



## EXECUTIVE 18<sup>th</sup> January 2024

<b>Report Title</b>	<b>Cleaning Service Contract Procurement</b>
<b>Report Author</b>	Graeme Kane, Executive Director of Place and Economy (Interim)
<b>Lead Member</b>	Cllr Matthew Binley, Executive Member for Highways, Travel and Assets

<b>Key Decision</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Is the decision eligible for call-in by Scrutiny?</b>	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<b>Are there public sector equality duty implications?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Does the report contain confidential or exempt information (whether in appendices or not)?</b>	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
<b>Applicable paragraph number/s for exemption from publication under Schedule 12A Local Government Act 1972</b>	

### List of Appendices

None

### **1. Purpose of Report**

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- 1.1. This report summarises the work undertaken to secure cost-effective Building Cleaning Services across North Northamptonshire Council's buildings.
- 1.2. It builds on the November 2022 Executive Report (see background paper at 8.1) in which the Executive agreed to pursue a more consistent approach to Building Cleaning across a breadth of Council buildings, reaching out to the market through an appropriate framework agreement.
- 1.3. The Building Cleaning Procurement Group, an officer group established to progress the procurement, are not wholly confident that the responses subsequently received through the framework route are affordable and offer best value to the Council.
- 1.4. The report therefore recommends retaining the vision for a consistent approach to Building Cleaning set out in the initial Executive report but revisiting the procurement route using an Open Market Tender approach.

- 1.5. It also seeks approval for a contract extension of six months to a current provider for Building Cleaning Services to accommodate the time required to conclude the procurement exercise. Due to cumulative effect of this and previous extensions, the total value of extended works will exceed the £500,000 threshold, meaning a waiver would not be appropriate.

## **2. Executive Summary**

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- 2.1 The Council arranges for Building Cleaning Services to be provided to a large number of Council-owned buildings. These cleaning services were formerly commissioned by the legacy authorities, with some directly delivered and others outsourced. These have been transferred over to the Council, either as in-house resources or as novated contracts. Currently, within the Assets and Environment service there are 12 cleaning contracts and a headcount of 16 in-house cleaning staff employed on permanent contracts, covering 56 buildings across various services. The total cost of this service is in the order of £686,000 per annum.
- 2.2 In November 2022, the Executive considered a report proposing that the Council move to a more integrated and consistent approach. While this primarily aims to ensure consistency, it also provides an opportunity to reduce fragmentation in both procurement and delivery; releasing efficiencies accordingly. The Executive agreed to proceed with this approach, seeking proposals from the market through an established framework agreement, that included a number of existing providers.
- 2.3 The Council completed a tender process in 2023, by the means of a mini competition, using a Crown Commercial Services framework. Following evaluation and moderation a preferred bidder was identified, scoring first on both price and quality. There was however a c. £155,000 per annum shortfall between the 'winning' bid price and the available annual budget for the in-scope services.
- 2.4 Following discussions within the Building Cleaning Steering Group it was considered inappropriate to progress to the award stage without further testing solutions and pricing from the wider marketplace. While this consideration was based primarily on affordability, an Open Market Tender also allows the Council to open up the opportunity to a wider selection of suppliers – including North Northamptonshire-based SMEs – than was possible using the pre-qualified providers on the CCE framework. Tenderers participating in the earlier framework process will be invited to re-tender.
- 2.5 Prior to formal launch of the process, the Council will complete their analysis of all properties and their Building Cleaning requirements, with a view to streamlining services and improve affordability within the indicative budgets.

### 3. Recommendations

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3.1 It is recommended that the Executive:

- a) Confirm the preferred procurement route for a Building Cleaning service contract via an Open Market Tender, noting that the feasibility of inhouse provision will be considered to ensure value for money and quality service is achieved from the chosen delivery model.
- b) Confirm approval for a contract extension of six months to a current provider for Building Cleaning Services to accommodate the time required to conclude the procurement exercise.
- c) Delegate authority to the Executive Member for Highways, Transport and Assets, in consultation with the Assistant Director of Assets & Environment, to enter into the necessary contractual arrangements to secure best value for delivering the Building Cleaning service.

3.2 Reasons for Recommendations:

- The proposed procurement route seeks to widen the tender process to additional bidders, with a more tightly defined service scope helping to remove the affordability challenges associated with the framework-based proposals.
- The proposed procurement process will enable smaller local cleaning employers the opportunity to tender for the work, these firms are not currently part of the framework.
- The recommendation continues to aim to provide the most cost-effective solution, which can be deployed to suit the changes in service need and delivery throughout the contract period.
- The proposed option aims to access a reliable cleaning service, provision to monitor contractor performance, providing quality services for North Northamptonshire residents.
- The proposed contract documentation will allow flexibility to add and remove the buildings covered by the contract as the Council's estate is reviewed and evolves over the coming several years.

3.3 Alternative Options Considered: A number of alternative options were considered by both operational managers and procurement colleagues in shaping the November 2022 report, including building an in-house team or undertaking the bespoke procurement of a new Cleaning Services contract. The preferred option was deemed to offer the best value for money to the Council using information known at that time in terms of time to deploy the new arrangements, access to established providers, procurement costs, risk and overall value for money. The revised approach continues to offer the majority of these benefits, with the additional benefit of providing access to the tender opportunity to other suppliers (including North Northamptonshire based SMEs). The main downside of the Open Market Tender option was the

time to procure. The unforeseen delay can be addressed through the proposed extension to the existing contract.

#### **4. Report Background**

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- 4.1. This section mirrors the details set out in the November 2022 Executive Report. There is currently a breadth of different service standards, costs, processes, and delivery arrangements in place for building cleaning across the Council. This reflects the legacy service arrangements in place prior to vesting day, and has resulted in a blend of in-house, outsourced, and employment agency supported models across the Council.
- 4.2. The current 12 contracts are considered to be sub-optimal and inefficient, with a fragmented approach and differing performance expectations presenting difficulties in managing any contractor underperformance. Fragmentation of arrangements has meant there is little resilience within the cleaning workforce (across the provider pool), with turnover and absences impacting significantly on service quality.
- 4.3. In this context, the Council wishes to identify both the optimum forward arrangements and the preferred procurement route for accessing a more consistent, appropriately integrated, harmonised and (if required) rationalised building cleaning service across the Authority. There is an expectation that Transfer of Undertakings (Protection of Employment) regulations (TUPE) will apply, thus protecting employment rights of cleaning staff already employed by the Council.
- 4.4. The new service delivery arrangements are intended to be in place as soon as possible in 2024. It is likely that existing arrangements will need to be extended beyond their expiry date to allow a thorough and rigorous procurement process to take place. Procurement advice has confirmed this is permissible on a rolling basis, until the new contract is in place.

#### **5. Issues and Choices**

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- 5.1. The new service arrangements seek to provide the current cleaning service activities, to common service standards, provided to the existing pool of properties, but, with clear service standards established as required for the use of each building. It will involve no diminution of specified service standard in public-facing buildings and aims to improve the attainment of those standards.
- 5.2. In doing so, the Council's client-side technical team are revisiting the cleaning standards for each building to devise a narrow range of standards which can be used across the property estate. The arrangements will meet a number of operational objectives including:
  - harmonisation of approaches and standards.

- adequate capacity to deliver the specified standards (frequencies, locations and service quality expectations).
- resilience in people, plant and materials/consumables.
- address any contract under-performance.
- potential for cost savings.
- investment in management systems/production of robust business intelligence, and performance data.
- investment in operating plant and equipment.
- improved materials/consumables management, including use of environmentally friendly consumables where possible.
- scalability (to add additional services or/and services to additional buildings).

5.3. An options identification and appraisal were undertaken prior to the November 2022 Executive report to identify how best to access the most appropriate set of arrangements available to the Council to meet its operational expectations. These arrangements include:

- Access to an affordable and sustainable cleaning solution.
- In-scope buildings being cleaned to an acceptable level.
- Sufficient capacity being available to deliver services to the specified standard.
- Investment in plant and materials/consumables to optimise service delivery.
- Investment in appropriate management systems to allow services to be planned and managed effectively making systematic use of data/business intelligence. Scope for scalability to extend to other parts of the Council estate in due course if so desired.

5.4. Acknowledging the desire for a consistent service and that TUPE will apply, the headline options explored were as follows:

- Direct in-house delivery of services through a Council employed Cleaning Team.
- Procuring a single Cleaning Services provider through a dedicated competitive tendering exercise to deliver all services on a contractual basis for an agreed period (this could be either be as one contract covering the whole of the Council or broken into smaller lots).
- Appointing one or more cleaning services providers via an established framework agreement, thus avoiding the need for and cost of a separate dedicated procurement exercise.

- 5.5. The procurement routes will be fully compliant with the UK Procurement Regulations and will be approved by the Authority's Procurement and legal teams.
- 5.6. While the established framework option was initially pursued, concerns have arisen around the affordability of the submitted tenders, pointing to a recommendation in this report that an Open Market Tender be used to procure a single Cleaning Services provider through a dedicated competitive tendering exercise to deliver all services on a contractual basis
- 5.7. This route identifies several potential advantages, including:
- The Council can specify requirements – including investment and systems expectations - in full, from the outset.
  - The approach can secure economies of scale not available through multiple smaller bespoke (re)procurements.
  - Once agreed, the approach provides stability and security throughout contract duration (assuming performance targets met)
  - The route opens opportunities to providers beyond the CCE framework (including locally based SMEs)
  - Current arrangements (with associated Strengths & Weaknesses) can endure until the exercise has been completed through the proposed extension.
  - TUPE will likely apply for relevant Council and supply chain staff.
  - A significant level of management time would be required to manage, deploy and organise an inhouse team across the breadth of the Council's estate. Securing an external supplier that has an existing operational management structure and wider pool of cleaning resource from which to draw is considered more cost effective than the Council establishing such a structure
  - An external supplier will have a wider pool of resource from which to draw on in the event of staff absence, provision of staff training, along with existing arrangements for the supply of materials and cleaning consumables.
- 5.8. There are some potential downsides of the proposal, however, these are considered to not outweigh the above benefits, including:
- The exercise will need to take sufficient time to comply with public procurement expectations (hence the accompanying recommendation around extending existing arrangements)
  - There will be demands in terms of the Council procurement and management time (although these should be in part offset by resultant affordability and efficiency benefits)

- There remains a risk of failure if the market fails to respond or the successful tenderer(s) subsequently underperform (although this is not specific to this model and is a risk within all contracts).

## **6. Next Steps**

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### 6.1. The next steps involve:

- Extend the existing external supplier contract for 6 months whilst the new contract is procured.
- Completing the scoping of service standards (currently being concluded)
- Finalising the required documentation (prepared in part for the earlier framework-based approach)
- Marketing the opportunity through an Open Market Tender.
- Evaluating the bids to ensure they remain affordable for the Council to award the contract.
- As part of the evaluation process, questions relating to social value and carbon management are included.
- Suppliers will fulfil their statutory obligations on wages. Current employees, Terms and Conditions will be protected under TUPE regulations.
- Subject to the outcome of the evaluation, award the contract, move towards the implementation with the aim of this being completed by 1 June 2024. The staff affected continue to be supported with the TUPE transfer to the new firm.
- As part of the procurement the Council will consider the relative merits and cost of other service delivery models, such as inhouse delivery, as a way of mitigating the risk that the tender yields bids that the Council cannot afford.

## **7. Implications (including financial implications)**

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### 7.1. Resources, Financial and Transformation

7.1.1 The proposed arrangements seek to work within the allocated revenue budgets for the impacted service.

7.1.2 The total budget available for this contract is £686,000pa excluding any indexation to budgets.

7.1.3 The delivery routes (including the procurement options) were subject to a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis considering a breadth of issues around affordability, deliverability and flexibility; as well as both value for money and potential risk.

## **7.2. Legal and Governance**

- 7.2.1 Any procurement exercise for goods, works or services must comply with the Public Contract Regulation 2015 and the Council's financial and constitutional procedures regarding any of the future options.
- 7.2.2 The Public Contracts Regulations 2015 requires contracts for supplies and services of more than £213,477 to be tendered via an open competition, which can be either via a framework or open tender.
- 7.2.3 As set out at section 1.4 above, an open market tender procurement will be followed. This approach is in line with the requirements of the Public Contracts Regulations 2015, and the Council's Contract Procedure Rules and Constitution.
- 7.2.4 The procurement team is actively involved in ensuring full compliance with the procurement process, while the legal team is concurrently engaged in establishing the requisite contractual arrangements with the eventual selected provider.

## **7.3. Relevant Policies and Plans**

- 7.3.1 The proposed way forward aligns with the Council's Corporate Plan and key commitment to provide modern public services, through efficient, effective and affordable services that make a real difference to all our local communities.

## **7.4. Risk**

- 7.4.1 Failure to provide appropriate arrangements and associated resources for this service may contribute to deterioration of the Council's estate and associated health and safety and reputational risks.
- 7.4.2 Failure to secure sufficient capacity via a third-party provider is likely to continue to lead to under-performance of the service.
- 7.4.3 Continuation of the current fragmented arrangements could lead to underperformance of the service and will have both management and cost implications.
- 7.4.5 Failure to enter in to affordable and flexible arrangements may see the Council unable to fulfil its commitments to service continuity, customer service and value for money.
- 7.4.6 Proceeding with a contracted service could see a rise in vacancies for in-house cleaning roles. This will be mitigated through briefings and consultation with staff and Unions.
- 7.4.7 Despite the Open Market Tender approach there is still a possibility that the submitted tenders will exceed the budget available to the service. This will be



mitigated by streamlining of the in-scope services in advance of the procurement exercise.

## **7.5. Consultation**

7.5.1 No public consultation is required as part of this process. Consultation with service areas on the cleaning specification required for location will be undertaken, along with consultation with staff impacted by the proposed contract. The work has also been overseen by the officer group convened as the Building Cleaning Steering Group.

## **7.6. Consideration by Executive Advisory Panel**

7.6.1 This item has not been considered by an Executive Advisory Panel.

## **7.7. Consideration by Scrutiny**

7.7.1 This item is eligible for call in by Scrutiny, as part of their workplan.

## **7.8. Equality Implications**

7.8.1 An Equality Impact Assessment has been undertaken, and no negative impacts have been highlighted. Equality implications for individual staff will be considered via the TUPE transfer process and the terms of the selected framework agreement.

## **7.9. Climate and Environment Impact**

7.9.1 Appointing a single provider is intended to have a number of climate change mitigation benefits arising from:

- Improved resource deployment
- Better consumables/materials management (including closer scrutiny of suitable products)
- More modern and environmentally friendly plant and equipment
- Enhanced use of management information to plan and deliver services.

## **7.10. Community Impact**

7.10.1 Improved building cleaning will help to maximise benefits for customers and community-oriented service delivery through clean public buildings. The proposed route aims to provide flexibility to change service delivery arrangements as product innovation emerges to further improve cleanliness and value for money moving forward.

## 7.11. **Crime and Disorder Impact**

7.11.1 There are no crime and disorder matters arising from this report.

## **8. Background Papers**

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- 8.1 Provision of Building Cleaning Services, Executive Report November 2022:  
<https://northnorthants.moderngov.co.uk/documents/s12685/Provision%20of%20Building%20Cleaning%20Services.pdf>.