Review of Integrated Facilities Management Proposals

Report for SOAS, University of London

This report has been prepared by Julie Pickering on 28th Jan 2016

Version 1.0

APSE (Association for Public Service Excellence) is a not for profit local government body working with over 300 councils throughout the UK. Promoting excellence in public services, APSE is the foremost specialist in local authority front line services, hosting a network for front line service providers in areas such as waste and refuse collection, parks and environmental services, leisure, school meals, cleaning, housing and building maintenance.

APSE provides services specifically designed for local authorities, such as benchmarking, consultancy, seminars, research, briefings and training. Through its consultancy arm APSE delivers expert assistance to councils with the overt aim of driving service improvement and value for money through service review and redesign. APSE delivers in excess of 100 projects a year and clients benefit from the consultancy's not for profit ethical approach to consultancy services.

Review of Integrated Facilities Management proposals

Report for SOAS

Contents

Association for Public Service Excellence
2nd floor Washbrook House
Lancastrian Office Centre
Talbot Road, Old Trafford
Manchester M32 0FP
telephone: 0161 772 1810
fax: 0161 772 1811
email: enquiries@apse.org.uk
web:www.apse.org.uk

APSE Report for SOAS, University of London

Review of Integrated Facilities Management Proposals

1. Background and Context

SOAS, University of London is in the process of re-procuring a range of outsourced services grouped into an Integrated Facilities Management Model (IFM). The private sector already runs the majority of the services in the proposed IFM model but as individual contracts. The key business drivers are quality and improved service delivery within a 'considerate employers' ethical framework.

SOAS commissioned APSE to carry out an independent review of the FM Strategic Review that had been completed in April 2015 including any benchmarking activity. This Strategic Review did not include the in-house option. Accordingly at the initial meeting it was agreed that the scope of this independent review also needed to review the findings from an earlier report that the School had commissioned in 2013. This report was an 'Options Appraisal of the future provision of Outsourced Services' and considered in-house FM provision as one of the options.

SOAS is prepared to consider delivering an IFM Model in-house should this be cost neutral and provide an assurance of having the capacity to deliver sustainable quality as part of an output specification. SOAS does not wish to consider running a non-integrated Facilities Management and also has reservations about the capacity of the existing Contract Managers to deliver an in-house solution.

In recent years SOAS has commissioned external resources to consider the future management of IFM Services. There have been three main consultancy review reports. In September 2012 Serco reviewed Shared Building Maintenance Feasibility across the Bloomsbury Group. This was followed in May 2013 when Mott Macdonald completed an Options Appraisal of the Future Provision of Outsourced Services. More recently, Gardiner & Theobald have evaluated and determined the optimum model for the management and delivery of FM services to the SOAS estate, taking account of existing requirements and the opening of Senate House, North Block. This report did not compare the cost of an outsourced IFM to an in-house IFM or indeed options around shared services arrangements.

The scope of IFM is specified in the OJEU notice and includes Cleaning, Security, Building Maintenance, Energy, Waste, Lift Management and Help Desk. The Contract Invitation to Tender (ITT) Volume 4 Instruction to Bidders is available on request and advises in its overview of the Contract that IFM will incorporate Hard FM Services (including minor works), grounds maintenance, Soft FM services (security, cleaning, pest control, porters, mail room, reception and switchboard services) and FM Helpdesk. The majority of these services are currently outsourced, but run as separate contracts. Catering is not currently included in IFM as this contract's renewal date is in 2017.

The Overview in Volume 4 further explains that 'it is intended that the remainder of this Process will take place in accordance with the provisions of the ITT, but SOAS reserves the right to terminate, amend or vary the Process by notice to all Bidders in writing. Subject to condition 3.22 (which relates to fraud and/or the law.) SOAS will have no liability for any loss, expense, cost or liability caused to Bidders or any third party as a result of this.' This document also explained in 2.8 that SOAS is currently restructuring the Estates and Facilities management team one of whose responsibilities will be the management of the new FM Contract. In 2.9 Bidders are advised that 'the Contract will involve the Primary TUPE of circa three directly employed staff and the secondary TUPE of circa 100 existing Contractor staff'. Two of the three directly employed staff applied and were accepted for voluntary severance to take effect in June 2016. In addition three of the SOAS Estates and Facilities Managers have also applied for and accepted voluntary severance with effect from June 2016.

The procurement process for building and facilities management services proposes a five year contract, with the option of a two year extension. The procurement process has already started, with a tender return date scheduled for 23rd December 2015 and tender evaluation until 7th March 2016.

Subject to the varying conditions referred to in 6.7 of Volume 4 the Contract will be awarded to the most economically advantageous tender as assessed from SOAS's point of view, taking into account the criteria of this ITT, and in accordance with price quality ratio weighting of 60 Quality and 40 Price. Details of the evaluation criteria form part of Volume 4 (pages 17 to 32).

2. Academic and Business Context

The London Universities that SOAS currently uses for comparative purposes are all members of the Russell Group which represents 24 leading UK Universities, who are committed to maintaining the very best research, an outstanding teaching and learning experience and unrivalled links with business and public sector. The institutions used for comparative purposes are:

- Kings College London
- London School of Economics
- Queen Mary University of London
- University College London

In 2015 SOAS was ranked on the University League Table 2016 35th out of 126 Universities with 713 points.

In relation to the above, Universities tend to be measured against their peers on a number of factors under the headings of:

- student satisfaction
- research quality and intensity
- graduate prospects
- student staff ratio
- academic services spend
- facilities spend
- good honours
- degree completion
- green score

Table 1 below shows a comparator with University College London in relation to these factors:

Table 1 **Criteria**	**University College London**	**Kings College London**	**London School of Economics**	**Queen Mary London**	**SOAS**
Entry Standards	500	453	532	408	407
Student satisfaction	3.96	3.95	3.95	4.04	3.97
Research quality	3.22	3.23	335	3.18	2.82

Research intensity	0.91	080	0.85	0.74	0.76
Graduate prospects	81.3	79.6	83.0	69.4	62.6
Student staff ratio	10.3	11.3	11.4	12.2	10.9
Academic services spend	1,982	1,436	1,833	1,519	1774
Facilities spend	195	554	514	667	250
Good honours	87.9	83.2	82.1	75.3	82.9
Degree completion	94.7	92.8	94.8	91.2	80.7
Green score	60.9	49.5	62.2	35.5	49.6
University rank 2015/CUG 2016	9/13	28/23	3/3	36/33	35/43
Overall score	**873**	**805**	**953**	**760**	**713**

The measures above in the main relate to 'per student' .Full definitions are available linked to University League Table calculations.

The facilities spend per student at SOAS and University College London is low, being amongst the lowest in the University League Table 2016. The highest was Buckinghamshire New at 1,434 followed by Northampton and Durham with 1,066 and 1,030 respectively. The highest facilities spend in the London Universities referred to above is Queen Mary London at 667. This can be due to a number of inter related factors and its location and also needs to take account of the Association of University Directors of Estates' (AUDE) Higher Education estates statistics report November 2015.

SOAS is in UK top ten for Arts and Humanities and one of global leaders for international issues being 7th in United Kingdom and 12th in the World.

In conjunction with its peers, SOAS is committed to increase its rating in the University League Table. As such the objectives that SOAS have set themselves will focus around the measures referred to above as this will be their core business for the foreseeable future.

3. SOAS Core Values

SOAS Core Values underpin all its activities. The core values that are actively reviewed and monitored by the Board of Trustees and Executive Board focus on:

- Promoting equality and celebrating diversity
- Freedom of speech and tolerance
- Promoting cultural standards
- Ethical standards - valuing openness ,honesty, tolerance, fairness and responsibility
- Excellence
- Community - striving to create an atmosphere of community, collegiality and co-operation
- Evaluation and self-reflection
- Transparency and accountability with exemplary standards of governance
- Environment including a firm commitment to reducing energy consumption

Integral to these values is the involvement of the Students' Union which prides itself on being actively involved in issues at the university to promote their ideologies around the above issues.

The Students' Union has three Sabbatical Co-Presidents who attend school committees and lobby management on student issues relating to:

- Finance and Communications
- Welfare
- Sports and Societies

The Sabbatical period is one year. Two of the Sabbatical Co-Presidents are members of the University Board of Trustees. In addition there are ten part time officers with various portfolios, class representatives and over 50 Clubs and Societies.

4. Business Drivers

As with similar organisations there are a number of business drivers which need to be considered alongside any recommendations which in turn can determine priorities and or agreement in terms of next steps or agreeing the course of action. In relation to SOAS through discussions with the management team these have been defined as the following:

4.1 SOAS's ability to focus on its Core Business.

SOAS is an academic institution and prides itself on its achievements in relation to its attractiveness to prospective students and improving student outcomes, i.e. Student satisfaction, research quality and intensity, graduate prospects, student staff ratio, academic services spend, facilities spend, achieving good honours degrees and degree completion. The acquisition, restoration and improvements to the Senate House North Block are an example of this investment in facilities for future students. SOAS has its values which transcend to its students and staff. SOAS recognises that to achieve its ambitious agenda services will be provided by directly employed and indirectly employed staff and aspires to ensure all of these understand and treat others in line with SOAS's values.

4.2 Procurement and Compliance

Public sector procurement is subject to a legal framework which encourages free and open competition and value for money in line with internationally and nationally agreed obligations and regulations. The over-riding procurement policy requirement is that all public procurement must be based on value for money which is defined as 'the best mix of quality and effectiveness for the least outlay over the period of use of the goods or services bought. All public bodies are governed by the Public Contracts Regulations 2015 (which revoke and replace the Public Contracts Regulations 2006) which set thresholds if you are buying supplies, services or works. Organisations under the public sector definition must follow procedures laid down in Public Contracts Directive before awarding contracts to suppliers and there are legal, financial and reputational repercussions should an organisation be proven to not be compliant.

4.3 Efficiencies

A significant proportion of organisations are required to find efficiencies linked to their short, medium and long-term business plans and strategies. At SOAS financial projections suggest that SOAS will fall £6.5m below its annual target for generating sufficient funds to secure its financial sustainability and provide for investment needs. The £6.5 million is the shortfall of the projected deficit of £1.6 million in 2018/19 (as of 21st January 2016) against the target surplus of £4.9 million. The SOAS sustainability programme aims to address this shortfall by seeking both to reduce its cost base and increase its income.

4.4 Specification and quality

Having accurate and customer focused specifications and quality reporting systems are essential integral parts of effectively managing current contracts and agreeing what needs to be included and on what frequency. As part of the contract re-provision agenda as well as learning lessons from past experience, contracts require clear and robust outcome based specifications focusing on continuous review and innovation in line with changing requirements. Performance management must measure and benchmark quality to ensure that delivery (in this case IFM) facilitates the achievement of the organisation's core business and its future requirements, and has the agility and flexibility to deliver throughout the contract term.

5. Existing Consultancy Reviews and recommended action

SOAS has commissioned three consultancy organisations since 2012 with a remit to review and consider the best option for SOAS in terms of future FM provision. The reports were delivered by Serco in September 2012, Mott MacDonald in May 201 and Gardiner Theobald in April 2015.

The report by Serco was commissioned to deliver a high level outline business and benefits case across all four of the Bloomsbury Colleges/Universities to inform decisions as to whether to progress the potential of merging building maintenance across the partner estates. Although originally focussing on building maintenance, the scope was broadened to include cleaning, security and catering. Although the consultants identified possibilities for savings if services were 'shared,' and also considered different delivery models, there was insufficient buy-in to proceed

The Mott MacDonald report was subsequently commissioned by SOAS Outsourced Contracts Working Group partly as a result of pressure from 'Justice for Cleaners' Group in 2013. This working party did have a wider remit, but the Mott MacDonald report focused on 'objectively examining the costs for the future provision of Facilities Management Services.' The consultants prepared a cost analysis for the outsourced contracts for cleaning, catering, security and planned and reactive maintenance. There were originally seven options, but then it was agreed to discount the option around setting up a joint venture.

The options that were considered were:

- Current model- minimum London Living Wage
- Current Model- SOAS Conditions of Service
- Current Model – equivalent benchmark conditions of service
- Insource on SOAS Conditions
- Outsource to a single provider
- Shared Service with three London Universities

The remit of this report was to consider costs rather than other options such as quality improvement. The least cost option to SOAS was concluded to be the Current Outsourced Model requiring contractors to pay minimum London Living Wage. The conditions of Service have been improved since the writing of the report, and the London Living Wage, although not mandatory, is paid to cleaners.

Highlight reports and consideration of the issues each of these reports raised are attached as Appendix 1

In 2014 Gardiner & Theobald were then commissioned to assist with the progression of a shared Facilities Management arrangement, led by University of London. When this was no longer considered to be an option, Gardiner & Theobald were commissioned to complete the Strategic Review of Options for future Facilities Management (FM) provision, which was completed in April 2015. This Strategic Review considered only outsourced solutions in line with the Board of Trustees' decision that the outsourcing of services should not be considered before 2016.

A highlight report and summary of this Strategic Review is outlined in section 5.1.

As a result of the concerns raised by UNISON at Regional level, and by staff and students about outsourced services, the Registrar agreed, and commissioned APSE, to undertake an independent review

Gardiner & Theobald are currently assisting with the procurement of SOAS IFM solution as recommended by the Project Board and agreed by Executive Board.

5.1 .SOAS FM Strategic Review – Final Report 24th April 2015

Over recent years, consultants have been working alongside SOAS firstly to assist with the implementation of a Shared Model with two other London based Universities, which meant that the re-procurement of existing IFM contracts was put 'on hold.' This option for a shared arrangement with SOAS, Birkbeck University and University of London (led by University of London) unfortunately in the end did not materialise as the other universities decided in December 2014 not to progress with the shared arrangement option. SOAS then had a limited timeframe to look at alternative options for contract re-provision.

The 2015 Public Contracts Regulations came into force (with a few minor exceptions) on 26th February 2015. These regulations implemented the European Union's 2014 Public Sector Procurement Directive 2014/24/EU. With these regulations there is now an option to consult with the market using pre market engagement and for this then to be used to determine the best route to market for your organisation. The more extensive this consultation is the better, as it aims to inform organisations of industry best practice, innovative technologies delivery and contract packaging options. This information is then used to form part of the wider context of understanding options for efficiency and price quality split to achieve required outcomes. This approach was not used for IFM at SOAS. APSE was advised that pre-market engagement had been considered under the earlier option for the shared service arrangement with two other London Universities led by University of London.

The same consultant was then commissioned in January 2015 to carry out a Strategic Review of Facilities Management at SOAS. The overall aim of the review was to evaluate and determine the optimum model for the management and delivery of FM Services to the SOAS estate. For a baseline, the actual costs of FM Services 2013/14 was used and the calculation included FM Contract costs, SOAS Management and Delivery staff and other variable costs which totalled over £2.6 million. Variable FM costs were then added including Contract costs and other FM costs which together totalled just under £3.6 million. The amount for SOAS Management, Admin and Delivery Staff was £284,963 for 2013/14, which is higher than £219,388 quoted for the base year in the other consultancy report referred to in 5.1 above. This may be due to a change of scope e.g. Post Room or other reasons. APSE would recommend that SOAS explore why there is a difference for budgeting and analytical purposes.

SOAS was initially presented with six generic options, which were:

- Property Partnership
- Joint Venture
- IFM (excluding catering),

- A managing agent contract
- Bundled services contracts
- Headline services contracts
- Specialist contracts

The Project Board concluded that only three high level options that had the potential to best meet the stated project options:

- Option 1- IFM (excluding Catering)
- Option 2 – Bundled Contracts
- Option 3 – Headline Services Contracts

Whilst it is accepted that SOAS had already spent considerable time in exploring shared service options with institutions from Bloomsbury Group followed by the shared services option between University of London, Birkbeck University and SOAS which did not go ahead, alternative options such as the wider context of shared services across the public sector were not considered further at this stage. This may have been useful especially with the increasing commitment in the public sector to explore shared services arrangements. It is however understood that SOAS had initially explored institutions that were closely aligned in business terms and also were keen to make progress. It is also noted that the option for an in-house solution wasn't explored, neither was the option to have an in-house Helpdesk as part of the project options.

The consultant's report provided an analysis of the three shortlisted options including descriptions of the FM Delivery models, models for SOAS internal management consideration, consideration of the procurement strategy for each option and summaries of the implementation processes and programmes. The estimated annual running costs for each option was also modelled and a summary of the estimated costs is set out in Table 2 below.

<u>Table 2 – Estimated annual running costs of the three agreed options.</u>

Table 2	IFM (excluding Catering)	Bundled Contracts	Headline Services Contracts
Total cost of Contracts	£3,968,231	£4,066,845	£4,099,415
SOAS Management and Admin	£243,557	£282,497	£331,491
Other FM Costs	£225,694	£225,694	£225,694
Total	£4,437,482	£4575,035	£4,656,600

APSE's assumptions here are that the costings prepared by the consultants were correct. In order to make as objective an assessment as possible the three shortlisted options were scored by SOAS Project Board using the consultants' Options Appraisal Model, which addressed the factors of requirements and deliverability. The results of the options appraisal process by the consultants showed IFM to be the most deliverable option and also would best meet the School's requirements, and the IFM option was agreed by the Project Board. An option here would have been to assess the in-house options, whether these were IFM or a mix of insourced and outsourced solutions at this time.

In addition the decision to procure IFM in its entirety meant that the option to go with a Contract with Lots would not be considered.

There were concerns raised in the consultant's report about the lack of contract management of the current contracts and need for improvements. The FM Strategic Review recommended that a change management team be in place from June 2015, the SOAS internal management restructuring to be completed by November 2015 and that the contract award was completed by February 2016 to ensure that the new contract would go live from June 2016. The contract award date was subsequently amended to 10th March 2016.

The Options Appraisal Model that was used is attached at Appendix 2. The Criteria Weighting and the Criteria scoring for the IFM Options were evaluated under the headings of financial, quality, business objectives/cultural fit, and deliverability. The scoring for the Criteria Weightings was from one to ten where one was the lowest level of importance and 10 the highest and are shown below in order of importance for each of the headings. There was then a view taken as to the viability of each option under the Criteria Scores which ranged from zero as not viable to excellent fit to requirements giving a score of ten. SOAS Project Board agreed to these criteria weightings before engaging in the options appraisal to decide which option would be best for SOAS.

Financial (4 criteria weightings in order of importance)

- Total running costs
- Implementation costs
- Maximises economies of scale
- Future cost saving opportunities

Quality (6 criteria)

- Improved quality, coherence, resilience and reliability of service
- Ease of management for SOAS
- Able to support excellent stakeholder/customer experience
- Maximises flexibility of service delivery
- Able to drive innovation and continuous improvement in performance
- Ability to support new ways of working

Business Objectives/Cultural Fit (5 criteria)

- Improves SOAS ability to focus on core business
- Ability to leverage demonstrably fair/ethical staff employment terms and conditions reflecting best practice to FM industry
- Able to support and share SOAS values
- Able to support SOAS organisational change priorities including growth e.g. extended hours
- Able to protect investment in the estate by providing effective ongoing maintenance activity and strategy

Deliverability (5 criteria)

- Senior Stakeholder buy-in
- Attractiveness to the market

- SOAS capacity to manage change
- Market capability
- Ease of implementation

The FM Strategic Review was completed on 24th April 2015. The consultants are currently assisting SOAS with the procurement of the new IFM Contract. There is a rationale that there would be a clear path and explanation as to how the above Criteria Weightings and Criteria Scores would link to the Evaluation Criteria published as part of ITT. This had not been the case and it is difficult to link the two even though as part of this review APSE made an attempt to correlate the two models.

SOAS has subsequently agreed that this will be tackled by supplementary questions The Procurement Process for IFM and timeline are shown at Table 3.

Table 3 – Procurement Timeline

Table 3 **Date**	**Activity**
10th November 2015	Formal issue of ITT
13th and 16th November 2015	Bidders conference and site visits
23rd December 2015	Tender return date
24th December to 7th March 2016	Tender evaluation and clarification
10th March to 23rd March 2016	Notification of award and standstill period
18th April 2016	Contract finalisation and award
1st June 2016	Go Live – Senate House – North Block
1st October 2016	Go Live – All other Locations

6. Justice for Cleaners Campaign

The Campaign 'Justice for Cleaners' is said to have been initiated approximately ten years ago and is still a live issue at SOAS. The cleaners are the focus of the campaign whereas other facilities management staff e.g. security are not. This raises a further question around how this differentiation would fit with SOAS Core values outlined above, for example, promoting equality and ethical standards

The Students' Union and local branch of UNISON are supportive of the cleaning staff, and recent campaigns have led to improvements to holiday and pensions. As far as can be established SOAS has never directly employed cleaning staff, and historically the services were provided by the University of London Central Services. When these were withdrawn these services were provided either via a direct contract with a third party provider or through the LUPC framework which appointed contractors. Cleaning is currently managed by ISS and the Contract is further complicated as noted from the strategic review that 'no productivity rates, standards or required outputs are included in SOAS's contract with ISS'. For example, routine cleaning of the library is not covered in the ISS Contract

The campaign has taken up a significant amount of time on all sides in recent years and has affected income in relation to the recent student occupation in November 2015. This is estimated to have cost the University £ 64,600 in terms of loss of conferencing and catering income and costs of re-locating customers to external venues.

The Students' Union is cleaned under the ISS contract but feedback from stakeholders as part of the Gardiner & Theobald strategic review was that the area is not acceptably clean. The issue of the student union was raised and questions asked as to whether the students would assist by keeping the student union and other high-density cleaning areas clean.

The cleaning staff and porters believe that they can only be treated with the 'dignity, equality and respect' they deserve by being employed directly by SOAS and are currently resistant to accepting anything short of this. APSE's view is that all staff, whether directly or indirectly employed, should be treated with dignity, equality and respect and there should be no differential treatment. It is difficult to comprehend in isolation why the cleaners believe that they will be only being treated properly if they are directly employed.

At no point in APSE discussions was the rate of pay for the cleaners raised. SOAS cleaning staff are paid the London Living Wage which is a voluntary higher rate of the living wage in the capital. SOAS has also advised that the cleaning staff also receive an amount above the Living Wage to maintain differentials where they apply. The National Living Wage will be mandatory from April 2016 and will be set at £7.20 per hour. There are currently no plans to make the London Living Wage mandatory and the rate from April 2016 will be £9.40 an hour. The APSE State of the Market 2013/14 report sent with this report as Appendix 4 highlights that the average hourly wage for a cleaning assistant in that report was £7.41 an hour with a range of £6.48 to £8.20 an hour.

The high sickness levels, number of grievances and disciplinary actions require further investigation. Not all staff covered by IFM felt this way. Planned and reactive maintenance, for example, is run by a small team who very much see SOAS as their own building and very much enjoy working at SOAS. Their concerns about the new contract were more about service delivery and making sure the specification and pricing were correct to meet service demands and capable of delivering value for money. Security staff would welcome parity with the existing cleaning conditions, but are keen to maintain the hours that they currently work as well as delivering a service that meets SOAS's needs.

ISS forwarded some information on the cleaners, which is useful in terms of context.

Up to September 2015 there were 65 cleaners on site but as of December there are 62 cleaners. This is a reduction on the Mott MacDonald figures where there were reported to be 82 cleaners. ISS have advised that their understanding was that the previous consultants list reported posts rather than employees and a number of employees currently hold more than one post. SOAS are reviewing this further as well as any link to agency staff. The majority of the cleaners are on low contractual hours (10 hours a week) and most of those are classified as non- British. Several of the cleaners are reported to be unable to speak English to a competent level, although this has not been quantified. Sickness levels are high in particular for long-term absence during 2015 with 9 months of reporting absence levels of between 9 and 14% compared to 3.29% in 2014. In 2015, 3467.35 hours were attributed to agency labour with 1033 of those hours being in December. Unauthorised absence is also high at 2.5% as are the numbers of grievances and disciplinary action since September, which are reported as being 10 and 9 respectively. One person was dismissed in 2015 and 6 left including two who chose not to return after maternity leave.

In terms of pensions 63% of cleaners have opted to be in the pension scheme, which is a significant uptake. 26.16% are ineligible due to either earnings or age.

There is a significant amount of work that is being charged for outside the contract with an additional £41,000 being charged on top of the £492,000 contract charge for 7 months up to July 2015. There have been some agreed variations such as additional library cleaning and mid-morning toilet refreshes but any additional hours above this have to be requested first and then authorised. This figure is currently being further investigated and is linked as well to the additional questions around agency cover.

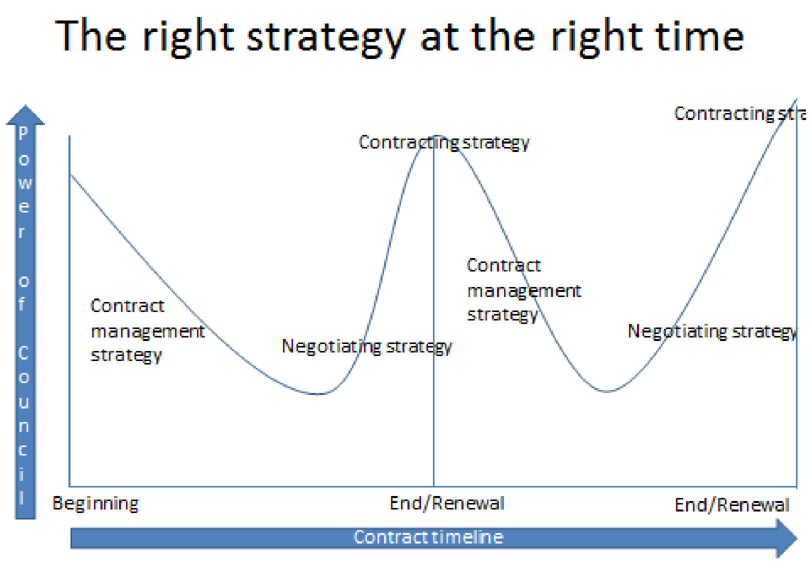
The ITT is a comprehensive document and noting SOAS's commitment to 'protecting' exiting conditions for TUPE staff, Schedule 11 para 2.2 defines conditions that need to be applied to operative, supervisor but not for managers in addition to London Living Wage (if in London.) London Living Wage as referred to earlier is a voluntary higher rate of the Living Wage in the Capital which SOAS require IFM staff to be paid under the new Contract. SOAS is aware that the conditions highlighted in Schedule 11 still vary from SOAS directly employed staff but also has ensured it is clear in this document of the minimum conditions it expects for all IFM outsourced Staff. In addition SOAS has noted the potential implications around any subsequent use of agency staff or new employees and has agreed to ask these as supplementary questions to all bidders.

Table 4-Conditions highlighted in ITT for Operatives and Supervisors and separately Current Conditions

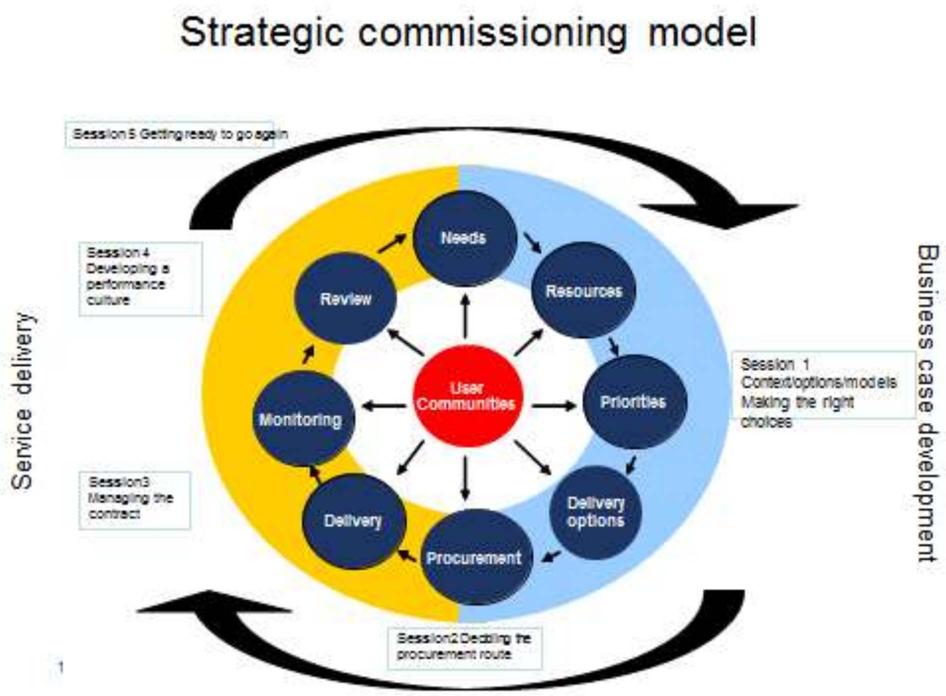
Table 4	**IFM Provider** **Schedule 11 section 2.3**	**SOAS**
Holidays	Up to 3 years – 26 days plus 8 bank holidays. Up to 4 years – 26 days plus 8 bank holidays. 4 year+ 27 days plus 8 bank holidays.	30 days plus 8 bank holidays plus additional school closure (normally 5 days in total per year)
Sick pay	Varies with service – but within any 12 month period. Up to 3 months -2 weeks full pay Up to 1 year – 4 weeks full pay Up to 2 years – 8 weeks full pay Up to 3 years -12 weeks full pay 3 years plus – additional 4 weeks full pay for each year up to 26 weeks maximum.	Varies with service First three months =2 weeks full and 2 months half pay 60+ months service =6 months full pay and 6 months half pay
Pensions	Contractor Personnel – employers contribution of at least 4%	SAUL (G2-5) employers contribution 13%, employee contribution 6%

7. Scope for Improvement

It is recognised that FM Strategic Review is a detailed and comprehensive report. As part of APSE's independent review of this document on an on-going basis there have been a number of questions posed around the procurement and contract some of which are summarised below. In terms of understanding the approach, the figure below may be useful in agreeing in future which strategy is most appropriate.



Following on from this is the skills and competencies all Contract Managers need and it is usually useful to use the Strategic Commissioning Cycle in setting the context for this. A model is illustrated below:



The key issues and suggested linked questions that APSE has identified are outlined below, and are aimed at complementing the work undertaken by previous consultants. We recommend that the answers to these are reconsidered at the earliest opportunity. The complexity will then be to consider whether and how they would fit with the current procurement process.

The Issues raised by APSE included:

- Evaluation of the tender bids
- Managing the IFM contract
- Cost of IFM contract over its lifecycle
- Innovation measures
- Price /quality split
- Third party support.

SOAS has recognised that, whichever option is chosen in the future, there will be a need for competent Client and Contract Management skills. If contracts are brought in-house then these skills are essential in ensuring service quality, continuous improvement and value for money is delivered. The suggested questions linked to the issues raised above are highlighted below;

- **Evaluation criteria**: Will the evaluation criteria deliver the aspirations from the Options Appraisal, Model weighting and scoring with reference to the earlier comments? An example is staff development and management. SOAS has referred to this in various places in the evaluation criteria, and whilst it is recognised that the quality evaluation has to cover a cross cutting range of criteria, it would be helpful to understand more clearly how this links to SOAS's aspiration to genuinely develop and positively engage with staff. SOAS has agreed to consider this as supplementary questions.

- **Managing the Contract:**
    - SOAS IFM Performance Model Calculator: What has SOAS's input been to the targets and what happens if targets are not met? Is it known how the measures will work in practice? How will underperformance and default be managed? Will there be penalties for this in the contract? There is a limited focus on potential for cost reduction, for example, energy savings. Have performance measures been included for this?
    - Contract Management: These skills are key and it is essential that these are put in place and monitored to ensure effectiveness.
    - Communications strategy for all affected staff: The approach to Trade Unions and the Students' Union could be improved in terms of engagement. E.g. Justice for Cleaners' campaign, strategic reviews and options appraisals; what steps are to be taken to address this?
    - Contract Termination: What about contractor obligations at end of contract period? E.g. CAD drawings – data from CAFM? Condition surveys – why are they on request and not required? It would be helpful for this to form part of the Contract Documentation.

- **Cost of contract over its lifecycle**
    - Inclusiveness of contract**:** Does the schedule of rates keep most of the contract inclusive? Has the specification been 'future proof' tested?
    - Clarifications on exclusions: As this is not a fixed price, all-inclusive contract and will there be a schedule of rates for any items outside the contract? There is £1000 threshold for some elements and above this SOAS will be charged the difference? Has this been modelled as to potential costs? Holiday and sickness including agency cover- how will this be managed? Several required tasks do not appear to be included in the current specification, e.g. removal of waste bins and recycling, clear desk policy, reference library (typo), deep clean white boards once a term. Out of scope works: How will these be treated? For example, investment for refurbishment (category A and B 90%), and FM Projects.
    - Buildings management: What skills and experience will be required? For example, experience of managing listed buildings does not currently appear to be included.
    - Penalties under Exit and Transfer Plan – reference 9 months, why is the cap at 5%?

- **Innovation**: The contract refers to innovation but how developed are the options for reducing the specification or saving costs in the future with maturity of the contract? For example, there are no increases in the duration of the contract, including no CPI based increases. How will effectiveness in innovation be set, targeted and monitored?
- **Helpdesk**: What is the Strategy for innovation here including the external Helpdesk performance and costs under review and preparation of management reports and open book accounting?
- **Business Continuity Plan**: What options can be explored under this heading?
- **Price/Quality ratio:** Is SOAS still supportive of 40/60 price /quality ratio and is this compatible with the savings required? Are there agreed supplementary questions to be asked to all bidders?
- **Third Party Support**. Why is there a requirement that 'the Employer shall appoint a third party to act on the Employer's behalf to overseeing Contractor milestone progress and validate milestone payments'? What skills does the 'dedicated Transformation Manager' need and is there an opportunity here to have resources from SOAS attached on say half a day a week so that they are upskilled and can be used on future projects?

8. Budget Overview/Financial Modelling

The Director of Finance had previously undertaken an exercise to compare the estimated cost of an integrated Facilities Management Service against the estimated costs of insourcing Security, Cleaning, Porters and keeping Mail and Print Room Services in-house. These figures were subsequently revised and this analysis is attached at Appendix 3.The results from this exercise suggest that insourcing Security, Cleaning, Porters, Mail and Print Room Services would cost an additional £337,000 a year which would represent a 10% increase over the projected annual cost of an external contract. Recent discussions have focused on Cleaners and the option for them to become SOAS employees and if this were agreed as the way forward then decisions would have to be made in relation to the procurement and contract management of any residual IFM Contracts.

This consideration relates to SOAS Core values and treatment of any outsourced staff, either now or at any time in the future, which would need to be resolved before progressing further.

Tables 2 and 3 in Appendix 3 compare the staffing overheads for both outsourced and in-sourced solutions. Whilst it is accepted that an external IFM organisation would have economies of scale that it could realise, SOAS will have a proportion of these too. The costs attributed for an outsourced management and client structure for IFM and an insourced solution should not significantly differ. The management costs are likely to be slightly higher should only part of FM be outsourced but then this would need to be considered alongside other options for efficiencies that could be realised as part of trade union consultations. In addition with insourcing SOAS would need to explore options in relation to procurement, compliance and provision of equipment, materials and payroll. These would take time to explore, agree and then to implement.

If the decision was to insource all or part of IFM then there would also be complexities that would need to be resolved before an accurate rather than indicative costing could be prepared. These would include the following:

- All employees would need to be paid monthly ideally with an agreed solution to manage timesheets, variable hours etc.
- Sickness levels need to be drastically improved and cover arrangements need to be reviewed.
- There would need to be a negotiation with trade unions about conditions of service e.g. overtime and contract hours. The estimated cost of all staff transferring to SOAS would move from their current 40 hour week to 35 hour week would have a significant cost (estimated at £298,000) and may have service implications.
- Pensions are another significant cost (estimated at £244,000). The decision to insource would prove extremely costly to reverse as SOAS would have to pay for the higher rate of pensions plus VAT should they go back to outsourcing in the future.

9. Performance Analysis

In this section the preferred approach is to compare current performance standards and benchmark these against the industry best practice as well as data from APSE performance networks. APSE performance networks is a mature performance management measurement and benchmarking service for local authority frontline services, which has been providing robust and effective performance information since 1999. It provides benchmarking advice across 14 front line service areas including cleaning, catering and building maintenance. There are other sources of extremely useful information from bodies such as British Institute of Facilities Management (BIFM).

The latter is extremely useful as it also explained trends under its summary reports. It has not been possible to comment on current performance standards as the baseline data for example on current productivity or cost has not been made available to APSE. It is clear from the Strategic Review completed in April 2015 that the existing Contract Management arrangements are in need of improvement and indeed 'no productivity rates, standards or required outputs are required in ISS Contract'. The consultant had not seen any requirements for productivity rates in any of SOAS FM Contracts. In addition the consultant who did the analysis for Strategic Review of Facilities Management was not asked to consider in-house provision. It is possible to analyse the number of hours cleaning required for buildings and standards from BICs. APSE would enable this to be computed from CAD drawings and then agree required productivity and frequency of clean for the areas within that building. It is possible for this to be done as a separate exercise and can be a useful tool in terms of performance even when an output based specification is used. What is clear is that all FM services require robust, knowledgeable and agile management to ensure that they perform.

The information in Appendix 4 illustrates the performance measures used by public sector bodies most of which ran building cleaning services themselves in-house. The document highlights the range of performance that can be achieved with a focus on expected levels between top quartile and top ten-percentile performance, which compares favourably with industry standards. APSE also benchmarks building maintenance services, and this information can also be made available.

This document summarises the results from 42 organisations where 92.7% were in-house, of which 42.1% expected to move to a joint service with another council, a joint venture with private provider or arm's length in 2 years' time.

Highlights from the report from the replies received are as follows:

- 95.3% clean office buildings,86% clean school buildings
- 41.7% clean private sector buildings and 58.3% clean other public sector bodies such as health organisations and police authorities.
- 54% run cleaning together with other services whilst 12.2% run cleaning within a Central FM service including hard FM.
- 2.4% have all cleaning contracted out.
- 45% are expecting cleaning budgets to decrease next year.
- Wage costs – 64.1% of respondents are currently subject to living wage with another 5.1% answering it was imminent in their authority. The hourly wage for cleaning assistants was calculated at £7.41 with a range from £6.48 to £8.20 an hour.
- The average sickness level was 4.2% with 44.8% reporting this to be above average.
- Training -75% undertake regular staff training, 72.2% have regular staff appraisals and 55.6% releasing a regular staff newsletter.
- Anticipated future growth – selling services externally, mobile and specialist cleaning services, advisory work.

Decreases predicted – cleaning services reduction e.g. self-clean admin offices, closure of buildings Good practice in measuring performance effectively suggests that for each service area or cost centre there should be a Balanced Scorecard that is owned by the organisation all levels. In SOAS's case we would recommend a range of stakeholders including Trade Unions and Students' Union are included in this process. Balanced scorecards need to be bespoke to meet the specific requirements of the organisation and will vary over time; progress should be monitored and reviewed by an agreed governance structure. Quality, for example, should be linked to both training and management as well as achieving standards and productivity. As such there is a need to use same KPI's as are set in Contract Data Pack (Part 2) in the ITT but these need to be strengthened and potentially re-aligned if a balanced scorecard approach to this contract is agreed by SOAS.

An outline balanced scorecard is illustrated below and contains measures for Finance, Learning and Growth, Processes and Customers. It is recommended that this methodology is adopted by the School going forward irrespective of the decision it makes on outsourcing or insourcing.

Balanced Scorecards –
Transformational and Operational

Financial	Customers
- Objectives - Measures - Targets - Initiatives	- Objectives - Measures - Targets - Initiatives
Internal Processes	**Learning and Growth**
- Objectives - Measures - Targets - Initiatives	- Objectives - Measures - Targets - Initiatives

10. Risk

The key strategic risks relating to this report relate to four defined areas

- **Resource and SOAS performance:** If a way forward that both sides (UNISON and Students' Union) can agree is not resolved in a timely way, there are likely to be implications for the University in having insufficient focus on Strategy and SOAS Performance.
- **Non-compliance:** The existing services for cleaning, porters, security and maintenance are currently outsourced and the original tender dates have expired.
- **Reputation:** If an agreed way forward is not put in place and governance arrangements for trade union engagement then given past history the school may be subjected to student protests and/or building occupation.
- **Operation and Service Delivery**: The current levels of sickness and dissatisfaction needs to be managed and resolved.

11. Options Appraisal

Option 1 - Do nothing/Status quo

Under this option SOAS would progress with IFM and not take into account the commentary and findings of this report. SOAS commissioned this report in order to get an independent view and because of this 'do nothing' is not an option for consideration.

Option 2 - Continue with the IFM outsourcing but revisit an agreed number of key areas.

Under this option SOAS would continue with IFM Procurement and outsourcing in its entirety but revisit the issues raised in this report and agree at Project Board which of these it will consider. There is an option to note what has been said about the connection between options appraisal and evaluation criteria but what can be done is limited to questions of clarification to all bidders. To continue with the existing arrangements a balanced scorecard should be developed with the trade unions and trade unions to ensure that people and innovation are measured. Treating people with respect and integrity as well as other SOAS values are key and assurance as to how this will be dealt with in the future including termination of the contract under the 90 day provision. This includes use of agency staff, performance reviews, training; progression opportunities. There may also be a requirement to evidence that IFM will deliver in this sector considering the evaluation criteria and then performance measures and penalties for the contract.

It is essential with this option as a minimum that the trade unions and Students' Union are asked for the key areas they would want to revisit now that the chosen route to market is confirmed as IFM.

In addition under this option it is suggested that immediate action is taken on the following:

- A Communications Strategy is developed for all future consultations and updates on initiatives to all individuals who work for SOAS be they directly or indirectly employed including two way communication on 'Justice for Cleaners.'
- A balanced scorecard, with its focus on learning and development and internal processes, is developed and agreed, with a focus on offering learning opportunities for English (speaking, reading and writing) and training for supervisory skills, as well as having specific measures for limiting numbers of agency hours worked, and reporting on disciplinary action and grievances.
- Agreeing a small number of supplementary questions to all bidders around adherence to SOAS values in treatment of staff and trade union recognition, e.g. employee treatment, reducing costs and lifetime efficiency, helpdesk, wider partnership and quality, open book.

It should be noted that this option will not satisfy the cleaners, Students' Union or trade unions who only want to be employed directly by SOAS, as their belief is that this is the only way they will be treated with dignity, equality and respect. The cleaners cannot currently accept that there is any other alternative There are good private sector companies in the market and the IFM model should offer opportunities for development and promotion, but SOAS should ensure that the existing services that are outsourced are compliant and that SOAS has a competent private sector company which shares its Core Values to manage its IFM Services.

Option 3 - Review data and model an in-house or part in-house option before progressing

There have been a number of fundamental questions raised in this report and an option would be to reconsider these with the trade unions and Students' Union before progressing further. Ideally there would be an opportunity for further financial modelling around potential for costs outside the contract and total IFM costs using evidence from soft market testing as well as increasing the agreed Options Appraisal Model (April 2015) to include in-house IFM and outsourced IFM with the exception of cleaning.

The tender award date is 10th March 2016 and this would require detailed and timely discussions to take place. It is unlikely that these discussions could be concluded prior to 10th March. Assuming that the Senate House is still on schedule to open in June 2016 then this could have serious implications. The question was asked if the in-house or outsourced IFM would be more costly to run and providing there was an agreed negotiation as referred to in section 8 then there is an opportunity for this to be cost neutral with the exception of additional costs for rationalisation and review in Year 1. Noting that the evaluation criteria is 40 Price/60 Quality, Price does not appear to be the key driver although the budget shortfall is noted. One of the key issues under this heading would be how this could be achieved whilst still allowing SOAS to focus on its Core Business highlighted in Section 2 of this report. The further issue here is that SOAS's current lack of capacity would have to be addressed as part of the process for considering this option.

Option 4 - Revisit the in-house FM option

Under this option SOAS would revisit the in-house FM option, consulting on the processes, terms and conditions of staff to be transferred to SOAS including improvements required in terms of tidiness and clean building policy for users of SOAS buildings and improved attendance and consistent performance improvements across the estate. The existing IFM procurement Process would cease if this option were chosen and there would be a requirement to review and potentially reconfigure existing service provision and re- procure the services that are to remain outsourced. This process would take a minimum of six months to implement and would require additional consultancy support and robust project management for its implementation. Agreement would also have to be reached as to how the Senate House would be serviced when it opens in June.

This option again does not meet with SOAS Strategy in relation to IFM and there is a concern how this could detract from the Core Business of the School and its aspirations in terms of outcomes for its students.

12. Recommendations

Unfortunately with this review there does not appear to be a solution that will meet the aspirations of all parties.

SOAS has asked APSE about the costing for in-house IFM, which was already analysed as part of the Mott MacDonald Report in 2013; the in-house option was reported to be the lowest cost at that time. The further modelling prepared by SOAS and then reviewed by APSE does show a potential for increased costs in year one, but after further reviews of FM provision and negotiation on terms and conditions, e.g. IFM staff would continue to be contracted on the basis of a 40 hour week, should achieve a cost neutral position around the successful negotiation on terms and conditions as referred to above.

APSE has raised concerns about the requirement for retendering if cleaning and other services covered by ITT were subsequently required to be delivered in-house. The way that the contract has been advertised means this would require the current tendering to stop, and either be retendered with the exception of cleaning, or other options considered. Further to this a decision would first need to be made as to how this strategy would fit with SOAS's core business and required present and future outcomes.

There have been a plethora of reports around IFM over the past three years and it is clear that something now needs to happen. In considering all factors, including SOAS's current performance, there is no definitive business case to bring IFM in house considering current managerial capacity. There are, however, concerns around contract management and trade union and student union dissatisfaction should SOAS decide to go with Option 2.

As with the recent consultant's report it is recommended that a Transition Manager is appointed on a short term contract to ensure the smooth transition to the new arrangements whichever option is decided upon.

In summary, taking into account all factors raised in this report, SOAS's Management Team must find a solution that allows it to focus on improving its current performance and ensuring the academic and financial sustainability of the institution in an increasingly competitive and turbulent operating environment.

Appendix 1 Previous Consultancy Reports and Recommended Action

Bloomsbury Group Shared Building Maintenance – Findings and Recommendations Report – September 2012

This report was commissioned to deliver 'a high level outline business and benefits case across all four of the Bloomsbury Colleges/Universities to inform decisions as to whether to progress the potential merging of Building Maintenance across the partner estates.'

The Bloomsbury Colleges were defined as:

- Birkbeck University (Project Sponsor)
- SOAS (Project Management Lead)
- London School of Hygiene and Tropical Medicine
- Institute of Education

Building Maintenance was the initial function area considered but this was widened to include cleaning, security and catering after the meeting with Heads of Administration on 31st July 2012.

The vision for the end service was agreed by Director of Estates and Heads of Administration focusing on improved or high efficiency, effectiveness, quality and service consistency although no performance measures were agreed at that time .

The consultants undertook various forms of formal data requests and meetings with the Directors of Estates but received varying degrees of response around content and quality. The Institute of Education did not respond to the requests for data and so were not factored in any of the calculations. The data on catering was generally limited.

The overall spend across the three sites was reported as 'not robust' but calculated as £6.3 million (excluding catering) which is obviously disconcerting.

The findings of this high level report indicate in some ways why the shared service option was never pursued.

There was a fundamental requirement for 'proof 'that the concept of shared service for building maintenance would work and this along with the varying degrees of baseline data, policies and performance standards seems to infer a lack of 'buy-in' to the Concept. Key to the decision making was the desire to keep services in-house to retain control of quality and response times and the amount of shared service provision currently in existence was extremely limited. In line with SOAS the main driver was quality of service rather than cost, with the retention of current service levels.

However, the options appraisal focuses on potential savings in the first instance by considering the options of:

- In-house service to be contracted
- In-house service remaining in-house
- Consolidating in-house savings
- Contracted service consolidated

The additional difficulty with the latter was the fact that existing contracts did not tend to be coterminous and the lack of data and performance standards.

There is some useful contextual data in section 3.2 on services in scope and overview benchmarking.

The highlight is around the potential savings after year one of up to £653,000 (approximately 10%) which could be realised through sharing services and the associated necessary re-organisation. This potential projected saving is significant but the Bloomsbury Group concerns were wider than that at the time. These findings could be re- visited should a future priority be to benchmark performance data and standards across an agreed selection of universities, as well as demonstrating and achieving cashable efficiency gains through a shared services arrangement.

This was broken down in the Service Summary Table by the consultants (as of 12/09/2012), now highlighted as Table 1.

Table 1- Service Summary Table – based on data from three of Bloomsbury Group Colleges

Services	Current Budget (£)	Savings (%)	Savings (£)
Building Maintenance	2,106,000	10 & 15%	261,000
Cleaning	2,780,000	10%	278,000
Security	1,420,000	8%	114,000
Catering	No information	No information	No information
Total	6,308,000	Not reported	653,000

The further business models that were reported as being worthy of further consideration were

- The setting up of a separate business unit into which all of the Bloomsbury Group would input and become partners
- Partnering with a private sector outsource company by setting up a joint venture body

The option for all services to be pooled and contracted together as one major outsourced provider and managed through a joint management board was discounted by the consultant, as was caution raised over an option for each university taking on ownership and management of a different service and delivering this across the Bloomsbury Group.

The consultant's conclusions were that establishing a shared service for the delivery of hard and soft FM services to the Bloomsbury Colleges would deliver benefits to the student and staff experience ,provide for greater control of service cost and quality, and provide a basis for expanding the level of joint working and asset utilisation for the future.

Whilst it is accepted that this is a high level report there may have been a benefit of further engagement around the findings outlined in section 2 of the consultant's report as well as resolving the issue of the lack of available baseline data.

Options Appraisal for the Future Provision of Outsourced Services - May 2013

The SOAS Outsourced Contracts Working Group was set up and chaired by Board of Trustees to examine options for alternative service delivery models across the university. This report was commissioned as a result of pressure from the 'Justice for Cleaners' Group. The consultants were asked to objectively examine the costs for the future provision of Facilities Management Services and prepare a cost analysis of the outsourced contracts for the following services:

- Cleaning services
- Catering and conferencing services
- Security services

- Planned and reactive maintenance

The seven options the report considered are listed below;

- Option A - Current model – minimum London Living Wage
- Option B1- Current Model - SOAS conditions of service
- Option B2- Current Model – Equivalent benchmark conditions of service
- Option B3-Setting up a joint venture with SOAS conditions of service
- Option C-insource on SOAS Conditions of service
- Option D- outsource to a single provider
- Option E -shared service with three London University institutions with SOAS conditions of service i.e. SOAS, Institute of Education, London School of Hygiene and Tropical Medicine and Birkbeck College based on earlier work undertaken by SERCO in September 2012 and also referred to in 5.1 above.

Option B3 was discounted. Option E was also discounted as SOAS at that time was reported to have not wanted to' own, manage or operate a shared company 'and assumed that neither of the other universities in the group of three would wish to do so either.

Table 2 below outlines the cost of the six options that were considered;

Table 2 **SOAS FM Options**	**Net cost** **(1-5years)** **(£,000)**	**Gross Costs** **(1-5years)** **(£,000)**	**Comment**
Option A Current model – minimum London Living Wage	16,627	18,820	The London rate is set annually by Living Wage Foundation and calculated by Greater London Authority. The London rate differs from national minimum wage. In 2013 the difference was £2.49 an hour.
Option B1 Current Model - SOAS conditions of service	22,268	25,312	With the recently improved conditions of service some of these costs have already been borne by SOAS.
Option B2 Current Model – Equivalent benchmark conditions of service	23,939	27,205	Agreement on most appropriate benchmarking group is key here.
Option C Insource on SOAS Conditions of service	24,468	24,963	This option assumed an increase in management resource, equipment reimbursement, a reduction in VAT and a mobilisation timeline of three months. Labour costs as a percentage of total net

			costs are 83.6%. The latter is in line with the ranges in APSE data where all staff costs as a percentage of total costs ranges from 80.99% to 96.97%
Option D Outsource to a single provider	23,885	27,038	This increase is related to benchmark employee terms and conditions of employment, transition costs together with equipment re-imbursement costs. As a comparator cleaning material costs as a percentage of total costs at 0.90% upper quartile performance and 1.90% when combined with machinery costs from the APSE 2013/14. Labour costs as a percentage of total net costs was 84%. This is consistent with APSE data where all staff costs as a percentage of total costs ranges from 80.99% to 96.97%. It was also reported that this option will see the greatest disruption to front line operatives
Option E Shared service with three institutions with SOAS conditions of service	22,860	25,996	This option refers to VAT sharing exemption available to universities assumed from 17th July 2012. Setting up a shared service supplier was reported to increase the net cost by £6.2 million. This increase was reported as being related to SOAS employee terms and conditions of employment, transition costs together with equipment reimbursement costs.

The IFM Service Contracts as of May 2013 are highlighted below in Table 3;

<u>Table 3 – IFM Contracts as of May 2013</u>

Service	**Provider**	**Term and expiry date**	**No of staff affected/eligible for TUPE (148)**	**Contract term**
Cleaning	ISS Facility Services	4 years - expiry 31st August 2013	82	3 months written notice
Catering and Conferencing	ELIOR(UK)	6 years - expiry 31st August 2017	30	3 months written notice
Security	CIS	4 years - expiry 31st August 2013	31	3 months written notice
Planned and Reactive Maintenance	MITIE Technical Facilities Management	2 years - expiry 31st August 2104	5	3 months written notice

Whilst it is noted that 118 total (net of catering) number of staff eligible for TUPE is different from 103 in Gardiner & Theobald report there isn't currently a clear explanation for this. The difference appears to relate to cleaning but ISS have advised that in the current figures individuals have more than one post and accordingly the numbers are lower. The other potential finding is that this may link to the number of agency staff which is a concern that the Students' Union and unions have raised. There is also an obvious concern relating to the fact that the FM contracts have already expired and how they have been renewed through London Universities Purchasing Consortium (LUPC). APSE has highlighted these potential issues but has not investigated these further as they were outside the agreed remit for our work.

This report also referred to the existing Service Contracts relating to IFM. The consultant reported at that time that 'Services are provided to a good standard meeting all regulatory requirements and statutory compliance and delivering services in line with customer requirements. In summary all four contracts are performing well and meet SOAS delivery and performance expectations'. The current view on the contracts is not entirely consistent with the report's findings in 2013 as the real difficulties with the cleaning contract are considered to have emerged after this date. The productivity measures and hard benchmarking data to support these findings was not made available to APSE at the time of preparing this report and indeed the present consultants commented that they had not seen any requirements for productivity in any of the existing SOAS FM Contracts. SOAS subsequently advised that this related to the cleaning and security contracts which were based on the LUPC models. The maintenance contract was retendered against a more robust specification. This report also stated that there were 'no clauses in the contracts relating to equipment and management information at contract expiry'. Assuming this is correct then there is an option for this to be reviewed regarding SOAS stance on whether they would wish to retain equipment and machinery and the cost benefit analysis of this. SOAS may want to investigate and consider the implications of this further should it be proven. SOAS has taken note and agreed to investigate their options under the contract documentation further.

Since the expiry date of these contracts it is reported that the services have either continued to run on an annual renewal basis or procured through a framework. There are obvious issues relating to this, which are highlighted in the section of this report on business drivers.

The 2013 does refer to several assumptions in the appendices if the timelines have been adhered to. One of these is 'planned changes to the building portfolio estimated in January 2015 from 32,323 metres squared to 35,833 metres squared which will have an impact on the current budget projections. This is a reference to the Senate House project which was put back because of planning and other issues.

A comparison of the conditions of service for annual leave, pensions and holidays for each of the contracts in 2013 is outlined in the report and these are summarised below in Table 6.

Table 4 -SOAS Conditions of Service from 2013 Report

Table 4 **Conditions of Service in 2013**	**ISS**	**Ellior**	**CIS Security**	**Mitie**	**SOAS**
Annual leave	30 days Inc. 8 bank holidays	28 days inc. 8 bank holidays rising to 31 after 3 years	28 days inc. 8 bank holidays	33.5days inc. 8 bank holidays	30 days plus 8 bank holidays plus additional school closure (normally 5 days

					in total per year)
Sick Pay	Statutory sick pay	Statutory sick pay up to 12 months. 4 weeks full pay up to 5 years' service. 8 weeks full pay for 5+years.	Statutory sick pay.	Statutory sick pay.	Varies with service First three months =2 weeks full and 2 months half pay 60+ months service =6 months full pay and 6 months half pay
Pensions	Employers contribution assumed at 2%	Employers contribution assumed at 5%	Employers contribution assumed at 2%	Contributory pension scheme after a . Employers contribution assumed at 2%	SAUL (G2-5) employers contribution 13%, employee contribution 6%

Assuming that the analysis was correct, in the May 2013 report the SOAS Management costs were £219,388 in base year .which is lower than what is being reported currently

The conclusion from the 2013 report was that the least cost option to SOAS was Option A (as is), the current model of delivering services. However the report at that time did state 'if mandated to move away from the current model of service delivery' then the least cost option is B1, SOAS conditions of service. This conclusion however carried a proviso that any change to the current service provision arrangements would result in increased operational costs and also require implementation investment. It has been noted by SOAS that this cost was not modelled at this juncture.

Further to this it is important to note that the conditions of service for cleaning employees have improved in relation to pensions, holiday pay and sickness since the report was issued.

ppendix 2 Gardiner & Theobald Options Appraisal Scoring Matrix

SOAS Options Appraisal Model

Evaluation Group	Criteria No.	Criteria	Weighting	Option 1 - IFM Score	Option 1 - IFM Weighted Score	Option 2 - 2 Bundled Contracts Score	Option 2 - 2 Bundled Contracts Weighted Score	Option 3 - Headline Services Contracts Score	Option 3 - Headline Services Contracts Weighted Score
Financial	1	Implementation cost (incl project & mobilisation costs)	9	8	0.49	6	0.36	4	0.24
	2	Total running cost	10	8	0.54	6	0.41	4	0.27
	3	Maximises economies of scale / optimisation efficiencies	8	10	0.54	8	0.43	4	0.22
	4	Future cost saving opportunities	8	8	0.43	6	0.32	2	0.11
		Evaluation Group Sub-Total	35	34	2.00	26	1.53	14	0.84
Quality	1	Ease of management for SOAS	9	10	0.61	8	0.49	4	0.24
	2	Improved quality, coherence, resilience & reliability of services	10	10	0.68	6	0.41	2	0.14
	3	Able to support excellent stakeholder / customer experience	8	8	0.43	6	0.32	4	0.22
	4	Maximises flexibility of service delivery	7	8	0.38	6	0.28	4	0.19
	5	Ability to support new ways of working	5	8	0.27	6	0.20	2	0.07
	6	Ability to drive innovation and continuous improvement in performance	6	10	0.41	6	0.24	2	0.08
		Evaluation Group Sub-Total	45	54	2.77	38	1.95	18	0.93
Business Objectives / Cultural Fit	1	Improves SOAS ability to focus on core business	10	10	0.68	8	0.54	2	0.14
	2	Ability to leverage demonstrably fair / ethical staff employment terms & conditions reflecting best practice in the FM industry (incl LLW)	5	10	0.34	10	0.34	6	0.20
	3	Able to share and support SOAS's Values	5	10	0.34	10	0.34	6	0.20
	4	Able to support SOAS's organisational change priorities including growth (for example extended hours, summer programmes etc)	5	10	0.34	10	0.34	6	0.20
	5	Able to protect investment in the estate by providing effective ongoing maintenance activity and strategy	5	8	0.27	8	0.27	8	0.27
		Evaluation Group Sub-Total	30	48	1.96	46	1.82	28	1.01
		RequirementsSub-Total	110	136	6.73	110	5.30	60	2.78
		Requirements Rank		1	1	2	2	3	3
Deliverability	1	Ease of implementation	5	10	0.34	8	0.27	6	0.20
	2	Market capability	7	10	0.47	10	0.47	10	0.47
	3	Attractiveness to market	9	10	0.61	8	0.49	8	0.49
	4	SOAS capability to manage change	7	6	0.28	6	0.28	10	0.47
	5	Senior stakeholder buy in	10	8	0.54	8	0.54	6	0.41
		Deliverability Sub-Total	38	44	2.24	40	2.05	40	2.04
		Deliverability Rank		1	1	2	2	2	3
Overall		Total	148	180	8.97	150	7.35	100	4.82
		Overall Rank		1	1	2	2	3	3

Options Appraisal Model - Scoring Guide

Please select your score for each of the options against each of the evaluation criteria in the model.
When scoring, consider your scores relative to the scores given to the other options.

Criteria Weightings

Scoring for the weightings (Column E of the model) is from 1 to 10

- Where 1 is the lowest level of importance; and
- Where 10 is the highest level of importance.

Criteria Scores

0	Not viable - The model provides the worst possible solution against the evaluation criteria
2	A poor fit to requirements
4	Not fully satisfactory - with concerns about whether this fits requirements
6	Satisfactory - but some remaining concerns about how well this fits requirements
8	A good fit for requirements
10	Excellent fit to requirements - The model provides the best possible solution against the evaluation criteria

Appendix 3 SOAS Report on Cost Impact

Cost impact of Insourcing Facilities Management Services

1. Introduction

An exercise has been undertaken to compare the estimated cost of an Integrated Facilities Management (IMF) service against the estimated costs of insourcing those services.

The basis for the comparison is the financial model prepared by the School's consultants Gardiner & Theobald as part of the exercise to evaluate and determine the optimum model for the management and delivery of FM services to the SOAS estate. This model has been modified to reflect various assumptions regarding in-sourcing FM services. Given the information available, the exercise has focused on Security, Cleaning, Portering, Mail & Print room services together with the respective management structure that would be required for external and internal provision. (The simplifying assumption is effectively that all other services would cost the same under either scenario)

The results of this exercise suggest that insourcing FM services would cost an additional £337k per annum in operating costs as compared to procuring externally as an IFM service. This represents a 10% cost increase over the projected annual cost of an external contract.

This analysis has not considered procurement and set up costs as it is assumed they are of the same order for each option.

This analysis does take into consideration the impact of insourcing on SOAS senior management time. This would in practice give rise to further opportunity costs as internal resource is diverted away from core activities of the School.

2. Cost Comparison

The estimated cost variations arising from insourcing the services are set out in table 1 below.

	Total Contract	VAT	Profit	Hours	Holiday	Pension	Staff	Other	**Total var**	Total Insource
	£	£	£	£	£	£	£	£	**£**	£
Note		(1)	(2)	(3)	(4)	(5)	(6)	(7)		
M&E Maintenance	625,425								**0**	625,425
Fabric Maintenance	311,912								**0**	311,912
Security	1,227,506	-201,044	-39,479	138,080	26,526	113,201			**37,284**	1,264,790
Cleaning	1,003,136	-151,665	-32,152	113,666	21,836	93,186			**44,871**	1,048,007
Portering, Mail & Print Room	421,052	-67,362	-13,603	46,265	8,888	37,929			**12,117**	433,169
Waste Management	71,604								**0**	71,604
Soft landscaping maintenance	2,544								**0**	2,544
Pest Control	4,404								**0**	4,404
Contractor Staff	379,043						-379,043		**-379,043**	0
Contractor other costs	18,263							-18,263	**-18,263**	0
SOAS Staff	247,310						577,257		**577,257**	824,567
SOAS Staff overhead	14,800						40,700		**40,700**	55,500
SOAS other costs	2,400							21,878	**21,878**	24,278
Other FM Costs	225,694								**0**	225,694
Total	4,555,093	-420,071	-85,235	298,011	57,250	244,316	238,614	3,615	**336,801**	4,891,894

Each of the cost variation and the assumptions underpinning them are set out below

2.1 No VAT (currently 20%) would be levied on internal labour provision saving £420k

2.2 The assumed profit margin (of 4%) levied by an external contractor would no longer be relevant, saving £85k

2.3 It is assumed that all staff transferring to SOAS would move from their current standard 40 hour week (full time equivalent) contract to the our standard 35 hour week contract and that this reduction would be covered by hiring additional staff. This would increase costs by £298k.

2.4 It is assumed that all staff transferring to SOAS would move from their current holiday entitlement of 35 days (27 days plus bank holidays) to our standard 43 days (30 days plus 8 days bank holidays and 5 days closure days) and that this reduction in availability (of operative staff only) would be covered. This would increase costs by £57k.

2.5 It is assumed that 80% of staff take up the SOAS offered SAUL or USS schemes. At a rate of 18% employer contribution (from 1 April 2016) this is estimated to add a further £244k costs.

2.6 Direct employment of facilities management staff will require the setting up of a management and support structure within the School that does not currently exist. This will not involve a like for like transfer of roles required under the contracting scenario(set out in table 2 below) but will require additional supporting roles (full structure being set in table 3 below)

Table 2: Staff required contracting scenario

Contractor employed	FTE	£
Contract Manager	1.0	69,632
Hard FM Manager	1.0	61,899
Soft FM Manager	1.0	54,154
Cleaning Manager	1.0	43,329
Security Manager	1.0	69,612
Helpdesk Operator	1.0	37,114
FM Administrator	1.0	37,114
QHSE Manager	0.1	6,189
Sub Total	7.1	379,043
SOAS employed	FTE	£
Head of Contract Management Team	1.0	72,081
Performance / Compliance Manager	1.0	55,422
Customer Relationship Manager	1.0	60,496
Commercial Manager	1.0	59,310
Sub Total	4.0	247,310
Total	11.1	626,353

SOAS staffing overhead : 4 x £3,700 = £14,800

Table 3: Staff required insourcing scenario

SOAS employed	FTE	£
Deputy Director (Facilities Management)	1.0	96,354
Head of Operations and Compliance	1.0	71,996
Maintenance Manager	1.0	59,170
Security Manager	1.0	59,170
Security Assistant Manager	1.0	48,741
QHSE Manager		
Soft FM Manager	1.0	59,170
Soft FM Assistant Manager	1.0	48,741
Admin and Finance Manager	1.0	71,996
Stores/Consumables Officer	1.0	48,741
Helpdesk Assistant	2.0	80,527
FM Administrator	1.0	40,264
Procurement Officer		
Procurement Assistant	1.0	40,264
IT support	1.0	59,170
HR Business Partner		
HR/Payroll Assistant	1.0	40,264
Total	15.0	824,567

SOAS staffing overhead: 15 x £3,700 = £55,500

It is suggested that the staffing structure required in order to support the insourcing of facilities management will cost an additional £239k (including SOAS overheads). This may be largely attributable to the fact that much of the supporting services (admin procurement, finance and HR) can be provided more efficiently within an IFM service organisation as a consequence of economies of scale.

2.7 Other costs include the licence costs for supporting the CAFM (computer aided facilities support system) which are assumed to remain unchanged under either option and staff training costs (which are proportional to staff numbers)

2.8 It should be recognised that this cost analysis makes the simplifying assumption that an insourced operation will have the same buying power as an external IFM service company in relation to procurement of consumables. This is unlikely to be the case. As this is difficult to quantify no additional costs have been added to the insourced option to reflect its inferior power.

3. Conclusion.

From a financial perspective this analysis shows that insourcing FM services is likely to cost almost £350k more per annum than tendering for external provision. Over the course of a 5 year the difference of £1.75m is sizable.

Graeme Appleby, Director of Finance & Planning SOAS

7 January 2016.

Appendix 4 APSE Performance Networks report

APSE Performance Networks Summary Report on building cleaning was provided with this report, but as a separate document because of its format and size,

LOCAL SERVICES
LOCAL SOLUTIONS