

Appendix 6 – Estate Services Risk Management

There are two distinct elements of risk to be managed. There are those remaining risks associated with the 'market testing' project (Project Risks), and those risks associated with the recommended outcome (Contract Risks).

The contract risks have been the subject of consideration throughout the market testing process to date, and the specific risks identified with the outsourcing option are detailed below, with their principal mitigations.

Risk	Mitigation	
Supplier becomes insolvent	1	Creditworthiness - An appropriate degree of scrutiny of potential tenderers' financial standing was undertaken at PQQ stage using the Council's corporate Creditsafe criteria. The Finance department has also re-assessed the highest ranked tenderer's financial position following evaluation of tenders to confirm their position has not changed.
	2	Abnormally low tenders - The Finance team has scrutinised the costs using a carefully developed process to ascertain that the price submitted as part of any tender is sustainable in terms of overhead and profit allowances and are confident that the highest ranked Tenderer is capable of delivering the service at the tendered cost.
	3	Parent Company Guarantee – The tenderers were required to confirm that their ultimate parent company would enter into a PCG if awarded the contract.
	4	Performance Bond – Legal advice stated this is not required.
	5	Step in clauses – Legal have included appropriate step-in clauses for the contract.

Supplier does not meet performance standards	1	Carefully drafted technical questions in the quality section of the PQQ to ensure that Tenderer can demonstrate satisfactory past performance.
	2	Carefully drafted technical questions in the quality section of the ITT to ensure that the tender offer is technically adequate and directly related to the specific levels and types of service desired.
	3	A contractual mechanism of risk and reward linked to headline KPI performance.
	4	A contractual mechanism for escalation procedures which would allow for determination of the contract with award of costs.
	5	Consultation with Local residents Panels will clarify intended levels of performance.
Management difficulties with supplier	1	Gap analysis of skills within the HRD staff to ascertain training needs before contract mobilisation.
	2	Implement a partnering approach that identifies common objectives, linked to the risk and reward model.
	3	A pricing model that leads towards the contractor being incentivised to reduce costs where appropriate (consider such things as ring-fenced overhead contribution).
	4	Involvement of Local Residents Panel will bring added stakeholder emphasis to performance achievements.
Statutory Requirements are not being followed 1. Site Activities	1	Ensure that PQQ and ITT procedures are adequate, and that Strategic review meetings routinely include Statutory

		compliance.
Statutory Requirements are not being followed 2. Landlord's Responsibilities	1	Retain Landlord's statutory duties so that they are not included as part of the contract – only include consequential works within the contract.
	2	Include appropriate KPIs to reflect the importance of any statutory activities.
	3	Continue with compliance audit to monitor activities with statutory implications.