

# UPDATE TO CABINET PROCUREMENT & INSOURCING COMMITTEE

## Insourcing Annual Briefing Report

### BRIEFING / INFORMATION

**Title of Report:** Building Cleaning

**Key Decision No:**

**CPIC meeting date:**

3rd October 2022

**Classification:**

If exempt, the reason will be listed in the main body of this report.

### WARD(S) AFFECTED

All Wards

### CABINET MEMBER

Cllr Mete Coban

### GROUP DIRECTOR

Rickardo Hyatt

## **1. INTRODUCTION**

- 1.1. The contract for Building Cleaning moved in-house on 1st January 2021. Prior to 2021, Building Cleaning was contracted to Atalian Servest, with the contract managed by Hackney's Facilities Management (FM). The cleaning service was delivered to 96 Council premises including children centres, libraries, depots, community halls and central campus buildings. There was a contractual obligation to deliver a minimum of 90% of the 7,188 cleaning hours per month. The Service involved 183 daily cleaning shifts using 147 cleaners with 83% of routine cleaning shifts delivered outside of Council core business hours. Further to the routine cleaning, the service delivered an average of 450 deep clean hours and an average of 450 ad hoc / event clean hours per month.
- 1.2. The Council's strategic objective is to insource existing service contracts where practicable, and although the financial margins within the outsourced cleaning contract were nominal, and the service already considered to be high performing, there were other benefits worth exploration.
- 1.3. These benefits were around potential synergies between the outsourced cleaning service and estate cleaning carried out by Sustainability and Environment (formerly Environmental Services). Initial thoughts were that there was an overlap in the cleaning operations undertaken by the estate cleaners, who are maintaining the internal spaces within blocks of flats, and the Atalian Servest staff, who are cleaning the concierge offices and community halls located in the same buildings or on the same estates. This constituted 51 of 97 sites involving 1,098 (of 7,188) monthly cleaning hours delivered by 34 cleaners at a cost of £185K. If these could be streamlined under the same remit then it was believed that savings could be made.
- 1.4. A further saving was identified where Sustainability & Environment (S&E) already had consumables contracts in place and could therefore obtain these products at lower cost than through the outsourced contract.
- 1.5. The strategy for the insourcing was to move all Atalian Servest staff over following the Transfer of Undertakings (Protection of Employment) Regulations 2006. This was to be done at midnight on 31st December 2020. To ensure a smooth transition the structure of the cleaning service and the deployment of the staff was to remain unchanged and the reporting process (to FM) and report templates were to be replicated.

## **2. MOBILISATION UPDATE**

- 2.1. Mobilisation was very successful and smooth (and it should be noted that Atalian Servest were very cooperative in the process which greatly helped). Group training/induction sessions were held in the weeks leading up to the transfer as were individual consultation meetings, and all but 3 employees transferred to Hackney.
- 2.2. Staff transferred on their existing terms and conditions of employment and, from the 1st April 2022, by mutual agreement and through a process of termination and re-engagement, they moved to the Council's existing Single

Status Terms and Conditions. This resulted in significant improvements in their overall terms and conditions of employment including an increase in their hourly rate of pay as they moved off of the London Living Wage.

- 2.3. The service continued to operate flexibly with the challenges brought about by the Covid-19 pandemic, including changes to deep clean schedules, NHS operating from Council buildings, as well as changing government legislation around office occupation and hygiene requirements.
- 2.4. Consumables (hand towels, toilet paper, hand soap, dishwasher tablets, washing up, kitchen rolls) continue to be provided to Hackney Service Centre, Hackney Town Hall, Maurice Bishop House, Stoke Newington Town Hall, Robert house and Bocking Street as part of the contract. For all other LBH sites a recharge takes place as previously done with the outsourced contract.

### **3. VARIATIONS**

- 3.1. The proposal to insource the building cleaning service involved a review of how the service was provided. This included looking at fundamental changes and to align the cleaning service within the existing S&E structure. The insourcing proposal acknowledged that some of these would require extensive negotiations with the current contracted workforce and the Trade Unions, as well as the management and staff who work in the buildings. The main changes proposed were:
  - 3.1.1. Moving some of the work currently done early in the morning onto a night shift. The report acknowledged that change would impact on the working arrangements of existing cleaning staff both for Council staff and the cleaning workforce.
  - 3.1.2. Adopting a mobile approach to cleaning certain locations and integrating this with the mobile building cleaning crews that already exist within the Service.
  - 3.1.3. Integrating the management of the cleaning service into the current S&E management structure with a view to deliver financial savings.
- 3.2. These service developments have not been taken forward to date. It was the intention for staff to remain on existing terms and conditions for 6-12 months to allow for a full service review, consultation with staff and redesign of the service. S&E have undertaken a review and assessment of the building cleaning service, and have highlighted some complexities from the initial proposals put forward, and are outlined below:
  - 3.2.1. Moving to different shift patterns (i.e. throughout the evening) would be a fundamental change to the job (many of the staff work the shifts they do around second jobs, care provision and other responsibilities). Therefore, it is likely through any consultation, that it would be extremely unpopular with many staff and the Unions, with many facing the possibility that the role becomes an unviable option for them. However, it should be noted that any decision on shift patterns or other terms of employment will ultimately have to be based on what most effectively meets the needs of the Council.

- 3.2.2. The proposal for posts to become more generic across the wider service, was seen to be less viable when analysing the nuances of various activities between the two roles of Hygiene Operative and the Environmental Operative/Estate Cleaner.
- 3.2.3. The estate cleaning staff do not have the capacity to expand their remit (for example, incorporating the concierge offices on the estates into their current beat).
- 3.3. S&E are in the process of conducting a full service review which is looking at all aspects of the operation for efficiencies, savings and opportunities. This is due for completion at the end of the year. The Building Cleaning Service is part of this review and as such permanent recruitment has been paused (agency staff are being used to fill leave/sickness where it is absolutely necessary).
- 3.4. S&E are also proactively addressing recommendations made internally as well as issues reported to the service that have been raised elsewhere, such as the Insourcing Steering Group (although it should be noted that no issues have been raised directly with the service through the monthly Local Joint Committee (LJC) meeting).
- 3.5. The table below outlines the areas of improvement and action taken since the service has been insourced.

**Table 1: Areas of Improvement since move in-house**

Area of improvement	Action
Awareness of Council policy and procedures and Council code of conduct	Group induction sessions were held for staff, including tool box talks, and translations were made for required languages. It is acknowledged that more individualised sessions could have improved the transition of new staff.
	A corporate induction package is being worked on and this will be shared with the workforce once complete.
	Senior manager receiving 1-2-1 mentoring-type support to deal with issues like Hackney HR systems, complaints and grievance procedures, code of conduct and absence management.
Sickness management and protocol	Feedback has been received around the handling of a sickness case where Council protocol was not followed (although it must be noted that this was done due to concern for the welfare of the employee and not as part of a sickness investigation). Nonetheless, lessons have been learned and protocol will be reviewed and followed going forward.
New staff training and on-going	A skills matrix has been created to identify individual development needs of staff and managers including:

development	<ul style="list-style-type: none"> <li>• IOSH Training</li> <li>• PAT Testing</li> <li>• BICCS</li> <li>• Accident and Investigation</li> <li>• Training on scrubber drying machines</li> </ul>
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#### 4. FINANCIAL CONSIDERATIONS

- 4.1. Prior to insourcing, the Servest contract cost of the core service was £1.46m per annum and was subject to an annual London Living Wage uplift. Although the contract was managed by Facilities Management Service, 82% of the portfolio is centrally funded from the corporate cleaning budget, with circa £250k of the contract cost funded from individual Service budgets.
- 4.2. Non-centrally funded sites sit as contract variations that came after the central cleaning budget had been established.
- 4.3. The actual and projected cost for year 1 and year 2 of the in-house service are shown in the table below.

**Table 2: Summary of Costs of Provision**

Service Model	In-house under S&E	
	YEAR 1	YEAR 2
Senior Management	£55,605	£59,561
Supervisory	£101,715	£106,350
Staff	£1,521,145	£1,466,801
Ad Hoc	£124,873	£97,626
Overheads	£77,000	£0
<b>TOTAL</b>	<b>£1,880,338</b>	<b>£1,730,338</b>

- 4.4. The estimated cost increase for bringing the Service in-house, including the improvement in terms and conditions, was £400k in the first year. Therefore Year 1 costs for the Service were set at £1,880,338.
- 4.5. In year 1, S&E delivered this within budget whilst providing a corporate saving of £75k, as required.
- 4.6. Without the service redesign having been taken forward, and a corporate requirement for a further £75k saving, delivering the Service within budget in Year 2 is a challenge. However, with the Service operating across fewer

buildings and with less staff due to the Covid-19 pandemic, the Service remains on course to achieve this.

- 4.7. Table 3 below shows the forecast cost variance allowing for an annual 2% uplift for the LLW / salary increase, which has been applied to the staffing elements for each year only. With this uplift, and a further £75k Corporate savings target having been delivered, the Year 2 costs for the Service have been set at £1,730,338.

**Table 3: Cost Variance**

	Year 1	Year 2	Year 3	Year 4	Year 5
<b>In-House S&amp;E</b>	£1,880,338	£1,730,338	£1,764,944	£1,800,243	£1,836,248

## **5. MANAGEMENT ARRANGEMENTS AND INSOURCED KPIs**

- 5.1. As the Service was moving in-house with the same resources and deployment plan the KPIs remained the same. The in-house Service uses the same software for the management inspections and uses the same reporting templates.
- 5.2. The structure has been replicated in terms of a client and contractor relationship with Facilities Management (FM) retaining the role of the client. Performance has not been impacted by the transfer in-house and Key Performance Indicators are being achieved where possible (i.e. buildings that are in operation). Whilst FM have frequent, informal catch-ups with senior officers in S&E, it is recommended that more formal client/contractor meetings are introduced, as a minimum quarterly, to ensure effective contract management in place.
- 5.3. The following table shows the 2021 performance indicator scores against the target score.

**Table 4: KPI table**

<b>Performance Indicator</b>	<b>Target</b>	<b>2021 outturn</b>	<b>Status</b>
Health & Safety Issues	Maximum one per quarter	Zero for the year	Achieved
Staff turnover	60% annual	8.3% annual	Achieved
Auditing	360 audits	208 audit completed	The target of 360 annual audits was not achieved in 2021 due to buildings being closed or under renovation.
Cleaning	Average audit	91.56%	Achieved

Performance Indicator	Target	2021 outturn	Status
Audit Scores	score of 80%		
Deep cleanse	162 hours	120 hours	Deep clean target was not achieved in 2021 due to buildings being closed or under renovation

## 6. SUSTAINABILITY OUTCOMES

Procuring Green	<ul style="list-style-type: none"><li>- As part of the tender and specification there was a commitment to use environmentally friendly products. FM would periodically audit COSHH sheets and visual checks of cleaning cupboards across the portfolio, and as such S&amp;E are committed to continue with this approach, ensuring the greenest products available, that perform to the standards required, are used. Some green products are currently being trialled.</li></ul>
Procuring for Better Society	<ul style="list-style-type: none"><li>- The Service offers apprenticeship opportunities, and currently has one apprentice. The Service will continue to explore this option on a yearly basis.</li><li>- The Service is based and delivered in Hackney, therefore bringing economic activity into the area, and the potential for local employment.</li><li>- Payment of London Living Wage.</li></ul>
Procuring for Fair Delivery	<ul style="list-style-type: none"><li>- Cleaning staff now benefit from the improved terms and conditions that working for the Council provides.</li><li>- Now that staff are within S&amp;E they have access to training and development as well as internal jobs and placements.</li></ul>

## 7. LESSONS LEARNT

- 7.1. Charges have increased by 3% for 2022/23 to account for improvement terms and conditions. There had been no uplift since Dec 2020, and as such some service areas have been concerned about the knock on effect of this on the operation of their service. Impacts on services could therefore have been communicated in good time.
- 7.2. A more in depth feasibility study at the beginning of the process may have indicated that there was limited scope, at least in the current structure, to accommodate concierge cleaning into the work portfolio of the estate cleaners.



- 7.3. There has been a staff retention issue; of the 102 staff members that transferred to the Council under TUPE, only 84 remain, which included Team Leaders. This has been caused by a number of staff leaving the Service, in addition to vacant posts within the establishment.
- 7.4. Once staff have left the service it is difficult to recruit due to ad hoc shift hours making recruitment of agency staff difficult as the established agency, Cue, normally base hours on a 36hr week. This has resulted in using current LBH cleaners undertaking additional hours to make up the required cleaning hours.
- 7.5. More training and preparation could have been provided to senior staff in Environmental Operations on the provision of Building Cleaning Services; this service is different to the other services they currently manage.

## **8. NEXT STEPS**

- 8.1. As aforementioned, the Building Cleaning Service is under review to evaluate whether we continue to provide the Service in its current guise or whether the structure needs tweaking, including how it interacts with the other services provided in S&E. Whilst a review of the Service is being undertaken, recruitment to full time substantive posts have been put on hold.
- 8.2. Officers will also review the current targets and implement more appropriate targets in line with wider service objectives. An example would be around Health & Safety; the current target was carried over from the Servest contract. However, to mitigate against more serious health and safety incidents, the service will implement a target of zero RIDDORS and no more than one near miss or minor incidents per quarter.
- 8.3. Officers will also work with Facilities Management to understand the long-term plans with campus buildings and the cleaning regime required for these.

## **9. FINANCE COMMENTS**

- 9.1. The estimated cost of bringing the Building Cleaning Service in-house was set at £1,880,338. A Corporate savings target for year 1 (2021/22) of £75k was taken with a further 75k for year 2 (2022/23). Further savings previously envisaged, for example by possibly amalgamating some services, haven't been possible at this time.
- 9.2. Whilst the Service has made the initial 150k Corporate savings targets, mainly due to reduced activity and loss of sites during the 2 plus years of the Covid19 pandemic, finding potential savings in the future will be challenging as we move back to buildings being reoccupied at similar levels to pre-covid.

## **10. HR COMMENTS**

- 10.1. Whilst the activities associated with TUPE and the subsequent review of Terms and Conditions of Employment are now complete from the perspective of the Human Resources Business Partnering Team (including payroll), the increase in staffing also results in an increase in the overall workload. This is particularly the case during bedding in periods. Therefore consideration needs



to be given with regard to capacity within the support functions when these decisions are proposed.

- 10.2. Any future review of the Service will need to be carried out in accordance with the Council's established organisational change policies and procedures and HR will continue to support the service area in this regard.

## **11. PROCUREMENT COMMENTS**

- 11.1. A number of staff were identified as eligible for TUPE and it is noted that the mobilisation of the new service, including TUPE, was successfully completed as planned.
- 11.2. Existing KPI targets for the service were retained and as far as it was in the Services control to do so targets were achieved in 2021. Where targets were not achieved, this was due to buildings being closed or under renovation. Existing targets are currently being reviewed by officers and where appropriate new targets inline with wider service objectives will be implemented.
- 11.3. Important lessons have been learnt during the initial period of inhouse delivery as noted in the report. Some service developments identified prior to insourcing have not been taken forward and areas of improvement have been identified. A review of the Service is currently underway and is due to complete by the end of the year.
- 11.4. The Service achieved its corporate savings targets for year 1 and is on course to do so for year 2, however challenges to the delivery of further savings have been identified.

## **APPENDICES**

None.

## **EXEMPT APPENDICES**

N/a.

## **CONFIDENTIAL**

N/a.

## **BACKGROUND PAPERS**

None.

## **Description of document (or None)**

None.

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