

Dear Daniel, Unison, UCU and Unite colleagues

I am writing to respond formally to the Unison claim that City should bring cleaning and catering services 'in house'.

Following the submission of the claim, the Executive Team has discussed the request to insource these services on several occasions. As you are aware from the dialogue that you and I have had on the progress of the request, one of the outcomes of ET's initial consideration of the claim was a request for a further analysis of the costs and benefits of bringing these services in house. As the catering contract retendering process was already underway at the time that the claim was received, ET concluded that the further examination of the issues should focus on the cleaning contract. The work undertaken has involved detailed examination of the issues involved, including learning from the experiences of Estates, HR and Finance colleagues in other HEIs which have recently insourced services or are contemplating doing so.

In addition, ET has discussed the various interrelated factors to be considered in reaching a decision, many of which are set out in Unison's claim. ET has also considered the information available on the factors and issues on which other HEIs have based their decision to insource or a decision not to do so. The ET discussions have focussed on the relative weight of the issues relating to costs and benefits and the extent to which the views of staff, governing bodies and Students' Unions have determined each institution's final decision.

ET has discussed fully the issues raised in the claim regarding issues around terms and conditions of service which as you note are less generous than those provided to City's own employees. ET considered the arguments put forward in the claim regarding the notion of a 'single workforce', recognising that Julius Rutherford and the Catering services providers are separate employers. ET also discussed whether rationale for the original decision to outsource, which centred on the means to ensure the provision of quality services and the efficient management of our income and expenditure, still prevails.

On a point of detail the claim states that in 2014 the supply of cleaning services (with the exception of certain areas) was outsourced. In fact the cleaning contract was first outsourced several years earlier and so there was a mix of in house and outsourced provision. In 2014 the outsourced service was extended to all areas of the University, including the two mentioned in the claim. Many of the factors which led to that original decision and the extension of outsourcing to cover all cleaning in 2014 have not changed.

The analysis of the costs of bringing the cleaning contract in house, indicate that the additional recurring cost per annum would be in the region of £400k pa. In addition to this cost would be the initial transitional costs of bringing the services in house and the continuing opportunity cost of increased senior management time, largely in PAF, Finance and HR, of responding to issues over the management of these services. Whilst detailed work on estimates of the additional cost involved in relation to the catering contract have not been conducted, this is very likely to be greater than £400k per annum recurring costs. The working assumption therefore is that bringing both services in house would result in additional cost per annum of around £1M.

The Unison request document refers to the level of surplus (£14M) reported in the Financial Accounts for the year ending 31st July 2018. By contrast, and for the reasons that Liz Rylatt, CFO, discussed with the Trade Unions earlier this year, the position as at July 2019 will be a deficit which is anticipated to be in the region of £26M. As Liz explained, this variation is largely due to the required accounting treatment for pension liabilities.

The operation of cleaning and catering provision are complex and specialist services which are not considered to be core to City's business. The key question in the ET discussions is whether increased expenditure on these services will deliver an improvement in the educational experience and outcomes of our Students or be central to the delivery of world-class research. We also need to consider the demonstration of Value For Money to our students, particularly at City where around 72% of our income comes from student fees.

For these reasons ET has concluded that it would not be in the interests of the University to bring cleaning and catering services in house at this time.

I recognise that this response is not the one Unison was seeking. However, I suggest that it needs to be seen in the context of the Executive's decisions relating to staff in recent years which have also involved a similar cost:benefit analysis, together with consideration of many of the issues of fairness that are set out in the current request. For example, in response to the TUs' claim, the decision to harmonise annual leave provisions to 30 days per annum was supported and implemented in the context that this increase would result in increased cost of circa £500k per annum. Prior to that the decision that staff employed by contractors and working on City's premises will receive a minimum hourly rate of the LLW was taken. This decision also involved balancing the various factors outlined in this response.

I should also emphasise that ET agreed that we will continue to keep the position under review in the light of developments in the sector.

We will ensure that this response is included in the agenda for the next JCNB meeting.

Best wishes
Mary

Mary Luckiram
Director of Human Resources
City, University of London
Northampton Square
London
EC1V 0HB
Tel: +44 (0)20 7040 8080