



City of Westminster

Cabinet Member Report

Meeting or Decision Maker:

Cabinet Member for Finance and
Council Reform

Date:

16 April 2024

Classification:

Part Exempt

The accompanying Part B report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

3. Information relating to the financial or business affairs of a particular person (including the authority holding that information).
5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

Title:

Facilities Management Services –
Future Services – Contract Award

Wards Affected:

All

Policy Context:

Fairer Council

Key Decision:

Yes - Significant expenditure/savings

Financial Summary:

The cost of the five Facilities Management contracts will be £4.087m in 2024/25, reducing by £0.143m to £3.944m in subsequent years. The Year 1 cost is therefore a saving of £1.001m compared with the budget.

Report of:

Gerald Almeroth, Executive Director of
Finance Resources

1. Executive Summary

- 1.1 Facilities Management contracts are essential to ensure the smooth operation, maintenance and statutory compliance of the Council's buildings and assets.
- 1.2 The Council has completed a comprehensive tender exercise to procure new contracts that will provide key maintenance, remedial and building 'soft Facilities Management (FM)' services at various sites across the Council's corporate property estate.
- 1.3 The Council currently has one overarching Total Facilities Management (TFM) contract that was previously awarded to one main supplier, Equans, (formally Bouygues). After review of the current model and contracts the Council decided to divide the contracts into their own specialisms to optimise service provision and expertise. The re-procurement of services was based on separating the activities into five individual LOTs covering, i) Building Fabric, ii) Mechanical Electrical and Plumbing, iii) Cleaning, iv) Security and v) Lifts. The re-procurement was carried out via an open procedure. This open approach, alongside the separation of contracts into 5 LOTs has facilitated Small & Medium Sized Enterprises (SMEs) the opportunity to bid for contracts. Adopting a TFM approach ensures that contracts are generally awarded to larger organisations.
- 1.4 After reviewing the tender responses, the Council believes that the services offered are more suitable for the needs of the Council. Associated costs are in-line with the projected financial position. The bidding suppliers have reviewed the service requirements based on the size of the Council's estate, building GIA, (gross internal area), and plant asset list. This has led to suppliers proposing a more suitably structured resource requirement which will translate into a better overall service.
- 1.5 The report gives recommendations for the award of the 5 new FM Contracts for the period from 1 June 2024 to 31 May 2027 with an option to extend for a period of up to 2 years (1+1), with a potential expiry date of 31 May 2029. All contracts will end at the same time to give the Council the ability to review all arrangements strategically at that time and potentially propose a different approach.

2. Recommendations

- 2.1 To approve the award of a contract for Building Fabric services to CBRE Managed Services Limited for a total period of 5 years from 01 June 2024 for the total sum of £3,218,416, with the option to extend for a further two years.

- 2.2 To approve the award of a contract for Mechanical, Electrical and Plumbing services to CBRE Managed Services Limited for total period of 5 years from 01 June 2024 for the total sum of £9,241,710, with the option to extend for a further two years.
- 2.3 To approve the award of a contract for Cleaning services to Pinnacle Housing Ltd for at total period of 5 years from 01 June 2024 for the total sum of £5,379,857, with the option to extend for a further two years.
- 2.4 To approve the award of a contract for Security services to Goshen Limited for a total period of 5 years from 01 June 2024 for the total sum of £2,735,545, with the option to extend for a further two years.
- 2.5 To approve the award of a contract for the provision of maintenance and remedial services for Lifts to Precision Lift Services Limited for a total period of 5 years from 01 June 2024 for the total sum of £300,434, with the option to extend for a further two years.

3. Reasons for Decision

- 3.1 The decision to award the new Facilities Management (FM) contracts is required to ensure that the Councils' various sites are maintained to a high standard, with all aspects of statutory compliance and Health and Safety meeting the required standards and regulations. Sites include staff offices 64 Victoria Street parts occupied by the Council, all libraries including the Archive Centre and Reference Library, the Mortuary and adjacent Coroner's Court, three Family Hubs, a Care Home, and a range of Depots. The contracts do not generally apply to Schools as Schools are responsible for their premises or generally the Council's Leisure Centres which are managed by the Council's leisure operator.
- 3.2 The Council believe that it is the right decision to change the contract structure to improve service delivery and maximise performance levels. Transferring to 5 individual contractual agreements will ensure that each supplier can focus on their core responsibilities and contractual obligations.
- 3.3 Each successful supplier has submitted a comprehensive proposal which outlines how they will deliver services to the standards required. In addition, the commercial proposals received are in-line with expectations, providing value for money.
- 3.4 Within each winning bid, beneficial Social Value commitments were reviewed and scored accordingly. All commitments and benefits to the Council and its

residents will be captured and monitored during supplier review meetings to ensure that outcomes are delivered on time and as expected.

- 3.5 All contracts will be managed in accordance with the Council's processes to ensure that high standards are met and all KPIs adhered to. It is not anticipated at this stage that additional resources will be required for contract management, but this will be kept under review.

4. Background, including Policy Context

- 4.1 In June 2019, a 5-year TFM contract with Bouygues, now known as Equans, was signed. The contract will expiry on 31 May 2024. Therefore, the Council has been required to reprocure Facilities Management services.
- 4.2 The council has crucial obligations to meet in relation to Health and Safety and Facilities Management plays a key role in ensuring that all buildings meet all statutory regulations. The chosen suppliers that work in partnership with the Council must operate with high standards, given the type of sites that are controlled by the Council. Many sites are accessed by the public who rely on services provided by the Council. Therefore, it is vital that the buildings and assets are maintained to the standards required and are fully compliant at all times. The purpose of this procurement exercise has been to ensure that the right partners are selected across each of the 5 LOTs. Bidding suppliers have demonstrated expertise in their specific field and will help to ensure that customers, staff, and residents, are safe at sites that are fully compliant.
- 4.3 Suppliers were assessed on technical ability, compliance, acceptance of the contract terms, and other standards including commitment to the London Living Wage (LLW) and economic and financial standing. LLW is to be paid as a minimum to all staff.

5. Procurement Process

- 5.1 Following the endorsement of the Procurement Strategy, and approval from the Executive Director of Finance & Resources, the recommendation was to undertake an open procurement process. The process undertaken follows the recommended internal approach. A Contract Notice was issued in Find a Tender ([WCC - Facilities Management Services - Find a Tender \(find-tender.service.gov.uk\)](https://www.find-a-tender.service.gov.uk)) in addition to a Contracts Finder notice being published on the 14 November 2023 ([WCC - Facilities Management Services - Contracts Finder](#))

- 5.2 This was a lotted procurement, with 5 LOTs in total that suppliers could tender for. All suppliers, regardless of which Lot the bid related to, were required to complete the Selection Questionnaire prior to completing their technical and commercial bid submission. This contained criteria covering:
- Grounds for mandatory exclusions
 - Economic and financial standing
 - Technical and professional ability
- 5.3 The selection criteria focused on supplier's experience and track record to demonstrate their ability to deliver the requirements of the service for the Lot they were bidding for. The questionnaire also requested suppliers to select which Lots/s they were bidding for. Following the market engagement prior to issuing the tender, together with proceeding with an open procurement approach, the expectation was that there would be a lot of interest with the procurement.
- 5.4 A total of 78 organisations logged on to the project in capitalEsourcing. Following the deadline of Monday 15 January 2024, 11 (eleven) suppliers completed the Selection Questionnaire. 1 (one) supplier completed the Selection Questionnaire but withdrew from the process thereafter. A full list of these companies is included in the exempt part of this report.

Technical Questionnaire and Commercial Evaluation

- 5.5 All lots followed the same overall weighting for technical and commercial aspects. The Technical evaluation carried a weighting of 70%, with the Commercial evaluation carrying a weighted score of 30%. Each LOT had its own commercial workbook and evaluation on a LOT by LOT basis to reflect requirements and position of each contract.
- 5.6 Following compliance checks, 11 suppliers passed the Selection Questionnaire and submissions were made available to the selected Evaluators. There were 5 evaluation panels, 1 for each LOT. This followed completion of evaluators Conflict of Interest form. Staff involved in both the day to day running of the service and the tender had no communication in relation to the tender with any supplier aside from communications via the tendering portal CapitalEsourcing.
- 5.7 Evaluators were assigned specific questions to evaluate. The evaluation panel for each Lot consisted of the officers from the service that will be impacted by the contract. Evaluators from the service scored all questions except for Responsible Procurement, which was evaluated by the Responsible Procurement and SRM procurement team.

- 5.8 Although a lotted procurement, details of bids for all lots remained separate throughout and evaluated separately.
- 5.9 All scoring and comments from bidders were inputted into the evaluation scorecard matrix ahead of a moderation session. A moderation session was conducted by Procurement to ensure a robust review of evaluations.
- 5.10 For the commercial evaluation, all bidders were required to provide their mobilisation costs, their annual service delivery costs and to provide a rate card for various disciplines that may (or may not) be required throughout the life of the contract. The annual cost of service was multiplied by 5 to determine the service delivery costs over the potential 5-year contract term. The cost determined was exclusive of VAT and any annual inflationary costs. Mobilisation costs were added to determine the commercial price over the 5-year period.
- 5.11 Following a review of the commercials, it was clear that further clarification would be required across the lots to ensure the sites being priced were in scope and ultimately required. The clarification process has given the Council assurance of the suppliers' response and costs.
- 5.12 Detailed commercial information about bidders is included in the part B report.

6. Financial Implications

- 6.1 The costs of the five recommended contracts will total £4.011m in 2024/25, reducing by £0.143m to £3.868m in subsequent years following mobilisation of the contracts. The current core fee budget is £5.589m in total and there was an estimated saving from this re-procurement process of £0.500m. Following the completion of the procurement, this saving has been overachieved with contract prices coming in at £1.577m lower than the current core budget. There may however be additional costs amounting to approximately £0.250m relating to the identification of further assets following mobilisation and the additional contract management and transactional processing of multiple contracts. The overall performance and costs in the initial years of the new contracts can be assessed to determine the savings that can be put forward as part of the Medium-Term Financial Plan process.

7. Legal and Governance Implications

- 7.1 The Council is empowered under section 1 of the Localism Act 2011 to do anything that a person may do, subject to any statutory prohibitions. The

Council may enter into the contracts that are the subject of this report by virtue of that power.

- 7.2 The Council's Procurement Code necessitates approval of the award from the Cabinet Member for contracts that meet or exceed £1,500,000 following the recommendation to approve from the Executive Director and CGRB endorsement.
- 7.3 All lots were procured through an open procedure in compliance with the Council's Procurement Code and the Public Contracts Regulations 2015.
- 7.4 **Lot 1 Building Fabric** - The recommendation is for approval of the award to CBRE Managed Services Limited (01799580) with a total contract value of £3,218,416 from 1 June 2024 until 31 May 2027 with the option to extend for a period of two years.
- 7.5 **Lot 2 Mechanical Engineering and Plant** - The recommendation is for approval of the award to CBRE Managed Services Limited (01799580) with a total contract value of £9,241,710 from 1 June 2024 until 31 May 2027 with the option to extend for a period of two years.
- 7.6 **Lot 3 Cleaning** - The recommendation is for approval of the award to Pinnacle Housing Ltd with a total contract value of £5,379,857 from 1 June 2024 until 31 May 2027 with the option to extend for a period of two years.
- 7.7 **Lot 4 Security** - The recommendation is for approval of the award to Goshen Limited (01799580) with a total contract value of £ 2,735,545 from 1 June 2024 until 31 May 2027 with the option to extend for a period of two years.
- 7.8 **Lot 5 Lifts** - The recommendation is for the approval to award to Precision Lift Services Limited (03213600) for a three year contract from 1st June 2024 to 31 May 2027 with the option to extend for a further two years. The total value for up to 5 (five) years is £300,434.
- 7.9 Legal services will assist in the preparation of the contract and arrange for it to be executed as a deed.
- 7.10 A Contract Award Notice must be published within 30 days of the award.
- 7.11 Further comments are provided in the Part B Report.
- 7.12 The Cabinet Member Terms of Reference delegate the powers of this decision to the Cabinet Member. In accordance with Paragraph 33.12 of the Council's Access to Information Procedure, this proposed key decision was entered in the Forward Plan on 26 January 2024 and the necessary 28 clear days' notice has been given. A period of five clear days - the call-in period – must elapse before

the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

8. Climate Impact

- 8.1 One of Westminster Council's strategic aims is to ensure a 'Fairer Environment' and the Council has a specific commitment to meet organisational climate action targets of net zero carbon by 2030 and borough-wide by 2040. There is a commitment to work with suppliers with similar commitments to help achieve these targets. As part of every service provided, the Council expects suppliers to make every practicable effort to minimise both the operational and embodied carbon associated with the contract. Baselines and continuous carbon reduction targets will be mutually agreed with suppliers during contract mobilisation and Council officers will support the development of an Action Plan to help these targets be reached.
- 8.2 Maintaining properties and reacting quickly when the fabric or components fail, ensures that buildings operate as efficiently as possible. As components reach the end of their life, and in particular Mechanical & Electrical components, the Council will assess the best replacement parts, technologies and strategies, having due regard to initial capital costs, lifecycle, annual maintenance costs and carbon impact.

9. Social Value

- 9.1 Responsible Procurement and Social Value amounted to 10.00% of the technical weighting for all LOTS. In addition, a further 7% was applied to two technical questions relating to the supplier technical expertise & innovation and their resources.
- 9.2 Overall, the recommended companies provided favourable social value delivery plans which include work opportunities, volunteering, and contributions to projects as well as offering support and training to Westminster Businesses. Apprenticeships and work experience placements as well as committing to offering all opportunities locally where possible, this also includes using local SMEs where possible. All contractors will pay the London Living Wage.

10. Equalities Implications

- 10.1 An Equality Impact Assessment has been completed as part of the initial phase of the Procurement process. The Public Sector Equality Duty has been reviewed as part of the process.
- 10.2 Due consideration has been given to the people and staff that may or will be, impacted by this decision. The conclusion that there is no risk of unlawful discrimination to our staff, residents of the staff of our future partners. The TUPE process will be carefully monitored by all parties to ensure staff transitioning to a new employer are treated fairly and equally throughout.
- 10.3 Overall, groups with protected characteristics will be positively impacted by the proposal which aims to assist the Council in improving services to the buildings and users of the buildings, this includes accessibility.

11. **Risks**

- 11.1 A key risk is for the Council not to have approved contracts agreed and in place for FM services. There is a high risk of non-compliance relating to maintenance and Health & Safety within the Council's buildings and assets without robust contracts in place.
- 11.2 The Equans contract has not been extended and therefore there is a risk to supplier personnel and possible salary costs that would need to be met by the Council should a contract not be awarded and the TUPE transition to new suppliers not taking place.
- 11.3 Delays in approving the proposed contracts, would create further setbacks and issues within the exiting and mobilisation process. In addition, there would likely be complications with service delivery.
- 11.4 A period of poor service could be experienced when transitioning to our new partners without a clear and timely communication plan in place. To avoid this, a robust collaborative mobilisation plan is required and agreed by all parties. Communication with new partners is taking place.
- 11.5 A strong and collaborative approach is needed to manage any risk that compromises the operational delivery of the FM services.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

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APPROVED BY

Name and Title	Date sent	Date approved
Gerald Almeroth, Executive Director for Finance Resources	28/03/24	02/04/24
Jane Newman, Finance	28/03/24	28/03/24
Laana Chandler, Legal	28/03/24	28/03/24
Maria Burton, Governance	02/04/24	02/04/24

For completion by the **Cabinet Member for Finance & Council Reform**

Declaration of Interest

I have no interest to declare in respect of this report

Signed: _____ Date: 16 April 2024

NAME: **Councillor David Boothroyd**

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled **FM Contract Award** and reject any alternative options which are referred to but not recommended.

Signed: _____

Cabinet Member for Finance & Council Reform

Date: 16 April 2024

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Monitoring Officer and Section 151 Officer (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.