

Committee(s): Operation Property and Projects Sub (Finance) Committee – For Decision Finance Committee – For Information Court of Common Council – For Decision	Dated: 26/10/2022 15/11/2022 08/12/2022
Subject: Corporate Cleaning Services Agreement Extension	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	12
Does this proposal require extra revenue and/or capital spending?	N
If so, how much?	£1.9m
What is the source of Funding?	Existing revenue budgets
Has this Funding Source been agreed with the Chamberlain’s Department?	Y
Report of: Paul Wilkinson, The City Surveyor	For Decision
Report author: Daniel Tyler - Property Contracts Performance Manager, City Surveyor’s Department. Darran Reid – Assistant Director Commercial Operations, Chief Operating Officer’s Department	

Summary

The City has a cleaning contract with Atalian Servest to provide cleaning and window cleaning services across the Corporate, Investment, Police and Barbican Centre property portfolios. This contract is due to expire on 31st October 2022. The City is currently tendering for an Integrated Facilities Management model which includes the provision of cleaning services; the service commencement date of the Integrated Facilities Management model is 1st April 2023.

This report seeks approval for an interim extension to the Atalian Servest contract to maintain cleaning services and standards whilst the tender exercise is completed, contracts awarded, and services commence on 1st April 2023.

Recommendation(s)

Members are asked to:

1. Endorse for onward approval by the Court of Common Council, the following variations to the Corporate Cleaning Services Agreement with Atalian Servest Limited:
 - a. a variation to the expiry date of the contract term to 31st March 2023; and
 - b. an increase in the Total Contract Value of £1.9m to to £32.7M.

Main Report

Background

1. The City Surveyor's Department is undertaking a project to transform its facilities services Bundled delivery model into an Integrated Facilities Management (IFM) model.
2. At the Operational Property and Projects Sub Committee, 20th July 2022, members approved the award of an Integrated Facilities Management Services Framework Agreement. The framework agreement commenced 29th August 2022. An invitation to tender (ITT) exercise is underway to appoint under a call-off contract(s), a supplier, or a number of suppliers, to deliver integrated facilities services for the City of London's property portfolio. The planned commencement date of these contracts is 1st April 2023.
3. All existing facilities services supply agreements expire 31st March 2023, except for Corporate Cleaning Services, supplied by Atalian Servest Limited, which expires 31st October 2022.
4. There is a need to extend the Corporate Cleaning Services agreement to co-terminate with the other facilities services agreements. This is critical as the supplier's employees will need to be transferred across one or more suppliers of the IFM services agreements, commencing 1st April 2023.

Current Position

5. A decision is required from Members, as according to the Corporation's Standing Orders, 51. Procurement and Contract Letting, all procurement and contracts activity must be undertaken in accordance with the Corporation's agreed Procurement Regulations, The Procurement Code.
6. The Procurement Code regulation 31. Contract Variations, requires approval from the Operational Property and Projects Sub (Finance) Committee, and the Court of Common Council, where New Total Contract Value is £4M or higher. This report considers a matter valued at £32.7M.
7. The supplier, Atalian Servest Limited, has agreed to continue its services for a further five months, terminating 31st March 2023, subject to the City agreeing to a revised commercial proposal.
8. The proposed charge for the additional five months is £1.9M. The total contract spend 1st November 2015 to 31st October 2022 is £30.8M. The revised total contract value to 31st March 2023 is estimated at £32.7M.
9. The £1.9M proposal includes an increase to the fixed cost element of the service, in the sum of £79,250.54. The supplier attributes this to increases in its delivery costs, arising from increases to London Living Wage. No further changes to the Terms are proposed.

Options

10. Approve, compliant to Standing Order 51, Procurement Code Regulation 31, and the Public Contracts Regulations 2015:
 - a. A variation to the expiry date of the contract term to 31st March 2023; and
 - b. An increase in the Total Contract Value to £32.7M.

11. Members should note that up to £79,250.54 of this £32.7M value is not currently budgeted for. This increased cost is a result of a change to the London Living Wage from £11.05/hour to £11.95/hour. We expect this to reduce with the Government's reversal of the decision to increase contributions to National Insurance. It should be possible for departments who use the service to absorb the resulting small net increase in cost within their overall local risk budgets. All other non-salary related costs remain within the existing approved budget.

12. Officers can present Members with only one realistic option in this matter.

Proposals

13. Approve the option at paragraph 10 of this report. This provides continuity of service to the Corporation's buildings occupiers, maintains regulatory compliance in this area of service, provides stability to employees affected by TUPE over the five months term, in advance of their potential transfer to another employer at the implementation of the IFM Services 1st April 2023.

Strategic implications

The proposal supports the strategic decision to implement an Integrated Facilities Management model across the City's property portfolios. If the contract is not extended to end co-terminus with the City's other Facilities Management contracts, then an integrated service model cannot be delivered and release the efficiencies which that brings. It would also disrupt the current tender process with a material change and present significant risk to the delivery of all Facilities Management services from 1st April 2023.

Financial implications

There is an impact to the cost of service, but this is in relation to changes in common law and increases in London Living Wage both of which would have been experienced if the current contract's core term expired on 31st March 2023. Atalian Servest have not increased the charges to the City during the extension period by any other index and have absorbed the impact of inflation.

Resource implications

Current cleaning staff resources are employees of Atalian Servest, if an extension is not awarded the City will be liable for significant TUPE implications with all Atalian Servest employees being subject to transfer to City of London employment.

Legal implications

Continuity of the Atalian Service contract and the delivery of cleaning services will ensure that the City continues to meet its obligations under The Workplace (Health, Safety and Welfare) Regulations 1992

Risk implications

Not extending the current contract exposes the City to risk in respect of reputation by not having clean buildings and service areas across both employee working areas e.g. offices, educational facilities e.g. Schools and public facing areas and attractions e.g. Barbican Centre and Tower Bridge. There is further risk by not being compliant with statutory H&S regulations and financial risk via TUPE implications with incumbent staff employed by Atalian Servest.

Equalities implications

The current contract has been subject to a fully compliant City of London tender process which ensures that all legal requirements and City of London policies in respect of equality have been met.

Climate implications

The current contract has been subject to a fully compliant City of London tender process which ensures that all legal requirements and City of London policies in respect of climate and responsible procurement have been met.

Security implications

The current contract has been subject to a fully compliant City of London tender process which ensures that all legal requirements and City of London policies in respect of security have been met.

Conclusion

To approve this extension, Members will be supporting an efficient delivery of the IFM project, preventing interim operational disruption, mitigating risks to the corporation relating to employee transfers. It is compliant with Standing Order 51, Procurement Code Regulation 31, and the Public Contracts Regulations 2015.

Appendices

None

Daniel Tyler

Property Contracts Performance Manager, City Surveyors
daniel.tyler@cityoflondon.gov.uk

Darran Reid

Assistant Director Commercial Operations, COO
darran.reid@cityoflondon.gov.uk