 Brent	Cabinet 10 th February 2020
	Report from the Strategic Director of Regeneration & Environment
Facilities Management (FM) Service –Review of Facilities Management provision and in-house service delivery	

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt: (If exempt, please highlight relevant paragraph of Part 1, Schedule 12A of 1972 Local Government Act)	Part Exempt - Appendix A is not for publication as it contains the following category of exempt information as specified in Paragraph 3, Schedule 12A of the Local Government Act 1972, namely: "Information relating to the financial or business affairs of any particular person (including the authority holding that information)."
No. of Appendices:	Three: Appendix A: Outsourced Cost Model (exempt) Appendix B: In-house Cost Model Appendix C: Client FM Team Establishment
Background Papers¹:	None
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1.0 Purpose of the Report

- 1.1 This report provides a cost comparison and risk analysis for the potential for in-house delivery of all existing Facilities Management (FM) services, compared to an external delivery provision model.
- 1.2 A previous service review was completed in 2018 and this report re-examines the findings of that review and further considers the financial and risk impact.
- 1.3 This exercise has been completed in consultation with Apleona HSG Ltd. ('Apleona'), our current FM contractor, and their own staff and stakeholders, utilising independent industry knowledge and experience of FM service provision and the supply market.

- 1.4 The review has investigated the relative costs and risks of insourcing the three component parts of the FM offering, namely:
- Hard FM – Mechanical, electrical, planned and reactive maintenance, engineering, statutory compliance and building repairs (detail at 3.15).
 - Soft FM – cleaning, security, helpdesk management, portering and landscaping services (detail at 3.16).
 - Catering – the provision of the restaurant, coffee shop facilities and hospitality services to events hosted at the Civic Centre (detail at 3.17).
 - In addition, costs associated with managing the FM helpdesk and possible staffing efficiencies associated with the Client FM Team contract management function have been accounted for within the three component comparison described above (detail at 3.16).
- 1.5 The rationale for the proposal for the services to be brought in-house is to meet the objectives of the administration when reviewing contracts and services currently managed by an external partner. In addition, the proposal allows an opportunity for improved synergies in the management of the contract.

2.0 Recommendations for Cabinet

That Cabinet:

- 2.1 Agree for Hard FM services to be outsourced on the expiry of the existing contract in July 2021 and to further extend the outsourced Hard FM service arrangements in place at the Civic Centre and The Library at Willesden Green to the wider retained estate buildings to better serve the council's requirements and give consistency across the corporate portfolio.
- 2.2 Agree for Soft FM services (Security, Portering and Cleaning, but excluding Catering and Hospitality) to be delivered in-house beyond the current contract end date in July 2021.
- 2.3 Subject to agreement to Recommendations 2.1 and 2.2, delegate to the Strategic Director for Regeneration & Environment to approve the pre-tender considerations for the procurement of a contractor to undertake Hard FM services and thereafter arrange for officers to evaluate tenders on the basis of the approved evaluation criteria.
- 2.4 Delegate authority to the Strategic Director for Regeneration & Environment, in consultation with the Cabinet Member for Regeneration, Property and Planning, to award the contract for Hard FM services from July 2021.
- 2.5 Note that no decision is to be made with regard to the Catering and Hospitality Service at this stage, with a separate report to provide specific options for the Catering and Hospitality services to be produced for consideration in the near future.

3.0 Detail

- 3.1 Brent Council currently outsources a selection of FM services across a number of sites through a service contract with Apleona. The existing Apleona FM contract covers the provision of the full Hard and Soft services in both the Civic Centre and Willesden Green Cultural Centre. For other operational buildings, Apleona covers Soft FM only. At the Civic Centre this also includes the provision of catering/hospitality on a fixed income plus profit share basis.
- 3.2 The current contract was procured in 2013 on a 5 years + 2 years basis, with the extension awarded to Apleona for the additional two-year period in 2018.
- 3.3 The Council has previously engaged the Litmus Partnership, an independent FM consultancy, to undertake a benchmarking exercise (2015) and FM strategy review (2018). At that time, following the FM Strategy review the agreed recommended option was to develop a hybrid model of outsourced hard and soft FM services, with the Council bringing portage and the Helpdesk functions in-house. As well as the in-house elements this would also have seen a move away from the current total facilities management model (TFM - where one contractor manages all services) into three distinct hard, soft and catering packages, whilst further extending the existing planned preventative maintenance approach to the entire Brent estate. The rationale being that engagement with more specialist contractors in each area will raise quality and improve consistency of service levels across all FM managed buildings, in line with those at the Civic Centre and Willesden Green Cultural Centre.
- 3.4 Further to this FM Strategy Review, the Council have engaged the Litmus Partnership again to review their findings and recommendations and to consider the financial and risk impact of moving some or all of the FM services to an in-house service model. The Litmus Partnership have been tasked with producing a cost comparison, using the service specifications, site and staff data available to utilise in the approach to market for the TFM option as described above. For reference, Litmus Partnership have provided their cost models for review. Their analysis was carried out on their assumptions around the costs that the Council would incur through a third-party provider or the in-house solution under the new service specifications and building data. It is important to note that there are a number of key differences between these and the current contract arrangements. These include:
- The inclusion of a planned maintenance and large-scale reactive service to the retained estate beyond the Civic Centre and Willesden Green Cultural Centre – this is currently organised by the Council through a framework of providers.
 - At this stage, the Security solution developed, and priced does not involve any technology solutions (remove locking / unlocking) which could support further cost efficiencies (approx. £40k per annum) and are recommended for consideration.
- 3.5 Should the Council decide to outsource a catering contract to replace its current provision, care should be given to the commercial incentive offered to potential providers. Currently, the catering operation (after fixed return to the Council) generates £15k pa to the council plus a profit share on net profits. It is unlikely that this arrangement would attract significant attention from specialist providers. However, there is potential to increase profitability through a tariff review, increased marketing and supplementary services (lunch trolley etc.). Alternatively, the Council may wish to consider closure of the restaurant and coffee shop facilities

and to convert them to meeting/ conference space. Further analysis on this point is required to determine the best course of action.

3.6 Analysis

A summary of the results of this exercise are included below. The key is associated with helping to distinguish between the one off setup costs and annual operating costs for both the in house and outsourced cost models. The current expected contract costs for 2021, if the existing contract were to continue would be £3,709,577 as shown in **line e** below.

Key	In-House Service	Hard FM	Soft FM	Catering	Total
a	One off setup costs	£80,000	£62,278	0	£142,278
b	Operating Costs per annum	£1,262,140	£2,715,145	£50,037	£4,027,322
c	Year 1 Cost	£1,342,140	£2,777,423	£50,037	£4,169,600

Key	Outsourced Service	Hard FM	Soft FM	Catering	Total
d	One off setup Costs	£77,537	£144,629	£15,000	£237,166
e	Operating Costs per annum	£1,191,503	£2,533,074	-£15,000	£3,709,577
f	Year 1 Cost	£1,269,040	£2,677,703	£0*	£3,946,743

* (please see additional explanation within the catering section of the report below)

Key	Summary of cost differences	Hard FM	Soft FM	Catering	Total
b minus e	Difference in operating costs between the in-house model and outsourced model per annum (when one off set-up costs <u>are not</u> included)	£70,637	£182,071	£65,037	£317,745
c minus f	Difference in total cost between in-house model and outsourced model per annum (when one off set-up costs <u>are</u> included)	£73,100	£99,720	£50,037	£222,857

Note: As an example, if a hybrid model is adopted to bring soft services in-house and hard services to remain outsourced, expenditure above a fully outsourced model will be £182,071 per year (see 3.19 for further information).

3.7 Management Staffing Cost assumptions:

For the in-house cost model, the total management and administration costs are £106,827, (comprising £29,912 for soft services and £76,915 for hard services). This total does not include any overheads and profit but does include for the uplift of salaries for the contributions for staff being on the LGPS defined benefit pension scheme.

For the outsourced cost model, the total management and administration costs are £169,846 (comprising £47,557, for soft services and £122,289 for hard services). This total does include for overheads and profit for the FM provider, and the contribution costs for a money purchase pension scheme.

3.8 The staffing cost models are not based on 'like for like' management staffing structures. Differences are summarised below:

- For the in-house cost model two management posts have been removed (the outsourced Account Manager and Client FM Team Operational Manager positions, for which the costs have been removed, as it is assumed these posts would no longer be required).
- The inclusion of resourcing for a planned maintenance and reactive service to the retained estate beyond the Civic Centre and Willesden Green Cultural Centre – this is currently organised by the Council through a framework of providers.
- For the outsourced cost model 1 post has been added (Hard FM Manager at PO6 - £43,260 basic salary) to manage the new partner.

In terms of staffing efficiencies, it may be possible to make additional savings through efficiencies realised within the existing in-house team. Opportunities to achieve further efficiencies would require additional changes to staffing structures. It is assumed that there is sufficient capacity within the existing team to assume overall management of the Soft FM services supported by the existing Cleaning and Security managers who will transfer from Apleona to the Council.

3.9 The costs detailed in the table above include apportioned costs associated with managing the FM helpdesk, additional support services i.e. HR, Finance and IT, and elements of the Client FM Team contract management function.

3.10 The set-up costs identified for each of the service areas are applicable to Year 1 only, and the subsequent years would rise by inflation.

3.11 Including set-up costs, to operate the services under an in-house model in Year 1 would cost £222,857 (comprising £73,100 per annum increase for hard Services, £99,720 per annum increase for soft services and £50,037 per annum increase for catering/ hospitality service) more than the outsourced model.

3.12 Excluding set-up costs, to operate the services under an in-house model in Year 1 would cost £317,745 (comprising £70,637 per annum increase for hard Services,

£182,071 per annum increase for soft services and £65,037 per annum increase for catering/ hospitality service) more than the outsourced model.

3.13 The primary reasons for this cost differential are:

- The cost of the Local Government Pension Scheme that all transferring staff (120 currently – mixture of full and part time) would be eligible to become part of.
- The cost differential between the London Living Wage (currently £10.55 per hour or £19,749 per annum) and the councils lowest equivalent pay scale (scale 1 currently £10.74 per hour or £20,103 per annum).
- The staff who move to Brent terms and conditions will be eligible for increase in leave and sick pay which mean additional staff will be required to cover absence.

3.14 There is also greater cost uncertainty under the in-house model, as there is no transference of operating cost risk to third party providers. Under the current outsourced output specification this risk is transferred to Apleona who are required to deploy an unspecified quantity of staff to meet the requirements of the contract.

3.15 Hard FM

3.15.1 Background

Currently Hard FM services are provided across the estate in two ways:

- Under the TFM service Apleona provide all planned, statutory and reactive maintenance to the central estate (Brent Civic Centre and Willesden Green Cultural Centre) and first fix reactive services to the remaining retained estate.
- Planned and statutory maintenance services are provided to the retained estate through a range of Council suppliers managed by an in-house resource/team.

The comparison completed as part of this exercise has assumed that the provision of these two elements of Hard FM service delivery will be integrated to an in-house delivery structure covering the whole estate, to generate economies of scale and improved service consistency.

The comparison, therefore, is between whether Facilities Management Service are all carried out by a single service supplier or by our own team, comprised of current Apleona staff engaged on these services, who would transfer through TUPE to the Council.

Integrating the Hard FM services into a single delivery model would ensure that the Council is fully aware of – and can easily access – all of the statutory records associated with managing all of the buildings, across the estate.

Despite the removal of any third-party profit and overhead margin, should the Council decide to bring this service in-house, it would cost £73,100 more for the first year of operation. This is primarily due to:

- The requirements for enhanced pension contributions for transferring staff. Currently all of the Apleona team engaged in the delivery of services are entered into the Apleona Pension Scheme which attracts a 3% Employer's contribution. If they transfer to Brent Council, entrance into the Local Government Pension Scheme (LGPS) would attract a 29.4% employer's contribution.
- In the first year of operation there are a number of set-up costs where capital outlay will exist and where a supplier organisation may have these elements of service support already established or decided to amortise the investment to the Council as part of their bid. These costs include Helpdesk, software setup and staff equipment.
- Third party providers who are experienced in this market will also be able to generate better procurement deals with suppliers of equipment and specialist sub-contracts.
- Outsourced Third Party Suppliers will have a wider call on additional technical resources and support that the Council would not have easy access to.

3.15.2 **Risk**

As well as the cost increase to the Council, insourcing of the Hard FM service presents a number of inherent risks that the Council will have to take full liability for moving forward. These include:

- Managing the statutory obligations around maintenance and reporting will rest solely with the Council (as is the case currently with the retained estate buildings).
- Hard FM service provision involves a number of different, specialist trades which are required for small (less than complete FTE) volumes. Supplier organisations will be able to share this resource across their multiple contracts via mobile teams. The Council are likely to have to procure some or all of this from third party suppliers to avoid employing people who will then be under-utilised.
- The current arrangement with Apleona requires them to take the risk up to £500 per repair. Suppliers accept this risk as they have significant amount of data that allows them to model the likely costs involved. Under an in-house model this risk will sit solely with the Council.
- An FM provider will have negotiated more favourable terms with specialist suppliers and sub-contractors given the bulk by which they are procuring these goods and services.
- Accordingly, a 10% increase to current Apleona costs has been applied.

3.16 Soft FM

3.16.1 Background

Soft FM services are currently provided by Apleona across the entire Brent estate with a key focus on the Civic Centre and Willesden Green Cultural Centre sites.

Although the analysis completed has looked at the Soft FM service as a whole, consideration must be given to the individual constituent services. The two largest costs within the Soft FM services package are Cleaning at £1,369,451 and Security/Reception at £1,194,696 under the in-house model option.

Despite the removal of any third-party profit and overhead margin, should the Council decide to bring this service in-house, it is believed this would cost £99,720 more for the first year of operation. This is due to:

- Enhanced pension contributions for transferring staff. Currently all of the Apleona team engaged in the delivery of these services are entered into the Apleona Pension Scheme which attracts a 3% employer's contribution. If they transfer to Brent Council, entrance into the Local Government Pension Scheme (LGPS) would attract a 29.4% employer's contribution.
- In the first year of operation there are a number of setup costs where capital outlay will exist and where a supplier organisation may have these elements of service support already established or decided to amortise the investment to the Council as part of their bid. These costs include Helpdesk setup and tools and equipment.
- The Council will need to procure / deliver a Helpdesk and associated software solution to replace the function provided by Apleona. The Council will have limited opportunity to off-set these costs and will need to recruit a Helpdesk agent for out-of-hours calls.
- Third party providers who are experienced in this market will also be able to generate better procurement deals with suppliers of equipment and specialist sub-contracted services e.g. for cleaning machinery and consumables.

3.16.2 Risk

As well as the cost increase to the Council, insourcing of the Soft FM service presents a number of risks that the Council will have to take full liability for moving forward. These include:

- Recruitment of staff will be challenging despite the benefit afforded by the LGPS offer. This is especially relevant to the Security service where much of the local, trained workforce is deployed by the current security contractor at Wembley Stadium.
- Events at Wembley Stadium cause significant additional demands on Security and is managed through the relationship between Apleona and the

Stadium security provider. The Council need to be mindful of this and ensure that this dialogue continues should they consider an in-house solution.

- It is estimated that there will be a difference between discounts and economies of scale that will be generated by a specialist provider e.g. the ability to buy cleaning products cheaper. This is an assumption that may be challenged.

3.17 Catering

3.17.1 Background

Catering services exist purely at the Civic Centre and consists of the Melting Pot restaurant, coffee shop and hospitality services provided to Council and third-party users.

The Council currently receives £15k p.a. fixed payment from Apleona for their ability to use the Council space and resources to deliver the service. Should they achieve a profit for their own business in excess of £15k p.a., they share the benefit with the Council on a 50/50 basis.

Analysis of the restaurant and coffee operations shows that they provide a good service to Civic Centre staff and visitors. However, there is recognition that the local competitive market has changed considerably since the Civic Centre opened. There is significantly more competition for these facilities – notably, the Starbuck's concession, the London Designer Outlet offer, Boxpark and Sainsbury's.

The restaurant and coffee shops do not achieve a profit and the catering function is subsidised by a small profit achieved through the hospitality service. In 2018/19, after the fixed payment of £15k to the council, the service generated profit to Apleona of £2k. This low profit margin may be attributed to a combination of factors including increases in local competition, some catering offers receiving low take up (e.g. breakfast offer), and not fully exploring opportunities to market the service to building users beyond those who work or visit the building.

Transferring to an in-house service would remove all profits from the operation due to the significant increases in staff costs – due to the pension liabilities. It is anticipated that the service would require a subsidy from the Council of circa £50k p.a., whereas as part of an outsourced solution it could create a negligible level of profitability.

At the moment, Apleona are content to deliver this service as part of their TFM service as it is not a discrete operation and, therefore, doesn't have the service focused requirement to generate its own profit levels.

3.17.2 Risk

As well as the cost increase to the Council, insourcing of the Catering service presents a number of risks that the Council will have to take full liability for moving forward. These include:

- Management and security of the supply chain, including supplier due diligence, allergen control and price fluctuations.
- Full responsibility for food safety management systems and statutory compliance.
- Financial performance, innovation and service development is dependent on the quality of individuals operating on site, who are unlikely to have the same experience or access to marketing resources and retail expertise as a contract caterer.
- Attracting and retaining staff in this sector is extremely challenging at present and the best staff are inclined to work for catering contractors where there are greater job and career development opportunities.
- The signage and positioning of the Melting Pot restaurant and coffee shop is prohibitive to generating additional sales from passer-by traffic. Similarly, the provision locally reduce demand even further.
- The Council does not, currently, provide exclusive use of the hospitality facilities to the Catering provider. This creates potential tension around the maintenance and upkeep of equipment and could create additional costs.
- The Council is entirely responsible for managing the cost of the service i.e. no transference of risk.

Part of the project brief was to investigate the potential cost differential and risk profile of transferring the existing operation from outsourced to an in-house provision. Given the current cross-subsidy of the operation internal to Apleona in terms of profit generation, it is advised that by procuring it separately, there is an additional risk that providers will not be able to generate the profit levels they need to, thereby reducing appetite for the procurement or requiring the Council to subsidise the operation. The analysis presented in Section 2 above is a potential 'best-case' scenario and would need testing with the supply market to substantiate.

In light of this, officers have discussed a number of supplementary options which are available and warrant further investigation, namely:

- Moving the restaurant and coffee shop facilities to locations within the Civic Centre more likely to generate passing trade.
- Closure of the restaurant and coffee shop facilities altogether (noting the increasing local options for staff) and conversion of the space to meeting room, break-out space, additional conference facilities or a combination thereof.
- Sub-letting the space to a concession high-street brand.

3.18 Helpdesk

Within the cost model for the in-house solution, the current Helpdesk team would transfer across to Brent Council through TUPE and be overseen by an

Operational Manager. Brent would need to purchase new Helpdesk/CAFM (Computer Aided Facilities Management) software package and engage with a third-party to log out of hours calls.

The ongoing success of any CAFM system is underpinned by the quality and skill set of those involved in the implementation and on-going administration/management of the CAFM system. As a result, a programme of staff training has been allowed for in the set-up costs to support the helpdesk and CAFM software system, once transferred across.

Once fully implemented the CAFM system will have the strength and functionality to support the day-to-day FM operations but will also:

- Provide a tool to make informed business decisions on estate strategy and asset performance based on factual data.
- Help to identify cost savings.
- Streamline processes and procedures and enhance customer service for the Council.

Helpdesk Out of Hours Support: In addition to the establishment of the Council helpdesk facility covering core hours, the FM team will also need to set up an integrated helpdesk out of hours support structure. This can be procured through a bureau facility providing 24/7 365 days a year back up and support to the daytime helpdesk.

After the core hours, the main helpdesk would switch over to the bureau, which would log calls and requests and where appropriate escalate the emergency call out and back-up infrastructure established in conjunction with the Council's management team and the individual service providers.

3.19 The Client FM Team

3.19.1 The Client FM Teams primary function is to manage the performance of the current outsourced Apleona contract. Other responsibilities include (but are not limited to):

- Looking after the estate i.e. building improvement work, car park management.
- Looking after the workforce i.e. moves management, stakeholder engagement.
- Health and Safety arrangements and policy management.
- The AV Service.
- Retained estate hard services and building compliance.

3.19.2 The existing staff establishment details and costs associated with the Client FM Team function are detailed at Appendix C. The total cost of staffing for

the team is £492,800 per annum. This is part of the overall FM service revenue budget of £7.38m approx.

3.19.3 The future form of the Client FM Team is dependent upon the future service model:

- If an entirely in-house solution were adopted, there would be no requirement for the Client FM Team to performance manage, as the team roles would become more operationally focussed.
- If a hybrid of in-house and outsourced arrangements were adopted a smaller than existing client function would be required.
- If an outsourced arrangement were to be maintained as currently, then the existing Client FM Team arrangement would be required.

3.19.4 For the in-house cost model two management posts have been removed (the outsourced Account Manager and Client FM Team Operational Manager positions), for which the costs have been removed, as an assumption has been made that a hybrid model will be adopted and these posts would no longer be required.

3.19.5 After implementation of the revised service arrangement we would seek to review the new operations model and make efficiencies where possible, dependant on which final FM Service delivery option is selected.

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Summary of key service and cost implications

FM Service	Considerations
Soft services - cleaning, security and landscaping services.	<p>The cost difference between delivering this service in-house or outsourced is likely to be significant (outsourced model offers £122k approx. per annum saving over in-house delivery) and the future delivery model is open for consideration. As well as the cost increase to the Council, insourcing of the Soft FM service presents a number of risks that the Council will have to take full liability for moving forward and these are detailed at 3.2.</p>
Hard services - engineering, planned and statutory maintenance and building repairs.	<p>The cost difference between delivering this service in-house or outsourced is likely to be significant (outsourced model is £113k approx. saving over in-house delivery). As well as the cost increase to the Council, insourcing of the Hard FM service presents a number of risks that the Council will have to take full liability for moving forward and these are detailed at 3.1.</p> <p>Further, it would also be challenging to deliver an in-house delivery model given the large number of speciality sub-contractor arrangements that exist across the operational estate i.e. lift/ escalator maintenance, access control, CCTV, etc.</p> <p>It is therefore recommended that the existing outsourced arrangement is maintained with the planned preventative approach currently in place at the Civic Centre and Willesden Green Cultural Centre extended to the wider operational estate buildings to better serve the councils requirements and give consistency across the corporate portfolio.</p>
Catering	<p>Transferring the catering function to in-house delivery would remove all profits from the operation. Viable options going forwards are to continue to outsource at a negligible level of profitability, close the operation or relocate the operation completely to another area of the building. As the existing contract arrangement is due to be extended until July 2021 this decision does not need to be made for a further 12 months. It is therefore proposed to defer the decision on future delivery model for the catering area by until September 2020.</p>
Portering and Helpdesk	<p>Bring these elements back in-house in accordance with decision already endorsed by Cabinet in late 2018.</p>

4.0 Options Appraisal – Alternative Options Considered

4.1 The following is a summary of the options available to the Council and the risk profile associated with transferring to an in-house delivery model.

	Hard FM	Soft FM	Catering
Cost increase to deliver in-house	£70,637	£182,071	£65,037
Key Operational Risks to Insourcing	<ul style="list-style-type: none"> • Delivery of statutory obligations without significant support infrastructure. • Volume risk around repairs will sit 100% with Council. • Procurement leverage will be less than specialist and drive higher costs (10% reflected in cost modelling). • Recruitment and retention of specialist resource will be challenging given the work volumes on Brent Council properties. • Helpdesk support during office hours has been included in the costs, however provision of out of hours through an agent would have to be established. 	<ul style="list-style-type: none"> • Recruitment of in-house staff will be challenging especially within Security, where increasing reliance on agency staff would increase costs and reduce the quality of service. • Large number of headcount required to deliver services means the impact of enhanced pension (LGPS) employer contributions will be greater. • Procurement of specialist goods and sub-contracted services unlikely to leverage the economies of scale an FM provider would generate (10% reflected in cost modelling). 	<ul style="list-style-type: none"> • Operational risk resulting from challenges recruiting and retaining sufficiently experienced and knowledgeable staff to maintain standards. • Any further increase to the local competition may reduce demand for the restaurant and coffee shop facilities leaving the Council with potential redundancy liabilities in the future. • The non-exclusivity of the facilities for hospitality create a potential unknown liability around equipment maintenance and replacement.

The strengths and weaknesses of transferring all or one of the service clusters in-house are as outlined in the table below and rated against select criteria:

IN-HOUSE

STRENGTHS

- Direct control of all operations, people and assets
- Full visibility of costs
- Systems fully tailored to the Brent business
- Clarity over responsibilities
- Improved relationship with internal end users

WEAKNESSES

- Challenge of attracting, training and retaining technical engineers
- Expert technical manager required to oversee both day-to-day work and compliance
- No access to extended mobile technical engineer resource
- Significant senior management team support, commitment and buy-in required
- Continuous staff training required for in-house team
- Self-sourcing of industry service innovation
- Requires long-term investment needed in systems and people
- Lack of ability to call on additional resources at short notice

OPPORTUNITIES

- Sub-contracting cheaper than via TFM management route (margin-on-margin) - eroded by pensions
- Opportunity to integrate the full asset and estates strategy together
- Integrated approach to maintenance and asset management
- Opportunity to provide staff training, succession planning and apprenticeships

THREATS

- Lack of immediate replacement resource for technical engineers absence
- Increased cost
- Financial, compliance and non-delivery risks entirely borne in-house
- No ability to fix service costs for self-delivered activities
- Service disruption during staff absences
- Failure to keep in step with statutory legislation and compliance
- Lack of staff experience and expertise
- No ability to transfer risk

More coloured squares indicate greater likelihood of a better outcome:

Impact on end user experience	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Brent management & staff resource requirement	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Brent visibility of costs and service performance	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Sustainability of service standards	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Annual service cost certainty	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>
Risk management & compliance	<div><div></div><div></div><div></div><div></div><div></div><div></div></div>

OUTSOURCED

STRENGHS

Brent Council focus on contract management of skilled service providers, not direct delivery
Lower annual cost (though increased risk of unexpected costs due to staffing change)
Some shared financial risk and greater chance of achieving budgeted costs
Management systems tailored to Brent Council rather than the contractor
Focus of resources within the right areas
Greater visibility of contractor performance
Increased control over reactive work assignment and variable costs
Direct FM team communication with end users
Integration of management and helpdesk in house
Provides clarity over responsibilities

WEAKNESSES

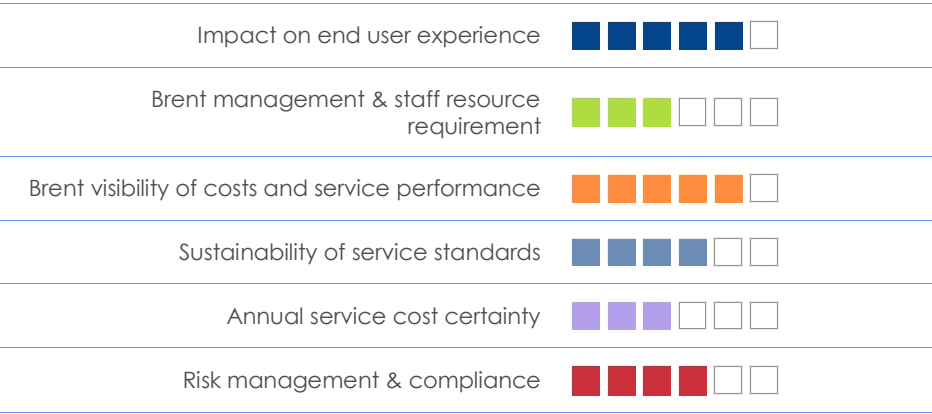
Expert technical manager required to oversee both day-to-day work and compliance
Increased in-house contract management time
Increased staff payroll and HR responsibility for functions taken in-house
Continuous staff training required for in-house team
Less likelihood that a contractor would be prepared to absorb short-term losses against cost guarantees
Less economy of scale
Increased number of outsourced services providers requires increased performance monitoring

OPPORTUNITIES

Sub-contracting may be cheaper/more cost effective
Increased range of suppliers capable of bidding for separate Hard & Soft FM packages
Alignment of long-term maintenance strategy with day-to-day service provision
Increasing the size of the FM team increases resilience and supports succession planning
Ability to utilise smaller local providers for outsourced elements

THREATS

No fixed cost service for self-delivered activities
Existing knowledge/service continuity is lost from the current FM management team if staff leave
In-house staff need to keep up to speed with industry developments and their skill/knowledge base
Some transfer back in-house of financial, compliance and non-delivery risks
Failure to keep up with changes in law and statutory compliance with technical maintenance



- 4.2 As part of this review exercise, another London Local Authority have been canvassed who had, in 2016, undertaken the same review and consideration around their FM delivery.
- 4.3 The London Borough of Croydon had previously been in a Total Facilities Management (TFM) contract with Interserve from 2006 and their contract was due to end in 2016. The Council, at that time, took the decision to investigate a different way of providing the service to its estate and, after commercial and service quality assessments into how the future model may work, they decided to break the TFM model into component parcels of work.
- 4.4 The London Borough of Croydon did achieve notable savings through this approach but they noted that they had already invested heavily in a robust client structure with FM discipline specialists. They also noted that the pension considerations at that time did not apply as they had made it an obligation of their contract with Interserve for their staff to be entered into LGPS under the New Fair Deal. Croydon continued outsourcing Hard FM, Cleaning and Catering – each through individually procured contracts and, in the case of Hard FM, two contracts, and brought back in-house security, customer services and reprographics.
- 4.5 The team there were keen to stress that the hybrid model does achieve savings, it does protect service quality but that which parts remain outsourced and which are brought back in-house must be relevant to the circumstances surrounding the client authority.

5.0 Legal Implications

- 5.1 It is proposed to outsource Hard FM services. Current estimates of Hard FM service costs are such that any contract would be classed as a High Value Contract under the Council's Contract Standing Orders and Cabinet approval is required to procure such contract. Cabinet is asked to delegate the setting of pre-tender considerations and the evaluation of tenders to the Strategic Director Regeneration & Environment. Also Cabinet is asked to delegate the subsequent award of the contract for Hard FM Services to the Strategic Director Regeneration & Environment in consultation with the Lead Member for Regeneration, Property and Planning. The estimated value of the contract is such that it is subject to full application of the Public Contracts Regulations 2015 in respect of its procurement.
- 5.2 Whatever the course of action the Council decides to take, it will be necessary to engage legal support in support of a procurement exercise and in terms of engaging with the incumbent provider regarding possible staff transfer pursuant to the Transfer of Undertakings (Protection of Employment) Regulations 2006, either to the Council (in respect of any insourcing) or any replacement provider (in respect of any outsourcing). Further information regarding the impact of TUPE on staff is set out in Section 8.

6.0 Finance Implications

- 6.1 These have been outlined in Appendices A and B.
- 6.2 The option to in-source soft FM services would cost an additional £182,071 plus a one-off cost of £62,278 and retaining FM hard services as an outsourced service would incur one-off set up costs of £77,537 when the contract is re-tendered.

Further costs associated with extending the outsourced hard service contract arrangements to the wider retained estate buildings would need to be quantified.

- 6.3 Overall these options would incur additional recurring costs to the Council of £182,071 and one-year funding of £139,815. To mitigate this pressure, there would be the opportunity to revise existing service structures for any further efficiency opportunities. If this cost is not mitigated by the service and funding is sought via the MTFS budget process, this would lead to an increase in the savings target to be set for future years.
- 6.4 The comparison exercise has been completed on a like for like basis in terms of scope of buildings with FM responsibility. It is possible that the scope of FM managed buildings may change in the future.

7.0 Equality Implications (if appropriate)

- 7.1 No adverse equality implications have been identified at present.

8.0 Staffing and Accommodation Implications

- 8.1 Delivery of FM services through an in-house solution does create a number of staffing implications for consideration.
- It is unlikely (analysis of the staffing information supports this) that any transferees will be on terms and conditions better than the Council's current terms and conditions but detailed analysis by a HR professional is recommended.
 - The majority of Apleona staff are on the company pension scheme with employer contribution rate of 3%. As these staff become Council employees, they will be auto enrolled into the Brent section of the Local Government Pension Scheme (LGPS). We have been advised that the comparable contribution rate is 29.4% - a considerable increase (these have been included in the cost model). However, as with all pension considerations, detailed actuarial analysis is recommended to understand what implications, if any the additional headcount has on the pension fund risk profile and, therefore, future contributions.
 - Should the Council decide to insource the FM service, it would need to consider its own staffing structure and how it would manage the service. In its entirety, the TFM service would continue to require an "Account Manager", although if it were broken into constituent parts, consideration could be given to releasing this role in favour of junior managers focused on specific service elements. The financial modelling within this report includes the retention of the Account Manager role. Should the Council decide to break the packages up and decide this role is not needed this will have a positive impact on operating costs but may have an initial additional outlay through redundancy payment. If this is the case, it is likely this would cost the Council c£40k including severance/ PILON as well as remuneration during the obligatory consultation period.
 - It is not believed that there are to be any accommodation issues as all staff engaged in service delivery currently are based in Brent Council property.

9.0 Public Services (Social Value) Act 2012

- 9.1 The Council is under duty pursuant to the Public Services (Social Value) Act 2012 (“the Social Value Act”) to consider how services being procured might improve the economic, social and environmental well-being of its area; how, in conducting the procurement process, the Council might act with a view to securing that improvement; and whether the Council should undertake consultation. Officers will have full regard to considerations contained in the Social Value Act in relation to undertaking the procurement, to include ensuring social value is one of the evaluation criteria.

Report sign off:

AMAR DAVE

Strategic Director of Regeneration & Environment