



To: Executive Councillor for Housing: Councillor Kevin Price  
Report by: Julia Hovells, Business Manager / Principal Accountant  
Relevant scrutiny committee: Housing Scrutiny Committee 30/6/2015  
Wards affected: Abbey Arbury Castle Cherry Hinton Coleridge East  
Chesterton King's Hedges Market Newnham  
Petersfield Queen Edith's Romsey Trumpington West  
Chesterton

## **Financial Impact of the Building Cleaning Procurement for the HRA, tenants and leaseholders**

### **Key Decision**

---

#### **1. Executive summary**

- 1.1 This report presents a summary of the financial and operational impact for the Housing Revenue Account, and its tenants and leaseholders, of the corporate procurement of a new building cleaning contractor.
- 1.2 The report highlights the financial impact of the new contract for both tenants and leaseholders, and makes proposals for some mitigation of this, by way of passing on any increase in costs in a phased manner over a period of time.

#### **2. Recommendations**

The Executive Councillor is recommended:

- a) To agree that the increased cost of building cleaning services provided on behalf of tenants of the HRA, be passed on to tenants in a phased manner, with charge increase being applicable in three stages, in August 2015, April 2016 and April 2017, at which point full cost recovery will have been achieved.
- b) To agree that the increased cost of building cleaning services provided on behalf of leaseholders of the HRA, be passed on to leaseholders through the standard estimates and actuals process, with the full cost first appearing as part of the actual costs for 2015/16, which will be

calculated and communicated to leaseholders in September 2016 and included as an adjustment in the estimates for 2017/18, at which point the full cost recovery will be achieved. The cost for any new services will be implemented as part of the 2016/17 estimates process, to be payable from April 2016.

- c) To agree that charges for tenants living in category II sheltered housing schemes do not receive any charge changes mid-year, but instead have the charges for services provided to them reviewed from April 2016 as part of the usual service charge setting process, with inflationary increase passed on, if applicable, in an attempt to continue to recover the full cost of providing services.

### **3. Background**

#### **Procurement**

- 3.1 The Council has been through an external procurement process to secure a contractor to provide building cleaning and window cleaning services. The new contract, let in three separate lots, covers administrative buildings, commercial property (community centres, pavilions, car parks and public toilets) and housing (HRA) property. The last of these three lots covers both category II sheltered housing schemes, the communal areas of flatted accommodation and category I sheltered housing across the city.
- 3.2 Prior to this procurement process, the cleaning of sheltered housing schemes and communal areas of flat blocks, was carried out by Council staff employed within Streets and Open Spaces and estate cleaning staff employed within City Homes. The window cleaning service has been contracted out for a number of years, with ACS being the most recent provider of this service.
- 3.3 As part of this major procurement exercise, the specification against which services were being provided was reviewed for all of the areas to be covered within the new contract. One of the things which the Housing Service were keen to secure from a new contractor was the ability to deliver a consistent, quality service to both tenants and leaseholders, which is not dependent upon single individuals, so that services can always be maintained, even in the event of staff absence.
- 3.4 The specification for cleaning both sheltered schemes and communal areas of flatted accommodation was not reduced as part of the procurement process, although one or two locations were removed from the contract where it was not considered necessary to provide a

service in the future, and some new geographical locations were included where it was considered that residents could benefit from the service.

- 3.5 Prior to the procurement exercise, Streets and Open Spaces had identified that the costs of providing services to the Housing Revenue Account in respect of cleaning the communal areas of flat blocks, were in excess of the charges which they were making, and therefore higher than the HRA was passing on to tenants and leaseholders.
- 3.6 In the budget process for 2014/15, this was addressed by way of a budget bid for £60,320, to ensure that the HRA could pay the General Fund the full cost that had been identified. The Housing Revenue Account is a ring-fenced account, and the authority must ensure that it accounts for expenditure which relates to tenants and leaseholders in the HRA, and that it does not subsidise activity that benefits others, that should be funded through Council Tax and Government Grant from the HRA and vice versa.
- 3.7 However, as it had been agreed that the service was going to be externally market tested as part of a major corporate procurement exercise during 2014, it was also confirmed as part of the 2014/15 budget process that the increased cost of building cleaning which the HRA was required to bear, would not be passed on to individual tenants and leaseholders in the form of an increase in service charges from April 2014.
- 3.8 It was instead agreed that the outcome of the procurement exercise would be arrived at, with the resulting costs of any new contract being passed on to tenants and leaseholders from April 2015.
- 3.9 Delays in the procurement process meant that a similar decision was taken as part of the 2015/16 budget process, recognising that the outcome of the tender process would not be clear in time for a new contractor to be operational by 1<sup>st</sup> April 2015.

### **New contract**

- 3.10 After conclusion of the tender and evaluation process, and a subsequent period of consultation with leaseholders, the authority has agreed to contract with Churchill Cleaning Services for the provision of services under all three lots that were tendered. The evaluation considered both price and quality criterion, with up to 60% awarded for quality and 40% for the price, as agreed at Strategy & Resources Committee in January 2014. Churchill were the highest scoring bidder. Their bid scored higher than other external competitors, and also than

the internal bid from Street and Open Spaces. This means that a number of Council staff will now transfer to work for Churchill Cleaning Services.

- 3.11 The new contract represents good value for the authority as a whole, with savings identified in some areas. It confirms, however, that in respect of the costs of cleaning in communal areas of housing property, that the higher price identified by Streets and Open Spaces as part of the 2014/15 budget process is actually comparable with the prices available in the market place.
- 3.12 The new base contract with a contract variation for some window cleaning excluded from the original specification (excluding consumables and un-programmed works) for building cleaning and window cleaning in both sheltered housing and communal areas of flat blocks totals £373,846 per annum. This compares to a budget estimate of £363,740 for 2015/16 for the services which were being provided previously, including budgets for the payment of window cleaning services, payments to Streets and Open Spaces at the higher level identified from April 2014 and the cost of staff employed in housing directly in delivering estate cleaning services.

### **Proposed approach to passing on costs**

- 3.13 The cost for cleaning the communal areas and windows in sheltered schemes is broadly similar to the current cost of service provision and to the sum recovered through service charges to residents in the schemes.
- 3.14 It is therefore proposed that no changes are made to sheltered scheme service charges as a result of the implementation of the new contract from June 2015, and that service charges are reviewed as they would normally be, from April 2016, to take account of any need to increase charges by inflation in an attempt to continue to recover the full cost of providing the service.
- 3.15 In respect of the cleaning of communal areas to flat blocks and category I sheltered housing schemes, where there are a mixture of tenants and leaseholders, the impact of the new contract will be more apparent.
- 3.16 Having, in effect, protected residents in these areas from a higher level of service charge during 2014/15 and the early part of 2015/16, the new contract has confirmed that the costs of providing services is considerably higher than the current level of charges levied .

- 3.17 As the specification for the level of cleaning has not been materially amended, it is proposed that the increase in costs is passed on proportionally to the level of charges being levied based upon the old service.
- 3.18 For tenants who will continue to receive services where they receive services now, this would result in an average increase in charges from the start of the new contract in 2015/16 of £0.58 per rent week.
- 3.19 In more detail, this would result in the charges for window cleaning services only, increasing from a range of £0.01 to £0.29 per rent week, to £0.01 to £0.38. Charges for building cleaning services, which may also include window cleaning, would increase from a range of £1.17 to £4.83 per rent week, to £1.55 to £6.39.
- 3.20 It is recognised that this level of charge increase in one go, will have a financial impact for tenants, and as such a phased approach to increasing tenanted service charges is proposed, as follows:
- August 2015 – 10% increase after 4 weeks written notice is given
  - April 2016 – 10% increase plus any inflationary increase required within the contract as part of the annual rent review process
  - April 2017 – Increase to a position of full cost recovery for 2017/18 as part of the annual rent review process
- 3.21 For tenants where a service is being introduced as part of the new contract, it is proposed that the charge is introduced initially at a comparable level to other similar properties following provision of 4 weeks written notice of the introduction of the new charge, and is then phased up to full cost as detailed in 3.19.
- 3.22 Where new services are added to the contract as a contract variation at a later date (in respect of new build schemes or existing housing where a service may be deemed necessary in the future), the service will be introduced at full cost.
- 3.23 Where services are being terminated, the charge will be removed from rent accounts with effect from the Monday after the date at which the new contract becomes operational.
- 3.24 Where new services are added to the contract as a contract variation at a later date (in respect of new build schemes or existing housing where a service may be deemed necessary in the future), the service will be introduced at full cost.

- 3.25 In respect of leaseholders, the estimates and actuals process is such that leaseholders can be given reasonable notice of the increase in charges. It is proposed that no changes are made to the estimates for the current year, which were notified to leaseholders in March 2015, or to the estimates for 2016/17, which will be based upon 2014/15 actual costs, prior to the change in contractor. The actuals exercise for 2015/16, prepared in September 2016, would include the full cost of the new service provision for 2015/16, with adjustments being made to the estimates for 2017/18, which will be prepared in March 2017 reflecting this, and recovering the full cost during 2017/18.
- 3.26 For leaseholders where a new service is being introduced, it is proposed that the charge is implemented as part of the estimates exercise for 2016/17, with payment being made for the new service from April 2016.

## **4. Implications**

### **(a) Financial Implications**

The cost to the Housing Revenue Account in deferring the introduction of the charges for the new building cleaning contract in this way is estimated to be £48,590 in 2015/16 and £28,390 in 2016/17. This represents the loss of income that would otherwise have been received in each of these years.

This loss of income will need to be met from Housing Revenue Account reserves, and it is proposed that the financial impact is incorporated into the budget as part of the HRA Mid-Year Financial Review in September / October 2015.

### **(b) Staffing Implications**

The staffing implications associated with the procurement of a new building cleaning provider, and transfer of Council staff to their employ, have been considered as part of the corporate building cleaning project, and this report proposes no change to this.

### **(c) Equality and Poverty Implications**

This report seeks to actively mitigate the financial impact of the need to recharge tenants and leaseholders for the services which they receive, by proposing phased approach to passing on the increase in charges, thereby allowing residents the time to plan for the increased cost.

(d) **Environmental Implications**

Any environmental implications associated with the procurement of a new building cleaning provider have been considered as part of the corporate building cleaning project, and this report proposes no change to this.

(e) **Procurement**

There are no direct procurement implications associated with this report.

(f) **Consultation and communication**

Formal consultation has been carried out with all leaseholders as part of the process to procure a new building cleaning provider.

(g) **Community Safety**

There are no direct community safety implications associated with this report.

## **5. Background papers**

These background papers were used in the preparation of this report:

- Building cleaning tender from Churchill Cleaning Services (confidential in detail as commercially sensitive).

## **6. Appendices**

- Appendix A – Current and proposed weekly building cleaning service charges for tenanted properties

## **7. Inspection of papers**

To inspect the background papers or if you have a query on the report please contact:

Author's Name: Julia Hovells  
Author's Phone Number: 01223 - 457822  
Author's Email: [julia.hovells@cambridge.gov.uk](mailto:julia.hovells@cambridge.gov.uk)

Building Cleaning Contract Charges (Tenants)

	Current Charge Per Rent Week 2015/16	New Contract Charge Per Rent Week 2015/16	Phase I Charge from August 2015
ABERCORN PLACE	1.29	1.71	1.42
AINSDALE	2.19	2.90	2.41
AINSDALE	2.21	2.92	2.43
AINSDALE	2.24	2.96	2.46
ALBEMARLE WAY	2.30	3.04	2.53
ANCASTER WAY	1.40	1.85	1.54
ANNESLEY	2.36	3.12	2.60
ANNS ROAD	2.00	2.64	2.20
ANNS ROAD	2.02	2.67	2.22
ANSTEY WAY	0.02	0.03	0.02
ANSTEY WAY	0.03	0.04	0.03
ANSTEY WAY	0.04	0.05	0.04
ANSTEY WAY	0.08	0.11	0.09
ARAGON CLOSE	2.30	3.04	2.53
ARBURY COURT	1.43	1.89	1.57
ARBURY COURT	1.44	1.90	1.58
ARRAN CLOSE	2.24	2.96	2.46
ASHBURY CLOSE	1.54	2.04	1.69
ASHFIELD ROAD	0.00	2.34	1.95
ASHLEY COURT	0.06	0.08	0.07
ASHLEY COURT	0.24	0.32	0.26
ATKINS CLOSE	2.97	3.93	3.27
AUGUSTUS CLOSE	1.29	1.71	1.42
AUGUSTUS CLOSE	1.32	1.75	1.45
BARNWELL ROAD	0.10	2.47	2.06
BERGHOLT CLOSE	0.29	0.38	0.32
BLISS WAY	1.97	2.61	2.17
BLISS WAY	2.01	2.66	2.21
BLISS WAY	2.05	2.71	2.26
BORROWDALE	1.47	1.94	1.62
BRACKLEY CLOSE	1.46	1.93	1.61
BRACONDALE	1.97	2.61	2.17
BRANDON COURT	0.06	0.08	0.07
BRENTWOOD CLOSE	0.29	0.38	0.32
BRENTWOOD COURT	0.29	0.38	0.32
BRITTEN PLACE	1.40	1.85	1.54
BROOKS ROAD	1.53	4.36	3.63
BURGESS HOUSE	1.44	1.90	1.58
CAITHNESS COURT	1.27	1.68	1.40
CAITHNESS COURT	1.29	1.71	1.42
CALEDON WAY	1.27	1.68	1.40
CALEDON WAY	1.29	1.71	1.42



CAMPKIN ROAD	1.77	2.34	1.95
CARLOW	0.05	0.07	0.06
CARLTON TERRACE	1.41	1.86	1.55
CHIGWELL COURT	0.29	0.38	0.32
COCKERELL ROAD	1.43	1.89	1.57
COGGESHALL CLOSE	0.29	0.38	0.32
COLVILLE ROAD	2.40	3.17	2.64
COLVILLE ROAD	2.42	3.20	2.66
CONSUL COURT	1.20	1.59	1.32
CONSUL COURT	1.29	1.71	1.42
COOPER HOUSE	1.46	1.93	1.61
CRAWFORD CLOSE	1.20	1.59	1.32
CRAWFORD CLOSE	1.30	1.72	1.43
DANIELS HOUSE	1.45	1.92	1.60
DAVY ROAD	2.68	3.54	2.95
DAVY ROAD	2.71	3.58	2.98
DENNIS ROAD	0.07	0.09	0.08
DENNIS ROAD	2.04	2.70	2.24
DITCHBURN PLACE	0.00	2.34	1.95
DONEGAL	0.05	0.07	0.06
DUNDEE CLOSE	2.44	3.23	2.68
EDGECOMBE	2.98	3.94	3.28
EKIN ROAD	4.83	6.39	5.31
EKIN WALK	0.06	1.67	1.39
EMPEROR COURT	1.28	1.69	1.41
EMPEROR COURT	1.29	1.71	1.42
EMPEROR COURT	1.34	1.77	1.47
FANSHAWE ROAD	2.71	3.58	2.98
FERNWOOD	1.97	2.61	2.17
FISON ROAD	2.13	2.82	2.34
FISON ROAD	2.15	2.84	2.37
FORDWICH CLOSE	1.43	1.89	1.57
FORUM COURT	1.29	1.71	1.42
FRANCIS DARWIN COURT	1.41	0.00	0.00
FULBOURN OLD DRIFT	3.03	4.01	3.33
GIBBONS HOUSE	1.45	1.92	1.60
GILBERT CLOSE	1.47	1.94	1.62
GOLDING ROAD	1.54	2.04	1.69
GREYSTOKE COURT	2.36	3.12	2.60
HADLEIGH COURT	0.29	0.38	0.32
HANOVER COURT	0.00	0.08	0.07
HANSON COURT	2.36	3.12	2.60
HAWKINS ROAD	2.75	3.64	3.03
HAZELWOOD CLOSE	1.25	1.65	1.38
HAZELWOOD CLOSE	1.30	1.72	1.43
HEADFORD CLOSE	2.21	2.92	2.43
HEATHERFIELD	1.97	2.61	2.17
HELEN CLOSE	2.00	2.64	2.20
HELEN CLOSE	2.02	2.67	2.22

HIGH STREET CHERRY HINTON	0.01	0.01	0.01
HIGHDENE ROAD	2.66	3.52	2.93
HILDERSTONE HOUSE	0.01	0.01	0.01
HONEY HILL	0.04	0.05	0.04
HONEY HILL	0.06	0.08	0.07
HONEY HILL	0.08	0.11	0.09
JANES COURT, SEYMOUR STREET	3.95	5.22	4.35
KINGSWAY	0.02	0.03	0.02
LANGDALE CLOSE	3.44	4.55	3.78
LARKIN CLOSE	3.96	5.24	4.36
LAURISTON PLACE	1.25	1.65	1.38
LAURISTON PLACE	1.29	1.65	1.42
LEGION COURT	1.30	1.72	1.43
LEGION COURT	1.34	1.77	1.47
LICHFIELD ROAD	1.75	2.31	1.93
LOUGHTON COURT	0.29	0.38	0.32
MAITLAND AVENUE	0.06	0.08	0.07
MAITLAND AVENUE	3.61	4.77	3.97
MARKHAM CLOSE	4.45	5.88	4.90
MINERVA WAY	1.26	1.67	1.39
MINERVA WAY	1.27	1.68	1.40
MINERVA WAY	1.28	1.69	1.41
MINERVA WAY	1.29	1.71	1.42
MINERVA WAY	1.30	1.72	1.43
MOLEWOOD CLOSE	0.10	1.72	1.43
MOLEWOOD CLOSE	1.25	1.65	1.38
MOLEWOOD CLOSE	1.27	1.68	1.40
MOLEWOOD CLOSE	1.28	1.69	1.41
MOLEWOOD CLOSE	1.30	1.72	1.43
MONCRIEFF CLOSE	1.20	1.59	1.32
MONCRIEFF CLOSE	1.27	1.68	1.40
MONCRIEFF CLOSE	1.30	1.72	1.43
MONKSWELL	1.17	1.55	1.29
MONKSWELL	1.19	1.57	1.31
MORTLOCK AVENUE	0.05	0.07	0.06
MORTLOCK AVENUE	0.06	0.08	0.07
NEVILLE ROAD	1.75	2.31	1.93
NEWMARKET ROAD	2.29	3.03	2.52
NICHOLSON WAY	2.30	3.04	2.53
NUNS WAY	0.04	0.05	0.04
ONGAR COURT	0.29	0.38	0.32
PAVILION COURT	1.30	1.72	1.43
PERSE WAY	1.42	1.88	1.56
PERSE WAY	1.43	1.89	1.57
PRINCESS COURT	0.00	0.08	0.07
RACHEL CLOSE	2.00	2.64	2.20
RACHEL CLOSE	2.02	2.67	2.22
RUSH GROVE	3.03	4.01	3.33
RUSSELL COURT	0.02	0.03	0.02

RUSSELL COURT	0.06	0.08	0.07
RUTLAND CLOSE	1.43	1.89	1.57
SACKVILLE CLOSE	2.30	3.04	2.53
SANDWICK CLOSE	1.26	1.67	1.39
SANDWICK CLOSE	1.27	1.68	1.40
SHENSTONE HOUSE	0.01	0.01	0.01
SOMERVELL COURT	1.26	1.67	1.39
SPENCER HOUSE	1.46	1.93	1.61
ST BEDES CRESCENT	1.55	2.05	1.71
ST BEDES CRESCENT	1.56	2.06	1.72
ST DAVIDS HOUSE	1.44	1.90	1.58
ST KILDA AVENUE	3.96	5.24	4.36
STRATHCARRON COURT	1.30	1.72	1.43
TEMPLE COURT	1.29	1.71	1.42
TENBY CLOSE	2.61	3.45	2.87
THE RODINGS	0.29	0.38	0.32
THORPE WAY	0.29	0.38	0.32
TOM AMEY COURT	0.01	0.01	0.01
TREVONE PLACE	1.40	1.85	1.54
TRIBUNE COURT	1.29	1.71	1.42
TWEEDALE	2.03	2.68	2.23
TWEEDSMUIR COURT	1.29	1.71	1.42
VILLA COURT	1.29	1.71	1.42
WALKER COURT	2.31	3.05	2.54
WALPOLE ROAD	2.47	3.27	2.72
WALPOLE ROAD	2.48	3.28	2.73
WELSTEAD ROAD	3.03	4.01	3.33
WENVOE CLOSE	2.61	3.45	2.87
WESTGATE	2.36	3.12	2.60
WILSON CLOSE	3.40	4.50	3.74
WOBURN CLOSE	2.30	3.04	2.53
WYCLIFFE ROAD	2.44	3.23	2.68