocols.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature  Date 6.6.13

Designation STRATEGIC DIRECTOR OF FINANCE AND CORPORATE SERVICES

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 1 and 2 reports for the award of the contract for consolidated facilities management at 160 Tooley Street	Finance and Corporate Resources, Corporate Facilities Management Team, 2 nd Floor, 160 Tooley Street	Paul Symington 0207 525 2185

APPENDICES

No	Title
Appendix 1	Key performance indicators (monthly reporting)

AUDIT TRAIL

Lead Officer	Matthew Hunt, Head of Corporate Facilities	
Report Author	Paul Symington, Facilities Operations and Service Delivery Manager	
Version	V1.0	
Dated	6 June 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional Team		

Appendix 1 Key Performance Indicators (monthly reporting)

KEY PERFORMANCE INDICATORS

Section	Service	KPI	Target Performance Percentage
Management and Customer Service	Health and Safety	The Contractor shall undertake all Statutory / Mandatory inspections to the agreed programme with records updated within 5 business days of completion	100
		The Contractor shall respond and issue a formal action plan to the Service Manager within 1 business day to any instances of Health and Safety regulation contravention	100
	Customer Relationship Management	The Contractor shall monitor and measure customer satisfaction levels and provide action plans to address any dissatisfaction identified within agreed timescales	95
		The Contractor shall respond to all complaints with a formal action plan within 5 business days of receiving the complaint	95
	Contractor Reporting and Meeting Attendance	The Contractor shall provide an appropriate level of seniority at meetings and provide periodic reports (to the agreed format and standard specified) including ad hoc reports, as defined within the Contract including but not limited to Schedule J	95

Hard FM Service Delivery	Planned Preventative Maintenance	The Contractor shall complete all PPM activities within 5 business days of scheduled date as per agreed plan including the recording, updating and issue of associated service records, certification, CAFM and/or asset management systems and hard copy files as required to comply with current and future statutory, mandatory and best practice requirements	100
		The Contractor shall inform the Service Manager within 1 business day of any item of plant or equipment requiring remedial works following a PPM visit	95
	Reactive Maintenance	The Contractor shall complete all Category A (Emergency), Category B (Urgent) & Category C (Routine) works requests within the agreed response times as set out in the Specification including the issue of associated service record sheets, certification and/or other documentation as required to comply with current and future statutory, mandatory and best practice requirements	95
	Quality Assurance	The Contractor shall effect all reactive and planned maintenance activities to agreed quality standards	95
	Documentation response times	The Contractor shall respond and issue to all requests for works quotations and supporting documentation to the Service Manager within the agreed response times	95

Soft FM Service Delivery	Pest Control	The Contractor shall attend to all reactive and planned pest control service requests within the agreed timescales	95
	Cleaning	The Contractor shall ensure that all areas under the Contract meet specified cleaning standards at the start of every business day and that a constant supply of consumables is available throughout the building daily	95
	Internal Waste Management	The Contractor shall collect and dispose of Internal waste to agreed timescales as per the Contractor's Plan and the Contractor shall ensure there is no excessive build up of waste in the bin store, notifying the service desk when such occasions occur, within the agreed timescale	95
	Security	The Contractor shall ensure that the site is secured and open for business in line with the Specification and the Contractor's Plan, the issue and collection of all Contractor passes are reconciled daily, all security incidents are recorded and CCTV is monitored 24 hours per day, with records kept as per Council policy	95
	Vending	The Contractor shall ensure all vending machines are operational and stocked with a choice to complement the onsite café throughout the business day	95
	Reactive Request Response Times	The Contractor shall meet all reactive soft FM requests within the Category A (Emergency) response time	95

