

Appendix 1: First Review Questions for Potential In-sourcing of Contracts

Purpose: The purpose of this document is to review a Make or Buy option on a contract that is up for renewal. The review output is a recommendation to either proceed with a procurement exercise or an options appraisal to bring the product/service in-house going forward.

Contract Reference: 1130006151

Date/s of Review: June 22, 2021

Name of Reviewer: Commercial Team

Briefly outline the product/service of the contract provided to the Local Authority:

CCC have a maintenance contract in its fourth year (following a one-year extension and due to expire March 31, 2022) that is coming up for renewal. The contract covers cleaning and grounds maintenance (a roughly 90:10 split). The current cleaning provider manages our grounds maintenance contract for us through the auspices of a regional manager acting on our behalf. The contract comes to approximately £1.2 million per year of planned work. There is also a facility for unplanned cleaning that can be requested and is charged over and above the planned work.

Most of the £1.2 million cost is for staff. Alongside the regional manager who is our main point of contact, there are 108 cleaners, several supervisors, three groundskeepers, a grounds manager, and three area managers to maintain 83 buildings and the grounds of 40 other sites.

1: Outline the new specification for the service/product provision.
The contract specification must cover the necessary twice daily cleaning of corporate offices, libraries, registry offices, adult respite centres and children's centres across the county. The planned cleaning (included in the contract core cost) includes hygiene services and toilet cleaning, including sanitary waste disposal and the supply of all consumables (toilet rolls, hand soap/sanitizer, all cleaning products). Window cleaning on all buildings is carried out by a subcontractor annually. Reactive cleaning covers the unexpected spills and messes that need to be cleaned up on demand. This can be inside buildings, and to resolve fly-tipping incidents. There is also the option to have "one off" deep cleans for an extra cost should the need arise, e.g. the entire Alconbury site just before handover. Grounds maintenance covers the grass and hedge trimming, weeding and tree control across the county. Fences and litter picking outside and around our buildings are covered, as too is winter gritting. Of the total cost, approximately £115k is attributed to grounds maintenance.
2: Was this service/product in-house in the past? When?
Not within current officers' experience or functional knowledge, and not to the same extent (see 5).
3a: Does the new specification broadly cover what was delivered in the previous contract?
Yes, it's a renewal of the previous contract that is viewed as meeting our requirements.
3b: What would be the length of the contract if the LA went to the market?
Three years + one year extension.
4: Outline any fundamental/significant changes required to the product/service being delivered in this new specification.
n/a
5: List the rationale/reasons why this product/service was originally outsourced.
A variation of this contract covering a number of buildings has been in place since probably the early 2000's.

Previously, CCC did have some corporate buildings cleaned by its own internal cleaning company (Cambridge Catering and Cleaning Services, 'CCS'), however, this was found to be unprofitable and failed to win tenders to clean corporate buildings. It was subsequently closed in 2016.

There is a similar history for groundskeeping – Groomfields Ground Maintenance was part of CCS until it was closed in 2014. Until that point, it had offered groundskeeping to some corporate exteriors, but mainly focused on school properties.

6: Are you satisfied with the product/service delivery from outsourced providers? Please list reasons if answer is No.

There are KPIs in place which are scored every month at the contract meeting. There have never been any issues that required a penalty to be taken against the provider. Considering the pandemic and constantly changeable workload and expectations, these KPIs have not been scored although contact with the provider has increased to weekly in order to manage need.

In short: Happy with the service provided; management relationships and workforce react well to any issues we have.

7: a/ Outline what an in-house delivery model option would look like?

b/ Has this product/service been successfully in-sourced by other Local Authorities?

c/ What type of delivery models are used by other Local Authorities?

A/ Without completing a full options appraisal, it is difficult to suggest in detail the requirements for an in-house delivery option of this contract, however, at first glance, the authority would have to provide the following:

- Staffing, including County-wide management, supervisors, and cleaning staff (current contract provides 108, with high turnover)
- Facilities (office building and equipment, IT, depot/workshops/shed buildings etc)
- Business start-up costs (legal and HR (e.g. recruitment and payroll) set up)
- Equipment – groundskeeping and maintenance of hardware, cleaning materials/supplies,
- Waste disposal contracts e.g. sanitary waste
- Equipment maintenance contracts
- Support from other existing Council services (e.g. accounting)
- For income generation we would require continual business development

B/ Not to our knowledge. Both Sounds Cambridgeshire District and Cambridge City Councils have outsourced their cleaning provision.

C/ n/a

8: Does it require significant investment from the Local Authority? Outline types of investment required, e.g. technology, equipment, buildings, staff requirements.

Yes, there would be an upfront cost:

The groundskeeping aspect would require significant investment in the hardware required to complete the manual work; there would also be notable maintenance, storage, security and insurance costs.

The investment required for cleaning supplies and equipment would be less, but in far greater quantities and therefore have its own additional storage needs. That said, there would be no need for any complex technology.

Core equipment aside, regardless of which activities might be brought in-house, development work would be required to create an organisational structure to deliver this (as above). Both cleaning or groundskeeping would need support functions, storage space and supplementary contracts. The prior experience with CCS and Groomfields also shows there would be an intense demand regarding personnel management.

9: Can the contract be "split" with some provision in-house and some external provider/s?

Any type of split could impact on economies of scale. Splitting the contract between multiple (smaller) providers would create more work as currently our contract manager has a single point of contact with the provider who manages the contract and facilitates any additional requests, although this might be worth sacrificing if there are social value benefits to be had.

Nonetheless, the contract could be split between ground maintenance and facilities cleaning. This would have a relatively small impact on cost efficiencies as the groundskeeping aspect of the contract is only around 10% of the total contract value. While there would be a negative impact on contract management efficiencies, the other side is that there could be scope to utilise our existing highways maintenance contracts (or similar) and have them expand slightly to cover the 40 grounds under this contract.

If we were to in-house an aspect of this contract, the size of the cleaning operation makes it look difficult, particularly with the knowledge of the failed CCS. For groundskeeping, it's unclear whether we would have enough work to keep the hardware in use frequently enough to justify the purchase and maintenance costs. Alternatively, hiring it would avoid many of the upfront costs.

10: Does the contract require high skill levels? Do these skills exist in the Local Authority currently? If not, how easy will it be for the Local Authority to obtain these skills?

Many of the jobs for this in-house delivery are relatively low skilled. It would be possible to recruit the staff required however there is a high turnover rate in this sector. The onus of continuous recruitment and training would fall to us although we accept that this is something we already paid for under the contract.

Additionally, recruitment of highly skilled people in time and task management would come at a higher cost than the equivalent provision in the current contract. This is because of the added on-boarding and pension costs, but also that currently the regional manager is shared between multiple contracts and so we only incur a portion of the total cost.

12: What are the risks to the Local Authority if the in-house arrangement fails to deliver?

Financial:

- Upfront costs
- Potential loss of investment
- Staff termination costs (TUPE complications)
- Risk of failure to be cost effective

Performance and Reputational:

- Failure to deliver
- Failure to meet or exceed the current cleaning and hygiene standards
- Subsequent potential legal issues

Exit risks.

- Failure to recover costs
- Supplementary contract issues – maintenance/hire contracts that need cancellation/novation

Those risk accepted, if we brought part of this contract in house, we would be unlikely to fail to deliver.

Another key difference between in-sourcing some of this contract and the previous traded services is that they aimed to make a profit, we're looking at cost avoidance.

13: a/ Is there a healthy level of competition from the private sector for the delivery of this work? b/ is there a risk of market consolidation that could leave us with an uncompetitive market?

A/ Three years ago, during the current contract's procurement, 6 providers were taken through to the second round of procurement process for the current contract. Updated market testing has not been undertaken as this is a follow-on procurement exercise for an existing contract. Market testing is only completed for a new or changed contract.

B/ A reasonable assumption has been made that this is not likely because the market, during the last procurement process, was so deep and active.

14: Would in-sourcing this contract give greater control to the LA to protect the most vulnerable? If Yes, please outline.

n/a

15: What are the environmental and social value impacts of in-sourcing this contract?

None beyond what we could stipulate in the contract. It is worth checking what we do stipulate, however. For example, there is the potential for local hiring in support of our social value objectives. Our

understanding is that this sort of work tends to attract local workers (meaning our contract provider potentially already hires locally and meets social value criteria; if they don't, why not?). When going out to tender, it would be possible to look at reducing the size of the contract such that there are multiple, local lots than can be managed by smaller, local, companies. By requiring a smaller contract, local sole traders and part-time workers could, in theory, respond to the tender. This would be a significant boost for CCC's social value aspirations (specifically, local jobs for local people). It is worth noting that in the past, the contract had been split into South Cambridgeshire and North Cambridgeshire, and all bidders wanted to bid for both. There was little appetite for smaller lots. Additional market engagement (with a focus on the smaller bidder we want to hear from) would be required to ascertain whether this is a deliverable option.

16: Can this service be scaled up and on-sold to other organisations? Outline how this could happen.

The opportunity to join this contract renewal has been offered to district councils and to date Fenland have expressed an interest in having their office buildings cleaned however they have their own grounds management contract.

There is the potential for some links to other parts of the public sector (e.g. fire and police) although we are probably too late in this current instance to explore this in any greater detail at this time.

Furthermore, any in-sourced groundskeeping could look to be expanded (significantly) to work on our Highways requirements, or (to a lesser extent) to include roundabout maintenance as this is currently out of contract and being looked at in a separate piece of work. Equally, could the current groundskeeping provision within this contract be expanded to include cutting grass and installing signs on roundabouts?

This document forms the basis of a recommendation to either proceed with a detailed Options Appraisal to bring this product/service in-house in some form or to proceed with a procurement exercise.

Recommendation and Rationale:

Given the variety of cleaning and groundskeeping work undertaken in this contract, it would be a significant undertaking to bring this work (in totality) in-house in a successful and cost-effective manner.

Whilst bring the groundskeeping work in-house may be more achievable (than the cleaning), given that there are other (larger) grounds maintenance type services being provided, we would not recommend that this contract be the starting point for this transition. It would need to be undertaken as a wider assessment of overall grounds maintenance work.

It would be worth asking respondents to bid for the contract in a few ways:

- A. pricing up the contract as is
- B. pricing up the contract without the groundskeeping (to see if it's available for a lower cost with an alternative provider, or if it's cheaper to add these 40 spaces to the existing highways contract, or if we can deliver it in-house)
- C. pricing up the contract with the inclusion of social value benefits, e.g. Guaranteed use of local workers, or paying staff the real living wage, or

The procurement exercise for the renewal of this cleaning contract has already made substantial progress and is expected to go out to tender on July 7 and any exploration into in-sourcing would require a delay to this process.

Taking the points highlighted in this assessment, the recommendation would be to proceed with the procurement exercise to ensure the continued provision of cleaning services and grounds maintenance.

Although, as a side issue beyond the in-house assessment, it may be worth assessing whether grounds maintenance element could be undertaken under the Highways Contract (if this has not been explored already).