

Item

BUILDING CLEANING SERVICES PROCUREMENT

To:

Councillor Simon Smith, Executive Councillor for Finance and Resources
Strategy and Resources Scrutiny Committee 2nd October 2023

Report by:

Anthony French, Asset Development Manager – City Services
Tel: 01223 - 458521 Email:anthony.french@cambridge.gov.uk

Wards affected:

All.

Key Decision

1. Executive summary

- 1.1 The purpose of the report is to advise the Executive Councillor that lots 1 and 2 of the existing building cleaning contract(s) are being allowed to expire with the current contractor on March 31st, 2024, and to seek approval to re-procure the services.

2. Recommendations

- 2.1 The Executive Councillor is recommended:

- a) To note and approve the re-procurement of lots 1 & 2 within the Building Cleaning contracts, subject to best value considerations.
- b) To delegate to the Director of City Services the authority to take delegated decisions to determine the specification, tender evaluation, and award one or more contracts for building cleaning, in consultation with the Committee Chair and Opposition Spokes.

3. Background

- 3.1 At the Strategy and Resources Committee of 20th January 2014, the Executive Councillor, with the unanimous support of the Committee, approved the proposal to go out to competitive tender

for the Council's building cleaning services.

- 3.2 Following this decision and the subsequent procurement process, the Council awarded a contract to Churchill Services for a five-year term for all building cleaning services.
- 3.3 Upon completion of the contract with Churchill Services and after review by Officers the Council took the decision to re-procure the contract but this time segregate the contract in to five separate lots to provide greater service autonomy and accountability. The lots and the successful contractors through the 2020/21 procurement process are detailed in the following table.

Lot number	Lot description	Successful bidder & Date commenced
1	Administration, commercial buildings, community centers and operational buildings	Goshen Multi Services Limited – April 1 st 2021
2	Public toilets	Goshen Multi Services Limited – April 1 st 2021
3 ¹	City Homes Housing Schemes Communal Areas	Goshen Multi Services Limited – April 1 st 2022
4	Multi-storey car parks	Industrial Site Maintenance Limited - April 1 st 2021
5	Window Cleaning	Hi Spec Facilities Services, Limited – April 1 st 2021

3.4 Two of the five lots, Lot 1 – Administration, commercial buildings, community centres and operational buildings and Lot 2 – Public toilets contract were awarded to Goshen Multi-Services Limited starting on April 1st, 2021, initially for 3 years with an option to extend by 2 years and then 2 years again. The same company subsequently awarded Lot 3 but a year later commencing April 2022 following a one-year extension to contract with the previous provider.

3.5 Contract performance for lots 1 and 2 has predominantly been to

¹ Lots 3, 4 and 5 remain unaffected, lot 3 is not yet at two-year review point as it is one year behind the other four lots, lots 4 and 5 are specialist functions and the lot Contract Managers remain content with performance and the contractor with continued contract viability.

specification standards for the duration of the contract. The Council has however through its own budget setting had a requirement to make variations to both lots by removal of facilities, and therefore, the associated cleaning functions to offset required savings.

- 3.6 Additionally, the Covid-19 pandemic has inadvertently had an impact on the way the Council delivers some of its services and reduced the requirement for office space which has subsequently led to further contract variations.
- 3.7 Goshen through regular meetings with the respective Contract Managers on several occasions expressed concern over the continuing reductions and the difference in the value of the contract from that of the original tender and award.
- 3.8 Contract Managers have previously advised that further reductions in contract could not be ruled out and Goshen expressed concern over business viability.
- 3.9 Contract Managers determined that with the future uncertainty it should consider the option not to extend the contact beyond the third year and seek to re-tender to the marketplace and invite offers for lots 1 and 2 as a combined entity or individually. The original Contract Sponsor, Head of Environmental Services approved this approach in March 2023.
- 3.10 Notice was given to Goshen Multi-Services Limited on the 31/03/2023 from the Contract Sponsor that the City Council do not intend to extend the contract for Lots 1 & 2 beyond 31/03/2024. As a result, there is a need to procure a new service provider for Lots 1 and 2 of the building cleaning contracts.

4. Procurement

- 4.1 With the current contract ending on the 31st of March 2024, Officers have considered the option of bringing the service back in house. This is not recommended because of the following financial and managerial risks:
 - a) The Council would be required to employ all existing eligible building cleaning service staff under TUPE terms and conditions.

- b) The Council would be required to provide significant Human Resource investment needs to support/ manage TUPE process.
- c) The Council would be required to meet any resulting service redundancy and/ or pension liabilities in full
- d) The Council would be required to meet all building cleaning capital investment liabilities in full.
- e) The Council would be required to take on building cleaning service staff recruitment and performance management liability.
- f) In house building cleaning service affords limited commercial development opportunities for Council, as the building cleaning market is price competitive and low value/ low margin.

4.2 Therefore, the only viable option available to the Council to ensure continued provision of the building cleaning service is to re-procure the 2 lots that are expiring. The proposal is to do this through a competitive tender process, as outlined in 3.9 offering the lot contracts as separate entities and/or as one contract for bidding. The preference is as one contract as this will be more attractive to the market:

- Lot 1: Administration, commercial buildings, community centres and operational buildings
- Lot 2: Public toilets

4.3 The approach of permitting bidders to tender for the lots combined or singularly provides flexibility and an optimal balance between giving opportunities for local SMEs (small to medium enterprises) to bid and achieving best value from the contract through economies of scale and avoiding sub-contracting costs.

4.4 The contract would be offered on a 3-year term, with an option to extend by 2 years, then a further 2 years, if the supplier is performing satisfactorily and the service can be shown to continue to provide best value to the Council, giving a maximum possible contract length of 7 years. All submitted bids would be assessed on a price: quality split of 40% price: 60% quality.

4.5 The following provides a summary assessment of the key risks/ benefits of the re-procurement option, from a Council perspective.

Benefits	Risks
a) Redundancy and pension cost liability met by new supplier.	a) Council has no direct control of service
b) Supplier able to move resource between this and other cleaning contracts they deliver in response to fluctuations in demand	b) Performance dependent on continuation of existing strong contract management and relationship development from officers within the City Services Group
c) Capital investment liability met by supplier	c) May have more than one supplier to manage
d) Staff recruitment and performance management liability met by supplier	d) No risk to Council
e) Flexibility to scale the contract up and down, without penalty, in accordance with Council's changing building cleaning needs associated with its office accommodation and housing stock	e) No risk to Council
f) Local SMEs can bid for one or a combined two of the lots	f) No risk to Council – supports local marketplace

4.6 In summary, re-procurement of the contract allows the market to be re-tested for each of the lots. Continuing with a contracted-out service also continues to minimise the exposure of the Council to the associated financial and management risks, at a time when the Council is facing significant budget pressures (both revenue and capital) and changes to its building cleaning service needs. This is achieved by the Council sharing the risks with the supplier, rather than bearing them fully itself (if the service was brought back in house). The flexibility of contracting out is therefore the recommended option for continuing to meet the Council's building cleaning service requirements over the next 3-to-7-year period.

5. Next steps

5.1 The procurement of building cleaning services is being managed as a corporate project, with a designated Project Sponsor (Director of City Services), and dedicated Project Manager from within City Services. A procurement project team will be established including representatives

from Procurement, Legal, Human Resources and 'Client Leads' from the various services, within the two Lots who require the services.

- 5.2 The Client Leads for each of the two lots have reviewed the existing specifications to assess whether they are 'fit for purpose' and adjust where required. The specifications are ready for procurement subject to committee approval, and it is proposed that these will go out to market in October 2023.

6. Implications

a) Financial implications

There is a risk that the procurement of the building cleaning service will result in a higher cost than the existing contract. However, with very little proposed variation to the existing contract specification and structure, this risk is being managed. Moreover, the use of a negotiated competitive tender process allows the Council to negotiate with any successful supplier(s) over their tender submission and any associated rates/ prices, which impact adversely on available service budgets.

Lot 1 has an annual predicted cost of between £240,000 to £290,000 across the contract period of 3-7 years and

Lot 2 £200,000 to £260,000 per annum over the same contract period.

b) Staffing implications

The Council will make a formal request to Goshen Multi-Services Limited to confirm which staff associated within the existing contracts are eligible to transfer, under TUPE, to any new contracted, supplier(s) for the two lots, with their respective terms and conditions protected.

c) Equal opportunities implications

An Equalities Impact Assessment (EqIA) will be included with the final specification.

d) Environmental implications

Given the scale and nature of the Council's building cleaning service, the re-procurement of the contract will have environmental implications, principally associated with the transport, machinery and cleaning agents/

methods used by the supplier(s). To manage these implications, the tender specification will seek to maximise the environmental performance of the service within available budgets.

e) Procurement

The procurement of the contract will be governed under the Public Contract Regulations 2015, using a Competitive Procedure with Negotiation process. The estimated value of the contract exceeds the relevant threshold contained in the Regulations. In view of this the Council is required to fully comply with the Regulations and to subject the contract to a level of competition to ensure compliance with the principles of transparency and equal treatment.

In addition, the City Council would be required to place an advert in the Find a Tender Service portal together with a further notice in the FTS when a contract is awarded, amongst other things compliance of the City Councils procurement rules (Procedures).

f) Consultation and communication

Consultation will take place with Trade Unions, individual officers, the private sector, at appropriate points in the procurement process.

g) Community Safety

As the quality of the Council's cleaning service of public toilets, community centres, etc., impacts on community safety, this will be managed through the respective Client Lead inputs to the development of the specification.

6. Background papers

- "The Future Delivery of Building Cleaning Services," Strategy and Resources Committee, 20 January 2014 (Agenda item 10).
- "Building Cleaning Services Procurement," Strategy and Resources Scrutiny Committee, 1st July 2019 (Agenda item 11).

7. Inspection of papers

To inspect the background papers, or if you have a query on the report, please contact: Anthony French, Asset Development Manager; tel. 01223 458521; email: anthony.french@cambridge.gov.uk