

REPORT FOR: **CABINET**

Date of Meeting:	14 March 2013
Subject:	Provision of Building Cleaning Services for Schools and Corporate Properties
Key Decision:	Yes
Responsible Officer:	Caroline Bruce, Corporate Director of Environment and Enterprise
Portfolio Holder:	Councillor Thaya Idaikkadar, Leader of the Council and Portfolio Holder for Property and Major Contracts
Exempt:	No, except appendix A which is exempt under paragraph 3 of Part I of Schedule 12A to the Local Government Act 1972 (as amended) in that it contains financial and business information relating to the proposals received from contractors and the Council
Decision subject to Call-in:	Yes
Enclosures:	Part 2 (confidential) - Appendix A - Summary of OJEU Tender – Building Cleaning Contracts, 2013 – 2016

Section 1 – Summary and Recommendations

This report sets out the procurement process for the provision of 5 building cleaning contracts in anticipation of the expiry of the current contracts on 31 March 2013.

Recommendations:

It is recommended that:

1. Cabinet award the schools building cleaning contracts for a period of 3 years with an option to extend for up to a further 3 years to:

Contract No. 1 to Contractor A (see Appendix A)

Contract No. 2 to Contractor B (see Appendix A)

Contract No. 3 to Contractor C (see Appendix A);

2. That Cabinet agree not to let the corporate contracts (Contracts 4 and 5) under this procurement exercise and to extend the existing contracts for a period of up to 24 months;

3. That Cabinet delegate the negotiation, award and signature of the contract extension approved in recommendation 2 of this report to the Corporate Director of Environment and Enterprise in consultation with the Portfolio Holder for Property and Major Contracts;

4. That should the negotiation approved in Recommendation 3 of this report be unsuccessful then the Cabinet delegate to the Corporate Director of Environment and Enterprise, in consultation with the Portfolio Holder for Property and Major Contracts, the authority to take whatever action maybe required to keep the service in place. This action is to be based on the information and the evaluation of the tenders that is provided in Appendix A of this report.

Reason: (For recommendation)

In anticipation of the ending of the current contracting arrangements a full EU tendering exercise has been undertaken. This has shown that awarding a three year contract for the 3 schools contracts (with an option to extend for up to a further 3 years) together with extending the existing contracts for corporate buildings offers the council the best combination, best value and ability to review performance, customer satisfaction and price, whilst allowing the council to further consider the market place and negotiate the most favourable position for the council.

Section 2 – Report

Introductory paragraph

The current contracts for building cleaning services were awarded in 2010 for a period of 3 years, expiring on 31 March 2013.

The award and extension of the cleaning contracts will enable the council to provide a clean and hygienic environment in its buildings, for pupils, residents and staff. The contracts provide job opportunities for approximately 350 local people in line with the council's sustainability policy. The contracts cover:

1. Contract 1 Schools (Central Area - Harrow Weald etc)- 2 high schools, 1 special school, 8 primary schools
2. Contract 2 Schools (East Area - Edgware etc)- 2 high schools, 1 Adult Learning Centre, 7 primary schools
3. Contract 3 Schools (West Area - South Harrow etc)- 3 high schools, 7 primary schools
4. Contract 4 Corporate East - 26 premises
5. Contract 5 Corporate West - 26 premises

Options considered

There were 3 initial options considered.

These were:

1. Extend the current contracts by a period of one or two years.

This option would be cheaper in the short term because it obviates the cost of the tendering exercise; however contractors were unwilling to extend for less than 3 years. Much of the cleaning equipment is life-expired after 3 years and contractors felt they would not have the opportunity to write off the costs of replacement equipment in less than 3 years. Contractors indicated they were willing to accept a 3 year extension; however this would not be compliant as the original OJEU notice had stated that an extension of up to 2 years may be offered.

2. Re-tender the contracts with a single supplier.

It was felt that re-tendering the contracts on this basis would not offer the balance of quality and cost required to deliver the specification. When one contractor previously held all the cleaning contracts there were considerable performance issues, mainly due to lack of competition. This led to a number of schools withdrawing from the Service Level Agreement, causing a significant loss of income to the council.

3. Re-tender the contracts on the same basis as the current contracts

It was felt that re-tendering the contracts on the same basis as the current contracts would offer the same range of flexibilities and competition required to deliver a quality, cost effective cleaning service

Detailed evaluation of the submissions and possible changes in the council's needs and approaches meant that another option became preferred. This additional option is explained in the Procurement Process section of this report.

Background

Environmental Services assist the commissioning of cleaning services for schools and academies who buy into the Service Level Agreement, in addition to corporate buildings (approximately 100 premises in total). Building cleaning is delivered by external professional cleaning contractors.

Current situation

The contracts cover all council buildings excluding the Civic Centre but including the schools in the borough. The contract is divided into five lots with contractors being able to bid for any combination of the lots dependent on their experience. The contract was at one time let to a single contractor. Performance was poor and the decision was taken to divide the contract into manageable geographical areas.

Why a change is needed

Following consultation with Corporate Procurement, the decision was taken to re-tender the contracts through a complete OJEU tender process. In their current configuration of 5 groups of premises. This configuration has delivered significant benefits for the council in the past, in ensuring sufficient capacity, performance and competition between contractors.

The objectives of the tender were

- (a) to ensure EU procurement process compliance
- (b) to select the tenders with sufficient financial status, technical experience and capacity, and who were most likely to deliver a cost effective, quality service and achieve the contract specification.

Value for Money

Tendering the contract in five lots provides the opportunity for smaller businesses to submit tenders. Some businesses may not have the financial capacity to tender for larger contracts, as cleaning is labour intensive and they may not be able to fund the payroll if there is a large number of staff.

It also provides additional competition in that, if one contractor's performance drops, there are alternative contractors available to step in if required. There are occasional 'one-off' large jobs which are outside the scope of the contract specification and it is necessary to obtain three quotations. Having multiple contractors allows for this

Experience has shown that this configuration achieves the best combination of quality and cost. School premises have been divided geographically into 3 groups, each with a combination of high schools and primary schools. Corporate premises were divided geographically into 2 groups, East and West.

Procurement Process

Prior to the commencement of the tender process Facilities Management consulted with schools and updated the contract specification in line with current needs. Facilities Management obtained the mandate of schools and academies to tender the contracts on their behalf and to undertake the management of the contracts for a period of 3 years.

The specification for corporate properties was also reviewed. However it was not changed as it already provides a basic standard of cleaning sufficient to satisfy health and hygiene requirements with the option to add additional tasks on an ad hoc basis.

The tender process was carried out by Facilities Management assisted by Corporate Procurement and with advice from Legal Services. The council's e-tendering software (Bravo Solutions) was used throughout the tender process.

Pre-qualification questionnaire (PQQ) documents were sent out to 34 organisations that expressed interest, in response to a tender notification placed on OJEU, and the Council's business portal.

An evaluation based on company information, and references was carried out. This resulted in 20 suppliers being short listed and, based on relevant experience, split into 5 groups.

Invitations to tender documents (ITT) were sent out and 14 suppliers returned the Tenders. On receipt of the tender responses, points were awarded through Bravo Solutions autoscore. In addition a panel of experienced and technically qualified staff carried out a full evaluation of the technical envelope.

4. The evaluation criteria awarded the following total points:

- 400 points for Price Comparison
- 225 points for Capability & Contract Management
- 175 points for Staff, Supervisors & Training
- 25 points for Performance Monitoring
- 100 points for Equipment & Materials
- 75 points Presentation & contractor interview.

The procurement process failed to identify a local supply market for this service. In addition potential changes to the corporate property portfolio and the possible introduction of the category management in procurement may enable better value to be achieved in the future. Therefore it is recommended that the existing corporate contracts be extended for up to two years whilst

these issues are explored. Further information is provided in Appendix A of this report.

Award Recommendations

The recommended contractors are:

Contract No. 1 - Contractor A

Contract No. 2 - Contractor B

Contract No. 3 - Contractor C

See Appendix A for contractor details, tender scores and contract values.

Legal Implications

Cleaning Services are Part A Services under EU public procurement rules and so must be tendered and awarded in full compliance with those rules.

The council has conducted the procurement in compliance with EU public procurement rules and can enter into the contracts. Legal Services has approved the contracts and confirms that they give the council adequate legal protection and clearly sets out the rights and obligations of the council and contractors.

The council can also agree to extend the 2 corporate contracts by up to 2 years because the original Contract Notice advertising the corporate contracts expressly stated that the contracts could be extended by up to a further 2 years. They cannot be extended beyond 2 years.

Financial Implications

The annual revenue costs are shown below.

Cleaning contracts number 1, 2 and 3 are funded from the school's delegated budgets.

Cleaning contracts 4 and 5 are funded from individual premises budgets and are in line with current spending levels.

Type of Contract	Annual Value	Total Contract Value (for 3 years)
Cleaning Contracts for Schools	£1,480,000	£4,440,000
Cleaning Contracts for Corporate Buildings	£450,000	£1,350,000
Total	£1,930,000	£5,790,000

The overall savings achieved equate to 1.89% of the total contract value.

The contract shows a net saving of £5k per annum against the existing contract and is broken down as a saving of £26k pa for schools and an increase of £21k pa for the corporate buildings. This increase in cost will add to the pressure of achieving the £140k MTFS proposal related to Procurement Savings.

In addition, The Corporate buildings also include cleaning for libraries and there maybe an interdependency with the Tri borough Leisure and Libraries procurement that is currently in progress. This will be confirmed by Procurement to ensure that there is no double count with this Cleaning Contract.

Performance Issues

The contract deals with the appointment of building cleaning contractors to enable the council to provide a clean and hygienic environment in its buildings, for pupils, residents and staff. Key performance indicators will be monitored against the service specification.

Environmental Impact

Although the letting of these proposed contracts will not impact directly upon the environment they do provide an opportunity to support other council initiatives such as increasing recycling and reducing the carbon impact (and cost) of waste management. Future extensions should explore the opportunities to make positive progress in this area

The contracts provide an opportunity for local employment thus reducing the impact of travelling by the workforce delivering the work.

The contractors have provided their own environmental policy statements.

Risk Management Implications

Separate risk registers are in place.

Equalities implications

The procurement exercise is designed to deliver existing policies and strategies maintaining the current level of equality in service provision. During the tender period all contractors were assessed on their ability to meet the council's equality standards.

Corporate Priorities

Keeping neighbourhoods clean, green and safe

Ensuring that our schools and corporate buildings are presented in the best condition, maintaining a clean and hygienic environment for pupils, residents and staff.

Section 3 - Statutory Officer Clearance

Name Kanta Halai	X	on behalf of the Chief Financial Officer
Date: 4 March 2013		
Name Stephen Dorrian	X	on behalf of the Monitoring Officer
Date: 4 March 2013		

Section 4 – Performance Officer Clearance

Name: David Harrington	X	on behalf of the Divisional Director Strategic Commissioning
Date: 4 March 2013		

Section 5 – Environmental Impact Officer Clearance

Name: Andrew Baker	X	on behalf of the Divisional Director (Environmental Services)
Date: 4 March 2013		

Section 6 - Contact Details and Background Papers

Contact: Brenda Beazley
Service Manager Environment and Enterprise
Extn. 2482
Direct Dial: 020 8424 1482

Background Papers: None

**Call-In Waived by the
Chairman of Overview
and Scrutiny
Committee**

NOT APPLICABLE

[Call-in applies]