

# Croydon Council

<b>REPORT TO:</b>	<b>CABINET</b> <b>17<sup>th</sup> February 2015</b>
<b>AGENDA ITEM:</b>	<b>11</b>
<b>SUBJECT:</b>	<b>CONTRACTS TO BE AWARDED</b>
<b>LEAD OFFICER:</b>	<b>Sarah Ireland, Director of Strategy Commissioning Procurement and Performance</b>
<b>CABINET MEMBER:</b>	<b>Councillor Simon Hall Cabinet Member for Finance and Treasury</b>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b> Effective outcome based commissioning and procurement will contribute to all corporate priorities.	
<b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b> The Council's commissioning strategy (2012 -2015) sets out the approach to commissioning and procurement and puts delivery of outcomes at the heart of the decision making process. As the Council develops more diverse service delivery models, it is important to ensure that out contractual relationships are not only aligned to our corporate priorities but also represent value for money for citizens and taxpayers and, contribute to the growth agenda for Croydon. The contracts (awarded or recommended for award), asset decisions and procurement strategies included in this report all contribute to achieving our strategic aims and meeting the needs of the people of Croydon.	
<b>FINANCIAL SUMMARY:</b> There are no direct costs arising from this report.	
<b>KEY DECISION REFERENCE NO.:</b> <b>This is not a key decision</b>	

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

1.1 The Cabinet is requested to note:-

1.1.1 The contracts over £500,000 in value anticipated to be awarded by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Treasury or, where the nominated Cabinet Member is the Cabinet Member for Finance and Treasury, in consultation with the Leader.

1.1.2 The list of delegated award decisions made by the Director of Strategy Commissioning, Procurement and Performance between 19/12/2014 to 15/01/2015

1.2 The Cabinet is requested to approve:-

1.2.1 The procurement strategies for the Council's Facilities Management Contract as set out in Appendix 1.

## **2. EXECUTIVE SUMMARY**

2.1 This is a standard report which is presented to the Cabinet, for information, at every scheduled Cabinet meeting to update Members on:-

- Contracts anticipated to be awarded under delegated authority from the Leader by the nominated Cabinet Member, in consultation with the Cabinet Member for Finance and Treasury and with the Leader in certain circumstances, before the next meeting of Cabinet;
- Property acquisitions and disposals to be agreed by the Cabinet Member for Finance and Treasury before the next meeting of Cabinet. As at the date of this report there are none;
- Delegated award decisions made by the Director of Strategy Commissioning and Procurement since the last meeting of the Cabinet.

2.2 To request Cabinet approval of Procurement strategies over £5m in value as shown in appendix 1

## **3. DETAIL**

3.1 Section 4.1 of this report lists those contracts that are anticipated to be awarded by the nominated Cabinet Member.

- 3.2 Section 4.2 of this report lists the delegated award decisions made by the Director of Strategy, Commissioning, Procurement and Performance between 19/12/2014 to 15/01/2015.
- 3.3 Section 4.3 of this report lists the procurement strategies with an eventual contract award value greater than £5m that are a decision for Cabinet.
- 3.4 The Council's Procurement Strategy and Tenders & Contracts Regulations are accessible under the Freedom of Information Act 2000 as part of the Council's Publication Scheme. Information requested under that Act about a specific procurement exercise or contract held internally or supplied by external organisations, will be accessible subject to legal advice as to its commercial confidentiality, or other applicable exemption, and whether or not it is in the public interest to do so.

#### **4. FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS**

##### **4.1 Proposed contract awards**

- 4.1.1 Revenue and Capital consequences of contract award decisions to be made between £500k to £5m by the nominated Cabinet Member in consultation with the Cabinet Member for Finance and Treasury or, where the nominated Cabinet Member is the Cabinet Member for Finance and Treasury, in consultation with the Leader.

<b>Contract Title</b>	<b>Contract Revenue Budget</b>	<b>Contract Capital Budget</b>	<b>Dept/Cabinet Member</b>
Connected Croydon – Church Street Public Realm Improvement Works		£900k	Place/ Cllr Letts

##### **4.2 Delegated award decisions made by the Director of Strategy Commissioning and Procurement**

- 4.2.1 Revenue and Capital consequences of delegated contract award decisions made between £100k & £500k by the Director of Strategy, Commissioning Procurement & Performance

<b>Contract Title</b>	<b>Contract Revenue Budget</b>	<b>Contract Capital Budget</b>	<b>Dept</b>
Housing Communal Boiler Replacements and associated work at Handcroft Road Estate	£363,974		Place
Independent Travel Training	£495,000		People
Extension to the Turnaround Drop in and Housing Advice Service	£ 294,616		People
Contract for Office Supplies	£376,000		Resources
Early Intervention and Family Support Service (contract extension)	The annual contract value of the proposed extensions on six contracts is £511,578. Extensions to the current arrangements does not in itself commit the Council to any additional expenditure		People

### 4.3 Procurement Strategies above £5m

#### 4.3.1 Revenue and capital consequences of procurement strategy decisions to be made over £5m by Cabinet.

<b>Contract Title</b>	<b>Contract Revenue Budget</b>	<b>Contract Capital Budget</b>	<b>Dept</b>
Facilities Management Contract	£11m/annum		Resources

Approved by: Dianne Ellender, Head of Finance and Deputy Section 151 Officer

## **5. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

- 5.1 The Council Solicitor comments that the information in this report reflects the requirements of the Council's Tenders and Contracts Regulations and the additional delegation referred to in para 2.2 and the council's Financial Regulations in relation to the acquisition or disposal of assets.

Approved by: Gabriel Macgregor, Head of Corporate Law, on behalf of the Council Solicitor and Monitoring Officer

## **6. HUMAN RESOURCES IMPACT**

- 6.1 There are no immediate HR issues that arise from the strategic recommendations in this report for LBC staff. Any specific contracts that arise as a result of this report should have their HR implications independently assessed by a senior HR professional.

Approved by: Michael Pichamuthu, Strategic HRBP on behalf of Heather Daley, Director of Human Resources.

## **7. EQUALITY IMPACT**

- 7.1 An Equality Analysis process will be used to assess the actual or likely impact of the decisions related to contracts mentioned in this report and mitigating actions will be defined where appropriate
- 7.2 Equality analysis enables the Council to ensure that it meets the statutory obligation in the exercise of its functions to address the Public Sector equality duty (PSED). This requires public bodies to ensure due regard to the need to advance equality of opportunity; foster good relations between people who share a "protected characteristic" and

those who do not and take action to eliminate the potential of discrimination in the provision of services.

- 7.3 Any issues identified through the equality analysis will be given full consideration and agreed mitigating actions will be delivered through the standard contract delivery and reporting mechanisms.

## **8. ENVIRONMENTAL IMPACT**

- 8.1 Any issues emerging in reports to the relevant Cabinet member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

## **9. CRIME AND DISORDER REDUCTION IMPACT**

- 9.1 Any issues emerging in reports to the relevant Cabinet Member will require these considerations to be included as part of the standard reporting requirements, and will not proceed without full consideration of any issues identified.

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### **CONTACT OFFICER:**

<b>Name:</b>	Genine Whitehorne
<b>Post title:</b>	Head of Commissioning and Procurement
<b>Telephone no:</b>	60584

### **BACKGROUND DOCUMENTS:**

The following public background reports are not printed with this agenda, but are available as background documents on the Croydon Council website agenda which can be found via this link [Cabinet agendas](#)

- Connected Croydon – Church Street Public Realm Improvement Works

Appendix 1; Facilities Management Contract – procurement strategy

<b>REPORT TO:</b>	<b>APPENDIX to Cabinet report 17 February 2015</b>
<b>AGENDA ITEM:</b>	<b>Appendix to Item 11 - Contracts to be awarded report</b>
<b>SUBJECT:</b>	<b>Facilities Management Procurement Strategy</b>
<b>LEAD OFFICER:</b>	<i>Richard Simpson, Director of Finance and Assets and Section 151 Officer</i>
<b>CABINET MEMBER:</b>	<i>Cllr Simon Hall, Cabinet Member for Finance and Treasury</i>
<b>WARDS:</b>	<b>All</b>
<b>CORPORATE PRIORITY/POLICY CONTEXT:</b>	
<p>These works meet the Council's Corporate priorities to:</p> <ul style="list-style-type: none"> <li>✓ Provide Value for Money to its residents through the development of a more efficient Facilities Management service</li> <li>✓ Support improved use of our Assets and investment in energy and carbon management</li> <li>✓ Contribute to the local economy and environment through social value</li> <li>✓ Improve Corporate Social Responsibility opportunities</li> <li>✓ Include the Council's commitment to the London Living Wage</li> </ul>	
<b>AMBITIOUS FOR CROYDON &amp; WHY ARE WE DOING THIS:</b>	
<p>The Council's commissioning strategy (2012 -2015) sets out the approach to commissioning and procurement and puts delivery of outcomes at the heart of the decision making process. The development of the following commissioning and procurement strategy supports the achievement of a number of corporate priorities and supports the Administration's ambition to further invest in the local economy and ensure procurement opportunities are accessible to local businesses.</p>	
<b>FINANCIAL IMPACT</b>	
<p>This report recommends approval of the Commissioning and Procurement Strategy as set out below. The services are to be funded from the Council's General Fund, Housing Revenue Account and Capital Programme. The overall addressable budget is estimated to be circa £11m per annum– with a saving of approx. £500k per annum compared to current costs.</p>	
<b>KEY DECISION REFERENCE NO.:</b> this is not a key decision	

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below

## **1. RECOMMENDATIONS**

The Cabinet is recommended to:

Approve the Commissioning and Procurement Strategy set out in section 3 of this report to deliver the Council's Facilities Management service up to a total value of £64.4m for the Lots and maximum contract terms detail in paragraphs 3.5 and 3.6.

## **2. EXECUTIVE SUMMARY**

2.1 This report sets out the commissioning and procurement strategy for the Facilities Management service. In assessing the options for the future service delivery it is imperative that the Council commissions a service that is flexible and adaptable to meet the changing needs of the Council whilst also supporting greater investment in the local economy through the provision of the services in scope as detailed in 3.5. for the procurement.

2.2 Cabinet approved the Council's Asset Strategy in November 2014 (minute reference A104/14). This strategy sets out the Council's intention to make better use of property assets, support growth and stimulate development. The Council's estate will be reviewed over the medium term which may mean changes in its size and/or composition and therefore flexibility and control of service needs and demand will be imperative in responding to these changes.

2.3 The procurement strategy sets out the intention to break up the existing Total Facilities Management (TFM) Service into smaller individual contracts (i.e. bundled service delivery in Lots) which will enable the Council, through the procurement process, to engage with a wider variety of potential providers and encourage smaller (and more local) businesses to participate. The strategy also identifies a specific area of service delivery (Lot 5) where an in-house service will be commissioned. This 'in-sourcing' will enable the Council to ensure that this aspect of the service is fully aligned with the changing shape of the Council's estate over the next few years. In addition, the overall management of Facilities Management, including call centre activity, will be brought in-house. The feasibility of bringing Lot 7 (managing agent service) in-house will be examined at the end of the first term of any contract.

2.4 The "bundled" service delivery is being recommended as the most appropriate option for a number of reasons:-

- The recommended bundled model creates better accountability and hands responsibility for service delivery back to the Council
- The bundled model enables a more flexible approach to be taken which aligns with the Council's Asset Strategy.
- It has better transparency of costs thus enabling more accurate asset management and the ability to target investment.



- It is envisaged that this bundled approach will better support the Councils localism and growth agenda and encourages the employment of local labour thus supporting the economy of the Borough.
- Buildings that are multi-occupied can be easily separated and managed independently giving greater transparency and flexibility of service.
- Greater cost certainty is achieved by the Council controlling budgets and expenditure
- Provides the Council with a clear route to market for repairs and maintenance, reducing the time and expense of dealing via a third party

Proposed approach to bundling:

<b>Lot</b>	<b>Commissioning process</b>
Lot 1 – Cleaning services	Procured via a single contract
Lot 2 – Security services	Procured via a single contract
Lot 3 – Catering services	Procured via a single contract
Lot 4 – Quality Safety Health & Environment and compliance	Procured as individual contracts
Lot 5 – Logistics	Commissioned in-house service
Lot 6 – Hard FM (repairs and maintenance)	Procured via a single contract
Lot 7 – Bernard Weatherill House and Davis House managing agent	Procured via a single contract

For all procured lots, social value considerations such as use of local supply chains, employment and training opportunities for local people, environmental sustainability and a London Living Wage requirement will form part of the tender evaluation process and will be a focus for any pre-tender market engagement activity that takes place.

### **3. DETAIL**

#### **The current service provision:**

3.1 The existing Facilities Management contract was entered into in 2006 for a period of seven years with an optional extension of 3 years. The service procured was for Total Facilities Management (TFM) whereby a single provider, InterserveFM, was commissioned to manage and maintain the Council's non-domestic property portfolio. At the time this contract represented a 40% reduction in operation costs.

3.2 Over the term of the contract a number of cost cutting processes have been undertaken with the last exercise carried out in October 2011 where savings of £9m over the remaining five years of the contract were negotiated alongside the exercise of the right to extend the contract by 3 years to the total 10 year period. The partnership with InterserveFM has achieved significant improvements in some areas of service delivery however it has also become clear that the TFM model would be most effective when the TFM supplier is an expert in both hard and soft service delivery. However market research has shown that it is difficult in the current market to successfully procure an organisation that can manage a large local government portfolio to the highest levels of efficiency and service delivery.

3.3 The needs of the Council have also changed significantly over the life of the current contract with the rationalisation of the Council’s corporate estate, the move to Bernard Weatherill House and the capital investment that has been made in the Town Hall over the past eight years. There have also been significant changes to other services across the Council that impact on considerations for the future model, including the centralisation of business support and the procurement of the ICT contract.

**Proposed commissioning strategy:**

3.4 The proposed service provision beyond July 2016 is to ‘break up’ the existing TFM arrangement and to procure a range of contracts on a ‘bundled’ model with some insourcing of services to a reorganised Facilities Management team. This approach will not only deliver a service that is flexible and responsive to the Council’s changing needs but will also allow the Council to approach the market in a more focused way thereby ensuring greater accessibility to smaller companies. The bundled service delivery model also supports the Council’s move towards a Corporate Landlord operating model whereby premises related budgets will be centralised into the FM and Asset Management service to support better financial control as the Council’s estate is further rationalised.

The table below sets out further detail regarding the proposed lots:

Council’s In house Contract Management Team and FM Helpdesk						
Contract 1 – Cleaning Services	Contract 2 – Security Services	Contract 3 – Catering Services	Contract 4 – Environmental, H&S & compliance	Contract 5 – Logistics	Contract 6 – Hard FM	Managing Agent
Cleaning Pest Control Window Cleaning Consumables supplies Specialist Cleaning Waste Management Recycling	Security Staff – Manned guarding Mobile patrols Access Control CCTV Evacuation management Building Traffic Management Building Security Event Security	Catering Town Hall / Council and Mayoral events Refreshments for external meetings Event management	Energy procurement Energy Management Bill verification Water treatment Asbestos Management Risk assessment Assurance service	Portering AV Setup Mailroom Reprographics Archiving Document Storage / Management Floorwalkers/ Concierge Small repairs Helpdesk Event management	Planned Preventative Maintenance Reactive Repairs & Maintenance Specialist Sub-Contractors, i.e. HVAC Small project management Capital projects Building repairs Asset Maintenance Fabric Maintenance Fit Out PAT testing	Building Management Service charge regime Communal services Building maintenance
<b>Delivery Models</b>						
Outsourced via a single contract	Outsourced via a single contract	Outsourced via a single contract	Outsource as separate stand alone contracts	Deliver in-house	Outsourced via a single contract	Outsource via a single contract

3.4.1 The repairs and maintenance of Lifts in Corporate buildings will be excluded from this contract. These are being procured as part of a wider Council contract for such services.

**Future service provision:**

3.5 Each Lot will have its own specific delivery model. The delivery models have been outlined below.

Lot 1 – Cleaning (anticipated total contract value up to £10m, annual value £2m)

3.5.1 A specialist company will be procured to deliver the Council's requirements. This lot will exclude the cleaning of common (communal) parts of BWH and Davis House. The contract will be structured to encourage delivery from SMEs and give local organisations the opportunity to engage via the main contractor.

3.5.2 The contract will also include provision for pest control, waste management and recycling. The contract will allow the managing agent of BWH and Davis House to use the Councils contract for services in these two buildings.

Lot 2 – Security (anticipated total contract value circa. £7.5m, annual value £1.5m)

3.5.3 The intention is to include within this Lot the option to procure a borough-wide security provision that could include manned security, hard CCTV and technical security services, support of access control, fire and life safety systems. An in house security manager will have overall responsibility for the delivery of this service. A single supplier will be sought to deliver all aspects of the contract and sub-contracting will be permitted. There will also be the scope in the contract to provide out of hours reception services in buildings if required.

3.5.4 The security of common areas at BWH and Davis House will not be included in this contract; however the managing agent will have the option to use the Councils contract.

Lot – 3 Catering (nil cost to the Council)

3.5.5 The current contract includes the café, meeting hospitality and vending services within BWH, the Clock Tower Café and residential day care services.

3.5.6 The catering for residential and day care services will be handed back to the Council's Older Peoples commissioning team where a specialist service provider can be sought. This approach will draw together all catering services within this area and will enable the Council to procure a more flexible and complete service in this area. It is proposed that the Clock Tower Café service be let as a concession from July 2016.

3.5.7 The Council's assets strategy identifies the potential for parts of BWH to be let in the future. If parts of BWH are let, facilities for staff refreshments are proposed to be replaced with a concession arrangement. Meeting hospitality, event catering and vending services will be procured corporately where a framework will be set up to ensure that the widest possible offering is made available.

Lot 4 – Environmental, Health & Safety and Compliance (anticipated total contract value circa. £400k, annual value £200k)

3.5.8 A more robust and cost effective compliance service needs to be procured, as the current arrangements are split across the TFM provider, the FM Team and some from the Resilience Team. There is the opportunity for synergy and consolidation of management costs by procuring these in a more joined up manner.

3.5.9 The proposal is to procure services of Health & Safety compliance, statutory compliance, energy procurement and management from a variety of specialist providers, with the overarching management of this function being from within the Councils FM Team.

3.5.10 This will ensure that the Council has the very highest level of service delivery in these critical areas and that risk to the Council and its staff is mitigated.

Lot 5 – Logistics (operating costs to be finalised)

3.5.11 This contract will see the insourcing of the present mailroom, reprographics, archiving and portering/floorwalking services. All Interserve staff associated with this service will be TUPE transferred back to the Council and the service will be managed directly by an in house Logistics manager. The mailroom, reprographics and archiving management are already well structured and running with minimal management and these can be transferred to the supervision of the FM Team with no service impact and managed in a more cost efficient manner than outsourcing.

3.5.12 This Lot also has the potential to better integrate with other council services subject to consultation with the relevant Council departments and the analysis of potential cost savings. The areas within this lot are particularly sensitive to changes within the Council's portfolio and strategies and having these services delivered in-house by the FM Team will ensure that the Council has the flexibility to ramp up or ramp down to meet these new challenges quickly and without potential cost of change charges from suppliers.

Lot 6 – Hard FM services (anticipated total contract value up to £45.5m, annual value £6.5m)

3.5.13 This lot covers the repairs and maintenance of the Council's buildings and will also include the delivery of small projects such as refurbishments. This contract will be let to a single supplier that will provide a "one stop shop service" for the delivery of all maintenance including specialist M&E services. The fundamental difference in this contract will be the removal of the reactive fixed fee element and the Council will procure services as required and prioritise expenditure to buildings where it is needed and there is a long term plan to retain the asset. The current contract arrangements for the reactive service is that the Council pays a fixed fee per property which covers all costs associated with reactive works up to the value of £1,500 (including subcontractor margin). All works priced at £1,501 and above are paid in full by the Council. Analysis has shown that the current level of spend in this area is not reflective of the works actually required.

3.5.14 At the time when the current contract was procured in 2006, market analysis indicated that the best option was to pass all risk to the TFM provider. Market development and experience gained by the FM Team over the TFM contract period now indicates that the risk would be better managed by the in-house Council FM Team. Not only will the Council have control, but will be better placed to make strategic decisions over investment in assets.

3.5.15 As advised above the repairs and maintenance of Lifts in Corporate buildings will be excluded from this contract. .

3.5.16 The repairs and maintenance of BWH and Davis House will not be included in this lot, however the option to use the supplier that is appointed in this lot will be available to the Councils managing agent. The managing agent for BWH and Davis House will be responsible for procuring services as required. The contract will be available for the managing agent to use.

Lot 7 – Bernard Weatherill House & Davis House Managing Agent (anticipated total contract value £1m, £250k per annum)

3.5.17 It is proposed that a contract will be let to a managing agent to take on the day to day management and running of these two building. This will provide the Council with the transparency and separation that will be required if parts of these buildings are let to a third parties.

3.5.18 The management of the leasing of serviced corporate accommodation is a specialist function which is not currently a skill found within the Council. The managing agent will manage all aspects of the letting of the building (or part thereof) and ensure compliance by all parties to the lease agreement(s).

3.5.19 The managing agent will also be responsible for procuring services to the common parts of the buildings (such as cleaning) and for procuring repairs and maintenance to the fabric of the buildings themselves. The managing agent will then also have responsibility for preparing service charge regimes that are transparent, accurate and timely and should there be a challenge; the managing agent will have responsibility for defending these charges accordingly.

3.5.20 It is proposed that this lot be let on a 3 years contract after which the Council will review this lot to determine if it can be delivered in-house.

3.5.21 Analysis of the current managing agent arrangements for Davis House has indicated that this is an efficient and logical proposal.

**Contract term:**

3.6 The lots will be let for different terms as set out below. The rationale for changing the length of each lot will be to better facilitate the transition of each service and allow for a contract length that is most appropriate for the specific type of service being procured. This will also allow the Council the flexibility to more readily consider the future service model in response to changes within the Council.

Lot 1 & 2 – 3 years + 2 year option to extend

3.6.1 Lots 1 & 2 will be let for a period of 3 years with an option to extend for a further 2 years. The contract terms enables the Council and supplier to build a relationship whilst also ensuring the contract is attractive to the wider market due to the security of term. The Council's estate is changing, and therefore it is believed that a term in excess of this would not fit the Council's medium term financial planning.

Lot 3 - 3 year (concession)

3.6.2 The Council's corporate catering requirements are unlikely to extend beyond the Clock Tower Café in the future. The Council's Head of Asset Management will let a concession to run the Clock Tower Café beyond July 2016. Event catering will be procured via an approved framework list.

Lot 4 – less than 2 years each

3.6.3 The contracts in this "bundle" are fairly low value and each contract is specific to the area of compliance. These services can be purchased via frameworks that already exist or can be procured for short terms of up to 2 years as required.

Lot 6 – 5 years with option to extend for 2 years (break clause at year 3)

3.6.4 The services within this lot are the most complex and, as the Council seeks a

single supplier to provide all services, a term of 5 years will provide the supplier with the confidence to invest in the logistical supplies and staffing that will be required to provide a service of this nature. The Council and supplier will be able to build a relationship and the supplier can create a supply chain and appoint sub-contractors in the knowledge of a medium term commitment.

Lot 7 – 3 years with option to extend for 1 year

3.6.5 Managing agent appointments are typically up to 5 years and rarely much beyond this. This contract length will enable the Council to assess the agent's performance and will provide the existing FM service with sufficient time to create the processes and procedures required to manage their new suite of contracts. By year 3 a review of the opportunities within this lot can take place and the contract can be updated to reflect any changes in requirements.

### **Preferred procurement process:**

3.7 Due to the different nature, value and expectations, the process for each contract or lot will be tailored accordingly. The process to be used for each lot is broadly set out below.

3.7.1 Lots 1, 2, 4 and 7 will be via a restricted OJEU process.

3.7.2 The contracts within this lot are fairly well understood and defined and therefore, the OJEU restricted process provides enough flexibility and is efficient enough to meet the Council's needs.

3.7.3 Lot 5 is to in-source and therefore notice will be served to the incumbent at the appropriate time.

3.7.4 Lot 6 will be let using a standard Competitive Dialogue via the OJEU tender process.

3.7.5 The change in approach to this service carries the most risk and change to the current processes and procedures. Therefore, it is believed competitive dialogue is required to facilitate discussions and the building of requirements to ensure that both the Council and prospective suppliers are comfortable with the level of risk that is being transferred and the scope of the service required. The market in this sector is ever changing, and therefore competitive dialogue will provide a forum for innovation and different approaches to be discussed.

### **Social Value:**

3.8 Social value will form part of the tender evaluation process for all procured lots. Tenderers will be asked to set out their approach to ensuring social value is derived through the delivery of the contract(s). During the pre-tender engagement period all potential bidders will be encouraged to make use of existing resources such as the Croydon Observatory, the Growth strategy and the Social Value toolkit in order to prepare for their response to this part of the tender. It is anticipated that responses will include:

- Use of the local supply chain and supporting local business development
- Supporting local employment

- Supporting skills and training opportunities (including apprenticeships)
- Supporting local communities and community groups
- Improving environmental sustainability

3.8.1 Commitment to ensuring London Living Wage is embedded in the contracts will also be sought through the procurement process.

**Contract management:**

3.9 Robust contract management will be vital to the success of this procurement and each contract will be supported by a robust suite of KPIs (including social value considerations) that will be monitored and reported on a regular basis. Specific KPIs will be used to ensure full compliance with tendered commitments. The contracts set out in this commissioning and procurement strategy will be managed in line with the Council’s emerging contract management framework.

**4. MARKET ASSESSMENT**

4.1 The Council has already undertaken preliminary a soft market testing which included a range of providers, including SMEs and large multinationals, and the appetite to work with the Council is strong. Further FM research has identified a number of SMEs within the South London and Surrey area that could potentially bid for these contracts. To ensure that firms are interested and prepared it is proposed that the Council holds a number of supplier sessions prior to the OJEU notices being released to help engage suitable companies in the tender process. Each lot will also be designed to ensure the procurement process is proportionate and accessible.

**5 TENDER PROCESS**

<b>PROJECT/PROCUREMENT TIMETABLE / PROGRAMME</b>	
<b>5.1 Pre tender preparation (Prepare stage of Category wheel):</b>	
Presentation of report at Contracts and Commissioning Board	15/01/2015
Presentation of report at Cabinet Meeting	17/02/2015
Finalise Tender documentation:	March 2015
<b>5.2 Advertising and Pre Qualification Questionnaires (PQQ’s) (Tender stage of Category wheel)</b>	
Advert go live	April 2015
Advert close	May 2015
Financial section of PQQ responses evaluated	May 2015
All sections of PQQ’s evaluated	June 2015
<b>5.3 Tendering (Tender stage of Category wheel)</b>	
Issue tenders	June 2015
Tender close	September 2015
Evaluate	October 2015
Clarification and site visits (if applicable)	November 2015

Select provider(s)	December 2015
<b>5.4 Approval and award (Tender and Manage stage of Category wheel)</b>	
Presentation of Report at Contracts and Commissioning Board	January 2016
Presentation of report at Cabinet Meeting	March 2016
Commence Alcatel (if OJEU)	March 2016
Issue successful and unsuccessful letters	March 2016
Award contract	March 2016
<b>5.5 Contract Management (Manage and Review stage of Category wheel)</b>	
Contract initiation meeting	April 2016
Performance reporting and monitoring	July 2016

### Managing the tender:

5.6 Tenders will be returned electronically via the e-tendering portal. An evaluation panel will be established to assess each submission and will be evaluated in accordance with the Tenders and Contracts Regulations and Corporate Evaluation Guidance to ensure probity, value for money and that the most economically advantageous contractor is chosen.

The bidder evaluation panel will consist of at least the following officers:-

- Procurement Category Manager (Chair and lead)
- A technical expert in the service tendered
- A member of corporate finance
- Two members of the FM service

5.2 The scoring will be 60% price and 40% quality for each tender. Due to the nature of Lot 6 (Hard FM), its complexity and the potential level of risk the scoring of this lot may change to 50% price and 50% with the approval of the Director of SCPP to ensure that the Council procures a supplier that will deliver a good quality service.

## 6.0 CONSULTATION

6.1 Meaningful consultation and engagement form an important part of the procurement process and keys stakeholders will be engaged throughout the process.

## 7 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

7.1 The financial implications of this proposed award are identified below

### Revenue and Capital Consequences of Report Recommendations

Current year

Medium Term Financial Strategy – 3 year forecast
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	2014/15	2015/16	2016/17	2017/18
	£'000	£'000	£'000	£'000
<b>Revenue Budget available</b>				
Expenditure			9,330	9,330
Capital Budget			2,000	2,000
<b>Effect of decision from report</b>				
Expenditure			10,450	10,450
Income				
<b>Remaining budget</b>			880	880

**7.2 Effect of the Decision:**

To approve the commissioning and procurement strategy for the Facilities Management service.

**7.3 Risks:**

**7.4 Options:** Turner & Townsend were commissioned in the spring of 2014 to undertake a sourcing review. A full options appraisal was undertaken and included options such as full insourcing and continuing with a TFM arrangement. The option to “bundle” services provides the greatest opportunity to realize savings whilst handing back control of service delivery to the Council.

**7.5 Future Savings / Efficiencies:**

At this stage it is difficult to predict savings as the overall number of properties in scope for July 2016 is still being reviewed. However, the conservative estimate would be £500k per annum and this would be achieved through a combination of reduction in FTE and reduced property costs through better management of suppliers.

(Approved by: Dianne Ellender Head of Finance and Deputy Section 151 Officer)

**8 COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER**

8.1 The Council Solicitor comments that the procurement process as proposed in this report would meet the requirements of the Council’s Tenders and Contracts Regulations and the statutory duty to demonstrate best value under the Local Government Act 1999

(Approved by: Gabriel MacGregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer)

**9. HUMAN RESOURCES IMPACT**

- 9.1 It is fundamental that this recommendation occurs after the contract with the incumbent provider ends in July 2016 to avoid any liabilities being apportioned to the Council. After that point, in the main, this proposal becomes a service provision change for which the Council will facilitate a TUPE transfer but will not be intrinsically involved. In line with current employment case law, there is a small risk however, that fragmentation of the service may result in difficulties and/or uncertainty in applying TUPE (between the incumbent and third party suppliers) which may be reflected in the cost of services provided (in comparison to not having that risk). A further proposal to in-source certain work from the incumbent provider is likely to invoke TUPE legislation and all statutory tenets should be observed including the duty to inform/consult; HR advice should be sought at all major milestones of the transfer.

Approved by: Michael Pichamuthu, HR Business Partner on behalf of the Heather Daley, Director of Human Resources)

## **10. EQUALITIES IMPACT**

- 10.1 An initial EQIA has been completed and at the present time no further assessment is required. This report sets out the procurement strategy for the delivery of FM Services and as such a detailed assessment of each contract will take place during the procurement process.

## **11. ENVIRONMENTAL IMPACT**

- 11.1 There are no environmental impacts identified as a part of the programmes set out in this report.

## **12. CRIME AND DISORDER REDUCTION IMPACT**

- 12.1 There are no crime and disorder reduction impacts identified as a part of the programmes set out in this report.

## **13. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION**

- 13.1 The new contracts will replace the Facilities Management when it expires in July 2016.

## **14. OPTIONS CONSIDERED AND REJECTED**

- 14.1 Sourcing/delivery options considered:

A full options appraisal was undertaken (including a quantitative assessment) and included options such as full in sourcing and continuing with a TFM arrangement. The option to “bundle” services provides the greatest opportunity to realise savings whilst also handing back control of service delivery to the Council. The option to purchase TFM services from the Tri-borough framework has also been reviewed but deemed unsuitable due to the unknown cost implication and lack of control that the Council would have over the contract. This framework does not also support the Councils localism and growth plans.

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**CONTACT OFFICER:** Genine Whitehorne, Head of Commissioning and Procurement, extn. 60584

**BACKGROUND PAPERS - LOCAL GOVERNMENT ACT 1972:** none