

## Report – Finance Committee

### Corporate Cleaning Services Agreement Extension

*To be presented on Thursday, 8<sup>th</sup> December 2022*

*To the Right Honourable The Lord Mayor, Aldermen and Commons  
of the City of London in Common Council assembled.*

#### SUMMARY

The City Corporation 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 expired on 31<sup>st</sup> October 2022. The City Corporation is currently tendering for an Integrated Facilities Management (IFM) model which includes the provision of cleaning services; the service commencement date of the Integrated Facilities Management model is 1<sup>st</sup> April 2023.

. Unfortunately, there has been some unavoidable delays in preparing the IFM tender which, in turn, delayed the consideration and approval of the variation to the expiry date to 31<sup>st</sup> March. Your Operational Property & Projects Sub-Committee and Finance Committee have now approved the variation.

The approval of the Court is now sought 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 1<sup>st</sup> April 2023.

#### RECOMMENDATION

The Court of Common Council is asked to approve the following variations to the Corporate Cleaning Services Agreement with Atalian Servest Limited:

1. a variation to the expiry date of the contract term to 31<sup>st</sup> March 2023; and
2. an increase in the Total Contract Value of £1.9m to £32.7M. (the £1.9m is within the existing budgets, and it is simply 6 months' costs at the current agreed rates so from an overall budget perspective, there is still no new money required).

#### 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 your Operational Property and Projects Sub Committee meeting on 20<sup>th</sup> July 2022, Members approved the award of an Integrated Facilities Management

Services Framework Agreement. The framework agreement commenced 29<sup>th</sup> 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 1<sup>st</sup> April 2023.

3. All existing facilities services supply agreements expire on 31<sup>st</sup> March 2023, except for Corporate Cleaning Services, supplied by Atalian Servest Limited, which expired on 31<sup>st</sup> 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 to one or more suppliers of the IFM services agreements, commencing 1st April 2023.

### **Current Position**

5. Your Operational Property and Project Sub-Committee and Finance Committee endorsed the variations in October and November respectively. Unfortunately, there has been some unavoidable delays to the procurement process for the overall IFM contract award which, in turn, pushed back the timeline for getting approvals in place for the Corporate Cleaning Services agreement extension.
6. A decision is required from Members, as per the Corporation's Standing Order No. 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.
7. The Procurement Code regulation 31 - Contract Variations, requires approval from the Operational Property and Projects Sub Committee, the 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.
8. The supplier, Atalian Servest Limited, has agreed to continue its services for a further five months, terminating 31<sup>st</sup> March 2023, subject to the City agreeing to a revised commercial proposal.
9. The proposed charge for the additional five months is £1.9M. The total contract spend 1<sup>st</sup> November 2015 to 31<sup>st</sup> October 2022 is £30.8M. The revised total contract value to 31<sup>st</sup> March 2023 is estimated at £32.7M.
10. The £1.9M proposal includes an increase to the fixed cost element of the service, to 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**

11. 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 31<sup>st</sup> March 2023; and
- b. An increase in the Total Contract Value to £32.7M.

12. Up to £79,250.54 of this £32.7M value 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.

## **Proposals**

13. In view of the circumstances your Finance Committee, with the endorsement your Operational Property & Project Sub-Committee, considers that an extension should be granted to allow for services to continue whilst a tender process for the Integrated Facilities Management model is undertaken. 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 1<sup>st</sup> April 2023.

## **Strategic implications**

14. 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 1<sup>st</sup> April 2023.

## **Financial implications**

15. 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 31<sup>st</sup> 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**

16. 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**

17. 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**

18. 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 Health & Safety regulations and financial risk via TUPE implications with incumbent staff employed by Atalian Servest.

## **Conclusion**

19. By approving this extension, Members will be supporting the efficient delivery of the IFM project, preventing interim operational disruption, and 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.

All of which we submit to the judgement of this Honourable Court.

DATED this 15<sup>th</sup> day of November 2022.

SIGNED on behalf of the Committee.

**Deputy Henry Colthurst**  
Chairman of the Finance Committee