## Facilities Management - Review of Delivery Model Options

A review detailing the benefits, challenges, costs and risks was conducted for four of the delivery models (see table below). The information from the review was used to inform council members during the appraisal process.

<table>
<thead>
<tr>
<th>Delivery Model</th>
<th>Benefits</th>
<th>Challenges</th>
<th>Costs</th>
<th>Risks</th>
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| **TFM**        | • Deliver the highest amount of potential savings including the ability to share in efficiencies and incentivise capacity (10-20% as per market testing).  
• Potential longer term savings and service improvement through continuous improvement (innovation) and year-on-year efficiencies  
• Create unified management across the services and reduces time spent on contract management activities  
• Create consistency of service across the estate  
• Straightforward and robust contractual arrangement  
• Provider has a large (mature) supply chain network to access and realise economies of scale  
• Provides greater career opportunities for staff including those who TUPE across  
• Implementation and TUPE easier to manage as providers have experience (including in Local Authority market)  
• This type of opportunity is attractive to the FM market  
• Council is able to transfer a lot of risk to the provider  
• MI to support decision making  
• Potential for greater benefit through joint procurement activity. | • Expectations of the service and potential flexibility of contract (ie tiered approach) need to be understood e.g. cost implications  
• Staff – appropriate consultation period for staff and unions is critical, as is change management  
• Clienting arrangements – decision needs to be made around how to transition from existing contracts  
• Lack of visibility of current spend and contracts still in term mean the transition period may be challenging  
• Requires partnering approach and mature relationship management skills from both the provider and the Council | • External legal costs – need for a commercial lawyer to aid with the contractual T&C’s  
• Potential redundancy packages for staff  
• Relatively high procurement costs – due to complexity of contract (although low if considered over term of contract and appropriate procurement route selected and carefully managed)  
• More complex intelligent client function may be needed – for operating performance monitoring and management of complex contract  
• Perceived loss of control over how services delivered and/or flexibility of the service | • Staff in the affected population and with potential TUPE rights could be wider than the staff currently employed by the Council e.g. other providers, NPS etc  
• Staff currently receive London Living Wage and this may not be guaranteed with new provider – this was discussed during soft market testing with positive responses from all providers and should be built into pricing for the tender  
• If the supplier were to default then the Council would be at risk with ‘all their eggs in one basket’ |
| **Enhanced as is** | • Continuity of service delivery  
• Minimal cost of change  
• Opportunity to restructure and improve current service delivery | • Limited savings potential  
• Clienting - ability to manage multiple contracts for each sub-category of spend across the full estate  
• Lack of ability to consolidate spend reduces opportunity to drive change and consistency | • Limited opportunity to make savings and achieve vfm  
• Limited opportunity to improve service delivery | • Political and organisational risk of not delivering Council agenda  
• Risk of staff redundancy  
• Risk of limited staff retention through training and development |
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| Bundling/outsourcing of single sourced services | • Increased expertise for each specific service  
• Less of a shift from the current state  
• Decreased internal management burden and costs from current state (fewer internal staff)  
• Increased levels of service improvement  
• Higher savings on bundled services (than single source outsourcing)  
• Could support the use of local providers directly as opposed to relying on other providers supply chains | • Opportunity to place greater focus on strategic FM management (less operational focus)  
• Greater consistency of service delivery across bundled services  
• Access to continuous market innovation  
• (Some) Opportunity to involve local SMEs | • Limited opportunity to maximise savings potential due to work already done in FM around contracts  
• Decreased benefits of integration (associated with service synergies)  
• Some duplication of contract management (e.g. 2 bundles) and associated external management costs  
• Less control and flexibility over service delivery | • Limited contract management expertise  
• Cost and timescales of procurement and implementation may erode potential benefits  
• Specific local requirements not able to be met  
• Some risk of bundled services not being attractive to wider market  
• May need to have several contracts with different providers |
| Joint Venture/Norse Type Arrangement | As for TFM:  
• This arrangement would generate income for the Council  
• The Council would share risks and costs with a partner  
• Higher level of control than TFM as the Council has a representative on the board  
• Potential for greater member buy in as not a complete outsource and the Council retains a stake/ control of the service  
• For Norse - no OJEU procurement required – therefore council benefits from reduced procurement timescales | As for TFM:  
• Council would need a strong business/clienting awareness involvement to make this arrangement successful  
• Potential longer contract than for TFM (e.g. 15 years)  
• If with NPS then would need to test value for money of offering through market sounding / dummy procurement exercise | As for TFM but with:  
• Higher more complex procurement / contracting costs if not with NPS or Teckal exemption not eligible to apply  
• Higher more complex intelligent client function required  
• Council has a stake and needs to generate profit | • Contracting would need to ensure that the objectives and arrangements of the venture are clear  
• Lower commercial incentives than a purely commercial model (e.g. Norse is publically owned.)  
• Arrangements for staff need to be clear around management arrangements |