

ABERDEEN CITY COUNCIL

COMMITTEE	Strategic Commissioning Committee
DATE	13 th September 2018
REPORT TITLE	Opportunity to expand in-house Facilities Management services
REPORT NUMBER	COM/18/111
DIRECTOR	Frank McGhee
CHIEF OFFICER	Craig Innes
REPORT AUTHOR	Mike Smith
TERMS OF REFERENCE	Purpose 2 and Remit 3.4

1. PURPOSE OF REPORT

- 1.1 To seek approval in principle to expand in-house Facilities Management services by in-sourcing the cleaning of multi-storey building communal areas subject to consultation with owner occupiers in accordance with legislation.

2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Approve in principle the in-sourcing of the existing multi-storey cleaning contract from 1 July 2019, subject to consultation with owner occupiers in accordance with legislation; and
- 2.2 delegate authority to the Head of Commercial & Procurement Services to take the necessary steps to implement the service change if the statutory consultation is in favour of the change.

3. BACKGROUND

- 3.1 Cleaning of multi-storey communal areas is currently contracted to a third party (Contractor).
- 3.2 This service was originally delivered in-house. However, due to the difficulty in recruitment and retention of caretakers, the decision was made to offer the works externally, with the first contract let in 2010. (Council Decision: Resources Management Committee 10 March 2009, Item 10.3).

- 3.3 The contracted service commenced its second generation in 2015. Aberdeen City Council's (ACC) FM Team competed for the work however were unsuccessful. Although scoring competitively on price, the submission did not meet the response quality weighted at 70%.
- 3.4 Approval of expenditure was granted to extend or retender this contracted cleaning service (Council Decision: CHI Committee 29 August 2017, item 16.2). The contract was extended with the Contractor who is now executing the first of their two year options, expiring 30 June 2019.
- 3.5 Consultation was carried out with the Tenant's and Owners during the contract extension period and results included within the above Committee Report. As this consultation was recently conducted with residents, it has not yet been repeated as part of this study. However, resident insight has been provided by Housing Management for input into the appraisal. Formal consultation will be carried out with owners in accordance with resident's title deeds and property factoring agreements.
- 3.6 Under the current service provision, Housing Management and the Contractor are performing well, demonstrated through stakeholder feedback, contract quality, performance and price. This does not mean that the internal FM Team cannot deliver the same, or better value for the customers and the wider outcomes and objectives of ACC. The FM Team offered a competitive price for the service during the previous open procurement, fixed for 3 years, Consumer Price Linked (CPI) thereafter. If the quality remains in line with the current requirements, this would demonstrate best value to the residents.
- 3.7 A service review has been undertaken to determine if there are additional benefits to be realised by delivering the service internally by the Council's Cleaning Services Team.
- 3.8 The appraisal was led by Commercial, Housing Management (as contract owners) and the Facilities Management Team (as the internal cleaning service provider). The following service aspects were considered:
- Delivery Methodology
 - Demand
 - Service Level
 - Performance
 - Customer
 - Staff
 - Technology
 - Financial
- 3.9 The complete appraisal is included as exempt Appendix 1.
- 3.10 ACC's FM Team are enthusiastic about taking this service back in-house as part of their ambitions to develop and grow the business. They have strong knowledge of the estate and proposed the following changes from their previous bid delivery strategy to enhance their offering, delivering at minimum

the same or greater level of service than is currently being provided, through a non-disruptive transfer of undertaking:

- Maintain the current specification and input hours.
- Incumbent staff subject to TUPE, recruiting to the level required to achieve the Full Time Equivalent (FTE).
- Increase the frequency of audits to align with current practice.
- Propose to transfer in July 2019 at the natural conclusion of the current contract.

3.11 The overall benefits of the proposed service change are as follows:

- £31.5K benefit to the General Fund, increasing with greater community relations and empowerment.
- No adverse effect on service level and quality to the customer.
- No increase in cost to the end users.
- Money retained within the council and Aberdeen, protecting frontline services.
- Incumbent staff protected through TUPE, with the potential for more favourable T&Cs, and Living Wage.
- Growth and Promotion of FM Team, Cleaning and Factoring Services.
- Basis for future inter-service synergies.

3.12 The recommendation reflects that there is no negative impact on service delivery and customers from this change. Investing in the in-house cleaning service retains public funds within the Council and provides the means to pursue savings and efficiencies, which would benefit the Council and front-line services. Under a contracted situation, there is no incentive for the Contractor to do so.

3.13 In addition to the main impacted services (Housing and FM), engagement has taken place with Factoring, Legal, Finance, HR and Trade Unions.

4. FINANCIAL IMPLICATIONS

4.1 The total contract price is £1.46M over 3 years, plus the associated ACC contract management costs. The budget sits within the Housing Revenue Account (HRA).

4.2 While the budget is within the HRA, Private Owners partially fund the service from mixed tenure buildings. Their share of the service charge is reclaimed to the HRA through collection of Factoring Fees.

4.3 £31.5K per annum (excluding indexation) could be generated to the General Fund for Front Line services through a lower cost of service delivery by the FM Team and change to the charging structure. Further detail is included within Section 5 of Appendix 1.

- 4.4 Owners and tenants will be charged a fixed price for the service equal to the existing arrangement and benchmarked future adjustments. Officers do not propose to increase the price for the service which is generally accepted through consultation with owners. Instead, the service will look to increase efficiency.
- 4.5 The difference in FM's Cost vs. Price (£31.5K) is FM's Risk, where any additional hours required for service would not be charged to customers. Further improvement to cost could be distributed back to the HRA and Owners.
- 4.6 There is no budget transfer from the HRA required to the General Fund. The internal Cleaning Team currently carry out services for other areas on a re-charge basis. This multi-storey service will operate similarly.
- 4.7 Future price adjustments for the work shall be negotiated based on staff salary increments and will be included within the annual preparation of the Housing Revenue Account Budget.
- 4.8 No cost/resource has been considered to change service delivery model as the primary work will be completed as business-as-usual, and confirmed with the relevant functions. Resource will be required for the transition including Legal & HR for TUPE and establishment changes, Factoring for Owner Engagement, Finance for recharging, and Commercial and Procurement for contractual closeout.
- 4.9 A financial benefit of running the service in-house is the saving on procurement for the next generation which would be required to take place in 2019 or 2020. On this basis, it is considered that the cost of change to the in-house model is offset by the cost of procurement.
- 4.10 However, there are several risks and issues associated with realising the financial benefits. Therefore, the decision to in-source the service should not be considered on a financial basis alone. The wider outcomes and objectives of ACC and the FM Cleaning Team must be the driver for change, supported with a commercial strategy to realise the financial benefits.

5. LEGAL IMPLICATIONS

- 5.1 Consultation with owner occupiers will be undertaken in accordance with the Tenements (Scotland) Act 2004 and the Property Factors (Scotland) Act 2011.
- 5.2 It is expected that the Transfer of Undertakings (Protection of Employment) Regulations 2006 (as amended) will require the TUPE transfer of staff from the current Contractor to the employment of ACC. This shall be undertaken in consultation with the Council's HR and Legal teams.

6. MANAGEMENT OF RISK

	Risk	Low (L), Medium (M), High (H)	Mitigation
Financial	Increase in the work hour rate and/or scheduled work hours.	H	<p>Regularly review actual rate throughout operations.</p> <p>Boost productivity in opportunistic areas to reduce cost and mitigate problem areas.</p> <p>Continually pursue overhead reduction.</p> <p>Clearly agreed boundaries with Housing on the definition of baseline and extra work.</p> <p>Strong reporting, recording, monitoring and control of hours.</p> <p>Early identification of issues</p>
	Reduced level of control not accepted by Housing Management	M	<p>Clear delivery strategies, SLA and method statements prepared in association and approved by Housing.</p> <p>Trade Union engagement required if disestablishing contract management posts.</p>
	Risk of greater obligations on the Council due to TUPE.	H	<p>Early consultation on TUPE in conjunction with Legal and HR.</p>
	Additional management and supervision potentially required.	M	<p>FM Team confirm there is adequate Management & Supervision to deliver this workscope.</p> <p>Clearly developed Supervision strategy.</p>
	Increase in National Pay Award above the	L	<p>Impact to the financial model and service charge to be</p>

	considered percentage.		evaluated.
Legal	No risk identified for the scope of this report.	N/A	
Employee	The required establishment level to deliver the service is not met by TUPE and the service face barriers to recruitment.	L	Early action on TUPE Timely Recruitment - No difficulty in attracting cleaning staff is anticipated due to recent application levels.
Customer	Disruption to Owners and Tenants through service change.	L	Continuity of Service through TUPE, matched hours, Lessons Learnt and knowledge of the Buildings
Environment	No risk identified for the scope of this report.	N/A	
Technology	No risk identified for the scope of this report.	N/A	

7. OUTCOMES

Local Outcome Improvement Plan Themes	
	Impact of Report
Prosperous Economy	Supporting the security of local employment and greater contributing to the regeneration of disadvantaged communities.
Prosperous People	A positive impact on all groups of people living and visiting the buildings and links ACCs 'Quality of Life Outcomes', ensuring that all people can get involved in resident engagement and enjoy clean and pleasant public spaces. It further supports ACC's outcome to provide quality services to our council tenants, enabling them to have a direct involvement in providing a dry, warm home in a safe enjoyable environment.
Prosperous Place	Maintaining clean and pleasant communal areas in the multi-storey and low-rise buildings increases the attractiveness of the properties and demonstrates ACCs commitment to ensuring Aberdeen is a place where people desire to live and visit. Through on-site presence and community

	engagement, this will prevent and reduce the incidence of crime, disorder and antisocial behaviour so the residents are, and feel safe.
Enabling Technology	Engaging with citizens and staff through digital connectivity has been considered. There is an opportunity to utilise information screens in common areas which will be examined with Housing Management in line with their ongoing initiatives, identifying how it could support the cleaning service provision and customer interaction.

Design Principles of Target Operating Model	
	Impact of Report
Customer Service Design	Improved outreach to customers. Service incentivised to empower the community. Enables linkages and efficiencies between other Council services to deliver a greater overall council service to the community. Service feedback will be collected formally and informally on the team performance.
Organisational Design	Growing our existing FM team in size, skills and capability. Promoting the service and ACC brand to attract further business.
Governance	The current contract is delivered by Housing Management. The new delivery model will be owned by FM. Key arrangements will require to be in-place to manage service levels and performance as well as communicating and interfacing with residents between the two teams. These arrangements will be included within the 'Operational Delivery Plan'.
Workforce	Reducing duplication through utilising ACCs existing service. Continuity of service will be delivered through TUPE. Transferring, or new staff recruited from the increased work, may be compensated at 'Living Wage', and offered potentially greater benefits compared to the Contractor organisation, increasing their quality of life, and contributing to greater dedication to their roles. The increase in establishment and locations of work also contribute to greater flexibility of resource and deployment.

Process Design	<p>The current specification is determined as optimum. As the output is specification based, cleaning will only be carried out to deliver the spec. Through service improvements and community empowerment, service work hours could reduce. This opportunity is not available on a fixed price outsourced arrangement.</p> <p>The type of work, environment and customer does not support many opportunities to add value by changing the work methodology.</p>
Technology	<p>It has been established that the scope of this service would not be the right environment for new, high-tech cleaning. There is no competitive advantage between parties through their use of technology to deliver the works. Due to the environment and inability to improve productivity/costs there is no change to the equipment being used to carry out the work.</p> <p>Out with the scope of this report the Cleaning Team are examining the use of mobile technology for benefits in scheduling and efficiencies. The multi-storey service is primarily contract cleaning and therefore digital enhancements are limited. However, opportunities will be considered to support this scope during its pilot.</p>

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	<i>Not Required</i>
Privacy Impact Assessment	<i>Not Required</i>
Duty of Due Regard / Fairer Scotland Duty	<i>Not Applicable</i>

9. BACKGROUND PAPERS

Refer to Appendix 1 for details.

10. APPENDICES (if applicable)

Appendix 1 – Scoping Report (incl. Performance Summary & Risk Register).
(Exempt)

11. REPORT AUTHOR CONTACT DETAILS

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