

**SURREY COUNTY COUNCIL****CABINET****DATE: 17 JULY 2018****REPORT OF: HELEN CLACK, CABINET LEAD MEMBER FOR CORPORATE SUPPORT****LEAD OFFICER: CLAIRE BARRETT, DEPUTY CHIEF PROPERTY OFFICER****SUBJECT: PROVISION OF SOFT FACILITIES MANAGEMENT SERVICES FOR ORBIS PROPERTY – CONTRACT AWARD****SUMMARY OF ISSUE:**

The Council has a number of contracts (13) expiring between October 2018 and March 2019 all related to the provision of Soft Facilities Management services. These contracts provide the following services:

- a) Grounds Maintenance & Arboriculture Services
- b) Cleaning – Building and Washrooms
- c) Cleaning – Windows
- d) Pest Control
- e) Waste Collection
- f) Waste Collection – Confidential
- g) Security – Manned Guarding and Patrols
- h) CCTV & Access Control Servicing and Maintenance

These services are required to allow the Council to safely and compliantly operate its property assets, such as corporate offices, libraries, adult and children's social care facilities and Surrey Fire & Rescue properties.

These contracts also contribute to how residents and services experience Council services when visiting these assets and ensure that public buildings meet legislative standards. Full details of the different contracts and expiry dates are set out in para. 8 of the Details section.

This report sets out the options that have been considered after analysis of current arrangements and market intelligence, sets out the current procurement procedure underway to support the strategy and seeks approval through delegation to the Executive Director and Leader of the Council to award contracts for these services once the procurement and evaluation process is complete and allow for a smooth transition of services to new providers.

In September 2015, Surrey County Council Cabinet approved the business plan for to establish a public sector partnership to create an integrated business services organisation called Orbis delivering business and support services to both authorities. This indicated potential for savings of 12% to be delivered over the course of the three year business plan (to 2018/19).

The partnership incorporates the following services:

- Human Resources (HR) / Personnel and Training

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- Property Services / Property and Capital Investment
  - Information Management and Technology / ICT
  - Procurement
  - Finance (including Internal Audit)
  - Business Operations (Shared Services)

Each individual service has then created an integrated service model which is designed to deliver the benefits, both financial and non-financial, identified in the Orbis Business Plan to Surrey County Council and the other partner Councils. The strategy aims to optimise consistency, quality and efficiency in the way services are delivered and received by internal and external customers. Part of this model relates to the way the services are delivered by the Councils supply chain, and establishing a service that rationalises current contract management administration and the large number of different agreements in place with customers to create a simpler and more effective model.

The Property Services integrated service model is now in the process of being delivered and officers from Property Services and Procurement in Surrey have developed a procurement strategy to replace the contracts now required to support the delivery of services to customers. The strategy was approved in October 2017 by the Property Senior Leadership Team.

The strategy was developed after analysis of the following:

- Current contractual arrangements and how they could be aligned.
- Spend and demand within each contract and across each partner.
- Market intelligence from the supply chain.
- The standards and specifications for each contract in each partner.
- The flexibility required for different customers (for example fire stations vs. libraries).
- How the contracts could support the future delivery and growth of Property Services' offer to internal and external customers.
- The potential benefits that the combined value of these contracts could deliver to each partner.

Any potential benefits need to be balanced against the sovereign priorities of the Council, particularly around supporting the local economy and ensuring contracts are accessible to a range of different organisations and that the services delivered meet customers and residents expectations.

Officers from each of the three partner Councils have redesigned the specifications and performance standards currently in place to create consistent output based requirements that will drive these services to be delivered with optimum use of resources and allow suppliers to determine innovative solutions which will be flexible to meet the standards required and customers who receive the service.

A number of options were considered for the procurement of these contracts based on analysis of the above and the intelligence received from the market and public sector partners. These are detailed in the table below:

<p>Option 1: Procurement of a Total Facilities Management (TFM) service provider.</p> <p>This would entail offering all of the services and others currently not in scope (such as helpdesk, portage and caretaking) under a single provider across all partners.</p>	<p>The current market for this option is relatively small and is consolidating further, TFM providers are facing a number of inflationary and other economic pressures which are restricting competition and innovation.</p> <p>A TFM service relies on combining delivery of various back office functions (help desk etc.) with the distinct services detailed in para 1 above. As it was these services are out of scope for the current procurement, providers of TFM indicated they would be unlikely to have interest in the services set out in para 4 as a combined service.</p> <p>There is no evidence from public sector partners who have delivered services through a TFM model that a greater financial or non-financial benefit would be seen by the Council if this option was pursued at this time.</p> <p>This option also offers some limitations for the services to be offered to external customers as the school may just want a specific service only (for example building or window cleaning).</p>
<p>Option 2: Procurement of single service provider for each, or a combination of the services, in para 1.</p> <p>For example procure a single cleaning provider for all three partner Councils, or procure a single combined waste collection, confidential waste and pest control provider for all three Councils.</p>	<p>Although the market indicated an interest in this combination there was no clear evidence that this option would deliver improved efficiencies or value for money. The number of providers who were engaged who did show an interest in this option was not high enough to provide certainty that a good enough level of competition would be seen for the contracts.</p> <p>This option was however built in to the procurement approach (option 3) to allow suppliers to demonstrate they could provide services across the partnership with improved value and outcomes.</p>
<p>Option 3: (The approved option) Design a flexible procurement process which allowed suppliers to bid for any combination of the services, and for any sovereign authority (for example Grounds Maintenance in Surrey and / or East Sussex, or Cleaning and Pest Control in Surrey only etc.)</p>	<p>This option was seen as offering the most advantages as it allowed for suppliers to determine how they could best offer optimum value for money, innovation and improved service levels. It also ensured that the procurement was accessible to SME's and local suppliers as well as larger organisations. There was evidence from the market that this would attract the greatest interest and therefore competition for the Councils and partners needs.</p> <p>The design of a common set of specifications across all 3 partners and service levels allows bidders to provide an efficient and consistent</p>

	offer to Property Services' customers. External customers will also be able to determine which services best suit their needs and access the contracts individually, rather than being required under a TFM model to have to also sign up to additional support which may not be required.
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The contracts are to be let on an initial 3 year period, with the option to extend for up to 2 further years. This will allow Property Services to review the delivery of the integrated services model in the medium term and whether further opportunities to deliver financial and non-financial benefits emerge.

#### **RECOMMENDATIONS:**

It is recommended that:

1. Cabinet approve the approach outlined in this report and;
2. Authority is delegated the Executive Director of Economy, Growth & Commercial , in consultation with the Leader of the Council, award contracts for Surrey County Council and appoint Service Providers (suppliers) to provide a range of Soft Facilities Management Services to Orbis Property Services internal and external customers.

#### **REASON FOR RECOMMENDATIONS:**

The current arrangements for the services detailed below (para. 1) expire at intervals between 31 October 2018 and 31 March 2019. The contracts which expire first are:

- a) Pest Control – 30 September 2018
- b) Building and Washroom Cleaning – 31 October 2018
- c) Window Cleaning – 31 October 2018
- d) Manned & Patrol Security – 31 October 2018

Of the above contracts Building and Washroom Cleaning has potential for significant transfer of staff from more than one contractor to another and therefore requires a well-planned mobilisation and transition period. Manned and Patrol Security also has some staff transfer implications. The minimum time considered desirable for this would be two months. This means that the above contracts will need to be awarded by the end of August 2018.

#### **DETAILS:**

##### **Background and Options**

1. Historically services provided by the current supply chain across the three partners have been delivered in a number of different ways and there has been detailed work across authorities to align contract dates and specifications and where appropriate establish common ways of working based on sharing of best practice.
2. Property Services manages a significant number of assets and customers on behalf of each of the Councils, providing access to a range of services some

of which are from supply chain partners (para 1 above). The assets and customers can be broadly defined as:

- a) Corporate Buildings
  - b) Maintained Schools and Nurseries
  - c) Academies and Free Schools
  - d) Libraries
  - e) Fire & Rescue Services
  - f) Adults and Children's Social Care facilities
  - g) Nationality & Registration Services
  - h) Heritage Buildings
3. Not all of the above are currently provided with services by Property Services. But the procurement underway complements the ambition of Property Services to provide a broad range of services to current and future customers.
  4. In accordance with the Councils' Procurement Standing Orders and UK Law as set out in the Public Contract Regulations (2015) a procurement procedure is being undertaken to identify suitable, value for money Service Providers to deliver the services detailed in para. 1 above.

### **Tender Process**

5. A procurement procedure commenced in January 2018, the first stage of this was to evaluate expressions of interest from organisations in order to select the most suitably qualified and experienced bidders to submit a full tender offer to the Council. The deadline for receipt of all tenders is the 6 July 2018. A period of evaluation and clarification will then follow to ensure a fair and transparent process of selecting the most economically advantageous tender.
6. The award criteria for this procurement is based on a combination of Quality and Cost to determine the most economically advantageous tender/s, application of which is also regulated by the Public Contract Regulations. The tenders received will be evaluated by officers across the Orbis Partnership in line with the award criteria. Initially the services above have been offered to the market as separate geographic areas to enable the market to determine the best combination for delivery, optimising quality and cost based on the scope offered whilst giving access to these contracts to Local and SME business on an equal footing with larger organisations.
7. Some of the services above may involve transfer of eligible staff under the Transfer of Undertakings (Protection of Employment) regulations. In order for this to be a smooth transition and minimum period of 2 months is required for some services to commence on the 1 November 2018. The Council will need to have completed the evaluations, standstill period and award of contract by the end of August 2018.
8. In total up to eight individual contracts will be let for Surrey County Council as a result of this procurement, the required start dates are below:

<b>Service</b>	<b>Required Start Date</b>
Grounds Maintenance & Arboriculture Services	1 Feb 2019
Cleaning – Building and Washrooms	1 Nov 2018

Cleaning – Windows	1 Nov 2018
Pest Control	1 Oct 2018
Waste Collection	1 April 2019
Waste Collection – Confidential	1 Feb 2019
Security – Manned and Patrol	1 Nov 2018
CCTV & Access Control	1 Nov 2018

9. The first of the new contracts (Pest Control) is anticipated to be operational from 1 October 2018 to 31 March 2022 with the option to extend the contract for up to a further two years (five years in total). All subsequent contracts will be let to 31 March 2022 also with an option to extend for up to two years.
10. The Council will be entering into contracts on behalf of Surrey County Council only, the other Orbis partners will enter into their own contractual arrangements. This is to allow flexibility for each Council to retain control over the services delivered to its' customers and ultimately residents.

### **Benefits of the Contract**

11. The objectives of the procurement and therefore benefits to the Council are to:
- a. Provide a customer focussed offering to current and future Property Service customers.
  - b. Develop an effective and value for money offering which makes the best use of internal and external resources.
  - c. Contribute to the savings targets set out in the Orbis Business Plan.
  - d. Have the ability to flex to meet customer's needs and demands.
  - e. Optimise the use of digital technology for the monitoring and where appropriate delivery of these services.
  - f. Be aligned and contribute to each of the Councils priorities for its communities.
  - g. Provide a consistent level of performance and satisfaction.
  - h. Use innovation appropriately to improve service performance and delivery.
  - i. Strive for continuous improvement and improved cost of delivery.
  - j. Contribute towards the Council meeting their statutory duties.
12. The procurement also seeks to ensure that the economic, social and environmental well-being of communities, both residents and businesses across all three authorities are considered fully and the resulting contracts are expected to offer significant employment opportunities to local communities.
13. The Social Value Charter is included in the procurement and award criteria and will ensure that added value is delivered in the form of local supply chain spend, employment and skills opportunities, and community engagement.
14. In addition these services contribute to how many public services are experienced by residents, including libraries, offices and social care facilities.

## Key Implications

15. Some of the services above will involve transfer of eligible staff under the Transfer of Undertakings (Protection of Employment) regulations. In order for this to be a smooth transition a minimum mobilisation period of 2 months is required for some services to commence on the 1 November 2018. The Council will need to have completed the evaluations, standstill period and award of contract by the end of August 2018.
16. Contract performance will be monitored through a series of robust key performance indicators included in the contract and reviewed at performance review meetings. In addition the Council can recover cost for poor or non-performance.
17. The management responsibility for the call off contract lies with Orbis Property Services and will be managed in line with the contract management strategy as laid out in the contract.

### **RISK MANAGEMENT AND IMPLICATIONS:**

18. The Procurement Documents were prepared jointly by representatives from Orbis Procurement and Property Services.
19. The Contract has been drafted by Orbis Public Law.
20. Key risks associated with the contract have been identified, along with mitigation activities.
21. The individual contract terms and conditions include various termination clauses such as a termination without cause clause, which will allow the Council to terminate the contract for any reason should priorities/requirements change.
22. Volumes or spend set within the contract can be flexed according to demand or change in priority.
23. All bidders have been selected against a robust set of minimum requirements before they were asked to offer a full tender.

### **Financial and Value for Money Implications**

24. This procurement has been undertaken in order to ensure that the new Orbis Property Service model can offer services whilst delivering the savings planned within the 2018/19 and 2019/20. The new contracts will contribute to this.
25. The services detailed above have a range of annual values, with some provided on a reactive demand driven basis and others to a defined programme of activities.
26. The total annual spend across all services for Surrey County Council and its associated customers is approx. £3.9million, this ranges from c. £21,000 p.a. for Pest Control to c. £2.3million for Building and Washroom Cleaning. The



annual contract values for Surrey County Council for each of the 8 services are detailed in the table below:

<b>Service</b>	<b>Annual Value</b>
Grounds Maintenance & Arboriculture Services	c. £505,000
Cleaning – Building and Washrooms	c. £2.35million
Cleaning – Windows	c. £26,000
Pest Control	c. £21,000
Waste Collection	c. £290,000
Waste Collection – Confidential	c. £17,000
Security – Manned and Patrol	c. £510,000
CCTV & Access Control	c. £173,000

27. The total contract spend for all partner Councils for the services detailed above is approx. £8.45 million, however the value of some of these can fluctuate with demand, and the number of customers Property Services support.
28. The competitive process being undertaken will support the ability of Property Services to continue to provide these services, limiting the effects of inflationary and other cost pressures (such as National Minimum Wage), and the partnership approach being taken will help optimise our leverage with the market.

#### **Section 151 Officer Commentary**

29. As set out in the report the recommendation is to delegate authority to award soft facilities management contracts to the Executive Director of Economy, Growth & Commercial. The contracts relate to existing services and will only be awarded if within available resources. Any TUPE risks will be with the supplier rather than the Council. As such the Section 151 Officer is satisfied with the recommendation.

#### **Legal Implications – Monitoring Officer**

30. Under Section 3(1) Local Government Act 1999 the Council is under a general duty to “make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness”. Options for approaching the market were assessed and a new style of contracting approach chosen. The benefits of this approach, highlighted in paragraph 11 of this report, demonstrate compliance with this duty. Furthermore, the new style of contracting, whereby the wider public sector can join the arrangements at any time, enables further efficiencies for the public sector in Surrey as a whole.
31. As set out in the main body of this report, a procurement process in compliance with the Council’s Procurement Standing Orders and the Public Contracts Regulations 2015 is being undertaken. The final award decision will not be returning to Cabinet as authority is being delegated under this report.
32. Restrictions remain in place concerning the provision of certain services to schools and academies in the county by virtue of the Council’s shareholding in Babcock 4S Limited. Babcock 4S Limited provides procurement



management services to schools and academies, who are responsible for making their own commissioning decisions.

### **Equalities and Diversity**

33. An Equalities Impact Assessment has been completed. The services are still going to be delivered in a similar fashion and no impact to operations or resident experience or accessibility has been identified.

### **WHAT HAPPENS NEXT:**

34. The timetable for implementation is as follows:

<b>Action</b>	<b>Date</b>
Cabinet decision to approve recommendations	17 July 2018
Cabinet 5 day 'call in' period	25 July 2018
Completion of Evaluation of Tenders	By 8 August 2018
'Alcatel' Standstill Period	23 August 2018
Contract Signature	1 September 2018
Contract Commencement Date	Various dates (see para. 8)

35. The Council is required under EU procurement regulation to observe an 'Alcatel' standstill period (which allows unsuccessful bidders the opportunity to challenge the proposed contract award).

### **CONTACT DETAILS:**

#### **Contact Officer:**

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#### **Consulted:**

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