

## The Highland Council

Redesign Board – 18 October 2016

Agenda Item	4
Report No	RDB/12/16

### The Future Management of Catering, Cleaning and Facilities Management/ Janitorial Services – Business Case

#### Report by Director of Care and Learning

##### Summary

This report summarises the Business Case for options for the future management of Catering, Cleaning and Facilities Management/Janitorial Services and invites the Redesign Board to consider and discuss the proposed options, and to select one option to recommend to Highland Council for implementation.

#### 1. Background

- 1.1 Members are referred to the attached “The Future Management of Catering, Cleaning and Facilities Management/ Janitorial Services” report by the Director of Care and Learning presented to a Redesign Board Workshop on 4 October 2016. That report provided background on the Future Management of Catering, Cleaning and Facilities Management/Janitorial Services (CCFM/JS) project, including an overview of the drivers for change, the strategic and project objectives, and the decision making process to date, including Member seminars. The report provided Members with an update on progress to date with the development of the Business Case, under the supervision of a Project Board chaired by Care and Learning Head of Resources and including CCFM Managers, HLH, Property, Finance, HR, SBS and staff-side representatives, and noted the oversight and input provided by the School Support Project Board (part of the Management of Schools programme) which includes Head Teacher and Parent Council representatives.
- 1.2 The purpose of this report is to provide Members with an overview of the Business Case (the full Business Case is attached to this report) and an outline of the options including key benefits and risks. The report will also identify issues for discussion at the Redesign Board and asks Members, having considered these issues, to make a recommendation to Highland Council regarding which option is to be implemented.

## **2. The Options**

Following two Member seminars held in May and June 2016, the options for the future management of CCFM/JS were narrowed down to the following:

- Option 1(1A): All (or part) of CCFM/JS is transferred to High Life Highland (HLH).
- Option 2(2A): All (or part) of CCFM/JS is transferred to another Highland Council directorate.

Members also concluded that the Business Case should include a comparison of the two options with the current service delivery arrangements (i.e. in Care and Learning), although current service delivery was ruled out as an option for the future management of CCFM/JS. Following the seminars it was understood that the reference to “all or part” regarded the inclusion (or not) of Catering in the transfer.

The following sections summarise each option; additional detail is available in the Business Case.

### **2.1 Option 1(1A): All (or part) of CCFM/JS transfers to High Life Highland**

#### **2.1.1 Delivery Partner**

The delivery partner would be HLH, but the Service Delivery Contract would be with trading subsidiary High Life Highland Trading (HLHT). From the HC perspective, the monitoring and management of service delivery to it as client will be via the Service Delivery Contract. As such, whether that contract is with HLH or HLHT has little bearing. While there are no Elected Members sitting on the HLHT Board, its activities are governed by HLH Board on which the Council is represented. The Council’s membership of HLH Board is not a controlling interest, and therefore the role of the SDC is the most significant element of how current, and any future service delivery is monitored.

#### **2.1.2 Tax and Legal implications**

Tax, legal and procurement advice has been sought in relation to the HLH option(s) and has provided assurance that these are viable. There are three issues in particular to be considered:

##### Procurement

HC legal advisors have confirmed that both HLH and HLHT are Teckal compliant companies meaning that the Council can contract with the company to provide services on its behalf without running a full procurement process. (“Teckal compliant“ refers to a European Court case which established the exemption from EU procurement regulations for in-house companies which are controlled by the contracting authority, in this case HC).

### Charitable status

HLH have been advised that providing a catering service would not be compatible with its charitable objectives, meaning that if the transfer involved all of CCFM/JS it would have to transfer to HLHT. OSCR have not advised on the situation with regard to Cleaning and FM/JS only, although this is not compatible with tax advice (see below) so has not been pursued further.

### Tax

HC is not liable for VAT on school meals. This is a concession not granted to third party providers (including HLH or HLHT) who would have to either charge an additional 20% to pupils or be compensated by the Council for this liability, estimated to be approx. £700K per year. However, if the Council retains control of the service (as “Principal”) and contracts HLHT to provide school meals on its behalf (as “Agent”) and the income is collected by (or on behalf of) the Council, that income (and the price of school meals) would not be subject to VAT. The Council would pay VAT on the management fee paid to HLHT to provide the service, but would be able to reclaim this.

Principal/ Agent arrangements are used by other LAs whose school meals are delivered by third party providers. The separation of income and control over expenditure between Principal and Agent presents a potential risk meaning that these arrangements need to be subject to detailed contracts, and require client management and administration, all of which incur additional cost.

The additional income (i.e. the management fee) may also affect the VAT position of the whole of HLH Group (HLH and HLHT are treated jointly for VAT), so HLH has been advised that even if only Cleaning and FM/JS transfer they should transfer to HLHT rather than HLH. It is also essential that the relationship between HC and HLHT is clearly contractual and the management fee is recognised as such (i.e. payment in exchange for provision of a contracted service).

## **2.1.3 Service Delivery**

### Catering, Cleaning and FM/Janitorial Services

CCFM/JS would transfer to HLHT, which would take responsibility for providing CCFM/JS to Highland schools and Council buildings. On top of this, HLH would seek to improve the service delivered to schools by following the strategic principles recommended by the FM/Janitorial Services Review including providing Janitorial Services to 42 schools currently without.

HLH, in discussion with HTs (and Managers/RPOs in other buildings), would adapt local service delivery to local circumstances and requirements, based on locally available resources, including current HLH staff. It is anticipated that the current arrangements for property management and maintenance would continue to be provided by HC, although the future configuration of these

services will depend on Council Redesign.

#### Commercial Activity

HLH already operates as a commercial entity and has the systems and capacity for rapid, commercial decision making as well as access to commercial experience and expertise on the HLHT Board. Combined with the experience and expertise available in the CCFM/JS management team, HLHT offers a sound base from which CCFM/JS can compete for catering and cleaning/ FM/JS contracts.

#### Community Lets

In 2014, ECAS committee agreed with interim recommendations of the School Lets Review giving HLH a role managing community lets in “community hubs”. Since then HLH has played an increasing role in the management and facilitation of lets, so that it now manages lets in over half of Highland secondary schools and three primary schools. In other schools, lets are managed by a combination of HTs, Shared Business Support and CCFM/JS. Should CCFM/JS transfer, HLH would take responsibility for running the lets booking system and would roll it out to cover community lets across Highland.

#### **2.1.4 Expected Benefits**

Option 1/1A would deliver the following benefits

- Reduce time HTs spend managing buildings and non-teaching staff /resources (non-cashable benefit – service improvement).
- Increase CCFM/JS service delivery levels (non-cashable benefit – service improvement).
- Increase efficiency of use of staff and resources (cashable).
- Increase commercial income earned by CCFM/JS (cashable – increased income).
- Create consistent pricing and simplified booking system for community lets across Highland (non cashable – service improvement).
- Create new leisure/ learning services for schools and communities (non cashable).

#### **2.1.5 If Catering does not Transfer**

If Catering is not included in the transfer most of the above benefits would still be realised, although the opportunity to develop commercial catering would be lost. The main advantage of not including catering is that it would avoid the Principal/ Agent arrangements, reducing bureaucracy and risk. Conversely, it means that Catering would need to be separated from Cleaning and FM/JS, which would have an impact on CCFM/JS support and management and create the need to find a place for Catering in the Council structure.

### 2.1.6 Timescale

A realistic timescale would be 1 Oct 2017, but 1 April 2017 may be possible with an early Council decision on which option to implement.

### 2.1.7 Costs

The purpose of this project is to use existing budgets and resources to deliver an improved service for schools by finding synergies with other services. The total value of net budgets that would transfer are £8.007M without Catering and £15.086M with Catering which would be increased by £5.428M income (2016/17 budget) producing turnover of £20.514M. These figures include estimated Shared Business Support budgets for functions that would transfer, but not other central support services (e.g. Finance, HR) which would need to be costed.

There are very minimal costs associated with the transfer of CCFM/JS to HLH largely relating to the creation of the Principal/ Agent structure. If Catering does not transfer the Principal/ Agent structure is not required and it is envisaged that the existing Service Delivery Contract between HC and HLH would be amended incurring even lower legal costs.

### 2.1.8 Major risks

Risk	Impact/ Likelihood 1. All CCFFM/JS	Impact/ Likelihood 1A.Cleaning FM/JS only	Mitigation
Further legal tax work identifies significant obstacles and/or requires unforeseen costs.	<b>D4</b>	C3	Any issues will arise early in the transfer planning process allowing early termination of the transfer project if required. The transfer and proposed structures operate elsewhere. Initial advice has already been taken.
CCFM/JS Overspend	<b>D3</b>	<b>D3</b>	Effective budget monitoring to ensure expenditure within budget Early identification of any potential budget pressures.
Savings targets not achieved	C3	<b>D3</b>	Clear understanding at outset of required savings. Budget management and monitoring, with early identification of budget pressures.

## **2.2 Option 2(2A) All (or part) of CCFM/JS transfers to another HC directorate.**

### **2.2.1 Delivery Partner**

CCFM/JS would be managed within the Property section (currently part of Development and Infrastructure), alongside the Property Management and Maintenance, Risk and Compliance team to deliver a new Council-wide Property Management Service.

### **2.2.2 Tax and Legal implications**

There are no tax or legal implications arising from transfer to Property.

### **2.2.3 Service Description**

#### Comprehensive Property Management Service

CCFM/JS and the Property function would come together in a single Property Management Service to deliver the following services across the whole of the Council property estate:

- Property maintenance
- Testing and compliance
- Health and Safety in buildings
- Cleaning
- FM/Janitorial Services
- Catering (in schools and where provided in other premises).

#### Compliance

The Council has a statutory duty under Health and Safety and associated legislation to take all reasonable practicable steps to ensure that its premises are safe for staff, clients and visitors. CCFM/JS would provide support around building compliance and equipment inspections (once staff are appropriately trained) reducing the reliance on external contractors.

#### Developing Commercial Opportunities

Working alongside the strategic property function (planning, procuring and managing capital projects) would create links that would enable CCFM/JS to bid to provide construction cleaning and catering for contractors working on HC projects. There are also opportunities to support Property section commercial ventures, for example cleaning and replenishing welfare cabins provided by Property to contractors, and participating in bids to provide a comprehensive Property Management Service to Council partners and other organisations.

#### Community Lets

For Council buildings where lets are not managed by HLH, there would be a conclusion of the Lets Review to:

- Determine which buildings should be open for lets.
- Subject to their agreement/ capacity, consider HLH as a candidate to provide an extended or Highland-wide lets service.
- Otherwise, designate the new Property Management Service to assume responsibility for organising the booking and facilitation of lets and the design of a new booking system using a bookings module in the existing K2 electronic property management system.

#### 2.2.4 **Expected Benefits**

- Reduce time HTs and RPOs spend managing buildings and non-teaching staff /resources (non-cashable benefit – service improvement).
- Increase CCFM/JS service delivery levels (non-cashable benefit – improvement/ maintenance of service).
- Create one stop Property Management Service to all Council premises across Highland (non cashable – service improvement).
- Reduce expenditure on external inspection contracts, investing in in-house capacity (non cashable – service improvement).
- Increase commercial income (cashable).
- Create lets management solution (non cashable – service improvement).

#### 2.2.5 **If Catering does not Transfer**

Catering fits well into the vision of a Council Property Management Service as part of the support services provided, reflecting the arrangements at other LAs. From the Council's perspective there are no immediate operational or financial advantages to separating Catering from the rest of CCFM/JS if the entire service is delivered in-house.

#### 2.2.6 **Timescale**

The transfer could take place on 1 April 2017.

#### 2.2.7 **Costs**

The purpose of this project is to use existing budgets and resources to deliver an improved service for schools by finding synergies with other services. The total value of net budgets that would transfer are £7.865M without Catering and £14.724M with Catering which would be increased by £5.428M income (2016/17 budget) producing turnover of £20.152M. These figures do not include estimated Shared Business Support budgets or other central support services (e.g. Finance, HR) which would continue to be managed and budgeted separately as at present.

There are no costs associated with the transfer of CCFM/JS to Property.

### 2.2.8 Major risks

Risk	Impact/ Likelihood	Mitigation
Insufficient resources to cover additional buildings → overstretched service	D3	Careful planning and budgeting for roll out of service to ensure resources are used effectively
Failure to achieve savings targets	D3	Budget planning and monitoring to ensure resources are used most effectively Investing in staff training to reduce compliance inspection costs.

### 3 Options Appraisal

The Business Case assessed the options against each other and against the current provision using an options appraisal which scored each option (1, 3 or 5) according to achievement of the project objectives and anticipated implementation issues. This is presented below.

Scoring Criteria	Opt. 1. HLH inc catering	Opt 1A. HLH ex catering	Opt. 2 HC inc. catering	Opt. 2A HC ex catering	Current service- baseline
<b>Project Objectives</b>					
1 To enable HTs spend more time managing learning & teaching	●●●●●	●●●●●	●●●●●	●●●●●	●●●
2 To co-ordinate & improve access to schools/ community facilities...	●●●●●	●●●●●	●●●	●●●	●
3 To provide proportionate specialist, local management	●●●	●●●●●	●●●	●●●	●●●
4 To provide equitable Janitorial services	●●●●●	●●●●●	●●●●●	●●●●●	●●●
5 To balance CCFM/Janitorial services budgets	●●●●●	●●●	●●●●●	●●●	●●●
<b>Subtotal</b>	<b>23</b>	<b>23</b>	<b>21</b>	<b>19</b>	<b>13</b>
<b>Implementation</b>					
6 Cost/ease of implementation	●	●●●	●●●●●	●●●	●●●●●
7 Impact on staff	●	●	●●●	●●●	●●●●●
8 Impact on delivery partner	●	●●●●●	●●●●●	●●●	●●●●●
9 Risk	●	●●●	●●●	●●●	●●●
<b>Subtotal</b>	<b>4</b>	<b>12</b>	<b>16</b>	<b>12</b>	<b>18</b>
<b>Weighted Score</b>	<b>50</b>	<b>58</b>	<b>58</b>	<b>50</b>	<b>44</b>
<b>Rank</b>	<b>3=</b>	<b>1=</b>	<b>1=</b>	<b>3=</b>	<b>5</b>

●●●●● = most beneficial      ● = least beneficial

Weighted score: Project Objectives subtotal 2x implementation subtotal.

The options appraisal demonstrates that all the options deliver some improvement over the current service and that there are advantages and disadvantages of each. The scoring of the options was subject to extended debate at the Project Board and consensus was not reached in all cases particularly with regards to objectives 2 and 3. However for each option the appraisal did clearly establish whether Catering should be included or not. On



that basis the options were further narrowed down leaving the following options for final consideration:

- Option 1A Transfer Cleaning and FM/JS to HLH.
- Option 2 Transfer all Catering, Cleaning and FM/JS to Property.

This table attempts to draw out the differences between Options 1A and 2 to inform the final decision on which option to implement.

Option 1A Cleaning/FM/JS → HLH	Option 2 Catering, Cleaning FM/JS → Property
Area by area approach to providing support for HTs, based on dialogue and delivering flexibility within available resources. Approach already being piloted (e.g. Lochaber High School)	Area by area approach (in conjunction with existing local Property Teams) to providing support for HTs through a single Council Property Management Service delivering maintenance, compliance and CCFM/JS.
Existing lets booking and management system in place. HLH bring expertise in managing lets and community access.	Lets booking and management system would need to be developed following completion of Lets Review, although existing IT solution available (K2)
Local management supporting RPO by offering one-stop service providing Cleaning, Janitorial and Lets.	Specialist local management focussed on property management, delivering compliance and supporting RPO with full Catering, Cleaning and FM/JS service.
Janitorial provision in all schools (except PPP)	Janitorial provision in all schools (except PPP)
Efficient use of HLH and Cleaning and FM/JS resources to deliver service on budget supported by development of commercial opportunities and new leisure and learning services for school and communities.	Efficient use of CCFM/JS and Property resources to balance CCFM/JS and property compliance budgets, with CCFM/JS supporting Property section new commercial activity (inc. site welfare and catering, construction cleaning, meeting room lets, external catering)
Very limited costs associated with transfer	No transfer costs
Separates Catering and Cleaning/FM/JS; Catering remains with Council	Keeps CCFM/JS together in one unit.
Third party provision ALEO (HC owned)	In-house option

The table, by comparing the two remaining options, underlines how similar the two options are. Deciding between the two relies on understanding the differences.

In Option 1A, HLH's existing presence in a number of schools, good working relationship with schools and understanding of their needs, and expertise in relation to lets management, community access and commercial opportunities, represent key points of difference in contrast with Option 2. As highlighted previously, this option does however exclude Catering.

In Option 2, Property management would be a key differentiator, with the opportunity for a fully comprehensive Property Management Service to be provided, linking existing CCFM/JS with Property management and maintenance staff. This option would also incorporate all aspects of CCFM/JS including Catering.

## **4 Discussion**

- 4.1 This project started with Option 1, originally raised with ECAS committee in March 2016 as part of the Future Management of Schools, where the transfer of all of CCFM/JS to HLH was seen to have potential opportunities for developing a complete service for schools and communities, offering catering, cleaning and FM/JS and resolving the longstanding issues around community access to schools in the evening and at weekends. HLH, as a principal provider of services and activities to communities and schools, and already based within many of the Council's schools, was best placed to understand the needs of schools, and would be able to develop additional services alongside the management of community access. Furthermore HLH, as an arms-length organisation, would be nimbler in its response to commercial opportunities being smaller and somewhat freed of council procedures and processes, while still being compliant with them.
- 4.2 The benefits of such a transfer are reflected in the scoring of Option 1/1A against the project objectives in the options appraisal. However, when the project team started examining the implementation of this option, alongside doubts raised by some Members (at the seminars) and by HLH Board about how good a fit Catering was for HLH, it became clear that the option had some drawbacks, not least in the need to create a Principal/ Agent structure to manage Catering. In this context Option 1A, where Catering remains with the Council and only Cleaning and FM/JS transfer to HLH, becomes more attractive, in particular with regards the views of Elected Members and HLH Board. However Option 1A also brings the disadvantages of splitting Catering from Cleaning and FM/JS.
- 4.3 In the meantime, in response to the challenge raised by Members as to why the Council could not deliver improvements in-house, the project team worked with colleagues in Property section in Development and Infrastructure to investigate whether CCFM/JS could be managed alongside Property, building on an existing relationship with CCFM/JS. The results of that work form Option 2/2A in the Business Case. CCFM/JS managed within the Council's property section is a competent in-house solution that delivers service and corporate benefits relating to the management of all Council property and importantly, strengthens the Council's ability to discharge its duties and responsibilities with regards to ensuring (and being able to demonstrate) the safety of Council premises for users. In relation to addressing the management of community access and lets this option does not represent as compelling a case as Option

1A (HLH), although it does have several proposals for the development of commercial opportunities. As there are no advantages to the Council of splitting Catering from Cleaning and FM/JS, Option 2A was discounted.

4.4 However this raises the question of how the Council delivers Catering should Option 1A be selected. Catering would continue to be delivered as at present – it has management and supervisory structures in place and staff on the ground, so there should be no immediate impact on service users. There would need to be some work to identify which CCFM/JS support staff would remain with Catering – the work potentially affects in the order of 30 CCFM and Shared Business Support staff, although in many cases it is clear whether they principally work on Catering or Cleaning/FM/JS. Nonetheless this would be unsettling for the staff involved and could lead to some inefficiency and duplication in the short term. Another issue to resolve, particularly in the context of Council Redesign, is where in the Council structure Catering would fit. Two options appear to be appropriate: alongside the key client (Education) as per the present arrangements; or alongside other operational/ commercial type services, should Council Redesign, which has an emerging focus on commercial operations, structure the Council along those lines,

## **5. Conclusions**

5.1 What has been clear during the development of these proposals is how much they have in common. Both combine all FM and Janitorial Services (with the exception of PPP schools); both seek to improve services by using staff and resources more efficiently, seeking synergies with other services allowing the service to be delivered in more places – real service improvements with no additional costs. Although there are differences for example the HLH option does not include Catering and there are differing impacts on staff (for example moving from HC to HLH would have greater impact on staff than moving to another Council service), both options keep all staff on Council equivalent terms and conditions whether in the Council structure itself or within the ALEO, and HLH has proved a trustworthy partner both in regards of looking after staff and delivering agreed outcomes (and efficiencies).

5.2 Importantly, both options are competent routes to achieving the stated project objectives:

- To enable Head Teachers to spend more time managing learning and teaching.
- To co-ordinate and improve access to schools and community facilities, addressing local needs and circumstances.
- To provide proportionate specialist, local management of these services.
- To provide equitable Janitorial Services.
- To balance CCFM/Janitorial Services budgets,

with both delivering additional benefits beyond those objectives, be it

additional learning and leisure opportunities for schools and communities or a Council wide Property Management Service. Furthermore perhaps the most striking similarity is how keen both potential delivery partners are to deliver the service. Members should be reassured by the cooperation and amount of work the partners have contributed to the development of these options, both of which are competent and achievable.

- 5.3 With reference to the options appraisal, the difference between the two is that the HLH option scores slightly higher on achievement of the project objectives, although that conclusion itself was subject to prolonged discussion at the Project Board, partly based on the fact that, despite the Property option including Catering, the appraisal could not take sufficient account of the additional corporate benefits provided by the Property option, but not included in the original project objectives. Conversely the Property option scores more highly on implementation. Members should note that the Project Board itself, having been involved throughout the development of the Business Case, was unable to reach consensus on which option the Business case should recommend.
- 5.4 It is the view of the Director of Care and Learning that there are significant advantages to the more seamless service that would appear to be available from HLH, particularly with regard to engagement with communities and people seeking use of school buildings. Further, the existing positive partnerships in place between Head Teachers and HLH, suggest a quality of relationships and joint working that could be rolled out across the authority.
- 5.5 Also though, the Property Management Business Case would enable Catering, Cleaning and FM services to continue to be managed within the same service, which has obvious advantages.

Given the two options are so close, with each difference countered by a solution offered by the other, Members will want to consider the wider context in which they make their decision. These additional external factors, which were not considered in this technical analysis and appraisal of the options may include:

- Political preference with regards to in-house vs. third party provision.
- How each option fits with the emerging direction and priorities of Redesign – for example a focus on commercial activity or how Council properties are managed.
- How the two options fit with changes to Council structures proposed by Redesign.
- Additional importance that Members and/or constituents place on particular aspects under consideration – for example Members may consider either the resolution of community lets management or the provision of a comprehensive property management service as being of overriding importance.

## 6 Implications

### 6.1 Resources

The resource implications for each option are summarized in Sections 2.1.7 and 2.2.7, with further detail in the Business Case.

The transfer to HLH will require additional legal and tax advice which will be covered from the Care and Learning budget, otherwise, all other resource implications relate to existing budgets and staffing establishment. If HLH option is selected there will be detailed assessment and costing of resources involved including Shared Business Support, ICT, transport and Central Support Services (e.g. Finance, HR). Each of those services will be assessed to determine whether fulfilment of that responsibility/service involves the transfer of a member of staff, a budgets or whether HC will provide that service to HLH under a service level agreement.

The transfer to Property is entirely based on existing budget and staffing establishment.

### 6.2 Legal

Initial legal advice indicates that the transfer to HLH is legally sound (see Section 2.1.2). However should the HLH option be implemented it will be necessary to seek further tax and legal advice to ensure that sufficient and appropriate governance arrangements are in place (for example reviewing and amending the Service Delivery Contract). That work has not been pursued at this stage to avoid unnecessary costs.

There are no legal implications associated with the transfer of CCFM/JS to Property.

### 6.3 Equalities

Equalities screening has been completed for both options and indicates a requirement for a full Equalities Impact Assessment. This will be completed for the option selected for implementation

### 6.4 Climate Change/Carbon Clever Implications

There are no climate change/carbon clever implications associated with either option.

### 6.5 Risk

The significant risks (above the line) associated with each option are listed, with mitigating actions, at Sections 2.1.8 and 2.2.8. A full risk profile for both options are included in the Business Case.

### 6.6 Gaelic

There are no Gaelic implications arising from either Option.

## 6.7 Rural

The only rural impacts will be positive: both options will provide FM/JS to 42 rural schools who currently get no provision, and the proposals seek to facilitate community access to schools across Highland. Both options seek to tailor the service to local requirements, within available resources. Neither option will redistribute staff/resources from rural areas.

### **Recommendations**

Members are invited to:

- Consider and discuss the relative merits of each of the final two options outlined in this report
- Consider each option in the wider context of budget and Redesign priorities
- Conclude which option they would like implemented
- Recommend one option to Highland Council for decision and implementation.

Designation: Head of Resources

Date: 10/10/16

Author: Brian Porter, Head of Resources  
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Background Papers:

1. Business Case: Future Management of Catering , Cleaning and Facilities Management/ Janitorial Services
- 2 Report to Redesign Board Workshop 4 October 2016: The Future Management of Cleaning, Catering and Facilities Management/ Janitorial Services

**The Highland Council**  
**Redesign Board – 4 October 2016**

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**The Future Management of Cleaning, Catering and Facilities Management/Janitorial Services**

**Report by Director of Care and Learning**

**Summary**

The purpose of this report is to provide the Redesign Board with an update on progress with the Business Case for the future management of Cleaning, Catering and Facilities Management/Janitorial Services (CCFM/JS). Highland Council on 12 May 2016 agreed that consideration of this business case should be a matter for the Re-design process.

**1. Background**

- 1.1 CCFM/JS comprises both Cleaning, Catering and Facilities Management (CCFM) and school-based Janitors (JS). CCFM/JS provides catering to over 200 schools as well as running the Members Lounge and Staff Canteen in HQ, and providing catering for events and partners, for example Highland Hospice. CCFM/JS staff clean 320 schools and buildings occupied by the Council and partners including High Life Highland (HLH). The service also provides FM/Janitorial Services to the majority of Highland schools and also facilitates community use of schools in the evening and weekends, apart from 21 schools where lets are managed by High Life Highland.
- 1.2 There are a number of drivers which have led to the current review of future management arrangements for CCFM/JS, and the business case currently being developed:
- the Council Administration commitment to support Head Teachers (44 - “We will work collaboratively with Headteachers to provide them with the best opportunity to maintain standards, reduce unnecessary bureaucracy and to drive further improvement”);
  - the Care and Learning Future Management of Schools programme, which aims to support Highland Head Teachers by reducing bureaucracy and the management of tasks not directly related to the management of learning and teaching;
  - the Council Redesign process;
  - FM Review (2015) which sought to improve existing arrangements and

address inequity of provision, but has not been implemented pending this now wider CCFM/JS review. Staff morale has been negatively impacted by ongoing uncertainty around future of FM and Janitorial functions.

- the ongoing School Lets Review, and the role already played by HighLife Highland in booking, managing and facilitating community lets in some facilities;
- previous Council reorganisations of 2012 and 2014 which put management responsibility for CCFM in Care and Learning, but in expectation this would be reviewed thereafter;

1.3 These drivers not only set the context for conducting the review of future management and delivery arrangements of CCFM/JS, they also emphasise the importance of timing. Staff morale is low as a result of successive reviews of parts of the function, which have not lead to clear outcomes and have resulted in ongoing uncertainty. An early decision on future management arrangements would help address some of those issues. The Future Management of Schools Programme is also progressing, with it expected that some of the revised management structures in schools may start to be implemented from August 2017 onwards. It is essential that there is clarity on revised support structures for schools in advance of this wider change.

## **2. Progress to Date**

2.1 Against this background, it was proposed at ECAS Committee on 17 March 2016 that a Business Case should be developed to consider the case for the transfer of CCFM/JS to HLH. Following discussion at ECAS Committee, and a subsequent amendment agreed by Highland Council on 12 May 2016, it was agreed to provide Members with briefings/seminars on a range of options for the future management of CCFM/JS and that any proposals emerging from these seminars should be considered as part of the Council's Redesign process.

2.2 A first seminar was held on 12 May 2016 and was attended by approximately 50 Members as well as the Chief Executives of Highland Council and HLH and the Director of Care and Learning. At the seminar, a presentation outlined the following objectives for the future management of CCFM/JS.

The Strategic Objective is:

“To achieve effective use of total resources by delivering a local, coordinated and integrated service”.



This is underpinned by the following five Project Objectives:

- To enable Head Teachers to spend more time managing learning and teaching.
- To co-ordinate and improve access to schools and community facilities, addressing local needs and circumstances.
- To provide proportionate, specialist, local management of these services.
- To provide equitable Janitorial Services.
- To balance CCFM/JS budgets.

Members were also presented with a 'long list' of potential options for the future management of CCFM/JS. Members raised a number of questions and issues on the options presented, including costs; tax implications; the impact on staff, impact on service delivery and on schools; whether all or part of the Service should be considered for transfer; and why the anticipated benefits could not be achieved through the current management arrangements.

At the conclusion of the Seminar, Members considered a number of options were not viable, or were not preferred options, and asked for further information to be presented at a subsequent seminar on the following remaining specific options:

- CCFM/JS continues to be delivered and developed by C&L.
- Schools manage their own CCFM/JS.
- Transfer CCFM/JS to HLH.
- Transfer Cleaning and FM/JS to HLH and Catering remains with Highland Council.
- Transfer CCFM/JS to another Highland Council Directorate.
- Transfer Catering and/or Cleaning and FM/JS to another Highland Council Directorate(s).

2.3 A second seminar, again attended by approximately 50 Members was held on 29 June 2016. The seminar included a presentation outlining the case for and against each of the remaining six options as well as an indication of costs and risks associated with each option.

Following discussion, Members concluded that a Business Case should be developed for the following options:

- All or part of the service is transferred to High Life Highland.
- All or part of the service is transferred to another Highland Council directorate.

Members also required for these options to be contrasted with the current service delivery arrangements (i.e. in Care and Learning) as a baseline for comparison.

Furthermore, it was recognised that the process had reached a stage where more formal governance arrangements were required, and that the next stage (Business Case) should be reported to the Redesign Board, as agreed by Highland Council on 12 May.

### **3. Current Position / Next Steps**

- 3.1 Since the seminars in May and June, the Business Case has been developed under the supervision of a Project Board chaired by Care and Learning Head of Resources and including CCFM Managers, HLH, Property, Finance, HR and staff-side representatives. There is also oversight and input provided by the School Support Project Board (part of the Management of Schools programme) which includes Head Teacher and Parent Council representatives.

The Business Case will include an outline description of how the service would be delivered under each option as well as detailing the main benefits, costs and risks for each option. The Business Case will include an options appraisal based on the project objectives outlined in 2.2 above. The options are also appraised against issues likely to be encountered during and after implementation, including ease and cost of implementation, impact on staff, impact on delivery partner and risk.

- 3.2 It is proposed that the Business Case is presented to the Board on 18 October for consideration, with recommendation thereafter to Highland Council. As highlighted above, an early resolution to future management arrangements is sought to ensure service delivery arrangements can be aligned with the Future Management of Schools Programme, and to address ongoing staff morale.

### **4. Implications**

- 4.1 There are no particular implications to highlight. The business case will set out benefits, risks and issues.

**Recommendation**

Members are asked to note the update on progress with the Business Case for the future management of Cleaning, Catering and Facilities Management / Janitorial Services, and the proposal for a Business Case to be considered by Re-design Board on 18<sup>th</sup> October.

Designation: Head of Resources

Date: 29/9/16

Author: Brian Porter, Head of Resources  
Phil Tomalin, Change Project Manager

Background Papers:

**Highland Council  
Future Management of  
Catering, Cleaning and  
Facilities Management/  
Janitorial Services**

Business Case



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## **Project Board Members**

<b>Name</b>	<b>Project Role/Title</b>
Brian Porter	Head of Resources (Project Sponsor)
Phil Tomalin	Change Project Manager (Project Manager)
Evelyn Miller	Cleaning and FM Manager
Sue Nield	Catering Services Manager
Marion Ross	Principal Resources Officer
Ian Murray	Chief Executive, HLH
Fiona Hampton	Head of Business, HLH
Finlay MacDonald	Head of Property
Stuart Duncan	Acting Property Manager
Alasdair Bruce	SBS Service Delivery Manager
John Gibson	Unison
Mick Haymer	GMB
Sandy Wemyss	Unite
Brigitte Johnstone	HR Business Partner
Jennifer McGonagle	Principal Accountant
Alistair Bernard	Accountant

## 1 Introduction

This Business Case is concerned with the future delivery of Catering, Cleaning and Facilities Management/Janitorial Services (CCFM/JS). This section outlines the drivers for the project, lists the strategic and project objectives and summarises the service requirement. Section 2 outlines the governance of the project and the decision making process to date. The current service delivery arrangements are outlined in Section 3 and the two options for future delivery are outlined in Sections 4 and 5. The two options are compared with current service delivery arrangements in Section 6.

### 1.1 Drivers

The following are drivers for changing the way in which CCFM/JS are delivered:

#### Service reorganisations (2012, 2014)

The restructuring of the Council in 2012 and 2014 left some unresolved issues about where to locate certain services, including CCFM/JS – the long-term expectation was that these services may be located somewhere other than C&L. The operational/commercial nature of CCFM/JS is not a natural fit within C&L – the main rationale being that schools are the principal client – but there are few operational similarities with other C&L services. However there are synergies with services delivered by other Directorates, for example, FM/JS, Cleaning and to a degree Catering, could provide a property management service alongside the Council property management function.

#### Highland First

Highland First, The Highland Council programme, includes a priority corresponding to Future Management of Schools programme:

#### *“44. Supporting Head Teachers*

*We will work collaboratively with Head Teachers to provide them with the best opportunity to maintain standards, reduce unnecessary bureaucracy and to drive further improvement.”*

#### Future Management of Schools

The development of the Future Management of Schools programme (which aims to deliver the Highland First commitment above) is a key priority for Care and Learning, and was brought about by a number of drivers including:

- Sustained requirement for Head Teachers (HTs) to maintain quality and lead school improvement.
- New corporate management systems, placing new demands on school management.



- Pressures on time to manage, especially for primary HTs who are also class committed.
- Challenges filling HT and other school management posts.
- Continued challenges presented by the Highland geography.

Future Management of Schools acknowledged FM/JS as a key support for HTs especially with regards to their responsibilities as Responsible Premises Officer (RPO). Given the close managerial and operational relationship with Cleaning and Catering, Highland Council agreed (see Section 2.2) that the whole of CCFM/JS should be considered in the Management of Schools programme, to ensure support arrangements allowed HTs to focus on the management of Learning and Teaching.

### Demand from HTs

The demand from HTs and schools for change is well illustrated by the following quotations:

*“I have come to the conclusion that I spend far too much of my time on Facility Management, focussing on tasks that have no direct link to managing learning and teaching.”*

Jim Sutherland, HT, Lochaber High School

*“Managing the booking of lets, and especially dealing with detailed queries, is taking a significant amount of clerical staff time. It is not sustainable and it is very disruptive.”*

Robert Quigley, HT, Milton of Leys Primary School

*“Unlike before, my Depute Heads and I all now have increased class teaching commitments over last year and again this year. There simply is not enough time to deal with any additional bureaucracy and management commitments and ultimately this takes us away from leading learning and teaching as I see as our core role in school.”*

Julie MacDonald, HT, Nairn Academy

### FM/Janitorial Services Review

In November 2015 ECAS Committee approved the following strategic principles for the future operation of FM/JS:

- Janitorial Services are provided to all Highland primary schools (including 42 currently without any Janitorial provision)
- Line management and supervision by dedicated FM/JS management team
- Support HTs (as RPOs) by providing effective building management
- Customer focus and local flexibility
- Efficient and demand based staff deployment and maximising productive time

In February 2016 the Council also agreed an increased budget for FM/JS. The Review's recommendations are now ready for implementation, starting with local discussions with Members and HTs around resource allocation. However, during the FM/JS Review the advantages of collaboration with High Life Highland (HLH) became clear as did the potential for efficiencies and service improvements (e.g. management of community lets). Implementation of the FM/JS Review is now on hold, pending decisions on the future management of CCFM/JS.

### Lets Review

This has still to be completed, however an interim report to ECAS Committee in August 2014 proposed an increased role for HLH to manage community lets in community hubs (defined as secondary schools and geographically proximate primary schools and school campus developments). The involvement of HLH has proved successful leading to an improved booking service and reduction in staff duplication and costs. Given the issues surrounding lets at other schools, there may be an opportunity to extend the role of HLH, who have confirmed their interest in increasing their involvement.

### Council Redesign

Council Redesign requires an examination of all services to determine whether they should continue to be delivered, as well as how and by whom. Decisions on the future management of CCFM/JS will be made as part of the Council Redesign process.

### Budget pressures

Across the Council, continuing pressures on budgets mean services need to find efficiencies and savings and, where appropriate, redesign service delivery.

## **1.2. Objectives**

The strategic objective of the project is:

***To achieve effective use of total resources by delivering a local, coordinated and integrated service.***

The project objectives are:

### To enable HTs to spend more time managing learning and teaching

It is recognised that property management, health and safety, finance, staffing and administration, represent critical areas where HTs require support to fulfil their responsibilities. With an appropriate support structure in place, HTs can delegate many activities to other members of staff, allowing their focus to be on the management of learning and teaching.

### To co-ordinate and improve access to schools and community facilities, addressing local needs and circumstances

The current arrangements for the management of community lets are inefficient and disjointed, and directly involve too many stakeholders leading to time consuming processes and duplication of staff and resources. A coordinated, efficient and consistent approach would facilitate community access.

### To provide proportionate specialist, local management of these services

Although a consistent approach is required across Highland, it is also recognised that there are local circumstances and needs that require to be taken into account – best serviced by responsive local management operating within a Highland wide framework.

### To provide equitable Janitorial services

The provision of FM/JS differs across the HC school estate. Since 2011, FM has been rolled out to 96 schools who receive Janitorial services from CCFM. 54 schools manage their own school Janitor in some cases sharing the resource with neighbouring schools. 42 schools have no janitorial provision at all and the remaining 14 schools have janitorial support provided through the PPP contract. It has been a longstanding aim to offer an equitable service that provides some janitorial support to all schools, with service levels proportionate to the needs of each school.

### To balance CCFM/JS budgets

Although the CCFM/JS budget was underspent in the last Financial Year (15/16) there remain underlying budget pressures associated with: an incomplete budget transfer during the creation of FM; food costs; and costs associated with community lets (See Section 3.2.5). The FM/Janitorial Services Review included a new staff allocation based on the available budget which will balance the FM/JS budget, however the Janitorial budgets still controlled by schools present a potential risk of overspend. A balanced budget underpins the sustainability of the service.

## **1.3 Summary of Service Requirements**

The following are the key elements of the service that require to be delivered in the future:

- A consistent model of delivery to all Highland schools
- Provide a catering service to approx. 200 schools.
- Deliver a catering service that provides HQ Staff Canteen, Members Lounge, civic events/ functions, catering to partner organisations inc. Highland Hospice, lunch clubs and nurseries.
- Provide regular cleaning to 320 premises, including schools and other Council/partner buildings.
- Provide an equitable Janitorial service to 192 non-PPP schools.

- Facilitate and promote lets in schools at evenings/ weekends.
- Identify and develop commercial opportunities to earn income.
- Deliver the service in schools in partnership with the HT, supporting their role as RPO.
- Deliver the entire service within budget.

## 2. Governance

### 2.1 Project Governance

#### Highland Council

The project is governed in accordance with HC Project Management Governance policy.

HPMB	Care and Learning Directorate
Project Board	Future Management of CCFM/JS Project Board
Project Sponsor	Brian Porter
Project Manager	Phil Tomalin

In addition to the Project Sponsor and Project Manager the Project Board includes CCFM/JS Managers, Finance, Legal (when required), Procurement (when required), HR, Shared Business Support, representatives from D&I and HLH (senior suppliers) and staff side representatives. User representation is fed through the separate Future Management of Schools – School Support Project Board, which is concerned with FM/JS and School Office Reviews and includes HT and Parent Council representatives.

The Business Case has been prepared using the HC Business Case template, although it has been necessary to adapt the format to enable comparison of two options with current provision.

#### High Life Highland

HLH Chief Executive and the Head of Business are fully engaged in the project and have kept the HLH Board (which includes Cllrs. Jaci Douglas, Ken Gowans, Michael Green and Fraser Parr) apprised of developments. The decision on HLH involvement in this project rests with the HLH Board. For further information on HLH governance see Section 4.1.1.

## 2.2 Decision Making Process to Date

### 2.2.1 ECAS Committee – 17 March 2016/ Highland Council 12 May 2016

A report updating Members on the Future Management of Schools raised the development of a Business Case for the transfer of CCFM/JS to HLH. Following discussion at Committee and a subsequent amendment agreed by Highland Council on 12 May 2016, it was agreed to provide Members with briefings/seminars on options for the future management of CCFM/JS and that any proposals emerging from the seminars would be considered as part of the Council Redesign process.

17 March 2016 – ECAS Committee Report

[http://www.highland.gov.uk/download/meetings/id/69913/item\\_12\\_management\\_of\\_schools\\_update](http://www.highland.gov.uk/download/meetings/id/69913/item_12_management_of_schools_update)

12 May 2016 – Highland Council Notice of Amendment to ECAS 17 March decision

[http://www.highland.gov.uk/meetings/meeting/3691/highland\\_council/attachment/70417](http://www.highland.gov.uk/meetings/meeting/3691/highland_council/attachment/70417) (see Item 5)

### **2.2.2 First Seminar – 12 May 2016**

The first seminar was held on 12 May 2016 and was attended by approximately 50 Members as well as the Chief Executives of HC and HLH and the Director of Care and Learning. The Director of Care and Learning gave a presentation outlining potential options for the future management of CCFM/JS ranging from the current delivery arrangements to outsourcing the service to a private contractor. Members raised a number of issues including costs, tax implications, the impact on staff, service delivery and schools; whether all or part of the Service should be considered for transfer and why the anticipated benefits could not be achieved through the current management arrangements.

At the conclusion of the Seminar Members asked for further information to be presented at a subsequent seminar on the following six options:

- CCFM/JS continues to be delivered and developed by Care and Learning.
- Schools manage their own CCFM/JS.
- Transfer CCFM/JS to HLH.
- Transfer Cleaning and FM/JS to HLH and Catering remains with HC.
- Transfer CCFM/JS to another HC Directorate.
- Transfer Catering and/or Cleaning/FM/JS to another HC Directorate(s).

### **2.2.3 Second Seminar – 29 June 2016**

A second seminar, also attended by approximately 50 Members, was held on 29 June 2016. The seminar included a presentation outlining the case for and against each of the above six options as well as an indication of the types of costs and risks associated with each option.

Following discussion, Members concluded that a Business Case should be developed for the following options:

- Option 1(1A): All (or part) of CCFM/JS is transferred to HLH.
- Option 2(2A): All (or part) of CCFM/JS is transferred to another HC directorate.

Members also concluded that the Business Case should include a comparison of the two options with the current service delivery arrangements (i.e. in Care and Learning).

Furthermore it was recognised that the process had reached a stage where more formal governance arrangements were required and that the Business Case should be considered by the Council Redesign Board, in line with the amendment agreed by Highland Council on 12 May 2016.

### 2.3 Next Steps

The following are the planned next steps in the decision making process with indicative dates:

Present Business Case to Redesign Board	18 October 2016
Revise Business Case as required	
Present Business Case to Highland Council for decision	27 Oct or 15 Dec 2016
Complete Due Diligence*	Winter/Spring 2017
Project Implementation Plan*	Spring/Summer 2017
Implementation*	April/October 2017

\*Depending on option and on timing of HC decision

### **3. Current Service Profile**

This section describes the current CCFM/JS delivery arrangements to facilitate comparison with the options for the future management of CCFM/JS detailed in Sections 4 and 5.

#### **3.1 Delivery Partner**

##### **3.1.1 CCFM Service**

CCFM was formed when school Janitors joined Catering and Cleaning on a phased basis from 2011. CCFM was managed by the Facility Services Manager until that post was deleted in April 2016 following VR. The CCFM Management team now comprises the Catering Services Manager, Cleaning and FM Manager and the Principal Resources Officer (who manages a team which supports CCFM with asset management, financial and management information systems, and procurement). The management team are also supported by a Project Coordinator and an Operational Support Officer who deals with absence management. All three managers report to the Head of Resources.

Before 2011, Catering and Cleaning have been managed together for over 20 years. This longstanding collaboration has evolved a range of shared technical support (including, training, innovation, compliance, procurement and absence management) and created an efficient and cooperative way of working. One reason why this collaboration has been so successful is the nature of the services provided: Catering (and to a degree Cleaning) are commercial operations, with specific requirements around cash handling, supplier management, operations management; and specific management skills around income and expenditure monitoring and management, stock control, customer care and bidding for external contracts. Other reasons include shared clients (e.g. schools).

This structure is reflected elsewhere – a survey of Scottish Local Authorities (May 2016) found that only one of 16 respondents did not manage Catering and Cleaning together. The links also exist throughout the service – in addition to shared support provided to both Catering and Cleaning, over 80 (approx. 15%) frontline staff work both in kitchens and as Cleaners, with even more staff working in other Council roles such as PSAs, in the school office etc.

##### **3.1.2 Janitorial Service**

The Janitorial Service is delivered in the remaining schools where FM/JS has not yet been rolled out, where the Janitor is still managed by HTs. This includes schools in Caithness, Lochaber and Skye and Lochalsh and parts of Sutherland and Wester Ross and 13 larger secondary schools. The FM/Janitorial Services Review made



recommendations about the completion of the transfer of school Janitors to CCFM although implementation has been delayed until the Future Management of CCFM/JS project is complete.

### 3.1.3 Staffing

CCFM employs staff in 1484 posts (737.12 FTE), the majority of whom (approx. 80%) are frontline Catering and Cleaning staff in low paid (Scottish Living Wage), part-time posts. Most posts are term-time only, making CCFM an important source of employment for parents of young children. A further 61 (58.73 FTE) members of staff are employed as school Janitors in primary and secondary schools bringing the CCFM/JS total to 1545 posts (795.85 FTE). The staffing establishment is detailed in the table below.

Post	FTE	Posts
Cleaning & FM Manager	1.00	1
Catering Services Manager	1.00	1
Principal Resources Officer	1.00	1
Project Co-ordinator	1.00	1
Admin Assistant 1 (Projects)	1.00	1
Operational Support Officer 2 (Payment Systems)	1.00	1
Operational Support Officer (Absence Management)	1.00	1
Resources Officer (Asset Management)	1.00	1
Resources Officer (Finance & Performance)	1.00	1
Repairs & Maintenance Foreperson Electrician	1.00	1
Repairs & Maintenance Operative	1.00	1
Cleaning Service Officer	3.00	3
Area Cleaning Supervisor	14.80	21
Cleaning Supervisor	8.59	21
Cleaning Operative	241.66	630
FM Officer	1.00	1
FM Team Leader	7.00	7
FM Assistant	47.00	47
Caretaker-Steward	5.22	13
Catering Services Officer	3.00	3
Operational Support Officer (Food Services)	1.00	1
Operational Support Officer (Compliance)	1.00	1
Catering & Events Officer	1.00	1
Area Catering Supervisor	6.35	8
Cooks 1 - 4	385.50	716
School Janitors	58.73	61.00
<b>Total</b>	<b>795.85</b>	<b>1545</b>

## 3.2 Service Description

### 3.2.1 Management

CCFM provides a fully managed service both centrally and locally through Managers, Area Officers, Team Leaders, Area Supervisors and Cooks in Charge. In addition to managing staff and ensuring service levels are maintained, a key element of these management and supervisory roles is developing and managing strong working relationships with the HTs and/or RPOs for each site who, in addition to their main duties, are responsible for the daily operation of premises, including health and safety. Although there are instances where HTs/RPOs want to directly manage staff (e.g. Janitors), in the main HTs/RPOs are occupied with their core responsibilities and welcome the support provided by CCFM to fulfil their responsibilities as RPOs.

### 3.2.2 Catering

- The Catering Service provides 18,000 lunches per day in 173 primary and 29 secondary schools.
- School meals are prepared in Production Kitchens in most schools; some of which also provide the meals for 37 Dining Centres in neighbouring schools.
- The service has embraced technological improvements to increase efficiency including cashless catering and combi ovens.
- The current prices for school meals are:
  - P1-3            Free
  - P4-7            £2.30
  - Secondary    £2.55
- The service has focused on food quality and local sourcing (three of the five supplier contracts for catering supplies are with Highland based companies) and is accredited accordingly with Silver and Bronze Food for Life Awards.
- The service runs the Staff Canteen in HQ and provides catering in the Members Lounge.
- The service offers catering for functions and civic events and also provides meals to a number of partners including: nurseries, lunch clubs, Highland Hospice and construction canteens on Council building projects.
- There may be further commercial opportunities that could be developed. It has been difficult to be competitive with the private sector due to Council staff terms and conditions, but following new Scottish Government guidance (Oct 2015), CCFM/JS can now be more competitive with public sector contracts where Scottish Government encourages payment of Scottish Living Wage which can also be evaluated in the tender process under Fair Work practices.

### 3.2.3 Cleaning

- Cleaning is provided to 320 establishments including over 200 schools as well as Council offices and depots.
- Cleaning is also provided to premises managed by HLH and other Council partners.
- Area Officers and Supervisors liaise with schools and other clients to ensure service quality is maintained – essential following the restructure of the service and reduction in cleaning hours to meet efficiencies of approx. £670K (12%) over the past two years.
- The Cleaning service currently operates no commercial contracts and although there are opportunities in the market place, Cleaning has faced the same barriers as Catering in competing with the private sector.
- Cleaning is the HC lead service on the Council's washroom solutions contract.

### 3.2.4 Facilities Management/Janitorial Services

Historically only larger schools (>146 pupils) were entitled to Janitors and these were managed directly by HTs. Since 2011, with the introduction of FM, Janitors have transferred to CCFM on a phased, area-by-area basis, delivering janitorial provision to all schools based on the requirements (roll) of each school. In November 2015 ECAS Committee agreed the recommendations of the FM/JS Review which proposed some changes to the service and the roll out of a new Janitorial model across Highland including to 42 schools without Janitorial provision. Implementation of these recommendations is now on hold pending decision on the future management of CCFM/JS.

### 3.2.5 Service Budget

The service came in £181K below budget in 15/16 see below.

	Service	2015/16 Budget	2015/16 Actual	2015/16 Variance	2016/17 Budget	Increase (Decrease)
1	Catering (net)	£7,037,252	£6,798,733	(£238,519)	£6,597,141	(£440,111)
2	CCFM Bus. Support	£506,591	£519,099	£12,508	£441,551	(£65,040)
3	Facilities Mgt.	£1,537,459	£1,725,270	£187,811	£1,768,850	£231,391
5	Cleaning	£4,942,317	£4,799,214	(£143,103)	£4,547,026	(£395,291)
	<b>CCFM Total</b>	<b>£14,023,619</b>	<b>£13,842,316</b>	<b>(£181,303)</b>	<b>£13,354,568</b>	<b>(£669,051)</b>
4	Janitorial	£1,565,710	£1,568,802	£3,092	£1,549,098	(£16,612)
6	Lettings (Income)	(£158,489)	(£212,938)	(£54,449)	(£179,647)	(£21,158)
	<b>Total</b>	<b>£15,430,840</b>	<b>£15,198,180</b>	<b>(£232,660)</b>	<b>£14,724,019</b>	<b>(£706,821)</b>

#### Budget Notes

1. Net budget. Reduction in budget due to agreed savings and corporate 10% increase in service fees (school meal prices). Steps have been taken to achieve savings and progress is being monitored. The principal concern is the impact of increased prices on demand.

2. CCFM Business Support are dedicated CCFM support staff (as opposed to Shared Business Support staff). 2016/17 budget expected to balance, £65K reduction for posts deleted after VR.
  3. 2016/17 budget expected to balance due to increased budget and redesigned and costed service (FM rollout), although implementation is on hold pending completion of this project.
  4. 2016/17 budget expected to balance as staffing structure has been reorganised to meet savings target.
  5. 2016/17 budget expected to balance. Budget reduction due to posts deleted through VR. This total budget is divided across schools currently outwith FM, where it is managed by each HT.
  6. Only £21K additional income required from 2015/16 and 2016/17 savings has been allocated to schools. A further £180K remains unallocated, but unlikely to be achieved in 2016/17, as it represents 100% budget increase.
- NB Costs of servicing lets (Caretaker Stewards, Janitors) are contained within FM and Janitor budgets.

Overall CCFM budgets are regarded as either robust or with plans in place to address savings targets, with the exception of the lets budget (which is managed by schools) which is unlikely to achieve the income target of an additional £180K. This element will need to be addressed by the Council, regardless of which option is selected.

### Budget pressures

There are underlying budget pressures which have caused overspends in previous years and remain unaddressed, including:

#### *Catering*

- There is no budget for maintenance of Cashless Catering.
- The move to a 4.5 day school week may result in loss of income, although the impact of this still being assessed.
- Although food supplies are procured through Scotland Excel and local framework agreements there is provision for suppliers to increase prices, and food inflation in some years has outstripped any inflationary increase applied to budgets. This pressure is largely beyond the control of CCFM management.

#### *FM*

- The budget for FM was created by transferring budgets from schools to CCFM. Not all the budgets transferred to the new service - for example, schools retained part of the Janitorial budget to cover playground supervision and not all the Janitorial overtime was transferred. Similarly, schools with no Janitor had no budget to transfer, and even schools with Janitors had no budget for required equipment, protective clothing, training and transport.
- An overspend against FM/JS is less likely to occur in the future because the Council agreed an additional £100K for the budget in February 2016 and because the recommendations of the FM/JS Review are fully budgeted when implemented.

- However, the delayed implementation of the FM/JS Review has meant that new staffing arrangements have not been put in place. FM/JS rollout plans include a fully budgeted implementation plan which has not yet been followed and creates risk of overspend.
- Furthermore there are one-off transition costs to cover protected Janitor overtime payments (which could cost up to £96K).

#### *Community lets* (see Section 3.2.6 below)

- As noted above only £21K of the additional income required to achieve agreed 2015/16 and 2016/17 savings targets has been allocated to schools. A further £180K remains unallocated, but unlikely to be achieved in 2016/17, as it represents 100% budget increase.
- Apart from the 21 schools where community lets are managed by HLH, the decision to allow a let rests with the HT, who receives the income (and has an income target to meet), but covers few of the costs. Conversely FM, which facilitates the lets, bears most of the costs but receives no income, nor has any control over the decision to let. Presently this mismatch is being managed through dialogue with HTs.
- The separation of expenditure from the decision to incur that expenditure presents a risk of overspend.

### **3.2.6 Community Lets**

The management (administration, decision making and facilitation) of Community Lets involves several different stakeholders. In schools where HLH is managing lets they manage the whole process including booking and facilitating lets (e.g. opening, closing etc.) HLH receives the income and covers any costs associated with the lets. In some cases (e.g. Culloden, Tain) these are longstanding arrangements, but others emerged from the Lets Review and have proved to be successful, however there are still cases where both school-managed Janitors and HLH staff are present managing separate lets. HLH is currently managing lets in 18 secondary and 3 primary schools.

In other schools the booking, administration and charging for lets is managed by Shared Business Support. The HT gives permission for the let and CCFM or Janitor facilitates the lets. The income from the let goes to the school budget (to meet an income target). In some schools there are still some historic agreements in place leading to charging inconsistent with the charging policy, although these are gradually being phased out. Problems with the HC booking system include: the time taken for the whole process to be completed, breakdowns in communication and the separation of the decision making and income (paid to schools) from the CCFM budget which incurs the majority of the cost.

One issue not addressed during the Lets Review is catering lets where school kitchens are used for functions. If kitchen equipment is used (with the exception of tea/coffee making facilities) a member of kitchen staff needs to be present to ensure that equipment is used safely and correctly and is not damaged (which would affect the ability to prepare school meals the following day). This is an additional chargeable cost. Providing this service should remain the responsibility of the Catering Service to safeguard kitchen operation and equipment.

### **3.2.7 School Janitors**

There are 34 Janitors in 13 larger secondary schools who remain under HT management, and many of these Janitors facilitate community lets, although the increasing presence of HLH (see Section 3.2.6) is changing how lets are managed in these schools. In November 2015, following the FM/JS Review, ECAS Committee agreed that inclusion of these 13 schools in the new Janitorial Service would only be implemented in a subsequent phase, subject to Committee approval. Implementation of the recommendations of the FM/JS Review is currently on hold pending the outcome of this project and Council Redesign, however it is anticipated that if CCFM/JS transfers to HLH, given the presence of HLH at many of these schools managing co-located leisure facilities and/or evening community lets, these Janitors would transfer to HLH following discussions and agreement between HLH and the relevant HTs. Such a scheme is already being piloted at Lochaber High School. Similarly, if CCFM/JS remains within HC, there would be an opportunity to complete the transfer of all Janitors to the new service at the same time to establish the new arrangements in all schools from the start.

### **3.2.8 Shared Business Support**

CCFM is reliant on the support given by 20 (15.53FTE) Shared Business Support (SBS) staff. The principal functions provided are finance (processing) and HR although there are some staff with specific responsibility for data input on SAFFRON (Catering management information system), repair help desk (for equipment and kitchens), administration of food contracts and daily operational support of Managers and Area Officers. Additionally SBS staff provide administration for school lets (1.3FTE).

### **3.2.9 Central Support Services**

In common with other Council services CCFM receives support for corporately managed and charged functions including HR, Finance, Health and Safety, publicity and communications, ICT, telephony. CCFM also has chargeable relationship with Community Services (transport, stores) ICT (mobile telephony), and Education Estates (e.g. gritting). An initial estimate of the value of these services is £133K (excluding ICT), although should CCFM/JS transfer to HLH there would need to be

detailed discussions with each service to determine the exact value and nature of the support function, and whether there would be a transfer of staff or resources or whether HC would provide the service to HLH according to a Service Level Agreement. When HLH was formed in 2011 a combination of all three approaches was used.

### 3.3 CCFM/JS and Statutory Functions

The Council Redesign Board has classified all Council services as one of the following:

- Statutory functions the Council must perform and with little discretion i.e. levels or standards are set nationally or externally and with consequences on size of expenditure.
- Statutory functions the Council must perform and with discretion Council-wide for the Council to choose levels, standards or frequency of service and levels of expenditure.
- Discretionary functions permitted in statute Council-wide and with Council choices over whether to perform or not, and the standards and level of expenditure.

While CCFM/JS acts as a support service for many parts of the Council the major client is Education, and primary and secondary education are statutory functions. Education cannot be provided in premises that are not clean or safe so Cleaning and FM/JS are classified as statutory functions with discretion – the Council must provide the service to ensure buildings are safe and clean, but has some discretion over delivery (service levels and who delivers the service etc.).

With regards to Catering, free schools meals must be available for pupils in P1-3 and for eligible pupils of other age groups. The Council also has discretionary power to offer a school meal service to all pupils, which it chooses to do – indeed many parents would be surprised to learn that the Council is not obliged to offer school meals to all pupils wanting them. While school meals for all are classified as discretionary, when all the costs, income and government grants (which are based on the number of meals served) are taken into account it would cost the Council more overall (NB not cost per meal, actually cost more overall) to only provide free school meals rather than the combined free and paid-for service; notwithstanding the issues of separating and identifying pupils entitled to free school meals and the benefits of promoting of healthy eating.

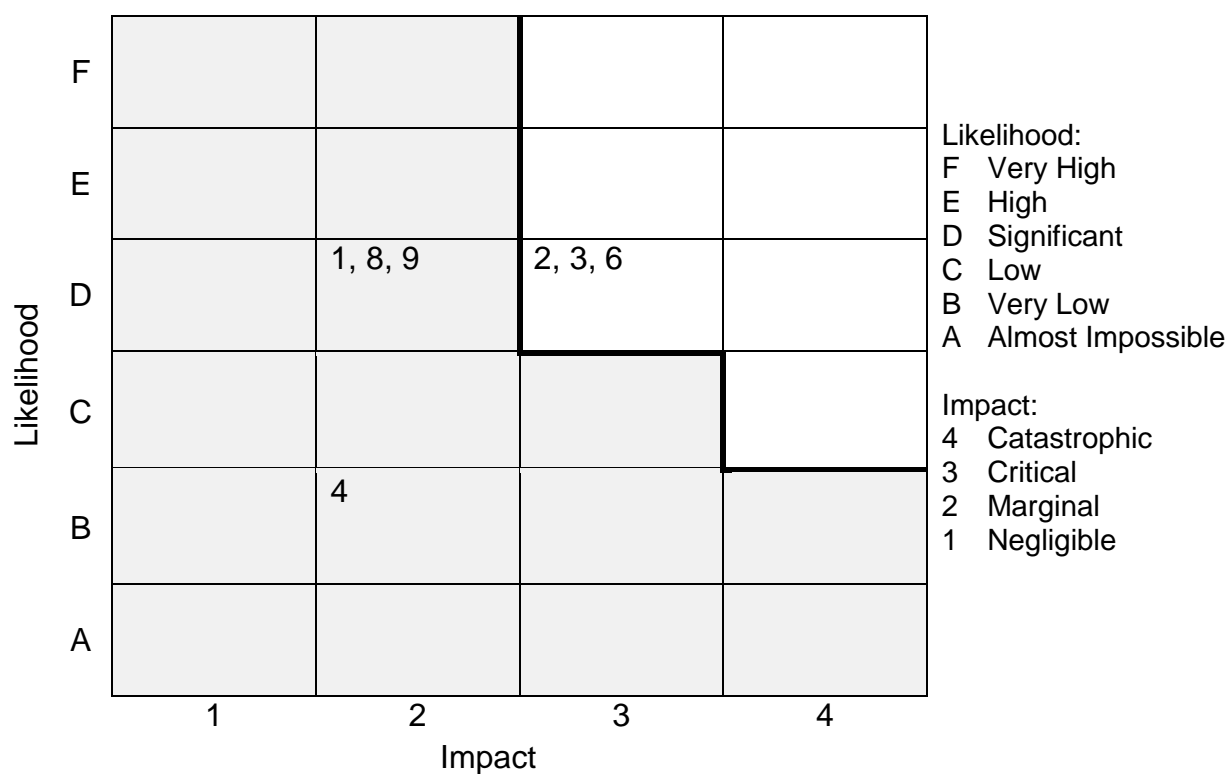
While the Council does have some discretion over how the service is provided all school catering has to comply with *Nutritional Requirements for Food and Drink in Schools (2008) Regulations* which provide guidance on the implementation of the *Schools (Health and Nutrition) (Scotland) Act (2007)* and includes standards which

determine nutrition, types and quantities of food served at lunchtime and at other times of the day. The standards prohibit the sale of confectionery, and impose strict guidelines (controlling fat, sugar and salt content) on savoury snacks and drinks. Healthy home baking is permitted. Compliance is inspected by HMIE as part of the school inspection regime.

Future management of CCFM/JS ties in closely with Council Redesign as Cleaning, FM/JS and paid for school meals have been identified among the 120 functions requiring review across the Council.

### 3.4 Major Risks

#### 3.4.1 Risk Profile (based on current provision)



NB Risks 5 and 7 cannot be classified at this stage.



### 3.4.2 Significant Risks (above the line)

	<b>Risk</b>	<b>Impact/ Likelihood</b>	<b>Mitigation</b>
2	Low staff morale	D3	Clear communications with staff Ensure Members are aware and aim for rapid conclusion of current review with clear decision for implementation
3	Failure to achieve savings targets	D3	Careful monitoring of budgets Early identification of budget pressures.
6	Increasing cost of supplies → budget overspend	D3	Monitor prices of supplies Maintain dialogue with suppliers and Scotland Excel

### 3.4.3 Other Risks

	<b>Risk</b>	<b>Impact/ Likelihood</b>	<b>Mitigation</b>
1	Lets management system creates additional unmanaged cost	D2	Maintain dialogue with HTs, and communicate (when required) that budget is under pressure Recharge school (which collects income) if required (last resort when budget under pressure)
4	Poor working relationship with clients (HTs/RPOs)	B2	Maintain dialogue with HTs at Manager/ Area Officer and Supervisor levels Rapid resolution of issues Focus on meeting school needs (within available resources)
5	Council redesign	N/A	Monitor developments and ensure that Redesign Board is kept up to date with proposals for CCFM/JS.
7	Delivering Excellence and Equity in Scottish Education	N/A	HC maintain dialogue with Scottish Govt. Monitor development in other LAs Work with HTs to underline the support provided by CCFM/JS
8	Building users place unreasonable demands on service	D2	Clear definition of service delivered Apply recharges for additional services
9	Unbudgeted costs covering essential services which are the responsibility of other services to provide (e.g. gritting)	D2	Ensure recharges are applied Close liaison with partner services.

## **4 Option 1 All or Part of CCFM/JS Delivered by HLH**

### **4.1 Description**

This section outlines Option 1: the transfer of all CCFM/JS to HLH, and the variant (Option 1A) where only Cleaning and FM/JS transfer to HLH.

#### **4.1.1 Delivery Partner**

HLH is a Charitable Company, Limited by Guarantee, registered both at Companies House and the Office of the Scottish Charity Regulator (OSCR). HLH is wholly owned by HC and was formed in 2011 to provide culture, leisure and sports services on behalf of HC. The company is governed by a Board of Directors, comprising four HC Elected Members and eight Independent Directors. The Company Secretary is HC's Depute Chief Executive. The Chief Executive of HLH makes regular (6 monthly) reports to the Council's ECAS Committee, ensuring Members are updated in respect of HLH's progress in meeting the requirements of the Service Delivery Contract, which specifies the service that the Council expects HLH to deliver on its behalf.

HLH wholly owns a subsidiary High Life Highland (Trading) Community Interest Company (HLHT) which can pursue commercial, non-charitable activity on the charitable company's behalf (and thereon, the Council's behalf). All HLHT profits are gift aided to HLH to assist with its charitable purposes. HLHT is governed by a Board of Directors comprising four Directors from the main HLH Board and five Independent Directors. There are currently no HC Elected Members on the Board of HLHT

The Memorandum and Articles of Association of HLHT define the range of responsibilities and powers delegated to it by the main HLH Board. As business through HLHT is currently at a low (but growing) level, the delegation levels without reverting to the main company are relatively small. This would need to be revisited if all or some of CCFM/JS were to be operated through HLHT. From the Council's perspective the key document is the Service Delivery Contract which outlines a framework of services that HLH is required to deliver. If CCFM/JS transferred to HLHT, HLH Board would exercise its authority over HLHT to ensure that the services in the SDC were delivered.

The partnership between HC and HLH has proved to be successful and is a model replicated elsewhere in Scotland. HLH demonstrated its ability to deal with large change projects during the transfer of staff and responsibilities from HC to HLH in 2011, further reinforced with subsequent successful transfers including the Averon Leisure Centre, Ferrycroft Visitor Centre, Ben Nevis Visitor Centre, Inverness Nursery and most recently Inverness Leisure. HLH has proven itself able to develop

new services, while also making efficiencies. Examples include the introduction of 'Personal Training' and 'Love to Swim' services and increasing the opening hours of some libraries through the creation of the new staffing model based around 'Customer Service Assistants'. Since 2011, HLH has reduced the Services Fee paid to it by HC by circa £4M.

HLH has experience of managing facilities and community use in more than half of the secondary schools and three primary schools in Highland. Recently for example, HLH has worked with both Nairn Academy and Lochaber High School to develop new arrangements for booking and facilitating evening and weekend community lets. In the case of Lochaber, the HT is interested in further developing this relationship which will see HLH delivering additional services in the school, providing an example of how relationships with schools could develop if CCFM/JS transferred to HLH.

HLH shares strong ties with HC through the Elected Member Directors and through regular reporting to ECAS Committee. There is also regular contact with Council officers including those who provide services to HLH such as payroll and property management. HLH staff terms and conditions are the same as those enjoyed by Council staff and HLH staff have access to the Local Government Pension Scheme administered by The Highland Council Pension Fund.

HLH has an annual turnover of £26.5M, of which approximately £14.5M comes from HC as a Services Fee, with the remainder being earned income. HLH employs staff in a wide variety of posts and settings - there are 316 full time, 480 part time and approximately 900 casual workers. HLH is also supported by a strong network of over 1000 volunteers. HLH occupies a varied property estate of over 190 properties, which includes outdoor facilities and open spaces, leased for 25 years from HC. HLHT currently has no employees. In 2015/16 the amount Gift Aided back by HLHT to the HLH charity was £300K.

#### **4.1.2 Tax and Legal Implications of Transfer**

Professional legal and tax advice has been sought, to ensure the option being developed is compliant. Through that work, a viable and compliant model for transfer to HLH has been identified, though the following issues have been highlighted:

##### Charitable purpose

OSCR has expressed doubt that HLH providing the CCFM/JS services proposed for transfer would be compatible with HLH's charitable objectives, primarily in relation to the inclusion of Catering. Were CCFM/JS to transfer to HLH without Catering, OSCR would be re-approached for a formal view on the fit with HLH's charitable objectives for the services remaining in scope. Legal advice suggests that OSCR would have no locus were CCFM/JS services provided through HLHT, although OSCR has not formally been contacted on this point.

### Procurement

HLH legal advice indicates that HLHT enjoys the same status as HLH as a “Teckal” compliant company. (Teckal is the name of the company that established the exemption from EU procurement regulations for in-house companies which are controlled by the contracting authority). This means that HC can contract HLHT to deliver public services on its behalf without having to run a full open competitive procurement process. HC legal advisers have confirmed their agreement with this advice.

### Treatment of VAT

HC is not liable for VAT on catering provided to school pupils so there is no VAT added to the price of school meals. This is a concession not granted to third party providers (including HLH or HLHT) which would be liable for VAT on school meals and would therefore have to either charge an additional 20% to pupils or be compensated by the Council for this liability, which is estimated to be approx. £700K per year. However, if the Council retains control of the service (as “Principal”) and contracts HLHT to provide school meals on its behalf (as “Agent”) and the income is collected by (or on behalf of) the Council, that income would not be subject to VAT. The Council would pay VAT on the services fee paid to HLHT to provide the service, but would be able to reclaim this.

Principal/ Agent arrangements are used by other Local Authorities whose school meals are delivered by third party providers. Although the details of Principal/ Agent arrangements tend to be specific to each partnership, generally the Agent would purchase supplies, provide staff and produce and serve the meals, for which they would be paid a services fee by the Principal. The Principal would retain ownership of stock, be directly invoiced by suppliers and receive the income from sales. The separation of income and control over expenditure between Principal and Agent presents a potential risk where decisions on expenditure do not fully account for the impact of that decision on income (and vice versa), meaning that these arrangements need to be subject to detailed contracts, and require client management and administration, all of which incur additional costs.

The additional income to HLH (i.e. the services fee) may also affect the VAT position of the whole of HLH Group (HLH and HLHT are treated jointly for VAT), so HLH has been advised that even if only Cleaning and FM/JS transfer it should be to HLHT rather than HLH. It is also essential that the relationship between HC and HLH is clearly contractual and the services fee is recognised as such (i.e. payment in exchange for provision of a contracted service).

### Requirement for further advice.

Although the principles outlined above are sound, further work and advice will be required on the details of the Principal/ Agent structure and the contractual relationship between HC and HLH. That work, which will incur costs, will only be

completed if Members decide to proceed with a transfer of CCFM/JS (i.e. including Catering) to HLH.

### **4.1.3 Service Delivery**

By developing the existing service and introducing improvements HLH would support the delivery of the Future Management of Schools programme and in particular Workstream 3 – Support for Schools, which seeks to reduce the non-teaching management burden on HTs. As outlined in Section 4.1.2 HLHT, rather than HLH would deliver the service on behalf of HC.

As has been the case for previous transfer of functions to HLH, it is recognised that there would need to be a period to transition and ‘settling-in’ of any function transferred, and thereafter HLH given a period of time in which to review and re-structure how services are delivered. HLH would require discretion in relation to how best to structure itself to deliver these services, with the Council’s oversight through (a) Service requirements stipulated within the Service Delivery Contract and (b) ongoing consultation between HLH and HC (including at a local level).

#### Catering, Cleaning and FM/Janitorial Services

Under this option CCFM/JS would transfer to HLHT, which would take responsibility for providing CCFM/JS to Highland schools and Council buildings as well as those occupied by partners as specified in the service requirements (Section 1.3) and service description (Section 3.2). On top of this, HLH would seek to improve the service delivered to schools by following the strategic principles recommended by the FM/JS Review, namely

- Janitorial Services will be provided to all Highland schools (except PPP).
- All schools in Highland (including 42 currently without provision) will be allocated a named Janitorial Services staff member.
- Line management and supervision provided by a dedicated management team (CCFM/JS) rather than relying on the HT, allowing the HT to concentrate on managing learning and teaching.
- Support for effective building management by providing support to the HT in their function as RPO allowing the HT to concentrate on managing learning and teaching.
- Customer focus and local flexibility – ensuring that the service focuses on meeting local needs within available resources.
- Staff deployment and maximising productive time – reducing travel time between sites by allocating staff to individual schools.

HLHT, in discussion with HTs (and Managers/RPOs in other buildings), would adapt local service delivery to local circumstances and requirements, based on locally available resources, including current HLH staff. Key opportunities include: reducing

duplication where both HLH and CCFM/JS staff are on site (particularly in secondary schools); and creating joint teams of HLH and CCFM/JS staff to operate within an area (e.g. Associated School Group) managed by a single point of contact for all services, who can be contacted by the HT when required to resolve any issues.

It is anticipated that the current arrangements for property management and maintenance would continue to be provided by HC, although the future configuration of these services will depend on Council Redesign.

### Commercial activity

HLH already operates as a commercial entity and has the systems and capacity for rapid, commercial decision making as well a range of commercial experience and expertise on the HLHT Board. Combined with the experience and expertise available in the CCFM/JS management team, HLHT offers a sound base from which CCFM/JS can start to compete in the market place for catering and cleaning /FM contracts. HLHT has the potential to generate up to 20% (£2.9M) of its turnover to non-Council services without jeopardising its Teckal status (see Section 4.1.2). Although it has been difficult to be competitive with the private sector due to Council staff terms and conditions, following new Scottish Government guidance (Oct 2015), CCFM/JS can now be more competitive with public sector contracts where Scottish Government encourages payment of Scottish Living Wage which can also be evaluated in the tender process under Fair Work practices.

HLH has three catering outlets that are currently operated by third parties. There are no plans to change these arrangements at present, but Catering's expertise would be valuable for monitoring and evaluating existing arrangements with the potential for developing and improving services in the future including purchasing, vending and direct catering.

### Community lets

In 2014, ECAS committee agreed interim School Lets Review recommendations giving HLH a role managing community lets in "community hubs". Since then HLH has played an increasing role in the management and facilitation of lets, so that it now manages lets in over half of Highland secondary schools and three primary schools. In other schools, lets are managed by a combination of HTs, Shared Business Support and CCFM/JS. Should CCFM/JS transfer, HLH would take responsibility for running the community lets booking system and would roll it out to cover community lets in schools across Highland. This would simplify and improve the customer booking service and would be based on pre-agreed timetabling with schools and staff, rather than having to consult HTs and CCFM on every booking as at present. HLH would receive the income for lets and cover all costs. Lets income targets would be removed from school budgets. In line with another recommendation of the Lets Review, there is the opportunity to rationalise the facilities available for community lets, to prevent multiple premises in the same area being open for lets

where fewer would suffice. Similarly, where there are appropriate community facilities with spare capacity, these should be used in the first instance to both reduce costs and to support the operation of those community facilities. Lets would continue to be priced as per Council policy, (although pricing levels are currently subject to an HC led review) and the new HLH system would ensure a consistent approach across Highland; itself another priority of the Lets Review. Furthermore, a key opportunity for Highland is that HLH would be able to use the overview of community lets to identify unmet demand for new leisure and learning services and activities that it would be able to provide.

#### **4.1.4 Option 1A Only Cleaning and FM/JS Transfer to HLH**

There is a variation of this Option 1 whereby Catering does not transfer to HLH. While the legal and VAT advice shows there are no legal or tax impediments to the transfer of Catering to HLHT specifically, there are some potential practical barriers to transferring Catering:

- Complex and administration-heavy Principal/ Agent structure requiring additional administrative staff and resources from both HLH and HC.
- Principal/ Agent structure separates income (accruing to HC) from expenditure (HLHT). Such a separation has proved to be an unsatisfactory arrangement in other instances e.g. community lets.
- Political concern over perceived loss of HC control over schools meals, if catering transferred to HLHT (although technically under Principal/ Agent structure the Council would retain control over school meal service and pricing).
- Concerns from HLH Board about how well Catering fits within the current HLH service portfolio, and with existing HLH experience/expertise.
- Concern on the impact of transferring all of CCFM/JS on the size and culture of HLH – it would double the size of the organisation.

However not transferring Catering raises the following issues for HC:

- Determining which directorate would take responsibility for managing a standalone catering service – there is no obvious fit, however it is likely that Catering would be managed alongside either the key client (Education) or, depending on redesign, alongside other commercial type (operational, chargeable) services provided by the Council.
- Separating Cleaning/FM/JS from Catering will require detailed discussion and agreement about which staff and functions would require to transfer and/or whether service provision rather than transfer may be more appropriate. It may also lead to duplication of effort across HC and HLH.
- In particular there are support roles relating to asset and project management; attendance management and equipment maintenance and repair which would be difficult to separate as these roles serve both Catering and Cleaning.

Likewise, the Principal Resources Officer who manages these staff, also supports both Catering and Cleaning. In the case of attendance management an additional post is being recruited which would mean that should the teams separate there would be scope to have one officer for each service.

- Splitting CCFM/JS would lead to the loss of benefits of joint working (See Section 3.1).

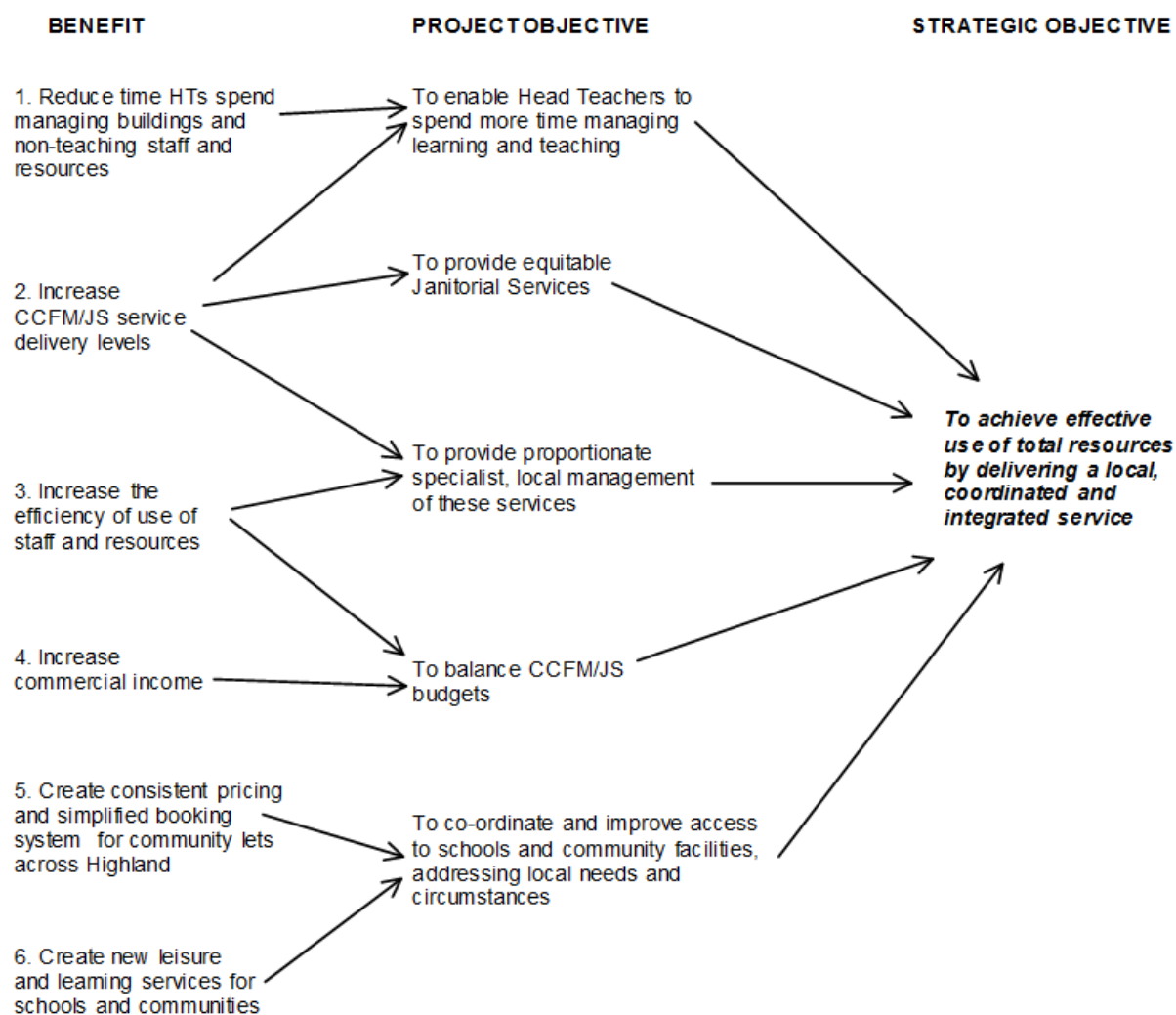
#### **4.1.5 Statutory Functions**

As noted in Section 3.3 CCFM/JS delivers services that are statutory in nature (e.g. free school meals), or that support the delivery of statutory services including primary and secondary education (e.g. Cleaning and FM/JS). The transfer of CCFM/JS to HLHT would mean that these statutory functions were still being discharged on behalf of HC. CCFM/JS as part of HLHT would also continue to support “Property Maintenance – Council premises and HLH” (classified as statutory with some discretion) and the “Health and Safety” function (statutory no discretion).

#### **4.2 Expected Benefits**

As stated in Section 1 this project is closely tied with supporting the delivery of the Care and Learning Future Management of Schools Programme. Transferring CCFM/JS to HLH is expected to deliver the following benefits which are directly linked to the achievement of the Project and Strategic Objectives.





As noted above it is recognised that there would need to be a period to transition and 'settling-in' of any function transferred, and thereafter HLH given a period of time in which to review and re-structure how services are delivered. HLH would require discretion in relation to how best to structure itself to deliver these services, with the Council's oversight through (a) Service requirements stipulated within the Service Delivery Contract and (b) ongoing consultation between HLH and HC (including at a local level).

### **Benefit 1 Reduce time HTs spend managing buildings and non-teaching staff /resources (non-cashable benefit – service improvement)**

This benefit would reduce HT time spent on building management. The Janitor would provide support for the RPO by undertaking the tasks that support the RPO function including, routine equipment tests, submitting maintenance request orders, facilitating contractor access etc. The delivery model may differ from school to school depending on local circumstances and requirements and these would be designed in consultation with HT's and within available resources. Where there is HLH presence

throughout the day there is the potential for HLH to provide a full service including managing lets, leaving the HT free to focus on managing learning and teaching.

Realising the benefit would require the transfer of CCFM/JS and support budgets/resources to HLHT creating a single integrated management structure that HTs can contact for all matters relating to premises and community lets.

### **Benefit 2 Increase CCFM/JS service delivery levels (non-cashable benefit – service improvement.)**

From a baseline of the current service, the transfer would result in increased service levels as the FM/JS Review strategic principles (see Section 4.1.3) are implemented (including Janitorial provision in 42 schools currently without) and as the combined HLH and CCFM/JS staff and resources are used more efficiently to provide a service that meets local demands and circumstances.

Realising the benefit would require the transfer of CCFM/JS and support budgets/resources to HLHT and the roll out of FM/JS strategic principles delivering a service to all schools.

### **Benefit 3: Increase efficiency of use of staff and resources (cashable)**

Inefficiencies around the use of staff and resources will be addressed, in particular in relation to school lets, where there may be multiple sites open in a locality, where one would suffice, or where both HLH and CCFM/JS staff are on site at the same time. This would result in a cashable saving as fewer staff would be required on site at any one time reducing overtime, creating an enhanced opportunity to deliver a service that covers its costs – income from community lets does not currently cover staffing costs.

This benefit would be realised by making HLH responsible for all staff and for lets management, including income and costs, giving HLH the control and efficiency required to operate lets within budget. The benefit would also require HLH, in consultation with HTs, local Members and communities to have the power to determine which schools are open when for lets. Where opportunities arise (e.g. vacancies, retirement) and where it suits service delivery, there may be scope to combine Cleaning, Janitorial and Leisure Assistant functions between schools and neighbouring leisure facilities. This is already happening in some locations (e.g. Lochaber HS).

**Benefit 4 Increase commercial income earned by CCFM/JS (cashable – increased income)**

HLH would combine CCFM/JS expertise with HLHT mechanisms and structure to react rapidly to commercial opportunities. Expert advice and guidance from HLHT Board (comprising Directors with broad commercial experience) would support development of commercial opportunities.

Achieving this benefit would require a clear structure that supports rapid commercial decision making. There would also need to be the investment of time and resources to monitor the market place and to develop commercial opportunities, including with public sector partners.

**Benefit 5 Create consistent pricing and simplified booking system for community lets across Highland (non cashable – service improvement)**

This benefit would deliver consistent and fair pricing for lets (in line with HC policy – currently under review) using a simplified and efficient booking system based on time slots agreed in advance with HTs and building users.

Realising this benefit would require HLH to ensure sufficient capacity in its booking system to manage the additional premises. It also requires HTs to agree when HLH can allow bookings and agree to forgo the income (although lets income targets will also be removed from school budgets).

**Benefit 6: Create new leisure and learning services for schools and communities (non cashable)**

HLH has already demonstrated that it is able to use its access to both facilities and customers to develop additional leisure and learning services and activities to meet existing need and to generate new demand for services. Having HLH manage all facilities would enable an expansion of activity, enhancing the availability and range of culture, leisure and learning services across Highland. Additionally there would be opportunities for HLH to develop services and activities aimed at pupils around the shorter school week particularly on Friday afternoons. Details will depend on local circumstances and demand and are likely to evolve over time.

Realising this benefit would require a joined up approach from HLH using the additional CCFM/JS resources alongside existing HLH expertise and resources.

**Option 1A Only Cleaning and FM/JS Transfer to HLH**

If Catering does not transfer most of the above benefits would still be realised, the main impact being on the ability to develop commercial activity and earn income.

There would also be impacts on the Council (see Section 4.1.4). One key advantage of not transferring Catering is the removal of the need to enter into a Principal/ Agent agreement.

### **4.3 Timescale**

The timescale is dependent on a number of factors:

1. The timing of the decision by Members to select which option to implement.
2. The timing of that decision in relation to HLH Board meetings.
3. The time taken to get any required additional legal and tax advice, and whether there are any unforeseen complications with the proposed structures, agreements and contracts.
4. Detailed planning and implementation of transfer preparations (for example in relation to staff, resources and property).
5. For budgetary reasons, it is simpler to transfer at either year-end (1 April) or end second quarter (1 Oct).

While the Project Board has no control over 1 and 2, it is anticipated that the Council decision on preferred direction is likely to be made at the end of October, following which, there would be a formal approach to the HLH Board. With regards to 3 and 4, experience from 2011 when HLH was formed indicates that the additional advice and preparation for transfer will take at least six months, suggesting April 2017 may be too soon and October 2017 as a more realistic transfer date. It is expected that the transfer would happen at one time (i.e. no phasing), although there will be a subsequent period of transition as staff and services settle in (e.g. new uniforms).

### **4.4 Finance and Resources**

This section includes estimated costs for both Options 1 and 1A. It is important to note that the figures presented will require detailed further examination for the option selected for implementation to ensure that budgets correctly reflect current and required expenditure to achieve agreed service delivery levels.

#### **4.4.1 Option 1: All CCFM/JS Transfers to HLH**

The following are estimated as the service budgets that would transfer to HLHT. Subject to Members' decision on the Business Case, detailed negotiation would take place regarding the specific sum to transfer:

	<b>Service</b>	<b>2016/17 Budget</b>
	Catering	£6,597,141
	CCFM Business Support	£441,551
	Facilities Management	£1,768,850
	Cleaning	£4,547,026
	Janitorial Services	£1,549,098
	Lettings (Income)	(£179,647)
1	Shared Business Support	£337,449
2	Lets Administration	£24,717
	<b>Total</b>	<b>£15,086,185</b>

#### Budget Notes

1, 2 Shared Business Support and Lets Administration costs based on functions/ posts only.

#### Central Support costs

Central Support includes HR, Finance (including procurement, payroll, service and corporate accounting, tax, treasury management), legal, PR and ICT. An initial estimate values these services at £133K (excluding ICT), but detailed analysis would be required to determine exact values, alongside discussions with services about whether to transfer staff or a budget, or whether to provide the service to HLH through a Service Level Agreement. For example, HLH currently procures its own legal advice, independent of the Council, but still uses the Council for its payroll services.

#### HC Client Management costs

There would be no additional costs as this would be absorbed in the current client management arrangements (Head of Resources) who will have additional capacity if all or part of CCFM/JS transfers to HLH.

#### Transfer costs

The following estimated costs would be incurred during transition to HLH.

	<b>Service</b>	<b>2016/17 Budget</b>
1	HC Legal and tax advice	£65,000
2	Payroll transfer	£5,000
	<b>HC Total</b>	<b>£70,000</b>
3	HLH Legal/Tax advice	£40,000

#### Budget Notes

1. Estimate based on tax and legal advice costs incurred by HC during establishment of HLH in 2011
2. Cost of staff required to transfer HC staff to HLH payroll.
3. Estimate of costs incurred by HLH

#### 4.4.2 Option 1A Cleaning and FM/JS Only Transfer to HLH

The following service budgets would transfer to HLHT:

	<b>Service</b>	<b>2016/17 Budget</b>
1	CCFM Business Support	£180,000
	Facilities Management	£1,768,850
	Cleaning	£4,547,026
	Janitorial	£1,549,098
	Lettings (Income)	(£179,647)
2	Shared Business Support	£117,236
	Lets Administration	£24,717
	<b>Total</b>	<b>£8,007,280</b>

Budget Notes

1, 2. Estimated split of CCFM and Shared Business Support costs based on functions/ posts.

The following would remain within HC

	<b>Service</b>	<b>2016/17 Budget</b>
	Catering	£6,597,141
1	CCFM Business Support	£261,551
	Catering Total	£6,858,692
2	Business Support	£220,213
	<b>Total</b>	<b>£7,078,905</b>

Budget Notes

1, 2. Estimated split of CCFM and Shared Business support costs based on functions/ posts.

#### Central Support costs

Central Support includes HR, Finance (including procurement, payroll, service and corporate accounting, tax, treasury management), legal, PR and ICT. An initial estimate values these services at £133K (excluding ICT), but detailed analysis would be required to determine exact values, alongside discussions with services about whether to transfer staff or a budget, or whether to provide the service to HLH through a Service Level Agreement. For example, HLH currently procures its own legal advice, independent of the Council, but still uses the Council for its payroll services. The allocation would need to reflect the reduced transfer, with the remainder staying in the Council to continue provision of these central services to Catering.

#### HC Client Management costs

There would be no additional costs as this would be absorbed in the current client management arrangements (Head of Resources) who will have additional capacity if all or part of CCFM/JS transfers to HLH.

### Transfer costs

The following costs would be incurred during transfer to HLH

	<b>Service</b>	<b>2016/17 Budget</b>
1	Legal and tax advice	TBC
2	Payroll transfer	£2,500
	HC Total	TBC
3	HLH Total	£17,500

#### Budget Notes

1 TBC – depending on whether existing agreements between HC and HLH can be amended or if new ones require to be drawn up. If the former, legal fees will be minimal.

2 Cost of staff required to transfer HC staff to HLH payroll. If only Cleaning /FM/JS transferred costs would be approx. 50%of costs for all CCFM/JS (50% of posts)

3. Estimate of costs incurred by HLH

### Cost of separating Catering and Cleaning/FM/JS

These costs are difficult to quantify and depend on how staff / functions would split in the event of Cleaning/FM/JS transferring to HLH (see Section 4.1.4). In theory there should be no additional costs as existing staff move (or not), however some functions are shared and may lead to duplication (creation of additional posts) and/or service provision requiring administration, monitoring and possibly charging.

## **4.5 Expected Dis-benefits**

This section outlines the expected dis-benefits of CCFM/JS transferring to HLH

### All of CCFM/JS transfers

- Reduced Council control over CCFM/JS service delivery. Although the Council would retain control through the Service Delivery Contract, there are areas where third party delivery may affect the way in which the Council interacts with the service (compared to in-house delivery). For example, it may be more difficult to resolve issues not specified in the contract. In practice HLH track record to date demonstrates continuing dialogue and flexibility with regards to issues raised by Members.
- Increased costs associated particularly with Principal/ Agent structure:
  - Establishment/ transition - advice, preparing key documents, establishing admin processes.
  - Ongoing - additional admin costs; additional support/ management.
  - Risks associated with the separation of income and expenditure.
- Possible additional client management costs (or without this investment, reduced performance management and contract control further reducing Council control over service).
- Reduced opportunity for Council to develop any commercial ambitions for CCFM/JS.

- Impact on staff will be minimal as HLH have same terms and conditions), but HLH staff (and therefore CCFM/JS staff transferring) are excluded from HVC internal vacancies.

#### Catering does not transfer

- A standalone catering service would need to be accommodated within the Council structure, perhaps alongside key client (Education) or other commercial operations.
- Increased/ duplicated CCFM/JS support and management costs across both organisations.
- Reduced internal support/ cooperation (CCFM Management team) resulting from dismantling a successful team.
- At least 80 employees have more than one post with the HC may end up having one post in HC (Catering) and one in HLH (CFM/JS).
- Conversely, if catering does not transfer there would be reduced transition /set up and ongoing costs as Principal/ Agent structure would not be required.

## 4.6 Major Risks and Issues

### 4.6.1 Issues

Issue	Addressed by:
The addition of CCFM/JS activity to HLH adversely affects HLH charitable status.	Specialist advice has determined that CCFM/JS services are not compatible with HLH charitable objects. CCFM/JS will transfer to HLHT.
The addition of CCFM/JS activity to HLH adversely affects HLH Group's VAT position	Specialist advice has determined that HLH VAT position would be affected if Catering transfers. A Principal/Agent structure is proposed to manage this. If Cleaning /FM/JS transfer but Catering does not, the impact on VAT status is minimal as long as HC/HLHT relationship is demonstrably contractual.
Loss of direct governance by the Council of the delivery of CCFM/JS services.	HC retains control and influence in the following ways: <ul style="list-style-type: none"> <li>• HLH wholly owned by HC, with 4 Directors on HLH Board.</li> <li>• Monitoring and performance management as outlined in Service Delivery Contract between HC and HLH</li> <li>• The HLH Board holds reserved powers over HLHT.</li> <li>• Regular reporting to ECAS Committee</li> </ul>
Localism agenda	HLH will ensure local flexibility to meet HT/RPO/ premises requirements within scope of service and available resources
Loss of direct control over financial management of CCFM/JS.	HC Internal Audit service conducts regular reviews of the financial performance and management of HLH This would be expanded to include the financial activity of CCFM/JS.
HLH has no experience of managing the school meals service (if Catering transfers)	The transfer includes CCFM/JS managers and supervisory staff who currently oversee the delivery of this service within the Council



## 4.6.2 Major Risks

### Risk Profile

Likelihood	F				
	E				
	D			14, 16(1A)	1(1)
	C		2(1), 12	4, 5, 7, 1(1A), 9, 16(1)	
	B		2(1A), 11, 15	3, 8	6(1)
	A				6(1A)
		1	2	3	4
		Impact			

Likelihood:  
 F Very High  
 E High  
 D Significant  
 C Low  
 B Very Low  
 A Almost Impossible

Impact:  
 4 Catastrophic  
 3 Critical  
 2 Marginal  
 1 Negligible

(1)/(1A) refers to Option when impact/likelihood differs if Catering is included /excluded

NB Risks 10 and 13 cannot be classified at this stage.

### Significant Risks (above the line)

	Risk	Impact/ Likelihood 1. All CCFFM/JS	Impact/ Likelihood 1A.Cleaning/ FM/JS only	Mitigation
1	Further legal tax work identifies significant obstacles and/or requires unforeseen costs.	<b>D4</b>	C3	Any issues will arise early in the transfer planning process allowing early termination of the transfer project if required. The transfer and proposed structures operate elsewhere. Initial advice has already been taken.
14	CCFFM/JS Overspend	<b>D3</b>	<b>D3</b>	Effective budget monitoring to ensure expenditure within budget Early identification of any potential budget pressures.
16	Savings targets not achieved	C3	<b>D3</b>	Clear understanding at outset of required savings. Budget management and monitoring, with early identification of budget pressures.

## Other Risks

	<b>Risk</b>	<b>Impact/ Likelihood 1. All CCFFM/JS</b>	<b>Impact/ Likelihood 1A.Cleaning/ FM/JS only</b>	<b>Mitigation</b>
2	Failure to secure the necessary skills on the HLH and HLHT Boards to provide effective direction for the development of CCFM/JS services.	C2	B2	Selection process (HLH Nominations Committee) for HLHT Directors will require the business background and skills necessary to guide the development of CCFM/JS services.
3	Failure to achieve efficiencies through operational alignment as proposed.	B3	B3	HLHT will develop operational plans for each service area to review, scope and implement the actions required to identify and maximise the use of joint resources across services.
4	Poor or ineffective working relationship between the Council and the HLH Board of Directors.	C3	C3	As the owner of the company HC approves the appointment of Directors and retains the right to remove Directors acting contrary to Company objectives within the legal agreements.
5	Poor service delivery by CCFM/JS within HLH	C3	C3	Existing Service Delivery Contract will specify the services to be delivered by CCFM/JS (or Cleaning/FM/JS). Effective client management by HC HLH regularly reports to ECAS Committee Annual review of contracts
6	TECKAL compliant status compromised by HLHT earning more than 20% income from non-HC activities	B4	A4	Careful monitoring of income streams by HLH Senior Management team.
7	Disruption of service/ performance during and after transfer	C3	C3	Current CCFM management team would transfer with service so disruptions should be minimal.
8	HC failure to client manage effectively	B3	B3	Establish clear Client Management responsibility of named Council Officials. Regular reporting to ECAS
9	Transfer has a detrimental impact on staff morale	C3	C3	Clear communication with staff and clients to manage expectations, understand timescales etc.
10	Council Redesign disrupts links between HLH and HC	N/A	N/A	Client Manager fully engaged in relevant Redesign reviews and processes

**Other Risks (continued)**

	<b>Risk</b>	<b>Impact/ Likelihood 1. All CCFFM/JS</b>	<b>Impact/ Likelihood 1A.Cleaning/ FM/JS only</b>	<b>Mitigation</b>
11	Failure to manage relationships with clients (e.g. HTs/RPOs) effectively	B2	B2	The management of the relationship with HTs will remain the key focus of Area Officers, Supervisors and Team Leaders as at present.
12	HTs resistant to changes	C2	C2	Maintain dialogue with HTs and demonstrate flexibility to meet local needs where possible within existing resources.
13	Delivering Excellence and Equity in Scottish Education (see note below)	N/A	N/A	HC maintain dialogue with Scottish Govt. Monitor developments in other LAs Work with HTs to underline the support provided by CCFM/JS.
15	HLH booking system unable to cope with additional demand	B2	B2	Assessment of current system and additional requirements followed by testing.

## **5 Option 2 All or Part of CCFM/JS Delivered by HC Directorate**

### **5.1 Description**

#### **5.1.1 Delivery Partner**

The part of the Council most suited to delivery of CCFM/JS is the Property section (currently part of Development and Infrastructure), responsible for design, quantity surveying, mechanical and electrical engineering services, energy and property management, property maintenance and delivery of the capital programme for the built environment such as property refurbishment, new schools, school extensions, office accommodation, including HRA funded improvement works across the Highlands.

The Business Case set out as follows, reflects detailed discussion with the Council's Head of Property.

CCFM/JS would be managed within the Property section, alongside the Property Management and Maintenance, Risk and Compliance team to deliver a Council wide Property Management Service and would include Janitorial staff not currently part of CCFM. In time, the service could also include HQ, Town House and County Buildings, Dingwall for instance where the FM function is currently delivered through the Civic/ Facilities Team in Shared Business Support.

With regards to other Council Directorates the only other feasible candidate is Community Services. Initial discussions with Community Services concluded there would be no additionality gained by moving CCFM/JS to that directorate – it would simply represent a change in senior management rather than development of the service.

While it is noted that Council Redesign is likely to result in changes to the current Council structure, there will still be CCFM/JS and Property Management functions to be delivered. In this context, this option proposes the delivery of CCFM/JS within and alongside the Council's Property function in a new comprehensive Property Management Service.

#### **5.1.2 Service Delivery**

##### Property Management Service

CCFM/JS and the Property function would come together as outlined above in a single service to deliver the following services across the whole of the Council property estate:

- Property maintenance
- Testing and compliance

- Health and Safety in buildings
- Cleaning
- FM/JS
- Catering (in schools and where provided in other premises)

A key role in this new Property Management Service is that of the Janitor who maintains regular contact with RPOs and building users and who monitors safety and the condition of the building, alerting Maintenance Officers of defects. Like HTs, many managers who also act as RPOs do not have sufficient time to carry out the associated duties. Having Janitorial support across Highland would enable the RPO to retain oversight in the knowledge that essential tasks are completed. In time, Janitors would be trained to carry out essential compliance checks currently provided by external contractors. A “dashboard” would be developed which would be maintained and monitored by the Janitor who would liaise with Maintenance Officers regarding any defects requiring remedial works.

The RPO role also requires review – subject to consultation with staff, there is the possibility that the Janitor could assume an RPO type role with the emphasis moving from it being a senior manager to being someone who has the time and skills to discharge the duty fully. The Janitor/Cleaner/Grounds Maintenance (grounds maintenance element managed by Community Services) role at Drummie may be a model that is applicable elsewhere particularly in rural locations and smaller offices.

### Compliance

The Council has a statutory duty under Health and Safety and associated legislation to take all reasonable practicable steps to ensure that its premises are safe for staff, clients and visitors. This duty is discharged by implementing a framework of compliance tests and inspections on buildings, plant and equipment. At present this system is largely reliant on external contractors, whose costs are higher than if the inspections were carried out by suitably qualified and trained Council staff. A programme of bringing these contracts in-house as they come up for renewal would free resources to enable the Council to implement a comprehensive test and inspection regime.

CCFM/JS would be able to provide support around building compliance and equipment inspections (once staff are appropriately trained) reducing the reliance on external contractors. This would involve training members of CCFM/JS staff to perform routine inspections (for example water testing) alongside their daily routine. The scope of this work would increase as appropriate contracts come up for renewal and staff became more experienced and trained.

### Developing commercial opportunities

Commercial opportunities can be developed within the Property function, along similar lines to CCFM/JS. Although it has been difficult to be competitive with the private sector due to Council staff terms and conditions, following new Scottish Government guidance (Oct 2015), CCFM/JS can now be more competitive with public sector contracts where Scottish Government encourages payment of Scottish Living Wage which can also be evaluated in the tender process under Fair Work practices.

The service's responsiveness to commercial opportunities can be supported by the development and maintenance of a library of standard contract support documents (with reference to and support from contract expertise in Property). This could be further supported by allowing officers to make commercial decisions to agreed levels by amending the Council Scheme of Delegation/Contract Standing Orders as part of facilitating an increasingly entrepreneurial council which is emerging as a likely priority for Council Redesign.

Furthermore, working alongside the strategic property function (planning, procuring and managing capital projects) creates links that will enable CCFM/JS to bid for work as construction cleaners and caterers for contractors working on HC projects, which will in time would develop further opportunities with those same contractors. There are also opportunities supporting potential Property section commercial ventures, for example cleaning and replenishing welfare cabins provided by Property to contractors, and participating in bids to provide a comprehensive Property Management Service to Council partners and other organisations. There is also the opportunity to present a more commercial approach to internal service delivery, including comprehensive service specifications and promoting life cycle costing to new/ replacement assets to inform decision making and to ensure accurate budgeting/ charging for maintenance, facility management and cleaning.

### Community lets

The management of community use of schools is an ongoing issue that remains under review. An interim Lets Review report recommended a role for HLH, which now runs a lets booking and facilitation service in community hubs (18 secondary and 3 primary schools) with scope for this provision to be extended to additional schools where they have a presence. It is envisaged that should the Property option be selected, the current partnership with HLH would continue to develop as at present.

However for the remainder of Council buildings, not covered by HLH, there needs to be a conclusion of the Lets Review to:

- Determine which buildings should remain open for lets.
- Subject to their agreement/ capacity, consider HLH as a candidate to provide an extended or even Highland-wide lets service.

- Otherwise, designate the new Property Management service to have responsibility for organising the booking and facilitation of lets and the design of a new booking system. There may be appropriate functionality in the existing K2 electronic property management system used by Property.

### **5.1.3 Option 2A Only Cleaning and FM/JS Transfer to Property**

As outlined in Section 3.1.1 there are a number of benefits of a joint CCFM/JS service, which would be enhanced by achieving further synergies with the property function. Catering fits well into the vision of a Council Property Management Service as part of the support services provided in some buildings. From the Council's perspective there are no immediate operational or financial advantages to separating Catering from the rest of CCFM/JS if the entire service is delivered in-house – indeed it would be likely to incur additional (duplicated) management and support costs (See Section 4.1.4).

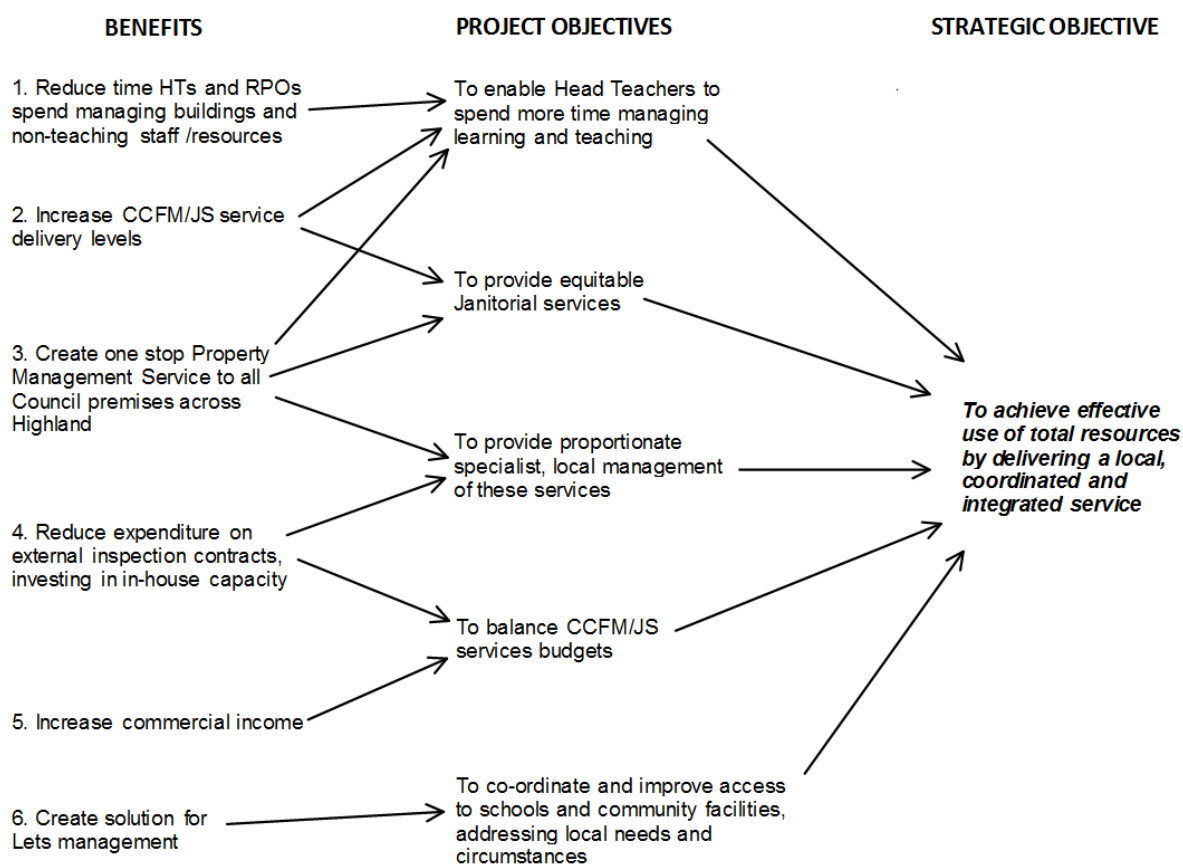
However, should catering be separated from the rest of CCFM/JS it will be necessary to find a suitable place for it in the Council structure, post redesign. There appear to be two options for this, either managed alongside the key client, Education, as at present, or alongside other commercial-type services provided by the Council should such a service be created in the new Council structure. The advantages of the joint CCFM working would be lost, and there would inevitably be duplication of management of and support for the two separated teams. Exactly how much duplication (and the cost implications) are difficult to estimate without understanding how and where the Catering team would be managed. Conversely, new partnerships and synergies could be formed by Catering with other services in a new commercial service within the Council.

### **5.1.4 Statutory Functions**

As noted in Section 3.3 CCFM/JS delivers services that are statutory in nature or that support the delivery of statutory services. When considering CCFM/JS as part of a comprehensive Property Management Service for the Council it is noted that “Property Maintenance – Council premises and HLH” is classified statutory with discretion which in part (through compliance) supports the (statutory with little discretion) function of “Health and Safety”. It can be concluded that Property Maintenance and Health and Safety are duties that must be discharged by the Council by some means.

## 5.2 Expected Benefits

The project is expected to deliver the following benefits:



### **Benefit 1: Reduce time HTs and RPOs spend managing buildings and non-teaching staff /resources (non-cashable benefit – service improvement)**

The new Property Management Service will provide a comprehensive building management service supporting the HT (or RPO) with duties associated with the role. Until there is a review of the RPO role, the RPO would retain the current responsibility and oversight but would be completely supported in that responsibility, giving the RPO time to perform their substantive role. The service would be provided across Highland not just to schools.

Realising the benefit will require the transfer of CCFM/JS budgets to the new service so that resources are available to deliver the service fully. It also requires service staff and RPO's to communicate and cooperate with each other.



**Benefit 2: Increase CCFM/JS service delivery levels (non-cashable benefit – improvement/ maintenance of service.)**

The service provided by Catering and Cleaning will continue as at present, although both of these services are constantly evolving to changing circumstances. In the case of FM and Janitorial Services the FM/JS roll-out will proceed, equalising the service across Highland schools. Development of the service will see its coverage extend to support a Council wide Property Management service.

Realising the benefit will require the transfer of all current CCFM/JS budgets, staff and resources to Property. Additionally, current corporate and Shared Business Support also needs to be made available as at present. A seamless transition will require planning for implementation and ongoing support and management of the CCFM management team.

**Benefit 3: Create one stop Property Management service to all Council premises across Highland (non cashable – service improvement)**

Creating a new comprehensive Property Management Service across the Council will bring the benefits of joint management and the development of closer working relationship within the one team. The Property Management Service would deliver a comprehensive service ranging from catering and cleaning to propriety maintenance and compliance. This reflects arrangements at other Local Authorities where facility services provide a one-stop service to all Council buildings. It also means a commercial FM service bid would be easier to develop when competing for business outwith the Council.

Realising the benefit will require a new management structure as CCFM/JS becomes part of Property, managed alongside the property maintenance and management function. As stated above it will require the transfer of budgets, staff and resources, the rollout of FM/JS Review, inclusion of all Janitors and the use of savings to ensure there are sufficient staff to deliver a Council wide service.

**Benefit 4: Reduce expenditure on external inspection contracts, investing in in-house capacity (non cashable – service improvement)**

The new service will fulfil all legislative and policy property compliance obligations providing the Council with the reassurance and information to demonstrate that all statutory duties are being discharged and that buildings are safe, by allocating appropriately trained staff to all Council buildings.

Realising this benefit will require a coordinated programme of investment in staff training and the phasing out of external contractors as the contracts come up for renewal.

**Benefit 5: Increase commercial income (cashable)**

Under the new arrangements there will be a more active and supported approach to seeking commercial opportunities including, preparing supporting documents, offering a range of commercial solutions drawing on the whole Property Management Service and by making links with contractors working on the Council capital programme. This will tie in with the Council's new focus on commercial provision.

Realising this benefit will require management effort and focus using existing resources to develop new networks and opportunities.

**Benefit 6: Create Lets Management Solution (non cashable – service improvement)**

A new lets management system will depend in part on HLH capacity to increase its role in managing community lets. It is reasonable to assume that the expanding HLH provision to community hubs (based around secondary and neighbouring primary schools) will continue on its present trajectory, however it is less clear that HLH would be in a position to manage lets across all of Highland. For the schools not covered by HLH the Lets Review needs to be concluded with recommendations on which schools require to be opened for lets and devising a new system for managing the booking and facilitation of lets at those premises. One possibility may be to use the appointment booking functionality in the existing Council property management system K2, but this would require further investigation and trials.

To realise this benefit will require discussion with HLH to ascertain the level of their future involvement in lets management followed by the completion of the Lets Review and resources aimed at developing a new system for any remaining schools where the new Property Management Service will manage lets.

**5.3 Timescale**

The timescale for a transfer to property function should be relatively straightforward: 1 April 2017 would be realistic. However the factor beyond the Project Board control is the outcome and timescales of Redesign on the Property function.

Once the agreement is reached on whether to transfer CCFM/JS to Property it should be straightforward. The development and roll out of the single Property Management Service is beyond the scope of this project, but would follow as CCFM/JS is integrated into the property function. The Lets review would continue on its current timetable and would include identification of a continuing role for HLH and recommendations for any remaining schools regarding management and lets booking system.

## 5.4 Finance and Resources

This section includes estimated costs for both options 2 and 2A. It is important to note that the figures presented will require detailed further examination for the option selected for implementation to ensure that budgets correctly reflect current and required expenditure to achieve agreed service delivery levels.

### 5.4.1 Option 2: All CCFM/JS Transfers to Property

The following service budgets would transfer:

	<b>Service</b>	<b>2016/17 Budget</b>
	Catering	£6,597,141
	CCFM Business Support	£441,551
	Facilities Management	£1,768,850
	Cleaning	£4,547,026
	Janitorial	£1,549,098
	Lettings (Income)	(£179,647)
	<b>Total budget transfer</b>	<b>£14,724,019</b>
1	Shared Business Support	£337,449
2	Lets Administration	£24,717
	<b>Total</b>	<b>£15,086,185</b>

#### Budget Notes

1,2 Shared Business Support and Lets administration – There would be no transfer of budgets, these services would continue to be delivered in-house as per the current arrangements

#### Central Support costs

These services would continue to be delivered in house as per the current arrangements

#### Transfer costs

There would be no transfer costs

#### HC Client Management costs

There would be no additional client management costs

### 5.4.2 Option 2A Cleaning and FM/JS Only Transfer to Property; Catering Remains in C&L/ Transfers to Other Directorate

The following service budgets would transfer to Property

	<b>Service</b>	<b>2016/17 Budget</b>
1	CCFM Business Support	£180,000
	Facilities Mgt.	£1,768,850
	Cleaning	£4,547,026
	Janitorial	£1,549,098
	Lettings (Income)	(£179,647)
	<b>Total Budget transfer</b>	<b>£7,865,327</b>
2	Shared Business Support	£117,236
3	Lets Administration	£24,717
	<b>Total</b>	<b>£8,007,280</b>

#### Budget Notes

- 1, 2 CCFM Business Support and Shared Business Support – estimated split of CCFM and Shared Business Support costs based on functions/ posts.
- 2, 3 Shared Business Support and Lets administration - There would be no actual transfer of budgets, these services would continue to be delivered in-house as per the current arrangements.

The following would remain within C&L or transfer to other Directorate

	<b>Service</b>	<b>2016/17 Budget</b>
	Catering	£6,597,141
1	CCFM Business Support	£261,551
	<b>Catering Total</b>	<b>£6,858,692</b>
2	Business Support	£220,213
	<b>Total</b>	<b>£7,078,905</b>

#### Budget Notes

- 1, 2 CCFM Business Support and Shared Business Support – estimated split of CCFM and Shared Business Support costs based on functions/ posts.
2. There would be no actual transfer of budgets, these services would continue to be delivered in-house as per the current arrangements.

#### Central Support costs

These services would continue to be delivered in house as per the current arrangements

#### Transfer costs

There would be no transfer costs

#### HC Client Management costs

There would be no additional client management costs

### Cost of separating Catering and Cleaning/FM/JS

These costs are difficult to quantify and depend on how staff / functions would split in the event of Cleaning/FM/JS transferring to Property. In theory there should be no additional costs as existing staff move (or not), however some functions are shared and may lead to duplication (creation of additional posts) and/or service provision requiring administration, monitoring and possibly charging.

## 5.5 Expected Dis-benefits

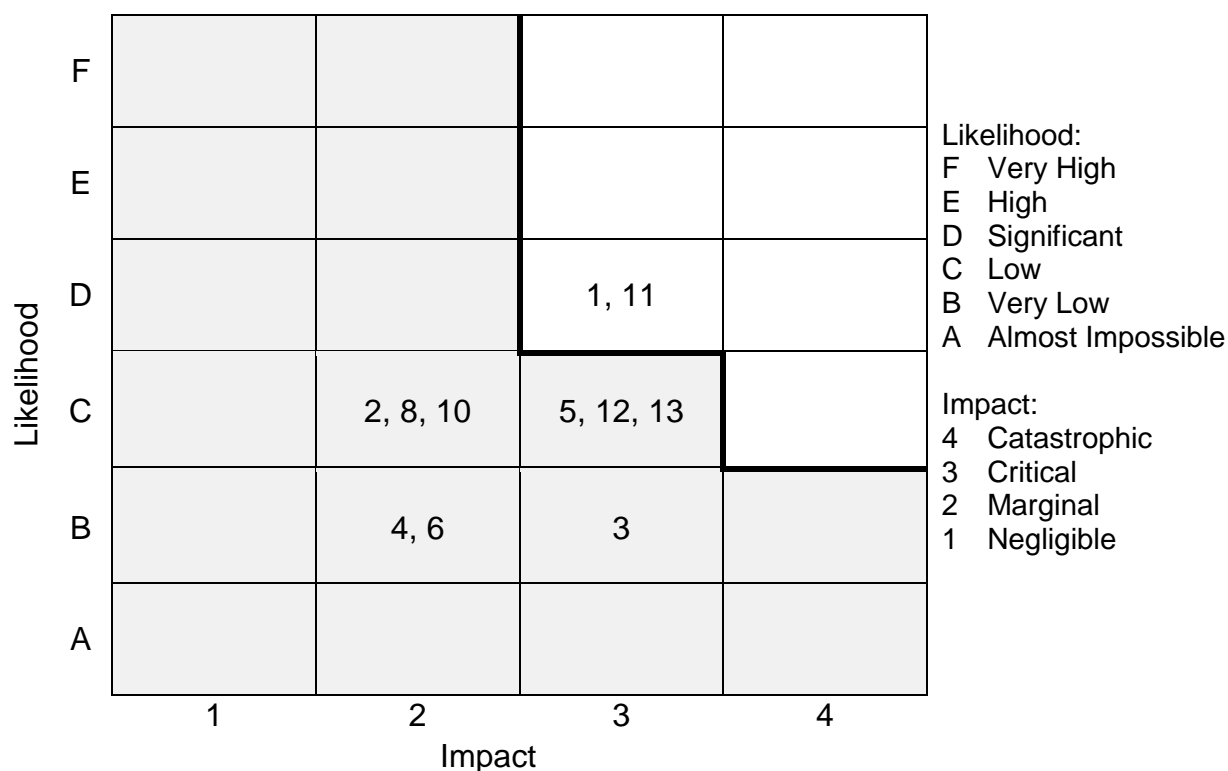
- Creates need to develop new lets booking and management system – requiring further work and completion of Lets Review.
- Fails to reduce overall costs by failing to address duplication of staff and resources around community lets (principally in secondary schools). However this would be addressed through completion of the Lets Review.
- Failure to create new leisure or learning services and activities for communities and schools by HLH, although successful resolution of lets in partnership with HLH will address this at least in part.
- Increased time to fully implement – ties project into Redesign processes, reviews and timescales.
- Creates dependency on successful implementation of new combined property function to create single Property Management Service.

## 5.6 Major Risks and Issues

### 5.6.1 Issues

Issue	Addressed by:
Ties CCFM transfer into larger single Property Management Service project	Phased approach; reporting to ECAS Committee
Loss of direct link with schools within same directorate.	The management of the relationship with HTs is a key focus of Area Officers, Supervisors and Team Leaders as at present
Lets remain unresolved	Lets Review to be completed to address any outstanding issues and to consolidate partnership with HLH
Localism agenda	Property will ensure local flexibility to meet HT/RPO/ premises requirements within scope of service and available resources
Property section has no experience of managing the school meals service (if Catering transfers)	The transfer would include the Managers, Officers and supervisory staff who currently oversee the delivery of Catering therefore no service interruption would be anticipated.

### 5.6.2 Major Risks



NB Risks 7 and 9 cannot be classified at this stage.

#### Significant Risks (above the line)

	Risk	Impact/ Likelihood	Mitigation
1	Insufficient resources to cover additional buildings → overstretched service	D3	Careful planning and budgeting for roll out of service to ensure resources are used effectively
11	Failure to achieve savings targets	D3	Budget planning and monitoring to ensure resources are used most effectively Investing in staff training to reduce compliance inspection costs.

## Other Risks

	<b>Risk</b>	<b>Impact/ Likelihood</b>	<b>Mitigation</b>
2	Lets management – HLH unable to increase cover for lets management	C2	Any lets not picked up by HLH will be covered in the Lets Review.
3	Poor service delivery by CCFM/JS within Property	B3	C&L Monitoring and reporting through Future Management of Schools programme. Effective management within Property function and through existing CCFM/JS management.
4	Failure to manage relationships with clients (e.g. HTs/RPOs) effectively	B2	The management of the relationship with HTs will be a key focus of Area Officers, Supervisors and Team Leaders, as at present
5	Disruption of service/ performance during and after transfer	C3	Current CCFM management team would remain in place so service disruptions should be minimal.
6	Transfer has a detrimental impact on staff morale	B2	Clear communication with staff and clients to manage expectations, understand timescales; recognise career opportunities etc.
7	Subject to Council Redesign – uncertain structure	N/A	Monitor developments and ensure that Redesign Board is kept up to date with proposals for CCFM/JS and single Property Management Service
8	HTs resistant to changes	C2	Maintain dialogue with HTs and if necessary take a phased approach to ensure school requirements are met.
9	Delivering Excellence and Equity in Scottish Education	N/A	HC maintain dialogue with Scottish Govt. Monitor development in other LAs Work with HTs to underline the support provided by CCFM/JS
10	CCFM/JS Overspend	C2	Effective budget monitoring to ensure expenditure within budget. Early identification of any potential budget pressures.
12	Internal compliance testing fails resulting in failure to discharge statutory function	C3	Comprehensive staff training and monitoring and management of performance.
13	Distinction between hard and soft FM becomes blurred – staff start performing tasks for which they are not competent/ trained.	C3	Clear job and role descriptions; Clear plans and method statements Ensure Managers are aware of risk and monitor staff.

## 6 Comparison of the Options

Sections 4 and 5 outlined the details of the two options analysed in this Business Case. The purpose of this section is to identify the relative strengths and weaknesses of each of the options and to compare them with the current service provision.

### 6.1 Selection of Options for the Business Case

At the outset of the development of this project the following nine options were under consideration:

- Status quo.
- School management of CCFM/JS.
- Competitive tender.
- Shared service model (with another Council or public agency).
- Establish a new Council ALEO.
- Transfer to Council's existing ALEO (HLH).
- Transfer to another HC Directorate.
- Split CCFM/JS into school meals and building services for any of the above options.
- Cease service.

Following a seminar with Members to examine the options, Members asked for further information on the following:

- CCFM/JS continues to be delivered and developed by Care and Learning.
- Schools manage their own CCFM/JS.
- Transfer CCFM/JS to HLH.
- Transfer Cleaning and FM/JS to HLH and Catering remains with HC.
- Transfer CCFM/JS to another HC Directorate.
- Transfer Catering and/or Cleaning and FM/JS to other HC Directorate(s).

At a second seminar Members further reduced the options to those developed in this Business case:

- Option 1(1A):All (or part) of CCFM/JS is transferred to HLH.
- Option 2(2A):All (or part) of CCFM/JS is transferred to another HC directorate.

With both of these options being contrasted with the current service delivery arrangements (i.e. in Care and Learning).

### 6.2 Options Appraisal

As outlined above, the options appraised here have been discussed and shortlisted by Members from longer lists. Both the options (and their alternatives with regards to



Catering) are competent routes to the delivery of the project objectives. In essence the choice between these options (that share many similarities) depends on understanding the differences between them.

### 6.2.1 Scoring

The below table sets out a scoring based Options Appraisal.

Ref	Scoring Criteria	Opt. 1. HLH inc catering	Opt 1A. HLH exc catering	Opt. 2 HC inc catering	Opt. 2A HC exc catering	Current service (for comparison)
	Project Objectives					
1	To enable HTs to spend more time managing learning & teaching	●●●●●	●●●●●	●●●●●	●●●●●	●●●
2	To co-ordinate & improve access to schools and community facilities...	●●●●●	●●●●●	●●●	●●●	●
3	To provide proportionate specialist, local management	●●●	●●●●●	●●●	●●●	●●●
4	To provide equitable Janitorial services	●●●●●	●●●●●	●●●●●	●●●●●	●●●
5	To balance CCFM/Janitorial services budgets	●●●●●	●●●	●●●●●	●●●	●●●
	Subtotal	23	23	21	19	13
	Implementation					
6	Cost/ease of implementation	●	●●●	●●●●●	●●●	●●●●●
7	Impact on staff	●	●	●●●	●●●	●●●●●
8	Impact on delivery partner	●	●●●●●	●●●●●	●●●	●●●●●
9	Risk	●	●●●	●●●	●●●	●●●
	Subtotal	4	12	16	12	18
	Weighted Score	50	58	58	50	44
	<b>Rank</b>	<b>3=</b>	<b>1=</b>	<b>1=</b>	<b>3=</b>	<b>5</b>

●●●●● = most beneficial      ● = least beneficial

Notes on scoring are presented in the Appendix

Each option is scored against the project objectives and against issues likely to be encountered during and after implementation. For each criterion, options are scored 1, 3 or 5 (rather than 1,2,3) to emphasise differences between the options. The current service, which is included for comparison only, is scored according to the service as it is delivered currently and is only scored for implementation to facilitate comparison.

### 6.2.2 Weighting of Scores

The Project Board indicated that achievement of the project objectives should be weighted higher than implementation issues, most of which will be short to mid-term, whereas achievement of project objectives more accurately reflects the long term and lasting benefits of implementing each option. Otherwise the nine criteria are

scored equally. In line with Project Board recommendations, achievement of the project objectives are scored at a ratio of 2:1 to the implementation issues.

### 6.2.3 Sensitivity Analysis

The aim of the sensitivity analysis is to test whether altering the weighting between achievement of project objectives and implementation issues affects the ranking of the options. The table below demonstrates that there is little effect on the ranking of the options, confirming the ranking of each option.

Adjustment	Rank				
	Opt .1 HLH inc. Catering	Opt. 1A HLH exc Catering	Opt. 2 HC inc. Catering	Opt. 2A HC exc Catering	Current service (for comparison)
Equal weighting project objectives and implementation issues	5	2	1	3=	3=
<b>Project objectives weighted 2x Implementation issues</b>	<b>3=</b>	<b>1=</b>	<b>1=</b>	<b>3=</b>	<b>5</b>
Project objectives weighted 3x implementation issues	3	1	2	4	5
Score	11.5	4.5	4.5	11	13.5
<b>Rank</b>	<b>3</b>	<b>1=</b>	<b>1=</b>	<b>2</b>	<b>4</b>

Note: Equal ranks each score the average of the two ranks (e.g. 1= scores 1.5)

In terms of project objectives the HLH options score strongly although implementation issues, most of which are short term, reduce the score relative to the Property options when no weighting is applied. As the weighting moves in favour of achieving project objectives the high scores shift from Property to HLH, (reflecting the fact that the transfer to an ALEO requires more work to deliver the transfer resulting in lower implementation scores).

### 6.2.4 Conclusions from the Option Appraisal

The options explored in the Business Case have already been shortlisted, so all represent competent routes to delivery of CCFM/JS, and this is reflected in the scoring. This section attempts to draw conclusions from the scoring process.

#### Comparison with current provision

Currently CCFM is a well-managed service, delivered to a high standard within existing resources and capacity. Notwithstanding this, all of the options are able to demonstrate improvement on that current service delivery – key opportunities include:

- increased ability to support HTs
- support to develop commercial opportunities

- increased efficiency through synergies with other services and resources
- resolution of lets management booking and management issues\*
- improved property compliance/ health and safety\*
- completion of roll out of janitorial provision to all schools\*
- management of lets facilitates the creation of new leisure and learning services/ activities for communities and schools.

\*These are currently delivered to some extent by CCFM.

#### Comparing Option 1 with Option 1A (Transfer to HLH)

- While both Options 1 and 1A equally achieve the stated project objectives, there are significant difficulties associated with the tax and charitable status of HLH which can only be resolved through transferring CCFM/JS to HLHT through a Principal/ Agent arrangement which itself presents several issues and risks to both HLH and HC (See Section 4.1.2). Furthermore, the HLH Board has concerns about the lack of catering experience at HLH and the fact that transferring all of CCFM/JS would double the size of the organisation both in terms of budget and staff numbers.
- If only Cleaning and FM/JS transfer to HLH the project objectives are mostly achieved and implementation is more straightforward (no need for Principal/ Agent structure), however it does result in splitting Catering from Cleaning/FM/JS, which raises its own issues.
- The options appraisal favours Option 1A (transfer to HLH does not include Catering) over Option 1.

#### Comparing Option 2 with Option 2A (Transfer to HC Property)

- The option appraisal favours Option 2 (includes Catering) over Option 2A.
- With regards to in-house delivery there are few differences between Options 2 and 2A in terms of achieving objectives, however separating Catering from Cleaning and FM/JS affects the ease and cost of implementation and creates duplication of support and management required. There are no benefits to the Council of separating Catering from Cleaning and FM/JS (see Section 3.1.1 and 4.1.4) and it would be seen as a positive outcome to transfer Catering, Cleaning and FM/JS as a collective team continuing to deliver local front line services.

The options appraisal demonstrates that all the options deliver some improvement to the current service and that there are advantages and disadvantages of each. However for each option the appraisal clearly establishes whether Catering should be included or not. On that basis the options can be further narrowed down leaving the following options for final consideration:

- Option 1A    Transfer Cleaning and FM/JS to HLH.
- Option 2     Transfer all CCFM/JS to Property.

### 6.3 Final Examination of Options 1A and 2

The table below compares the two remaining options to highlight the similarities and draw out the few differences between Options 1A and 2, to inform the final decision on which option to implement.

Option 1A Cleaning/FM/JS → HLH	Option 2 Catering, Cleaning FM/JS → Property
Area by area approach to providing support for HTs, based on dialogue and delivering flexibility within available resources. Approach already being piloted (e.g. Lochaber High School)	Area by area approach (in conjunction with existing local Property Teams) to providing support for HTs through a single Council Property Management Service delivering maintenance, compliance and CCFM/JS.
Existing lets booking and management system in place. HLH bring expertise in managing lets and community access.	Lets booking and management system would need to be developed following completion of Lets Review, although existing IT solution available (K2)
Local management supporting RPO by offering one-stop service providing Cleaning, Janitorial and Lets.	Specialist local management focussed on property management, delivering compliance and supporting RPO with full Catering, Cleaning and FM/JS service.
Janitorial provision in all schools (except PPP)	Janitorial provision in all schools (except PPP)
Efficient use of HLH and Cleaning and FM/JS resources to deliver service on budget supported by development of commercial opportunities and new leisure and learning services for school and communities.	Efficient use of CCFM/JS and Property resources to balance CCFM/JS and property compliance budgets, with CCFM/JS supporting Property section new commercial activity (inc. site welfare and catering, construction cleaning, meeting room lets, external catering)
Very limited costs associated with transfer	No transfer costs
Separates Catering and Cleaning/FM/JS; Catering remains with Council	Keeps CCFM/JS together in one unit.
Third party provision ALEO (HC owned)	In-house option

## Appendix - Option Appraisal Scoring

Ref	Scoring Criteria	Opt. 1. HLH inc catering	Opt 1A. HLH exc catering	Opt. 2 HC inc catering	Opt. 2A HC exc catering	Current service (for comparison)
	Project Objectives					
1	To enable HTs to spend more time managing learning & teaching	●●●●●	●●●●●	●●●●●	●●●●●	●●●
2	To co-ordinate & improve access to schools and community facilities...	●●●●●	●●●●●	●●●	●●●	●
3	To provide proportionate specialist, local management	●●●	●●●●●	●●●	●●●	●●●
4	To provide equitable Janitorial services	●●●●●	●●●●●	●●●●●	●●●●●	●●●
5	To balance CCFM/Janitorial services budgets	●●●●●	●●●	●●●●●	●●●	●●●
	Subtotal	23	23	21	19	13
	Implementation					
6	Cost/ease of implementation	●	●●●	●●●●●	●●●	●●●●●
7	Impact on staff	●	●	●●●	●●●	●●●●●
8	Impact on delivery partner	●	●●●●●	●●●●●	●●●	●●●●●
9	Risk	●	●●●	●●●	●●●	●●●
	Subtotal	4	12	16	12	18
	Weighted Score	50	58	58	50	44
	<b>Rank</b>	<b>3=</b>	<b>1=</b>	<b>1=</b>	<b>3=</b>	<b>5</b>

Score 1, 3, 5 only; ●●●●● = most beneficial ● = least beneficial

Weighted score: Project Objectives subtotal 2x implementation subtotal.

### Notes on Scoring

Brief explanatory notes on the scoring are provided below:

#### 1. To enable HTs to spend more time managing learning and teaching

- Both options fully achieve this objective, by supporting HTs in their role as RPO and by tailoring services to local requirements (including rolling out Janitorial provision to all schools) within existing resources.
- The current service only partially delivers this in schools that have been involved in the FM roll out.

#### 2. To co-ordinate and improve access to schools and community facilities, addressing local needs and circumstances

- HLH are already operating lets booking and management in 18 secondary and 3 primary schools. The system has proved to be more functional than the current disjointed HC approach. HLH also have resources and expertise to combine with lets management to develop new leisure and learning services and activities for schools and communities.

- In contrast the in-house option would require the time and resources to develop and pilot a new lets management system, and although there is no reason why this would not work equally well given time, the Property Management Service would have no resources or expertise to develop new leisure services, (e.g. sports, activities, classes etc.) for schools and communities, and would be reliant on HLH and other providers to do this.
- The current arrangements for community lets are unsatisfactory as the Lets review has not been concluded.

### 3. To provide proportionate specialist, local management of these services

- Under Option 1A HLH would be able to provide a Janitorial service to all schools and work on area by area basis to increase efficiency and reduce duplication while meeting schools' needs, Option 1 scores lower because HLH lacks the expertise to run the school catering operation (although the catering management and supervisory structure would transfer with the service).
- Property would provide a Janitorial service to all schools and management through a responsive Property Management Service meeting the property needs of all Council buildings, also rolled out on an incremental area-by-area basis.
- The key difference between the scoring is that HLH is already piloting this approach at Lochaber High School and delivering a lets management service in 21 schools giving it a lead on the relationships with HTs necessary for successful roll out. HLH also has a senior manager leading the relationship management with HTs and negotiating access and responsibilities. In contrast the Property Management Service proposals, which once fully implemented would provide a more comprehensive service than HLH, would start from a base of current service delivery requiring consultation with HTs, development and testing before implementation of the new service.
- The current service provides a centrally and locally responsive management team through Area Officers, Supervisors and Team Leaders.

### 4. To provide equitable Janitorial services

- HLH and Property options fully achieve this objective as all options would provide Janitorial support to all Highland schools (except PPP).
- The current service only partially delivers this in schools that have been involved in the FM roll out.

### 5. To balance CCFM/JS budgets

- Both HLH and Property would be able to balance CCFM/JS budgets. Both have proposals for commercial development and increasing efficiency through reducing duplication and seeking new ways of using existing resources to provide an enhanced service.

- Options 1A and 2A, which split Catering from the rest of CCFM /JS, are less cost effective because there will be some duplication of management and support, so score lower than Options 1 and 2 respectively.
- Although the current service delivered an underspend against the 2015/16 budget there are remaining budget pressures. The development of commercial opportunities by CCFM has been limited by Council systems and procedures). The current service does not have access to synergies by combining with other services (as outlined in the options) to realise efficiencies and/or service improvements.

#### 6. Cost and ease of implementation

- Transfer to HLH requires significant work and resources to organise the transfer of staff and resources and amend agreements covering property and service delivery. These tasks are particularly onerous if Catering transfers which would require the establishment of a Principal/ Agent structure.
- The Property options are more straightforward being in-house, although separating Catering from Cleaning and FM/JS would prove complex, possibly requiring additional resources and time to implement.
- The current service scores highly because there is no change to implement.

#### 7. Impact on staff

- The impact on staff is higher for moving to HLH than remaining in-house. Staff are also impacted by splitting Catering from the rest of CCFM/JS.
- Once transition to the new arrangements is complete, there is the prospect of positive impacts for staff as new training and career opportunities become available – this applies to both HLH and in-house options, although HLH staff do not have access to HC internal vacancies.
- The current service scores highly because there is no change to implement.

#### 8. Impact on delivery partner

- The most positive impact on HLH is if only Cleaning and FM/JS transfer (Option 1A) as this will enable HLH to develop a building service for HTs and a comprehensive and consistent letting system across Highland.
- Conversely, Option 1 would have a large impact on HLH due to the requirements of the Principal/ Agent arrangements; the mismatch between Catering and existing HLH skill sets; and the fact that absorbing the whole of CCFM/JS would double the size of HLH.
- Property section sees a better fit with Cleaning and FM/JS for its Property Management Service, although this service could also accommodate the Catering function as another component of its Property Management Service (this would not be an unusual combination for a public or private sector facility management service). There are no advantages to be gained by HC from

separating Cleaning/FM/JS from Catering if the whole service remains in-house – hence higher score for Option 2 than Option 2A

- The current service scores high because there is no impact on the delivery partner.

## 9. Risk

- All of the options entail some degree of risk.
- The risk profile for transfer of all CCFM/JS to HLH scores the lowest – there are significant risks relating to the Principal/ Agent arrangements in particular the separation of income and expenditure, and the poor skill set match with HLH. There are also issues around HC client management, delivery of agreed efficiencies and service delivery standards.
- Option 1A scores higher because there are none of the risks associated with the transfer of Catering.
- The most significant risks within Property include problems with the combination of CCFM/JS with Property, whether resources are sufficient to provide the complete single Property Management Service, and the clarity of roles with regards to soft and hard FM.
- All options face risks around relationship management with clients, service delivery standards.
- For all options, but in particular Options 2/2A, there are risks associated with Redesign relating to unknown future configuration of Council services.
- For all options there are the risks associated with the recently announced Scottish Government Education Delivery plan, currently out to consultation. The risks are unknown at this stage.