

<b>Subject:</b>	<b>Procurement of the Corporate Building Cleaning Contract</b>		
<b>Date of Meeting:</b>	<b>11<sup>th</sup> July 2013</b>		
<b>Report of:</b>	<b>Executive Director Finances &amp; Resources</b>		
<b>Contact Officer:</b>	<b>Name:</b>	<b>Angela Dymott,</b>	<b>Tel: 291450</b>
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<b>Wards Affected:</b>	<b>All</b>	<b>ALL</b>	

**FOR GENERAL RELEASE**

**1. SUMMARY AND POLICY CONTEXT:**

- 1.1 At the Policy and Resources Committee meeting on the 21<sup>st</sup> March 2013, approval was given to procure a new corporate building cleaning contract using an existing Framework agreement (ESPO 263). However, a further detailed evaluation of the implications, risks and impact of using the framework agreement has led to the council reconsidering the options available to it. Officers have considered further the implications of the Public Services (Social Value) Act 2012 (the 'Act') which came into force in January 2013 and it is now evident that proceeding in the way previously authorised may not fully meet the council's obligations under the Act. The Act requires the council to consider how the services/works to be procured might improve the social, economic and environmental well being of Brighton and Hove.
- 1.2 In order to demonstrate compliance with the Act, it is now proposed that the current corporate building cleaning contract be extended by one (1) year while the procurement of a new corporate building cleaning contract is undertaken in accordance with the full application of EU Procurement legislation together with the Public Contracts Regulations 2006, the Council's Standing Orders and Financial Regulations. By running its own procurement, the council can ensure that it is offering the competition for the provision of cleaning services to all suitable contractors, including local contractors.

**2. RECOMMENDATIONS:**

That Policy & Resources Committee authorise the Executive Director Finances & Resources:

- 2.1 To extend the existing corporate building cleaning contract by one (1) year.
- 2.2 To carry out the tendering process for the new corporate building cleaning contract in accordance with full of EU Procurement legislation together with

the Public Contracts Regulations 2006, the Council's Standing Orders and Financial Regulations.

- 2.3 In consultation with the Chair of Policy & Resources, to award the OJEU procured corporate building cleaning contract referred to in section 2.2 above for a term of four (4) years.
- 2.4 In consultation with the Chair of Policy & Resources, to grant a two (2) year extension to the corporate building cleaning contract referred to in section 2.2 above at the relevant time, subject to satisfactory performance.

### **3. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:**

- 3.1 The current corporate building cleaning contract was tendered in 2009 following Cabinet authority in December 2008. A review of cleaning services by Property & Design found that the procurement of cleaning services was being undertaken by individual departments on differing conditions, costs and with varying termination dates. Economies of scale were not being achieved. A corporate building cleaning contract was tendered that brought together this function to achieve a quality service, value for money and efficiency gains through reducing a number of contracts and ad hoc arrangements across the council and bringing them under a corporately managed contract with one provider.
- 3.2 The current contractor has carried out the specified cleaning work diligently and to a high quality standard with a considerable amount of positive feedback from the end users.
- 3.3 The current corporate building cleaning contract contains the following monitoring features to ensure high standards as a quality service is paramount:
  - The contractor is required to have robust quality assurance procedures. Monitoring is carried out by the contractor's site and area supervisors on a daily basis. The contractor will annually monitor each building with a nominated building user, to evaluate standards.
  - There are quarterly and annual reviews and the council is a member of the Building and Window Cleaning Contract Improvement Group, which meets to discuss the issues from West and East Sussex County Council's, along with the cleaning contractors that are used in each county to discuss ways that the contracts can be improved.

## **4 Contract proposals**

- 4.1 **Existing contract.** It is proposed that the existing corporate building cleaning contract of approx £1.6m pa is extended for a period of one (1) year during which time a new contract for the corporate building cleaning services will be procured.

- 4.2 As the proposed new contract will be a Services contract with a value over threshold in accordance with the applicable EU procurement legislation and Public Contracts Regulations 2006, the Public Services (Social Value) Act 2012 will apply. Consultation with relevant stakeholders and clients will take place to inform the procurement specification including engagement with the local business community. To this end it is expected that criteria will be included in the Invitation to Tender document to ensure that consideration is given to how the social economic and environmental wellbeing of the City might be improved.
- 4.3 The proposed new corporate building cleaning contract will service a wide variety of building types, including schools, libraries, sheltered housing, civic buildings, industrial buildings and day centres. It is proposed that the new corporate building cleaning contract will be for four (4) years with an option to extend for a further two (2) years based on the successful contractor's performance over the initial contract period.
- 4.4 Bidders will be invited to submit a Pre Qualification Questionnaire which will be evaluated before being invited to tender, the PQQ will supply sufficient supporting documentation to demonstrate their ability to deliver the service and make improvements to include internal quality procedures, staffing details and levels, equipment strategy, performance measures, sustainability and social proposals, pricing schedules, health & safety documentation and mobilisation plan.
- 4.5 The formal tenders will be evaluated on a 60% technical / quality and 40% price split. It has been decided to have the technical / quality split as higher because it is important that the quality of the work carried out is to a high standard for the safety of both employees and visitors. High standards of cleanliness will also mean that building maintenance costs will be reduced. The tender will state that two prices are to be submitted, one reflecting the living wage and the other reflecting the minimum wage. A cross - functional evaluation panel consisting of representatives from procurement, property & design and finance will evaluate the tenders according to a methodology set out in the invitation to tender and evaluation guidelines.
- 4.6 The new corporate building cleaning contract will also feature site specific specifications where each site will have a 'core' specification plus additional requirements that are needed to ensure that the site is kept clean. This will encourage flexibility and savings where Clients will be paying for the correct services and not generic works with top up payments for the clean that is actually required. The contract will stipulate that Directive 2011/7/EU on Combating late Payment in Commercial transactions must be adhered to.
- 4.7 The Transfer of Undertakings (Protection of Employment) Regulations 2006 may apply to the new corporate building cleaning contract and the council will obtain information from the incumbent contractor for review by interested bidders. If TUPE applies to any staff currently employed by the incumbent contractor they will be entitled to transfer across to the successful contractor. [Schools currently buying this cleaning service would not be affected by contract responsibility or direct employment of staff on this contract.

## 5 CONSULTATION

- 5.1 Consultation on the new corporate building cleaning contract will be undertaken with a view to determining
- Each site specific cleaning requirements
  - A specification with quality criteria which meets stakeholder needs.
  - Evaluation criteria and weighting for determining the most economically advantageous tender.
- 5.2 Consultations will be undertaken by all existing clients, potential clients, support services and other relevant stakeholders.

## 6. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 6.1 The proposed extension to the existing contract will be on the same terms and conditions and will be negotiated to ensure value for money and an improved saving of circa £30,000 for the one-year extension.
- 6.2 The proposed procurement of the Corporate Cleaning Contract will provide cleaning services to council owned building, leased buildings and schools for a 4-year period with the option to extend for a further 2-year period following the termination of the proposed extension to the existing contract. The tender will be prepared on a basis to maximise efficiencies and value for money achieved through site specific specifications. The cleaning contract will be managed under the Corporate Landlord function of Property & Design.
- 6.3 The proposed contract may have TUPE implications although it is not expected to influence the cost of the contract. .
- 6.4 There is a provision within the contract for other sites and buildings to join the contract throughout the period. It is envisaged that this will provide greater efficiencies across the council.

*Finance Officer Consulted: Rob Allen*

*Date: 12/6/2013*

### Legal Implications:

- 6.5 The council is entitled to extend the term of the existing corporate building cleaning contract for the proposed period. As the spend under the existing contract has exceeded the original estimated contract value advertised, it is advisable to extend the contract only for the period of time that it will take to procure the new contract (as is being proposed).
- 6.6 The authority of Policy & Resources Committee is required for matters with corporate budgetary implications, such as the procurement of the Council's new corporate building cleaning contract for which the costs are likely to exceed £500,000. Accordingly the committee is entitled to agree the recommendations at section 2 above.

- 6.7 Further, the Council's contract standing orders require that authority to enter into a contract valued at £500,000 or more be obtained from the relevant committee. The proposal to provide the Council's cleaning services across a range of council property makes Policy & Resources the appropriate committee in that regard too.
- 6.8 The process followed to award a contract for the corporate building cleaning services must be in compliance with applicable EU Procurement legislation and the Public Contracts Regulations 2006. As the new corporate cleaning contract will have a value which is above threshold the Social Value Act 2012 will apply and the council has a duty to consider how the service to be procured may improve the social, economic and environmental well being of the relevant area. Contracts over £75,000 must be sealed by Legal Services.

*Lawyer consulted:*

*Oliver Dixon*

*Date: 11/06/13*

Equalities Implications:

- 6.9 These issues will be addressed in the tender documentation for the new corporate building cleaning contract.

Sustainability Implications:

- 6.10 Sustainability issues will be addressed in the pre-qualification and specification documents for the new corporate building cleaning contract. All contractors must operate an Environmental Management System (EMS) that is consistent with IOO 14001, EMAS or equivalent, approved by an accredited certification body. The new contract will also contain the following sustainable efficiencies:

- The successful contractor will be sourcing eco-friendly products
- It will be a requirement of the contract to train all staff how to use chemicals correctly so that there is no wastage.
- All of the contractor's suppliers must be accredited with British and European standards as identified in Defra's sustainable cleaning guidelines.

Crime & Disorder Implications:

- 6.11 There are no crime and disorder implications to be considered.

Risk & Opportunity Management Implications:

- 6.12 Full risk assessments will be undertaken by the successful Contractor for the new corporate building cleaning contract in conjunction with the Contract Manager. Key risks identified will need to be dealt with and regularly reviewed and updated by the respective parties. It will also be a requirement at tender stage that the tenderers provide example risk assessments for evaluation purposes.

### Corporate / Citywide Implications:

- 6.13 The procurement of the new corporate building cleaning contract will achieve value for money and help to protect the environment while growing the economy.

## **7. EVALUATION OF ANY ALTERNATIVE OPTION(S):**

- 7.1 **Do Nothing** – this is would go against statutory requirements, corporate buildings and schools need to be cleaned and it would not be possible to let the current contract expire with no alternative in place.

- 7.2 **Bring the service in-house** - The possibility of bringing this contract 'in house' has been considered. The council does not have the skills and this is not considered a core council business. The current corporate building cleaning contract is valued at £1.6 million p.a. in total, a figure that would cover salaries only should we transfer 250+ cleaning/supervisory/contract management and administration staff into our employment. Additional costs would include the replacement of most of the equipment which will be nearing the end of its' working life, the purchase of 5 vehicles for the area supervisors, contract manager and mobile cleaner. It is estimated that the cost would be approximately £1.8 million p.a. plus the additional work placed on our Human Resources and Payroll teams.

- 7.3 Utilise the ESPO (263) framework agreement – See the evaluation of this option outlined in section 1 above.

## **8. REASONS FOR REPORT RECOMMENDATIONS**

- 8.1 The existing corporate building cleaning contract is due to expire in October 2013. An extension to the existing contract is required to enable continuity of service whilst the tendering of a new contract under EU legislation is undertaken and to adhere to the OJEU timetable. The proposed new contract is needed to ensure that council fulfils its statutory requirements, that sites are clean, hygienic and well presented to the public and that the buildings are safe for the council's employees but, as detailed above, it will be necessary to extend the current contract to allow the OJEU process to be carried out.