

Report to: Cabinet

Date of Meeting: 5 September 2016

Report Title: Procurement of Cleaning Contracts

Report By: Mike Hepworth, Assistant Director, Environment and Place

Purpose of Report

To seek Cabinet approval to procure a portfolio of cleaning contracts covering public conveniences, Council premises, and bus shelters.

Recommendation(s)

1. That the Director of Operational Services be delegated, in consultation with the Leader of the Council and Assistant Director Financial Services and Revenues, to undertake a procurement exercise via the East Sussex Procurement Hub, and award the new cleaning contracts
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Reasons for Recommendations

The existing contracts expire on the 31st March 2017 and they cannot be extended further.

It is essential that the Council secures services to clean the public conveniences, Council buildings and bus shelters.

Procurement in partnership via the East Sussex Procurement Hub is a cost effective means of carrying out the procurement, and should result in good value bids from suitable service providers.

The proposed length of contracts allow for the development of a business case for potential future in house provision.

Background

1. The current portfolio of cleaning contracts was procured in 2010 in partnership with Rother and Wealden District Councils in a procurement exercise led by Hastings Borough Council.
2. The Council now undertakes its major procurements via the East Sussex Procurement Hub, in order to achieve economies of scale and a range of procurement expertise.
3. Rother and Wealden councils will be re-procuring these services through the East Sussex procurement Hub, and there are potential advantages (economy of scale) to Hastings participating in this process with them.
4. Members wish to bring services in house where there are advantages to this to the Council. The approach proposed below is to tender for relatively short periods for the next contract to allow:-
 - i. Preparation of a business case around a potential in house service to assess the viability of this option.
 - ii. To allow flexibility at a time of likely budget reductions which may impact on the ultimate demand for cleaning services.
 - iii. To establish a level playing field for comparing the costs of an in house approach to that offered by the private sector when the living wage has equalised pay rates, anticipated to be by 2020 at the latest
 - iv. To allow the Council to gain experience in setting up and running arms length business structures which it will be doing as part of its approach to income generation.

Potential for savings associated with the cleaning of public conveniences

5. The area for greatest potential for savings is the cleaning of public conveniences. More work is required before we can confidently propose these changes, as they are dependent upon suitable alternative arrangements being agreed. For example many local authorities have closed some of their public conveniences and entered into agreements with nearby businesses that are willing to allow public access to their toilets, in exchange for a contribution to cleaning and maintenance costs.
6. A local authority cannot change the contract specification during the course of a contract, such that the contract value is reduced by more than 10%. The current contract treats unit reduction on a pro rata basis. This can be viable when reducing by a very small number of units, but service providers face overheads and operational resourcing needs that do not necessarily reduce on a pro rata basis. This can lead to front loading of contracts to offset this possibility.
7. As a result it is proposed that we seek tenders for the Hastings lots, based on two specifications for cleaning public conveniences. One for the existing services, and

the other possibly incorporating closures, and changing the opening hours of several units changed to reflect seasonal usage.

8. There are currently 21 units on the cleaning schedule, and the current annual provision is £317,000. This is an average of about £15,000 per unit with a range from £3,500 to £59,000 per unit per annum.
9. The procurement will be by an open tender process. Thereby enabling a wide range of providers to tender. From small to medium sized companies, to social enterprises etc.

Proposed Contract Costs and Length of Contract

10. The Council needs to consider this service provision within the context of the Council's overall financial situation and the continued need to deliver substantial on-going savings.
11. It is assumed that the operational staff employed on the contract will currently be paid at or near to the national minimum wage. The move to a new national living wage (NLW) is likely to increase costs. From April 2016, the NLW is set at £7.20 per hour for over 25s which compares to the previous minimum wage of £6.70 per hour. By 2020, the NLW is expected to rise to £9 per hour. This new factor may well add cost pressures to the bids. As such, it would be reasonable to expect bids to increase on previous contract pricing, possibly by up to 15%.
12. Rother and Wealden have opted for their lot to be tendered for a period of 5 years with a potential for a 2 year extension. However, we would like to assess the scope for a shorter contract term, as this may afford us more flexibility to respond to changes in the market and our future requirements. We appreciate that this may affect the bids, and therefore propose tendering the Hastings lot in a way that secures tenders for the following time periods.

2 years with the potential for 3 additional 1 year extensions;

3 years with the potential for 2 additional 1 year extensions;

Policy Implications

13. With respect to policy implications, there are clearly risk management and financial implications.
14. From a risk perspective it is essential that we reprocure these services before the existing contracts expire, and this can be achieved through the process described in this report.
15. From a financial perspective we need to ensure that we use this as an opportunity to reduce our costs where possible, such as through revising the specification for the new contract. We also need to ensure that we achieve best value. Again the process described above clearly seeks to address these requirements.
16. Although no specific equalities issues arise from this report it will be important to consider how the impact of any future reduction in toilet provision is mitigated by alternative arrangements.

Wards Affected

All Wards

Policy Implications

Please identify if this report contains any implications for the following:

Equalities and Community Cohesiveness	No
Crime and Fear of Crime (Section 17)	No
Risk Management	Yes
Environmental Issues	No
Economic/Financial Implications	Yes
Human Rights Act	No
Organisational Consequences	No
Local People's Views	No
Anti-Poverty	No

Additional Information

Officer to Contact

Scott Coughlan - Waste, Parking and Streetscene Services Manager

scoughlan@hastings.gov.uk

01444 783316

Mike Hepworth - Assistant Director Environment and Place

mhepworth@hastings.gov.uk

01424 783332
