



CLEANING & SUPPORT SERVICES ASSOCIATION

Public sector *PENSIONS*

A level playing field needs to be adopted for those working in the NHS

Pension costs are proving to be of great significance to private provision of public services. Overall, the government's scheme to outsource more public services has been a success, delivering better services at a greater efficiency to the tax payer. But the issue of pension liability is proving to be a significant barrier to entry to many possible providers of these services and also endangers the very principles of quality and efficiency, which determine the effectiveness of this strategy.

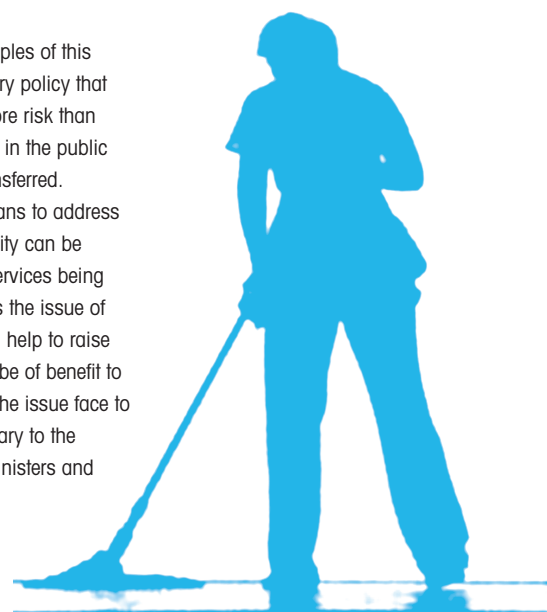
The first area of concern is the ability of private-sector providers to compete on a level playing field with 'in house' providers. During the tendering process, a public sector 'in-house' provider will include pension costs at the rate of 14% of wage costs as part of their tender. The contrast comes when a private sector 'outsourced' provider bids for the tender. The latter must include the cost of pension provision, but at a rate of between 30% and 40% of wage costs. The reason for this is that the NHS Pension scheme is under funded, with the balance being made up out of general taxation. The result of this is that quality of service comes

second to cost considerations, meaning that the service provided is not as good as it could be.

Many CSSA members have provided examples of this happening, and it goes against stated Treasury policy that contractors should not be required to take more risk than would have remained had the staff continued in the public sector employment from which they were transferred.

The CSSA is therefore calling on all politicians to address this issue. The importance of a focus on quality can be shown by five of the six best NHS cleaning services being outsourced. Having a policy which addresses the issue of pensions as part of the tendering process will help to raise standards across the spectrum and will only be of benefit to the public. The CSSA has already discussed the issue face to face with Angela Eagle, MP Exchequer Secretary to the Treasury and we will follow up with Health Ministers and the Chancellor.

Under the Treasury's 'Fair Deal' scheme, any private sector contractor taking on a contract formerly held by the public sector



SWINE FLU

The current outbreak of swine flu is of great concern, although the virus appears not to be as severe as first feared. Aside from the impact on those infected and their family and friends, it shows the vital importance that hygiene plays in all our lives and provides an opportunity for the cleaning industry to demonstrate how it can add value to client businesses.

Correctly applied hygiene practices will undoubtedly reduce infection rates and that will almost certainly save lives, reduce sickness and minimise the damage to the UK economy.

In the current situation, cleaning businesses should be actively approaching their clients to offer their services in the management of the effects of any forthcoming pandemic. The sort of thing that

cleaning businesses can offer includes:

- Advice on good hygiene practices that reduce infection risk;
- Supply of tissues both for office desks and in sachets for workers to carry with them;
- Reinforcing the CATCH IT, BIN IT, KILL IT message;
- Ensuring extra supplies of soap and hand drying equipment;
- Supplying hand sanitiser gels to clients;
- Ensuring a hygienic disposal of tissue waste;
- Adjusting cleaning specifications and frequencies so that surfaces (tables, desks, door knobs, light switches, keyboards phones etc) are regularly cleaned with a disinfectant cleaner with accredited virucidal claims. By regular I mean several times a day.

Swine flu is a dangerous potential pandemic that may hit the UK in weeks or months. If the cleaning

industry acts quickly in advising its clients about what to do, then it has the potential to dramatically reduce infections. And that is a real benefit to society as a whole. Even if it seems that the disease is under control now, the forthcoming winter flu season may well see it return.

Hopefully, swine flu will pass without further loss of life or illness, but it is an important symbol of the ability of poor hygiene to have an effect on all our lives. Perhaps this is a wake up call for society at large to understand the risks we run every day, through coughs and colds, stomach upsets, norovirus and seasonal flu. Good hygiene and cleaning practice won't make these go away, but it will very much help to mitigate the impacts. If one of the consequences of swine flu is that everyone takes their personal hygiene a bit more seriously then this is no bad thing and a real opportunity for the cleaning industry as well. ■

has to offer 'broadly comparable pension arrangements' to the staff being transferred. Due to the considerable differences in pensions offered by most private sector organisations, having to take on these pension liabilities can be very damaging to the new company. The result is that many providers, especially small and medium sized enterprises, have been put off from bidding for contracts.

The loss of these potential providers has meant a market far less competitive than would be the case if the issue of pension liabilities were addressed in such a way as to lighten some of the burden. Many of the best cleaning companies are some of the smallest, who are able to give a job the dedication necessary to make a success of it. These companies are just too small to be able to cope with the vast liabilities involved, and therefore choose not to bid for contracts.

Perhaps the most significant single liability is the transfer of past service liabilities, meaning that a new employer is responsible for an employees' historical pension rights. An example is Glasgow Housing Association. A deal with a private contractor stalled at a late stage over the size of the pension liability for its new staff. The housing association would not add protections into the contract. Neither side would concede, leaving tenants without a service and employees without an employer. The council controlled City Building eventually resumed the contract. This situation shows that pension liabilities have become a road block to the achievement of best value in the public services. It is clear that urgent steps need to be taken to address this pension problem.

The example above shows some of the problems that come with a dispute over pensions. Disputes have also arisen from the requirement that contractors accept the Government Actuary Department's assessment of transfer values in relation to these past benefits. The problem comes when the government's assessment is different to that of the contractors' own actuaries or trustees. The 'shortfall regime' currently in place to address this issue has proved to be inadequate for the task of settling these disputes, and does not address the overall problem of volatility and difficulties surrounding pensions.

The last issue is that of the size of contributions and liabilities. It is very important for contractors bidding for government contracts that the pensions package they are

entering into is sustainable. At present this is not the case, to the extent that some companies may be bankrupted as a result of their pension liabilities. By their nature contracts are time-limited. By the time a contract is up for (re-)tender, there is no guarantee that the provider will continue to hold that contract. There is nothing wrong with this, but the problems

come when a Section 75 pension liability arises. When this happens, pension scheme deficits become debts due from contractors when a contract is not re-let to them. An example is a contractor with a local government equivalent scheme currently fully funded on both the technical provisions and a FRS 17 accounting basis. However,

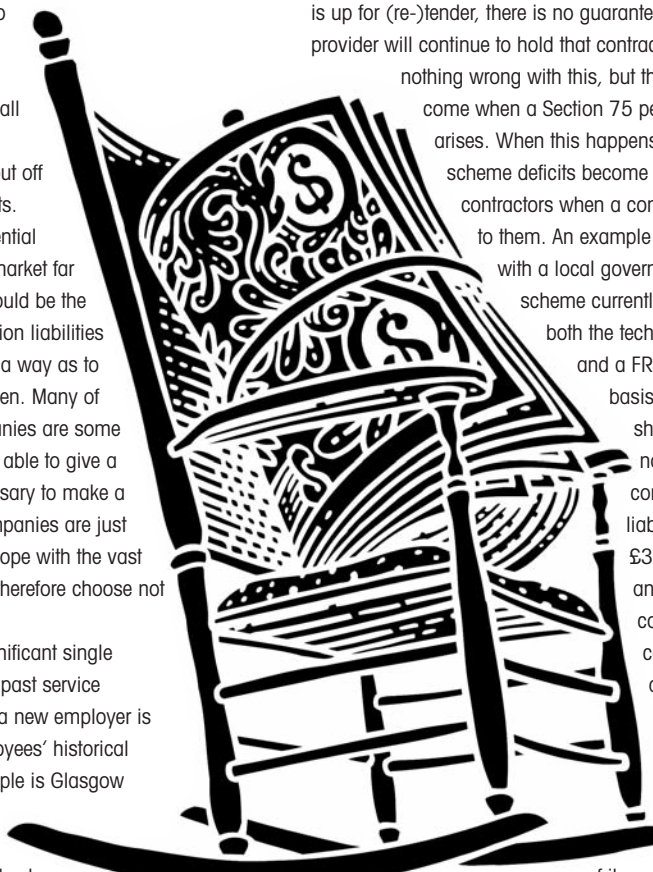
should the contract not be re-let, the contractor will be liable for a £30million debt on an annuity buy-out cost. The company in question has a market capitalisation of only £20million.

If only one

of its contracts comes to an end it will be forced to cease trading. Not only is this clearly a problem for the contractor but also for the employees whose pensions will then be held by an insolvent company.

Some NHS Trusts have sought to remedy the current pension problems by using the Retention of Employment model. The significant pension benefit of the RoE model is that staff are seconded to a private sector contractor, while their employment, for pension purposes, remains with the NHS. This enables them to continue to access the NHS Pension scheme. However, RoE is not a sustainable solution to the pension issue as it brings too many problems in the day to day management of staff. Because the employer and the manager are separate entities, simple tasks like changing a person's duties or disciplinary action become extremely complex, and ultimately management's right to manage is undermined.

One thing is clear, both the government and the private sector need to find a solution to this pension issue quickly otherwise, the public services upon which we all rely will be harmed. Ministers seem to be warming up to the issue, and we will keep the pressure on them to come up with answers that facilitate a fair solution. ■



What's a cleaner worth?



Hidden amongst the scandal of MP's expenses I found a little nugget of cleaning gold.

According to Bryony Gordon of the Daily Telegraph, Gordon Brown has been paying his cleaner over £10 per hour.

For someone running a business as a self employed cleaner that really doesn't amount to very much at all. Say £20,000 per year for a full time job, and we all know that most cleaners don't work full time.

Worse however, is the reaction of some of the Telegraphistas. The gist of it is that Gordon's cleaner is overpaid and that there is a race to the bottom to see which central London cleaner can be paid the least.

Let's be realistic here. Would you get on your hands and knees and clean a politician's toilet for £10 per hour? No, me neither. Frankly the way things are I would be tempted to put something nasty in the loo and let nature take its course. The ladies who lunch don't even want to meet their cleaner face to face. They would rather leave a small pile of tenners and a brief note on the table.

Well, I've got news for them. It's time to give your cleaner the respect that they deserve. While you are all at home because your children's school is closed as a precaution for swine flu, think about how you are only a sanitising wipe away from being sick yourself.

**Best wishes,
Andrew**

www.cleaningindustry.org

Tel: 020 7920 9632