

EAST RENFREWSHIRE COUNCILCABINET28 November 2019Report by Director of EducationOPTIONS FOR CLEANING SERVICES IN PFI SCHOOLS**PURPOSE OF REPORT**

1. To advise cabinet of the current cleaning services at the PFI schools (St Ninian's High School and Mearns Primary School) which are provided as part of the PFI contract and on the negotiations surrounding the cleaning service review.

RECOMMENDATION

2. Cabinet is asked to consider the options set out in Para12. of the report and approve the option to use the contractual provision within the PFI contract to bring cleaning services in-house at Mearns Primary School and St Ninian's High School.

BACKGROUND

3. The Council has a contract with East Ren Schools Services Ltd (ProjectCo) for the provision of services under the Private Finance Initiative (PFI) for Mearns Primary School and St Ninian's High School.

4. The PFI Agreement between East Renfrewshire Council and ProjectCo i.e. the provider Bellrock (formerly Jarvis), includes that a service review should be undertaken by ProjectCo for cleaning services for the whole of both schools at 5 yearly intervals throughout the contract.

5. The service review is essentially a benchmarking exercise which reviews the price of the service offered against other comparably sized PFI projects covering similar floor area, school types and number of pupils. This exercise determines a benchmark price and is undertaken by an independent consultant commissioned by Bellrock with results reported to both Bellrock and ERC. Bellrock can increase the price to the benchmark price but if it is in excess of 105% of what the Council is currently being charged, ERC is entitled to delete cleaning services from the facilities management requirement delivered by Bellrock.

6. The outcome of the most recent benchmarking exercise has in effect triggered an option appraisal for ERC to consider either accepting the benchmark price as the new current price going forward and retain the Bellrock managed cleaning service, or seek to better the price if possible by delivering cleaning in-house and delete this service from the PFI contract.

7. This exercise has highlighted that ERC is entitled to take cleaning services back in-house. In doing so there will be backdated payments due to Bellrock given the retrospective nature of the benchmarking exercise. The maximum cost to ERC of this will be dependent on what benchmarking figure is settled on.

8. Bellrock currently sub-contracts cleaning services to another party. The quality of service is well documented as below expected standard with significant staff absence levels and difficulties in recruitment. ERC would hope to reduce any possible backdated payment to Bellrock through negotiation reflecting the poor standard of cleaning (exacerbated by a poor helpdesk reporting system) and delays in agreeing the benchmark price.

REPORT

Benchmarking Exercise

9. The benchmarking exercise undertaken by Bellrock resulted in a revised price greater than 105% of the current price, i.e. an increase of more than 5%. The outcome of the benchmarking exercise was approximately a 7.6% increase in costs (benchmarking 1 referred to in the table in paragraph 12). Bellrock has advised that with the introduction of the national living wage this increases to 14% (benchmarking 2 in the table). This issue has not as yet been formerly acknowledged by either party and will be the subject of further discussion. ERC's clear position is that the impact of living wage will be accounted for within the benchmark data as other employers are similarly impacted which means the lower percentage increase of 7.6% is applicable. Regardless of which value is agreed upon it is above the 5% threshold in the PFI contract which has provision for the cleaning contract to be removed and taken in-house.

Bellrock Proposal

10. A special meeting of Bellrock and ERC was held to discuss the outcome of the benchmarking exercise as commissioned by Bellrock. This was attended by a Director from ProjectCo, a Regional Director from Bellrock and officers within the Council from Education, Finance and Environment. ERC advised that meeting the quality standard at best value price were its priorities and that the benchmarking outcome appeared to be in excess of the cost of delivering in-house. The current poor standard of cleaning is well-documented and well-rehearsed. Bellrock acknowledged the poor standards currently being provided and advised of additional measures they would adopt in order to retain ERC's cleaning contract. These were followed up in writing and are noted below:

- a. Bellrock terminate the current contract with their subcontractor and bring the service in-house as a Bellrock directly delivered service.
- b. Bellrock recruit a Cleaning Manager to oversee the delivery of services in addition to the existing provision and seek to ensure there is sufficient resource to cover the required standards of cleaning. This new role would be dedicated to and based in either Mearns Primary or St Ninian's High schools. It would be the intention however that the role would also at some point take over the management of the cleaning at one of Bellrock's other projects (also cleaned by the existing subcontractor) outwith ERC.
- c. Bellrock hold the increase in costs to 105% of the benchmarking outcome and refrain from claiming the backdated increase to the 2016 benchmark date, both as gestures of good faith.
- d. Bellrock implement the proposal within 3 months of agreed go-ahead and reassess the service 6 months after the commencement of the new model.
- e. Should the service still be deemed to be inadequate at the 6 month review, the Council would then be able to take the service in-house and we would revert to the original benchmarking outcome and impact.

ERC Response to the Bellrock Proposal

11. Bellrock's acknowledgement of poor service and suggested measures is welcomed. However, from an operational perspective it is considered that this is inadequate at this late stage to be assured that it will make a difference. There are other reasons why it is also considered desirable to revert to an in-house cleaning service. The following summarises the main points:

- a. The quality of service is unacceptable. This was also the case with the previous cleaning sub-contractor employed through Bellrock.
- b. It is considered that Bellrock's recruitment and retention issues which have led to the poor cleaning service over the years will not be easily turned around by the measures proposed. Bellrock does not have a sufficient local presence which is adding to their difficulties in accessing a larger staff pool to, for example, cover staff absence.
- c. There is reportedly significant disquiet among the subcontractor's staff albeit relevant senior school management have reported that individually there are good workers whom they would be comfortable to see remain on site with better management and support.
- d. The Council's Education Facilities Management is able to deliver the cleaning service in-house at a lower cost together with increased cleaning and supervision hours, which should provide a higher standard of cleaning; and the staff would be part of a wider team within East Renfrewshire helping with cover arrangements, etc.
- e. The overarching PFI contract is due to terminate at 14 August 2026. There are significant building handover condition matters that will need to be managed during the intervening period to ensure that the school buildings are returned to the Council as per the agreed contract terms and conditions. Taking the decision now and managing the in-sourcing of cleaning services will lighten the administrative workload in the lead up to the handback period.
- f. Accepting the Bellrock proposal will increase the base cost for the next cleaning benchmarking exercise in 2021, which although unknown at this stage, is likely to further increase costs. Bringing the cleaning service in-house provides more control and quality assurance by ERC over this as well as removing the last set of benchmarking before the PFI contract expires.

High Level Cost Summary

12. The table below summarises the costs associated with the various options.

	Cost per £/m ²	% increase	PFI Cleaning Cost £ (2016 prices)	Total Cleaning Cost incl Science ext [#] £ (2016 prices)	£ Increase on Current Cost	Backdated cost to Aug 2019 £ (max)	Forecast cost Increase from Aug 2019 to Aug 2021 £	Estimated price for cleaning 2020/21 £
Current cost - to be benchmarked (based Aug 2016)	14.81	n/a	326,486	347,802	n/a	n/a	n/a	394,611
Benchmark 1 (excl Living Wage)	15.93	7.6	351,177	365,163	17,361	53,916 *	38,822	414,309
Benchmark 2 (incl Living Wage)	16.89	14	372,340	387,169	39,367	122,257 *	88,031	439,277
ERC In-House (incl Living wage, equipm + supervisory hrs)	15.35	3.7	338,391	351,868	4,066	Subject to negotiation	9,092	399,225
Bellrock revised offer (105% of Current Cost)				365,192	17,390	Removed as a "gesture of good faith"	38,887	414,342

Science extension is shown separately since it was established after the initial PFI contract

* Subject to negotiation

13. The Best Value and preferred option from the above table is to remove cleaning from the PFI contract using the break clause in the contract and to take the cleaning service in-house operated by Education Facilities Management staff.

FINANCE AND EFFICIENCY

14. This preferred option will deliver a more effective and efficient cleaning service at a lower cost whilst also protecting the Council against any potential benchmarking price increase in 2021 when the service would next be reviewed.

15. It is anticipated that given the poor cleaning service delivery that any backdating will be negotiated down. Provision has been made in the 2019/20 budgets for the backdated payment to Bellrock.

16. Taking the cleaning service in-house would require an initial outlay to provide the new equipment at a cost of circa £68k. In discussion with Finance provision has been made within existing budgets to accommodate this need.

CONSULTATION

17. The proposal has involved consultation with Legal and Accountancy Services and reflects discussions with Bellrock.

IMPLICATIONS OF PROPOSAL

18. There are implications within this report in terms of staffing (TUPE) as the proposal includes transferring of the existing cleaning staff at the PFI schools.

CONCLUSIONS

19. The standards of cleaning at the two PFI schools have been inadequate over the years and there is now an opportunity following the result of the contractual benchmarking exercise to cease this service from the PFI contract and undertake the cleaning through the Council's Education Facilities Management Services at a lower cost than that intimated by ProjectCo (Bellrock).

20. Accordingly it is proposed that to deliver best value for the Council in terms of quality and price that Education with Legal Services informs ProjectCo (Bellrock) that it intends to take cleaning services in-house at the earliest opportunity.

21. To take this forward a short-term working group comprising officers from Education Legal Services, Accountancy and HR would be established. This group would agree an exit timetable, legal requirements, transfer processes (service provision and TUPE) and financial arrangements to conclude this as soon as practicably possible. Trade Unions will also be apprised of this undertaking, as will the head teachers and wider managers within Facilities Management Services.

RECOMMENDATION

22. Cabinet is asked to consider the options set out in Para12. of the report and approve the option to use the contractual provision within the PFI contract to bring cleaning services in-house at Mearns Primary School and St Ninian's High School.

Mhairi Shaw
Director of Education
November 2019

Further information can be obtained from Fiona Morrison, Head of Education Services (Provision and Resources) 0141 577 3229 fiona.morrison@eastrenfrewshire.gov.uk

Cabinet Contact Details

Councillor Paul O'Kane, Depute Leader of the Council and Convener for Education and Equalities
Tel: Mobile 07718 697115

BLANK PAGE