

Title of Report	UPDATE TO CABINET PROCUREMENT & INSOURCING COMMITTEE Insourcing Annual Briefing Report - Note only.
Key Decision No	N/A
CPC Meeting Date	CPIC meeting date: 5 September 2022
Classification	None
Ward(s) Affected	Lea Bridge, Stoke Newington/Clissold, Haggerston, Homerton, Springfield, Shacklewell, Hackney Wick and Hackney Downs
Cabinet Member	Cllr Bramble
Key Decision	N/A
Group Director	Ian Williams

1. CABINET MEMBER'S INTRODUCTION

INTRODUCTION

Due to the departure of our FM contractor Kier, we were forced to make alternative arrangements for the cleaning services provision to our BSF schools. Whilst the legal compliance services continued to be contracted out, it was decided that, in line with council aspirations, we would bring the cleaning services in-house which was duly undertaken

GROUP DIRECTOR'S INTRODUCTION / Not Applicable

This report is for historic information only and requires no decision making. The document is self explanatory and to be kept as a file note only.

RECOMMENDATION(S) None - Information only

2. MOBILISATION UPDATE

Kier provided LBH with the required Employer Liability Information (ELI), albeit not of a particularly high quality, to enable all cleaning staff to be

transferred to LBH employment. Two schools decided to employ the staff directly themselves and operate the cleaning function in house. The services successfully transferred as planned and have continued to provide a high standard of quality in line with the school's expectations. This was undertaken just as the Covid 19 pandemic struck so was a particularly challenging time with many new protocols and methodology needing to be adopted with all the associated training needs and materials.

3. VARIATIONS

There have been minor variations required to the service to include shift pattern standardisation, review of responsibilities previously unclear in the original contract and the introduction of new contractors.

4. FINANCIAL CONSIDERATIONS

The cost of the service is easily calculated and has been delivered as expected with two major exceptions. The onset of Covid 19 required additional hours to be provided during the day to allow sanitisation of hand contact surfaces and a very significant increase in staff absence. The absences were caused by employees succumbing to Covid 19 with the shifts needing to be covered and paid for by additional hours. These were provided either by paid overtime of agency staff hence the additional expense. Taking those two considerations into account, the service costs were still significantly less than previously charged by the departed FM contractor.

The way the contract is operated means that all incurred costs are passed directly through to the schools. There has been every effort made to minimise those costs which has been, on the whole, successful. There is a recognition that the management of the service needs to be refreshed which is currently underway.

5. MANAGEMENT ARRANGEMENTS AND INSOURCED KPIs

There are no KPI's in operation on this cleaning provision and it would not be appropriate to operate in such a way on an in-house service. KPI's are used to incentivise errant contractors to perform better by penalising them financially to give them motivation to do a better job. This approach would not work for in-house delivery and there is no mechanism to do so.

There will be a robust QA system operated which will ensure the standards are at least met operated by the supervision and management structure. This requirement has been incorporated into all the new job descriptions that have been developed in line with the harmonisation and restructure implementation working in conjunction with Hackney HR.

6. SUSTAINABILITY OUTCOMES

As part of the procurement process for the cleaning service contractors, there is a requirement for said contractors to fulfil certain requirements during the tender process. The contracted out service include:

- Clinical waste removal
- Security shredding services
- General waste removal
- Sanitary waste removal and disposal
- Window cleaning
- Dust control mat hire
- Specialist cleaning services (kitchen deep cleaning, ductwork etc)

Each bidder is required to demonstrate a commitment to sustainability issues and have documented policies and procedures to that effect. These are taken into account when each of the bids is being quality marked and will contribute to the successful award of that contract.

All bidders are required to commit to paying the prevailing London Living Wage (LLW) to ensure that their employees are able to sustain a reasonable standard of living. This is a major part of the Mayor's contribution to the wellbeing of the local contractors employees.

It is expected, with the introduction of new and developing technology and methodology, that these will be adopted by the contractor to enhance the sustainability of the services being delivered. Consideration would need to be made as to whether this is a benefit that comes at a cost, is neutral or even advantageous and treated accordingly as a variation to the contract.

7. LESSONS LEARNT

A greater emphasis on the accuracy of the data provided by the outgoing contractor would have assisted. The information was, in certain instances, inaccurate or incomplete which caused delay in getting the payroll set up correctly and caused problems. These have now all been resolved but were a cause of concern at the time.

The team undertaking the mobilisation of the new arrangement were all very well experienced in having delivered this many times previously. This resulted in a seamless handover occasioning very few operational issues.

8. NEXT STEPS

There is currently a productivity review being undertaken by The British Institute of Cleaning Science (BICS). This will allow the FM team to ensure that the allocation and delivery of work streams is fair and equitable and deliver the VFM required by the schools.

Once the full results have been received, the Management team will assess the data provided and implement changes as required. This is anticipated to result in reduced staffing levels, changed shift patterns making the service more efficient and easier to manage.

When the original TUPE transfer was undertaken, there was discussion around standardising terms and conditions of employment for ex- kier staff to bring them in line with other council employees. . However, any changes to terms and conditions are subject to conditions under TUPE legislation and can only be made where there is a legitimate economic, technical or organisational (ETO) reason for the changes. This has yet to transpire but, when it eventually does, will result in all cleaning and supervisory staff enjoying an uplift in their income and better benefits of sickness pay, pension contributions and annual leave. There is some concern that this will increase the costs of the services and where these costs will be found from or whether they will be passed onto the schools as per the current model. Should this be the case, it may be that some schools will choose to withdraw from their current contracts with the service.

There is a plan to rationalise the Management Team which also transferred from Kier and, whilst suitable for the previous delivery model has proven to be top heavy for in-house requirements. This will, from a financial perspective, offset some of the additional costs to the schools of the harmonisation plan.

9. FINANCE COMMENTS

The financial impact of the cleaning services is nil as the financial costs will be offset completely by the recharging in the year to the relevant Hackney BSF schools.

In addition, cost considerations have been given to include the effect of Covid 19 on the service delivery.

Herewith is the table below which reflects the total estimated budget attributed to the cleaning services

Details	Budget
Basic staffing costs (inc. oncosts)	£986,650
Staff sickness and overtime cover	£126,395
Total	£1,113,045

The schools are given financial management information reports quarterly as per the contract. These are stated clearly and identifies the relevant cleaning services cost apportioned to each school.

10. HR COMMENTS

As previously noted, the ELI provided by Kier was wanting resulting in issues that should have been avoided.

Overall, the transfer went through without any major glitches but it is recognised that there is still a significant amount of work required to enable the harmonisation of the transferred staff's T & C.

Whilst there has been some discussion regarding harmonising terms and conditions of employment however, any changes to terms and conditions is subject to conditions under TUPE legislation and can only be made where there is a legitimate economic, technical or organisational (ETO) reason for the changes. This has yet to be determined but, when it eventually does, will result in all cleaning and supervisory staff enjoying an uplift in their income and better benefits of sickness pay, pension contributions and annual leave. There is some concern that this will increase the costs of the services and where these costs will be found from or whether they will be passed onto the schools as per the current model. Should this be the case, it may be that some schools will choose to withdraw from their current contracts with the service.

It should be noted that since March 2020 due to COVID19 the cleaning staff have temporarily been given access to the council's sick pay arrangements and this currently remains in place.

It is further recognised that the proposed restructure of the team is going to require dedicated HR input Which is subject to further discussion, subject to any final proposals. It should be noted that the inclusion of this service to the Council has led to an increase in the work for the Human Resources team due to a number of employee relations issues that have arisen following the transfer.

The process was not without it's

11. PROCUREMENT COMMENTS

11.1 It is understood that the cleaning service for BSF schools was brought back in-house as a result of an external contractor withdrawing from delivery of the service. Nevertheless this is a helpful example of a successfully insourced service. Performance management is due for some further development, which should enable a clearer comparison between in-house and external delivery models.

- 11.2 Although there have been additional costs as a result of COVID-19 measures, the service itself does not cost more. The author notes potential for future savings as a result of management rationalisation which would be useful to explore.
- 11.3 Sustainability outcomes requested of the previous external contractor, including payment of LLW have been retained through the in-house service.

APPENDICES N/A

EXEMPT APPENDICES N/A

BACKGROUND PAPERS N/A

Description of document - None

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