

REPORT TITLE Corporate Cleaning Services

Submitted by: Phil Jones, Head of Communications

Portfolios: Economic Development, Regeneration and Town Centres/Culture and Leisure

Ward(s) affected:

Purpose of the Report

To inform Cabinet of a review of corporate cleaning services and suggest proposals which would introduce new and revised value-for-money arrangements.

Recommendations

Cabinet is asked to:-

- a) Approve the proposals outlined in Option Three of this report for a review of the current mix of in-house and external cleaning arrangements at the council and to implement the changes identified in that option.**
- b) Support actions outlined in the report which indicate savings to be generated from revised cleaning product procurement methods.**
- c) Request that a further report be brought forward on behalf of the Executive Management Team which will consider the potential for the future development of corporate cleaning services at the borough council.**

Reasons

There are two key reasons for carrying out a review of the way cleaning services are provided throughout the council:-

- a) Value for money - the Medium Term Financial Strategy outlines significant savings required by the borough council over the next five years.**
- b) Efficiency and effectiveness – cleaning services were last reviewed more than 15 years ago during the days of Compulsory Competitive Tendering.**

1. Background

1.1 In recent years there have been changes to the council's portfolio of assets and buildings, there have been modifications and enhancements to procurement arrangements and changes in internal and external customer expectations and requirements.

1.2 With this in mind, the council's Executive Management Team (EMT) established an officer steering group to review current cleaning arrangements at all council buildings and to make recommendations on the way forward for consideration by EMT and Cabinet.

1.3 The steering group set out to:-

- a) Review current spending on cleaning services by the council.
- b) Review current spending on consumables and alternatives.
- c) Consider the merits of establishing more consistent cleaning specifications at all council buildings.
- d) Carry out a benchmarking exercise with other providers on an "as is" basis i.e. based on current specifications.
- e) Review management arrangements/alternatives.
- f) Identify potential cost savings.
- g) Review ways to involve staff in future arrangements.

1.4 The steering group has met on a number of occasions over recent months and carried out an extensive programme of research and evaluation. This includes a review of potential delivery vehicles together with their respective advantages and disadvantages.

2. Issues

2.1 Cleaning services at the council's buildings are currently provided by a variety of means which comprises a mix of council staff and private contractors.

2.2 Council staff provide cleaning services at the Civic Offices, the depot, Kidsgrove Town Hall, Newcastle Business Centre and local public toilets as well as Lancaster Building. Private companies are currently responsible for cleaning at Jubilee2, Bradwell Crematorium and Keele Cemetery (Bereavement Services) as well as the Museum and Art Gallery.

2.3 These private companies are client managed by the service areas which employ their services. Internal cleaning staff are part of the Facilities Management team within the council's Regeneration and Development directorate. The table below gives a breakdown of the current situation.

Location	Service Provider	2013/14 Annual cost = £
Jubilee2	External	45,300
Museum and Art Gallery	External	4,844
Crematorium and Cemetery	External	35,000
Civic Offices, Lancaster Building, Depot, Guildhall and Kidsgrove Town Hall	In-house	112,820
Newcastle Business Centre	In-house	2,914
Public toilets	In-house	33,534
Sub total		£234,412
Consumables		£38,377.14
Total		£272,789.14

2.4 The review of cleaning arrangements at the borough council is timely for a number of reasons.

- (i) The current cleaning contract at Jubilee2 with a private sector company has recently expired. This is being extended on a month-by-month basis while consideration is given to a longer-term corporate solution.
- (ii) The council is considering its position with regard to what should happen to an agreement with an external cleaning company for services provided at the cemetery and crematorium.
- (iii) Interim arrangements with an outside provider have had to be put in place at the Museum and Art Gallery following the departure of a member of the cleaning staff.
- (iv) There is no corporate procurement system currently in place at the council for cleaning materials.
- (v) Changes to occupancy of some council buildings – notably the Civic Offices – means a review of cleaning specifications/arrangements would be timely.
- (vi) Linked to this review of specifications is the green agenda and the need to recycle more while reducing the council's carbon footprint.
- (vii) The council's in-house cleaning team has evolved and changed over the years and this trend is likely to continue – aligned to the fact there is currently the possibility of a move away from the Civic Offices as a result of the re-development proposals for the Ryecroft area of Newcastle.

2.5 An additional factor for Cabinet to consider with regards to Jubilee2 concerns the "deep cleaning" requirements of the facility which result from the nature of its use. These specialist cleaning requirements are not replicated on a wider scale at most other corporate buildings which mainly have office-based cleaning requirements other than the public toilets. The other unique consideration is the operating hours of the facility – seven days a week and 16 hours per day.

2.6 As Cabinet is aware, Jubilee2 is currently considering the options for a Community Interest Company for the facility. It may be prudent for Cabinet to consider a potential in-house arrangement as part of this process where there would be the opportunity and time to consider how cleaning could be integrated with other staff duties.

2.7 There are currently 19 council staff and 10 staff employed by contractors on the various cleaning services required by the council.

2.8 The borough council has made a clear commitment to the Living Wage initiative and this has already been introduced for staff (including cleaning staff) at the council. Contractors providing cleaning services for the council will be expected to follow suit and for this to be reflected in the price of any contracted services.

2.9 If the council were to pursue the option of bringing all cleaning services in-house then wage costs would initially increase as staff currently employed by external service providers are not paid the Living Wage. A potential increase in pension provisions as well as higher superannuation and National Insurance costs would also need to be taken into account if this option were to be pursued.

2.10 Aggregated purchase of cleaning materials:-

- (i) Work carried out by the Steering Group has involved evaluating the potential for an overhaul of the way cleaning consumables are purchased. Currently there is no corporate approach to this issue and services purchase materials according to their own requirements.
- (ii) The group has collated information on all consumables purchased across the council including the range and type of pack sizes, quantities, prices paid and total order costs.
- (iii) Four alternative sources of cleaning consumables have been contacted – a mixture of public sector purchasing frameworks and also private companies – and by taking a centralised approach to all cleaning consumable purchasing, potential savings of between £3,000 up to £10,000 per year have been identified.
- (iv) Further work on the purchase of branded and unbranded materials – in areas where bulk purchasing is made – could result in a potential increase in the maximum saving.
- (v) One centralised point for purchasing consumables will also benefit the council as there will be greater monitoring of quantities purchased and this should help to improve the effective use of materials and reduce any wastage.
- (vi) At Jubilee2 it is desirable for the council to provide cleaning materials for the contractors as they use council equipment. Council staff based at Jubilee2 also carry out some cleaning as part of their normal duties and it is beneficial for them to have access to cleaning products. After discussions with the Head of Operations it is considered that a similar arrangement should apply for Bereavement Services.
- (vii) In the recommendations, Cabinet is being asked to support establishing a corporate purchasing arrangement for cleaning products and for this arrangement to extend to all services at the council to optimise the maximum efficiencies. This more corporate approach to purchasing will come into effect at the earliest opportunity.

2.11 Cleaning for Jubilee2, the Museum and Art Gallery, Bereavement Services

Jubilee2

- (i) For the last 12 months, an external contractor has provided cleaning services for Jubilee2. Their work programme is supplemented by some “spot cleansing” from leisure staff employed at the centre who undertake these duties as part of their normal working day.
- (ii) This contract has now expired and is being extended on a month-by-month basis with the contractor while the borough council considers its overall position on corporate cleaning service requirements.
- (iii) Cleaning methods at Jubilee2 are set apart from the normal cleaning regime within the majority of other council assets. These tend to be

office-based cleansing routines compared to the “deep cleansing” which is required at Jubilee2 due to the volume of customer traffic and the nature of its usage.

- (iv) During the last year managers at Jubilee2 have monitored the first cleaning contract to be put in place at the building and are now in a position to refine and revise requirements, taking account of the preferred times of cleaning over a typical 16-hour day.

Museum and Art Gallery

- (i) Following the departure of a cleaner, interim arrangements have been put in place with cover currently being provided by the same company which provides services at Jubilee2.

Bereavement Services

- (i) An external contractor currently provides cleaning services at Keele Cemetery and also Bradwell Crematorium.
- (ii) Following some “soft market testing” which was undertaken by the Steering Group as part of its review of corporate cleaning arrangements, the council is closely reviewing its existing arrangements at the two facilities.
- (iii) One option the council is considering is giving formal notice to end this arrangement as officers believe there may be greater scope for efficiencies in a revised contractual arrangement. Officers are satisfied that would be a sound financial decision in light of the market testing work which has gone on.

2.12 Members can see from the position outlined above, that there is now an opportunity to evaluate the best way forward with regards to cleaning work currently carried out externally for the council.

2.13 Aggregating the three elements above into one contract is one option to be considered as this would “ring fence” all current external provision and is also likely to be “best value” as there may well be potential for some economies of scale. The combined annual values of the work currently stands at around £85,000.

3. Options Considered

Option One

In-house service provision for all corporate cleaning requirements.

- a) This could be done by taking no action to renew external arrangements currently in place at Jubilee2, the Museum and Art Gallery and Cemetery and Crematorium. See the section above.
- b) The Transfer of Undertakings (Protection of Employment) Regulations (TUPE) arrangements means the council would be obliged to offer employment to some staff from these external contracts who are engaged in delivering the current service. The commitment to the Living Wage Initiative means staff costs would inevitably rise as this rate is higher than that paid by external contractors. There would also be additional superannuation and National Insurance costs plus the potential for pension contributions.

- c) Review cleaning specifications – changes in procurement, client requirements and the council's estate means a review of specifications could contribute to a more efficient and effective service covering all of the council's estate.
- d) A user group could be established to contribute to a review of current cleaning specifications/requirements, supporting the delivery of a fit-for-purpose solution.
- e) Although establishing an in-house operation across all council buildings could be achieved, there would be a number of issues for Cabinet to consider with this option:-
 - (i) The council does not have the necessary expertise in the “deep clean” elements which Jubilee2 requires.
 - (ii) It would be difficult to gear up an in-house operation quickly.
 - (iii) Jubilee2 is currently considering the options for a Community Interest Company for the facility. It may be prudent for Cabinet to consider a potential in-house arrangement as part of this process where there would be the opportunity and time to consider how cleaning could be integrated with other staff duties.
 - (iv) A move to an in-house operation may increase labour costs as it would require the harmonisation of new staff into local government terms and conditions. This would need to be assessed as part of a detailed business case and Value For Money analysis.
- f) The council is committed to the Living Wage initiative and it should be noted that whether an in-house or contracted service were entered into, the Living Wage will apply.

Option Two

Outsource all corporate cleaning services.

- a) An element of “soft” market testing has already taken place overseen by the corporate steering group.
- b) Existing service specifications' were provided to four external cleaning service providers with a specific request that they provide the following information:-
 - (i) The cost of providing the whole service at their current charges.
 - (ii) The cost of providing the whole service paying the Living Wage.
 - (iii) Suggestions in relation to reducing costs.
- c) The exercise was purely voluntary and the companies were fully aware that by agreeing to be involved there was no expectation that they would obtain any business from it.
- d) Three of the four companies approached made returns and the costs quoted were either in line or higher than the current service. No company quoted costs reflecting their current charges and all quoted on the basis of paying the Living Wage.
- e) Few suggestions were made in relation to how to reduce costs. However, to fully test the potential for outsourcing, Cabinet would have to approve full market testing with the revised specifications mentioned in Option One (c).

- f) There will obviously be issues for existing council staff if the authority decides to outsource its cleaning requirements and these would have to be worked through with the companies which win the business, the trade unions and the staff themselves.

Option Three

Review the current mix of in-house and external cleaning arrangements.

- a) This reflects the current position at the council – and because of the issues outlined in 2.4, 2.5 and 2.6, Cabinet could consider a continuation of the commercial/in-house mix.
- b) This could involve carrying out an external procurement exercise for a contract to cover cleaning requirements at Jubilee2, the Museum and Art Gallery and Bereavement Services.
- c) As the council seeks to deliver this outcome, officers would seek price options for both a one-year and two-year agreement and would be mindful of compliance with local government procurement thresholds. One contract instead of the existing three commercial arrangements could potentially deliver savings through aggregated purchase.
- d) The proposal outlined in (c) would provide Jubilee2 with the degree of flexibility required to cater for any developments with regard to the consideration of establishing a Community Interest Company.
- e) This option would not involve the council in any TUPE issues or additional costs resulting from taking over areas of work currently provided by external companies.
- f) As part of a review of specifications for services carried out externally, the steering group has also reviewed specifications for work carried out by the in-house team at the moment. This has shown that although the council's team provides a good service there is scope for a rationalisation and review of specifications.
- g) This review can be managed and implemented over a period of time and any changes to staffing needs could be addressed through natural wastage within the team.
- h) As a result, a target for savings of at least 10 per cent should be set for this part of the cleaning services review based on current in-house costs of just under £150,000 per year.
- i) A user group will be established to contribute to the development of a fit-for-purpose corporate cleaning solution.
- j) And trade union representatives would play a part in discussions over the development of the in-house provision moving forward.
- k) Executive Management Team will be responsible for these progressive changes in the in-house arrangements which should also include consideration of the management arrangements of future in-house service provision.

- l) Management of the in-house service is currently split between the Operational Services and Regeneration and Development directorates. Part of any future report by EMT will consider this situation. The review could also explore future delivery options such as an Employee Led Mutual or similar venture.

Option Four

Do nothing.

- a) Issues over the cleaning arrangements for Jubilee2, the Museum and Art Gallery and Bereavement Services means this is not an option.
- b) This would not allow the council to review specifications and produce savings from more efficient, effective and value-for-money services.

4. Proposal

- 4.1 There are clearly a number of options which Cabinet can consider with regard to the future provision of cleaning services at the borough council's buildings.
- 4.2 Cabinet is being recommended to approve Option Three as the way forward for corporate cleaning services for the reasons outlined earlier in the report.

5. Outcomes Linked to Sustainable Community Strategy and Corporate Priorities

- 5.1 Ensuring council buildings are kept clean and safe fits in with the council's priority for a clean, safe and sustainable borough .
- 5.2 The borough council is committed to the Living Wage Initiative which provides support to some of its employees on lower wages and this will also cover companies which provide services to the council.

6. Legal and Statutory Implications

- 6.1 Officers of the borough council need to ensure that the proposed solution complies with the Public Procurement Regulations.

7. Financial and Resource Implications

- 7.1 Aggregated annual spend on cleaning at the borough council is £272,790 - albeit a mixture of both internalised and externalised solutions. This exceeds the Public Procurement threshold of £173,934 for services.
- 7.2 If the council pursues a commercial/in-house mix, then this would enable it to comply with procurement requirements.

- 7.3 If the council elects to pursue an in-house option for all current cleaning services, then members need to bear in mind the financial implications outlined in Option One which related to TUPE considerations, superannuation, National Insurance and potential pension costs.
- 7.4 Initial estimates from the Facilities Management team suggest at this stage that the council could face additional annual costs as a result of TUPE transfers of private sector staff into an in-house solution of just over £11,000 a year.
- 7.5 Mechanisms for savings:-
- (i) Changes to the cleaning specifications for all council buildings.
 - (ii) Aggregation of cleaning activities.
 - (iii) Aggregation of materials purchased.
- 7.6 Factors which will potentially add cost:-
- (i) Living Wage – additional costs from a totally in-house solution.
 - (ii) Consolidation with local government terms and conditions for private sector staff taken on as part of an in-house solution – see 7.3 above.

8. Major Risks

- 8.1 A risk assessment has been completed and is available on request.

9. Key Decision Information

- 9.1 The total annual spend for cleaning services by the borough council is £272,790 and if this is aggregated over a four year period it equates to £1,091,160. This is obviously a significant sum and because of this and the fact TUPE/staffing implications exist, this matter is considered to be a key decision.