



Cabinet
14 January 2019

**Report from the Strategic Director
of Community Wellbeing**

Future Delivery of the Estate Cleaning Service

Wards Affected:	All
Key or Non-Key Decision:	Key
Open or Part/Fully Exempt:	Open
No. of Appendices:	Three Appendix 1: Outcome of Service Review Appendix 2: Service Improvement Plan Appendix 3: Financial Analysis
Background Papers:	None
Contact Officer(s):	Hakeem Osinaike Operational Director of Housing Tel: 020 8937 2023 Email: Hakeem.Osinaike@brent.gov.uk Troy Francis Head of Housing & Neighbourhoods Tel: 020 8937 2794 Email: Troy.Francis@brent.gov.uk

1.0 Purpose of the Report

- 1.1 This report sets out proposals for the future service delivery of the Estate Cleaning Service, which is currently being delivered by Wettons Cleaning Services Limited (Wettons).
- 1.2 The report provides information and analysis on two service delivery options available to the Council.
- 1.3 The report also provides information on the service review, which took place with a view to improve estate cleaning and to continue doing so until a future option is agreed for delivery of the service.

2.0 Recommendations:

That Cabinet:

- 2.1 Agrees Option 1 as the preferred service delivery option, as set out in section 7 of the report.
- 2.2 Delegate authority to the Strategic Director of Community Well-being in consultation with the Lead Member for Housing and Welfare Reform to take all necessary steps to insource the Estate Cleaning Service.

3.0 Introduction

- 3.1 The current estate cleaning contract covers cleaning of internal communal areas of all 'purpose built blocks of flats managed by the Council, including windows. It also covers the cleansing function for external parts including hard standing areas only. The cleansing area for the grass areas is covered by Veolia as part of the grounds maintenance contract.
- 3.2 The estate cleaning service is one of the most important services to Council tenants and leaseholders. The quality of the service provided determines the cleanliness and 'look and feel' of the internal and external communal areas of their blocks. It is a service directly paid for by tenants and leaseholders, separately from their rent and other charges and not surprisingly, generates regular feedback in terms of quality and value for money.
- 3.3 The service is currently delivered by Wettons, following a procurement exercise carried out by Brent Housing Partnership (BHP). A review of the service, which is discussed later in this report, has uncovered that the procurement did not appear to have fully taken residents' needs into consideration, as the specified standard of service and their inspections are not fit for purpose. It appears that the procurement was focused on reducing costs to residents without fully engaging them to understand their needs and adequately taking into account their expectations about the quality of service. This has led to a misalignment between residents' expectations of the service and the cleaning specification Wettons are contracted to deliver.
- 3.4 In addition, the contract was not well managed under BHP and there was insufficient investment made to the service by Wettons, which led to a deterioration in the quality of service. This manifested itself through high levels of complaints from residents, members' enquiries and high numbers of corrective actions identified by the estate services team. Improving the estate cleaning service therefore became a key improvement priority when the Housing Management Service came back in-house.
- 3.5 In the last 12 months, Brent Housing Management (BHM) has put in place effective contract management focused on improving the service. This included developing and implementing a new service communication strategy, a service development plan, improved operational practices and a new performance

management framework, which has redefined the service standards, key performance indicators and a new inspection regime.

3.6 These actions have resulted in significant improvements in the quality of service being delivered. In August 2018, Officers carried out a Survey of Tenants and Residents (STAR), and satisfaction with the cleaning of internal areas increased by 10% against last year (58% to 68%). Although positive, the satisfaction levels are still significantly below the levels being achieved by top performing social landlords, which is the ultimate aim of the Council.

4.0 Contract and service issues

4.1 The service is currently being provided by Wettons on behalf of the Council for approximately 8000 council and leasehold flats. The contract was for a period of 4 years with the option to extend for up to a further 6 years. It commenced in September 2013.

4.2 The expiry of the initial 4 year term fell into the transition year for BHP and no work had been done to decide on what happens with the contract. Rather than agree a full extension for the remaining 6 years, an extension of year was agreed in September 2017 so that a review of the service and contract performance could take place. The service review revealed a number of issues which meant that extending the contract for the full term was no longer an option. Details of the review can be found in section 5 below. The contract has now been extended until 15 September 2019, to give the Council time to implement the agreed option in this report.

4.3 The contract price is not inclusive of all costs, as the costs for the following services are not included in the price:

- Cost of paint or chemicals- Graffiti removal
- Emergency cleaning
- Out of working hours
- Salting and gritting
- Disposal of fly-tips and bulk refuse

4.4 The profile of the annual spend for the last three years and projected service cost for the current financial year are as follows:

Wettons annual spend			
	Total spend £	Annual contract price £	Variable cost £
2015-16	1,955,037	1,751,295	203,742
2016-17	1,842,223	1,751,295	90,928
2017-18	1,806,222	1,751,295	54,927
2018-19	1,940,611 Projected	1,840,611	100K Projected

4.5 The annual total cost of current service is therefore in the region of £2 million. The cost is fully recharged under the service charge structure to both tenants and leaseholders. The potential increase in the cost of service delivery would therefore, be recharged to the tenants and leaseholders irrespective of which of the two specified options in this paper is taken forward.

- 4.6 Unfortunately, the contractor's service delivery performance has been below the agreed standards, which has been evidenced through the residents' low level of service satisfaction, high level of service requests and complaints concerning the failure or inadequate service delivery across all estates.
- 4.7 As a result, a service review was commissioned by the BHM to understand some of the operational drivers for the decline and more importantly to seek residents' views about the service from their perspective.

5.0 Key findings from the service review

5.1 Due to the nature and extent of complaints, members' enquiries and service requests related to the estate cleaning service, Officers decided to carry out a service review to understand the cause(s) of customer dissatisfaction and what opportunities exist to address them. The review was carried out between April and June 2018 and included the following;

- A service specific satisfaction survey
- A purposely constituted focus group of tenants and leaseholders
- Analysis of complaints, members' enquiries and service feedback, from the survey and focus group
- Analysis of the findings arising from a programme of joint estate inspection between BHM and Wettons
- Feedback from estate staff
- Analysis of benchmarking data from the sector accredited benchmarking club (HouseMark)
- Soft market testing detailed interviews

5.2 These were aimed at gaining clarity about how efficiently the service was operating and to identify the changes that will most likely drive improvements for residents and align the service with the modernisation ambition of the Council.

5.3 A full report of the feedback from residents concerning the current service delivery issues and recommended solutions, is attached in Appendix I. However, below is a summarised version of the main findings and a high level list of actions to address some of the immediate service delivery issues.

5.4 An overview of the key findings are as follows:

5.5 *Poor quality of service and resident satisfaction*

5.5.1 The consultation carried out through the resident satisfaction survey shows that the overall tenants' and leaseholders' satisfaction with the service was in lower quartile in comparison to the peer group, as only 39% of resident were either fairly satisfied or very satisfied with the estate cleaning service. The STAR took place after the review and the results showed a 10% improvement in satisfaction compared to the previous year.

5.5.2 The above mentioned satisfaction surveys also provided some insight into other service issues linked to the poor perception of the service. These include slow reporting of repairs to the communal area, missed refuse collection, cleanliness of the refuse bin areas, quick removal of fly-tipping/bulk refuse items, reliability of employee (cleaning operative) and frequency of cleaning carried out.

5.5.3 A number of themes arose from the analysis of the complaint and service requests recorded by both Wettons and BHM. These included:

- Frustration with Wettons in their slow response to cleansing issues associated with environmental ASB e.g. removal of litter, rubbish from the communal areas in between scheduled cleans.
- Lack of compliance with the cleaning visits schedule, leading to the accumulation of litter and lack of general cleanliness within the communal areas.
- Over spilling residual waste surrounding the bin areas, which residents have reported as very unsightly.

5.5.4 The resident focus group held as part of the review provided some useful insight into the key improvement priorities required by residents. They were very clear that the service was below the standards they expect. They were also clear that the improvement to service should not lead to an increase to service cost. The key improvements recommended included:

- A complete review of cleaning standards to ensure this is clear to residents.
- More frequent visits by cleaning operatives to estates that need it.
- Investment in better equipment and cleaning materials.
- More effective tenancy enforcement to tackle residents who are misusing the communal area.

5.6 *Poor contract specification and costing*

5.6.1 The contract specification and costing have also played a significant role in poor service delivery. A summary of the reasons for this are as follows:

- The balance between cost and quality was not robust, leading to an imbalance between residents' expectations and service quality.
- The cleaning specification was poorly set out and the contract terms were badly defined, making it difficult to measure performance and meet the level of service required to improve resident satisfaction e.g. corrective actions identified by estate employees are not always carried out by Wettons because they are not as set out in the specifications.
- Although they accept performance is not up to standard, Wettons have cited the above as a key impediment to them improving performance.

5.6.2 With these three issues, the chances of recovering performance to an acceptable standard are highly unlikely.

5.7 *Poor partnership working*

5.7.1 The operational interface between Wettons and Veolia have also played a major role in poor service delivery. This is driven largely by lack of collective ownership by both contractors for the delivery of the overall estate standards. In addition, poor communication in agreed responsive solutions to the operational issues such as the handling of fly-tipping/bulk items, missed refuse collections and management of refuse bins were identified as key challenges during the review.

5.8 *Resource management and performance monitoring*

5.8.1 A key output from the benchmarking exercise was the ratio of cleaning operative to the number of dwellings covered under the cleaning contract. It identified that the current level of resources being deployed by Wettons is quite high compared to their competitors. The review identified that lack of investment in technology and equipment was leading to inefficiencies in the service.

5.8.2 The two tier salary structure between TUPE'd employees and new recruits meant that there was inconsistency in the way in which cleaning operatives are being remunerated. Wettons shared that this has impacted on the calibre of staff they are able to employ.

5.9 *Soft Market Test*

5.9.1 In consultation with the procurement team, a "Soft Market Test" (SMT) was undertaken to support the Council in its assessment of whether some of the future ambition of the service could be met together with appraising itself of current best practice in the market to ensure any contract changes or re-procurement decision are fit for purpose and reflect current market trends.

5.9.2 The SMT information pack was dispatched to 18 service providers and they were invited to respond within four weeks. The response rate was low, with only three responses received, one of which was from Wettons.

5.9.3 Interviews were held with Wettons and the other two providers, which provided some useful insight into a range of alternative approaches to the delivery of the service. This included a number of innovations available in the market, which would deliver significant efficiencies. However, providers cited a short contract term as a potential barrier in delivering some of these innovations.

5.9.4 The providers were very passionate about attracting the right talent to deliver a high quality service. They felt that offering an attractive remuneration package i.e. London Living Wage was key to do this as it has proven successful in other service contracts.

6.0 Conclusions from the service review

- 6.1 The outcome from the review confirmed that the service is underperforming. In particular, resident satisfaction is below an acceptable standard and service quality compares unfavourably against other peer organisations.
- 6.2 The review shows that the Council needs to have a new conversation with residents to inform the development of a new transparent and 'fit for purpose' service specification, and which can respond to effective performance management.
- 6.3 The service review has not only increased BHM's knowledge of what residents think of the service, it has also provided useful information about what their expectations are. As a result, Officers are clear on what is wrong with the service and what actions are needed to fix them. Officers are therefore primed to engage in further discussions with residents to develop a specification of the type of service they will find acceptable.
- 6.4 Officers have worked closely with Wettons to deliver the improvements required but existing contract specifications and terms mean achieving the desired standards are unlikely. As such, extending the contract is not considered an appropriate option that can deliver the level of improvement the service requires.
- 6.5 Furthermore, due to the contractor's recruitment and retention policies, the service delivery culture of frontline staff is fragmented. The required medium and long term service delivery under the current contractor and contract service delivery framework is therefore not feasible.

7.0 Options appraisal

- 7.1 Although notable improvements have been made in how the contract is managed and in the delivery of the service, the above issues demonstrate the limit to what is achievable. To achieve the desired level of quality, officers believe there are two options available. Appraisal of the two options are provided below.
- 7.2 The options appraisal aims to establish the most efficient and effective option for the future service delivery in line with the Council's broader service delivery objectives. Current delivery options available to the Council are as follows:
- 7.3 **Option 1 – Insource the service utilising directly employed Council employees and Council owned equipment:**
 - 7.3.1 The Council would directly manage the service. Employing its own workforce and investing in its own equipment. Under the Transfer of Undertakings (Protection of Employment) Regulations 2006 ("TUPE"), those currently employed by the provider to deliver the service would be transferred on their existing terms and conditions to the Council. Having said that, as they are

currently paid below the London Living Wage, their pay will immediately be set at Scale 4, under the GLPC pay scheme.

7.3.2 This is the preferred option.

7.4 Option 2 – Re-procure the service through a competitive tender:

7.4.1 This would be achieved by producing a specification and associated contract documents against which suitable contractors would be invited to bid.

7.5 Both options are capable of improving the standard of service and customer satisfaction, through better specification, clearer understanding and clearer terms. The cleaning service is a low skilled and unregulated service, which does not require significant technological expertise. As such, either delivery options could achieve the right improvement outcomes

7.6 Under both options, investment in modern technology, machinery and fleet will be required by the service provider.

7.7 In addition to the investment in modern technology, machinery and fleet, a more realistic contract price would enable the new contractor to improve the contractual term and condition for the staff and enable them to achieve a higher average number of properties per employee, which will be more reasonable in comparison with the similar authorities. Consequently, the figures in Appendix III are based on the assumption that a re-organisation of the service may take place during 2019/20 or 2020/21, after the transfer of service.

7.8 The cost of delivering the service under Option 2 is based on the understanding that the contractor will agree to pay the London Living Wage (LLW).

7.9 Although confident that both delivery options can achieve the level of improvements the service requires, Officers believe that success will only be achieved through a meaningful engagement and involvement of residents in the service specification and monitoring of standards during delivery. This will be particularly important as the service charge cost to each tenant and leaseholder is likely to go up under both options. Officers have already made good contacts as part of the service review, which will serve the Council well for the future. In addition, BHM has now implemented a new resident engagement structure, part of which is the establishment of a Customer Experience Panel. This panel and other engagement structures beneath it, will be instrumental in this process.

7.10 It is useful to note that the Association for Public Service Excellence (APSE) conducted an online survey during April 2016 and found that 87.9% of cleaning services (including social housing estates) for the Local Authorities were provided in-house across the UK. They also found that none of the organisations which took part in the survey shared a cleaning service with other authorities and 70.6% of respondents were subject to the Living Wage.

7.11 The table below provides a more detailed analysis of Options 1 and 2.

	Option 1	Option 2
Staffing/ People	Advantages	Advantages
	Employee contractual terms and conditions will improve significantly and the overall package will be better than Option 2	Employee contractual terms and conditions will improve significantly compared to the current position but less than Option 1
	Potential to attract new talent into the service, due to attractive remuneration	Contractor will be able to draw staff from a larger pool, to cover leave and sickness absence
	Disadvantages	Disadvantages
	The Council will carry all operational risks linked to people management, including service cover as a result of staff absence and other HR related issues	The contractor will carry all operational risks linked to people management function, including service cover as a result of staff absence and other HR related issues
Value for money	Advantages	Advantages
	Potential cost savings through greater integration with other Council services	Larger providers likely to benefit from larger scale equipment and consumable purchases which may potentially reduce the in contract costs
	No profit margin – all resources are used for the service delivery and service improvement	Competitive tendering may provide opportunity of more efficient and effective service delivery
	Disadvantages	Disadvantages
	Initial in-house service transfer cost	Profit/surplus is kept by the contractor
	Initial cost of investment in the modernisation of cleaning machinery and equipment	Initial cost of investment in the modernisation of cleaning machinery and equipment
TUPE	Advantages	Advantages
	None	None
	Disadvantages	Disadvantages
	The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply, which means that Council will inherit any liabilities arising from transferring employees' terms of employment from current service providers	The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) will apply, which means the contractor will inherit any liabilities arising from transferring employees' terms of employment from current service providers
Service quality	Advantages	Advantages
	Direct control of employees, equipment and materials means the Council is in greater control of the service quality	Contractors are in better position to utilise more efficient and effective service delivery mechanism due to their profit orientation

Resident engagement	Advantages	Advantages
	It provides an opportunity to engage residents and to use their feedback to design the new service delivery model and involve them in the future service improvement/development	It provides an opportunity to involve residents in the selection of a new contractor and to use their feedback to design the new service delivery model and involve them in the future service improvement/development
	Advantages	Advantages
Opportunities/risks	It provides an opportunity to re-align the service to meet the Council's current service transformation objective and future strategic direction	It provides an opportunity to re-align the service to meet the Council's service transformation objectives
	It provides opportunity to invest in more efficient and effective equipment and machinery	It provides an opportunity to improve the specification and performance management framework. It also provides an opportunity to invest in more efficient and effective equipment and machinery
	Disadvantages	Disadvantages
	Central resources (HR, Finance and management) required to cope with a major influx of staff at contract start	Potential conflict with the Council's strategic direction
	A skills gap which is likely to result in cost and time implications for staff training and mentoring	The availability of only a headline cost comparison and not any detailed cost analysis
The resources required to support the mobilisation	Reduced ability to be reactive to political and residential needs	

7.12 Appendix III provides a detailed cost comparison of both options.

8.0 High level delivery plan for Option One

8.1 The current operational set-up and costs will be restructured with the aim of achieving significant efficiencies through investment in new technologies, use of modern equipment and greater control over current and future service provision.

8.2 The higher initial set up and mobilisation costs will be compensated for through reduction in the overall service delivery cost from 2020/21 onward, through a more cost effective structure and more efficient and effective service delivery model.

- 8.3 The scope of the services will be re-shaped by the requirements of tenants and leaseholders. In order to ensure the suitability of service provision, a number of additional stakeholder engagement activities will take place to ensure that requirements are captured and described accurately before the scope of the service is re-defined.
- 8.4 The workforce will be better motivated due to better terms and conditions of employment, as the current dual pay structure (TUPE and Non-TUPE) is understood to be one of the main causes of poor service delivery.
- 8.5 Option 1 would ensure a quicker mobilisation opportunity which guarantees the new service delivery arrangements being in place before 15 September 2019.

9.0 High level delivery plan for Option Two

- 9.1 The contract will be tendered in accordance with the EU procurement regulations. Officers will ensure the new estate cleaning contract has a suitable break clause in 2023, in order to consider any future delivery options.
- 9.2 Officers will establish an inclusive tender process which will be led by tenants and leaseholders as part of the selection and evaluation process. In particular, they will help shape the design of the detailed evaluation process to enable the Council to identify the most economically advantageous offer based on a combination of the quality of the new provider's offer and price.
- 9.3 The scope of the services will be driven by the requirements of tenants and leaseholders. In order to ensure the contract is fit for purpose, co-production with tenants and leaseholders will take place to ensure that requirements are captured and described accurately as outputs within the specification.
- 9.4 A performance measurement model will be developed to meet the Council's expectations and those of residents. Performance indicators will be developed in consultation with the operational management team and the Customer Experience Panel (resident involvement governance body). These performance indicators will be used to review and monitor performance throughout the life of the contract.

10 Resident Engagement

- 10.1 Whichever option is selected, officers will ensure tenants and leaseholders are given the opportunity to provide their views on the type of communal cleaning services they would like to receive. A very comprehensive consultative process will be established as part of the mobilisation process, which will ensure residents are put in the driving seat to play a key role in transfer and redesign of the service.
- 10.2 The new Customer Experience Panel will oversee the in sourcing and service restructuring process to ensure residents' views are properly reflected in defining the overall service delivery framework and performance standards.

11 Joint improvement plan

11.1 Notwithstanding the redesign and possible re-procurement of the service, there is acceptance by both the Council and Wettons that there is a need to address a number of 'here and now' operational issues. Consequently, a joint improvement plan has been agreed to deliver a programme of operational improvements. A copy of the joint improvement plan is attached (Appendix II) in summary, the improvements include:

- Reform of the contract review governance process to enable more effective performance and service reviews.
- The introduction of a new performance management framework and rating system.
- Introduction of a joint inspection regime to identify and improve standards across hotspot areas.
- Developing an improvement plan between Wettons and Veolia to improve the cleansing functions pertaining to the external parts of the common parts
- The introduction of a new IT solution which enables the Housing Officers to monitor the cleaning standards and provide feedback to Wettons in real time.
- Exploring the possibility of piloting a performance monitoring application to capture in 'real time', operative attendance and pictorial evidence of the quality of the clean. This application will be made available to resident through the customer portal.

11.2 The implementation and outcome of the joint improvement plan are being monitored by the newly formed strategic contract review groups and the Resident Focus Group.

12 Financial Implications

12.1 The current fixed annual contract amount within the Housing Revenue Account (HRA) on the estate cleaning contract with Wettons is approximately £2 million. It is fully funded from service charges paid by tenants and leaseholders, separate from their rents and other charges.

12.2 If Option 1 was to be considered, it is estimated to increase costs in the HRA by £0.8m in the first year. Further work will need to be done to identify how savings will be achieved to make it a less costly compared to Option 2 in the long term.

12.3 If Option 2 is to be pursued, it is important to consider that the Council policy is to target 10% savings from the procurement of contracts, this would be 0.18m for the cleaning contract.

12.4 Cost of procurement estimated at £0.10 will be contained within existing resources in the HRA.

13 Legal Implications

- 13.1 The estates cleaning service is currently outsourced and the recommended option is to in-source its provision. Where in the opinion of the Strategic Director or Chief Executive a very significant change in the model of service delivery occurs or is likely to occur, then such decision should be made by Cabinet.
- 13.2 The in-sourcing of the estate cleaning contract would constitute a service provision change and would therefore involve the transfer pursuant to TUPE of the existing Wettons staff to the Council on their current terms and conditions. Where there is a potential transfer pursuant to TUPE, there are positive duties to inform and consult with staff on various matters that have to be observed as a matter of law.
- 13.3 There will be a range of obligations on both the Council and Wettons arising from insourcing relating to issues such as staffing, transfer of records, etc. In the circumstances, should this recommended option be agreed, delegated authority is sought for the Strategic Director of Community Well-being in consultation with the Lead Member for Housing and Welfare Reform to take all necessary steps required to bring the cleaning function back in house.

14 Equality Implications

- 14.1 A full equality impact assessment will be carried out based on the approach agreed by Cabinet.

15 Consultation with Ward Members and Stakeholders

- 15.1 Ward members who have council owned or managed stock in their wards would need to be engaged as part of the consultation process, as would members of Cabinet. Officers will also ensure the Housing Scrutiny Committee are given the opportunity to provide critical challenge to the shaping of the new service specification and the shaping of the new performance standards.

16 Human Resources/Property Implications

- 16.1 The in sourcing of the estate cleaning contract will involve the transfer pursuant to TUPE of the existing Wettons' staff.

Report sign off:

PHIL PORTER

Strategic Director of Community Wellbeing