

For General Release

REPORT TO:	Cabinet 21st March 2016
AGENDA ITEM:	13.2
SUBJECT:	Facilities Management Hard Services – Award of Contracts
LEAD OFFICER:	Richard Simpson – Assistant Chief Executive (Corporate Resources and S151 Officer)
CABINET MEMBER:	Councillor Simon Hall Cabinet Member for Finance and Treasury
WARDS:	ALL

CORPORATE PRIORITY/POLICY CONTEXT

These services meet the Council's Corporate priorities to:

- Provide Value for Money to its residents through the development of a more efficient Hard Facilities Management Services
- Support improved use of our Assets and Investment in energy and carbon management
- Contribute to the local economy and environment through Social Value
- Improve Corporate Social Responsibility opportunities
- Include the Council's commitment to the London Living Wage

AMBITIOUS FOR CROYDON & WHY ARE WE DOING THIS:

Through the award of two medium-term Contracts the Council will be able to continue to deliver planned and reactive maintenance (Hard FM) services to its property and land portfolio (corporate buildings, community centres, parks buildings and structures). In this way the Council, as a responsible landlord, will continue to meet the service standards as detailed in the service specification and maintain the fabric and plant of its land and building stock. Other areas of the Council will also be able to use the services procured.

The Council together with the appointed service providers will jointly deliver a contract providing a range of benefits including demonstrable value for money; a contractual commitment to the London Living Wage and an ambitious social value offer aiming to benefit both local businesses and local people. This appointed service provider's offers includes new apprenticeships for each year of the contract, a contractual target to employ a high percentage of the staff working on the contract from within the borough, work placement opportunities and training for local people. There is also a contractual commitment to engage with local SME's through the sponsorship of exhibitions, local sub contract opportunities and a tendering advice service.

FINANCIAL IMPACT:

The Hard FM services are to be funded from the Council's General Fund. The outcome of the procurement carried out identifies immediate efficiencies across the two contracts in the order of **£150k** per annum.

This procurement is part of the wider change in the delivery of Facilities Management services for the Council. Through the change in delivery model and insourcing of professional services to the Council further efficiencies will be achieved through the creation of a fit for purpose maintenance regime that aligns with the Council's medium term asset strategy.

The in-sourcing service, combined with the future Corporate Landlord operating model will enable the Council to generate further saving opportunities in future years, through targeted investment, improved property management and decision making on all property and FM matters in line with the Corporate Asset Management Strategy.

This procurement forms part of the revised delivery model for FM services. Savings of £525k have been achieved through the Cleaning tender, the insourcing of Facilities support services are expected to achieve around £600k in savings and further savings are expected to be reported to cabinet in April for the Security contract. Further information is contained within Part B.

KEY DECISION REFERENCE NO: 08/16/CAB

This is a key decision as defined in the Council's Constitution. The decision may be implemented from 1300 hours on the expiry of 5 working days after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.

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:

- 1.1 Agree that Bidder A1 (as detailed in the associated Part B report on the Agenda) be awarded the contract to deliver Facilities Management Hard (Mechanical and Electrical) Services to Council land and buildings for an initial period of 5 years with options to extend for a further 1 + 1 years up to a maximum period of 7 years at an annual contract value of between £3m and up to £5m (maximum) and upon the terms detailed within this and the associated Part B report.
- 1.2 Agree that Bidder A2 (as detailed in the associated Part B report on the Agenda) be awarded the contract to deliver Facilities Management Hard (Building Maintenance) Services to Council land and buildings for an initial period of 5 years with options to extend for a further 1 + 1 years up to a maximum period of 7 years at an annual contract value of between £1m and up to £2.5m (maximum) and upon the terms detailed within this and the associated Part B report.
- 1.3 Note that the name of the successful bidder will be released once the contract award is agreed and implemented.

2. EXECUTIVE SUMMARY

- 2.1 At its meeting on 17th February 2015 (Min. A26/15) Cabinet approved the procurement strategy for delivery of the Council’s facilities management hard services (“the Services”) by way of two single contracts for an initial period of 5 years with options to extend for up to 2 further periods of 12 months up to a maximum period of 7 years at a maximum total contract value of between £20m and £52.5m (over 5 - 7 years) as stated in the tender advertisement (OJEU) notice. The Services will be delivered to the Council’s land and buildings including Bernard Weatherill House and the Town Hall complex. These Services include mechanical and electrical services (Lot 1) and building maintenance services (Lot 2).
- 2.2 This report details the procurement process and recommends the award of the contracts for Hard FM Services to Bidder A1 and Bidder A2. These bidders have submitted the most economically advantageous tender for the provision of the Services. Further details are provided below; specific values and bidder identities are provided within the associated Part B report on this agenda.
- 2.3 Section 3 of this report sets out the background to the project, the procurement approach and the evaluation process for the selection of the preferred bidders. Section 3 also provides details of the new operating model to support service delivery and the scope of services that are provided within the new operating model.
- 2.4 The proposed contracts have been commissioned and procured to support Croydon as a responsible landlord. The proposed contracts additionally provide for a number of key features as set out in Section 3.1 below.
- 2.5 Both the contracts and the commercial arrangements allow the Council significant flexibility in amending the number of buildings in scope and the type of services instructed should that be necessary. The Council’s FM team will be responsible for ensuring that the correct maintenance regimes are in place and that these reflect the Council’s medium term asset strategy.
- 2.6 The revised in house FM operating model will see the Council providing the professional property related advice and guidance for running and managing the estate. By transferring this element of the service in house, the Council will manage the risk and ensure that the maintenance regime, reactive repairs and capital investment programme are fit for purpose and align to the Council’s objectives and priorities. This model will enable the Council to generate further saving opportunities in future years, through targeted investment, improved property management and decision making on all property and FM matters in line with the Corporate Asset Management Strategy
- 2.7 It is intended that the contract commencement dates be the 3rd July 2016 for an initial period of 5 years with options to extend for 2 further periods of 12 months up to a maximum period of 7 years. The savings generated as indicated in Part B have been derived through these new contracts.

CCB Approval Date	CCB ref. number
2 March 2016	CCB1102/15-16

3. DETAIL

- 3.1 The procurement process described below embedded a number of initiatives aimed at ensuring that the contracts to be awarded best met Croydon's existing and emerging requirements. These include:
- Providers that are able to deliver all mechanical and electrical services and building maintenance services for the Council's land and buildings allowing for efficiencies and economies of scale
 - Medium-term contracts that through its structure provides:
 - Flexibility to respond to either budget increases or decreases year on year,
 - A contract form that includes the requirement for a London Living Wage as a minimum payment for staff working on this contract,
 - The correct identification and transfer of staff protected by TUPE regulations,
 - A set of requirements that will not only drive continuous improvement but also deliver robust and comprehensive contract governance requirements underpinned by a challenging and comprehensive suite of KPIs. Use of effective KPI measurement provisions act as a contract management tool has been enhanced by including financial penalties should performance drop below a minimum defined level.
 - Contractual social value requirements that fully align with Croydon's social value toolkit and can demonstrate local benefit for the supply chain, employment and training
 - Specifications that include different levels of services and enables the Council to tailor the services to different types of buildings and areas within buildings
 - Flexible additional services (as optional tasks) that can be instructed as required based on a schedule of rates
 - Contractual discounts for Capital works
- 3.2 The new operating model for FM will include in-house professional and technical resources that will be responsible for ensuring the Council's maintenance programme is fit for purpose and aligned to the medium term asset strategy. The in-house service will also be responsible for managing the transfer of risk from the supplier to the Council and therefore ensuring that the Council's resources are effectively managed and prioritised. This revised model ensures the Council has control of its resources, manages property related risk, and is not committed to a long term maintenance plan for buildings that do not form part of the short to medium term asset strategy.
- 3.3 Through transformation the resources that are available will be fully utilised through staff training to ensure that a wider range of services can be provided to sites by the in house team. This change will ensure that resources are better utilised, statutory maintenance and reactive maintenance tasks are carried out more efficiently and by the appropriate personnel. Contractors will be used to deliver specialist activities, complex and larger tasks.
- 3.4 Also included within the insourcing is the FM helpdesk, all support services, energy management and the overall strategic management of FM services. This further consolidates the operational management service and contributes to the overall efficiencies and streamlined management ensuring all resources are effectively managed and prioritised.

- 3.5 Specific details on how some of these objectives have been met by the recommended bidder are contained in the Part B Report.

The Procurement Process

- 3.6 The OJEU contract notice for these Services was issued on 16th September 2015. This Notice requested interested companies to express an interest for the Services under two Lots:

Lot 1: Mechanical and Electrical Services - Range £3m - £5m pa.

Lot 2: Building Maintenance Services – Range £1m - £2.5m pa.

Over 50 companies viewed the two procurement opportunities and 20 companies responded by submitting a Pre-qualification Questionnaire (PQQ), of which only 2 were non-compliant. Sixteen (16) PQQ's were received for Lot 1 and Eleven (11) for Lot 2. Although the procurement strategy stated that bidders could only be awarded one contract, nine (9) companies bid for both Lots.

The PQQs stage ensured that only bidders who had the financial strength, capacity and similar experience were put forward to the next stage, the competitive dialogue tender stage, limited to five in number for each Lot.

- 3.7 The project has been managed through the Facilities Management Project Board (FM Project Board) comprising senior officers responsible for relevant aspects and interdependencies of the project namely:

- Assistant Chief Executive (Corporate Resources and Section 151 Officer)
- Head of Facilities Management
- Head of Asset Management
- Head of SCC
- Senior HR business partner
- Head of Legal
- Finance Representative
- Procurement Category Manager
- FM Project Manager

- 3.8 The FM Project Board considered the Pre-Qualification Questionnaire outcomes report reflecting the overall result of the PQQ evaluations and agreed to proceed to the Competitive Dialogue stage with the top five highest scoring candidates for each Lot.

- 3.9 Comprehensive ISOS (Invitation to Submit Outline Solutions) documents were drawn up and all bidders were asked to attend a dialogue meeting and respond to specific parts the Specification and Tender Response Documents relating to Social Value and the overall cost of their proposal to provide the full services. The dialogue interviews for both Lots were held in December 2015. These interviews proved to be very useful in helping the Bidders to fully understand the Council's requirements and priorities.

- 3.10 After the conclusion of the dialogue sessions, the Council issued the ISFT (Invitation to Submit Final Tenders). Tenders were returned in February 2016.

The tender evaluation was conducted against the criteria set out in the ISFT documentation as shown below:

Lot 1: Mechanical and Electrical Services:

Award Evaluation Criteria	Weighting (Quality 50%/Price 50%)
Service Delivery (PPM)	14 %
Service Delivery (Reactive)	13%
Service Delivery (Projects)	4%
Contract Management	4 %
Asset Data recording	4 %
Mobilisation	4 %
Social Value	5 %
Premier Supply Programme	2 %
Quality Total	50 %
PPM and Reactive work	12%
Project work	12%
Building Costs	12%
Project Discount	7%
Materials mark up	5%
Cost of Change	2%
Price	50 %

Lot 2: Building Maintenance Services:

Award Evaluation Criteria	Weighting (Quality 50%/Price 50%)
Service Delivery (PPM)	5 %
Service Delivery (Reactive)	15%
Service Delivery (Projects)	15%
Contract Management	4 %
Mobilisation	4 %
Social Value	5 %
Premier Supply Programme	2 %
Quality Total	50 %
PPM and Reactive work	14%
Project work	12%
Building Costs	5%
Project Discount	12%
Materials mark up	5%
Cost of Change	2%
Price	50 %

3.11 ISFT submissions were requested and final tender submissions were received as follows:

Lot 1; Mechanical and Electrical Services:

One of the short-listed bidders withdrew from the tender process during the ISOS stage due to other tender commitments, and did not participate in the Dialogue sessions. However, the Council received 4 Tenders for Lot 1.

Lot 2: Building Maintenance Services:

Two of the short-listed bidders withdrew from the tender process during the ISOS stage due to other tender commitments and a third withdrew at the Dialogue stage due to the Council's insurance liabilities. However, the Council received 2 Tenders for Lot 2.

The evaluation panel members individually scored their specialist areas before the moderation meeting. The evaluation panel moderated and agreed the consensus score leading to the recommendations in this report. The process included ensuring a sufficient level of detail was captured regarding each element that was evaluated to ensure that the Council can fulfill its obligations in regards to information provided to unsuccessful bidders for both Lots.

3.12 Further details are contained within Part B.

4. CONSULTATION

4.1 Regular briefings and stakeholder engagement with building and service users (and departments) has been undertaken. This has included reviews of the proposed specifications and key performance indicators.

4.2 Members of the PQQ evaluation panel included Council's experts specifically focussing on the Council's corporate requirements for:

- Finance
- Equalities and Diversity
- Environmental and Sustainability
- Health and Safety
- Quality Assurance
- Business Continuity
- Human Resources
- Social Value

4.3 The Tender evaluation panel included the following officers:

- Head of Facilities Management
- FM Technical Commissioning Manager
- FM Project Manager
- Category Manager
- Procurement Officer

5 FINANCIAL AND RISK ASSESSMENT CONSIDERATIONS

5.1 The preferred Bidders were selected by a competitive tendering exercise and they are considered to offer the 'most economically advantageous tenders' to the Council.

5.2 The savings achieved will contribute towards the overall target for the facilities management services.

5.3 Further details are contained within Part B.

6. Options

6.1 If the recommendations are not approved the procurement process would need to be carried out again to ensure that the Council can continue to deliver hard FM services to its corporate buildings and properties in order to maintain its responsibilities. In the intervening period the existing contract would need to be extended. If this however should not be possible this would create a significant risk in terms of health, safety & welfare standards and reputational risks

Approved by: Lisa Taylor, Head of Finance and Deputy S151 Officer

7. COMMENTS OF THE COUNCIL SOLICITOR AND MONITORING OFFICER

7.1 The Solicitor to the Council advises that the procurement process as detailed in this report is in accordance with the requirements of the Council's Tenders & Contracts Regulations and meets the Council's duty to secure best value as provided under the Local Government Act 1999.

Approved by: Gabriel McGregor, Acting Council Solicitor and Acting Monitoring Officer

8. HUMAN RESOURCES IMPACT

8.1 This paper makes recommendations involving a service provision change which may invoke the effects of the Transfer of Undertakings (Protection of Employment) 2006 Legislation and its 2014 amendments. If this is the case, then all staff that are assigned to the economic entity in an identified third party provider will transfer to the new provider. The Council provided the bidders with anonymised information relating to the incumbent Providers' employees within the invitation to submit a final tender document. The final detailed information should be provided by the outgoing contractors in accordance with the employee liability information provisions under TUPE, no later than 28 days prior to the actual transfer. No Council staff are in scope for TUPE transfer to the preferred bidder.

Approved by: Michael Pichamuthu, Strategic HR Business Partner on behalf of Heather Daley, Director of Workforce

9. EQUALITIES IMPACT

9.1 Equality considerations were taken into account as part of the requirements defined within the original PQQs and contract documents whereby there is a need for the contractor to be compliant with the Equality Act 2010.

9.2 An initial equality evaluation of proposed changes and enhancements to service delivery has been carried out and signed off by the Council's responsible equality officer. A full assessment will be carried out as part of the mobilisation of the new service and TUPE transfers.

10. ENVIRONMENTAL IMPACT

- 10.1 Procurement of the contracts has provided the Council with an opportunity to support the Council in a range of areas including reduction Croydon's CO2 emissions and the use of more sustainable components and products.

11. CRIME AND DISORDER REDUCTION IMPACT

- 11.1 There are no adverse Crime and Disorder impacts arising from this report.

12. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 12.1 Following the evaluation of the final tender submissions, the evaluated scores are given in the table with Bidder A1 and A2 recommended as offering the most economically advantageous tenders:

Lot 1: Mechanical and Electrical Services:

Bidder	Quality Score	Price Score	Overall Score	Rank
Bidder A1	45.60	44.45	90.05%	1
Bidder B	43.20	39.47	82.67%	2
Bidder C	41.20	27.14	68.34%	3
Bidder D	31.80	29.69	61.49%	4
Bidder E	Bidder withdrew	Bidder withdrew	Bidder withdrew	Bidder withdrew

Lot 2: Building Maintenance Services:

Bidder	Quality Score	Price Score	Overall Score	Rank
Bidder A2	39.20	44.64	83.84%	1
Bidder B	41.60	32.87	74.47%	2
Bidder C	Bidder withdrew	Bidder withdrew	Bidder withdrew	Bidder withdrew
Bidder D	Bidder withdrew	Bidder withdrew	Bidder withdrew	Bidder withdrew
Bidder E	Bidder withdrew	Bidder withdrew	Bidder withdrew	Bidder withdrew

13. OPTIONS CONSIDERED AND REJECTED

- 13.1 The Preferred Bidders having achieved the overall highest combined scores and having submitted compliant bids which met the requirements set out within the Tender documents, no other options were considered.

13.2 The Preferred Bidders have successfully demonstrated through their bids that they are capable of meeting the Council's quality and price requirements.

CONTACT OFFICER:

Name:	Jonathan Arnold
Post title:	Project Manager
Telephone number:	Extn: 47366

BACKGROUND PAPERS: Strategy Report – Cabinet 17th February 2015
Initial Equalities Impact Assessment