

Wiltshire Council

Cabinet Member Delegate Decision 25 May 2012

Subject: Award of Facilities Management Contracts (Lot 2 – Cleaning and Lot 3 – Security)

Cabinet Member: Councillor John Noeken – Resources

Key Decision: No

Executive Summary

Strategic Property Services are in the process of rationalising its existing contractual arrangements for the management and maintenance of its facilities. Service Contracts relating to various aspects of Facilities Management (FM) on non-residential Council-occupied property stock is currently undertaken by a large number of contractors. Each of these contracts has its own individual service specification and contract terms, inherited from legacy arrangements that were in place prior to the creation the Unitary Authority. As such it is very difficult to ensure consistency across our facilities, and particularly difficult to manage performance, cost and risk across such a high number of disparate contractual arrangements.

In parallel with these operational difficulties, the Council is substantially rationalising its property stock, and in the process rapidly changing the way its buildings are used. The next two years are therefore seen as a period of change where the status quo of existing arrangements are untenable, but entering into long-term contractual arrangements are unadvisable due to the amount of change that will take place over a relatively short period of time. In that period of time, the operating model for new Community Campus buildings will also become clear. The proposed contracts will therefore have a term of 2 years, with an ability to extend beyond that by one year intervals subject to performance.

Cabinet (Capital Assets) Committee resolved on 21st March 2012 to delegate the decision to award contracts for Facilities Management Services to the Cabinet Member, Resources.

Following completion of a procurement exercise conducted in accordance with EU procurement regulations, tenders are recommended for acceptance in two of the three contract lots, as follows:

- Lot 2 – Cleaning: Churchill Cleaning Services Ltd, Bristol
- Lot 3 – Keyholding and Security Services: Keyline Security, Seend Cleeve

A similar decision relating to the award of a contract for Lot 1 – Staff Dining and Café functions, will be requested at a later date, as procurement of this contract lot remains in progress.

The award of these contracts will result in the termination of existing contractual arrangements in these areas, with a range of suppliers, and TUPE transfer of staff between contractors will be undertaken in the period between contract award and the contract start date. In a similar manner, a number of properties which are serviced by internal Council staff, will require those staff to TUPE to the successful contractors. This position is summarised in the body of this report.

Proposal

That the Cabinet Member, Resources approves the award of separate lots for Facilities Management Service Contracts for Cleaning and Security/ Keyholding, following the satisfactory conclusion of the formal tendering processes, to the following contractors:

- Lot 2 – Cleaning: Churchill Cleaning Services Ltd, Bristol
- Lot 3 – Keyholding and Security Services: Keyline Security, Seend Cleeve

That the Cabinet Member, Resources approves all necessary TUPE staff transfers between the Council and the successful contractors where this applies, whilst noting that transfers between outgoing contractor and the new contractors will take place in the period after award of the contracts.

Reason for Proposal

To put in place the means to consistently and cost effectively manage the Council's built facilities over a period of significant change in both service levels and number of occupied properties.

Dr Carlton Brand
Corporate Director

Wiltshire Council

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Cabinet Member: Councillor John Noeken – Resources

Key Decision: No

Purpose of Report

1. To seek authority from the Cabinet Member, Resources to award Facilities Management Service contracts in two main lots for on satisfactory completion of the formal two-stage tendering process.

Background

2. Strategic Property Services are in the process of rationalising its existing contractual arrangements for the management and maintenance of its facilities. Service Contracts relating to various aspects of Facilities Management (FM) on non-residential Council-occupied property stock is currently undertaken by a large number of contractors. Each of these contracts has its own individual service specification and contract terms, inherited from legacy arrangements that were in place prior to the creation the Unitary Authority. As such it is very difficult to ensure consistency across our facilities, and particularly difficult to manage performance, cost and risk across such a high number of disparate contractual arrangements.
3. In parallel with these operational difficulties, the Council is substantially rationalising its property stock, and in the process rapidly changing the way its buildings are used. The next two years are therefore seen as a period of change where the status quo of existing arrangements are untenable, but entering into long-term contractual arrangements are unadvisable due to the amount of change that will take place over a relatively short period of time. In that period of time, the operating model for new Community Campus buildings will also become clear.
4. Cabinet (Capital Assets) Committee resolved on 21st March 2012 to delegate the decision to award contracts for Facilities Management Services to the Cabinet Member, Resources.

Main considerations for the Council

5. The lot structure that is being implemented represents a major step change from the multiplicity of small contracts that are currently in place. It provides a robust mechanism for securing savings and benefits without necessarily taking the ultimate step of putting all servicing requirement in the hands of a single service provider. It also enables the Council to best identify the optimal providers for

specific specialist areas, without the compromises inherent in grouping services together across functional boundaries.

6. This approach enables Strategic Property Services personnel to gain experience of working with specialist providers and develop a robust delivery model during a crucial period of transformation in the property estate. Experience gained in the operation of these contracts will then enable a future procurement programme to build on the foundations and successes of the current programme, and may see further rationalisation of the supply chain, reflecting a consolidated estate, and more flexible offering based around requirements that may be developed in conjunction with Community Operations Boards for campus sites.
7. The contracts will therefore have a term of 2 years, with an ability to extend beyond that by one year intervals subject to satisfactory performance.
8. The contracts have been procured under the OJEU Restricted Procedure comprising a Prequalification stage followed by a Tender stage. Suitably qualified Contractors were able to apply for one or several lots. As part of the pre-qualification period, potential suppliers were invited to attend a briefing session by the Council, with support on offer from the Wessex Chambers of Commerce. Support was also offered at this event in the use of the Council's e-procurement portal. The pre-qualification was substantially simplified from many standard government approaches, to encourage expressions of interest from small and medium-sized enterprises as well as larger, national or international businesses.
9. The tender evaluation methodology was developed to ensure that quality and price were objectively compared and evaluated to enable Wiltshire to accept the most economically advantageous proposition in each lot. The tenders were evaluated on the basis of 60% Quality and 40% Cost.
10. Price was evaluated by reference to a quantified schedule of rates, reflecting anticipated service requirements in the first year of the contract for both lots. This included and informed assessment of potential variations and ad hoc requests required by the Council during the course of a typical year.
11. The evaluation of the quality element of the tender was based on explicit criteria against which tenderers were required to provide written particulars to accompany the tender. These were scored by a panel made up of representatives from Strategic Property Services and Corporate Procurement Unit. Having scored written submissions a clear preferred bidder emerged for the security contract. However, the panel decided to interview the two highest net scoring tenderers for cleaning, in order to moderate the scores allocated against their written submission.
12. Appendices A and B contain the comparative net scores of all tenderers for each contract lots for information purposes after completion of both financial and quality evaluation processes.
13. The Award of contracts at this point in time is required in order to achieve a contract start date of 3rd September 2012. This ties in with the commencement of operation of the new MECH building, albeit with some transitional

arrangements in place whilst the building is being occupied between its completion and that date.

14. The award of these contracts will result in the termination of existing contractual arrangements with a range of suppliers, and TUPE transfer of staff between contractors will be undertaken in the period between contract award and the contract start date. In a similar manner, where a number of properties are serviced by internal Council staff there will be a requirement for those staff to TUPE to the successful contractors. The number of employees transferring from the Council to contractors in both lots is under 15 employees, and early engagement with these staff and union representatives has taken place already. Further consultation will now take place in accordance with the relevant regulations ahead of the transfer taking effect.
15. One of the main opportunities created by the consolidation of contract arrangements is to address existing discrepancies in the standard and cost effectiveness of service received across the Council's estate across the varying contractual arrangements. This change in provision enable Strategic Property Services to moderate the standards requested by services, whilst reacting to demonstrated need for enhancement in service levels. As a result, some service areas may observe an increase in perception of the service, while others perceive a detrimental effect. This will be managed carefully, but is considered an inevitable part of unifying the standards of Facilities Management provision across the Council. This picture will be monitored, with a view to keeping close control on expenditure through the contracts.

Environmental and climate change considerations

16. Contractors have provided within their tender a number of undertakings which will be incorporated into the contract in relation to Environmental Performance. In addition, both pre-qualification responses, and tender returns have been reviewed by the ECO team, and the successful contractors were noted to have given satisfactory assurances in respect of their understanding and response to the Council's ECO Strategy.

Equalities Impact of the Proposal

17. One of the criteria for short listing was that applicants were required to hold and implement an Equal Opportunities Policy.

Risk Assessment

18. The key risks associated with the contract award are listed below:
 - a. Challenge from unsuccessful bidders – this is a risk in all procurement projects. The risk is being mitigated by close adherence to Public Contracts Regulations throughout the procurement process.
 - b. Financial security of contractors – the current market place is considered to be quite tough, and there is a risk that contractors may come under continuing pressure over the term of this contract. The contract management team will be vigilant in monitoring performance of the contractors. In the event of a company failure, individual lots could be re-

tendered relatively quickly now that new contract documentation has been prepared, or the next lowest tenderers approached.

- c. Claims-based approach from contractors – with a greater level of pressure expected in the market over coming years, it is to be expected that contractors will take a stronger line in testing the boundaries of contracts. Specifications and pricing documents have been prepared to provide the contract management team with a set of robust tools for managing the contracts and the contractors, including fixed price schedules for undertaking defined categories of additional work.
- d. Delay in contract commencement due to TUPE issues – at this stage, it is not clear entirely what the TUPE implications between new and old contractor would be. Complexities in this process could delay the award of one or both of the lots of the contract. This will be kept under review with the successful contractors, and a detailed transition programme developed for both contracts.
- e. Additional cost incurred by the Council related to the TUPE liabilities of existing contractor’s management structure – at this stage one contractor in particular has identified relatively senior members of its management team as being considered to be in-scope for TUPE. This position is likely to be contested by the incoming contractors. This may push a TUPE liability onto the Council due to the disaggregation of an existing multi-faceted contract. This risk will be managed carefully through the TUPE consultation period.

Financial Implications

- 19. The annual expenditure under existing contract arrangements is summarised below, alongside the tendered amounts on which the contracts for cleaning and keyholding/ security are to be placed.

Contract Lot	Current Annual Expenditure	Tendered Annual Contract Sum
Lot 2 – Cleaning	£1,912,000	£1,180,000
Lot 2 – Keyholding/ Security	£261,000	£179,000

- 20. Within the evaluation of tendered prices, consideration has been given to the volume and price of potential variations, however, it should be noted that the full scale of likely variations to the contracts in any one year will fluctuate. The tendered annual contract sums do not necessarily therefore reflect the actual cost of performing the respective function through these contracts.
- 21. It is, however, clear that there are significant savings to be achieved, and that the control of variations and ad-hoc requests will enable these savings to be maximised. In addition, the first period of operation of the contract will enable the contract management team within Facilities Management to test and develop the correct specification requirements for sites with specialist requirements. Hence, it is recommended that some care is taken in presuming a level of saving to be achieved in line with the above figures.

Legal Implications

22. Legal Services have been fully engaged in the drafting of contract terms for these contracts and have advised throughout on legal matters related to the procurement exercise. Similarly legal input into the TUPE process will be obtained at the appropriate point in time.
23. The award of this contract is subject to the observation of a ten day stand-still period, which has been initiated by the notification of unsuccessful tenderers. Assuming no challenge to the procurement process is received, the Council can proceed to award contracts.

Conclusion

24. It is recommended that separate contracts for Lot 2 – Cleaning and Lot 3 – Keyholding/ Security be awarded on the basis of the procurement exercise described in this paper, and subject to the satisfactory conclusion of the stand-still period for public contracts required by the EU regulations.

Dr Carlton Brand
Corporate Director

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Background Papers:

The following unpublished documents have been relied on in the preparation of this Report: None

Appendices:

Appendix A – Completed Tender Evaluation Scores, Cleaning

Appendix B – Completed Tender Evaluation Scores, Keyholding/ Security