

Report to: Procurement and Contracts Board

Date of Meeting: 09/6/08

Report of: Procurement Manager

Title: Contract Awards

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**1. SUMMARY**

This report provides details of the procurement award of several contracts on behalf of Watford Borough Council

**2. RECOMMENDATIONS**

To discuss and comment on the report.

Contact Officer

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## **Insurance**

The Insurance for the Council was awarded to Zurich Municipal following a tender process on 1<sup>st</sup> April 2008. The Insurance requirement generally covers five aspects; Property (including Municipal properties and contents, loss of revenue, money, art and sculptures), Casualty (including Employers and Public liability, Negligence and slander), Vehicle Fleet, Engineering and Others (Land Charges, Accident, Computers, terrorism). The Insurance Cover has been provided by Zurich Municipal since 1998. This was the last time the Council tendered the requirement. The contract was extended for five further years in 2003 under our Contract Procedure rules.

The Specification for the requirement was written by the Procurement Manager in collaboration with the current Insurance Manager. The Regional Centre of Excellence East have an Insurance expert that has just written a guide to procuring Insurance services for the Public Sector and the specification was sent to him for comments and alterations. There have been no significant changes to our existing specification of requirements for this tender.

## **Tender Approach**

The limited provision of Insurance for the public sector did make the Council consider not tendering this requirement. Three large insurers are active, our incumbent Zurich Municipal, AIG and St Pauls Travellers and it was deemed that enough competition existed to proceed to tender. To try and stimulate competition further, the Council broke the specification into lots trying to make this more attractive to other insurers and we would have considered individual policies if this offered best value. Therefore, some insurers could bid for fleet only, etc.

The Council advertised in OJEU and followed the open tender route. This means that any supplier expressing an interest received the full tender pack and they are allowed to submit a bid on the tender. There is no Pre Qualification process. The advertisement was placed on 2/1/08 with the tender return date of 25<sup>th</sup> February 2008.

The Council only received seven expressions of interest during the advertisement period, the large insurers submitted an interest along with four Insurance brokers. The Council received thirty clarification questions during the advertisement period. Only three tenders were submitted on 25<sup>th</sup> February and they were returned by Zurich Municipal, AIG and UP2U Group. The Zurich Municipal and AIG bid was to cover all of the requirement and UP2U for motor fleet only.

## **Contract Award**

The highest scoring tender following the evaluation was submitted by Zurich Municipal. ZM scored 85.3 under the tender process, the second placed bid was AIG at 74.6 and third for motor only UP2U at 71.99. The biggest determining factor in the evaluation criteria was cost and this was decisive in the evaluation. ZM's cost was approximately 18% lower than the other bidders.

The submission offered by ZM is very attractive to the Council. It provided all covers required from our specification and there is a strong commitment to contract management and service delivery. The tender illustrated much added value including online inspection details, managing fleet electronically for insurance purposes, a very strong commitment to developing and assisting our Risk Management process, good training and communication

aids and excellent publications to assist officers. There is also a free allocation for five days Risk consultancy offered within the tender.

ZM are the leading Insurance Group in the market accounting for 9 out of 10 local authorities. The tender submission for the Council is £361,045 per annum with an annual renewal process each year. The Council tendered for a five year contract with a break clause on three years. The outcome of the tender supports the need to have tendered the requirement. The incumbent contractor has responded in a competitive environment through an open and transparent procurement process. We are unaware if an uncompetitive negotiated renewal process would have generated this outcome.

### **Saving**

The previous contract premium for Watford from Zurich Municipal (ZM) is £543,813 per annum and covers all insurance listed in the Introduction. On transfer of Housing to the Housing Trust, it was estimated that their premiums accounted for approximately £96k of this total premium. This means that our annual premium without the Housing premium was £447,813. The Council is in the process of receiving premium refunds from the insurer for the full payment of these premiums in April 2007.

If you exclude the £96k sum for premium provision for Housing, the annual saving can be estimated at approximately £87k per annum. This makes a total contract saving of £435k on an exact like for like basis.

The cost saving has been achieved through a reduction of cost across four of the five covers outlined in the Introduction. This is broken down as follows:

Property	-	£15k
Casualty	-	£43k
Motor	-	£24k
Engineering	-	£0
Other	-	£5k

The tender figures submitted by all of the companies would have resulted in a saving but not to the extent offered by ZM. This equates to a like for like saving of 19% with the Housing premium removed from previous figures.

## **Office Cleaning**

The Office Cleaning contract was awarded to Office and General on 18<sup>th</sup> March 2008. The Office Cleaning for Watford covers eight properties including the Town Hall Complex, Radius House, 149 The Parade, Citizens Advice Bureau, Wiggshall Depot and the Subway and Church Street Toilets. Essex Hall and Hempstead Road properties were removed from the tender. The requirement was tendered in collaboration with Three Rivers and their portfolio for cleaning contains four properties.

The service was previously operated by Superclean Services Wolthorpe who have been the contractor for the past 5 years. The Council's contract manager has been unsatisfied with the level of performance for the service. Superclean were the first contractor to provide the outsourced service for the Council. The Council has suffered from very poor contract management by the contractor and very low levels of productivity. This has been evident in the tender returns as most contractors have commented that we should be achieving far more in the hours worked by current staff and to meet our requirements, contractors require far less time.

The Specification for the requirement was written in collaboration with both Facilities managers from Three Rivers and Watford. There has been a change in emphasis by Watford to an output specification style contract. The specification identifies what we would like to be cleaned and left it to the bidder to outline how they would meet our requirements efficiently and effectively. The previous contract was very prescriptive in content even informing bidders how they should clean. The perception is that the cleaning companies are the experts and they should be left to tell us how they will achieve the task. This change of specification approach has led to a better tender response. All consumable costs are included in the tender

### **Tender Approach**

The cleaning tender was led by Three Rivers and was advertised in OJEU for expressions of interest. 55 expressions were received with only 28 completed Pre-Qualification Questionnaire's (PQQ) returned. The PQQ was evaluated on Equalities, staff training, staff turnover, demonstrated experience, capability and Economic strength. Seven contractors were short-listed to submit a tender and all were returned to TRDC on 11<sup>th</sup> January 2008.

The Evaluation team consisted of the Procurement Managers and both Facilities Managers from both Councils. As contract manager, Facilities Management Support Officer was prominently involved as the evaluation process. Watford Borough Council's Facilities Manager will be leaving in February 2008 and responsibility will fall on the Support Officer. The three highest scoring suppliers were invited to clarify their bid with written responses to specific questions and were then invited to attend a clarification interview. Both the written clarification and Interviews supported the results following the evaluation model.

### **Contract Award**

The highest scoring tender following the evaluation was submitted by Office and General (O&G). O&G scored 83.5 under the tender process, the second placed bid was Ocean at 68 and third Hi-Spec at 66. There does seem a large discrepancy between the first and second placed response and this is primarily through the cost of the proposal and the type of proposal offered.

The proposal offered by O&G was very attractive to both Councils as it promoted and demonstrated a very strong commitment to contract management and ownership of the service delivery. The tender illustrated in detail how O&G would be able to improve productivity and efficiency at the Council sites and also came with a strong commitment to their staff with training to BICS level, low staff turnover, a waiting list for staff to join O&G and recognition and incentives. There are detailed statements on how O&G will meet and improve on our quality requirements with a plan to improve their performance over the period of the contract. O&G would like to build Service Level Agreements in partnership with the Council to enable sustained successful delivery over the period of the contract.

O&G are leading independent cleaning and support services company based solely in the South East of England with over 950 clients. They specialise in clean buildings and provide support for recycling and waste schemes for those buildings.

The Tender cost for the Council is £149,500 per annum with a retail price index uplift per annum.

### **Saving**

The current annual contract value and budget for Watford is for £213,000 and covered all of the properties including Essex Hall and Hempstead Road. The annual value to clean these properties is £5k per annum.

If you exclude the £5k sum for cleaning of Hempstead Road and Essex Hall, the annual saving is approximately £58k. This makes a total contract saving of £290k on an exact like for like basis.

The cost saving has been achieved primarily through a reduction of man hours at the Town Hall site. This has been reduced from 195 hours by a third to 122.5 per week. O&G are confident that their commercial model can be successfully applied to the Town Hall complex. The Evaluation were concerned over the capability of this model but two other bidders showed a very similar model. This was subject to scrutiny in the clarification questions and the interview and responses were satisfactory to the evaluation team.

Three Rivers has not fared as well with the award of this contract. Their costs will rise by £8k per annum in comparison to budget resulting in a cost increase of £40k over the life of the contract. (Please note that Three Rivers has also taken the decision to increase the wage from minimum wage to minimum wage plus 10% which would have resulted in an increase of £3.5k on staff costs per annum – This is because they have recruitment issues in Three Rivers). Three Rivers have requested that a discussion around sharing the saving take place and the Procurement Manager has suggested that this discussion needs to be made at Board Level.

### **Ongoing Issues**

The Contract cost does not include costs for the new recycling scheme proposed at the Council and for cleaning the Museum, which is currently out of scope of the current contract. Once the contract is formalised, these variations will be made and added to the contract. The initial estimate, based on the costing model supplied by O&G, is that this will add a further £5k in value to the contract. O&G will be asked to survey and cost the requirement as soon as practically possible. Both variations were addressed in the evaluation interviews with all suppliers.

The upkeep of the toilets may require some additional budget contingency for Facilities management. All bidders were asked to propose a model for providing cleaning for the

Subway and Church Street toilets. The Council indicated in the tender that it felt that permanent attendants would be the most practical because of potential vandalism and public complaints. All, bar one bidder, stressed that this was not really required and a mobile unit covering both premises would satisfy the service requirement plus it would be the most economically viable to the Council. The Facilities Management Support Officer has accepted this proposal but would like the flexibility to address this should anti-social behaviour become an issue at these locations.

If the Council were to move to a system where both toilets require a permanent attendant, this would add approximately £34k to the contract value. It is recommended that this sum be applied to the budget as a contingency should a more permanent presence be required at the toilets.

## **Telecommunications – Strategy**

The contract for Calls costs and Line rental has been awarded to Opal Telecom.

Watford Borough Council (WBC) currently has spend of approximately £160k per annum on all of its Communications Services. These services include outgoing calls, line rental, calls to mobile phones, private circuit lines, broadband for members and home workers, mobile phone provision and switchboard maintenance for the Council.

In Summary – this report recommends the following;

For Calls and Line Rental, the WBC should utilise Opal Telecom through the OGC agreement.

For Private Circuits, WBC should utilise the savings on offer from OGC through their BT agreement

For Mobile Phones, WBC should stay with Vodafone under the OGC

For Broadband and home working, await a joint strategy to be devised by Three Rivers and WBC.

Switchboard Maintenance to be jointly tendered in April 2009.

These recommendations allow WBC (and Three Rivers) achieve maximum value for the provision of all of these services and allow both Council's to put in place contracts that can be managed and provided under a shared service provision.

## **Current Position**

### **Calls and Line Rental**

The telecoms industry has undergone significant changes since 2002 that has led to increasing competition and improving value within the market place. Telecoms regulator Ofcom ruled that BT needed to offer access to alternative providers and to demonstrate a willingness to provide its rivals with "real equality of access" to its phone lines. BT is structured, in this instance in two ways, its Wholesale division provide the customer lines and installation and the Retail division manages the line rental and the billing for call traffic for customers.

Ofcom's ruling enabled alternative telecommunications companies to compete with BT Retail for those services that they provided. Alternative providers have now set up contractual agreements with BT Wholesale to manage phone lines, call traffic, billing, etc. Those alternative providers have found that they can offer a better service at much reduced rates through being able to react to their customers requirements quicker, lower overhead costs, offer billing solutions and not being constrained by monopolies and merger commission on their call rates. WBC sought to take advantage of the deregulation of this market place in October 2005 and appointed Telinet as its provider at this time for a two year contract. This contract expired in November 2007 but was not automatically re-tendered as WBC wished to consider joint procurement with Three Rivers and Dacorum as part of the process. WBC was made aware that the OGC were publishing the outcome of their tender exercise in the middle of January 2008 and would like to assess this route to procurement.

WBC currently has two providers for telephone call traffic, BT and Telinet. BT provide the line rental for public call boxes and Telinet provide all of the rest.

We are currently billed monthly from Telinet and quarterly for the BT Traffic. Both are paid via a consolidated invoice which has streamlined the payment process. WBC were complimented by the Herts Procurement Forum on achieving efficiency through this process (Broxbourne had over 954 invoices for telecoms last year).

Three Rivers District Council (TRDC) employed Opal for their services under the OGC agreement and this contract has been in place for a year.

### **Switchboard Maintenance**

Both TRDC and WBC operate an Avaya switchboard that allows calls to be routed via the CSC to final location or for direct outgoing and incoming calls. WBC currently has an agreement with Comec for provision of Switchboard Maintenance and this agreement expires in September 2009 which was a result of a competitive procurement run in September 2006. This tender resulted in a saving of approximately £8k per annum.

### **Mobile Phone Provision**

All mobile phones and call tariffs are provided by Vodafone under the OGC agreement. This agreement was renewed in May 2006 following a re-tender by the OGC and WBC saved approximately £12.5k per annum because of the change in tariffs offered under the new agreement.

Under the Mobile phone provision, WBC currently pays £651 per annum for premi cell line rental that enables WBC to reduce the cost of landline to mobile phone calls. These are currently unplugged. Analysis shows that we save primarily on our calls to Vodafone networks. Calls now to Vodafone phones are free under our teamwork tariff so we would benefit most from this if we plugged the premicells in. The cost of calls to Vodafone networks by the council is approximately £5k a year. Therefore, plugging them in would see a benefit of about £4.3k pa. saving to the Council. It is a recommendation of this report that our BIS need to investigate how these can be successfully utilised to save the council money. Alternatively, WBC can cancel the line rental.

### **Private Circuits**

WBC currently use BT for provision of all of its data connectivity between outlying sites. There are Private Circuits linking the Town Hall to the Depot, Charter Place and BECC. These circuits offer a high speed connection from the Town Hall for ICT services.

### **Broadband and Home working**

WBC has set up some of its staff and Councillors with Home working. The Broadband is provided by BT and the line rental for an additional line by Telinet. The broadband is provided under an OGC agreement and is their lowest standard of provision. WBC pays £20 for the broadband and £12 for line rental (where required).

TRDC do not provide any home working and members pay for this themselves through their allowance.

### **Value**

The agreements currently have a value of approximately £160k per annum. This is broken down in annual figures as follows.



Line Rental and Call Costs	-	£90k
Switchboard Maintenance	-	£20k
Mobile Phones	-	£30k
Private Circuits	-	£20k
Broadband (excl. Line rental)	-	£10k

All ex-Housing cost has been removed from the figures. TRDC figures are unavailable at present.

### **Approach**

WBC's priority is to look at Line rental and call costs and it has decided to utilise the OGC agreements. The OGC has set up contracts with 10 providers in this sector and this allows the WBC to run a mini tender against each one. The main reason that this is the preferred route other than reduce time scales is that TRDC's current provider is on this framework and we can assess their contract at the same time. The recommendation would be for WBC to adopt Opal Telecom as service provider and this would allow the streamlining and future single management of the contract with TRDC. Also, the cost of change is only made by one Council – WBC. Appendix A is an evaluator that assesses all of the OGC agreements in line with our current spend. On this basis, this paper recommends that Opal Telecom supply the service of telephony call costs and line rental.

For Private Circuits, TRDC and WBC should stay with BT but utilise a recent OGC agreement allowing 34% reduction on current service costs. There is no term period or liability with this contract. This Quick win will allow a simple saving but it is acknowledged that WBC will be cancelling the circuit to the BECC and the depot in Spring 2008.

For Switchboard maintenance, the recommendation is that a joint tender is performed in April 2009 for both TRDC and WBC. Dacorum will be encouraged to join the process. WBC also has the base tender documents to draft a full tender.

For Mobile phones, both authorities stay with Vodafone and assess any cost variation produced under the OGC agreement. It is acknowledged that the OGC does offer significant value to the public sector than if we went on our own.

For Broadband, a joint policy maybe required for future development. WBC are part of the OGC and will not look to change but it is clear that home workers can achieve better domestic tariffs than the Council can under a business product. For cost efficiency, it maybe prudent for WBC to pay Councillors and staff under expenses and ask them to set up their own office rather than the council pay and do this on their behalf.

### **Savings**

As indicated in section 2 of this report, WBC has already benefited from savings achieved from Switchboard maintenance and Mobile phone provision of around £20k per annum. By adopting Opal Telecom, WBC will save approximately £15k per annum on current costs and our Private circuit costs will reduce by £3.5k per annum based on current spend.

### **Risk Assessment**

A formal risk assessment of the provision of Line and call costs has been completed. The main risk is ensuring that lines are successfully transferred across to the new contractor for WBC to achieve maximum value from the contract. Any that are not successfully

transferred will continue to be billed by the existing companies at the same rates. There is no risk of any disruption to service.

The process for transferring the lines across will be managed by the new supplier. They will have to apply directly to BT and Telinet to manage the line and calls. This will then be transferred across to them for management. All of the work to provide the correct information to the successful tenderer has been achieved by WBC so there should be minimal delay in commencement of the contract after award.

The risk within the contract is ensuring WBC is billed accurately and in accordance with our processing systems. WBC took 8 months to process the first BT one bill. All Cost centres are currently allocated to our billing so this should be supplied to the new contractor.

The risk in providing contract management and service provision as a shared service is presumably being conducted as part of the Shared Service piece of work. It is envisaged that both Councils will contract separately with the provider of the services until other structures are in place. Opal Telecom has supplied a Capability document that mitigates the risks identified in this section. This is available on request.

### **Resource Requirement**

This recommendation has been put together by the Corporate Procurement Manager and delegated authority to be given to Lieven Hermans, Head of BIS, to agree the spend. TRDC has been consulted on the process and their comments are included in this paper.

Upon award the Corporate Procurement Manager will be responsible for managing the day to day aspects of the implementation of the contract with a BIS representative, yet to be named. The intention is that once the shared service ICT structure has been identified, the shared service team will manage the contract on behalf of both councils.

Quarterly performance meetings involving the new supplier and Shared Service will ensure that performance, price and service issues are discussed.

### **Recommendation**

This recommendation has been made to ensure that the future management of telecom services provision will be simplified when the Shared Service is in place and to provide WBC with maximum value from existing consortia arrangements. In summary, the recommendation states:

For Calls and Line Rental, the WBC should utilise Opal Telecom through the OGC agreement. This will ensure the same provider as TRDC and save the Council approximately £15k per annum.

For Private Circuits, WBC should utilise the savings on offer from OGC through their BT agreement. This will ensure the same provider as TRDC and save the Council approximately £3.5k per annum. If we decide to remove the circuits, there is

For Mobile Phones, WBC should stay with Vodafone under the OGC. This will ensure the same provider as TRDC and review supply at appropriate times. WBC will need to investigate the use of Premicells to further save the Council £4.3k per annum. TRDC does not have a premicell arrangement.

For Broadband and home working, devise a joint strategy for Three Rivers and WBC.  
Switchboard Maintenance to be jointly tendered in April 2009.

### **Building Consultancy Framework**

The Council has tendered and awarded three framework contracts for professional consultants to manage a range of projects across various building consultancy disciplines and to support the work of our Property and Facilities Management teams for Capital and maintenance projects. These contracts have been awarded to:

Robert Martell and Partners	-	Berkhamsted
Clipston Construction Control	-	Watford
Philip Bailey Architects	-	Shenley

The Council advertised this requirement in Supply2.gov and we received twenty applications predominantly from local organisations. Nine organisations were short listed and asked to tender. The Framework agreement is for four years and encompasses the following building disciplines.

- Building Surveying
- Quantity Surveying
- Structural Engineering
- Mechanical & Electrical Services
- Project Management
- CDM Co-ordinator

It is envisaged that the Bushey Arches Project and the Athletics track refurbishment are the first projects that will be managed and supported by a successful contractor on this framework.