

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 12 February 2016	<b>Meeting Name:</b> Strategic Director of Finance and Governance
<b>Report title:</b>		<b>Gateway 2 – Contract Award Approval</b> Consolidated repairs and maintenance services contract for the council's operational estate	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Head of Corporate Facilities	

### RECOMMENDATION

1. That the strategic director of finance and governance approves the award of the consolidated repairs and maintenance services contract for the council's operational estate to Kier Facilities Services Limited for a period of 4 years commencing 27 May 2016 with the provision to extend at the council's discretion up to maximum of a further 2 years.
2. That the strategic director of finance and governance approves in line with CSO 4.8 an exemption from the requirements to obtain five tenders from the works approved list in respect of project related works procured through this contract in accordance with the methodology specified in paragraph 63.
3. The strategic director of finance and governance should note that based on the current arrangements for the buildings the annual estimated cost is £8M, making a total estimated contract value of £32M for the initial term. With the option to extend for a maximum of a further two years the total contract value would be £48M.

### BACKGROUND INFORMATION

4. Facilities Management (FM) is an integral business support service that provides a wide range of fundamental soft FM services e.g. cleaning, security, catering, inter-site mail, and hard FM services e.g. planned, preventative and reactive building maintenance, compliance and works projects which make up the building related services required to provide safe and compliant environments for staff and visitors.
5. In order to meet the changing requirements in the council's accommodation strategy a new long term procurement strategy for FM services was agreed in 2010 for the operational estate, namely to move from a situation in which the council has multiple, disparate, outmoded contract arrangements to a consolidated FM service provision through the procurement of two bespoke FM contracts across the operational estate.
6. In October 2012 the council awarded the first of these contracts in the form of a consolidated soft and hard facilities management services contract for 160 Tooley Street (and other buildings) to Interserve PLC for a period of five years, with an option to extend for an additional two years, hereafter referred to as the TSFM contract.

7. The recommendation in this report is for the award of a consolidated repairs and maintenance services contract for the operational estate, excluding those buildings within the TSFM contract described above, and is the second of the consolidated FM contracts outlined in the original strategy which will deliver the following service objectives:
  - Provide a safe and comfortable working environment for all building users which in turn enable them to deliver services
  - Ensure efficient and cost effective use of assets
  - Maximise the life expectancy of buildings and associated plant and equipment in line with the council's evolving accommodation strategy
  - Ensure all statutory, mandatory and health and safety requirements are met pertaining to repairs and maintenance works and inspections
  - Provide cost effective project related works which meets the council's needs and demonstrate value for money against industry benchmarks.
8. TUPE will apply, affecting five current council positions and the staff of existing contractors. The award of this contract therefore has TUPE implications for current council staff as well as existing contractor's staff (see Staffing Implications below).
9. This proposed contract will provide many of the advantages of the TSFM contract which will allow the council to similarly benefit from increased economies of scale driven through the contractor's own service delivery supply chain and realise the following efficiencies:
  - A rationalisation in contract management and monitoring requirements through the removal of multiple service providers and invoices
  - Improved management information on the council's assets
  - Improved service delivery standards supported by focused key performance indicators
  - Competitively priced project related works demonstrating value for money against industry benchmarks
  - Increased cost certainty over the life of the contract
  - Increased benefits as the scope of the service provider's annual improvement plan widens.
10. Building specific service benefits include:
  - A single point of contact for all services supported by the contractor's help desk providing a consistent customer experience
  - Improved responsiveness to service requests and reactive maintenance response times reducing downtime and increasing customer satisfaction
  - A programme of planned preventative maintenance for those applicable buildings including the compliance, statutory and mandatory elements of industry standard SFG 20
  - A transparent and automated pricing model through the National Schedule of Rates (NSoR) for reactive maintenance works up to the value of £10K which will improve the response times for review and authorisation of quotations
  - A clear project process which drives demonstrating value for money against industry benchmarks and current market conditions through competitive tendering.
11. This contract will bring together the repairs and maintenance services across approximately 1,100 buildings with a core number of buildings (approximately 180)

receiving a tailored compliance programme to meet statutory and mandatory requirements. The original strategy identified this consolidated FM contracts approach as the preferred service delivery solution for these buildings and therefore they were not incorporated within the scope of the TSFM contract for inclusion.

12. The estimated annual cost of the contract at award is £8M.
13. The total estimated contract value at award for the initial term is £32M.
14. The length of the contract is for 4 years. The contract has an option to extend for a maximum period of a further two years subject to the ongoing demonstration of value for money.
15. The total estimated contract value for this contract at award including the maximum extension period is £48M.

#### Procurement project plan

16. The procurement plan set out in the Gateway 1 anticipated a contract start date of 24 November 2014. Delivery of this procurement has however been impacted by the significant delay in the award of a new FM Framework Agreement by Crown Commercial Service (which eventually commenced on 28 July 2015) which prevented the Council from issuing the tender invitation until 16 September 2015.
17. Procurement project plan set out below:

Activity	Completed by / Complete by:
Approval of Gateway 1: Procurement Strategy Report	18/03/2014
Invitation to tender	16/09/2015
Closing date for return of tenders	12/11/2015
Completion of evaluation of tenders	18/12/2015
DCRB Review Gateway 2:	08/02/2016
CCRB Review Gateway 2:	11/02/2016
Notification of forthcoming decision – Five clear working days	16/02/2016
Approval of Gateway 2: Contract Award Report	24/02/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	04/03/2016
Debrief Notice and Standstill Period (if applicable)	07/03/2016
Contract award	09/03/2016
Add to Contract Register	10/03/2016
Publication of award notice on Contracts Finder	10/03/2016
TUPE Consultation/transition period start	10/03/2016
TUPE Consultation/transition period end	26/05/2016

Activity	Completed by / Complete by:
Contract start	27/05/2016
Contract completion date	26/04/2020
Contract completion date – if extension(s) exercised	26/04/2022

## KEY ISSUES FOR CONSIDERATION

### Description of procurement outcomes

18. Through a mature and forward thinking relationship this contract will bring a single supplier solution for all existing currently outsourced hard FM services, allowing supply side innovation to bring consistent and continuously improving levels of FM service to the operational estate supported by the contractual requirement to agree an annual service improvement plan year on year.
19. It will provide a well defined service fully integrated with the council's in-house team to provide a seamless comprehensive and reliable FM service to the users of the operational estate.
20. The contract brings economies of scale driven through the contractor's own service delivery and its supply chain and the elimination of the multiple management layers inherent in the current multi service provider arrangements. These economies of scale are underpinned by contractual thresholds for the contractors' applicable overheads and profit.
21. The reduction to one supplier from the current multiple contract arrangements (approximately thirty contractors) will provide a significant reduction in administration, e.g. one invoice per month per cost stream. It will also deliver detailed consolidated management information on the council's assets serviced by this contract and the performance of the service provider.
22. The contractor is required to perform to a set of minimum standards which are supported through the Key Performance Indicators (KPI's) which forms part of the contractual Performance Mechanism schedule. The KPI schedule is attached at Appendix 1.
23. The pricing structure of this contract is such that part of the service is provided on a fixed price lump sum basis (referred to as cost stream 1) with a known degree of risk transfer to the contractor and a high degree of cost certainty over the life of the contract. The remaining service elements (referred to as cost stream 2) are variable cost through contractual pricing mechanisms and include reactive maintenance services, the corporate compliance programme and project related works which includes CFMs capital investment programme.
24. The contract has the flexibility to incorporate additional buildings where best value can be demonstrated reducing additional procurement activity, realising the benefits of economies of scale and minimising the council's management overhead.
25. This contract is a key step in fulfilling the strategy of bringing together all FM service arrangements for the operational estate under a single supplier

arrangement to deliver further efficiencies supporting the council's current and anticipated savings targets.

26. While many of the anticipated service improvements and efficiencies of the new contract may not be visible to staff and users in their day to day occupation of the buildings there will be key differences to the new service. These will include:
- A unified, 'one team' approach to all delivered hard FM services bringing consistency to the face of FM across the whole operational estate
  - A corporate compliance programme delivered through one preferred service delivery partner
  - A strong customer focus approach with contractor and in-house services measured through customer satisfaction surveys
  - Shared and individual ownership of FM issues across both in-house and contractor staff bringing prompt, positive and early resolution to all day to day issues based on a proactive approach
  - Increased responsiveness to service requests and set reactive maintenance response times reducing downtime and increasing customer satisfaction
  - A single point of contact and accountability via the contractor's help desk with a clear escalation process within CFM to ensure customers receive a consistent and responsive experience.

#### **Policy implications**

27. A key element of the corporate plan that the strategy supports is "transforming public services". This requires sound resource management of the council's property assets, how they are utilised and their effective operational and financial management. The effective and efficient procurement and delivery of FM services are integral to the sound management of the council's property assets.
28. The medium term resources strategy aligns financial priorities with the management of assets and the associated resources with which the council delivers its services. A modern FM service platform and an informed FM client function will significantly support the council's medium and long term objectives providing flexibility and opportunities for efficiency savings.
29. The theme of "valuing the environment" will be increasingly supported through the provision of the new FM service delivery platform and effective strategic management of FM. Supported policies include "Southwark Cleaner Safer" and the "Sustainable Community Strategy".
30. Other key corporate objectives are indirectly supported through improving working environment, improving customer facilities and enabling more effective service delivery.

#### **Tender process**

31. An external provider has been sought in order to deliver a contained and well-defined service to the operational estate. This approach is targeted towards the delivery of further efficiencies, building upon the achievements of the modernisation and office accommodation programmes. It will enable the council to focus on its core business of the delivery of its services to the community of Southwark.

32. Due to the value of the contract being over the EU Services threshold of £172,514 at that time, the contract was subject to EU Procurement Regulation and an EU compliant process was followed through a Crown Commercial Service (CCS) Framework Agreement.
33. The procurement route followed was to issue an Invitation to Further Competition (ITFC) on the CCS Facilities Management Framework Agreement (Reference No. RM1056), a pre-tendered framework which has followed a full EU compliant procurement process. Approval to utilise the CCS framework agreement was given via a Gateway 1 report approved by cabinet on 18 March 2014.
34. The procurement protocol followed was to seek the Most Economically Advantageous Tender (MEAT). The assessment of the tender was based on Price (70%) and Quality (30%).
35. In line with the CCS protocol for utilising the framework agreement a Memorandum of Interest was forwarded to all of the ten firms on the framework agreement on 14 August 2015 notifying them of the proposed contract with an overview of what the contract entails to enable the firms to confirm their interest in bidding for the contract. Three firms (Carillion Services Ltd, EMCOR and Sodexo Holdings Ltd) declined.
36. On 16 September 2015 ITFC documents were issued to the seven remaining tenderers on the framework:
  - Bilfinger Europa Facility Management Services Ltd (referred to as Bilfinger)
  - Cofely Workplace Ltd (referred to as Cofely)
  - Galliford Try Building Ltd (referred to as Galliford)
  - Interserve Facilities Management Ltd (referred to as Interserve)
  - Kier Facilities Services Ltd (referred to as Kier)
  - Skanska Rashleigh Weatherfoil Ltd (referred to as Skanska)
  - Vinci Construction UK Ltd (referred to as Vinci).
37. On 23 September 2015, a bidders' conference was held in 160 Tooley Street to ensure that potential tenderers had a clear understanding of the council's requirements, the procurement process and an opportunity to ask questions. All the seven tenderers were adequately represented at the conference. Tenderers were also given an option to attend technical site visits to five buildings which represented the type of buildings under the contract so that they could gain a better understanding of the council's diverse property portfolio and the existing condition of the buildings.
38. Of the seven tenderers forwarded ITFC documents, two tenderers (Cofely and Skanska) withdrew from the procurement process early in the bid period which therefore left Bilfinger, Galliford, Interserve, Kier and Vinci.
39. Following the site visits a further two tenderers (Bilfinger and Galliford) withdrew from the procurement process which therefore left Kier, Interserve and Vinci.
40. The Tender Steering Group subsequently met and agreed that the receipt of three tenders provided adequate competition for the evaluation process to proceed.

#### **Tender evaluation**

41. Representatives from CFM, Environment & Leisure, Finance, Human Resources, Children's Services and Legal participated in the tender evaluation process which involved the assessment of tenderers' relevant experience, capability to undertake the service, health and safety, financial standing, equalities, staff welfare and price.
42. An initial evaluation of the bids received were undertaken to ensure the submissions received were compliant with the council's requirements.
43. The following tender criteria were evaluated on a pass / fail basis and all three tenderers passed:
  - Health and Safety
  - Equalities
  - Employee Welfare, London Living Wage and Transfer of Staff.
44. The quality element was 30% of the overall evaluation score. The quality evaluation process included thirteen Service Delivery Plans (SDP's) which were made up of sub-criteria. Each sub-criterion was evaluated based on a pre-determined methodology which was provided to the tenderers as part of the tender pack.
45. SDPs were allocated a weighting which are summarised in the attached Appendix 2. The sub-criteria scores for each SDP were added together in accordance with the methodology which produced an overall score. This score was then graded in accordance with the methodology provided in attached Appendix 2. Each SDP was allocated a mark.
46. To ensure that each SDP response was of sufficient quality to meet the evaluation requirements, tenderers had to meet a minimum sub-criteria failure threshold which was stipulated for each SDP. The quality evaluation also reserved the right to reject any tender where the tenderer failed to meet the scores specified in the evaluation methodology.
47. The price element was 70% of the overall evaluation score. The pricing document assessment was broken down into two components that reflect the services to the buildings that will be delivered through the contract:
  - Fixed Price Lump Sum (cost stream 1)

This fixed price encompasses the following services for designated number of buildings:

    - Planned preventative and reactive maintenance services including the Financial Threshold Liability (FTL)
    - Corporate compliance programme.

This element of the price evaluation had a 50% weighting.
  - Exclusions to Fixed Price Lump Sum (cost stream 2)

These prices relate to services which can be called off as and when required:

    - Reactive maintenance services above the FTL through the NSoR

- A schedule of rates with fixed prices including services associated to the corporate compliance programme
- A rate card for building trades and professional services during and outside of business hours
- Project management and overheads and profit fees for project related works.

This element of the price evaluation had a 50% weighting and was made up of the following sub-weightings:

- Schedule of rates: 21%
- Rate card: 8%
- Projects: 21%.

48. The council does not anticipate any pass through related costs (referred to as cost stream 3) at the current time being applicable to this contract and therefore this was not evaluated. However, a provision was included for these type of costs, such as fuel for generators, to be recharged to the council at the contractors cost.
49. As advised to the tenderers at the bidders' conference and set out in the tender documentation the evaluation panel conducted a supervised 'consensus scoring process'. This exercise gave regard to any variance in score between the individual evaluators, together with relevant clarification outcomes with scores agreed by the evaluators for each of the evaluation criteria.
50. The final outcome is summarised in the table below and further detail of the evaluation process, including the approach to cost stream 2, is contained in the closed version of this report.

<b>Criteria</b>	<b>Weighting %</b>	<b>Kier</b>	<b>Rank</b>
Total Quality	30	25.38%	1
Total Price	70	56.74%	1
<b>Overall Total</b>	<b>100</b>	<b>82.12%</b>	<b>1</b>

51. It can be confirmed that Kier has the highest overall evaluation score providing the most economically advantageous tender to the council. Kier is therefore recommended for award.
52. Kier surpassed the minimum SDP evaluation requirements (attaining two outstanding, two excellent, six good and three satisfactory marks), and have demonstrated in this process that they are capable of delivering the specified services to the council's required standards.
53. The price / quality (70% / 30%) weighting places a strong emphasis on price. While only three tenders were received, Kier's tender submission clearly set out the innovation and efficiencies that they will bring to the contract as defined in their SDP's and pricing structure. Their proposal delivers an efficiency saving from the council's current level of cost stream 1 expenditure of circa 15.50%. Additionally, they have identified clear areas for innovation which will be incorporated within the contract's contractual service improvement process.



54. Kier has a strong and established local authority client base. Examples of major FM contracts currently in operation include Epsom & Ewell Borough Council, Cardiff Council, Surrey County Council and Sheffield City Council.

#### **Plans for the transition from the old contract to the new**

55. The contract mobilisation period of nearly 12 weeks will provide sufficient time for both the contractor to prepare for the commencement of the contract on 27 May 2016 and for primary and secondary TUPE consultation. Kier's final mobilisation plan will be based on their draft mobilisation plan which formed part of their tender submission.
56. Contract mobilisation through the transition period is a critical activity and outline contractor mobilisation plans were assessed as part of the tender evaluation. At the start of the mobilisation period the contractor will present a proposed final mobilisation plan, the council will then review and either accept or return it for resubmission. The agreed plan will then be implemented by the contractor. The council will appoint a mobilisation manager to ensure that all activities are co-ordinated to deliver successful implementation of the plan.
57. All contractual terms and conditions have been agreed as part of the tender process. This period will therefore focus on maintaining existing service delivery arrangements through the transition period, mobilisation of the contractors' services and systems for the commencement date, primary and secondary TUPE, site familiarisation and integration of services.

#### **Plans for monitoring and management of the contract**

58. This contract will be managed and monitored by CFM. CFM is currently undergoing a restructure with the new structure to be implemented in readiness for contract commencement. The restructure will include the development of contract management and monitoring as a central function within the service. The success of this contract is dependent upon best practice contract management principles which will be utilised to ensure compliance with the specification and contract.
59. Best practice arrangements and systems will be utilised for the management and monitoring of the contract in respect of:
- Compliance with the specification and contract
  - The performance of the contractor
  - Cost /commercial
  - Customer relationship management
  - User satisfaction
  - Alignment of services to meet the needs of the organisation
  - Risk management.
60. The contractor's performance will be measured against the agreed KPI's as set out in the tender documentation. The KPI's will be reviewed as a minimum on an annual basis to ensure that they are appropriately weighted and reflect the council's current contract management focus.

61. A strong performance and payment mechanism has been developed and formally incorporated within the contract. This mechanism is designed to ensure that the contractor consistently succeeds in delivering to the required minimum levels and above. Payment deductions are applicable if the contractor fails to meet the required minimum performance standards.
62. The payment mechanism for this contract is based on a monthly invoice being one twelfth of the fixed price lump sum (cost stream 1). Cost stream 2 works are approved at the discretion of the council. These works are managed through a formal service request or Task Order change control process for all additional costs and variations. Payment applications and monthly invoices will be submitted for council assessment and agreement.
63. All project related works procured through this contract will be subject to:
- CFM undertaking a pre-tender estimate and the contractor demonstrating value for money against this benchmark; and
  - The methodology specified below:

<b>Project Related Works Values</b>	<b>Methodology</b>
£0 - £250K	Will be awarded to Kier subject to the demonstration of value for money against the pre-tender estimate.
£250K - £475K	Three out of four will be awarded to Kier subject to the demonstration of value for money against the pre-tender estimate. One out of four will be competitively tendered using the council's works approved list in accordance with the council's CSOs.

64. Project related works above £475K will be competitively tendered using the council's works approved list in accordance with the council's CSOs.
65. Under the contract, there is no exclusivity to the contractor for project related works. Consequently, the proposed methodology outlined above in paragraph 63 to tender one in four project related works between the value of £250K - £475K through a competitive tender exercise has been reviewed and agreed by the Tender Steering Group as a robust performance mechanism that will ensure that the contractor is regularly benchmarked against current market conditions.
66. Where project related works affecting buildings where Kier have repairs and maintenance contractual obligations are procured through a competitive tender exercise, CFM will ensure that appropriate management arrangements are in place for the commissioning, witnessing and handover of the works to Kier.
67. A key element of this contract is the annual service improvement plan which will capture performance over the preceding year and agreed targets for innovation and service improvement for the following year. This process is supported by six-monthly Service Reviews which will periodically look at the contractors' performance.
68. The adopted NEC3 contract suite is considered to be well suited to best practice contract management. It binds both client and contractor to active and transparent

management of the relationship and provides a structured and time bound process.

69. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, our contractors and subcontractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 18 March 2014 confirmed, for the reasons stated in that report, payment of LLW was an appropriate and best value requirement for this contract. Kier has confirmed that they will meet the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.

**Identified risks for the new contract**

70. Risks relating to this contract and how they will be managed are shown below:

S/N	Risk	Mitigating Action
R1 Low	Primary and Secondary TUPE issues are not managed by the successful contractor satisfactorily, potentially resulting in union, consultation and staff issues.	<ol style="list-style-type: none"> <li>1. Early tracking of the council, contractor and existing suppliers – HR and Legal engagement</li> <li>2. Robust communication strategy and plan in place</li> <li>3. Ensuring early union consultation and involvement</li> </ol>
R2 Medium	Less than satisfactory execution of the agreed contractor mobilisation plan through transition	<ol style="list-style-type: none"> <li>1. Early agreement of contractor mobilisation plan</li> <li>2. Dedicated CFM mobilisation resource</li> <li>3. Close liaison between contractor and operational CFM</li> </ol>
R3 Medium	Less than satisfactory performance as measured by KPI's at any point in the contract period	<ol style="list-style-type: none"> <li>1. Effective contract management and monitoring</li> <li>2. Robust utilisation of the performance and payment mechanism</li> </ol>
R4 Low	Contractor business failure	<ol style="list-style-type: none"> <li>1. Use of early warning mechanisms in NEC3 contract</li> <li>2. Contract monitoring</li> <li>3. CCS framework including financial standing assessment</li> </ol>
R5 Low	Pressure on cost stream 2 exceeding budget availability	<ol style="list-style-type: none"> <li>1. Best practice commercial management</li> <li>2. Effective forward planning</li> <li>3. On-going review and updating of Forward Maintenance Plan</li> </ol>
R6 Low	Contractor H&S and or compliance failure	<ol style="list-style-type: none"> <li>1. Clearly defined H&amp;S management processes defined during mobilisation period</li> <li>2. Standard agenda item on all meetings</li> <li>3. On-going review of contractor documentation</li> <li>4. Prompt management action</li> <li>5. Utilisation of the performance mechanism</li> </ol>

### **Performance Bond / Parent company guarantee**

71. A Parent Company Guarantee is to be requested. This is in addition to the various other provisions and remedies within the contract to protect the council.
72. The Tender Steering Group consider that a performance bond (which was part of the tender response) should not be called upon on the basis that a parent company guarantee is being offered.

### **Community impact statement**

73. As some of the operational buildings are open to the public this decision will have some impact on local people and communities. The contract will therefore deliver services in a way so as to ensure working and social environments do not negatively impact on the six strands of the council's equality agenda. There is a requirement for the successful contractor to utilise local employment and supply chain resources where possible.

### **Sustainability considerations**

74. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.
75. As part of the original framework procurement process, CCS requested and evaluated tenderers approach to economic, social and environmental considerations under question 8 of Appendix E: Statement of Requirements. Tenderers were asked to outline how they would ensure services were provided in the most sustainable manner to the customer and provide advice on sustainability matters including economic development and stability, social: culture, people, diversity and equality; environmental: waste and emissions, resource use and replenishment, impacts on habitats and biodiversity. Responses were then evaluated on anticipated outcomes. The council has evaluated specific areas of its requirements in addition to those already assessed by the CCS.

### **Economic considerations**

76. Whilst it is acknowledged that all of the contractors on the CCS framework will have their own supply chains in place, the council will seek to include local economic and social benefits in the contract wherever possible. To this end the evaluation methodology has included an assessment of how tenderers will:
  - Embrace the council's Fairer Future promise which includes consideration of the use of local suppliers and Small and Medium Sized Enterprises (SMEs) in the delivery of the contracted services, including:
    - Engage with local companies in their sub-contracting and supply chain arrangements wherever possible
    - Those operated by the voluntary and community sector
  - Build local economic benefits into the delivery of the service
  - Engage with apprenticeship schemes ensuring that a minimum of one apprentice is included within the delivery of the fixed lump sum price services

and agreed for other associated services called off of the contract i.e. project related works

- Achieve continuous and measurable improvements while working in partnership with the council to deliver services.

77. The contract therefore requires that a minimum of one apprenticeship will be included within the delivery of the fixed lump sum price services and that additional apprentices will be used for project related works. CFM will have clear monitoring and reporting procedures in place to ensure that the use of apprentices are in accordance with the contract requirement and the council's Fairer Future promise.

### **Social considerations**

78. Whilst on this occasion SMEs and BME's have not been able to participate, the contract encourages the use of local supply chains. Additionally, there are opportunities for SMEs on the council's approved works list to participate in competitive tender exercises for one in four project related works between the values of £250k - £475K in addition to project related works above £475K.

79. This contract has been tendered on the basis that LLW will apply to all contractor staff that work on the contract both directly employed by the contractor and sub contracted to them.

80. A specific LLW service delivery method statement was included in the quality evaluation and the contractor's commitment to LLW was confirmed through the clarification process both in terms of price and scope.

81. The contractor has confirmed its LLW monitoring and reporting arrangements.

### **Environmental considerations**

82. The below details some of the agreed set of environmental performance targets for council buildings. Tenderers have been asked to demonstrate how they will seek to help the council minimise the consumption of energy and emissions of pollutants to ensure these targets are met.

<b>Theme</b>	<b>Target</b>
Energy usage	To not exceed 'good practice' benchmarks set by the chartered institute of building services engineers (CIBSE) / carbon trust.
Water	To not exceed 2.0 <sup>3</sup> / per person per year, or 4.0m <sup>3</sup> /m <sup>2</sup> /per year, whichever is the more accurate.

83. The successful tenderer has been asked to demonstrate the systems / processes they will use to ensure the capture of data needed by the council to fulfill its obligations in reporting the use of CO2 emissions each year.

### **Market considerations**

84. The successful tenderer is a private organisation.

85. The successful tenderer has over 500 employees.

86. The successful tenderer has a national area of activity.

### **Staffing implications**

87. TUPE will apply affecting five current council posts and one identified employee of a current contractor. The award of this contract therefore has TUPE and pension implications for the new contractor and the council as well as for an existing contractor. Tenderers were advised to seek independent professional advice on the effect of TUPE (including any subsequent amendments to TUPE) on their tenders and the contract. The successful tenderer's approach to TUPE passed the required criteria.

### **Financial implications**

88. The current annual cost of providing hard FM services, including project related works, to the buildings identified for inclusion in this contract is estimated at £8M. The council is contractually committed to the fixed price lump sum with the remainder of the annual cost relating to other works which the council will review and approve through the contract management processes.
89. These figures include an annual estimate of £1.6M relating to repairs, maintenance and compliance services and £6.4M for project related works of which £1.4M is from the current funding the council has made available for CFMs capital investment programme.
90. The fixed price lump sum includes all works up to a £500 financial threshold per work item at the contractor's risk. The fixed price lump sum is the contractor's inclusive price for all works and services up to the Financial Threshold Liability (FTL). Costs for works over this threshold are met by the council. For any item over £500 the contractor will meet the cost up to £500 with the council meeting the balance over £500. The main variable cost stream includes this element along with other defined exclusions to the fixed lump sum price. The third cost stream consists of costs for pass through items which will be passed on to the council with no overhead or profit. These are usually relatively small items.
91. The fixed price lump sum and reactive maintenance services above the FTL (referred to as cost stream 2a) will be funded from existing departmental budgets which will transfer to CFM as buildings are added to the contract.
92. Departments will pay for those new works (referred to as cost stream 2b) outside of the services outlined in paragraph 93 below. These works will generally cover requests from buildings in maintenance standards B and C for specific services outside of the fixed price lump sum.
93. Project related works will be approved in accordance with the council's CSOs. CFM will fund its capital investment strategy from its department budget.
94. The contract is subject to an annual price review which is linked to the CPI index with the indexation mechanism set out in the contract. Therefore the fixed price lump sum will increase on the anniversary of contract start date each contract year in line with the agreed index from year two i.e. the fixed indexation will take effect from 27 May 2018. The day rates and schedule of rates in the variable cost streams will also increase annually in line with the agreed index.

95. The price sought as part of this tender was a year 1 annual cost for the fixed price lump sum and comparative prices against our current levels of expenditure for the variable cost stream 2 with cost stream 3 prices for information only.
96. The year 1 efficiency of the lowest tendered price in comparison to budget for the fixed price lump sum was anticipated and forms part of the 2016/17 CFM savings target of £110K included in the Housing and Modernisation three year budget savings proposals.
97. There are likely to be value for money savings over the life of the contract but as the cost stream two element is variable and dependent on need their value will be tracked through the contract management and reporting mechanisms. There is the potential to offer increased savings over the contract term through the annual service improvement reviews supporting future budget savings targets.

### **Legal implications**

98. Please see concurrent from the Director of Law and Democracy, paragraphs 113 to 117.

### **Consultation**

99. Consultation on the development and delivery of this procurement has been undertaken with internal corporate functions including human resources, legal, procurement, finance, corporate strategy; sustainability, economic development and Information Services Division.
100. Advice has been sought from external parties including CCS (in relation to the Hard FM framework and its use). In addition to technical advice being provided from within the council, expert specialist advice has also been utilised to support this procurement where it is required.
101. Consultation has been undertaken with other key stakeholders including staff, suppliers and trade unions.

### **Other implications or issues**

102. This procurement has taken into consideration the impact on other projects / programmes and services.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (H&M15/016)**

103. This gateway report recommends that the strategic director of finance and governance approves the award of the consolidated repairs and maintenance services contract for the council's operational estate to Kier Facilities Services Ltd for a period of 4 years commencing 27 May 2016 with the provision to extend at the council's discretion up to a maximum of a further 2 years. This covers financial years at least from 2016/17 to 2020/21, over which period the grant the council receives from government is expected to reduce considerably.
104. The award of this contract will require the centralisation of council departmental budgets for those services included in the fixed price lump sum (cost stream 1) and the reactive maintenance services above the Financial Threshold Liability (FTL) (cost stream 2a).

105. The strategic director notes the financial implications contained within the report, the efforts made to obtain the most economically advantageous tender for the council and the contribution to achieving the business plan savings contained in the budget report to council in February 2016.
106. The fixed price lump sum element is included in the Housing and Modernisation three year budget proposals from 2016/17.
107. Departments will pay for new works (referred to as cost stream 2b). These works will generally cover requests from buildings in maintenance standards B and C for specific services outside of the fixed price lump sum. It is essential that the services identify resources for these costs before the works are commissioned.

#### **Head of Procurement**

108. This report recommends the strategic director of finance and governance approves the award of the consolidated repairs and maintenance services contract for the council's operational estate to Kier Facilities Services Ltd. The contract would commence on 27 May 2016 for a period of 4 years, with the provision to extend at the council's discretion up to maximum of a further 2 years.
109. The total value of the contract is estimated to be worth £8m p.a. which includes the fixed price lump sum, described as cost stream 1 within the report. Based on the cost estimates and projections, the total contract sum for the total possible duration would be £48m.
110. The report sets out in paragraphs 41-54 a summary of the tender evaluation process and how this recommendation achieves value for money for the council.
111. Paragraphs 58-69 set out the approach to contract management and monitoring arrangements. The report confirms that at least one apprenticeship has been delivered for the contract fixed price lump sum services.
112. The report also asked that the strategic director of finance and governance approves the proposed approach to procuring associated project works in scope of this contract, described in paragraphs 63-65. This includes a process for delivering projects and ensuring that they continue to deliver value for money.

#### **Director of Law and Democracy**

113. This report seeks the approval of the strategic director of finance and governance to the award of the consolidated repairs and maintenance contract to Kier, as further detailed in paragraph 1. Approval was given by the cabinet in the gateway 1 report to delegate the gateway 2 award decision to the strategic director, who may therefore take this decision.
114. As the value of this contract exceeds the relevant EU threshold, it is subject to the full applications of the EU procurement regulations. However the CCS Facilities Management framework through which a further competition was undertaken, was established following an EU compliant tendering process, and therefore tendering through this framework satisfies those EU requirements. The council, using the evaluation methodology set out in the further competition




documents, has identified that Kier has submitted the most economically advantageous tender, and is therefore recommended for award.

115. The strategic director is also asked to approve the mechanism for ordering certain future project works through this contract, details of which are given in paragraph 63. In accordance with contract standing order 4.8, an exemption from the usual tendering procedures may be approved in advance through a gateway report.
116. Contract standing order 2.3 requires that no steps are taken to award a contract unless the expenditure involved has been included in approved estimates, or otherwise approved by the council. Paragraphs 88-97 confirm the financial implications of this award.
117. The strategic director will be aware of the Public Sector Equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation, The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The strategic director is specifically referred to the community impact statement at paragraph 73 setting out the consideration that has been given to equalities issues which should be considered when agreeing this award.

**FOR DELEGATED APPROVAL**

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature  ..... Date 25.2.16  
**Duncan Whitfield, Strategic Director of Finance and Governance**

## BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 – Procurement strategy approval for Consolidated Repairs and Maintenance Service contract for the council's Operational Estate	Housing and Modernisation	Matthew Hunt 02075255674

## APPENDICES

No	Title
Appendix 1	Key Performance Indicators
Appendix 2	Service Delivery Plan Weighting Schedule and Evaluation Marks

## AUDIT TRAIL

<b>Lead Officer</b>	Matthew Hunt – Head of Corporate Facilities Management	
<b>Report Author</b>	Dean Paterson, Head of Facilities Management Technical Services	
<b>Version</b>	Final	
<b>Dated</b>	12 February 2016	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
<b>Cabinet</b>	N/a	N/a
<b>Date final report sent to Constitutional Team</b>		



**Appendix 1: Key Performance Indicators**

<b>KEY PERFORMANCE INDICATORS</b>				
Section 1	Standard / Requirement	Measurement Indicators	Service Requirements	Process
<b>CAFIM Help Desk</b>	Provide a fully functioning 24/7/365 Helpdesk System in accordance with the Service Requirements.	Number of monthly instances where failure to provide the Helpdesk System resulted in complaints in accordance with the complaints process.	5	Service Failure complaints process
	Provide a fully functioning CAFIM System 24/7/365 in accordance with the Service Requirements.	Number of monthly instances where failure to provide the CAFIM System resulted in complaints in accordance with the complaints process.	6	Service Failure complaints process
	Provide a fully functioning National Schedule of Rates System in accordance with the Service Requirements.	Number of monthly instances where failure to provide the National Schedule of Rates System resulted in complaints in accordance with the complaints process.	7	Service Failure complaints process
	The Helpdesk shall: <ul style="list-style-type: none"> <li>• Answer all telephone calls within six rings</li> <li>• Process and acknowledge all emails within five minutes of receipt</li> <li>• Process and acknowledge all online portal enquiries within five minutes of receipt.</li> </ul>	Percentage (%) of calls emails and portal enquiries answered, processed and acknowledged within the response time.	5	Timestamp of Helpdesk System
	All Helpdesk Service Requests logged onto the System correctly in accordance with the Service Requirements.	Number of monthly instances where Helpdesk Service Requests were logged onto the System correctly within the response time.	5	Timestamp of designated System
	All National Schedule of Rates quotations for Reactive Maintenance above the Financial Threshold Liability issued to the Employer in accordance with the Service Requirements.	Number of monthly instances where quotations were issued within the response time.	7	Timestamp of designated System
	All National Schedule of Rates quotations for Works issued to the Employer in accordance with the Service Requirements.	Number of monthly instances where quotations were issued within the response time.	7	Timestamp of designated System

Section 2	Standard / Requirement	Measurement Indicators	Service Requirements	Process
Maintenance Services	Programme, deliver and maintain a Planned Preventative Maintenance (PPM) Schedule for Affected Properties in Maintenance Standards A and B on the CAFM System in accordance with the Service Requirements.	Failure to maintain a PPM Schedule on the CAFM System for the Affected Properties.	26	Number of PPM Schedules on the CAFM System which do not meet the Service Requirements (Service Failure)
	Provide a PPM Service across the Affected Properties in accordance with the Service Requirements.	Number of PPM events completed against those events planned.	26	Record completed planned tasks on the CAFM System
	All PPM tasks to be carried out within five Business Days tolerance of the specified due date within the agreed Planned Preventative Maintenance Schedule.	Number of events completed within the five Business Days tolerance.	26	Record timestamp of when activities completed in the CAFM System
	Ensure all Mechanical, Electrical and Plumbing (MEP) Systems are available at all times across the Affected Properties in accordance with the Service Requirements.	Number of occasions the MEP Systems were unavailable.	27	Number of occasions recorded when the MEP Systems were not available
	Attend and complete Handy Service Requests in accordance with the Service Requirements.	Number of Handy Service Requests completed in accordance with the Service Requirements and within the required response times.	32	Timestamp of designated System
	Attend and complete Reactive Maintenance Service Requests in accordance with the Service Requirements (attend time, temporary and permanent fix times).	Number of Reactive Maintenance Service Requests attended and completed in accordance with the Service Requirements and within the required response times.	5 & 6	Timestamp of designated System
	Reactive Maintenance Service Requests confirmed as completed in accordance with the Service Requirements following Employer and / or Contractor post-inspection.	Number of Reactive Maintenance Service post inspections undertaken by the Employer and / or Contractor which confirm the Service Requests were completed in accordance with the Service Requirements.	5 & 6	Record number of satisfactory Post Inspections completed

Section 3	Standard / Requirement	Measurement Indicators	Service Requirements	Process
Contract Management / Reporting	Provision of a complete and accurate Monthly Report in accordance with the Service Requirements.	Monthly Report submitted to the Employer by the required date, in the correct format and fully populated with all required information in accordance with the Service Requirements.	13	Employer confirms acceptance of Monthly Service Report as compliant.
	Provision of a Forward Maintenance Plan in accordance with the Service Requirements.	Forward Maintenance Plan submitted to the Employer by the required date, in the correct format and fully populated with all required information in accordance with the Service Requirements.	24	Employer confirms acceptance of Forward Maintenance Plan Improvement Plan as compliant.
	Provision of an Annual Service Improvement Plan in accordance with the Service Requirements.	Annual Service Improvement Plan submitted to the Employer by the required date, in the correct format and fully populated with all required information in accordance with the Service Requirements.	13	Employer confirms acceptance of Annual Service Improvement Plan as compliant.
	Maintain appropriate 'in-date' training / accreditations for the Contractor's Staff as specified within the Contractor's Plan i.e. Authorising Engineers, Appointed Persons, Responsible Persons etc..	Contractor's Staff training / accreditation 'in date' and shall not fall below those Standards specified in the Contractor's Plan for a period in excess of twenty (20) Business Days in any twelve (12) month period during the service period.	17	Monthly Report will provide comprehensive details of Contractor's Staff training / accreditations against the Service Requirements.

Section 4	Standard/Requirement	Measurement Indicators	Service Requirements	Process
Compliance Programme	Fire Risk Assessments (FRAs): Undertake FRAs to the Service Requirements in accordance with the agreed annual programme across all maintenance standards.	Number of FRAs completed to the Service Requirements in accordance with the agreed annual programme across all maintenance standards.	8	Number of Affected Properties recorded as non-compliant with the Service Requirements on the CAFM System.
	Water Risk Assessments (WRAs): Undertake WRAs to the Service Requirements in accordance with the agreed annual programme across all maintenance standards.	Number of WRAs completed to the Service Requirements in accordance with the agreed annual programme across all maintenance standards.	44	Number of Affected Properties recorded as non-compliant with the Service Requirements on the CAFM System.
	Electrical Inspection & Testing Certification: Provide an annual programme in accordance with the Service Requirements across all maintenance standards.	Number of Electrical Inspection & Testing Certificates completed to the Service Requirements in accordance with the agreed annual programme across all maintenance standards.	41	Number of Affected Properties recorded as non-compliant with the Service Requirements on the CAFM System.
	Duty Holder periodic Asbestos Re-inspections: Provide an annual programme in accordance with the Service Requirements across all maintenance standards.	Number of Duty Holder Asbestos Re-inspections completed to the Service Requirements in accordance with the agreed annual programme across all maintenance standards.	43	Number of Affected Properties recorded as non-compliant with the Service Requirements on the CAFM System.
	F-Gas Regulations: Maintain regular inspections and updating of the register in accordance with the Service Requirements.	Failure to undertake the Service Requirement to the required Service Standards.	29	Failure to undertake the Service Requirement to the required Service Standards.
	Display Energy Certificates: Provide an annual programme in accordance with the Service Requirements across all maintenance standards.	Failure to undertake the Service Requirement to the required Service Standards.	20	Number of Affected Properties recorded as non-compliant with the Service Requirements on the CAFM System.
	Energy Performance Certificates: Provide an annual programme in accordance with the Service Requirements across all maintenance standards.	Failure to undertake the Service Requirement to the required Service Standards.	20	Number of Affected Properties recorded as non-compliant with the Service Requirements on the CAFM System.

Section 5	Standard/Requirement	Measurement Indicators	Service Requirements	Process
Projects	All Projects are to achieve practical completion to the agreed project completion date as stipulated at the project approval stage & Task Order instruction (or any revised project completion date as formally approved through a variation post the initial Task Order instruction).	Cumulative Business Days Projects overrun on a rolling twelve month basis compared to the agreed completion dates.	54	Cumulative Business Days Projects overrun on a rolling twelve month basis compared to the agreed completion dates.
	Projects: Works Value Reliability.	Cumulative Projects final account values overspend on a rolling twelve month basis against approved Task Order values.	54	Monitor all Projects to determine cumulative value of Projects against approved Task Order values.

Section 6	Standard/Requirement	Measurement Indicators	Service Requirements	Process
Benchmarking & Continuous Improvement	Provide benchmarking and market testing supporting documentation in accordance with the Service Requirements.	Benchmarking Review Plans must be provided to the Employer by the required date, in the correct format, and be fully populated with all required information in accordance with the Service Requirements.	13 & 18	Monthly review of benchmarking and market testing supporting documentation.

Section 7	Standard/Requirement	Measurement Indicators	Service Requirements	Process
Management Enablers	Task Order turnaround time.	The Contractor completes and issues fully populated Task Orders in accordance with the Service Requirements.	54	Audit
	NEC3 Process Compliance.	The Contractor fully complies with the processes defined in NEC3 when raising compensation events.	Contract	Audit



## Appendix 2: Service Delivery Plan Weighting Schedule and Evaluation Marks

### Part A: Service Delivery Plan Weighting Schedule

Item	Evaluation Criteria	Weighting
SDP 1	General Management	9
SDP 2	Contract Management and Customer Interface	9
SDP 3	Partnering Approach including Self-Monitoring and Reporting	8
SDP 4	Affected Properties: Additions and Deletions	6
SDP 5	Contingency Planning and Business Continuity	6
SDP 6	Mobilisation Plan	7
SDP 7	Planned Preventative Maintenance – MEP and Building Fabric	9
SDP 8	Reactive Maintenance	9
SDP 9	Compliance Programme	8
SDP 10	Asset Verification, Management and Reporting	5
SDP 11	Projects	9
SDP 12	Handy Service	6
SDP 13	Help Desk, CAFM System and National Schedule of Rates	9
	<b>Maximum Total Weighted Score:</b>	<b>100</b>

The weighting for each SDP and associated service area reflected the importance to the council of the service requirements.

The quality evaluation was worth 30% of the total evaluation score.

Part B: Service Delivery Plan Associated Marks

Mark	Scoring Guidelines to Bidders' Overall Service Delivery Plan Response
A+	Outstanding - response exceeds requirements, is fully evidenced, adds value and benefits and demonstrates practical innovation and tangible creativity to business solutions, with full confidence in capability to deliver.
A	Excellent - response meets all requirements while providing fully evidenced additional value and benefits and a high level of confidence.
B+	Good - response meets all requirements with a good evidence base and some added benefits together with higher level of confidence.
B	Good - response meets all requirements with a good evidence base and some added benefits.
C+	Satisfactory - response is complete and meets all minimum requirements while providing appropriate evidence to support these together with a higher level of confidence.
C	Satisfactory - response is complete and meets all minimum requirements, and provides appropriate evidence.
D+	Less than satisfactory – response is complete but fails to provide adequate evidence that all minimum requirements can be satisfied.
D	Less than satisfactory – response is complete but fails to satisfy all minimum requirements or fails to provide adequate evidence that these requirements can be satisfied.
E+	Poor – response is in part incomplete, non compliant, fails to meet any minimum requirements or lacks an evidence base.
E	Poor – response is incomplete, non compliant, fails to meet any minimum requirements, lacks an evidence base or is unlawful.
F	No response – no submission was made.

The above marks were evaluated using the methodology specified in the evaluation methodology. Each tenderer was allocated a mark for each SDP.