

# Policy and Sustainability Committee

10.00am, Tuesday, 17 January 2023

## In-house Service Provision (Hard Facilities Management) - Response to motion by Councillor Day

Executive/routine Wards Council Commitments	Routine All
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### 1. Recommendations

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- 1.1 It is recommended that Committee notes:
  - 1.1.1 The contents of the report and discharges the motion by Councillor Day in respect of in-house service provision for Hard Facilities Management (FM) services; and
  - 1.1.2 The commitment to ongoing liaison between senior officers in Operational Services and the Trade Unions to examine any further opportunities for in-sourcing.

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## In-house Service Provision (Hard Facilities Management) - Response to motion by Councillor Day

### 2. Executive Summary

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- 2.1 This report responds to the motion from Councillor Day, which was approved by Policy and Sustainability Committee on [5 October 2021](#), on Hard Facilities Management (FM) services.

### 3. Background

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- 3.1 On 5 October 2021, the Policy and Sustainability Committee approved the following motion from Councillor Day: *To note the work being undertaken by officers and request a further update in 3 cycles to look at opportunities to bring services in house from the hard FM contract during 2021/22 financial year.*
- 3.2 On [29 March 2022](#), an update on progress was included in the business bulletin to Policy and Sustainability Committee.

### 4. Main report

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- 4.1 Hard FM services is the collective term for repairs and maintenance which consists of:
- Statutory inspections and certifications;
  - Reactive Repairs;
  - Planned Preventative Maintenance (PPM); and
  - Minor works.
- 4.2 The Council has over 660 operational buildings and other non-operational assets such as statues and monuments across an estate covering approximately 670,000m<sup>2</sup>. Each building and site has an ongoing requirement for Hard FM services.

## **Hard Facilities Management (FM) Services Contract**

- 4.3 The contracts for the delivery of Hard Facilities Management (FM) Services, awarded to MITIE Technical Facilities Management Ltd and Skanska Construction UK Ltd, went live on 1 October 2021. The total aggregate value of these contracts is up to £18m per annum, subject to the annual Council revenue budget setting process. The contracts were awarded for a period of seven years, with the option to extend for a further three years subject to satisfactory performance reviews.
- 4.4 The key overall requirement is to deliver services to maintain a safe and usable estate, within the annual budget.
- 4.5 The mobilisation remained on programme throughout the pandemic. This contract represents a significant step change in driving the Council towards best-in-class delivery of Hard FM services within the available financial resources. With such a change, there is a need for a different approach and culture within the service team.
- 4.6 With a service of such scale and complexity, some mobilisation elements are still ongoing. For example, work is ongoing on the full technology integration of the Council's AMIS (Asset Management Information System) to the equivalent systems of the two service partners which will bring a significant increase in building and asset information, along with real time visibility on the progress of reactive repairs and cost transparency.

### **Current in-sourcing activities**

- 4.7 To address the above, an organisational review of the current service is ongoing to create a new model for service delivery. This review is focused on formally incorporating both reactive and planned maintenance, addressing life safety audit outputs, and the need for extensive contract management. The proposed structure, subject to the formal review process, will increase in the in-house team from 29 to circa 55 employees by ceasing the use of external support and using the funding to create more internal jobs. An interim structure is in place, pending the completion of the organisational review, which includes acting up and secondment arrangements, agency staff and use of framework contracts.
- 4.8 An overview of the proposed changes are as follows:
  - 4.8.1 Contract Management – nine new roles are proposed, covering governance, financial control, planning and performance to ensure delivery of contract deliverables with transparency and control. It also includes a planning team, which not only considers hard FM services work access across the estate buildings, but also access needs within the wider Place directorate (including asset surveying and asset management works) ensuring a co-ordinated and aligned approach with stakeholders;
  - 4.8.2 Life Safety – five new roles (in addition to four new roles created in 2021 for delivery of a water quality service to Housing Services). The Council's fire, asbestos and water teams will all see increased resource levels as per previous internal audit recommendations; and

4.8.3 Operational – 12 new roles across fabric, engineering and controls services. This will meet the demands of an expanding and complex estate and represents clear alignment to the contract structure in relation to statutory/planned activities, repair works and minor works projects.

4.9 The service has faced significant recruitment challenges, and this continues to be the biggest risk identified in preparing for the organisational review.

4.10 The procurement of the current contract delivery model was undertaken to ensure best value. However, there are further opportunities for change which officers are exploring which could further increase the potential use of in-house resources. These include:

4.10.1 Janitorial Service – (Facilities Technicians): As part of the Hard FM services operating model, technicians will continue to be upskilled to provide front line health and safety checks and minor repairs thus reducing the need for contractor support. Critical spares such as light bulbs, filters etc are being purchased and stored locally to minimise disruption and Health and Safety (H&S) risks; and

4.10.2 Building Energy Management Systems (BEMS): The Council's heating, ventilation and air conditioning is managed in most instances via a BEMS. This consists of sensors and local controls connected to a central front-end management system. The repair and maintenance of these systems is highly specialist and is included within the current contractor role (this had previously been delivered by external contractors), particularly as the requirements are seasonal and are critical in times of defects in cold weather etc. However, it is proposed that the current BEMS monitoring and Helpdesk (including data management) is brought in-house (in 2023 once internal resources in place) to allow a holistic energy management service supplemented by information from the 3,000+ CO2/Heating/Humidity sensors installed in teaching spaces over 2022. This will also support the Council in managing energy demand reduction to achieve its zero carbon targets.

#### **Implications of further in-sourcing**

4.11 There are a number of principal reasons why the service is unable to consider further in-house transfer of scope at this time.

4.12 Following the award of additional budget for planned maintenance in 2018, a review was undertaken on the best way to deliver future services for the Council.

4.13 The service requires variable capacity and flexibility to meet continually changing demands and therefore resources need to have the ability to meet this with 24/7/365 capacity.

4.14 To ensure best value, the workforce need to deliver on a 'peak and trough' basis whereby peak demand and crisis management is met (this is particularly the case for planned works in our school estate where large amounts of resource are

required for defined period of time), but not carry the cost burden during annual trough phases. In addition, the annual budget setting requires changes to the overall maintenance strategy with re-prioritisation of key requirements within available budget, with flexibility at pace essential. Having fixed labour costs for certain activities, as would be in the case of in-house provision of those tasks, would mean that this could reduce the flexibility available to the Council.

- 4.15 The resource and infrastructure required for any expansion of an in-house delivery model of Hard FM services also needs to be considered in context.
- 4.16 Historically, there have been many challenges recruiting into vacancies within the service and with the ongoing organisational review, current vacancies are, by necessity, mainly being covered through agency and procurement framework resources due to a lack of candidate interest. This includes recruitment to many of the technical roles that exist within our current in-house organisational structure
- 4.17 The recruitment and retention of staff in technical and trades roles is a challenge for the Council due to the competition from the private sector, and other public bodies, for candidates to undertake these roles. This challenge has been highlighted in the Place directorate risk register. It is highly likely that an aim of increasing the Council's establishment of technical and trades roles on a large scale (as would be required in the case of the Hard FM contract) would be unsuccessful and there would still be a need, at least in part, for the services of private contractors.
- 4.18 The key requirement for the Council's Hard FM services resourcing model is that it would have to significantly scale up to cover for peaks, holiday cover, sickness absence, training, etc. Further, any vacancies would directly impact deliverables of the service and, most likely, lead to a model reliant on agency staff, overtime and contractor support to fill operational gaps. Any sizeable increase in in-house scope would also impact on key Council services such as Human Resources, Finance, Procurement and Business Support, where this support is currently provided through Skanska and Mitie's organisations as part of their contract scope and the associated cost.
- 4.19 In terms of infrastructure, an in-house model would also require a significant increase in fleet vehicles, which would require a review of Fleet Services' support capacity. This would also have a knock-on impact in terms of depot capacity requirements, stores operations and the provision of tools and equipment.

## **5. Next Steps**

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- 5.1 Continue the skills review for the Janitorial technician staff, maximising the available potential to upskill staff and use in-house resource to perform specified repairs consistently across the estate, ensuring these repairs are managed within AMIS to enable objectives and value to be measured.
- 5.2 Progress the BEMS monitoring and Helpdesk in-house transfer, including the 3,000+ Co2/Heating/Humidity sensors installed in teaching spaces over 2022.

- 5.3 Progress the organisational review for Hard FM services that is proposed to create circa 26 new in-house roles, pending the formal review outcome.
- 5.4 Continue discussions with Trade Unions to understand those operations where they feel that there is scope for best value to be delivered through in-sourcing.

## **6. Financial impact**

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- 6.1 Upskilling and training of Janitorial staff will be contained within the FM annual budget.
- 6.2 A service review will be required to address future ongoing costs of monitoring the 3,000+ new sensors against the Scottish Government funding provided.
- 6.3 The Hard FM services organisational review business case has been approved, and the staffing costs are contained within the overall service budget.

## **7. Stakeholder/Community Impact**

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- 7.1 Regular meetings have been established with the Trade Unions to explore further opportunities for in-sourcing where this option can demonstrate best value.
- 7.2 The service will need to ensure the effective engagement of employees, recognised trade unions, service users and suppliers as part of the next steps.

## **8. Background reading/external references**

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- 8.1 Hard Facilities Management Services Delivery Partners – award of contract. Report to Finance and Resources Committee, [20 May 2021](#).

## **9. Appendices**

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- 9.1 None.