BIRMINGHAM CITY COUNCIL

PUBLIC REPORT		
Report to:	CABINET	Exempt information paragraph number – if private report:
Joint Report of:	Chief Operating Officer and Corporate Dire Finance & Governance	ctor –
Date of Decision:	24th January 2018	
SUBJECT:	ACIVICO LTD – PROVISION OF FINANCIAL AND TRANSITION OF ACIVICO SERVICES	SUPPORT
Key Decision: Yes	Relevant Forward Plan Ref: 004299 / 2017	
If not in the Forward Plan:	Chief Executive approved	
(please "X" box)	O&S Chair approved	
Relevant Cabinet Member(s) or	Cllr Brigid Jones, Deputy Leader of the Cou	uncil and
Relevant Executive Member	Cllr Majid Mahmood, Cabinet Member for	
	Commercialism, Commissioning and Contr Management	ract
Relevant O&S Chair:	Cllr Mohammed Aikhlaq, Corporate Resour Governance	ces and
Wards affected:	All	

1. Purpose of report:

- 1.1 The Private report deals with the confidential and / or exempt information not covered in the Public report. The two reports, private and public, must be read together as this Public report does not repeat information contained in the Private report.
- 1.2 To inform Members of the further work undertaken to assess options for the Civic Catering service, Birmingham City Laboratories service and Security Management service (see Appendix 1 for the scope of these services).
- 1.3 To note the intention to agree a variation to the existing contract with Acivico Design Construction and Facilities Management Limited (Acivico (DCFM) Ltd) to bring the Civic Catering service back in-house; to deliver a number of improvements to the service in the short-term; and to scope and develop a longer-term trading improvement and transition programme regarding the service, aligned with the Council's commercialism approach and to explore options to work with other trading services within the Council.
- 1.4 To note the intention to remove Birmingham City Laboratories (BCL) from the scope of the current Acivico (DCFM) Ltd procurement which will be subject to a further Cabinet report in the second quarter of 2018 on the exact nature of the future delivery model.
- 1.5 To note the intention to agree a variation to the existing contract with Acivico (DCFM) Ltd to bring the Security Management service back in-house and support the citywide review of security provision regarding Council premises.

2. Decision(s) recommended:

That Cabinet:-

2.1 Notes the contents of this report.

Lead Contact Officer(s):	Mike Smith – Head of Commissioning Corporate Procurement Services Strategic Services Directorate
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3. Consultation

3.1 Internal

- 3.1.1 The Leaders of both the Conservative and Liberal Democratic groups have been consulted on the options and recommendations set out in this report.
- 3.1.2 Members of the Corporate Resources Overview and Scrutiny members have been undertaking an overview of the procurement for DCFM services process and the findings from that on-going work have fed into these recommendations.
- 3.1.3 The Directors of Acivico (DCFM) Ltd have been consulted regarding the preparation of this report.
- 3.1.4 Acivico (DCFM) Ltd are having on-going discussions with affected staff and trade unions regarding the commissioning process and recommendations for the Civic Catering, Birmingham City Laboratories (BCL) and Security Management services. The Council and Acivico (DCFM) Ltd will conduct further consultations (with early engagement where possible) with staff and trade unions in accordance to the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE").
- 3.1.5 Officers from Legal Services, Finance, Corporate Procurement and HR have been involved in the preparation of this report.
- 3.1.6 Further consultation, including statutory consultation obligations, will be undertaken by Birmingham City Council (the Council) and Acivico (DCFM) Ltd concerning all affected employees and trade unions, as the transition proceeds.

3.2 <u>External</u>

Not applicable.

4. Compliance Issues:

- 4.1 <u>Are the recommended decisions consistent with the Council's policies, plans and strategies?</u>
- 4.1.1 This proposed arrangement will support the following specific objectives:
 - Investing in priorities and addressing pressures

The Council's Vision and Forward Plan priorities:

- Health A great City to grow old in
- Jobs and Skills A great City to succeed in
- 4.1.2 The services coming under the direct control of the Council will have to adhere to all of the usual council policies including the Living Wage. They will also be required to ensure that when they let contracts they ensure their suppliers are charter accredited subject to the tiered approach.
- 4.1.3 Commercialism the Council is embarking on a Commercialism approach that seeks to maximise the financial value of assets that the Council holds with the aim of creating a surplus to protect and invest in services. The recommendations in the private report will support the Commercialism approach by enabling Civic Catering to focus on more advantageous areas of business, which will maximise the ability for the business to make a surplus that can be reinvested in other core Council services
- 4.2 <u>Financial Implications</u> (How will decisions be carried out within existing finances and Resources)
- 4.2.1 The Council provides cashflow support to the company through advance payments for the provision of services. As part of the assurance letter given to Acivico Limited's external auditor the Council has historically provided a letter of assurance confirming that the Council will make cash flow available in advance to ensure that Acivico Limited can meets its liabilities as they fall due for the foreseeable future.

CIVIC CATERING

Detailed in the private report.

BIRMINGHAM CITY LABORATORY SERVICES (BCL)

The financial implications for BCL shall be set out in a report that details the options appraisal.

MANAGEMENT OF SECURITY SERVICES

The management of Council security staff located in Birmingham Property Services is

provided by Acivico (DCFM) Ltd and funded by the Council via a dual arrangement which is partly by staff secondment from Acivico (DCFM) Ltd into the Council and a management fee for other resources. The commissioning of security for Council Premises and the procurement of guarding services are subject to a separate report that will go to Cabinet in March 2018.

4.3 <u>Legal Implications for Civic Catering, Birmingham City Laboratories and Security</u> <u>Management</u>

- 4.3.1 The Council is in a contractual relationship with Acivico (DCFM) Ltd regarding the provision of certain services and including Civic Catering, Birmingham City Laboratories and Security Management.
- 4.3.2 In view of the contractual relationship between the Council and Acivico (DCFM) Ltd the Council is obligated to agree with Acivico (DCFM) Ltd to agree the transfer of the Services back to the Council, save in the event of Acivico (DCFM) Ltd failing to comply with certain obligations as set out in the contract which entitles the Council to pursue legal action for termination of the Services.
- 4.3.3 Subject to paragraph 4.3.2 without the specific agreement of Acivico (DCFM) Ltd the Services cannot be transferred to the Council until the end of the extended contract.
- 4.3.4 There are approximately nine permanent Civic Catering service employees based at the Council House and the Pause cafes and 2 FTEs providing Security Management. The Council will ensure compliance with the Transfer of Undertakings (Protection of Employment) Act 2006 (TUPE) when making the migration of the services back in-house. The Council is experienced at undertaking TUPE proceedings and will ensure that any activity is undertaken in line with the Council's best practice processes.

4.4 <u>Public Sector Equality Duty (see separate guidance note)</u>

The assessment did not highlight the need to undertake a stage 2 assessment on the basis the it did not highlight the need to undertake a stage 2 assessment for the transition of Civic Catering, Security Management on the basis that there is no negative impact on staff or service users.

Further analyses will accompany subsequent Cabinet Reports covering for example BCL.at there would be no adverse effect on end users.

5. Relevant background/chronology of key events:

Civic Catering

- 5.1 In April 2015, the Council entered into an agreement with Acivico (DCFM) Ltd for the undertaking of three additional services, Building Cleaning Services, Civic Catering and Birmingham City Laboratories (collectively termed the Integrated Services) for a period of 2 years and in March 2017, the Integrated Services contract was extended for a further 2 years.
- 5.2 In the interim period the Council undertook a commissioning review of Acivico (DCFM) Ltd services. In July 2017 a recommendation was approved that the Civic Catering service

would not form part of the procurement of a third party organisation to provide the services currently provided by Acivico (DCFM) Ltd and would be subject to a further Cabinet report on the exact nature of the delivery model at a later date.

5.3 As part of the Commercialism agenda at the Council and building on the Councils existing assets and position within the market a significant opportunity within the food and beverage market has been identified. It is felt that the current position where the Councils assets are dispersed across different business units does not provide an environment conducive to growth in to new markets. This will be considered as part of the new arrangements for Civic Catering.

Birmingham City Laboratories (BCL)

- 5.4 BCL was one of those services that was transferred into Acivico (DCFM) Ltd in April 2015 and was initially included in the scope of the procurement of the services provided by Acivico (DCFM) Ltd, in order to obtain potential supplier views on how they could best be delivered through that contract. Respondents were given an overview of BCL as part of the procurement documentation and were asked to detail their experience of taking on specialist businesses like BCL.
- 5.5 Almost all of those who responded failed to understand the opportunity, simply advising their experience of delivering FM services into laboratory environments. One respondent advised that they have a similar business on the European mainland which offers BCL type services, but even with this example there was no evidence that those services were integrated with the FM business services, but rather were stand-alone. This response does not give the Council confidence that the bidders for services currently provided by Acivico (DCFM) Ltd have the experience or knowledge to take on and manage BCL.

Security Management service

5.6 The Security staff did not transfer into Acivico (DCFM) Ltd; however the officer with line management responsibility did transfer into Acivico (DCFM) Ltd as part of the role included in Cleaning Services. A secondment arrangement from Acivico (DCFM) Ltd to the Council was put into place for this role with further funding for additional resource. With the DCFM services being delivered by a third-party provider following the DCFM procurement, there is a need for the Security Management element of these services to come back in-house.

Facilities Management Service

5.7 The Cabinet report of December 2016 agreed to extend the current DCFM contract for a period of 2 years from April 2017 and in the case of some Facilities Management services for a period 12 months. To ensure continuity of service until the DCFM contract is awarded externally approval is sought to extend this exclusivity for a further 12 months until March 2019 along the terms of the extended agreement other than where an exemption is agree.

Programme Approach

5.8 Following the decisions taken in July 2017, the Chief Operating Officer and Director for Commissioning and Procurement have initiated the application of a programme management approach to oversee the required activity set out in the report recommendations.

- 5.9 The Corporate Programmes and Projects Team have been commissioned to provide programme and project management support and the programme design has been undertaken during December 2017. Proposals for the programme have been presented to the Corporate Leadership Team in January 2018 and a summary of these can be found in Appendix 3.
- 5.10 In summary, 'the Acivico Transition Programme' will be formed of four key components;
- 5.1.1 The Council is supported to deliver the activities to achieve the commissioning intentions set and approved by Cabinet in July 2017;
- 5.1.2 The Council is supported to maintain and improve upon the existing service provision of the services currently provided by Acivico;
- 5.1.3 The Council is supported to effectively fulfil its responsibilities as sole Shareholder of Acivico; and
- 5.1.4 The Council considers what arrangement are required to suitably oversee and manage the provision of the Services in the future, learning from experiences to date and drawing upon best practice.
- 5.11 The Programme will establish suitable governance arrangements to oversee the activities that fall within these components, which will ultimately be overseen by the Chief Operating Officer and have formal reporting arrangements to the Corporate Leadership Team and Elected Member bodies, such as the Corporate Governance Committee, relevant Scrutiny Committees and Cabinet. A summary of the proposed governance is also included in Appendix 3.

6. Evaluation of alternative option(s):

6.1 <u>CIVIC CATERING</u>

The Civic Catering options appraisal was undertaken with officers from Finance, the Commercialism team and Legal, The Options appraisal shows option 2 scoring the strongest on Overarching Considerations and Service Priorities, the Financial implications of the options appraisal and their impact on the recommended way forward are set out in the Private Report. The Civic Catering options appraisal is set out in Appendix 2.

A summary of the alternative options is as follows:

6.1.1 Option 1 - Create an independent WOC / LATCO

It is likely that due to the size of the service alone it would not be cost effective to establish a wholly owned company (WOC) in its own right, as the cost of overheads would in all probability be disproportionally high. This would represent a high risk strategy for the Council.

6.1.2 Option 2 – In-House solution

Bringing the Civic Catering service back in-house will enable the Council to deliver a

number of improvements to the service in the short-term; and to scope and develop a longer-term trading improvement and transition programme regarding the service.

6.1.3 Option 3 – Outsource

Initial discussions with suppliers in a market sounding exercise regarding the services currently provided by Acivico (DCFM) Ltd concluded that there would not be an interest to deliver Civic Catering services as part of a facilities management contract, and it is believed that there are opportunities for the Council to work within its own resources to deliver a more efficient, effective service.

6.2 <u>BCL</u>

An options appraisal for BCL will be undertaken to establish the best delivery model for that service, the outcome of which will be reported back to Cabinet.

6.3 SECURITY MANAGEMENT SERVICE

The alternative would be for the Security Management service to remain with Acivico, however as the security function they manage is an in-house operation, that those managing staff are already seconded back to the Council, and that it would not be prudent to have an in-house function managed by a third-party provider, this option has been discounted.

7. Reasons for Decision(s):

- 7.1 Bringing the Civic Catering service back in house will enable the Council to deliver a number of improvements in the short-term; and to scope and develop a longer-term trading improvement and transition programme with the potential to include other trading services within the Council.
- 7.2 Bringing security Management back in house will support the implementation of the Council's planned security strategy.
- 7.3 In both instances, it will enable the Council to consider the best location and reporting line for these services.

Signatures	Date
Cllr Brigid Jones, Deputy Leader of the Council	
Cllr Majid Mahmood, Cabinet Member for Commercialism, Commissioning and Contract Management	
Angela Probert, Chief Operating Officer Strategic Services Directorate	

List of Background Documents used to compile this Report:

List of Appendices accompanying this Report (if any):

Appendix 1. - Scope of services

Appendix 2. - Options Appraisal

Appendix 3 – Programme Approach

Appendix 4 – Public Sector Equality Duty

Report Version <u>4</u> Dated 09 JAN 18

Civic Catering

- **Restaurant and café facilities**, incl. offering a café court layout within a comfortable and relaxed environment; that offers an ideal setting for informal meetings and social activities. The Service delivers a choice of beverages and nutritionally balanced meals, snacks and packed lunches appropriate to the Service Users and environment of the individual catered locations
- **Bar service**, incl. the provision of bar services at the Council House, Highbury Hall and the Library of Birmingham.
- Internal and external hospitality, incl. For formal lunches, dinners, receptions and special events/functions providing a silver service or other type of formally prescribed service
- **Vending** incl. a comprehensive vending service, that includes offering hot and cold beverages, cold snacks and confectionary
- **Food purchasing agent** The Council has an established contract with a food purchasing agent. Civic Catering use this arrangement for the purchase of all its food & beverage items required to provide the Services. The contract with the food purchasing agent offers the Council competitive rates due to a large economy of scale.

Key aspects of the Civic Catering service include:

- Venue hire, management and provision of refreshments for events taking place in the Banqueting Suite
- Venue hire, management and provision of refreshments for events taking place at Highbury Hall
- Catering for Lord Mayor civic events in the Lord Mayor's Parlour/Suite and Banqueting Suite
 - Catering for Committee Rooms
 - Catering for Members/Committees at meetings
 - Catering provision at staff restaurant facilities at Lancaster Circus, Woodcock Street and a take-away service at Acivico HQ, Quay Place (due to close in 2018)
 - Contract caterer at Sutton Coldfield Town Hall

The Service works with multiple agencies / organisations and some of their key contracts include:

- Contract between Acivico and Sutton Coldfield Town Hall (1-year contract)
- Pending contract between Acivico and Birmingham Moseley Rugby Club and Unique Venues Birmingham to be an approved caterer for venue hire events organised by the venue
- Contract/agreement in place for Acivico to act on behalf of BCC/Chamberlain Highbury Trust in terms of the management/hire of the venue and provision of catering
- Service level agreement in place for the Pause Cafés at Lancaster Circus and Woodcock Street plus prudential borrowing commitment for 10 years from opening. Approx £3200 per month between two units. Lancaster opened circa August 2010 and Woodcock Street circa November 2011.

BCL

Birmingham City Laboratories (BCL) is part of Acivico's group of services. BCL is an independent consultancy and United Kingdom Accreditation Services (UKAS) accredited laboratory which has been in existence for over 100 years. Some of the main sectors of work and services provided are as follow:

- Asbestos identification, surveying and air clearance certification
- Building defect and safety surveys
- Concrete condition surveys
- Building material analysis and failure investigation
- Site investigation and contaminated land surveys
- Preconstruction surveys and desktop studies
- Food and environmental chemical analysis
- Toxicology analysis
- Consumer protection product testing
- 5.7.2 As well as UKAS accreditation BCL hold certification or membership of Contractors Health and Safety Assessment Scheme (UK) CHAS, Asbestos Testing and Consultancy Association ATAC and The Concrete Repair Association (CRA).

Specific Service Information

- 5.7.3 Asbestos Analytical Service BCL is a UKAS accredited laboratory and Type C Inspection Body holding accreditation to ISO/IEC 17020: 2012 and ISO/IEC 17025: 2004. Accredited services include surveying for asbestos in premises in accordance with HSG 264 and sampling of bulk materials for asbestos fibre identification, sampling of asbestos fibres in the air and fibre counting to HSG 248. We currently hold a category "A"RICE rating and a "Satisfactory" AIMS standard.
- 5.7.4 BCL is a member of the Asbestos Testing and ATAC, CHAS and all our site-based staff hold the appropriate Construction Skills Certification Scheme card CSCS. Services include:
 - Surveying to determine if asbestos is present; management, refurbishment, demolition and sampling surveys;
 - Sampling asbestos fibres in the air for reassurance purposes or undertaking 4- stage clearance certification when asbestos is subject to licensed removal;
 - Bulk analysis of samples to identifying if a material contains asbestos and the types of asbestos which may be present and
 - Management of the safe removal of asbestos from your building using an approved licensed removal contractor.
- 5.7.5 **Building Investigation** BCL's building investigation team can provide expert advice in relation to the performance and quality of the materials used in buildings and structures. The skilled team has an in-depth knowledge of construction related materials and components ensuring that the building surveys carried out are always of the highest standard.
- 5.7.6 The team provides surveys to assess that buildings and structures are constructed as designed and are performing well; which is essential when a purchase or major investment

is being considered:

- Investigate construction related faults and structural issues;
- Building Pathology;
- Diagnose building material failures;
- Assess the condition of reinforced concrete structures and
- Rope access surveys to safely examine and test all areas of a building or structure.
- 5.7.7 **Chemistry** Chemical analysis, reports, advice and assistance in areas such as food safety, environmental investigations, consumer protection and trade descriptions. Toxicological analyses for a wide range of drugs and intoxicants on body fluids and tissues as a service to coroners, pathologists, hospitals and individuals. Results can be presented in an interpretive report indicating the significance of the findings.
- 5.7.8 **Site Investigation and Surveys** The site and team has 35+ years of experience in the field of site investigation and surveys. The team holds a unique and non-readily available archive and historical information that have been complied through the service undertaking ground investigations over the last 65 years. BCL provides a one- stop-shop for a range of site investigation and other surveys on both large and small schemes.

Security Management

The operational management of the cohort of staff employed by Birmingham City Council who undertake the Customer Support Officer, Porter/Security, Customer Security Supervisor and Porter roles. These staff work in the Corporate Admin Buildings and Non Corporate Admin Buildings; note this does not include Security Staff at the Library of Birmingham.

GR6 – currently 0.4FTE seconded to the Council for Security (0.6FTE retained by Acivico for Cleaning)

GR4 – currently 1.0 FTE seconded to the Council

GR4 –currently 0.2 FTE seconded to the Council (0.8FTE retained by Acivico for Cleaning)

<u>Appendix 2</u>

Civic Catering Options Appraisal

	Overarching Considerations				Service Priorities				
Criteria	Provide innovative and flexible solutions	Flexibility to meet changing demand	Time to go live - ease of transition	Risk to stakeholders and end users	Reputation and brand management	Increase external work from 80/20 to 90/10	Potential to develop income / growth	BBC4SR (supporting apprenticeship, local food producers, local small businesses, local employment)	TOTAL
Weighting	4	4	5	3	4	5	5	5	
Option			·	•	•	•	•	•	•
	56	36	50	36	60	75	75	70	458
Option 1. Independent WOC / LATCO	Both in-house and a WOC offers opportunity to rebrand and improve image provide an opportunity to stimulate grow improved approach to mark					wth and develop an			
	56	56	75	45	64	65	75	80	516
Option 2. In-house solution	In-house most flexible as able to influence without being bound by a contract it will also allow future flexibility to meet changing needs of social value etc. In-house likely to benefit end users as could enable development / investment from other BCC parties								
	56	40	40	36	44	60	50	40	326
Option 3. Commission the market to deliver the service outcomes		Outsource co	uld be lengthy an	d complicated.	·	Outsourcing would	l lose the Councils ab benefit from growth	ility to impact and / or า	

Appendix 3

Appendix 3: Summary of Programme Approach

Programme Objective:

The Council commissions suitable Design, Construction and Facilities Management services that are of good quality, promote innovation achieve best value for the Council and its citizens.

Core deliverables required to achieve the Strategic Objective:

A. The Council delivers its Commissioning Intentions for the Services, which are based upon a suitably robust strategic plan and set of fully appraised options;

B. The Council appropriately manages and maintains the existing provision of services, securing improvements where identified whilst supporting the activities of delivering the Council's Commissioning Intentions (A) above;

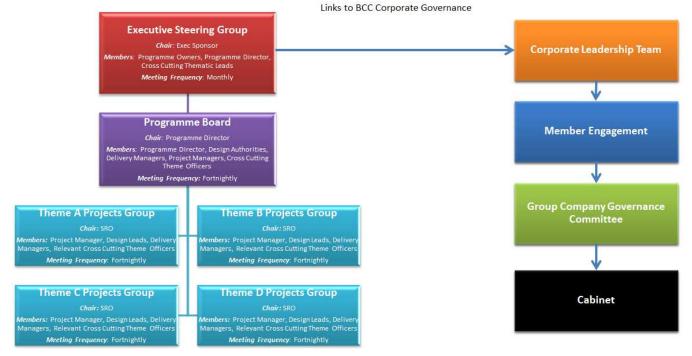
C. The Council effectively undertakes its corporate and shareholder responsibilities in respect of delivering its Commissioning Intentions; and

D. The Council reflects and learns from its experience to date of arrangements to deliver these services, and ensures that suitably robust arrangements are developed for the future delivery of its Commissioning Intentions

Programme Structure:



Programme Governance:



Appendix 4 PROTOCOL PUBLIC SECTOR EQUALITY DUTY

- 1 The public sector equality duty drives the need for equality assessments (Initial and Full). An initial assessment should, be prepared from the outset based upon available knowledge and information.
- 2 If there is no adverse impact then that fact should be stated within the Report at section 4.4 and the initial assessment document appended to the Report duly signed and dated. A summary of the statutory duty is annexed to this Protocol and should be referred to in the standard section (4.4) of executive reports for decision and then attached in an appendix; the term 'adverse impact' refers to any decision-making by the Council which can be judged as likely to be contrary in whole or in part to the equality duty.
- 3 A full assessment should be prepared where necessary and consultation should then take place.
- 4 Consultation should address any possible adverse impact upon service users, providers and those within the scope of the report; questions need to assist to identify adverse impact which might be contrary to the equality duty and engage all such persons in a dialogue which might identify ways in which any adverse impact might be avoided or, if avoidance is not possible, reduced.
- 5 Responses to the consultation should be analysed in order to identify:
 - (a) whether there is adverse impact upon persons within the protected categories
 - (b) what is the nature of this adverse impact
 - (c) whether the adverse impact can be avoided and at what cost and if not –
 - (d) what mitigating actions can be taken and at what cost
- 6 The impact assessment carried out at the outset will need to be amended to have due regard to the matters in (4) above.
- 7 Where there is adverse impact the final Report should contain:
 - a summary of the adverse impact and any possible mitigating actions (in section 4.4 or an appendix if necessary)
 - the full equality impact assessment (as an appendix)
 - the equality duty (as an appendix).

Equality Act 2010

The Executive must have due regard to the public sector equality duty when considering Council reports for decision.

The public sector equality duty is as follows:

1	The Council must, in the exercise of its functions, have due regard to the need to:
	(a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by the Equality Act;
	(b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
	(c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
2	Having due regard to the need to advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
	(a) remove or minimise disadvantages suffered by persons who share a relevant protected characteristic that are connected to that characteristic;
	(b) take steps to meet the needs of persons who share a relevant protected characteristic that are different from the needs of persons who do not share it;
	(c) encourage persons who share a relevant protected characteristic to participate in public life or in any other activity in which participation by such persons is disproportionately low.
3	The steps involved in meeting the needs of disabled persons that are different from the needs of persons who are not disabled include, in particular, steps to take account of disabled persons' disabilities.
4	Having due regard to the need to foster good relations between persons who share a relevan protected characteristic and persons who do not share it involves having due regard, in particular, to the need to:
	(a) tackle prejudice, and
	(b) promote understanding.
5	The relevant protected characteristics are: (a) Marriage & civil partnership (b) Age (c) Disability (d) Gender reassignment (e) Pregnancy and maternity (f) Race (g) Religion or belief (h) Sex (i) Sexual crientation
	(i) Sexual orientation