

Agenda Item 26

Cabinet

30 November 2011

BK



Cleaning services at Knowle

Exempt Information

Para 3 Schedule 12A information relating to the finance or business affairs of any particular person

Summary

Following the market testing of outsourcing cleaning services at Knowle, this report sets out the results and options for the future.

Recommendation

Cleaning services at Knowle are outsourced to the company that submitted the lowest tender. Existing staff will be TUPE'd across to the new contractor.

a) Reasons for Recommendation

As detailed in the report.

b) Alternative Options

Cleaning services are not outsourced.

c) Risk Considerations

If the cleaning services at Knowle are outsourced, there will be a Transfer under Protected Employment (TUPE) issue for three members of staff. They will therefore be working for the new contractor.

d) Policy and Budgetary Considerations

As detailed in the report

Positive Impact Overall

Excellent Customer Service.

Providing same service at less cost.

e) Date for Review of Decision

N/A

1 Main Body of the Report

1.1. A report was submitted to Executive Board on 5 January 2011 which proposed that a market test be carried out to see if savings could be made by outsourcing the cleaning services at Knowle. It was resolved “that the cleaning services at Knowle be market tested to evaluate quality against the current service provided and identify any financial and management savings”.

1.2. Tender documents were prepared and six contractors were invited to provide tenders for this work. Subsequently, 3 tenders were received in the sums of £76,223.92; £89,540.00 and £117,900.00. A fourth tender in the sum of £84,354.92 was received after the prescribed date and therefore could not be considered. The tenders are a fixed price for a two year period; the sums quoted will be charged annually.

1.3. Comparisons have been made between the lowest tender received and the current cost of the cleaning provision within EDDC. The relevant figures are set out below. The EDDC figures are based on the average of the last full three years costs.

| | Lowest tender | Current EDDC costs |
|------------------------------------------------------------------|----------------------|--------------------|
| Weekly wages for 3 full time cleaners (1 supervisor, 2 cleaners) | 908.35 | 1,040.12 |
| Holiday, NI, sick pay, pension, insurance (on costs) | 349.45 | 228.47 |
| Materials, uniforms, equipment, training | 50.03 | 79.86 |
| Total direct costs | £1,307.83 | £1,348.45 |
| Administration/overheads | 91.05 | inc |
| Supervision/Management | 62.95 | 122.13 |
| Total weekly cleaning costs | 1,461.83 | 1,470.58 |
| Total monthly charge | 6,351.99 | 6,390.02 |
| | | |
| Total annual charge | * £76,223.92 | £76,680.24 |
| Overtime annual cost | inc | 1,500.00 |
| Total including overtime | ** £76,223.92 | £78,180.24 |

* Annual charge = weekly divided by 7 x 365

** The price for a three year contract would be year 1 £76,223.92; year 2 £76,223.92; year 3 £78,344.41.

1.4. The above proposal includes the provision of TUPE arrangements for existing staff. The tenderer states that if they were allowed to tender for the contract as a new site and without regard to TUPE provision, the cost would be £59,650, a potential saving of nearly £20,000.

1.5. Based on the above figures, it can be seen that there are approximately £2,000 of savings to be made by outsourcing the cleaning function at Knowle. These are largely due to overtime costs, which cannot be accurately forecast. Overtime has been used to cover sickness and holiday by cleaning staff. The average over the last three years was £6,339 per annum; but this has been managed and working patterns were changed in 2010/11. The result is that the overtime bill for 2011/12 is now predicted to be £1,500, which is reflected in the above figures.

1.6. Both of the lowest tenderers stated that the current arrangements are inefficient and not cost effective. Based on their recommendations, we have calculated the cost of providing a revised service including one working supervisor (at 17.5 hours), 1 operative/chargehand (at 17.5 hours) and 5 operatives (at 15 hours each). This service has the following advantages.

- Work will be taken out of office hours, either early in the mornings (Committee Rooms) or after the end of the working day. This will improve productivity and will remove some of the H&S risks inherent in daytime cleaning.
- Shifts will be shorter and so fatigue will be less of a problem.
- Absence, either unforeseen or during holidays, will be easier to accommodate with shorter shift lengths.
- NI contributions will be significantly reduced.
- The creation of a Chargehand post will enable a readymade replacement for the Supervisor during absence and will improve command and control of the team.
- Work will be able to be allocated more easily as cleaning areas will be more manageable.
- This will create more job opportunities locally.

1.7. The cost of providing this revised service is summarised below

| | Lowest tender | EDDC cost (min) | EDDC cost (max) |
|---------------------------------------------|---------------|-----------------|-----------------|
| Annual wages | inc | 40,481 | 43,677 |
| NI, sick pay, pension, insurance (on costs) | inc | 10,120 | 10,919 |
| Supervision/Management | inc | 6,368 | 6,368 |
| Administration/overheads | inc | inc | inc |
| Overtime annual cost | inc | 1,500 | 1,500 |
| | 59,650 | 58,469 | 62,464 |

1.8. Based on the above figures, it can be seen that there are up to £3,000 of savings to be made by outsourcing the cleaning function at Knowle. (Costs at EDDC are currently at the maximum level).

1.9. The main non-financial benefits of outsourcing cleaning would be

- Maintenance of a high quality out of office hour's service, which would be monitored and supervised independently.
- Minimal in-house management requirements. Currently, supervision costs are disproportionately high.
- Full cover provision within agreed costs when sick, annual or other leave is taken.
- Removal of recruitment/selection and training requirements.
- Using a company with nationally recognised and accredited service provision.

1.10. With the impending Knowle office move to Honiton scheduled within the next three years, there will be an increased need for facilities management services during the build up to the move. The reduction in management of cleaners will greatly assist in releasing the Facilities Manager to provide this additional resource.

Legal Implications

Legal advice will need to be given orally at committee as insufficient information was available about the contract proposals at the time of printing (22/11/11).

Financial Implications

Para 1.3 shows the comparison of the current arrangements to the lowest tender including cost of TUPE arrangements, with potential savings of £1,956.

Para 1.7 shows the comparison of EDDC staff (re-organised to match the tenderer's favoured arrangements) to the lowest tender excluding cost of TUPE arrangements, with potential savings of £2,814.

The saving of £20,000 could only be made if there were no TUPE arrangements.

Consultation on Reports to the Executive

Existing cleaning staff have been kept aware of developments throughout this process.

Background Papers

- Executive Board report 5 January 2011

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