

Subject:	Procurement of the Corporate Cleaning Contract		
Date of Meeting:	21 January 2021		
Report of:	Executive Director Economy, Environment & Culture		
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Ward(s) affected:	All		

FOR GENERAL RELEASE

1. PURPOSE OF REPORT AND POLICY CONTEXT

- 1.1 The Council has a contract in place for Corporate Building Cleaning Services with NVIRO Ltd. The contract was for an initial term of 4 years, with the option to extend for up to 24 months. The extension period has been utilised and the contract was due to expire on 31st October 2020. However, following approval from Policy & Resources Committee on 8th October 2020 this contract was extended for a further period of 18 months and will now expire on 30th April 2022.
- 1.2 The report looks at procurement options for the future corporate cleaning contract and recommends the most advantageous procurement route for the corporate cleaning contract over the next 4 years, following the expiry of the further extension period in April 2022.
- 1.3 The purpose of the contract is to provide a high standard of cleaning and sanitisation to various types and size of Council corporate buildings whilst providing a flexible service, responsive to site and user specific requirements. 102 buildings are currently serviced by this contract. The contract is managed and monitored corporately by Property & Design.

2. RECOMMENDATIONS:

That the Policy & Resources Committee:

- 2.1 Approves the procurement and the award of contracts for a Corporate Cleaning Service for an initial term of 4 years commencing on the 1st May 2022 with an option to extend for a further 2 year period, by way of a restricted tender process based on dividing the estate into 3 separate geographical lots, where a maximum of one lot can be won by each tenderer, in order to encourage local SME cleaning contractors to participate.
- 2.2 Grants delegated authority to the Executive Director, Economy, Environment and Culture –
 - (i) to carry out the procurement referred to in 2.1 above, including the award and letting of Corporate Cleaning Service Contracts.

(ii) to grant an extension to Corporate Cleaning Service Contracts referred to in 2.1 above, of two years subject to performance and the Executive Director, Economy, Environment and Culture considering it appropriate to do so.

3. CONTEXT/ BACKGROUND INFORMATION

- 3.1 During the 2014 procurement it was decided through a robust evaluation process that NVIRO Ltd submitted the most economically advantageous tender and as a result were awarded a contract for the Corporate Building Cleaning services commencing on 1st October 2014 for an initial period of four years with the option to extend for a further period of 24 months. The permitted contract extension was subsequently put in place on the 1st November 2018 for a 24-month period until 31st October 2020. The maximum extension period had been utilised but to enable the Council to continue maintaining a high standard of cleaning in accordance with the Government's latest guidance and advice as a result of Covid-19, the service were granted Policy & Resources Committee approval in October 2020 to extend the contract for a further 18 months.
- 3.2 The current contract delivers cleaning and sanitisation to various types of corporate building throughout the Councils portfolio along with the option of Schools buying into this contract. Types of building included in this contract with specific specifications include:
- Offices
 - Children's Centres
 - Day Centres
 - Hostels
 - Industrial Buildings
 - Libraries
 - Schools
 - Community Centres
 - Sheltered Housing
- 3.3 The contract offers several support services to Schools which includes caretaker support and the provision of temporary cleaners to Schools that clean in house.
- 3.4 It also offers a mobile service with trained staff able to deal with bodily fluids, deep cleans, COVID-19 deep cleans, jet washing, cleaning of heavily soiled external areas and window cleaning.
- 3.5 The government has released specific guidelines around cleaning in non-healthcare settings to mitigate the risk of contamination and spread of the COVID-19 virus. The need for routine cleaning remains but there is an increased emphasis on the cleaning and sanitisation of hard surfaces and contact points with specific chemicals. These additional cleaning and sanitisation requirements have been specified within site-based specifications. The Council are committed to ensuring cleaning and sanitation is carried out in accordance with governments guidelines and health and safety advice. Guidance may change throughout the current extension period as the risk of COVID-19 decreases.
- 3.6 The contract is specification based with each specification centred around operational needs and a need for increased sanitisation following on from the government's guidelines on cleaning during the COVID-19 pandemic. COVID-19:

cleaning of non-healthcare settings. Specifications are subject to change throughout the extension period to keep in line with Government guidelines. Each type of building listed above is serviced by a specific cleaning specification. These specifications may change during the term of the contract as the risk reduces.

- 3.7 The new contracts will be based around specifications specific to the cleaning needs at the end of the 18-month extension period. Alterations may be required to keep in line with Government guidelines. Specifications may alter during the period of the 4-year contract and the contract will ensure there is flexibility for the contractor to respond accordingly. Value for money and a consistent high level of cleaning will be maintained throughout the term of any contract through monitoring by way of monthly review meetings, quarterly KPI meetings and regular cleaning reviews. Cleaning reviews will be carried out corporately for all services and Schools buying into the contract. Possible savings via innovation of cleaning methods, machinery and materials will be discussed during monthly review meetings. Added value will be achieved as this contract will offer additional services outside of the core contract, such as an ad-hoc service to Schools providing cover for absent caretakers and in-house cleaners.
- 3.8 The estimated value of all of the 4-year contracts is approx. £9.12 million plus £4.84 million for a 2-year extension period. Total £13.96 million. This is based on the recommended procurement route.
- 3.9 The current contractor has performed well during the current contract and has consistently met KPI's and returned high scoring cleaning audits. This would continue to be monitored with any new contractors to ensure agreed cleaning standards were being met.

4 ANALYSIS & CONSIDERATION OF ANY ALTERNATIVE OPTIONS

A report with a detailed business case for various procurement routes was presented to the Procurement Advisory Board (PAB) for comment and recommendation on the 7th December 2020. Members were unanimous in their support for the contract to be split in to three geographical lots and additionally, requested a further report back to PAB in June 2021, detailing developments on the Covid-19 procedures required, and clarity on pricing for the contract to be arrived at through market testing and refining the specification.

The detailed business case has been amended to reflect the PAB feedback and is attached at Appendix A.

The options below are summarised from the revised business case.

4.1 Mini Competition Via a Suitable Framework – £8.75 million.

This option will facilitate an easier route to compliance with the Public Contracts Regulations (PCR) 2015. As a contracting authority member of the framework there are no fees applied for the Council to access the framework and through a fair and transparent procurement process, suppliers on the framework have already undergone a pre-qualification and suitability assessment in relation to Public Contracts.

This option would allow the council to focus on developing the service requirements and key performance indicators within the contract as the call off contract terms and

conditions have already been defined and agreed by each framework supplier. This option is the most cost effective as it can be managed utilising existing resources and has the shortest procurement period.

The living wage standards will be considered as a requirement of this contract. The Council is a real Living Wage employer, as such it is committed to ensuring its contractors, to the extent permitted by law, comply with the terms of its Living Wage Accreditation Licence.

This option was considered by PAB and discounted.

4.2 **Direct Employment/Insourcing of the Service - £9.33 million.**

This option would be highly costly and there will be a need to employ at least 10 additional cleaning staff, extra vehicles, cleaning equipment, materials, uniforms and the operational management of the directly employed staff would also necessitate the employment of approximately 4 additional management and administrative staff. This option would also require additional support from within existing corporate support teams that is not already available plus extra funding for ITC requirements.

Risks associated with this option are high and include a significant increase in operational costs and an initial capital cost of approx. £330 000 to provide various equipment. There are risks associated with an additional workforce including complexity of industrial relations issues that may transfer to BHCC. There would be an overall lack of flexibility to provide cover for absent or sick staff and could lead to a drop in standards to provide the service.

This option would require additional support from within existing Corporate Support teams. Learning from previous TUPE processes suggests this will require a substantial increased level of resource to deliver the insourcing TUPE project, and also increased resource on an ongoing basis following completion of the project as this represents a large increase in workforce.

The consequences of insourcing staff on different terms, conditions and pension include the possibility of having a two-tier workforce, where existing employees may be required to work alongside those transferring from the private sector who are on different and potentially more favourable terms and conditions of employment. Bespoke payroll build would be required to maintain a different set of terms and conditions (coinciding with the current payroll system contract renewal April 2022).

There is very likely to be pressure to undertake a harmonisation process quickly after transfer to bring all staff onto the same set of terms and conditions, which will increase staff costs and put considerable pressure on internal resources. In addition to budget pressure for the council, this could be problematic for Schools as existing customers of the service, and would make potential future outsourcing options expensive for potential contractors, ultimately further increasing the cost to the council in the future.

This option was considered by PAB and discounted.

4.3 **Specific Lots for SME operators - £9.12 million – PAB recommended option**

This option would potentially mean increased costs due to the financial and operational requirements associated with three contractors across the three geographical lots. From a corporate City Plan aspect this option could be seen as favourable fulfilling corporate objectives. The management and administration of 3 separate contractors would increase the department resource requirement for auditing, monitoring and financial management. The incumbent contractor staff may be ineligible for TUPE to the potential SMEs due to staff covering a number of sites and shifts, which may or may not match the separate contracts. In order for TUPE to apply, the staff would need to be clearly assigned to the work that is transferring. This could impact on resources and costs to undertake the contracts.

This OJEU route to market via a restricted tender process is more time consuming than call off from an existing framework and may take up to 18 months. This would include robust pre-market engagement, drafting of tender documentation, evaluation of the Selection Questionnaire (SQ) responses, followed by the Invitation to Tender (ITT), evaluation of the tender responses and the formation of three contracts. This can be resource intensive across the service area, procurement and legal teams and can result in the duplication of services that are already available via a compliant third party framework.

This option would not offer best value due to the benefits lost in relation to economies of scale achieved under a framework and the need for 3 contractors for the 3 lots. However it may be an opportunity for SMEs to provide further savings in the event their overheads are smaller than a larger organisation; any potential cost benefits should become more widely understood following the pre-market engagement process.

Risks include increased costs due to the financial and operational requirements. Risk of not being able to recruit new council in-house operational and management positions leading to poor mobilisation. Contractors will not be able to pool resources across the contract to share cleaning equipment, materials and staff. This could lead to a drop in cleaning standards. Operationally this will be difficult to contract manage as this will lead to an increased workload for Property & Design with several contractors to manage. There would be increased monitoring, performance reviews and KPI meetings along with administration differences around payment and process.

The living wage standards will be considered as a requirement of this contract. The Council is a real Living Wage employer and as such it is committed to ensuring its contractors, to the extent permitted by law, comply with the terms of its Living Wage Accreditation Licence.

This is the option PAB on the 7th December unanimously supported and asked Property & Design for a further PAB report in June 2021 detailing progress on Covid-19 procedures and clarity on pricing for the contracts.

4.4 Single Supplier Contract via Open Tender - £8.75million.

This option will require BHCC to procure a contract in line with PCR2015. This could take up to 12 months to procure, including drafting of tender documentation. The option could provide a financial benefit. The process will be resource intensive across the service and can result in duplication of something that is already available via a compliant framework. This, therefore, is not the best value for money option.

The living wage standards will be considered as a requirement of this contract. The Council is a real Living Wage employer and as such it is committed to ensuring its contractors, to the extent permitted by law, comply with the terms of its Living Wage Accreditation Licence.

This option was considered by PAB and discounted.

5 PROCUREMENT ADVISORY BOARD (PAB) CONSIDERATIONS

- 5.1 The report for the procurement of the Corporate Cleaning Contract was presented to the Procurement Advisory Board on the 7th December 2020 asking the board to review and advise on the procurement options for the provision of Corporate Cleaning Services. PAB unanimously supported option 4.3 above that divided the contracts geographically into 3 lots where a maximum of one lot can be won by each tenderer to encourage local SMEs to tender and asked the service for a further PAB report in June 2021 detailing progress on Covid-19 procedures and clarity on pricing for the contract. This pricing will reflect the specifications required to mitigate the risk of Covid-19 at the time but may also include costs for reduced specifications that can be implemented if the risk of Covid-19 reduces whilst also allowing for changes to the Governments guidelines around cleaning in non-healthcare settings.

6 COMMUNITY ENGAGEMENT & CONSULTATION

- 6.1 Engagement and consultation will be required for services that buy into this contract throughout the procurement process to ensure site specific specifications are adequate at the point of tender. Specifications may differ and alter during the procurement process to ensure the risk of COVID-19 is controlled and to keep in line with current government guidance. Engagement and communication will be required with services with sites that fall within multiple geographical areas as it is likely the service will be delivered by more than one contractor.
- 6.2 PAB have been consulted and paragraph 5.1 above sets out their overall advice.

7 CONCLUSION

- 7.1 This contract is fundamental in ensuring that effective cleaning of Council Buildings is being undertaken. Without this contract there may be an increased COVID-19 risk and/or other viruses to staff and all building users as it may not be able to keep buildings clean and hygienic for staff to work within and visit. The PAB recommendation is to support the option that divides the contract into 3 lots to encourage local SMEs to tender. The estimated business case costs for this option show that it exceeds the current budget allocation and would present a large future budget pressure to the service. However PAB have asked for a further report in June

2021 to clarify the position, taking into consideration costs, future possible pandemic impacts on cleaning specifications, sustainability measures and social value aspects that could make the tenders more competitive.

8 FINANCIAL & OTHER IMPLICATIONS

Financial Implications:

- 8.1 The revenue costs associated with the provision of Corporate Cleaning contract will be funded from approved budgets within the Property & Design and from budgets from services that buy into this contract. The contract includes the provision of cleaning services to other services such as Schools and Housing, the costs of which will be funded from their approved service budgets. Any variation between costs and approved budgets will be reported as part of the budget monitoring and budget setting process.
- 8.2 The estimated costs for the recommended option in the business case is £9.12m over 4 years, an increase of £0.37m compared to the existing arrangement although actual costs will not be known until the procurement is completed. Budgets within the Medium Term Financial Strategy will need to be amended accordingly. The specification will include increased cleaning requirements to meet guidance for Covid 19 security that will be flexible and change depending on the prevailing guidance at the time the contracts are let and during the contract. This will potentially increase costs above the business case estimates with any additional costs being factored into future years budgets as part of the councils ongoing financial response to the pandemic.

Finance Officer Consulted:

James Hengeveld

Date: 23/12/2020

Legal Implications:

- 8.3 The Council is required to comply with the the Public Contracts Regulations 2015 in relation to the procurement and award of contracts above the relevant financial thresholds for services, supplies and works.
The council's Contract Standing Orders (CSOs) will also apply.
- 8.4 The Social Value Act 2012 defines social value as 'improvement to economic, social and environmental well-being of the relevant area' and requires specific consideration by the Council prior to starting a procurement process of how to achieve these benefits through the procurement. In addition, The Public Contracts Regulations 2015 expressly allow contracting authorities to incorporate social and environmental factors into specifications for a contract, award criteria and contract conditions provided they are linked to the subject matter of the contract, proportionate to what is being procured, do not result in unequal treatment of bidders, are free from discrimination and comply with the principle of transparency.

Legal Officer Consulted:

Barbara Hurwood

Date: 05/01/2021

Equalities Implications:

- 8.5 An Equalities Impact assessment will be carried out as part of the procurement process following this extension period and will be monitored throughout the contract.

Sustainability Implications

- 8.6 Key sustainability requirements will be included as part of any service specification and potential bidders will be evaluated in accordance with this requirement as part of a tender process.
- 8.7 The contractors will be expected to ensure their service delivery supports the council's [Carbon Neutral 2030](#) and [Circular Economy](#) priority programmes. The Brighton and Lewes Downs area is a UNESCO Biosphere designated region called [The Living Coast](#). As lead partner of The Living Coast programme the council supports its commitment to protecting our groundwater as well as protecting and promoting our natural environment. The council expects all of its contractors to ensure their service delivery strongly supports and aligns with our environmental priorities.
- 8.8 The contractors would be expected to limit the use of chlorine-based products due to the harmful toxic reactions that are generated when mixed with other cleaning products. The cleaning regime should include alternatives such as steam cleaning for removing heavy soil, eco-flower de-scaler when required for removing scale, as well as broad spectrum antimicrobial products where deep sanitisation is required.
- 8.9 The contractors will be expected to use microfibre technology and invest in the most effective energy and water saving mechanical cleaning methods such as the i-Mop. Considerations should be given to reduce the use of water by the use of innovative equipment such as I-Mop and Fi-Map micro scrubber driers and clean water mopping systems. Greywater systems should be used where possible.
- 8.10 The contractors will be expected to use products that where possible are hypoallergenic and less likely to cause any reactions. They are safer for aquatic life; use less hazardous materials, are kinder to the environment whilst still performing to the highest level.
- 8.11 The contractors will be expected to show innovation in products and procedures in order to deliver the contract in a more sustainable way.
- 8.12 The contractors will be expected to source products and materials as locally as possible to reduce the journey times and emissions incurred from transportation.
- 8.13 All vehicles used within the contract should meet Euro 6 standards. The contractor should promote a policy of sharing vehicles when attending meetings actively reviewing operational areas to ensure most efficient use of vehicles and have a sustainable travel policy in place to demonstrate how they are encouraging sustainable travel across the workforce. The contractor should undertake route planning and drive training to enable fuel efficiencies and for minimising emissions during journeys and should be working towards replacing vehicle fleet to electric or low emission vehicles to reduce emissions through the period of the contract.
- 8.14 The contractors will be expected to capture the following data and report back during quarterly KPI meetings:

- The circulation of weekly movement sheets to encourage car sharing to key meetings.
- Annual review of vehicle CO2 ratings
- A fuel trend analysis in place to identify and monitor the economy performance of drivers.
- Eco driving courses arranged for all drivers to enhance their driving efficiency and economy.
- Consider the use of alternative fuels based on practicality, availability of vehicles and availability of alternative fuel.
- An increase in the use of electric vehicles to use within this contract

8.15 The contractors should lease machinery rather than buy new with the manufacturer or supplier holding the responsibility to replace and repair. The contractors should lease machinery such as vacuum cleaners, floor scrubbers, floor buffers and deep cleaning machinery from suppliers that can demonstrate a positive attitude to environmental issues. Training should be implemented to ensure the most economic use of equipment. When equipment is at the end of its life, the contractor will be expected to dispose of this effectively, where possible reuse parts for other machinery and then recycle it

Review meetings will also consider sustainability and circular approach including minimisation and reuse of materials, elimination of single use plastics and use of alternatives'

8.16 BHCC are committed to reducing the use of all single use plastics. All plastics and compactor sacks used on this contract must be made of recycled materials to keep packaging to a minimum. The use of plastic will be reduced over the period of this contract and targets will be specified and measured regularly to ensure the contractor is able to meet these targets. The contractor must ensure that recycled materials are properly processed and that there is an arrangement for these to be collected and processed at a facility that can recycle to avoid being mixed with general waste

8.17 Approved suppliers and sub-contractors are to be made aware of BHCC position relating to environmental issues and sustainability

- Prevention and/or mitigation of all forms of pollution
- Recycling of waste materials
- Minimisation of chemical use
- Waste Management
- Specification of environmentally positive products or materials
- Materials sourced from sustainable and/or renewable resources

8.18 The living wage standards will be considered as a requirement of this contract. The Council is a real Living Wage employer and as such it is committed to ensuring its contractors, to the extent permitted by law, comply with the terms of its Living Wage Accreditation Licence.

Brexit Implications:

8.19 Due to the diverse workforce within this industry, there is a risk that the Corporate Cleaning Contract may come under some pressure as the pool of available staff reduces. However, the current contractor has managed this situation well over the period of the previous contract with staffing retention being a measurable within the

required contracted KPI's. The contractors may need to consider increasing the provision of mobile cleaners to cover any staff loss at specific sites.

Risk and Opportunity Management Implications:

- 8.20 Failure to ensure the continuity by way of procuring a 4 year contract to provide the cleaning provision who can ensure the required Covid standards are maintained, will expose the Council to financial cost and management resource time to cover the essential services provided within the corporate cleaning contract

Public Health Implications:

- 8.21 The corporate cleaning contract will help promote wellbeing by maintaining a high level of hygiene and cleanliness for all people entering a building serviced by this contract. The emphasis on sanitisation of hard surfaces and contact points will provide protection and security against COVID-19 and other viruses and help to minimise the risk of viruses spreading. There will be continual consultation with Public Health by Property & Design to ensure all government and public health guidelines are being followed to keep staff safe, secure and buildings hygienic. All information and requirements will be communicated to the successful contractors who will be responsible for ensuring staff and public are kept staff safe, secure and buildings hygienic.

Corporate / Citywide Implications:

- 8.22 The proposals support the Councils corporate priorities of keeping the public and staff safe and secure in Council Buildings. They will also support the corporate strategic priorities relating to community wealth building, supporting the local economy and sustainability objectives.

SUPPORTING DOCUMENTATION

Appendices:

1. Appendix A – Procurement of Corporate Cleaning Contract - Business Case Options.

Background Documents

1. None