

WEST NORTHAMPTONSHIRE COUNCIL CABINET

14TH SEPTEMBER 2021

Portfolio Holder for Finance – Councillor Malcolm Longley

Report Title	Re-procurement of facilities management contracts
Report Authors	<p>Jason Chambers, Facilities Manager jason.chambers@westnorthants.gov.uk</p> <p>Colin Barrett, Strategic Estates Manager colin.barrett@westnorthants.gov.uk</p>

Contributors/Checkers/Approvers		
MO	Catherine Whitehead	31 August 2021
S151	Martin Henry	31 August 2021
Other Director/SME	Simon Bowers – Assistant Director Assets and Environment	26 August 2021
	Stuart Timmiss – Executive Director Place, Economy & Environment	26 August 2021
Communications Lead/Head of Communications		

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None.

1. Purpose of Report

- 1.1 This report seeks authority from Cabinet to re-procure several facilities management service contracts.

2. Executive Summary

- 2.1 As a result of local government reform (LGR) in Northamptonshire from the 1st of April 2021, Northampton Borough Council, Daventry District Council, South Northamptonshire District Council and Northamptonshire County Council (NCC) were abolished and West Northamptonshire Council (WNC) was created. Each of the predecessor councils had arrangements for provision of hard (building maintenance, including plant and equipment) and soft (services such as cleaning and catering) facilities management services. Many of these contracts, particularly those let by NCC, are expiring and replacement arrangements for service provision are needed.
- 2.2 Whilst the Council has options including insourcing and use of entities controlled by the Council (either alone or with others), at this point it is suggested a pragmatic approach would be to let three year contracts with an optional one-year extension. These contracts would be for specialist areas of work (e.g. security), but aggregated over the Council's estate. This is considered to represent the best mix of scale and scope, and should maximise value for money achieved, whilst also supporting social value.
- 2.3 The contracts would, where applicable, include options to incorporate services currently provided by other contractors or in-house. Decisions on whether to use those options would be taken separately. These would include consideration of any staffing issues, including TUPE.

3. Recommendations

- 3.1 It is recommended that the Cabinet:
- 3.1.1 Approves the re-procurement of the facilities management service and maintenance contracts as set out in the report.

4. Reason for recommendations:

- To ensure that the Council complies with statutory and regulatory duties.
- To ensure that Council properties are safe and fit for use.
- Maximising cost-effectiveness.
- To minimise depreciation of Council assets
- Provide customers and staff of the Council with buildings which are fit for purpose and welcoming.

5. Report Background

- 5.1 The Council currently provides facilities management and maintenance activity via predecessor councils' contractors. Some of these contracts have been extended to allow for the re-procurement of activity to cover all WNC's estate. These arrangements will expire soon and should not be extended further, or where extensions are essential these should be minimised.
- 5.2 The requirement for the re-procurement of facilities management service contracts are as shown in the table below. The values shown are for maximised use of three year contracts with an optional one year extension.

Contract	Desired start date	No of Properties	Estimated total value, £m
Cleaning services	1 st April 2022	47	2.70
Security services	1 st April 2022	50	1.60
Electrical testing, servicing and replacement	1 st October 2021	All, unless not applicable	2.80
Heating and Mechanical installation inspection, servicing and replacement	1 st April 2022	All, unless not applicable	1.50
Specialist maintenance individual contracts for i.e. lifting equipment, PAT testing etc.	1 st April 2022	All, unless not applicable	2.50
Water hygiene testing, servicing and replacement	1 st April 2022	All, unless not applicable	0.60
Building fabric repairs, maintenance and replacement	1 st April 2022	All, unless not applicable	4.50
Drainage and sewage	1 st April 2022	All, unless not applicable	0.35
Total			16.55

- 5.3 The predecessor councils delivered inspection, repair, maintenance, and soft facilities management via a range of models including bundled, total and singular activities. Having reviewed the options it recommended to source activities individually as this provides local and specialist suppliers with greater opportunity to bid for work whilst ensuring that there is sufficient open market competition. This should maximise value for money.

- 5.4 Managing a number of individual contracts would increase contract management commitments but this is offset by ensuring value for money via the open market, and avoiding the overheads an intermediate contractor would levy on a bundled contract. Thus it is likely to result in the most economically advantageous position being achieved.
- 5.5 The current contracts provide services to a varying number of properties dependant on the service as shown in the table. The contracts have previously provided services to the NCC portfolio, which have now been split between WNC and North Northamptonshire Council. The numbers shown in the table are for WNC, including former district and borough properties, where applicable.
- 5.6 The cleaning services requirement does not currently include the full WNC requirement as there is currently a mixed approach of both outsourced and in-house service delivery. The contract will allow for sites to be added or removed and will provide the opportunity to include the current in-house services if, following feasibility study, it is found it is appropriate to do so.
- 5.7 The proposed approach to supporting local enterprise and social value is to: (i) set minimum response times which necessitate local resourcing, (ii) exclude travel costs from the contracts which necessitate local resourcing, (iii) use the Social Value Act within the procurement and the tender evaluation to seek local investment such as apprenticeships, and (iv) consider the cost implications of the supplier's management within the tender evaluation.

6. Issues and Choices

- 6.1 The Council has a range of options in the provision of these services. As the Council's approach to sourcing develops it may be appropriate to make other proposals. However, at present there is a need to promptly secure re-provision of services and in that context the approach set out above is recommended. Options which could be considered include the following:
- 6.1.1 Insourcing of the service. Insourcing decisions are often made to obtain control of a critical production or competency; conversely outsourcing decisions are often made to reduce 'non-core' in-house operations and to reduce some costs, typically by taking advantage of specialist providers, the ability of supplies to aggregate demand and thus produce economies of scale, competitive market forces, and by reducing employment costs. Insourcing can make sense in some cases, notably where the Council has sufficient demand to sustain a level of staffing and expertise in the services in question, and when quality of outsourced provision hard to control. However, the existing contracts for these services have generally operated well, and insourcing would be likely also create significant new costs associated with pension liabilities.
- 6.1.2 Disaggregation of the contracts into small lots. The current procurement strategy relies on aggregating all specific service contracts requirements into single contracts with single specialist suppliers for each field. This is in order to attract the greatest commercial interest from the market and obtain additional value and/or reduce cost through efficiency of scale, and minimise the administrative burden on the Council. This approach has previously attracted significant market interest and has provided exceptionally competitive rates. A disaggregation would increase the time and processes requirement for administration of the contracts and is

likely to increase the contract costs too, particularly for small remote sites. It is considered it strikes the right balance between the different levels of packaging services.

- 6.1.3 Aggregation of the contracts into one or a small number of multi-service contracts. To deliver such an aggregated service is likely to require the principal provider to let a number of sub-contracts for specialisms. As outlined above, it is considered that the proposed set of contracts enables specialist suppliers to bid, without the overheads which come from having a large entity seeking to co-ordinate the units actually providing services. The division into specialist areas also increases the potential for bids from small and medium businesses ('SMEs') and local suppliers.
- 6.1.4 Use of a Council-owned or jointly-owned entity (e.g. West Northamptonshire Norse Limited). These are traditionally known as Teckal companies, after the exemption in public procurement law which allows direct awards to entities controlled by a body such as the Council. This falls somewhere between the insourcing and outsourcing options, having benefits such as on pension liabilities and potential for profit generations from third parties, but without the competitive pressure of a procurement. It would take time and staff resource the Council does not currently have to pursue this approach at this time. It is intended that it would be considered during the life of the contracts proposed to be procured.

7. Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 Other than National Living Wage and inflationary increases there should be no increase in spending commitments. The services are ones the Council requires, and the approach is intended to secure value for money in receiving them.
- 7.1.2 Where it is not possible to align all current services e.g. cleaning, there may be future opportunities for savings through economies of scale by bringing the full West Northamptonshire service requirement into individual service contracts during the term of the contract awarded.

7.2 Legal

- 7.2.1 Maintaining buildings in a fit state assists the Council in complying with its duties under the Health and Safety at Work etc. Act 1974 and other legislation.
- 7.2.2 In the event that it was decided in the future to use options in the contracts to be let to outsource one or more services currently provided in house, the Transfer of Undertakings (Protection of Employment) Regulations 2006 ('TUPE') would apply.
- 7.2.3 Due to the value of the contracts, the procurements will generally be subject to the Public Contracts Regulations 2015 (or potentially UK-specific public procurement law if this is introduced in time). The Council's procurement team and lawyers will be engaged in ensuring that procurement law is followed in this respect.

7.2.4 It may be necessary to extend, by variation, some existing contracts to bring them into alignment with the start dates which can be achieved for the new contracts. If required, waivers of the procurement rules would be sought under the applicable Constitutional provisions to enable this.

7.3 **Risk**

7.3.1 The risk of insufficient interest resulting in gaps in service provision and/or poor value for money is addressed by the packaging strategy outlined in the report.

7.3.2 The potential impact on staff where it is possible that services would be outsourced in the future would be managed by stressing that no decision has been taken at this time, and if outsourcing is considered the process would involve staff consultation.

7.4 **Consultation**

7.4.1 No specific consultation has been undertaken. This is not considered necessary as the proposed procurements are essentially repeats of previous procurements using a similar structure.

7.5 **Consideration by Overview and Scrutiny**

7.5.1 None.

7.6 **Climate Impact**

7.6.1 The Corporate Plan for 2021-2025 sets out 6 Priorities. In Priority 1, Green and Clean, the plan states that “We will become the most environmentally friendly Council that residents have ever had, with a clear ambition to become carbon neutral by 2030.” In order to achieve this, contract specifications and tender submission requirements will address climate issues.

7.7 **Community Impact**

7.7.1 The approach to supporting local enterprise and social value is set out in 5.7 above. This combined approach should maximise community benefit from the procurement.

8. **Background Papers**

8.1 None