

Property consultancy, facilities management catering and cleaning:
Future Delivery Model

Report of the Head of Service for Digital Transformation and Business Support

Please note that the following recommendations are subject to consideration and determination by the Cabinet (and confirmation under the provisions of the Council's Constitution) before taking effect.

Recommendation:

That Cabinet agree to the establishment of a Joint Venture service model to contract for the provision of property consultancy, facilities management, cleaning and catering services. The Joint Venture would be between Devon County Council and Norse Group and be awarded a service contract starting 1 April 2022, for an initial 5 year period plus DCC extension options of 3+2 years.

1. Summary

- 1.1 The Council's Joint Venture (JV) partnerships for Property Consultancy, Facilities Management (FM) Catering and Cleaning run until March 2022.
- 1.2 A comprehensive delivery model appraisal process has been undertaken and a Management Board was convened to consider the most appropriate future delivery model for these services. This has led to recommendations as to the best future delivery model to fulfil the Council's requirements, and detailed contractual proposals have been negotiated for the prospective future service.
- 1.4 DCC officers from services across the Council formed workgroups for the review process. This involved wide research and broad consultation including Members focus sessions. Management Board shortlisted from a longlist, to the following two service model options:

Option A: Integrated service model which draws together DCC's two Joint Ventures with Norse Group, into one Property Services and Facilities Management solution (including catering and cleaning for schools and others).

Option B: A disaggregated model with individual services competed from multiple different providers each individually commissioned and managed.
- 1.5 Management Board reviewed the shortlisted options and recommended that option A: Joint Venture integrated service becomes the preferred model. This would create one partnership vehicle enabling complementary services to be brought together under a single remit and build on expertise developed to date.
- 1.6 Management Board comprised Rob Parkhouse Head of Digital Transformation and Business Support, Jan Shadbolt County Solicitor, Mary Davis County

Treasurer and Meg Booth Chief Officer for Highways, Infrastructure and Waste, with (ex) Digital Transformation Portfolio Holder & workgroup leads.

- 1.7 Management Board shortlisted to a preferred option of an integrated joint venture. Officers subsequently developed proposals for a single, broader partnership to support the Council's needs, in conjunction with DCC's existing Joint Venture partner, Norse Group.

2. Introduction

The Delivery Model review - workgroup process and findings

- 2.1 Terms of Reference to conduct the review were considered by Leadership Group on 26th March 2018 and review groups were established to research, consider and recommend the Council's future service models. Two workstreams ran concurrently to review (i) property consultancy, and (ii) FM catering and cleaning. It paused during pandemic response, then reconvened.

2.2 Group A: Property consultancy workgroup

The Council's property services requirements include:

- Property maintenance & surveying
- Construction design & management
- Estates services & asset management
- Health and safety compliance
- Property sales and acquisition
- County farms estate

- 2.3 An independent chairperson was appointed to support and challenge the property review group and bring external expertise. The group consulted extensively including Members consultation and workshop, officers, peer authorities and service providers. This identified two lead options for property:

- A. Continue with the Council's current Joint Venture partnership (with NPS), or:
- B. Disaggregated model of competing services individually + some in-housing

- 2.4 Consultation and research identified success criteria to assist the decision making process around choice of future model, including factors relevant to pandemic recovery. The optimum future model will need to:

1. Achieve continual alignment with the Council's strategic priorities and remain agile throughout the times ahead.
2. Ensure the Council achieves highest priority status as commissioning entity and that its needs are prioritised at all times.
3. Sustain sufficient scale for the Council's significant capacity requirements across technically specialist services, wide geographic locations and maintain resilience through uncertain times. Promote service resilience by working with some external clients.
4. Value for money – both in terms of the service itself and also in the achievement of work programmes (influenceable spend) the model supports.

5. Promote local economic considerations and local investment.
 6. Enable the Council to deliver its services at pace, aiding pandemic recovery.
 7. Ensure the commissioning process is efficient, maintains seamless chain of accountability, enables efficient contract management and efficient to set up.
 8. Consider the market's ability to deliver including how the market is changing through the pandemic recovery cycle, particularly specialist maintenance for schools and numerous other technically specialist disciplines.
 9. Ability to commission reliably from a sustainable service while also achieving freedom from 'Exclusivity' for specific property functions; able to access the external market for some specialisms without destabilising the service, breaking accountability chains or diminishing the Council's overall strategic influence as client;
 10. Not create unnecessary liabilities for the Council.
- 2.5 The workgroup considered the likely impact of the pandemic on property services in a future post Covid economy. It is likely this will involve increased reliance on strategic alignment amongst partners, collaboration, resilience, agility, pace and resource efficiency in the future.
- 2.6 The group considered that option B (competing and managing numerous individual services separately with some in-housing) would not be an efficient way to approach the challenges of recovery; whereas an integrated joint venture would best support the Council's ability to confidently deliver priorities to the front line with pace. As such the expansion of option A), Joint Venture to integrate Facilities Management into a broader model emerged.
- 2.7 The Property Consultancy workgroup therefore recommended option A: Joint Venture for Property Services, including the expansion of scope to integrate Facilities Management to form a broader multi-disciplinary partnership for Property, FM cleaning and catering services.

Group B: Facilities Management, Cleaning & Catering workgroup

- 2.8 A separate workgroup reviewed FM, cleaning and catering, with stakeholder consultation and options appraisal around the Council's future FM needs and service model options. The workgroup noted that the Council's FM, cleaning and catering service (with Devon Norse) is performing well. It also found the current JV partnership meets the needs of the Council but could benefit from further integration with complementary disciplines; increased scale and multi-disciplinary working can bring greater agility and efficiency.
- 2.9 The FM workgroup also identified similar success factors to the Property workgroup; the primary criteria on which both groups were closely aligned were criteria 1,3,4,5,7 and 10 (as noted within item 2.4).

2.10 Options generation

Alongside the success criteria, the two workgroups identified a longlist of possible alternative delivery models for consideration as service model options.

A. Property workgroup – longlist of options

The longlist of options developed by the property workgroup included:

- i. Compete whole service to the market as one entity;
- ii. Compete services individually and align via contract management;
- iii. Use multiple Framework Agreements (a mix of existing, and procure own);
- iv. Bring all services in-house;
- v. Continue existing Joint Venture with NPS SW;
- vi. Expand Joint Venture to include wider SW public bodies;
- vii. Establish a wholly owned trading company;
- viii. Align with DCC Engineering Design Group's Professional Services contract;
- ix. Disaggregate and combine services independently, + some in-house *
- x. Smaller Joint Venture for specialisms, other services from elsewhere;
- xi. Broader, integrated joint venture for Property, FM, cleaning and catering *

B. FM, cleaning and catering workgroup – longlist of options

The longlist of options developed by this workgroup included:

- i. Compete from the market as several separate services areas;
- ii. Compete from the market with the current FM remit;
- iii. Compete from the market with a wider FM remit;
- iv. Extend the current joint Venture;
- v. In-house the service as a whole;
- vi. Broader, integrated joint venture for Property, FM, cleaning and catering *

* = shortlisted options

2.11 Workgroup shortlisting recommendations

Having reconvened to consider pandemic recovery needs, the property workgroup recommended against the disaggregated model continuing to be shortlisted, due to not being well placed to support pandemic recovery, namely:

1. A disaggregated model would reduce the Council's strategic influence as significant client; disaggregation would not achieve strategic alignment with service providers or bring the best ability to deliver at pace;
 2. Disaggregation could de-stabilise the service and reduce resilience, and be less efficient to manage given the Council's priorities and need for pace.
 3. The external property market is experiencing increasing capacity pressures and this model no longer inspires sufficient confidence in maintaining capacity at scale, resilience and continuity of skills availability;
- 2.12 Both teams assessed their success factors against their alternative service options. Both identified potential for synergies between the Property and FM future models, and each team independently recommended an integrated Joint Venture as the optimal model to fulfil the Council's future needs. This led to

discussions with Norse Group about an integrated approach, and the recommendation to the Management Board to proceed.

3. Proposal: Integrated Property, FM, Cleaning and Catering Joint Venture

3.1 On 22 October 2020 Management Board shortlisted to explore integrated partnership discussions with Norse Group, having heard recommendations to the same effect from both workgroups. A proposal has since been negotiated between DCC and Norse which would bring numerous benefits. The proposal has been peer reviewed by Property / FM commissioning leads who were part of the review but were outside of the negotiations themselves, being mindful that pandemic recovery will shape the Council's future needs.

3.2 The Council now has fully documented proposals to support its Property Services and Facilities Management via an integrated Joint Venture. The pre-contract proposals have passed external legal scrutiny and include Articles of Association, a Shareholder Agreement and a Service Agreement with service specification and fee scales.

3.3 Overview of proposed new arrangements: key provisions

Key benefits of the integrated model include:

- i. Ensure a legally compliant model which can also support external business;
- ii. Ensure financially competitive and efficient overall service model;
- iii. Ensure key knowledge and expertise about DCC's property estate is retained;
- iv. Provide single point of contact and trackable job process on multiple disciplines;
- v. Enable efficient co-ordinated management via a single Management Board;
- vi. Ensure full commitment from the local and wider Norse Group to bring innovation and Group support for Devon's local operations;
- vii. Allow flexibility for DCC to procure specialist services to complement the overall service offer, removing Exclusivity and enabling DCC to access the market.

Appendix one provides an overview of key benefits of the arrangements.

3.4 Commercial

3.5 The integrated model will streamline the NPS SW and Devon Norse structures into a single JV under one Director. The service will become more multi-disciplinary, creating efficiencies for example onsite FM staff undertaking less technical elements of property management previously carried out by more costly surveyors, and a common work management portal.

3.6 Many rates have improved or are cost neutral. This includes the right fee for the right service at competitive rates. The officer group consider the rates overall represent fair value when comparing the service and fees against known market rates.

- 3.7 In some cases this includes broader services within the fee, whereby DCC has secured more comprehensive work tasks within specification, reflecting that a JV service brings more.
- 3.8 Construction fees will continue to be fixed at Project Gateway stage 3 (industry standard stages for design and construction) giving DCC greater cost predictability; this a key element articulated through consultation with property professional leads.
- 3.9 The team has negotiated financial and technical parameters whereby DCC will not be obliged to commission all work from Norse. This was from consultation feedback and gives the Council flexibility and choice with some latitude to commission other specialist providers in particular areas on an optional basis.
- 3.10 The discussions have included TUPE, pension rights and redundancy provisions. This has ensured the new arrangement would not increase the Council's liability, and in some circumstances draws a line under historic obligations the Council held. Naturally the Council's sites or services are likely to change in the future, which can be accommodated based on circumstances.
- 3.11 A review of risks and any disbenefits has been carried out by the workgroup and peer group, including a financial appraisal of the new proposed rates. Appendix Two identifies the Financial headlines of the negotiated proposal.

Contract duration

- 3.12 The proposal envisages the new JV starting 1 April 2022 when the two current JV service contracts expire. The new JV would be formed by updating the existing Devon Norse company into new agreements, minimising setup costs.
- 3.13 The outgoing arrangements for NPS SW Property and Devon Norse FM were 15 and 10 years respectively; most consultees felt future arrangements should be shorter to enable greater flexibility and avoid DCC being tied into a lengthy contractual commitment. The new JV is proposed for an initial 5 year period, with extensions of 3+2 years based on 18 performance measures covering:
 - Health and safety compliance
 - Environmental performance
 - Financial performance
 - Customer satisfaction & helpdesk
 - Work quality
 - Project timescales

Governance and oversight

- 3.14 The governance process will be improved by streamlining the current two Joint Ventures into one integrated service. The two outgoing joint ventures currently operate in parallel and each comprise quarterly Board reporting, monthly Operations boards, workstream performance monitoring and risk management.
- 3.15 The new process will give better integrated reporting and oversight. Quarterly Directors Board reporting will continue, there will also be a 'Liaison Board' (similar to the Partnership Board) attended by a DCC Senior Manager, a DCC Councillor plus others to be agreed from DCC and the Norse Operations

Manager and a Director. The monthly Operations Boards will continue. There will be six Joint Venture Director places, with three each from DCC and Norse.

- 3.16 The Council will retain a 20% ownership stake in the new Joint Venture.
- 3.17 The review also noted the performance of Devon's current Joint Ventures as illustrating the benefits of strategic alignment and shared purpose. There have been many examples of unified working in the pandemic response for example:
- i. Supporting the Council's premises building compliance through FM, risk assessments and building compliance, swiftly implementing safety measures;
 - ii. Extensive uplift in cleaning service demands across 250+ Devon sites at short notice, maintaining business continuity and helping keep premises safe;
 - iii. Supporting specialist facilities the Council mobilised swiftly—Community testing;
 - iv. Interchanging resources to support PPE across Devon, logistics, stock management, planning, communications and supporting vulnerable individuals;
 - v. Supporting Care Homes and others with outbreak management, multi skilled staff ensuring residents and schoolchildren received meals and food boxes;
 - vi. Received a large number of requests from schools and other partners (some of whom had provision challenges) and stepped in to help wherever possible.

4. Options/Alternatives

- 4.1 This report identifies a range of considerations that were developed through workgroup consultation and research. These were considered in line with criteria for success and resulted in a longlist and shortlist of options as conveyed in this report.
- 4.2 The 'do nothing' option of extending the two Joint Ventures in parallel was considered but discounted, as it would miss opportunities that would otherwise be created by combining these services.

5. Consultation

- 5.1 The Property Consultancy and Facilities Management review teams comprised senior leads from Services and involved in-depth engagement with Members, senior managers, service users, market suppliers and other local authorities.
- 5.2 Interviews included 15 external property practices, incumbent Joint Venture partner, Leader, Chief Executive, DT&BS Portfolio Holder, County Treasurer, County Solicitor, Chief Officer HIDW, Head of DT&BS, DCC Members and officers plus Unitary Authorities, Hampshire & Salford Council.

6. Financial considerations

- 6.1 At recent activity levels, the Council (including maintained schools) spends £8 million on FM, cleaning and catering annually, and £4.3 million on Property advisory services. Expenditure varies according to each year's programme.
- 6.2 The proposed new integrated JV would operate on broadly similar financial arrangements to the current two JV's, with some efficiencies through integration. Significant changes in the amount of work undertaken by the new JV is not anticipated, albeit will depend on the Council's capital programme and any variations to the sites and schools commissioning these services in future.

7. Legal considerations

- 7.1 The County Council is legally permitted to agree these recommendations. Legal support has been maintained throughout to ensure the agreement protects the Council's interests and complies with all relevant legislation (including procurement regulations such as Teckal).

8. Environmental considerations including climate change

- 8.1 These services bring opportunities to align closely with the Council's strategic priorities including promoting positive environmental benefits. A Joint Venture partnership will be able to support these priorities through closely aligned working and shared organisational priorities, i.e. quality Facilities Management, cleaning and catering principles, and property consultancy support.

9. Equality considerations

Where relevant to the decision, the Equality Act 2010 Public Sector Equality Duty requires decision makers to give due regard to the need to:

- eliminate discrimination, harassment, victimisation and any other prohibited conduct;
- advance equality by encouraging participation, removing disadvantage, taking account of disabilities and meeting people's needs; and
- foster good relations between people by tackling prejudice and promoting understanding.

Taking account of age, disability, race/ethnicity (includes Gypsies and Travellers), gender and gender identity, religion and belief, sexual orientation, pregnant women/new and breastfeeding mothers, marriage/civil partnership status in coming to a decision, a decision maker may also consider other relevant factors such as caring responsibilities, rural isolation or socio-economic disadvantage.

In progressing this particular proposal, an Impact Assessment has been prepared which has been circulated separately to Cabinet Councillors and is also available alongside this Report on the Council's website at <https://new.devon.gov.uk/impact/> which Councillors will need to consider for the purposes of this item/meeting.

The Equality Impact Assessment is appended to this report. In addition, Norse Group has clear policies and procedures to ensure equality and diversity operate correctly.

10. Risk management considerations

- 10.1 A risk register will continue to be jointly completed by both partners. It will be updated quarterly and appropriate risk owners assigned to mitigate risks. It will

consider risks such: service delivery, resilience, financial, operational and reputational. Performance monitored via the Council's DT & BS Service.

11. Public Health Impact

11.1 These arrangements should have no direct implications for public health.

Rob Parkhouse
Head of Digital Transformation and Business Support

Electoral Divisions: All

Cabinet Member for Digital Transformation and Business Support
Councillor Andrew Saywell

Local Government Act 1972: List of Background Papers

Contact for Enquiries: Justin Bennetts, strategic procurement manager
Tel No: 01392 383 000 Room: 120

12. Summary

In considering the Council's future delivery model for these services, a wide range of analyses and consultation has been undertaken. This resulted in a range of success factors being developed to support decision making, and a wide options analysis.

The proposals for an integrated Joint Venture for these services are recommended as providing the Council with the best possible future service delivery model for these services into the future.

Background Paper	Date	File Reference
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Papers for consideration

- Equality Impact Assessment

The above mentioned reports is published on the Council's Website
at: <http://democracy.devon.gov.uk/ieDocHome.aspx?bcr=1>

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Appendix one: benefits overview of proposed arrangements

1. Legal compliance

- Joint venture legal parameters are met through appropriate company structure
- Status quo maintained for TUPE, redundancy and pensions

2. Information

- Ensures DCC exerts strategic influence to the priorities and significant decisions of the Joint Venture
- Knowledge and expertise maintained to support the council's property portfolio; no in-housing of roles

3. Efficiency

- Integration of Property and FM functions supports efficiencies, multi disciplinary working and opportunities to streamline service
- Single Management Board (comprising 3 DCC leads, 3 Norse leads)
- Single Operations Director – unifies operations

4. Risk management

- New volume discount protocol around annual DCC commissioning volumes, with greater visibility and assurance
- Mitigates exposure to commercial risk, for example no DCC liability for JV property lease.

5. Services

- Modernising terms and conditions
- Many rates either improved or cost neutral
- Improved 'exclusivity' arrangements, permitting procurement of external support in certain situations

6. Collaboration

- JV partner commitment to local economic sustainability and environmental sustainability measure
- Commitment to provide wider Norse Group support for Devon's local operations

Appendix Two

Financial headlines of proposed Property / FM Joint Venture 2022+ Key parameters:

- Achieve commercially competitive rates for DCC work commissions
- Achieve efficiency savings and financially sustainable JV model
- Legally compliant trading structure
- Achieve DCC freedom from Exclusivity for specific service disciplines
- Achieve dividend rebate
- Achieve freedom from DCC historic undertakings

Overview:

1. Commercially competitive attractive rates

- Rates have been modernised and represent the right fee for the right service
- Numerous rates have improved or are cost neutral
- In some cases DCC has secured more comprehensive work tasks within fee
- Rates positively benchmarked against market comparators
- Efficiencies created by FM staff being able to undertake duties previously undertaken by surveyors / multidisciplinary working

2. £200k efficiency saving to the JV

- Saving not cashable – helps ensure JV business model is financially sustainable and streamlines processes, including creation of one operations board for the JV.
- To make the savings cashable – would either increase the rates or decrease the dividend rebate.

3. New JV legally compliant with Teckal

- Outgoing FM JV Teckal compliance updated to accommodate schools' move to Academy status plus the external moves of former DCC services such as Libraries Unlimited, DY Space, LDP. As DCC's internal business changes the JV's headroom reduced for external contracts within relevant parameters. The new arrangements are legally verified as compliant.

4. Continuation of dividend rebate

- Dividend now based on turnover, making budget income more predictable
- Dividend primarily dependent on DCC business volumes
- Dividend includes 1% of external revenue as an ongoing return
- Dividend expected to be broadly comparable with DTBS base budget for Devon Norse and NPS dividend;

5. DCC Freedom from Exclusivity

- DCC able to appoint specialist providers outside the JV within parameters
- This has a 'commercial risk' cost to Devon Norse but a key aim from consultation.

6. Freedom from historic undertakings

- Limited DCC liability for legacy TUPE, Pensions, redundancy
- DCC no longer underwrites Venture House lease