

Wiltshire Council

Cabinet Committee
19 January 2016

Subject: **Award of Hard FM Contracts Lots for property compliance and maintenance activity**

Cabinet member: **Councillor Dick Tonge – Finance & Procurement**

Key Decision: **Yes**

Executive Summary

The compliance of the council's property estate to the requirements of the law and its maintenance is delivered through a collection of Hard FM service contracts. Following an extensive Opportunity Assessment process the contracts have been rationalised and reduced down to 5 key contract lots with all contracts due to start on 1st April 2016.

The council has conducted the procurement of the new contracts using the Restricted Procedure under Regulation 28 of The Public Contracts Regulations 2015. The procurement has followed a two stage process. Following the publishing of the OJEU notice, companies expressed interest via the Supplying Southwest Portal. Based on evaluations by service managers and representatives from the Finance Team, with the Corporate Procurement Team acting as moderators, a list of potential tenderers was prepared and those companies invited to tender.

The details of the tendering exercise, scoring, and financial information is contained in a confidential report to be considered in Part 2 of this meeting.

Proposal

The proposal is to be considered as a Part 2 Item at this meeting.

Reason for Proposal

There is a need to ensure the continued delivery of legal compliance and maintenance services across the entire council-owned property portfolio including hubs, leisure centres (including those currently managed and operated by the private provider), depots, campuses, and LA schools when the existing contracts expire on 31st March 2016.

Following a procurement exercise in accordance with the Restricted Procedure, tenders have been submitted for all 5 contract lots which have been assessed in terms of price and quality.

The most advantageous tenders, taking into account quality and price, should be accepted in accordance with the procurement procedures. The detailed scoring and financial information is contained in a confidential report to be considered in Part 2 of this meeting.

Barry Pirie
Associate Director People and Business

Wiltshire Council

Cabinet (Capital Assets) Committee 19th January 2016

Subject: **Award of Hard FM Contracts Lots for property compliance and maintenance activity**

Cabinet member: **Councillor Dick Tonge – Finance & Procurement**

Key Decision: **Yes**

Purpose of Report

1. To describe the procurement approach followed, and request authority from members of the committee for the execution of contracts on this basis.

Background

2. The council has a continuing need for a property estate from which to provide its full range of services. With the rationalisation of the estate, buildings are becoming more multi-functional housing a variety of services delivered by both the council and its public service partners. The number of sites encouraging public access is increasing as the council continues to try and reshape the relationship with its customers.
3. Buildings must accommodate these changing needs. This is reflected in the on-going requirement for appropriate legal compliance, maintenance and servicing requirements delivered by the FM contracts. Buildings must be:
 - Safe
 - Economically and sustainably maintained to ensure continued functionality the required standard of repair (practical and aesthetic)
 - Suitably serviced to ensure all building users can focus on delivering their services from an appropriate environment.
4. FM services are delivered across the entire council-owned property portfolio including hubs, leisure centres (including those currently managed and operated by the private provider), depots, campuses, and LA schools.
5. The majority of FM services have been outsourced for over 10 years with specialist contractors in each discipline. Some operational activity such as post, locking/unlocking, meeting room management, low level maintenance etc. is delivered in-house by local council staff.
6. The existing delivery model for FM services has been instrumental in the successful on-going rationalisation and transformation of the property estate, and the transformation of services.

7. Letting contracts to specialists in each discipline continues to be the favoured approach, providing:
 - Higher levels of performance and quality standards.
 - Assurance of general technical competence, and on-going technical training and development within the discipline.
 - Cost effective - within the FM environment, individual providers do not have the full range of capabilities across all disciplines and must outsource, with the associated mark-ups, many elements when all disciplines are packaged into a single contract.
 - The ability to flexibly and transparently react to the changing scale of the council's property portfolio and operational needs.
 - The opportunity for local contractors to bid for manageable sized contracts within their areas of specialism.
8. Flexibility and scalability have been built into the most recently tendered FM contracts and the principles of genuine 'partnership' have been emphasised. This has enabled the contracts to be managed within a reducing annual budget.
9. It enables specific areas of work to be removed and delivered through other means without lengthy and costly contract negotiations. For example, as a result of removing exclusivity clauses from the service contracts areas of work have been identified that can be more cost-effectively delivered by in-house FM staff. It is anticipated that a similar approach applied to those longer standing contracts will deliver the same financial discipline and deliver savings.
10. Research from the wider local authority market place suggests that the council's approach is favoured by most. A small amount of in-house contract management resource overseeing the delivery of a range of out-sourced, specialist contracts is proving to be the most resilient and manageable approach, particularly during periods of significant change to services and in a climate of annual budget cuts. With flexibility in new contracts, annual savings can be strategically targeted at a specific service area and delivered by reducing the annual value of a specific contract.
11. In support of the council's Business Plan and the priority of a strong local economy, this approach is also the most effective way of ensuring that SME's and local businesses are able to bid for areas of the local authority's business. Single, large-scale multi-disciplined contracts are prohibitive to any providers other than large, national or multi-national organisations. Of the 26 different companies invited to tender across the 5 lots, 11 were SME's.
12. All Hard FM contracts have been procured in the last 4 years. Savings were generated through those procurement processes. However over this time period, the potential mix of contracts, the type of legal contract, and administration and management have all evolved, meaning that there remains significant room for improvement and potential savings in this area.

13. The approach adopted was to:

- Reduce the number of Hard FM contracts from 8 to 5 and offer on 5 year terms – smaller number of contracts will deliver economies of scale, simplify administration and delivery and the 5 year term provides stability for the council and providers enhancing partnership approach and sharing common goals.
- Improve the specifications for Term Maintenance and Mechanical & Electrical contracts
- Assure flexibility around increases/decreases to property portfolio i.e. approach to variations
- Work with the Housing Repair Service (HRS) on Lot 5 (Asbestos) and let a joint contract for both SA&FM and HRS.
- Incorporate flexibility into Lot 3 (Water Testing) to ensure that it is accessible by HRS when that service's existing water testing service expires.
- Align termination dates of the FM contracts to enable future inclusion in the WOS for the HRS, subject to the future development and suitability of the WOS for contract services across the wider council property portfolio.
- Incorporate current Police FM contract service requirements as and when the Police are ready to integrate this activity, or parts of it, with the council.
- Incorporate modern contract administration requirements (web-based job request, work monitoring, completion, invoicing) into the contracts and stipulate through procurement that all contractors use the council's software system.

14. Five contracts (lots) were tendered:

- Lot 1 – Measured Term Contract
- Lot 2 – Mechanical & Electrical
- Lot 3 – Water Monitoring
- Lot 4 – Fire Alarms & Extinguishers, Intruder Alarms, CCTV
- Lot 5 – Asbestos

15. The main benefits to be derived from this approach are:

Lot 1 – Measured Term Contract

- A single contract for the whole of the county
- Use of NEC3 Contract – benefits include the contractual encouragement of collaborative working and sharing objectives
- Shift towards planned maintenance away from reactive

Lot 2 – Mechanical & Electrical

- Single provider of servicing for all plant and electrical systems
- Development of a single M&E asset register for future service management
- Single site visits for inspection and compliance e.g. boiler + electrical
- Incorporates statutory fixed wire testing

- Improved compliance management and assurance from single provider
- 'Intelligent servicing' – service by demand/use rather than on predetermined schedule reducing visits
- Electrical test by appliance requirements rather than over-testing through standard annual approach

Lot 3 – Water Monitoring

- Single contract county-wide, accessible by the HRS in the future
- Improved compliance management and assurance from single supplier
- Removal of compliance/monitoring activity e.g. flushing of infrequently used outlets, temperature readings at sentinel outlets etc. to be removed from the contract over time and increasingly undertaken in-house, reducing costs whilst maintaining assurance.

Lot 4 – Fire Alarms & Extinguishers, Intruder Alarms, CCTV

- Single contract county-wide
- Services can be delivered in single site visits
- Inclusion of Police service requirements once their formal requirements are known, generating economies of scale
- Management of system replacements to ensure future standardisation/harmonisation and associated cost benefits

Lot 5 – Asbestos

- Single contract county-wide, joint access with HRS
- Existing contract and approach to be used as demonstrably effective and provides required levels of compliance and assurance in high risk area.

16. The duration of these contracts will be 5 year terms with the opportunity to extend for a maximum of 2 years, providing stability for the council and providers, enhancing partnership approach and sharing common goals, delivering measurable financial benefits.

Main Considerations for the Council

17. The procurement of the new contracts used the Restricted Procedure under Regulation 28 of The Public Contracts Regulations 2015.

18. The approach was as follows:

- An OJEU restricted procedure was followed
- A Market Engagement Day was held for providers to attend to gain an understanding of the Council's upcoming programme of works, and rationale for the procurement process.
- Expressions of interest were received from interested parties, and evaluated in line with pre-determined short-listing criteria.
- Shortlisted companies were invited to tender for individual lots with submissions required on a quality and price basis.
- Quality was evaluated against pre-determined criteria.

- The evaluations of quality and price varied across the 5 lots with the weightings as follows:

Lot number	1	2	3	4	5
Price (%)	60	60	70	70	70
Quality (%)	40	40	30	30	30

- Interviews formed part of the final evaluation.

19. Following the publishing of the OJEU notice 133 companies, both large and SME's, expressed an interest and were invited to submit the Pre-Qualification Questionnaire documentation. By the close of the deadline, 45 firms had submitted their PQQ with 15 opting out and 73 not responding.

20. Evaluation of the PQQ's was completed by service managers and representatives from the Finance Team with Corporate Procurement Officers acting as moderators. Based on this evaluation, 26 companies were invited to tender, with some invited to tender for more than one lot:

- Lot 1 – Measured Term Contract : 8 companies
- Lot 2 – Mechanical & Electrical : 10 companies
- Lot 3 – Water Monitoring : 7 companies
- Lot 4 – Fire Alarms & Extinguishers, Intruder Alarms, CCTV : 6 companies
- Lot 5 – Asbestos : 7 companies

21. Following the issue of the invitations to tender, the following programme was adopted:

Description	Date
Issue Invitations To Tender	13 November 2015
Deadline for submitting clarifications	27 November 2015
Tender submission deadline	4 December 2015
Evaluate Tender submissions	7 December 2015 – 8 January 2016
Tenderers identified for Interviews and presentations	17 December 2015
Interviews & Presentations	21– 22 December 2015
Preferred bidders identified	8 January 2016
Contract Award	19 January 2016
Mobilisation	19 January – 31 March 2016
Contract commencement date	1 April 2016

22. Subject to the outcome of the decision by Cabinet, and assuming no legal challenge is received, the intention is to enter into the contracts as soon as possible in order to provide the maximum lead time before the contract starts on 1st April 2016.

23. There will be a significant amount of preparatory work for the successful bidders and the council. Included in this is the likely transfer of employees from the existing suppliers to the new contractors. It will be important to

establish a consistent culture and processes for meeting the employment obligations, especially in connection with the TUPE regulations.

Safeguarding Considerations

24. The benefit of implementing these service contracts is the long-term relationships that can be built with our suppliers. We are therefore in a position to ensure that over the duration of the contracts, all suppliers can be CRB checked to access our properties. All of the FM service contracts cover schools, children's centres, and learning resource centres as part of the overall property portfolio. The contracts give us the ability to hold regular briefings with providers on topical issues such as Safeguarding procedures whilst working in a school setting (as well as other environments where providers will have access to vulnerable clients).

Public Health Implications

25. The award of service contracts will ensure that the Local Authority maintains its property portfolio legally compliant with all public health legislation.

Environmental and climate change considerations

26. All providers have demonstrated adequate capability in respect of environmental management and minimising waste. They have similarly demonstrated a good understanding and response to the Council's specific policies in respect of climate change and carbon reduction.

Equalities Impact of the Proposal

27. All providers are considered to have demonstrated good practice in terms of employment policies and practices, and are considered to have the capability to deliver services efficiently and appropriately in accordance with the Council's Behaviours Framework.

Risk Assessment

28. The service contracts approach is considered to represent a good approach to mitigating the Council's corporate risk, ensuring that the property portfolio is managed and maintained in strict accordance with statutory requirements.

Financial Implications

29. The SA&FM budget has been under severe pressure for many years. Savings from these contract services are required to balance the SA&FM budget. These will be delivered as a consequence of managing down demand – continuing the work to rationalise the property portfolio, to close and decommission buildings and switch off spend across these services.

30. Financial information and savings potential is contained in the confidential report to be considered in Part 2 of this meeting.

Legal Implications

31. Officers from Legal Services have been fully engaged in the procurement of service contracts.
32. There are TUPE implications across all 5 Lots with staff being eligible to transfer from an outgoing to an incoming contractor. The scope and implications of TUPE have been full incorporated into the procurement process.

Options Considered

33. Alternative approaches were explored early in the process during an opportunities assessment. These included the potential for a Total FM approach combining both hard and soft FM; however the adopted approach was considered to offer the greatest means of delivering a high quality service, generating efficiencies and measurable savings.

Conclusion

34. The provision of new service contracts will ensure that the Council continues to manage and maintain its property portfolio in strict accordance with all statutory legislation, whilst also developing partnerships, delivering a high quality service, demonstrating measurable savings throughout the duration of the contract.
35. The results of the evaluations to identify the preferred bidders for the contracts is described in the Part 2 item to be considered at this meeting. The most advantageous tenders for the council, taking into account quality and price, has been identified in accordance with the procurement procedures.

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Date : 19th January 2016

Background Papers

None