

Cabinet Member for Economy and Corporate Resources	Ref No: ECR02 (19/20)
January 2020	Key Decision: Yes
Procurement "Soft" Facilities Management Services Contract in Council Buildings.	Part I
Report by Director for Property and Assets	Electoral Divisions: All

Summary

This report seeks approval to undertake a procurement process to select a contractor (or contractors) to provide a broad range of essential Soft Facilities Management (FM) services in County Council buildings throughout West Sussex. The term 'soft facilities' refers to cleaning, security and ground maintenance services

The new contract(s) will replace existing service arrangements, which are delivered under three separate contracts: (1) a main contract for the provision of cleaning services, which expires, without further opportunity to extend, on 30 September 2020, (2) a contract for the provision of Security Services procured through the ESPO framework, which expires on 30 September 2020 and (3) a contract for the provision of grounds maintenance services which expires on 30 September 2020.

There are a number of associated facility management contracts ("ancillary services") such as health and safety products, as an example, but these services and goods are currently "in contract". The ancillary services will not therefore form part of this procurement but options will be considered, in terms of contract drafting, to allow these ancillary services to be procured, in the future, via the Soft FM contract(s) currently being procured.

In addition, schools and academies currently have access to the County Council's current cleaning, security and ground maintenance contract arrangements. It is proposed that these arrangements should continue, so that these organisations are able to continue to benefit from access to services and prices under the new contracts.

The annual value associated with these contracts is £1.88m, which equates to £7.52m over the proposed 4 year initial contract term.

Recommendations: The Cabinet Member is asked to endorse:

1. The commencement of an OJEU compliant procurement process to appoint contractor(s) under a new contract (or suite of contracts) for the provision of Cleaning, Security and Grounds maintenance (Soft Services) in County Council Buildings is approved.

2. The contract (or contracts) will incorporate clauses to allow the opportunity of schools and other public bodies to utilise the contract(s) in accordance with the County Council's Corporate Procurement Strategy.
3. That the contract(s) commence on 01 October 2020 for a period of 4 years ("initial period") with options to extend the contract with 3 x 1 year extensions, subject to satisfactory performance, therefore a maximum contract term of 7 years; and that
4. Authority is delegated to the Director for Property and Assets to award the contracts to the bidder or bidders submitting the most economically advantageous tenders. A further decision report will be published as appropriate.

1. Background and Context

- 1.1 The County Council has outsourced the delivery of cleaning, security and ground maintenance services over several decades through a series of individual contracts.
- 1.2 The current Cleaning contract was awarded to Churchill Services in November 2013 for a period of 3 years with the option of extending the contract by up to 4 years until December 2020. All these extension options have been utilised and Churchill Services have been advised that the contract will expire on 30 September 2020.
- 1.3 The current Security contract was awarded to Manpower Services in October 2018 for an initial period of 18 months with the option of extending the contract on ESPO terms and conditions. Taking into account the extensions permitted under the ESPO terms and conditions, this contract will expire on 30 September 2020.
- 1.4 The current grounds maintenance contract was awarded to Burleys in 2013 for a period of 3 years with the option of up to 4 years' worth of extensions. All these extension options have been utilised and the current contract arrangement will now expire on 30 September 2020.
- 1.5 These services combine to a total annual spend of approximately £1.88m for the core corporate estate (excluding schools).
- 1.6 The current contract is also available to all schools and academies with approximately 65% choosing to procure one or other of these services. Although this will remain an opportunity for the successful contractor(s), the procurement evaluation process will evaluate for the core corporate estate only.
- 1.7 The report dated May 2017 by Bernard Williams Associates (BWA Ltd) on the County Council's Soft Facilities Management functions included a review of the existing contracts. The proposed procurement to align the timing of soft services contracts to maximise economy of scale opportunities is a continued progression of this reports recommendation to streamline outsourced services.

1.8 By arranging for the cleaning, security and grounds contracts to co-terminate this provides the additional option of one contractor potentially taking on more than one service and thus generating efficiencies that can be reflected in lower costs incurred by the County Council. The future break points will also coincide with the contract break points for the recently awarded Building Services Contract held by SSE. This will further maximise the options available to the County Council for future FM delivery strategies.

2. Proposal

2.1 Following the requirements of the Public Contract Regulations 2015, it is proposed to commence an OJEU procurement process to award 3 contracts for the required range of "soft" facilities management services. To achieve this, the contracts will be split into three lots:

- Lot 1 being a contract to appoint a contractor to provide the **cleaning services**. Utilising variation clauses within the contract, there will also be the option to add the following services to this contract at a later stage:
 - Cleaning consumables
 - Hygiene products
 - Pest control
 - Toilet consumables
 - Laundry services
 - Document shredding
 - Secure waste disposal
- Lot 2 being a contract to provide **Manned Guarding**. Utilising variation clauses within the contract, there will also be the option to add the following services to the contract at a later stage:
 - Alarm response
 - Key holding
- Lot 3 being a contract to provide **grounds maintenance** services.

2.2 The contracts to be let are for 4 years initial period with 3 x 1 year extension options to a maximum term of 7 years.

2.3 The retained FM in-house client team will provide the required coordination and management of all three contracts.

2.4 The new contracts will continue to be offered to all schools and academies should they wish to benefit from the terms and conditions agreed by the County Council.

2.5 The overall objective is to replace the existing service provision with a newly procured service that provides value, efficiencies and innovative solutions that assist with:

- Compliance with local and statutory requirements
- Continuity of supply
- Collaboration with providers
- Ease of access and use

- Robust contract and performance management
- Rationalising the existing supplier base

2.6 It is proposed that authority is delegated to the Director of Property and Assets to award the contracts to the bidders submitting the most economically advantageous tender.

3. Resources

3.1 The procurement will seek to deliver best value by appointing the most economically advantageous contractors to Lots 1, 2 and 3. Should a contractor be successful for more than one Lot, a discount mechanism will be incorporated into the contract (and set out clearly in the tender documents) to allow the County Council to take advantage of a single contractor delivering more than one service at a more beneficial rate.

3.2 Staff resource to undertake the procurement exercise has been identified and secured from within business-as-usual functions and includes Legal Services, Procurement and Finance. In particular, a new post has recently been re-established within FM to contract manage all of the soft services contracts and is now project managing this re-let. Additional support has been provided by Bernard Williams Associates (BWA Ltd) to develop the detailed specification, commercial and evaluation models.

3.3 The County Council's Facilities Management team directly manages the revenue budgets for the services for all corporate buildings (excluding schools). The current budget provision (excluding schools) is shown below and will fund the new contract arrangements:

Service	Actual 2018/19 £m	Outturn 2019/20 £m	Budget 2020/21 £m	Budget 2021/22 £m
Cleaning (Lot 1)	1.200	1.300	1.326	1.326
Security (Lot 2)	0.155	0.270	0.275	0.275
Grounds Maintenance (Lot 3)	0.088	0.082	0.084	0.084
Total Corporate Budget	1.443	1.652	1.685	1.685

3.4 In line with the 2017 Facilities Management Review a newly established client function will provide the interface to ensure more effective contract management in terms of determining the most effective strategy and reporting systems to evidence value for money.

3.5 The scope of the current soft services contracts provides a range of activities with a focus on only meeting the most minimum standards to keep our premises clean and secure to meet our statutory obligations to our staff and the public visiting our buildings. As a consequence, there are limited opportunities to reduce cost through reductions in service levels. This is further exacerbated by the higher than RPI increases in the National Living Wage which has created pressure on the existing budget

- 3.6 Given that it is unlikely that there are any achievable wage reductions for the staff providing the services on the ground, the focus will be on ensuring a streamlined but effective management layer is provided by the contractors. Lessons identified from the current contracts are that, given the level of service asked for, any weakness in the management area is magnified in the impact on the ground. To that end the selection criteria will place significant emphasis on organisational arrangements, method statements and associated management costs to ensure an effective but value for money management service.

Factors taken into account

4. Consultation

- 4.1 FM staff, with representatives from each functional team, have been engaged to form a wider project team to review future procurement options. This has been a continuation of the consultation approach adopted with the 2017 review of all the FM teams.
- 4.2 As part of the BWA Ltd commission all County Council Directorates were approached during January to March 2018 to collate views on both FM internal and external provider services. This consultation included selected primary and secondary schools.
- 4.3 A Prior Information Notice (PIN) was placed in OJEU during July 2019 inviting organisations to participate in a market consultation exercise for the Soft FM procurement. It was stressed that this was not part of any evaluation process and organisations which responded would not have any advantage over those who did not respond. In excess of 11 organisations took part in the consultation and shared their general experience, knowledge and expertise of providing similar services to other clients. The learning gained from this exercise is being incorporated as appropriate in the final scope and format of the tender documents.
- 4.4 A market engagement event took place in September 2019 where representatives from services along with contractors participated in market consultation exercise which has helped shape the way in which we will go out to tender.

5. Risk Management Implications

- 5.1 The failure to ensure continuity of the contracted services across all corporate buildings will promptly impact on the wider delivery of nearly all County Council services. The lack of a contract providing cleaning, security and grounds maintenance will result in non-compliance with statutory obligation to provide a clean and safe working environment as directed under the Health and Safety at Work Act and more specifically under the Workplace (Health and Safety and Welfare) Regulations.
- 5.2 The risk of no tender submissions is considered negligible following the PIN advertisement and market research. However, the price range of the compliant bids remains unknown, this will be mitigated through a detailed review of the tender bids.

6. Other Options Considered

6.1 **'Do nothing'** - The 'do nothing' option is not considered viable as there remains the need, whilst the County Council owns and operates buildings, to provide a range of statutory and essential activities.

6.2 **'Extend current arrangements'** – the current contracts are due to expire at the end of September 2020 and have no opportunity to extend further.

6.3 **'In-source'** – bringing the services or even significant elements in-house is considered currently untenable. This is based on the following:

- There are currently very limited appropriate resources within the County Council to fulfil this option.
- The infrastructure to include experienced personnel is not present to support TUPE, specialised recruitment, redundancy, new processes, time impact and overhead costs
- Vehicle fleet requirements, to include sourcing, maintenance and operating management will increase delivery costs.
- There is limited experienced management resources in-house.

6.4 **'Using an Existing External Public Framework'** - this has been given due consideration but discounted on the following points:

- The recommendations taken from the FM Review report and as endorsed by the County Council's senior management team following formal staff consultation in September 2017, to maintain intelligent in house client capability was not based on utilising national frameworks that would duplicate retained professional costs.
- There is little confidence in the CCS agreement – several named Contractors have ceased trading, including Carillion, and through previous engagement with some other contractors, the County Council has had to terminate contracts with the assistance of Management Audit due to significant service delivery issues.
- The diversity of County Council estate and the challenging nature of some of the sites' residents lends itself to more freedom of selection for smaller, medium sized contractors than an external framework will allow.

6.5 **'Total Facilities Management'** – (TFM) This all-encompassing approach was very popular last decade but this industry is now developing a more negative reputation with many providers being a management company with considerable reliance on fragile supply chains. The recent demise of Carillion has exacerbated this further. Additional considerations to reject this option this time being:

- The recommendations taken from the FM Review, and as endorsed by the County Council's senior management team following formal staff consultation in September 2017, to maintain intelligent in house client capability was not based on utilising a TFM approach that would duplicate retained professional costs.

- The limited soft FM contracts alone would not present a scale of business that would attract significant efficiencies through TFM overheads. However, the alignment of future contract break points with the Hard FM contract will enable this option to be considered next time.
- The asset condition data held by WSCC for its estate is currently poor and would drive significant costs regarding risk into an output contract. Improved contract and data collection is now underway to be able to better articulate the detail and condition of properties for future output based contract structures.
- Recent reports, following the demise of Carillion indicates financial concerns and/or capacity risks with many of the large TFM providers.
- Central Government's Cabinet Office is drafting revised rules for outsourcing contracts to include TFM providers to improve real delivery value for the public sector.

7. Equality Duty

7.1 All bidders will be required to evidence their commitment to the Equality Act.

8. Social Value

8.1 The majority of staff employed within the current facilities services contracts provider will be eligible for transfer to the incoming provider in accordance with the TUPE Regulations. It is noted that many of these staff are West Sussex residents and have a vested interest in the successful delivery of the services. Successful bidders will be encouraged to offer apprenticeships.

9. Crime and Disorder Act Implications

9.1 None

10. Human Rights Implications

10.1 None

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