

Report for Information

Report to	Executive 24 June 2009	Item 5
Report of	Head of Procurement and Service Improvement	
Subject	Re-provisioning of CityCare services - Pensions, Contract Conditions and Evaluation model	

Purpose

To update Executive on progress of the tender process for the re-provisioning of the services currently provided by CityCare.

Recommendations

That the Executive:-

- (1) notes the inclusion in the contract terms and conditions the items recommended by the contracts working party
- (2) approves the use of the evaluation model as set out in Appendix 1 of this report
- (3) approves the pension provisions as detailed in the report.

Financial Consequences

Financial consequences are not known at this stage and will only become apparent when tenders are submitted. The evaluation model aims to take advantage of the opportunity for multiple prices to be submitted to achieve economies of scale.

Risk Assessment

Contract conditions – there is a risk that the inclusion of items in the contract conditions will increase price or contractors will not be able/willing to meet these conditions. The risk of this is low and the impact is medium. This risk has been mitigated by research prior to the tender process which has indicated that suppliers are willing and able to meet these conditions as part of their service delivery.

Evaluation model - there are some risks in this approach versus merely assessing each lot separately given the number of scenarios which could be calculated. The risk is low and the impact is medium. For example one outcome could be to accept a lower quality or higher price for one lot to create a multiple award to one bidder. Other problems may be created when a grouping which spans two service areas creates a cross dependency. However by making the groupings clear in the tender instead of leaving it to bidders, the process is more controlled. It will enable the authority some flexibility in the award process and take advantage of efficiencies identified by tenderers, while maintaining separate pricing and the potential to award single lots.

Pensions – the provision of pensions is clearly defined both in terms of TUPE and best practice guidance. The main risk is around liability for fluctuations in the

pension fund valuations and who will accept liability for this. Recent press suggests that suppliers may be unwilling to accept these risks. The risk that suppliers will not accept liabilities for pension fluctuations is high and the impact is medium. This risk will remain until tenders have been received so that the council can understand the basis on which suppliers are bidding.

Strategic Priority and Outcome/Service Priorities

The report helps to meet the strategic priority “Aiming for excellence – ensuring the Council is efficient in its use of resources, is effective in delivering its plans, is a good employer and communicates effectively with its customers, staff and partners”.

Executive Member: Councillor Waters - Corporate Resources and Governance

Ward: All

Contact Officers

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Report

Re-provisioning of CityCare services - Pensions, Contract Conditions and Evaluation model

1. Contract terms and conditions

a) Background

The Contracts Working Party has previously outlined requirements for sustainability and employee matters in the new contracts that will come in to effect in April 2010 for the provision of services currently provided by CityCare.

b) Composition of Contract terms and Conditions

Contract Terms and Conditions have been developed using the Office for Government Commerce standard terms and conditions as a basis as well as other terms and conditions used in similar contracts by other authorities.

Contract terms and conditions have been through a review process with the heads of service and managers to ensure suitability for the various contract lots. These have also been reviewed by external legal representatives as part of the support provided by Tribal (formerly Helm).

c) Terms and conditions incorporated

To meet the requirements of the Contracts Working Party and the aspirations of members the terms and conditions have incorporated the following:

i) Apprenticeships, Training and Personal Development

The Contractor (and/or their subcontractors) must employ trainees during the Contract Period and provide:

- in aggregate across all trainees no less than 40 trainee-weeks of site experience (where a trainee-week includes a minimum of 14 hours of site work) and facilitate on-site recording of each trainees' work for NVQ accreditation.
- where "trainee" means any person enrolled on an accredited training programme with a training provider approved to deliver the relevant vocational qualification.

Any invoices related to the payment of wages to trainees by the Contractor must be included in any invoice submitted by the Contractor and be accompanied by supporting payroll and training records as proof of spend.

This clause will not be included in the cleaning contract and the multi storey car park cleaning contract as these contracts are not suitable for trainees. The building cleaning contract also includes the following and this will be replicated in contracts where applicable:

The Contractor shall provide:

- Regular 'Tool box' sessions or similar at each location particularly relating to the methodology to be used for individual cleaning tasks and cleaning procedures covering:
 - Security of the Authority's Premises
 - Fire and accident prevention and reporting
 - Health and Safety

Such procedures are to be available for inspection by the Supervising Officer.

ii) Living Wage

In the Building Cleaning Tenderers are required to supply two prices - one where operatives are paid the minimum wage or more as determined by their current terms and conditions of service and one where operatives are paid a living wage which has been estimated at £7.00 per hour or more (confirmed living wage figures are not yet available for Norwich). We will be able to make a direct comparison between the two to see what uplift is required to pay a living wage.

This will be replicated in the tenders for the other services. There are some services where this is not applicable as all current employees are paid above £7.00 per hour.

This will allow a direct comparison to be made between the additional cost for paying £7.00 per hour minimum and the council will then have to decide if this is affordable.

iii) Environmental Sustainability

All contracts have clauses referring tenderers to the need to collect data for NI185 and NI194.

In addition to this, the cleaning contracts stipulate the following:

- All cleaning materials shall be in accordance with the Authority's Environmental Strategy and the successful Contractor shall have submitted a list of all materials to be used to the Supervising Officer prior to the commencement of the Contract.
- Environmental awareness in the use of cleaning materials will be required to be reflected in cleaning practices of the Contractor. The Contractor will be required to provide detailed proposals of their practices in this area as part of their tender submission

In applicable contracts there will be a top ten list of environmental essential items. These will include supply of certificated FSC timber, use of water saving materials.

2. Evaluation Model

The Contracts Working Party has previously discussed the evaluation criteria to be used for the building cleaning contract. This report now looks at the lots that are currently out to tender and is seeking to agree the use of the evaluation model at Appendix 1.

3. Pension provision

a) Background

A proportion of employees currently employed by CityCare who transferred from Norwich City Council to CityCare in 2000 are members of the Local Government Pension scheme. All employees of CityCare who are eligible for TUPE transfer will transfer to a new contractor(s) when the current contracts expire and new contracts commence.

Other employees who did not transfer have the option of joining an occupational pension scheme offered by CityCare. The benefits and contribution rates of this are understood to be different to the Local Government Pension Scheme.

As part of the TUPE process staff will have rights that will transfer and this includes broadly comparable pension provision.

b) Current provision

In the current contract, most employees who were transferred from Norwich City Council to CityCare in 2000 continue to be members of the Local Government Pension Scheme. There is an admission agreement that allows CityCare access to the scheme. The agreement is between CityCare and the pension authority.

In addition to this as part of the contract with CityCare the council maintains liability for pensions rights accrued up to the date of transfer in 2000. CityCare have liability for pension rights for the life of the contract between 2000 and 2010.

At the end of the contract in 2010 the pension must be fully "paid up" by CityCare.

c) Future provision

Transferring staff will be entitled to a broadly comparable pension.

It will be up to contractors to submit their bid and detail the pension arrangements that they are proposing.

For the employees who are currently members of the Local Government Pension Scheme the contractors will have to either bid on the basis of admission to the Local Government Pension Scheme or access to a broadly comparable scheme.

Contractors will be encouraged to continue with access to the Local Government Pension Scheme for existing members. However, should contractors submit a bid based on a broadly comparable scheme the council will need assurance that the scheme is broadly comparable.

The starting position for tenders will be for contractors to take on all pension liabilities (e.g. past and future liabilities).

d) Risks

There are various risks around pension provision and the main one is around past service liabilities. However, until contractors submit their bids it will not be known if contractors are willing to take on past service liabilities. There may be costs attached to this. A report will be submitted to the Executive once the bids have been submitted detailing the basis on which any split of liabilities is proposed and the risks attached to these.

e) Pension provisions that tenderers will need to meet

The pension provision the contractor(s) will be required to satisfy are:

- for transferring employees:
 - the provision of a broadly comparable pension scheme or continued access to the Local Government Pension Scheme (“LGPS”) via an admission agreement,
 - and
 - the protection of the value of accrued pension rights through day for day service credits, or actuarially equivalent allowing for differences in scheme benefit structure
- for new employees;
 - the provision of a final salary pension scheme, access to the LGPS or a defined contribution scheme with a matching employer contribution of up to 6% of pay
- for all employees;
 - continuation of the above elements of protection on the transfer of the services to a further employer.

Appendix 1

EVALUATION PROCESS

Background

This report summarises the development of the evaluation model for the tender which has been advertised.

Evaluation Model

Discussed below are the key elements of the evaluation model.

Price versus quality split

Asset & City Management (A&CM) and Citizen Services have both confirmed a 60 price / 40 quality split to analyse their lots. Housing have expressed a wish to use a 40 price / 60 quality split. Given the separation between lots it will be possible to vary the level of price and quality scoring when assessing each lot individually.

Method statement evaluations

All managers are preparing to use a combination of method statements and quality questions to evaluate the bid responses.

Cost savings

A&CM and Housing are not looking to directly compare the extent to which cost savings would be achieved through the tender exercise as the services and the way in which they will be managed are changing so as to make comparison very difficult. Citizen Services on the other hand will be able to make comparisons as the service is essentially the same to that which operates currently. Each service area has indicated that they will use a variety of pricing methods (lump sum/bill of quantities, schedule of rates etc.) depending on the type of contract envisaged.

Staged assessment

All managers favour the two envelope approach to analysing the bid returns. This removes the possibility of influencing the quality assessment if the price information remains confidential until this element of the evaluation is completed.

Following the completion of the quality assessment in each lot, tenderers will be ranked in order of score. The price information is then assessed for all bids to compile a final price and quality score for each lot. Although no short listing will be completed after the quality assessment, the authority is still protected from lower quality ranked bids by the overall assessment. Even though under this option all bids in each lot will need to be opened, as apposed to either passing or failing a predetermined threshold (at which point the pricing information is returned unopened).

Combining of lots into a package of contracts

Given the significant quantity of combinations of lots which can be derived from the number of lots being tendered, it is key within the tender documentation to set out where the Council may wish to combine lots to achieve cost savings. It is important to limit these as far as possible to avoid multiple permutations of award. However by stating where some services link and where they do not, tenderers will have an opportunity to price according to the attractiveness of increased revenue, profit or contribution to overheads. To achieve this the tender documents will request:

1. Individual prices for each lot separately;
2. A price per lot if the bidder was to win all lots (if all tendered for); and
3. A price per lot if a bidder was to win any of the grouped lots (if all tendered for in a group).

Appendix A shows the structure of the lots broken down in to service areas and also which services will be grouped.

There are some risks in this approach versus merely assessing each lot separately given the number of scenarios which could be calculated. For example one outcome could be to accept a lower quality or higher price for one lot to create a multiple award to one bidder. Other problems may be created when a grouping which spans two service areas creates a cross dependency. However by making the groupings clear in the tender instead of leaving it to bidders, the process is more controlled. It will enable the authority some flexibility in the award process and take advantage of efficiencies identified by tenderers, while maintaining separate pricing and the potential to award single lots.

Careful thought has been given to the groupings and the way in which they do and do not impact and affect other services. Activity will continue to assess these risks particularly now that the Pre-Qualification Questionnaires have been returned and applicants have indicated which lots are of interest. This will allow some assessment to take place on the amount of competition in each lot and the predicted strategy of bidders.

