

Finance and Resources Committee

10:00am, Thursday 20 May 2021

Hard Facilities Management Services Delivery Partners – Award of Contracts

Executive/routine Wards Council Commitments:	Executive All 2, 18, 25, 28 and 31
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1. Recommendations

1.1 That Committee:

- 1.1.1 Approves the award of two contracts, one with MITIE Technical Facilities Management Ltd and one with Skanska Construction UK Ltd to deliver Hard Facilities Management (FM) Services following a competitive procurement process to identify the most economically advantageous tenderers. The aggregate value of the contracts is estimated to be up to £18m per annum subject to the annual revenue budget setting process;
- 1.1.2 Notes that the period for each contract is for 7 years with the option to extend for a further 3 years subject to performance reviews; and,
- 1.1.3 Notes that existing contracts have been extended to 30 September 2021 to allow for the contract award process to take place and mobilisation of the successful tenderers to commence the new contracts on 1 October 2021.

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Hard Facilities Management Services Delivery Partners – Award of Contracts

2. Executive Summary

- 2.1 Following the outcome of a procurement process to identify the most economically advantageous tenderers, this report seeks approval to award contracts for the delivery of Hard Facilities Management Services to each of MITIE Technical Facilities Management Ltd and Skanska Construction UK Ltd for a total aggregate value of up to £18m per annum, subject to the annual revenue budget setting process for the Council. The contracts are for a period of 7 years with the option to extend for a further 3 years subject to satisfactory performance reviews.

3. Background

- 3.1 The Council has over 660 operational buildings and other non-operational assets such as statues and monuments etc across the estate covering approximately 670,000m². Each building and site have an ongoing requirement for Hard Facilities Management (FM) Services.
- 3.2 Hard FM Services is the collective term for repairs and maintenance which consists of:
- **Statutory inspections and certifications** – the mandatory inspections and maintenance of equipment to ensure legal compliance. For example, gas safety tests for boilers, cookers etc, fire alarm, fire suppression and emergency lighting, lifts and escalators, PAT, fixed wire tests etc;
 - **Reactive Repairs** - the repair or replacement of items when defective. Predominantly health and safety, wind and watertight or service provision requirements including structural concerns, leaking roofs, broken windows, defective heating etc; and
 - **Planned Preventative Maintenance (PPM)** – a programme to proactively inspect and maintain assets including clearing gutters and drainage systems, maintain windows, roofs, flooring, electrical and mechanical equipment etc. to prolong the asset lifecycle, maintain best performance and reduce risk.

- 3.3 The Hard FM Services requirements are currently delivered via a range of external contractors which was subject to competitive tender in 2013 and split into individual trade disciplines (Lots).
- 3.4 In 2018, the Property and Facilities Management Division (P&FM), in conjunction with Commercial and Procurement Services (CPS) Team, commenced a procurement process to transform the delivery of the service provision into a more streamlined, proactive and planned approach to be delivered by two principal Hard FM partners.
- 3.5 The re-procurement of the service was highly complex and required a significant volume of market engagement, stakeholder and end user consultation, scope and price modelling, contract drafting, data gathering, and analysis to ensure the creation of the most efficient and effective contract which meets the needs of the Council and also secures and demonstrates Best Value.
- 3.6 The existing contractors are currently contracted under an approved waiver to the Council's Contract Standing Orders which is due to expire, on 30 September 2021, when it is expected that the new contracts will be in place, and mobilisation of the new contracts commenced.

4. Main report

- 4.1 The Council's strategy to streamline to a more strategic procurement model will reduce provision of works and services to two principal Hard FM contractors based on current best industry practice, effective performance management and monitoring to enable the key maintenance strategy objectives of having a property estate of the following qualities:
- Well maintained, wind and watertight (through planned preventative maintenance with required reactive repairs);
 - Safe, accessible, and compliant with statutory legislation – make safety of building users the top priority;
 - Maintains and enhances asset values and protects capital investment delivered through the Asset Management Works Programme;
 - Delivers value for public funding;
 - Optimises maintenance and lifecycle spend;
 - Produces and maintains effective records and performance management/quality assurance information; and,
 - Enhances the Council's reputation as a leader in Hard FM services/ effective maintenance of core operational stock.
- 4.2 Through incorporation of industry best practice, the contracts will utilise SFG20 scheduling (maintenance tasks) and the NEC4 Term Service Contract (flexibility

and clarity) to promote collaboration, high quality service delivery, key performance and contract management and use of technology to transform the delivery of the services to meet the objectives above and the following procurement objectives:

- Contract management efficiencies by reduction to two principal contractors, enabling more effective performance management and monitoring;
- Collaborating and incentivising of the two principal contractors;
- Reduction in the number of reactive calls to the Help Desk;
- Reduction in the number of reported 'near misses';
- Improved performance management of response and rectification times;
- Strong community benefits/economic development opportunities created through apprenticeships and involvement of local SMEs; and,
- Improved sustainable working practices to be adopted by the contractors through use of reduced or more sustainable means of travel between work sites and the recycling of materials.

- 4.3 On 5 June 2019, a Prior Information Notice was published in the Official Journal of the European Union (OJEU) inviting interested Hard FM services providers to note interest and complete a questionnaire. The questionnaire secured responses in relation to market experience; capacity and available resources; innovation and technology; their views on comprehensive limits and performance management. Opinions and comment on the procurement process; route to market; award criteria; and term of contract were also requested.
- 4.4 This engagement confirmed that the Council's strategy was achievable and deliverable while cementing the decision-making process in relation to the form of contract which was to be utilised and the pricing strategy. As part of this engagement process, the Council also engaged with the incumbent contractors to ensure open communication in relation to the change in service delivery model and options in relation to the Transfer of Undertaking (Protection of Employment) Regulations 2006, also known as TUPE.
- 4.5 On conclusion of the market engagement, a Contract Notice was placed in the OJEU, on 7 October 2019, inviting those interested to submit a European Single Procurement Document (ESPD) to assess the tenderers' financial capacity, business probity, capacity, experience and organisational policies for fair work and environmental practices.
- 4.6 On 8 November 2019, 14 tenderers submitted an ESPD and following evaluation, seven contractors were invited to tender. The award criteria were outlined as 60% quality:40% price. This criterion was identified as the most appropriate due to the need for tenderers to provide the highest quality service at the most economical price.

- 4.7 Progress was hindered by the impact of the Covid pandemic, however, the Invitation to Tender was issued on 9 October 2020 and consisted of:
- A compilation of over 195,000 assets which were logged for scoping, pricing and monitoring purposes;
 - Assessment of the end to end process from works order to payment to identify operational improvements;
 - Validated asset information and property portfolio information for the operational estate;
 - A detailed and comprehensive service scope including mandatory community benefits and sustainability requirements;
 - SFG20 maintenance schedules; these are industry recognised best practice standards and were adapted to suit the Council's diverse estate;
 - Comprehensive information modelling and processes; and,
 - Key Performance Indicators with service credits to manage non-performance.
- 4.8 During the tender period, the tenderers participated in a 'Meet the Bidder' event webinar and several online meetings with potential sub-contractors to promote inclusion for SMEs and local suppliers into their supply chain for this specific opportunity. This event was managed in conjunction with the Supplier Development Programme and very positive feedback was received.
- 4.9 On 12 February 2021, all seven shortlisted tenderers returned their tender proposals. The first part of the process was for the evaluation panel to score the tenderers' quality submissions to a number of qualitative award criteria which is contained within Appendix 1. The tenderers also delivered their response to one element of the award criteria at a presentation to the evaluation panel which was also scored.
- 4.10 The quality analysis was scored using a 0 to 10 matrix. Following completion of the quality analysis, tenderers that passed the minimum threshold of 60% of the available quality marks and achieved a pre-set minimum score of 5 or above for each element were then subject to cost analysis. Two tenderers who did not meet these pre-set quality thresholds were rejected from the process at this point.
- 4.11 The 40% price was sub divided across the following financial elements: mobilisation; fixed cost for delivery of statutory compliance and planned preventative maintenance; a series of labour rates and mark up on materials; plant and out of hours working. There was also an opportunity for tenderers to submit profits and overheads percentages for future capital works projects should this be required by the Council during the duration of the contract.
- 4.12 All evaluated elements were combined to identify the two most economically advantageous tenderers. The tender outcome is detailed in the following table:

Tenderer	Cost Score	Quality Score	Overall Tender Score	Overall Rank
Mitie	40.00	46.05	86.05	1
Skanska	34.97	44.40	79.37	2
Bidder 3	29.82	43.80	73.62	3
Bidder 4	25.14	45.60	70.74	4
Bidder 5	25.62	42.45	68.07	5
Bidder 6	0.00	36.30	36.30	6
Bidder 7	0.00	35.40	35.40	7

- 4.13 Where organisations have a “0.00” score for price this is due to their quality bid failing to achieve the pre-set quality thresholds. Organisations failing to achieve the thresholds were not considered further for appointment and their price proposal was not reviewed.
- 4.14 As identified above, the tenderers who have submitted the most economically advantageous tenders are Mitie and Skanska and are therefore recommended for appointment.

5. Next Steps

- 5.1 Subject to approval of the recommendations in this report, the Council will commence a 10-day standstill period.
- 5.2 Subject to successful completion of the standstill period, the Council will award a contract to each of Mitie and Skanska, which will commence with a mobilisation period to start on 1 July 2021 for a planned period of 3 months.
- 5.3 The mobilisation period will consist of activities such as asset verification; Computer Aided Facilities Management (CAFM) integration; agreement of first year statutory compliance and planned preventative maintenance plan; stakeholder communications and engagement plan; onboarding of contract delivery team including sub-contractors and TUPE; and process and procedure implementation.
- 5.4 At the end of the mobilisation period, the successful contractors will commence full contract delivery on 1 October 2021.

6. Financial impact

- 6.1 The estimated aggregate contract value of up to £18m per annum consists of costs for delivery of statutory compliance and planned preventative maintenance and all required reactive maintenance to ensure the Council's estate is in a suitable condition to deliver frontline services.
- 6.2 The costs submitted by the successful tenderers have been assessed as securing Best Value to the Council and achieved efficiencies which will allow the allocated annual budget to deliver more for the same cost. It is expected that there will be a lower percentage saving at the outset of the contracts but will increase to up to a 20% efficiency as the service delivery is transformed in line with the contract scope and requirements. The efficiencies will be tracked and monitored by Corporate Finance on an annual basis.
- 6.3 The cost of the procurement exercise is estimated to be in the region of £200,000 which is inclusive of all internal and external technical resources and legal costs.

7. Stakeholder/Community Impact

- 7.1 The Project Team have conducted significant consultation and collaboration to ensure excellent benefits in relation to sustainability and impact on the City of Edinburgh including:
- working in collaboration with Sustainable Procurement Scotland to devise a specification focussed on a low carbon approach to delivery including a focus on circular economy, low/zero carbon transport methods and recycling – the tenderers have both committed to a fully electric fleet of vehicles for this contract by 2023 with 50% by day 1 of the contract commencement;
 - securing a commitment from both tenderers to sign up to the Council's Construction Charter which focuses on fair payment, training, ethical employment practices and high standards of Health and Safety;
 - securing a commitment from both tenderers for all parties engaged on the contract to be paid the real Living Wage;
 - securing community benefits which include the establishment of a Skills Academy focussed on providing training, apprenticeships and employment opportunities for long term unemployed – the tenderers have committed to 40 apprenticeships, 40 skills campaigns and 80 work experience placements across the lifetime of the contract. There will also be a £15,000 per annum fund for community sponsorship;
 - Improvement to processes and procedures to ensure a more enhanced customer experience for building users through improved technology and communication;

- Securing commitment from both tenderers to support Small to Medium Enterprises (SMEs) which includes conditions within the contract for an 85% minimum spend with SMEs within a 10-mile radius of the property and regular 'Meet the Bidder' events. The tenderers have also committed to the use of three social enterprises to be engaged in the delivery of the scope annually;
- Following review of the tender submissions, the pre-procurement SME events were successful as several sub-contractor attendees feature in the proposed contract delivery teams; and,
- The Project Team worked alongside Legal Advisors to create a contract which is 'future proofed' and contains appropriate conditions related to sub-contractor payment, financial distress, TUPE and poor performance penalties.

8. Background reading/external references

- 8.1 [March 2020 Extension to contracts Report](#)

9. Appendices

- 9.1 Appendix 1 – Summary of Tendering and Tender Evaluation Processes.

Appendix 1 – Summary of Tendering and Tender Evaluation Processes

Contract	Hard FM Services Delivery Partners	
Contract period (including any extensions)	7 years with the option to extend for 3 years	
Estimated Contract Value (including extensions)	Up to £180,000,000 subject to the annual budget setting process (over the maximum contract period of 10 years).	
Procurement Route Chosen	Competitive Procedure with Negotiation (Negotiation Period not utilised as felt content of the bids demonstrated best value at initial stage returns)	
Tenders Returned	7	
Name of Recommended Supplier(s)	MITIE Technical Facilities Management Ltd Skanska Construction UK Ltd	
Price / Quality Split	Price 40%	Quality 60%
Evaluation criteria and weightings and reasons for this approach	Price	40%
	Mobilisation	5%
	Statutory Compliance, Planned Preventative Maintenance	60%
	Labour Rates and Contract Mark Ups	35%

	Quality	60%
	Project Delivery Team	15%
	Contract Mobilisation	12.5%
	Delivery Approach and Methodology	17.5%
	Health and Safety	5%
	Collaboration, Vision and Relationship Management (written)	5%
	Collaboration, Vision and Relationship Management (presentation)	5%
	Procurement and Sub-Contractor Accreditation Process	5%
	Community Benefits	5%
	The Environment	5%
	Business Continuity and Resilience	5%
	Fair Work Practices	5%
	Information Technology	10%
	Terms and Conditions	5%
Evaluation Team	Evaluated by Technical officers from Property and Facilities Management and external expert advisors	