

<b>Item No.</b>	<b>Classification:</b> Open	11 July 2014	<b>Decision Taker:</b> Strategic Director of Finance and Corporate Services
<b>Report title:</b>		<b>Gateway 3 – Extension Approval</b> Corporate Cleaning and Associated Services for the Operational Estate (Non-Housing)	
<b>Ward(s) or groups affected:</b>		All	
<b>From:</b>		Head of Corporate Facilities Management	

## RECOMMENDATIONS

1. That the strategic director of finance and corporate services formalise his prior approval for the contract extension of the corporate cleaning and associated services contract for the operational estate (non-housing) for a period of six months commencing 1 July 2014 at an estimated cost of £575k to Interserve PLC.
2. That the strategic director of finance and corporate services notes the introduction of a one month break clause for this extension period to facilitate early exit pending the transfer of this service to the Tooley Street Facilities Management (TSFM) contract.

## BACKGROUND INFORMATION

3. In March 2013 the cabinet member for finance, resources and community safety approved the award of the corporate cleaning and associated services contract, the latter covering pest control, window cleaning, feminine hygiene and entrance barrier carpeting, to Interserve Plc for the period 1 April 2013 to 30 June 2014, with the option to extend for six months. This interim contract was needed to ensure service continuity whilst corporate facilities management (CFM) completed the implementation of a suite of new consolidated facilities management contracts for the operational estate.
4. The first of this suite of contracts was a consolidated facilities management services contract awarded to Interserve PLC for the council's headquarters at 160 Tooley Street. The contract commenced on 1 February 2013 and will run for five years with an option to extend for an additional two years. The contract allows the council to expand the operational scope to include buildings it owns or occupies throughout the contract term subject to agreed criteria being met, including that the service provider maintains a satisfactory level of performance post implementation, that the service requirements of additional buildings can be met from the existing specification with no requirement for significant amendment, and that best value for additional sites can be demonstrated.
5. Having successfully implemented the TSFM contract, evidenced a satisfactory level of operational performance and developed a transitional process for bringing additional buildings on-line CFM has been progressing the inclusion of more operational buildings to the TSFM contract, to date 14 have been added. A further 31 are due to go live for FM services except security in September 2014, thereafter it is proposed to transfer the remaining soft FM services for operational buildings, of which cleaning is one, to the TSFM contract also.
6. The corporate cleaning and associated services contract is currently servicing 57 sites. The total spend for the 2013/14 financial year was £1m.

## KEY ISSUES FOR CONSIDERATION

### Key Aspects of Proposed Variation

7. The proposed nature of the variation is time.
8. The total value of the contract including this variation is estimated at £1.5M
9. The proposed variation is 57% of the total contract value.
10. There have been no previous variations.

### Reasons for Variation

11. The mobilisation of services to the TSFM contract has taken longer than anticipated due to prolonged discussions with departments both to agree service level requirements for each site, and to extract the necessary financial information needed to complete the transfer of relevant budgets to CFM. This has resulted in a need to ensure service continuity beyond the current contract end date of 30 June 2014 whilst the said service transfer is completed. As the contract has a six month extension facility it has been deemed prudent to seek approval for the full entitlement to mitigate the need to present a further gateway report should the intended timeline slip, whilst at the same time introducing a one month break clause to facilitate early exit from the contract upon completion of the service transfer. As Interserve holds both contracts, they are happy to accept this condition.

### Future Proposals for this Service

12. It is not intended to re-let the corporate cleaning and associated services contract as going forward such service requirements will be provided by the TSFM contract.

### Alternative Options Considered

13. As the contract allows for a six month extension no alternative options were considered.

### Identified risks for the extension

14. Details of the risk and it will be managed are outlined below:

No.	Risk	Risk Level	Mitigating Action
1.	That the extension period is not long enough.	Low	CFM and Interserve have already discussed the mobilisation requirements, and lessons learnt from sites already transferred to the TSFM contract have been taken on board e.g. as part of the pending transfer of 31 sites to the TSFM dedicated mechanical and engineering resources will be put in place to ensure service levels are met from day one.

### Policy implications

15. Effective delivery of the contract will contribute to the council's priorities of improving customer service and the effective management of the council's resources.

### **Contract management and monitoring**

16. The contract will continue to be managed and monitored by the CFM contracts team. The team's responsibilities in relation to the delivery of this contract will include:
- Holding regular contract review meetings
  - Providing a single point of contact for end users
  - Proactively responding to complaints and service improvement requests
  - Risk management
  - Monitoring customer satisfaction/feedback
  - Monitoring the quality of the service and overall customer experience
  - Reviewing health and safety

### **Community impact statement**

17. This decision has been judged to have no or a very small impact on local people and communities.

### **Economic considerations**

18. Interserve will continue to seek to use local suppliers and employ local people where possible during the extension period.

### **Social considerations**

19. The extended scope of the contract will continue to ensure that all staff servicing the contract will be paid at least the London living Wage resulting in better customer service from operatives, increased productivity and higher quality staff. Interserve is now also an 'employer of choice'.

### **Environmental considerations**

20. Interserve use environmentally friendly cleaning products and continue to work with CFM to improve recycled waste removal targets and ensure all general waste is removed in line with the council's waste policy.

### **Financial implications**

21. The contract extension has been valued at an estimated £575k. CFM is responsible for paying the service provider and then reallocates these charges to departments who are responsible for containing charges within their overall departmental budgets.

### **Legal implications**

22. None.

### **Consultation**

23. None.

### **Other implications or issues**

24. None.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Head of Procurement**

25. This report is seeking to formalise prior approval to extend the existing contract for corporate cleaning and associated services with Interserve PLC for a period of six months from 1 July 2014.
26. The report advises that the extension is required to ensure continuity whilst the operational buildings supported by this contract are migrated to the Tooley Street Facilities Management contract which commenced in February 2013.
27. The report describes the ongoing monitoring of this contract. With the report being silent on the performance of Interserve PLC it is assumed that it is satisfactory and that there is no reason why the Council would not wish to continue with the current arrangements through the six month extension period.

### **Director of Legal Services**

28. The director of legal services notes the contents of this report which formalises the decision of the strategic director of finance and corporate services to extend the corporate cleaning and associated services contract for the operational estate (non-housing) for a period of six months commencing 1 July 2014.
29. The decision to approve the extension of this contract may be taken by the strategic director of finance and corporate services in accordance with CSO 4.6.2(a).
30. CSO 2.3 provides that a contract variation decision may only be approved if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the Council. Paragraph 21 of this report confirms how the proposed contract extension will be funded.
31. The strategic director of finance and corporate services will be aware of the Public Sector Equality Duty (PSED) in section 149 of the Equality Act 2010. At each stage, in exercising its function (and in its decision making processes) the council must have due regard to the need to:
  - (a) eliminate discrimination, harassment, victimisation or other prohibited conduct;
  - (b) advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it;
  - (c) foster good relations between person who share a relevant protected characteristic and those who do not share it.
32. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Marriage and civil partnership are protected in relation to (a) only.
33. Paragraph 17 of the report confirms that the council has had due regard to PSED in this procurement and has concluded that this decision will have no or a very small impact on local people and communities. The decision maker should satisfy himself that this duty as been complied with when considering these recommendations.

34. Advice should be sought from Legal Services in relation to the documentation that is to be used to put in place the variation of this contract.

**Strategic Director of Finance and Corporate Services F&CS14/014**

35. The strategic director of finance and corporate services notes the recommendations in this report for the contract extension of the corporate security services contract for the operational estate (non-housing) for a period of six months commencing 1 July 2014 at an estimated cost of £992k to Charter Security PLC.

36. The contract is for the financial year 2014/15, and therefore any spend on the contract must be contained within the 2014/15 budget as agreed by council assembly in February 2014. The financial implications note that the costs are managed by CFM and reallocated to departments. Departments must continue to monitor and control their budgets carefully.

**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 21.7.14 .....

Designation STRATEGIC DIRECTOR OF FINANCE AND CORPORATE SERVICES

**BACKGROUND PAPERS**

Background Papers	Held At	Contact
GW1/2 Corporate cleaning and associated services for operational (non-housing) estate (open) March 2013	160 Tooley Street	Les Styles 020 7525 5664

**APPENDICES**

No	Title
None	

**AUDIT TRAIL**

<b>Cabinet Officer</b>	Cllr. Fiona Colley, Cabinet Member for Finance, Strategy and Performance
<b>Lead Officer</b>	Les Styles, CFM Support Services Manager
<b>Report Author</b>	Jan McMahon Head of Corporate Contracts and Contract Management
<b>Version</b>	Post CCRB V.1 Open Final with concurrents

<b>Dated</b>	11.7.14	
<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>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	N/A	
Cabinet Member	N/A	
<b>Contract Review Boards</b>		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
<b>Cabinet Member</b>	No	
<b>Date final report sent to Constitutional/Community Councils/Scrutiny Team</b>		N/A