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| Decision maker: | Cabinet member commissioning, procurement and assets |
| Decision date: | Monday 12 August 2019 |
| Title of report: | Extension of building maintenance and cleaning contract |
| Report by: | Strategic property services manager |

Classification

Open

Decision type

Key

This is a key decision because it is likely to result in the council incurring expenditure which is, or the making of savings which are, significant having regard to the council's budget for the service or function concerned. A threshold of £500,000 is regarded as significant.

Notice has been served in accordance with Part 3, Section 9 (Publicity in Connection with Key Decisions) of the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012.

Wards affected

(All Wards);

Purpose and summary

To approve the extension of the existing council building maintenance and cleansing services contract, which has been procured through an open market tender exercise, to the 31 August 2020.

The extension of the contract will enable time for the strategic service review of the Property Services function to complete, which is being undertaken to ensure a future sustainable service can be delivered.

Recommendation(s)

That:

- (a) **The contract with Balfour Beatty Living Places to deliver an amalgamated property maintenance and cleansing service be extended for one year from 1 September 2019 to 31 August 2020 at a total contract value of £12 million.**

Alternative options

1. To procure a longer term contract; this option is not recommended as there is insufficient time to complete the review and undertake a procurement process.
2. Not to procure the service; this option is not recommended as the council have outsourced this service and do not have an in-house management resource required to manage the service and deliver continuous service provision.
3. To transfer the services into the public realm contract; this option is not available due to the limitation of time and as the council are seeking to undertake a fundamental service review.

Key considerations

4. The current maintenance and building cleansing service contract is delivered by Balfour Beatty Living Places; the contract was awarded in April 2018 and the decision to award the contract was subject to cabinet member approval on 12 April 2018 ([link](#)).
5. This short term contract is for initially one year i.e. to 31 August 2019 with the ability to extend for a further year. The initial contract period was to allow time for a comprehensive and strategic service delivery review process to take place.
6. A considerable part of the service review has taken place and options have been considered and evaluated. However, whilst this process did largely complete before the council elections in May 2019 and the associated period of purdah, there was not enough time for a decision paper to be submitted for approval. A summary options paper will be provided in August 2019 in advance of a decision paper being scheduled for late September 2019 which would allow time for a new contract to be procured by September 2020 should that be the preferred option. As such the initial period of the current contract expires at the end of August 2019 which does not leave sufficient time for the re-procurement of a new contract, and it is necessary to extend the current contract for a period of one year which is permitted under the terms of the current arrangement.
7. Extending the contract for a further year will ensure consistency of service, with the delivery of key day to day maintenance and the required regular testing and servicing of plant and equipment and the delivery of cleaning to council offices and buildings.
8. The contract value aligns with budgets for 2019/20 and has the potential to be utilised to deliver the capital projects such as major building improvement works, relating to council owned property up to a value of up to £250k per project. Any projects will be subject to the council's standard governance process before they are progressed.

9. The current contract is based on the New Engineering Contract (NEC). It is a formalised system created by the Institution of Civil Engineers that guides the drafting of documents on civil engineering and construction projects. The contract provides clear visibility of delivery, cost and an early warning culture for positive partnership working and effective management of budget. The council's contract management team's portfolio consists of infrastructure and construction contracts, which have well established processes and procedures for NEC contracts, along with a newly designed and mobilised ICT system for managing change control.
10. The council will continue to manage the contract and will undertake regular service reviews for continuous improvement and ensure value for money. This will include both the provider's supply chain and subcontractors. Findings and outcomes will be shared for learning and implementation at contract level with any significant findings presented to the council's management board for cross directorate learning and improvements.
11. The contract will continue to set out key performance indicators to monitor the performance of the service, this will be reviewed on a monthly basis through contract operational meetings. The contractor is presently achieving or exceeding all the specified KPI targets. A robust contract governance is set out in the contract for clear routes of escalation and reporting.
12. The completion of the strategic review of the council's future property service needs will be undertaken in conjunction with the extended contract. As mentioned above, the timescales are for a decision paper in late September in order to allow for procurement of a new contract by the end of August 2020.

Community impact

13. The services delivered are critical to the council to enable it to ensure that its buildings are maintained in a condition that is safe for community users and staff. This contract enables the council to react to these requirements in a timely and cost effective way.
14. Effective asset management, by using the extended contract will ensure the council are spending funding on areas which will have the most positive impact for individuals utilising the buildings and are in line with corporate objectives.
15. The council has a duty of care to ensure the safety of the users of our buildings both visiting public and our staff, this contract enables the council to comply with these duties.
16. The contract will be used to ensure statutory compliance of our assets by providing the vehicle to deliver the appropriate servicing and inspection regime. This will enable compliance with all relevant Health and Safety legislation.

Equality duty

17. Under section 149 of the Equality Act 2010, the 'general duty' on public authorities is set out as follows:
- A public authority must, in the exercise of its functions, have due regard to the need to -
- (a) eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under this Act;
 - (b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it;
 - (c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
18. The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. The provider will be made fully aware of their contractual requirements in regards to equality legislation. These requirements have been met under the existing contract. This decision will have no negative impact on the council or providers compliance with this duty.

Resource implications

19. The existing annual contract value is up to £12m which covers the large range of properties in which the council has a legal interest, which presently numbers 1080. There are three key areas of spend, as detailed below. The contract value allows the provision of additional capital projects, should funding be available:
- (i) the provision of planned and reactive building maintenance, and cleaning service in 2018/19 of £2.44m – included in revenue budget
 - (ii) the provision of council building renovation/improvement projects in 2018/19 of £1.35m (capital programme) and £1.499m (enhancements works) included in capital budget
 - (iii) there is flexibility within the total contract value to add up to a further £6.25m of additional capital projects e.g. school capital projects.
20. All capital projects will be subject to the council's due governance requirements.
21. Expenditure in relation to construction services covers both revenue and capital elements. Expenditure in recent years has varied in line with demands placed upon the service (for example reflecting severe weather conditions). There is sufficient internal resource available to enable the contract to be extended for a further year and the cost implications are minimal as this does not involve a re-procurement exercise.

| Revenue or Capital cost of project (indicate R or C) | 2019/20 | 2020/21 | 2021/22 | Future Years | Total |
|---|----------------|----------------|----------------|---------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| <i>Revenue (Maintenance and Cleaning)</i> | 2,440 | | | | 2,440 |
| <i>Capital (building improvements)</i> | 2,849 | | | | 2,849 |
| <i>Capital (schools)</i> | 6,251 | | | | 6,251 |
| TOTAL | 11,540 | | | | 11,540 |

| Funding streams (indicate whether base budget / external / grant / capital borrowing) | 2019/20 | 2020/21 | 2021/22 | Future Years | Total |
|--|----------------|----------------|----------------|---------------------|---------------|
| | £000 | £000 | £000 | £000 | £000 |
| <i>Base revenue budget</i> | 2,440 | | | | 2,440 |
| <i>Capital borrowing</i> | 5,071 | | | | 5,071 |
| <i>Grant funding</i> | 4,029 | | | | 4,029 |
| | | | | | |
| TOTAL | 11,540 | | | | 11,540 |

| Revenue budget implications | 2019/20 | 2020/21 | 2021/22 | Future Years | Total |
|--|----------------|----------------|----------------|---------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 |
| <i>Maintenance and Cleaning</i> | 2,440 | | | | |
| <i>Revenue cost for 2020/21 not yet budgeted</i> | | | | | |
| TOTAL | 2,440 | | | | |

Legal implications

22. In common with all occupiers and landowners, the council has legal duties under legislation (including the Health and Safety at Work Act 1974 and the Building Act 1984), as well as under common law of negligence, to maintain its properties to a safe standard of repair and hygiene. Therefore the services proposed in this report should be regarded as essential to the council.
23. The original procurement route in respect of the existing contract recommended is compatible with the requirements of the Public Contracts Regulations 2015. Additionally the competitive tendering exercise taken at that time, coupled with robust performance management under the NEC3 contract model, will enable the council to demonstrate that it is meeting its statutory duty to secure best value in the delivery of these contracted services.

Risk management

24. Risks will be managed throughout this process and a risk register in place with appropriate mitigation identified. A number of key risks have been identified which are set out below:

| Risk / opportunity | Mitigation |
|--|---|
| The existing contractor may not be willing to extend the contract | Discussion has already taken place with the contractor who has affirmed that they wish to continue providing the service for a further year |
| There will be insufficient time to complete the contract extension | Based upon projected dates for the decision to be approved by the end of July there is sufficient time for the completion of the necessary documentation. Sufficient resources are available to ensure that the commencement date can be met. As there is no need for a mobilization period there will be no change in service delivery. |
| Ensuring value for money is achieved | Value for money will continue to be tested by way of the established monitoring process through monthly meetings and comparison to the market. The partnership will continue to review ways to improve value for the council. |

Good quality effective service is continuously delivered

Performance will continue to be closely monitored through Key Performance Indicators, to ensure services are delivering to target and continuously improved, where possible.

Further extension is required due to delay in the service review

The service review will complete in time to allow for the procurement of a new contract, based upon a decision paper in late September. The review process will be risk managed so that any indication that timescales will not be met can be escalated for assessment and an action plan.

Consultees

25. Political groups have been consulted and no comments have been received.

Appendices

None.

Background papers

None