

**TYNE AND WEAR FIRE & RESCUE AUTHORITY**

**MEETING: 15th December 2008**

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**TITLE: REPORT ON THE OUTCOME OF THE VALUE FOR MONEY REVIEW OF CLEANING SERVICES (NON-PFI LOCATIONS)**

**JOINT REPORT OF THE CHIEF FIRE OFFICER, CLERK TO THE AUTHORITY AND THE FINANCE OFFICER**

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**1. INTRODUCTION**

1.1 The purpose of this report is to inform Members of the outcomes and recommendations arising from the Value for Money Review of Cleaning Services (non-PFI locations). Members of the Authority are asked to provide their comments and approval on the recommendations of this report.

**2. BACKGROUND**

2.1 The review of cleaning services was carried out under the terms of reference of the Value for Money Framework which was developed to comply with the requirements of the Comprehensive Performance Assessment (CPA). The CPA was introduced in 2005 and followed on from the Best Value regime which was introduced under the Local Government Act 1999. Best Value established a duty for local authorities to deliver services to the highest possible standard achievable whilst giving due regard to cost and quality.

2.2 The aim of this Value for Money review was to establish a way forward which ensured that future cleaning services provide value for money. The desired outcome would be improvements in quality and efficiency savings. Therefore, the recommended service provision would not necessarily be the cheapest but that which would provide a balance between a high quality service and cost effectiveness. The review aimed to achieve this without damaging the corporate ethos of valuing its employees.

2.3 To carry out the review a group was established consisting of employees of the Authority with the remit of reviewing the cleaning service to identify potential improvements to ensure future cleaning services are delivered efficiently and effectively.

2.4 A summary of the review findings is attached to this report. Key elements are drawn out below.

2.5 Future plans for changes to the Service's asset base, including a further PFI station operational within the next two years, will necessitate further changes to cleaning arrangements in the future and it is recommended that at this point the contracts are reviewed again.

### **3. CURRENT SERVICE**

- 3.1 The current cleaning service is provided by Authority's the Direct Service Organisation (DSO), which was established in August 1995. The DSO cost for a full cleaning service is £211,168 per annum (as at time of review).
- 3.2 The service is staffed by one cleaning supervisor and 32 cleaning staff and comes under the remit of the Resources Group within the Authority.
- 3.3 The DSO contract currently provides a cleaning service to 11 fire stations across the Authority. With the exception of Chopwell fire station, each of these locations are cleaned on a daily basis from Monday to Friday with each cleaner working 14<sup>1</sup>/<sub>4</sub> hours per week, divided into five daily shifts. Chopwell fire station is allocated only six hours of cleaning per week due to its retained status.

### **4. REVIEW METHODOLOGY**

- 4.1 The methodology of the Value for Money Framework involved examining the service in question through an initial self-assessment followed by a number of high level questions exploring the service from the perspectives of efficiency, effectiveness and economy.
- 4.2 In carrying out the review, service users and cleaning staff were consulted on the current cleaning service provision to establish levels of satisfaction and identify potential improvements.
- 4.3 Furthermore, a number of questions were examined by the review team as part of a 'challenge workshop' in order to assess the need for a cleaning service and challenge why, how and by whom the service is being provided.
- 4.4 Finally, soft market testing was carried out which invited expressions of interest from three private sector providers to ascertain the likelihood of the marketplace providing superior service in terms of cost and quality.
- 4.5 The review team felt that it was important to engage with a selection of suppliers that currently represent the wider cleaning services market. Therefore Supplier A was invited to participate in the market test as a local small/medium enterprise. Supplier B was invited to participate in the market test as a multi national company currently contracted through the Office of Government Commerce (OGC) to provide Facilities Management Services to the public sector. Supplier C was invited to participate in the market test as a supplier the Authority have worked with in the past and therefore should be able to provide a more informative quotation based upon their experiences.
- 4.6 All three companies received comprehensive information including the scope and requirements of the cleaning services, to assist them with providing a quotation for future delivery. The companies also visited the Authority to assess the size and fabric of the buildings they would be required to clean.

## **5. REVIEW FINDINGS**

- 5.1 Following the Challenge Workshop it was established that:
- Under Health and Safety legislation a cleaning service is a necessity at fire stations;
  - Cleaning services could potentially be provided by an external contractor;
  - Efficiency savings can be made to the current service by incorporating some changes to the way that cleaning staff currently work. This could include improvements in the alignment of cleaning hours to cleaning requirements at each location.
  - The current DSO service highlighted areas for improvement, including establishment of a service level agreement and clearer quality standards.
- 5.2 Service quality is monitored through regular inspections involving the Cleaning Supervisor and Station Manager as appropriate. Consultation carried out for the review showed that service users felt that the cleaning services provided by the DSO were of a consistently high standard. No negative comments had ever been received regarding the standard of cleaning.
- 5.3 The cleaning staff themselves were also consulted as part of the review and stated they had high levels of job satisfaction. One suggestion for improvement was that there should be flexible shifts to allow the cleaning staff to carry out their duties when the stations are quiet.
- 5.6 Following soft market testing each of the three companies stated that they could achieve the required quality standards of the cleaning service.
- 5.7 However the estimated cost of the cleaning services that each of the three companies quoted was greater than the cost of the current cleaning service as provided by the DSO; further costs would be likely associated with management, administration and TUPE
- 5.8 The review has also explored the potential for improved efficiency in the existing DSO arrangement. The review process eliminated a number of budgetary control issues and identified a number of improvement actions which will result in a projected saving of circa £5,000 year on year. These actions and consequential savings will be monitored to ensure that they are realised.

## **6 CONCLUSION**

- 6.1 It has been established that the current DSO arrangement for cleaning delivers a high quality service which meets customer needs. Further work on specifying service standards would enhance this.
- 6.2 Soft market testing has not identified a strong outline business case for selecting a private sector contractor; all three participants in the exercise produced projected costs higher than the current contract.
- 6.3 There is scope to deliver significant efficiency savings on the DSO annual budget.

## **RECOMMENDATIONS**

Members are requested to:

- a) Note the findings of the review.
  - b) Approve the retention of the current DSO contract with the implementation of an improvement plan.
  - c) Agree a further review of cleaning contracts linked to the delivery of new builds and the new PFI within the next two years.
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## **BACKGROUND PAPERS**

The under mentioned background papers refer to the subject matter of the above report:

- Review report

# **Tyne and Wear Fire and Rescue Service**



## **Cleaning Services (non-PFI locations)**

### **Value for Money Review**

August 2008

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## **1 Purpose**

- 1.1 This review was carried out as part of TWFRS' programme of value for money reviews, using the methodology developed by the authority during 2007. The aim of this review was to investigate the arrangements for the Direct Service Organisation (DSO) which was established in August 1995 to manage the provision of cleaning services within Tyne and Wear Fire and Rescue Service (TWFRS).
- 1.2 Potential improvements to ensure future cleaning services are delivered efficiently and effectively would be identified as a result of the review.

## **2 Background and current service**

- 2.1 The contract with the DSO commenced in August 1995 covering cleaning services at all TWFRS locations.
- 2.2 Following the introduction of the PFI contract in 2005/2006 eight locations (six fire stations, Service Headquarters and Technical Service Centre) became facility managed by Jarvis, and this included cleaning provision at these sites with the TUPE transfer of relevant staff.
- 2.3 Currently the DSO contract covers cleaning service provision at 11 sites across TWFRS (including 11 fire stations, two former divisional headquarters, attached to fire stations, and the control room, also attached to a fire station).
- 2.4 Future plans for changes to the Service's asset base, including a further PFI, will necessitate further changes to cleaning arrangements in the future and it is recommended that at this point the contracts are reviewed again.
- 2.5 While there is no current legal requirement to maintain the DSO contract or the trading account for cleaning services, it continues in order to satisfy the best value accounting code of practice.
- 2.6 The current DSO cost for a full cleaning service is £211,168.
- 2.7 The DSO is allocated an annual income based on the floor area cleaned at non-PFI locations.
- 2.8 The cleaning services function is part of the Resources Group within the Authority and comprises of one Cleaning Supervisor and 32 cleaning posts.
- 2.9 All but one of the locations are cleaned daily, Monday to Friday, with each cleaner working 14<sup>1</sup>/<sub>4</sub> hours per week divided into five daily shifts. The exception to this is Chopwell fire station due to its retained status, where there are only six hours of cleaning per week.

- 2.10 There are currently two vacancies for cleaning posts, based at Sunderland Central fire station (14<sup>1</sup>/<sub>4</sub> hours per week) and Chopwell fire station (6 hours per week) however these vacancies are included in both the structure chart and associated costings.
- 2.11 Each cleaner undertakes a range of duties, which involves a variety of tasks completed at different frequencies. Guidance is provided by the Cleaning Supervisor on the range of tasks and duties.

### **3 Review methodology**

- 3.1 The review was carried out using a newly developed framework designed to:
- Focus on maximising efficiency
  - Reduce the time, resources and bureaucracy that the review process creates
  - Minimise disruption to the function under review
- 3.2 This process initially involves a light touch review, including a Self Assessment, followed by a number of High Level Questions being considered by both the Function Review Team (FRT) and the Development and Review Team (DRT).
- 3.3 Following the light touch review it was decided that further scrutiny was required and that this would take the form of a full review.
- 3.4 The full review would examine the Self Assessment and the subsequent High Level Questions in an attempt to identify potential improvements to the cleaning service to enhance efficiency, effectiveness and economy.
- 3.5 In order to establish levels of satisfaction, and potential improvements to the current cleaning service provision it was agreed to consult service users and cleaning staff.
- 3.6 A decision was made to consult service users at four non-PFI stations (West Denton, Gosforth, South Shields and Hebburn), and at one PFI station (North Moor) for comparison purposes.
- 3.7 The consultation took the form of focus groups with a cross section of staff at each location, facilitated by one of the Station Managers whose role is Independent Officer on the FRT.
- 3.8 Consultation was also undertaken with the cleaning staff and Cleaning Supervisor. This involved a questionnaire regarding hours of work, duties performed, problems encountered and suggestions for improvement.



## **Market Testing**

- 3.9 In order to ensure that efficient and effective cleaning services are secured it is necessary that the FRS embraces fair and open competition. A soft market testing exercise was undertaken as part of the review to ascertain the likelihood of the marketplace providing superior service in terms of cost and quality.
- 3.10 The review team selected a range of suppliers representative of the wider cleaning services market:
- Supplier A (a local Small/Medium Enterprise (SME))
  - Supplier B (a multinational currently contracted through the Office of Government Commerce to provide facilities management services to the public sector)
  - Supplier C (a supplier the Authority has worked with in the past and therefore able to offer an informative quotation based upon their experiences).
- 3.11 All the participating companies were provided with comprehensive information including the scope and requirements of the cleaning service and an opportunity to visit two fire stations, West Denton and Gosforth, to carry out site surveys and then submit their proposal.
- 3.12 It was intended to invite Jarvis as the PFI partner to take part in the Market testing exercise. However, Jarvis had been approached to take over cleaning services for non-PFI fire stations at the same time as they took over facilities management at the PFI stations, as part of the PFI project and felt that this was not a viable proposal without building improvements and a bond which were not cost effective to TWFRS. They were therefore not included in this exercise.
- 3.13 A Challenge workshop was organised at Washington Community Fire Station for members of FRT and DRT supported by the Special Projects Accountant.
- 3.14 The workshop involved members of the FRT working through a series of questions similar to those in the self assessment and their response being challenged by DRT members.

## **4 Review findings**

### **General**

- 4.1 Challenge events identified that there is a need for TWFRS to provide Cleaning Services, as part of health and safety obligations, at fire stations. This service could be provided through a range of options from enhancement of the current contract with the DSO to a contract with another provider.

## **Quality**

- 4.2 The review established that the quality of the current service is monitored through regular inspections and consultations with customers by the Cleaning Supervisor with input as required from the Station Manager. The Personal Development Plan process applies to cleaning staff.
- 4.3 The existing measures of quality are primarily related to customer satisfaction. Consultation carried out through the review indicated that the majority of service users felt that:
- the services provided by cleaning staff were of a consistently high standard,
  - cleaning staff were seen as a vital part of the team at station level,
  - cleaning staff were flexible in their approach to work, and were willing to vary their work routine to accommodate station staff requirements,
  - while they had not previously had any negative comments regarding cleaning staff work, they felt confident that they could raise such issues with the cleaners involved,
  - there was little difference in the quality of cleaning services at one PFI and four non-PFI stations.
- 4.4 Consultation with cleaning staff revealed that there are some inconsistencies in the frequency of cleaning facilities at each location and a few access issues at one or two locations.
- 4.5 In general terms satisfaction with the current service level is high; the review team however identified that the service would be enhanced through the development of clearer service standards.

## **Cost**

- 4.6 The soft market testing allowed the production of indicative costs for cleaning the whole range of non PFI properties based on West Denton and Gosforth fire stations. It was felt that the market testing exercise would produce sufficient evidence to establish whether there was an outline business case for proceeding with a full market testing exercise.
- 4.7 The quotations supplied by the participants were inserted into forecasting models produced independently by the FRT and DRT, and an average of these forecasts was produced to compare market rates with the current service cost of £211,168.
- 4.8 This exercise produced the following costs:
- Company A £175,630.50
  - Company B £253,235.06
  - Company C £290,646.46

- 4.9 Subsequent discussions with Company A indicated that staffing numbers had been underestimated by 6 posts, making it likely that overall costs would, as with the other comparator companies, be higher than current costs.
- 4.10 Management and administration costs were not included by the participating companies and would be likely to add to the projected costs of delivery. As an example, Company B indicated that they would allow approximately 12% over and above direct costs for management, administration and profit.
- 4.11 TUPE costs were not taken into account in the process but would add to costs for TWFR in the short term (initial research has indicated that TUPE costs to transfer staff would be in the region of £25,000 per year).
- 4.12 There are potential issues with pay and conditions of service. Whilst only Company B explicitly stated that their quotation is based on paying their staff minimum wage, it is anticipated that this would also apply to other companies.
- 4.13 Taken as a whole, the soft market testing exercise would not appear to indicate a strong cost based business case for seeking alternative means of providing the cleaning service.
- 4.14 The review also explored the potential for reduced costs within the DSO arrangement. Through a number of actions it is anticipated that annual cleaning costs could be reduced by some £5K per year; these potential actions are set out as Appendix A and include improvements to budgetary control and revised cover arrangements.

## 5 Option appraisal

- 5.1 Based on the identified improvements, the following options were considered in order to provide a Value for Money Cleaning Service and realise delivery of the improvements.

Option	Comment
a) Cessation of the service in whole or in part	There is no statutory duty to provide cleaning services but a Cleaning Service is a critical component in delivering Health and Safety.  Impact of environment on staff morale.
b) Creation of a public-private partnership	This option has been considered before, but was deemed not viable due to high cost of delivering remedial work before the start of the contract (see 3.12).
c) Transfer or externalisation of the service	Indicative costs of soft market testing exercise appear to show that this is unlikely to achieve cost reductions.

Option	Comment
d) Retention and improvement of DSO arrangement	Current service is delivering in terms of quality, satisfaction and cost. Improvements identified through the review could further increase the efficiency and reduce the cost of the service
e) Joint commissioning or delivery of the service	The future may present some potential for regionalisation of the service, either with other Fire and Rescue Services or other organisations.

## 6 Conclusion

- 6.1 It has been established that the current Cleaning Services DSO delivers a high quality service which meets customer needs. Further work on specifying service standards would enhance this whichever delivery method is chosen.
- 6.2 Initial market testing has not identified a strong outline business case for selecting a private sector contractor; all three participants in the exercise produced projected costs higher than the current contract.
- 6.3 There is scope to deliver significant efficiency savings on the DSO annual budget. Further efficiency savings may be identified through realignment of cleaning service provision.

## 7 Recommendations

- 7.1 Based on the evidence and information contained in this report, we recommend the adoption of option d, the retention and improvement of the DSO arrangement, including the implementation of improvement actions as set out in Appendix A.
- 7.2 It is further recommended that the cleaning contracts be reviewed again as the new PFI comes onstream within the next two years.