Please provide a summary of the business case to proceed with the procurement

This report seeks Strategic Board approval for the procurement of a total facilities management (TFM) contract.

The Council is required to deliver a full facilities management (FM) service across the council’s building portfolio. This includes the provision of the following services; Cleaning,

1 Value over total life of contract including extensions

2 For guidance on how to include apprentices in procurement exercises and typical numbers for the size of contract see the Community Benefit Toolkit, available on the intranet

3 What are you seeking to purchase and why?
Mail Services, Security Services, Moves management/ space planning, Porterage service, Furniture management, Grounds Maintenance, Catering, Cashier Collection, Reception services, Cyclical maintenance, Reactive repairs and maintenance and Helpdesk and Customer Services.

FM services are currently delivered in silos across the Council, either through a third party supplier or from the in house FM team. This fragmentation means:

- Limited economies of scale, minimising the ability of the Council to leverage its spend and achieve cost savings across FM;
- Limited transparency of spend across the entire FM category;
- Management controls to reduce and stop/ challenge FM spend cannot be effectively applied; and
- There are no minimum or standard quality thresholds across the category, leading to inconsistencies in service delivery and difficulties in managing user expectations.

A review of the current FM landscape was carried out as part of the procurement programme delivered with PwC, and an options paper and strategic sourcing plan (see appendix 1) were produced to determine the optimum delivery model based on the business requirements for FM services in Waltham Forest.

TFM was identified as the highest ranked option in terms of meeting the Council’s business requirements from the six potential delivery models.

In a TFM model the Council would consolidate all of its FM related spend (depending on the scope of services put into the deal) and outsource it to a single provider. The FM provider would, either through its own supply chain or through self-delivery, deliver the majority of FM services to the Council for a contracted price and/or schedule of rates.

It is estimated that by moving to a TFM model an annual saving of £0.5m-£1.3m (8%-20%) can be achieved when compared to the current baseline (matched on like for like delivery of services).

The 8%-20% estimated saving range (against the current baseline) was tested and validated by the market during the scoping phase with some service providers suggesting that savings could reach 25%.

Additional benefits of moving to a TFM solution include (a full list of TFM benefits can be seen on page 13 of appendix 1):

1. Greater visibility and control of FM spend across the council
2. Greater career opportunities for staff including those who TUPE across
3. The ability to transfer a lot of risk to the provider
4. Consolidated MI to help inform key strategic decisions

Following a review of the Options Appraisal and SSP the Management Board signed off on the implementation of a TFM solution on 23/09/14.

There are currently two approaches under review for the procurement of the TFM contract;
1. An OJEU Compliant competitive dialogue process,
2. Call off the Tri-borough TFM framework agreement.
Please see section “Procurement Approach” to understand how these options are being considered and appraised.

Restricting Demand - Please can you outline how this new contract will differ to the previous contract (if applicable) and/or what measures have taken place to reduce demand? 4

The new contract will outsource all of FM services to a sole provider. This will involve the transition of all services currently delivered under ~80 suppliers to a single provider as well as the TUPE of internal staff.

During the specification gathering process, a view will be taken on the current demand to determine whether or not this can be challenged and reduced. Service managers will be consulted with to determine the current level of demand and the type / quality of service being provided.

The tender documents will account for any reduction in demand and ask the supplier to quote a price based on the new demand requirements.

Category Manager Comments  
Agreed.

Market Capability - Please provide an assessment of the market’s ability to meet the requirement e.g. many suppliers or few? Maturity of the supply base? Have you carried out any market sounding?

The facilities management market is very mature and there are a number of established Total Facilities Management suppliers in place.

Soft market testing was conducted during the strategic sourcing plan and generated interest from a number of suppliers.

Both the tri borough and competitive dialogue route demonstrate a strong capability from the market to deliver a TFM solution.

Category Manager Comments  
Agreed.

Collaboration – Please explain what consideration has been given to joint procurement with other Departments and Authorities?

The Tri-borough route would, by its very nature, involve collaborating with other

---

4 Consider alternative means of meeting your needs, redesigning services, reducing demand etc
authorities. Enfield have already ruled out the tri-borough option

In regards to the competitive dialogue process consideration has been given to collaborate with Enfield (who will need a solution in 2016). As yet, no decision has been taken around whether to proceed with this and name Enfield in the OJEU notice. A decision will need to be made, by Enfield, around whether they wish to be included prior to us publishing the OJEU notice (30/01/15). Should Enfield be included the contract value would change.

<table>
<thead>
<tr>
<th>Category Manager Comments</th>
<th>Collaboration via the competitive dialogue route would be difficult to deliver within the timetable anticipated.</th>
</tr>
</thead>
</table>

**Contribution to the Council’s Vision and Corporate Priorities?**

The procurement of a total facilities management solution supports a number of the council priorities for 2012-2014 namely:

1. Keeping the borough clean- this will be achieved through the grounds maintenance and cleaning sections of the contract. (Please note this would only apply for Council run buildings)
2. Improving every park in the borough- Similarly achieved through the Ground Maintenance section of the contract

<table>
<thead>
<tr>
<th>Category Manager Comments</th>
<th>Agree</th>
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</thead>
</table>

**Sustainable Procurement – Please can you detail how this contract will support the Council’s Sustainable Procurement Policy? E.g. employing apprenticeships, work experience, local labour, environmental impact, social benefits etc.**

Through this contract we will seek to ensure that we maximise benefits for the local economy, environment and socially to comply with the Sustainable Procurement Policy. Specifically we will seek to ensure that the contractors:

1. Agree a specified number of local apprenticeships
2. Where possible look to use the local supply chain and act in an environmentally friendly way
3. When it is necessary to recruit staff that they work with the Council to employ local staff.

By undertaking FM services in a timely manner the Council ensures that deterioration and deformation of the assets is minimised and that more expensive/time consuming FM activities do not need to take place.

A timely FM service will also help to ensure that the asset is safe and clean for use of staff and visitors.

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5 How does this procurement support the Council’s Corporate Aims
### Strategic Procurement Board – Procurement Business Case

<table>
<thead>
<tr>
<th>Category Manager Comments</th>
<th>Agreed.</th>
</tr>
</thead>
</table>

#### London Living Wage – Please confirm if London Living Wage will be paid as part of this contract? Has the financial modelling been done to support this? If not, what are the reasons supporting this?

During the market testing it was noted that all providers offered the ability to provide the London Living Wage.

During the tendering process the Council will ask for two pricing options in order to see the impact of the London Living Wage (given the cost base is 80% staff costs).

A decision can then be made around the inclusion/exemption of this cost.

<table>
<thead>
<tr>
<th>Category Manager Comments</th>
<th>Agreed.</th>
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</table>

#### Contract Management - Please can you outline what contract management process is planned for the duration of the contract e.g. KPIs, Milestones, Target dates, use of Quality Management Systems and Contract Meeting Review Process etc?

Once in place a new clienting function will need to be set up to manage the contract. As part of the procurement process this clienting function will be designed and implemented prior to the contract going live.

A decision is required as to where the contract ultimately sits once awarded - current view is that it would sit under David Evans (Head of Major Contracts) as a Place related service. Contract management and performance management will form part of the Competitive Dialogue with the potential providers.

<table>
<thead>
<tr>
<th>Proposed Contract Manager:</th>
<th>tbc</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category Manager comments</td>
<td>This is very important, however yet to be identified.</td>
</tr>
</tbody>
</table>

#### Procurement Approach

<table>
<thead>
<tr>
<th>Proposed Procurement process to be undertaken with explanation</th>
<th>There are two options currently being considered for the procurement approach. An options paper has been produced (see appendix 2) to determine the pros and cons of each process</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. OJEU compliant Competitive Dialogue (CD) Process - This will engage the whole FM market and use the dialogue process as a way of scoping the services and determining the best value for money contract for Waltham Forest</td>
<td></td>
</tr>
</tbody>
</table>

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6 E.g. OJEU/Non OJEU/Framework etc; consider how contract will be structured e.g. will it be divided into lots; type of procedure – open, restricted, competitive dialogue
2. Call off the Tri borough framework – This will involve calling off an existing and established TFM framework (services provided by AMEY) whereby all London Boroughs were named in the OJEU.

In order to determine the best value for money option for Waltham Forest a feasibility study will be carried out by the Tri-borough in the New Year. The results of this will be compared to the potential savings that could be achieved through the CD process (validated by LB Richmond who have just been through a CD process for TFM).

Based on the outcome of the review a decision will then be made on the preferred procurement approach by the Chief Operating Officer.

Whilst the feasibility study is ongoing, work will start on the OJEU process, thereby running the two approaches in parallel. As such, it’s likely that the council will be going out to market through the CD process, whilst the feasibility study is in progress.

**Proposed Evaluation criteria and method of assessment**

Should the Competitive Dialogue process be approved the suppliers will be evaluated against an agreed set of criteria (to be determined) using the 40% quality 60% price weightings.

**Savings and method of calculation**

Total addressable Facilities Management Spend (2013/2014) AP data = £6.4m as the baseline spend

**Savings calculation (at the date of contract award):**

Current cost of providing what has been classified as addressable FM services across the existing estate = £6.4m per annum less

New like for like annualised cost of delivering the Total FM solution (following procurement of new contract) = £Xm

= £6.4m - £Xm = £Xk savings contributed to savings pool

**Project Team**

Marina Dimopoulou (MD)- Project Sponsor
David Levy (DL)- AD for Procurement
Jody Adams (JA)- Category Manager
PwC resources (PwC) – Project Manager and Delivery Team
Terry Borkett & Linda Emmanuel - Finance
Lyn Meadows - Legal
Daniel Procter - HR

**Timetable**

<table>
<thead>
<tr>
<th>ACTIVITY</th>
<th>COMPLETED BY...</th>
<th>RESOURCE REQ’D</th>
</tr>
</thead>
<tbody>
<tr>
<td>PIN</td>
<td>n/a</td>
<td>n/a</td>
</tr>
</tbody>
</table>

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7 Provide breakdown of price and quality criteria to be evaluated

8 This should explain the baseline from which savings will be measured and also provide an estimate of expected savings.
Strategic Procurement Board – Procurement Business Case

<table>
<thead>
<tr>
<th>Event</th>
<th>Date</th>
<th>Responsible Party(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Day</td>
<td>14/01/15</td>
<td>JA, PwC</td>
</tr>
<tr>
<td>Place Contract Notice</td>
<td>30/01/15</td>
<td>PwC</td>
</tr>
<tr>
<td>Issue PQQ</td>
<td>30/01/15</td>
<td>PwC</td>
</tr>
<tr>
<td>PQQ closing Date</td>
<td>13/03/15</td>
<td>JA/ PwC</td>
</tr>
<tr>
<td>PQQ Evaluation Ends</td>
<td>20/03/15</td>
<td>MD, DL, JA, PwC</td>
</tr>
<tr>
<td>Issue invitation to participate in dialogue</td>
<td>24/03/15</td>
<td>JA, PwC</td>
</tr>
<tr>
<td>Close Dialogue</td>
<td>24/05/15</td>
<td>PwC</td>
</tr>
<tr>
<td>Call for final tender</td>
<td>25/05/15</td>
<td>JA, PwC</td>
</tr>
<tr>
<td>Final tender closing date</td>
<td>10/06/15</td>
<td>PwC</td>
</tr>
<tr>
<td>Final tender evaluation ends</td>
<td>26/06/15</td>
<td>MD, DL, JA, PwC</td>
</tr>
<tr>
<td>Report to Cabinet to request approval for award</td>
<td>14/08/15*</td>
<td>MD, DL, PwC</td>
</tr>
<tr>
<td>Notify intention to award (Standstill letters)</td>
<td>24/08/15</td>
<td>MD</td>
</tr>
<tr>
<td>Award letters</td>
<td>11/09/15</td>
<td>MD, PwC</td>
</tr>
<tr>
<td>Contract Signed</td>
<td>13/09/15</td>
<td>MD</td>
</tr>
<tr>
<td>Implementation</td>
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</tr>
<tr>
<td>Contract Start Date</td>
<td>01/01/16</td>
<td>tbc</td>
</tr>
</tbody>
</table>

**Key Risks and countermeasures**
A full list of key risks and countermeasures can be found in appendix 1 page 24

**Category Manager Comments**
Agreed.

**Equality Assessment**

The Council’s property assets provide access to services to all sectors and all members of our communities. There are therefore no equality issues relating to the tendering of this contract in terms of access to services.

An equality assessment will be undertaken of all interested suppliers at the PQQ stage. The suppliers will need to pass certain equality criteria (to be defined in consultation with legal,

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9 What are the positive and adverse impacts as a result of this procurement.
procurement and HR) before they can progress to the next stage of the procurement.

An initial screening exercise of the equality impact of this decision was undertaken and determined there was no impact on the Council’s equality duty (appendix 3). As the procurement process progresses further equality and impact screenings will take place to determine whether this position changes.

The Equality impact on internal staff being TUPE’d across will be addressed through the HR consultation process which is being adhered to throughout this procurement.

Category Manager Comments
Agreed.

Strategic Procurement Board Comments

DN queried why the savings range is so broad. TS replied that this is the results from market testing a wide range of services. PwC get paid 20% of savings made.

DN clarified that internal services currently include cleaning, porters and security. Repairs and Maintenance is provided externally.

JW queried why there is a competitive dialogue process for Facilities Management. SG recommended considering additional variant proposals. TS stated that there will be dialogue on TUPE (with potentially 85 staff) and transition of existing contracts. SG clarified the pension issue. Competitive Dialogue previous has taken 10 months and the dialogue process has been 8 months. TH stated that this process has been undertaken at Croydon.

DL explored the twin track approach. Tri-borough TFM Framework agreement has a single supplier (services provided by AMEY). DL preference is to go to market to ensure we get value for money. Benchmarking and Feasibility study is required (however, funding is required for feasibility study).

At LBE, Keith Crocombe is looking for a TFM Solution from 2016 and met with DL to discuss this. DL stated that LBE may have to be named in the Contract Notice. LBE are not looking to use a single supplier via Tri-borough TFM Framework. JW asked whether TMF is a better solution than having lots. TS replied lots requires multiple suppliers with multiple relationships to manage. JW stated that there is no cabinet in August (and timetable should have initial cabinet date stated).

SPB approved the recommendation subject to funding for Feasibility Study

10 SPB Comments on business case to be noted at relevant SPB meeting.
<table>
<thead>
<tr>
<th>Date of meeting:</th>
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</thead>
<tbody>
<tr>
<td>Presented by:</td>
</tr>
<tr>
<td>Designation:</td>
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