

**CLEANING RE-TENDER OF CONTRACT FOR CAMBRIDGESHIRE COUNTY OFFICES**

*To:* **Assets and Investment Committee**

*Meeting Date:* **16<sup>th</sup> September 2016**

*From:* **Chief Finance Officer**

*Electoral division(s):* **Countywide**

*Forward Plan ref:* **2016/045** *Key decision:* **Yes**

*Purpose:* **To provide Committee with sufficient information to consider whether to approve the recommendations.**

*Recommendation:* **Authorise the re-tender of cleaning contract:**

**a) Approves the commencement of the re-procurement of the Cleaning FM Framework Contract for a term of three years from 1 April 2017 to 31 March 2020 with the option to extend a further one year;**

**b) Delegates authority to the Director of Finance, Property and Governance LGSS and Head of Property Services to appoint contractors following a competitive process and complete all necessary contractual documents in accordance with Council procedures.**

<b><i>Officer contact:</i></b>	
Name:	Catherine Kimmet
Post:	Facilities Manager
Email:	<a href="mailto:Catherine.kimmet@cambridgeshire.gov.uk">Catherine.kimmet@cambridgeshire.gov.uk</a>
Tel:	07826 511093

## **1. BACKGROUND**

- 1.1 The Council's non-school properties require regular statutory cleaning to keep the buildings healthy, safe and operational.
- 1.2 There is currently a contract in place to carry out this work. This contract comes to an end in March 2017.
- 1.3 The strategy for the re-procurement of the Cleaning FM Framework Contract will be by Restricted Tender due to the potential for a high degree of market interest, and will be advertised in the OJEU (Official Journal of the European Union) as required by EU Legislation for tenders of this value.

## **2. MAIN ISSUES**

### **2.1 ISSUES**

- 2.1.1 The rationale is to bundle all aspects of cleaning together jointly with Northamptonshire County Council, to create two Single-Supplier Framework Agreements, from which the cleaning services described above will be contracted for a term of three-years, with an option to extend for a further term of 1 year.
- 2.1.2 The total value of the contracts is likely to be £3 million per annum, the Cambridgeshire County Council (CCC) proportion being £1.2 million per annum.
- 2.1.3 The strategy for the re-procurement of the Corporate Cleaning Contract will be by Restricted Tender due to the potential for a high degree of market interest, and will be advertised within, OJEU (Official Journal of the European Union) as required by EU Legislation for tenders of this value.
- 2.1.4 The procurement process will be a single process but in two lots or packages, one for Cambridgeshire and the other for Northamptonshire (and with the option for customers and partners of LGSS to call off the relevant framework via an Access Agreement and for a fee). Bidders shall have the option to bid for either or both lots.
- 2.1.5 The contract specification will be based on outputs to encourage cost saving through innovation, such as using new technologies, (fingerprint recognition time recording, vehicle trackers, and PDA for site audits).
- 2.1.6 Those bidders bidding for both lots will be strongly encouraged to offer two pricing models, one for the individual lots and then one if they are successful in both, and this latter option should see the benefits of economies of scale of areas such as overheads, etc. However whether it is the same provider or two different ones, there shall be two separate contracts.

## 2.2 MULTI-TIER SUPPLY-CHAIN MANAGEMENT

- 2.2.1 LGSS has a strategy to achieve vital cost efficiencies for its founding Authorities by creating economies of scale in their back office management and by leveraging their aggregated buying power.
- 2.2.2 Aggregating tender packages produces cost efficiencies through a number of mechanisms: (a) by reducing the number of procurement exercises and therefore the procurement administration and time, (b) by increasing the value of the tender to leverage buying power and obtain more competitive unit rates, and (c) by reducing the management resources within LGSS and across the supply chain.
- 2.2.3 The application of this strategy to LGSS Property Services requires that, wherever practicable, tender packages are aggregated to create a vertically-integrated bundle of interrelated services that maximise their commercial value and therefore the market interest. The nature of the bundle and the service specification will require the management of often irregular and seasonal demands and compliance with minimum response times that can only be reliably achieved through a network of subcontractors with a high capacity local workforce.
- 2.2.4 The Authority has a localism agenda to ensure that local Small and Medium Enterprises (SMEs) have equal and fair access to its contracts to enable them to grow the local economy.
- 2.2.5 Multi Tier Supply Chain Management balances these two priorities by awarding a Single Supplier Framework Agreement with a main-contractor (Tier 1 supplier) for calling off a bundle of interrelated services and critically, grants only the Authority the power to approve subcontractors (Tier 2 suppliers) and sub-subcontractors (Tier 3 suppliers) used by the main-contractor. The evaluation of the competence of Tier 2 and Tier 3 suppliers will be the sole responsibility of the main-contractor (Tier 1 supplier).
- 2.2.6 The use of the Single Supplier Framework Agreement allows other Local Authorities and public-sector organisations to purchase an Access Agreement from LGSS to also call off services.
- 2.2.7 The main contractor will be incentivised to have sufficient local capability and capacity in their supply chain to meet the service specification. Performance, particularly response times and compliance to programme, will be assured by directly linking it to a payment mechanism.
- 2.2.8 Payment terms at all tiers of the supply chain will be regulated and monitored by the Authority and will not be permitted to exceed the standard term of 30 days from receipt of a valid invoice. This requirement ensures that the main contractor and subcontractors are unable to extract a cash flow advantage at the cost of the deeper supply chain.
- 2.2.9 Multi Tier Supply Chain Management provides the main contractor the operational scale to recruit and employ a cohort of apprentices from local schools and to manage their work placements with not only the main contractor but their subcontractors and their sub-subcontractors too. The apprentices will benefit from an exceptionally broad range of experience gained from a variety of organisations. The benefit to the hosting

organisations is that they only contribute to the cost of an apprenticeship when the apprentice is working for them - giving local SMEs access to apprentices that they may not have previously had the scale or stability to employ.

## **2.3 ALTERNATIVE OPTIONS CONSIDERED**

- 2.3.1 The alternative option for meeting the cleaning requirements at the Council's properties is to consider an in-sourced service. This is not a core function of the authority and would be an expensive change to implement, would result in the TUPE transfer of all existing staff to the Council, and would remove the opportunity to regularly test the competitiveness of the service

## **3. ALIGNMENT WITH CORPORATE PRIORITIES**

### **3.1 Developing the local economy for the benefit of all**

The contract is unlikely to be won by an SME (Small Medium Enterprise) due to its high value and number of operatives required. There is the opportunity for SMEs to subcontract to the main contractor for specialist work.

### **3.2 Helping people live healthy and independent lives**

Regular cleaning of property facilities will promote a healthy and productive working environment.

### **3.3 Supporting and protecting vulnerable people**

*See wording under 3.2 above.*

## **4. SIGNIFICANT IMPLICATIONS**

### **4.1 Resource Implications**

It should be noted that there are significant increases related to the increase in the Living Wage, pension scheme and Apprentice Levy.

- National Living Wage (old minimum wage) – 1<sup>st</sup> April 17 – the increase is predicted to be in the region of £7.61 (5.7% - £0.41).
- Auto Enrolment Pension –it is currently 1%, however it is worth noting that as of 1<sup>st</sup> October 17, this will again increase to 2%.
- New Government Apprenticeship Levy – as of 1<sup>st</sup> April 17 companies will need to increase their labour costs by 0.5% as this new levy will be charged at a rate of 0.5% of an employer's payroll. "Payroll" for this purpose will be based on total employee earnings subject to Class 1 secondary NICs.

### **4.2 Statutory, Risk and Legal Implications**

Risk(s) associated with not undertaking the proposal:

Risk	Risk Rating
Risk to employee and visitor health & safety	Red
Reduction to employee morale	Amber
Reduction to employee care and respect afforded to other aspects of the facilities	Amber

#### 4.3 Equality and Diversity Implications

There are no significant implications for this priority

#### 4.4 Engagement and Consultation Implications

To be Increase accessibility to all our contracts being procured through the development of slimmed-down PQQ (Pre-Qualification Questionnaires) and tactical use of tender lots.

#### 4.5 Localism and Local Member Involvement

See 3.1

Note – TUPE transfer would apply

There are no significant implications for this priority. 2.2.9 above sets out the expectation to increase SME engagement and investment in apprenticeships for local residents.

#### 4.6 Public Health Implications

Buildings to be clean and compliant in accordance with Health & Safety at Work Act.

Source Documents	Location
None	None

Implications	Team	Name of Officer Consulted
Resource	Finance	Chris Malyon
Statutory, Legal and Risk	Legal	Nicola Molloy
Equality and Diversity	HR	
Engagement and Consultation	CS&T	
Localism and Local Member Involvement	CS&T and Democratic Services	
Public Health	Public Health	