Executive Summary

As part of the move towards a ‘commissioning authority’ and the continuing need to realise savings, the plan presented to County Council on 13 December 2013 included the redesign of the internal Facilities Management Service.

The proposal is to outsource to a Total Facilities Management (TFM) contractor the operational Facilities Management (FM) functions currently delivered in-house and through multiple contractors. It is anticipated there is scope to improve the efficiency and effectiveness in the way FM services are delivered to support front-line services through supply chain rationalisation, securing improved access to capacity and expertise, and to remove potential points of failure by increasing resilience.

The proposed contract links to the corporate vision to support the local economy by allowing the council to influence the selection of the supply chain needed to deliver the service.

Recommendations

(1) That detailed plans to procure an alternative delivery model for Facilities Management to deliver hard and soft services across the corporate estate are developed.

(2) That the contract runs from 1 April 2015 for an initial period of seven years. The value of the contract will be in the order of £10m per annum.

(3) That the decision to approve the new delivery model is delegated to the Director of Service Operations.
1. **Background and Context**

1.1 The County Council’s Facilities Management (FM) service is a strategic resource that undertakes a broad range of ‘hard’ and ‘soft’ FM activities including but not restricted to maintenance and repair of the corporate estate, catering, cleaning, grounds maintenance and security as well as delivering services via Service Level Agreements (SLA) to schools and has a significant impact upon people, the services being delivered and the workplace environment.

1.2 FM has an establishment of 85 staff at an annual revenue cost of £2.4m. There is currently a mix of in-house functions and contracted out services that delivers FM services across the corporate estate and to schools and other education establishments via SLA’s. The annual revenue spend across FM is £5.2m and capital £3.3m, income from SLA’s is £1m.

1.3 In 2012 Facilities Management was restructured to centralise internal FM functions and budgets and deliver services more efficiently and effectively to customers. A review of the service ([Appendix A](#)) was carried out in December 2012 which provided an external perspective of FM’s capacity and expertise, assessed the value for money and considered future options for the service. Further work to review options and to justify the need to redesign FM services and to define the benefits of an outsourced provision to a single service provider was carried out by Procurement and Contract Services. ([Appendix B](#))

2. **Consultation**

2.1 The proposal is part of the corporate savings plan however, in developing the outcomes for the contract there will be extensive consultation with internal FM service users and schools. The proposal, after consultation, will be extended to partner organisations to allow them access to some or all of the contracted out services.

2.2 Unison has been briefed on this proposal. The project team has representation from HR, Legal Services, Procurement and Financial Services. The technical expertise that will inform the services and specification of those services are in-house staff.

2.3 The socio-economic impact of this proposal has been discussed with the Community and Economic Development Team, Procurement and Contract Services and the Sustainability Team.

3. **Proposal**

3.1 It is proposed to seek, through an Official Journal of the European Union (OJEU) compliant tender process, a single TFM contractor to deliver the wide range of hard and soft FM services to support front-line services across the corporate estate, to deliver a wide range of services to the County Council’s schools via SLA’s or directly with the contractor and to offer the services to Districts and Boroughs and other partner organisations. It is proposed the service is in place from 1 April 2015.
3.2 The impetus for this change from a primarily in-house model to contract out the FM service is for cost savings, to improve service resilience and to secure a more commercial and entrepreneurial skillset that large private sector companies can provide.

3.3 Service level agreements exist between the current in-house FM team and the County Council’s internal services. It is proposed to base the contracted out service broadly on the same lines as these existing agreements however, key service providers will be consulted to ensure the core non-negotiable FM activities are understood and agreed and included in the outsourcing contract.

3.4 It is expected a team of 10 -12 staff will be retained to manage and monitor the contract, ensure compliance with KPI’s, develop and implement the FM strategy going forward to monitor spend and to develop programmes of work with the contractor.

4. Other Options considered

4.1 The alternative options to deliver FM services are set out in the table below, the preferred option is highlighted in bold;

<table>
<thead>
<tr>
<th>Options</th>
<th>Pros</th>
<th>Cons</th>
</tr>
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<tbody>
<tr>
<td>1 As is</td>
<td>• Nil cost to implement&lt;br&gt;• Current service standards generally accepted by customers&lt;br&gt;• Little impact on staff&lt;br&gt;• Compliance standards set and managed centrally</td>
<td>• Restricted opportunities for savings, 3rd party investment, service improvements and income generation&lt;br&gt;• Limited resource in some services (single points of failure)&lt;br&gt;• Does not deliver change quickly and effectively</td>
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<tr>
<td>2 In Source</td>
<td>• Could be seen as reducing the risk with continuity of service</td>
<td>• Does not fit with council objective of commissioning services&lt;br&gt;• Less potential for greater efficiency and economy&lt;br&gt;• Does not deliver change quickly and effectively&lt;br&gt; • Restricted opportunities for savings, 3rd party investment, service improvements and income generation</td>
</tr>
<tr>
<td>3 Hard and Soft Total Facilities Management (TFM) geographic split</td>
<td>• Allows for benchmarking between service</td>
<td>• Restricts savings opportunities&lt;br&gt;• Increases contract</td>
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| 4 | **Public to private ‘Hard’ and ‘Soft’ TFM with option for public to public shared service arrangements (Districts/Boroughs, Police, Health etc.)** | • **Maximum savings, efficiencies and income opportunities**  
• **Mature market**  
• **Lower bids**  
• **Some risk transfer**  
• **Single point of contact**  
• **Clear delineation of responsibilities**  
• **Reduced contract management costs** | • **Reliant on one service provider**  
• **Possible loss of in-house expertise**  
• **Major change initially and effort required in educating contractor and internal clients and with starting up new contracts periodically going forward** |
| 5 | **Joint Venture** | • **Staff numbers unlikely to reduce further**  
• **Additional capital**  
• **New opportunities for growth** | • **Could rely on finding other public sector work to be sustainable**  
• **Reduced savings opportunities**  
• **Management costs increased**  
• **Reduced level of control** |
| 6 | **TFM to include Capital Projects and Professional Services** | • **Link between capital and maintenance improved - should result in a reduction in the cost of ownership of assets** | • **Time to implement may reduce short term savings opportunities.**  
• **Cost to implement (may need external consultants)** |
| 7 | **Staff Mutual** | • **Familiarity**  
• **Smooth transition**  
• **Release from some restraints** | • **Same people doing the same job**  
• **Lack of significant investment for enabling technology**  
• **Lack of commercial skills** |

### 5. Resource Implications and Value for Money

5.1 It is anticipated that value for money will be demonstrated by an overall reduction in the cost of the service (5%–10%) through greater competition, the consolidation of existing contracts, an improvement in effectiveness and resilience of service delivery and the ability of the contractor to transform services quickly and efficiently in response to changing needs of the authority.
5.2 As outlined above the proposal contributes to the County Council priority of commissioning services and maximising the use of local supply chains. The proposal is the best option in terms of increasing the scope of services available, particularly to schools where the County Council has FM Service Level Agreements (£1m), and in reducing the risk to the authority where there are currently potential single points of failure.

6. **Impact of the proposal**

6.1 An Equality Impact Report has been undertaken and is attached at Appendix C.

6.2 **Crime and Disorder Act Implications** – not applicable.

6.3 **Human Rights Act Implications** – not applicable.

6.4 **Social Value** – Facilities Management (FM) employs a number of staff with disability undertaking roles as water testers, Computer Aided Design (CAD) technician, and in caretaking roles, these roles will continue with the partner provider and where possible and appropriate it is proposed to increase access to other roles.

   It is also proposed to maximise opportunities for job creation, to retain existing jobs and to continue or enhance the apprenticeship scheme that has been running in FM for three years and to develop other employment and skills initiatives.

   The contracting partner will also be asked to identify, develop and nurture the supply chain organisations based in and around West Sussex particularly the SME that are part of the FM select lists of contractors.

7. **Risk Management Implications**

7.1 There are a number of contracts that FM holds with external providers that are business critical to the County Council. Clarity is needed, working with potential contractors, whether these contracts continue or are terminated. There is also a need to ensure, where the contracts are business critical, that there is not a gap in the service that causes business continuity risk. This risk will be mitigated through the due diligence process.

7.2 There are financial risks with the TUPE of staff from the County Council to a new provider and potentially where existing contracts are terminated from contractors to the new FM provider. This will be mitigated through the due diligence process of understanding existing contracts and by understanding which internal staff will be transferring.

7.3 Some property related data held by the County Council is incomplete and so some assumptions will be made that are difficult to put an accurate cost to. The project team are working with Estates Managers to minimise this gap.
7.4 The change of emphasis from an in-house delivery team to a TFM provider will require the retained in-house service to have different skill sets from those currently held to include core competencies such as; contract management, commercial acumen and project/programme management skills that are being developed to meet this new role.

7.5 The move to one TFM provider could impact local supply chains, officers will work with proposed contractors to influence the use of the local supply chains across all FM services.

Diane Ashby
Chief Operating Officer

Vic Bass
Principal Manager Facilities Management

Contact: Vic Bass 0330 2222796

Background Papers
None

Appendices
[Appendix A – Review of Facilities Management December 2012]
[Appendix B – Procurement Outline Commissioning Plan]
## Equality Impact Report

<table>
<thead>
<tr>
<th>Title of proposal</th>
<th>Redesign of Facilities Management Services</th>
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<tbody>
<tr>
<td>Date of implementation</td>
<td>1 April 2015</td>
</tr>
<tr>
<td>EIR completed by:</td>
<td>Name: Vic Bass</td>
</tr>
<tr>
<td></td>
<td>Tel: 0330 2222796</td>
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1. Decide whether this report is needed and, if so, describe how you have assessed the impact of the proposal.

There will be no material negative impact of this proposal. However, the socio-economic outcomes and sustainability will form key elements of the new delivery partners operating model.

2. Describe any negative impact for customers or residents.

It is not anticipated there will be any negative effects as a result of this proposal.

3. Describe any positive effects which may offset any negative impact.

Facilities Management (FM) employs a number of staff with disability undertaking roles as water testers, Computer Aided Design (CAD) technician, and in caretaking roles, these roles will continue with the partner provider and where possible and appropriate it is proposed to increase access to other roles within FM.

It is also proposed to continue or enhance the apprenticeship scheme started in FM 3 years ago which has produced two excellent engineers, an area of expertise the County Council has had issues in recruiting for 10 years.

4. Describe whether and how the proposal helps to eliminate discrimination, harassment and victimisation.

The proposal will ensure the chosen service provider has the same or better processes to eliminate discrimination, harassment and victimisation as the County Council. This will initially be explored during ‘soft market testing’ and built into the contract.

5. Describe whether and how the proposal helps to advance equality of opportunity between people who share a protected characteristic and those who do not.

The County Council’s commitment to equality of opportunity will be set out in the new contract and we will work with the chosen provider to ensure there is a ‘golden thread’ from the contract to on the ground to ensure the commitment is being delivered.

6. Describe whether and how the proposal helps to foster good relations between persons who share a protected characteristic and those who do not.
The County Council will expect and make clear to the partner provider that its commitment to ensuring there are good relations between all individuals continues or is enhanced.

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<thead>
<tr>
<th>7. What changes were made to the proposal as a result? If none, explain why.</th>
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<tbody>
<tr>
<td>It is not proposed to make any changes at this stage. The County Council is committed to consulting with all stakeholders to ensure the contracted out service delivers a positive and enhanced FM service going forward.</td>
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<th>8. Explain how the impact will be monitored to make sure it continues to meet the equality duty owed to customers and say who will be responsible for this.</th>
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<tr>
<td>The true effect of a decision will only be known once it has been implemented. However there will be contractual obligations that will be measured vigorously along with service standards performance measures.</td>
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To be signed by a Director or Head of Service to confirm that they have read and approved the content.

<table>
<thead>
<tr>
<th>Name</th>
<th>Date</th>
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<tbody>
<tr>
<td>Vic Bass</td>
<td>1 April 2014</td>
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<table>
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<tr>
<th>Your position</th>
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<tr>
<td>Principal Manager Facilities Management</td>
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