

Report to: Charity Committee

Date of Meeting: 26th September 2016

Report Title: Procurement of Cleaning Contracts

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

Purpose of Report

To seek Trustees approval to procure a portfolio of cleaning contracts covering property belonging to the Foreshore Trust.

Recommendation(s)

1. That the Trustees agree to procure cleaning services via the East Sussex Procurement Hub together with Hastings Borough Council.

Reasons for Recommendations

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

It is essential that the Foreshore Trust secures services to clean the public conveniences and other property owned by them.

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. Historically the Foreshore Trust has agreed to public conveniences and other property owned by the Foreshore Trust to be cleaned and maintained by the Council's contractors. As these contracts now need procuring again, the Council is seeking approval to proceed from the Foreshore Trust.

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. 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

8. The Trustees needs to consider this service provision within the context of the Trust's overall budget.
9. 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%.

10. It is proposed to seek tenders for two 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

11. With respect to policy implications, there are clearly risk management and financial implications.

12. 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.

13. 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.

14. No equalities issues arise from this report, though if the Trustees were to reduce or charge for the service these issue may arise.

Wards Affected

None

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

Officer Name: Mike Hepworth

Officer Email mhepworth@hastings.gov.uk

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Officer Telephone Number: 01424-783332

