
Meeting	Cabinet Resources Committee
Date	25 February 2013
Subject	Corporate Cleaning Contract Extensions
Report of	Deputy Leader of the Council / Cabinet Member for Resources and Performance
Summary	To maintain business as usual delivery during transition to New Support and Customer Service Organisation (NSCSO) partner it has been identified that a contract extension is required to 31 st March 2014.

Officer Contributors	Kevin Bates, Head of Procurement Susan Lowe, Procurement Manager
Status (public or exempt)	Public
Wards Affected	All
Key Decision	Yes
Reason for urgency / exemption from call-in	N/A
Function of	Executive
Enclosures	Not Applicable
Contact for Further Information:	Susan Lowe 020 8359 7212

1. RECOMMENDATIONS

- 1.1 **The Committee are requested to authorise an extension to the existing corporate cleaning contracts to end of financial period 2013/14, 31 March 2014. The value of the extension is £1.17m (including savings) with the total cost of the contract estimated to be £10,329,018**

2. RELEVANT PREVIOUS DECISIONS

- 2.1 Cabinet Resources Committee Report, Agenda Item 22, 4 April 2012, approved an extension of building cleaning contracts for a one year period beyond 1 April 2012.
- 2.2 Cabinet Resources Committee Report, Agenda Item 17, 2 March 2011, approved the recommendation to extend the existing contracts by a period of 12 months from 1st April 2011 to the 31st March 2012.
- 2.3 Cabinet Resources Committee Report, Agenda Item 4, 25 February 2008, which approved the recommendation of the award of contracts to Turners Cleaning & Support Services and Churchill Contract Services.

3. CORPORATE PRIORITIES AND POLICY CONSIDERATIONS

- 3.1 The Corporate Plan 2012-2013 includes the priority of 'Better services with less money' with one of its key strategic objectives to deliver an efficient council, with services designed to meet the changing needs of residents through more efficient ways of providing services.

4. RISK MANAGEMENT ISSUES

- 4.1 The contracts expire on 31 March 2013. A tender exercise was commenced in summer period 2012. However, due to unforeseen circumstances it has not proved possible to conclude this exercise in the timeframe to deliver a contract for 1 April 2013. To maintain business as usual delivery it is not appropriate to end the existing contracts without alternative provision as this would leave the Council's corporate buildings and school sites in an unacceptable condition and un-hygienic state. By extending the contracts any health & safety issues will be avoided without the loss of service.
- 4.2 Through an extension of existing arrangements the Council will continue to ensure that the cleaning contractors are compliant with all the service requirements detailed within the contracts, to deliver business as usual during transition to NSCSO partner arrangements and addresses OJEU regulations.

5. EQUALITIES AND DIVERSITY ISSUES

- 5.1 Pursuant to the Equality Act 2010, the council and all other organisations exercising public functions on its behalf must have due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Act; advance equality of opportunity between those with a protected characteristic and those without; promote good relations between those with a protected characteristic and those without. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. It also covers marriage and civil partnership with regard to eliminating discrimination.
- 5.2 The current contractors have demonstrated that they support the Council's Equal Opportunities policies both in their tender submissions and through delivery of the contracts. There have not been any negative equalities issues arising during the course of the current contracts.
- 5.3 There is on-going contract monitoring to ensure that the cleaning contractors undertake ESOL training for their employees. In addition there is ongoing evidence of the contractors undertaking training in relation to Safeguarding.
- 5.4 The tender submissions for the corporate cleaning contracts included and undertaking on the delivery of equalities with due regard to the need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010.

The proposed service contract extensions will therefore continue to enhance the Borough's reputation as a good place to live and work and will assist in delivering business continuity and a first class service to its community.

6. USE OF RESOURCES IMPLICATIONS (Finance, Procurement, Performance & Value for Money, Staffing, IT, Property, Sustainability)

- 6.1 There are four corporate building cleaning contracts – Children's Service and Care Settings A 50132, Children's Service and Care Settings B 50133, Children's Service and Care Settings C 50134; and, Facilities Settings D 50135. Contracts A, C & D are delivered by Servest Ltd trading as Turners Cleaning and Support Services (delivering 80% of cleaning services), Contract B is delivered by Churchill Contract Services (delivering 20% of cleaning services).
- 6.2 The Council has held discussions with the cleaning contractors to clarify their ability to deliver for an extended contract period working to existing terms and conditions. These discussions included a request to work with the Council to identify efficiencies that could be delivered during the period of extension. Servest (trading as Turners Contract Cleaning Services) have identified savings which can be applied to option (a) extension to 31 July 2013 and option (b) extension to 31 March 2014. The efficiencies identified for option (b) will be led by process re-engineering of delivery following a three month review and buy-in from service recipients. The process re-engineering will apply to the corporate cleaning arrangements at Barnet House, North London Business Park Buildings 4 & 2.

- 6.3 The total saving identified will be subject to the authorisation to extend. However for option (a) £14,045, for option (b) without process re-engineering £43,000 rising to £112,219 (approx. 11.6%) with process re-engineering.
- 6.4 Churchill Contract Services have indicated they can accommodate contract extension for both option (a) and option (b) however negotiation on efficiencies has not concluded at point of report release. An update on efficiencies where identified will be made available for the Cabinet Resource Committee meeting.
- 6.5 The total value of the contract extension for all building cleaning services contracts, net of savings identified in 6.3 above, is option (a) £412,621 and option (b) £1,167,781.
- 6.6 The total value of all corporate building cleaning contracts (initial 3 year term plus three twelve month extensions) net of savings during 2013/14 will be £10,329,018.

7. LEGAL ISSUES

- 7.1 A judicial review application, lodged with respect to the NSCSO contract award, is due to be heard in March 2013. It is anticipated that the outcome of the hearing will be known prior to the, deferred, start date for the NSCSO contract.
- 7.2.1 In any case where the value of the extension, when added to the original contract value, does not take the total contract value above the, relevant, European threshold, the European procurement rules will not be triggered. In such cases, the Council need only comply with the principles of fairness, transparency and non-discrimination.
- 7.2.2 In any case where the value of the extension, when added to the original contract value, does take the total contract value over the, relevant, European threshold, there must be compliance with the Public Contracts Regulations 2006 (as amended).
- 7.2.3 In any case where the original contract value was such that the contract was tendered in accordance with European procurement rules, care will need to be taken to ensure that the extension of the contract, in question, does not result in non-compliance with European procurement rules.

8. CONSTITUTIONAL POWERS (Relevant section from the Constitution, Key/Non-Key Decision)

- 8.1 Council Constitution, Part 3, Responsibilities for Functions, Sections 3.5 and 3.6 detail the responsibilities of the Cabinet Resources Committee
- 8.2 Council Constitution, Contract Procedure Rules – Section 5.6 details the rules and acceptance thresholds in relation to contract extensions and stipulates that:
- 5.6.1.1 The initial contract was based on a competitive tender or quotations;

5.6.1.2 the initial contract has not been extended before; and

5.6.1.3 the value of the extension is less than half the cost of the existing contract without the extension and has a budget allocation having had regard to the following:

i. If initial contract was subject to EU tender procedure that the extension option was declared within the OJEU notice; acceptance report (Delegated Powers Report/Cabinet Resources Committee Report) and the contract includes extension clauses

ii. If initial contract value was subject to sub EU threshold procedure (Barnet tender/ quotation process) the extension does not take the value past EU threshold

As the contract has been extended before (Rule 5.6.1.2) and the value of the extension is greater than £173,934 (Table 5-1), Cabinet Resources Committee approval is required for these contract extensions.

Extension is in accordance with Contract Procedure Rules 5.6.1.1. The initial contract was based on a competitive tender and Contract Procedure Rules 5.6.1.3 the value of the extension is less than half the cost of the existing contract without the extension and has a budget allocation having had regard to the following:

- i. If initial contract was subject to EU tender procedure that the extension option was declared within the OJEU notice; acceptance report (Delegated Powers Report/Cabinet Resources Committee Report) and the contract includes extension clauses

It is confirmed the initial contract was subject to EU tender procedure with an extension option declared within the OJEU notice.

9. BACKGROUND INFORMATION

9.1 The existing contracts were tendered during late 2007 and early 2008 with contracts starting in April 2008. The contracts were initially for a three year period with the option to extend for a further two years. An option to extend the existing contracts for two separate 12 month periods has already been taken. The OJEU notice that was published detailed the Council's option to extend the contract for up to 2 years.

9.2 The existing contracts for the cleaning of the Council's corporate buildings and a number of schools numbered: A50132, B50133, C50134, D50135 commenced on 7 April 2008. Contracts were awarded to Turners Cleaning and Support Services and Churchill Contract Service following a full OJEU restricted tender exercise.

The contract term was for three years and there was provision for annual contract extensions to a maximum of 2 years. The combined value of the contracts over the 3 year period was £6,230,000.

9.3 The initial corporate cleaning contracts covered the Council's corporate buildings and 40 Schools and other Educational/Care Settings within Barnet.

The remainder of the schools having made their own arrangements for building cleaning. Since the initial contract commencement a number of schools have made a decision not to utilise the corporate contract which has reduced the total value of the contracts.

- 9.4 The contract awards were as follows:
Turners Cleaning & Support Services - Contract A £1,650,000
Turners Cleaning & Support Services - Contract C £1,450,000
Turners Cleaning & Support Services - Contract D £2,150,000
Churchill Contract Service - Contract B £980,000

The value of these contracts was based upon the tender returns from each of the successful suppliers and assumed that the suppliers would provide services for all Corporate Buildings, Schools (Primary & Secondary), Care Centres, Youth Centres and Sheltered Accommodation owned by Barnet Homes. After contract award for example schools could decide whether or not to participate in the contract and therefore be included in the contract monitoring.

- 9.5 There is a pricing schedule for the cleaning of every building to enable the monitoring of costs and reconciliation of invoices. Regular client side management and monitoring of the building cleaning contracts has been occurring since April 2008 and performance has been satisfactory throughout both the initial term of the contract and subsequent extension period.

10. LIST OF BACKGROUND PAPERS

- 10.1 None.

Cleared by Finance (Officer's initials)	JH/MC
Cleared by Legal (Officer's initials)	SS