

## **CABINET MEMBER DELEGATED DECISION 18 FEBRUARY 2020**

**Report title:** Contract Award – Facilities Management Hard Services (Repairs and Maintenance)

**Wards:** All

**Portfolio:** Cabinet Member for Finance and Performance: Councillor Andrew Wilson

**Report Authorised by:** Bayo Dosunmu: Strategic Director for Resident Services

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### **Report summary**

This report is to recommend that the contract for Facilities Management Hard FM Services (Repairs and Maintenance) is awarded to Integral UK Limited following a competitive tender process.

### **Finance summary**

The service will cost £5m per annum, £25m over five years with the option to extend for a further two years. The cost of the service will be met from existing revenue and capital budgets. The contract will commence on 1 July 2020 to 30 June 2025 with an option to extend for a further two years to 30 June 2027 for an estimated total contract value of £35m.

### **Recommendations**

1. To award the contract for Hard FM Services to Integral UK Limited for an estimated contract value of £25m for the duration of the 1 July 2020 to 30 June 2025 with an option to extend for a further two years to 30 June 2027 for an estimated total contract value of £35m.

### **Reasons for Exemption from disclosure**

The accompanying part II report is exempt from disclosure by virtue of the following Paragraphs of schedule 12A to the Local Government Act 1972:

3. Information relating to the financial or business affairs of a particular person (including the authority holding that information).

## 1. CONTEXT

- 1.1 Lambeth currently has a contract with Engie Services to provide Hard FM Services (Repairs and maintenance) Services, these contracts commenced on 1 September 2012. The current contract has been extended to 30 June 2020 in order to complete the retender and award a new contract.
- 1.2 The Procurement Strategy to retender the contracts was approved in February 2019 and recommended using the Crown Commercial Services (CCS) RM3830 Facilities Marketplace Framework further competition for the tender.
- 1.3 This procurement supports the Borough plan through goals of Enabling Growth and development in the Borough” and “Ensuring that the benefits of growth increase community resilience”.
- 1.4 This is a Procurement Gateway 3 contract award report.

## 2. PROPOSAL AND REASONS

- 2.1 The proposal is to award the contract to Integral UK Limited.
- 2.2 The decision was arrived at following a further competition using the Crown Commercial Services Facilities Market Place framework RM3830. Table 1 below details the procurement timetable.

**Table 1: Procurement timetable**

<b>Activity</b>	<b>Date</b>
Expression of Interest Issued	24/6/19
Expression of Interest Deadline	27/6/19
Tender Issued	19/7/19
Supplier Site visits	29/7/19 – 8/8/19
Tender deadline	14/10/19
Compliance checks	15/10/19 to 21/10/19
Evaluation period	21/10/19 to 15/11/19
Post tender clarifications	16/11/19 to 21/11/19

- 2.3 Following issue of the supplier brief, via CCS, on 24 June 2019, twelve (12) suppliers confirmed their interest by the 27/6/19 deadline.
- 2.4 The Invitation to Tender (ITT) was issued on 19 July 2019, eight (8) suppliers who had expressed an interest in the tender accepted the invitation to quote and attended the site visits. Of these eight (8) suppliers, five (5) submitted tender responses.
- 2.5 Compliant tenders were submitted by five (5) suppliers. The tenders were evaluated on quality, price and commitment to social value. The tender evaluation was 40% price, 10% social value commitments and 50% quality.
- 2.6 All suppliers were evaluated for Quality and Social Value. Suppliers were required to achieve above the threshold score of six (6) for their pricing submission to be evaluated, three (3) suppliers met this threshold, the remaining two (2) submissions were excluded.
- 2.7 Separate evaluations were undertaken for Quality, Price and Social Value. The numbers for members for each panel are set out in table 2 below. Each panel was moderated by a Senior Procurement Officer (non-scoring) and chaired by the Assistant Director Facilities, Property and Projects. Scores were agreed by consensus by the panel.

**Table 2: Evaluation panels**

Panel	No. Members
Quality	4 + Chair + Senior Procurement Officer
Price	3 + Chair + Senior Procurement Officer
Social Value	2 + Chair + Senior Procurement Officer

2.8 Table 3: below show each supplier's percentage scores for Quality, Price and Social Value and the total score following moderation.

**Table 3: Suppliers Total Moderated Scores**

Supplier	Quality evaluation score 50%	Social Value evaluation score 10%	Price evaluation score 40%	Final Score
	(Maximum Score Available 50)	(Maximum Score Available 10 - Minimum Threshold Score of 6)	(Maximum Score Available 40)	(Maximum Score Available 100)
<b>Supplier A</b>	31.00	7.72	36.30	75.02
<b>Supplier B</b>	20.00	5.04	Not applicable	
<b>Supplier C</b>	28.00	5.64	Not applicable	
<b>Integral UK Limited</b>	<b>36.00</b>	<b>6.29</b>	<b>40.00</b>	<b>82.29</b>
<b>Supplier E</b>	28.80	6.90	27.48	63.18

2.9 As the supplier with the highest score, Integral UK Limited are recommended as the supplier for award of the Hard FM Services contract. Integral UK Limited has the required experience and expertise to deliver Hard FM Services to the Lambeth Corporate Estate and schools and will provide value for money in delivering the contract for the full five-year term.

### 3. FINANCE

3.1 The service will cost £5m per annum (including base contract cost and estimated reactive costs), £25m over 5 years with the option to extend for a further two years. The cost of the service will be met from existing revenue and capital budgets. The contract will commence on 1 July 2020 to 30 June 2025 with an option to extend for a further two years to 30 June 2027 for an estimated total contract value of £35m. The Procurement Strategy report noted a steady rise in costs associated with all maintenance and construction sectors (including Facilities Management) since March 2014 and that this rise could adversely affect the contract price. The 2017 Business Case noted an upward market trend of increased pricing above inflation of up to 5% from the 2012 TFM contract price.

3.2 The CCS Facilities Marketplace Framework RM3830 was selected as it offered Public bodies an opportunity to save 10% on procurement costs because of economies of scale and potential discounts from maximum framework rates. (See also section 9.4).

- 3.3 The Contract price for Hard Services includes planned preventative maintenance, an inclusive repair threshold (IRT) of £500 per repair. Note that reactive repairs above £500 (IRT) incur additional charges.
- 3.4 The new contract base cost is £6.030m over five years and includes the Social Value offer set out below. Compared with the current cost of £6.296m the reduced contract cost of approx. £266,000 over five years does not represent a realisable saving at this time. The final contract base price will be confirmed following mobilisation and the application of contract variations and completion of Integral UK Limited's due diligence and asset condition verification. (see also section 9.6)
- Integral UK Limited Social Value Offer
    - New apprenticeships - 2 per annum with Integral UK Limited, 1 per annum with Supply chain.
    - New jobs - 10 per annum with Integral UK Limited. 6 per annum with supply chain. Commitment to employment of local residents.
    - Work experience placements – 2 per annum
    - Support for unemployed residents into work – 2 per annum minimum commitment
    - Support for the local community - 160 hours volunteering (1 day per staff member). 80 hours per annum support for community groups (e.g. IT training), 160 hours per annum use of facilities, 50 hours per annum support for local businesses
    - Contribution to Social value community fund – £6,000 per annum to increase in line with any increases in base contract price.
- 3.5 The new contract base price represents a £315,000 five-year cost avoidance (equivalent to £63,000 per annum) based on an estimated 5% above inflation upward market trend. This is a non-cashable saving identified in the procurement Business Case.
- 3.6 The management of this contract including management of the payment mechanism will be centralised with Property Services.

#### **4. LEGAL AND DEMOCRACY**

- 4.1 The authority to enact this report's recommendation is delegated to the Cabinet Member for Finance and Performance. Before exercising that authority, this paper should be reviewed by the Procurement Board.
- 4.2 Under the Contract Standing Orders, all contracts with an estimated value of £100,000 or more should be competitively tendered to ensure that all tenderers have the economic and financial standing, technical ability and resource capacity to fulfil the requirements of the authority. This report demonstrates how officers have complied with this requirement.
- 4.3 The statutory procurement regime applies to the proposed award by virtue of the Public Contracts Regulations 2015. For contracts for services which valued above the £181,302 threshold, the full application of the statutory procurement regime applies. Procuring via a mini-tender from a properly procured framework is compliant with the requirements of the Regulations provided the Council is named, or is part of an identifiable group cited, in the original contract notice published in respect of the framework
- 4.4 As soon as possible after making the decision to award the contract, the Council must provide a written notice to the unsuccessful bidders, naming the winning bidder and describing the characteristics and relative advantages of the successful tender. For above-threshold call-off

contracts from a framework agreement there is no mandatory 10-day standstill period between the notification of the contract award and the commencement of the contract but applying the standstill is recommended to protect against possible post contractual ineffectiveness claims.

- 4.5 This proposed key decision was entered in the Forward Plan on 20 August 2019 and the necessary 28 clear days' notice has been given. In addition, the Council's Constitution requires the report to be published on the website for five clear days before the proposed decision is approved by the Cabinet Member. Any representations received during this period must be considered by the decision-maker before the decision is taken. A further period of five clear days - the call-in period – must then elapse before the decision is enacted. If the decision is called-in during this period, it cannot be enacted until the call-in has been considered and resolved.

## 5. CONSULTATION AND CO-PRODUCTION

- 5.1 Consultation has been undertaken throughout the process from pre-Business Case to award of contract. Engagement with stakeholders is set out in Table 4 below.

**Table 4 – Stakeholder Matrix**

<b>Stakeholders</b>	<b>Interest</b>	<b>Action</b>
Cabinet Member	All stages from Pre-Business Case To Approval of Contract	Pre-procurement engagement. Consulted on each stage of procurement (Business Case, Procurement Strategy Report, Forward Plan entries, Contract Award report) Consulted on procurement options including insourcing
Project Sponsor (Strategic Director)	Successful delivery of contract arrangements and securing Cabinet Member Buy-in.	Met and discussed approach to Cabinet Member. Kept Strategic Director updated on procurement. via fortnightly Resident Services Assurance Board meetings
Procurement	All stages from Pre-Business Case to Award of Contract.	Conducted pre-procurement engagement. Consulted on each stage of procurement (Business Case, Procurement Strategy Report, Forward Plan entries, Contract Award report) Consulted on development of tender documentation
Legal (internal and external)	All stages from Business Case to Award of Contract.	Consulted on each stage of procurement (Business Case, Procurement Strategy Report, Forward Plan entries, Contract Award report)
Corporate Finance	All stages from Business Case to Award of Contract.	Consulted on each stage of procurement (Business Case, Procurement Strategy Report, Forward Plan entries, Contract Award report)
Democratic Services	Pre-tender stage to Award of Contract	Consulted on governance and publication of Forward Plan and Contract Award

Client Departments	Specification Performance Management	Evaluated what works well and what does not and what improvements can be made. Developed requirements using feedback on from users of the service. Members of evaluation panel
Schools	Specification Inclusion in tender	Consulted on requirements and developed requirements using feedback Confirmed inclusion in tender
Policy & Communications	All stages from Procurement Strategy to Award of Contract.	Consulted on Equalities impacts following approval of Business Case through to contract Award
Trade Unions	Procurement Strategy to Award of Contract	Consulted on Insourcing Options and Outcomes for contractor staff

## 6. RISK MANAGEMENT

- 6.1 There are risk of non-compliance with statutory Health and Safety legislative requirements if Planned Preventative Maintenance (PPM) and Statutory checks are not undertaken. The contract includes provision for PPM and Statutory maintenance checks.
- 6.2 All required DBS checks will be put in place for staff working on this contract.
- 6.3 The Project Team responsible for the delivery of the procurement and management of the subsequent contract have developed a risk register in Table 5 below. The main risks that impede on the successful delivery of this procurement and contract are:

**Table 5 – Risk Register**

Item	Risk	Likelihood	Impact	Score	Control Measures
1	Financial - delinquency	(2) Unlikely	(4) Serious	8	Annual Dunn and Bradstreet checks to be undertaken
2	Financial - affordability	(2) Unlikely	(2) Significant	4	Robust financial management in place
3	Poor contract performance	(2) Unlikely	(2) Significant	4	Robust contract management processes in place
4	Social Value commitments not delivered	(2) Unlikely	(2) Significant	4	Robust measurement and monitoring of Social Value in place as part of contract management

### Key

Likelihood	Very Likely	4	Likely	3	Unlikely	2	Very Unlikely	1
Impact	Major	8	Serious	4	Significant	2	Minor	1

## 7. EQUALITIES IMPACT ASSESSMENT

- 7.1 The Equalities Impact Assessment (EIA) was signed off by the Director of Housing on 13 December 2019. Equalities impacts can be positive and negative. Table 6 below sets out some of the identified impacts and mitigation to addresses these issues. The EIA will continue to be reviewed, developed and updated throughout the contract term.

## 7.2 Table 6: Equalities impacts

Equalities impact	Who is impacted by change	Mitigation
Potential impact of changes to working practices	Staff working on contract	Supplier must follow law in making any changes including redundancies
Effect of TUPE transfer to a potential new provider – change of pay date, pension provider, rates of pay.	Staff working on contract	All current staff will TUPE transfer to new provider with the same terms and conditions of employment. The contract pays London Living Wage and this is written into contract terms and conditions.
Increased Community Benefits linked to Social Value	Lambeth Residents	Commitment made to Social Value in Lambeth during life of contract through apprenticeships, work experience placements, increased employment opportunities
Percentage of contract spend in the Borough	Lambeth SMEs	Commitment to increase spend with Local SMEs
Improved Customer awareness	Lambeth Residents and Contractor staff	Contractor staff to be provided with additional customer awareness training, e.g. autism awareness, Trans gender awareness
Health and Wellbeing	Lambeth Residents and Contractor staff	

## 8. COMMUNITY SAFETY

- 8.1 Contractor's staff will be required to attend training courses as required to support Lambeth's Community Safety objectives, for example counter terrorism training.
- 8.2 DBS checks are required for some contractor and sub-contractor staff who undertake work in schools and Social Care buildings, e.g. Day Centres and Children's Centres.

## 9. ORGANISATIONAL IMPLICATIONS

### Environmental

- 9.1 **Reduce Emissions:** Integral UK Limited has committed to reduction of carbon emissions throughout the life of this contract. All vehicles used on the contract will be low emission vehicles. Lambeth will hold early discussions following contract award regarding use of electric vehicles.
- 9.2 **Single Use Plastics:** The CCS contract terms and conditions include requirements for all framework Suppliers to commit to Government targets for improved Sustainability including reduction in the use

of Single Use Plastics. The contract management process will be used to monitor and ensure the delivery of their proposals.

**Staffing and accommodation**

9.3 There are no internal TUPE implications, however there will be a TUPE transfer from the incumbent provider for Hard FM. The current staffing resources employed on these contracts is shown in Table 7 below:

**Table7: Current staffing Resource Hard FM contract**

<b>Resource</b>	<b>No. Staff</b>
Management and Admin	8
Hard FM operatives	9

Integral UK Limited’s on site staff will be co-located with the Property Services Team.

**Procurement**

9.4 The Business Case was approved in August 2017. The Procurement Strategy for the tender was approved in April 2019. The CCS Framework RM3830 was selected as the procurement route as it offered an upper limit on Framework rates providing financial stability for the contract terms. The CCS Framework also offered Public bodies the opportunity to procure services on average 10% less than when running their own tenders.

9.5 **Responsible procurement:** The CCS Framework terms and conditions will be the contract terms for this contract. Where responsible procurement is included in the CCS terms and conditions this is noted below. The Gateway 2 Procurement Strategy for this procurement was approved in April 2019 prior to the implementation of the Council’s Responsible Procurement Policy in September 2019. The successful provider has made a number of commitments with respect to Social Value and these are set out below. Financial details of the Social Value offer are set out in the Part II report. The new Lambeth responsible Procurement Policy was published after the issue of the ITT.

9.6 *Good Quality Jobs With Fair Pay and Decent Working Conditions*

1. London Living Wage will be paid to staff working on this contract.
2. The CCS Framework terms and conditions require Compliance with the Modern Slavery Act (2015). Integral UK Limited has confirmed that they have a whistle blowing policy with respect to breaches of the Modern Slavery Act.
3. The successful supplier recognises Trade Unions and will consult with relevant staff trade unions as required. Integral UK Limited has confirmed that those belonging to a trade union are not treated unfairly as a consequence.

*Quality Apprenticeships, Targeted Employment for Lambeth Residents and Lambeth Priority Group*

9.7 Social Value formed part of the tender evaluation and the successful supplier has made a commitment to deliver Social Value in Lambeth throughout the contract term. The delivery of Social value will be measured and monitored annually to the Strategic Board (see also section 3.4). Over the five-year contract term the contract will deliver:

1. A total of ten apprenticeships of NVQ Level 2 and above with Integral UK Limited and a further five apprenticeships through Integral UK Limited supply chain.
2. 50 new jobs with Integral UK Limited and 30 new jobs with Integral UK Limited supply chain.

3. A minimum of 2,250 hours of support to Residents and Business in the Borough through training for community groups, use of facilities provided by Integral UK Limited, and volunteering hours.

9.8 **GDPR:** For the purpose of this contract the CCS Terms and conditions state that the Authority is the data controller and the supplier is the data processor.

#### **Health**

9.9 Integral UK Limited has committed to implementing a Healthy Workplace charter.

## **10. TIMETABLE FOR IMPLEMENTATION**

### **10.1 Table 8: Timetable for implementation**

<b>Activity</b>	<b>Proposed Date</b>
Date published on Forward Plan	20 August 2019
Submission to Procurement Board Administrator	21 January 2020
Procurement Board Date	28 January 2020
Publication on Decisions online	31 January 2020
Standstill Period Prior to Decision	31 January 2020 to 14 February 2020
Cabinet Member Decision	17 February 2020
Execution of Contract	18 March 2020
Mobilisation Period for	18 March 2020 to 30 June 2020
Commencement of Contract	1 July 2020

10.2 The detailed timetable for contract mobilisation will be agreed with Integral UK Limited post contract award.

10.3 This contract will be managed and monitored by Property Services. The Authorised Officer for the contract is the Assistant Director of Facilities, Property and Projects. The Property Services Contracts team will manage the contract and will monitor contract performance, community funding agreements, contract payment mechanisms, contractual notices and changes and escalation processes. Contract review meetings will be held monthly following the commencement of the contract. These will include monthly reporting and review of contract key performance indicators (KPIs). All formal meetings will include representatives from the wider client team.

10.4 Strategic Contract review meetings will be held with Senior Management supported by reports from the Supplier including monitoring and measurement of Social Value commitments.

10.5 Business Continuity arrangements will be agreed with the successful supplier during the mobilisation period, at least 90 days prior to the contract start date, and will support the Property Services Business Continuity Plan.

## AUDIT TRAIL

### Consultation

Name/Position	Lambeth directorate / department or partner	Date Sent	Date Received	Comments in paragraph:
Councillor Jack Hopkins	Leader of the Council	31.01.20	10.02.20	
Councillor Andrew Wilson	Cabinet Member for Finance and Performance	06.01.20	16.01.20	3.0 and 9.0
Bayo Dosunmu - Strategic Director	Resident Services	27.12.19	06.01.20	
Darren Levy – Director of Housing	Resident Services	27.12.19	06.01.20	
Andrew Ramsden, Finance	Finance and Investment	10.12.19	27.12.19	Finance summary and 3.0
Michael O’Hora, Legal Services	Legal and Governance	10.12.19	11.12.19	4.0
Maria Burton, Democratic Services	Legal and Governance	10.12.19	18.12.19	Throughout and 4.0
Prakash Bijwe, Procurement	Finance and Investment	01.12.19	05.12.19	Throughout

## REPORT HISTORY

<b>Original discussion with Cabinet Member</b>	24/01/19
<b>Report deadline</b>	07/01/19
<b>Date final report sent</b>	31/01/19
<b>Part II Exempt from Disclosure/confidential accompanying report?</b>	Yes
<b>Key decision report</b>	Yes
<b>Date first appeared on forward plan</b>	Expenditure in excess of £500,000
<b>Key decision reasons</b>	24/01/19
<b>Background information</b>	N/A
<b>Appendices</b>	N/A

**APPROVAL BY CABINET MEMBER IN ACCORDANCE WITH SCHEME OF DELEGATION**

**I confirm I have consulted Finance, Legal, Democratic Services and the Procurement Board, and taken account of their advice and comments in completing the report for approval:**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Post:** Patricia Anamoah,  
Assistant Director Facilities, Property and Projects, Property Services

**I approve the above recommendations:**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Post:** Bayo Dosunmu,  
Strategic Director for Resident Services

**I confirm I have consulted the relevant Cabinet Members, including the Leader of the Council (if required), and approve the above recommendations:**

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

**Post:** Councillor Andrew Wilson  
Cabinet Member for Finance and Performance

**Any declarations of interest (or exemptions granted):** None

**Any conflicts of interest:** None

**Any dispensations:** None