

Item No.	Classification: Open	Date: 20 March 2013	Decision Taker: Cabinet Member for Finance, Resources and Community Safety
Report title:		Gateway 1 /2 Procurement Strategy Approval and Award of Contract: Corporate security services contract	
Ward(s) or groups affected:		All	
From:		Head of Corporate Facilities Management	

RECOMMENDATIONS

1. That the cabinet member for finance, resources and community safety formalises his previous decision approving the procurement strategy for the corporate security services contract, namely to undertake single supplier negotiations with the incumbent supplier for the reasons detailed in the report.
2. That the cabinet member for finance, resources and community safety approves the award of the corporate security services contract to charter security PLC from 1 April 2013 to 30 June 2014 with an option to extend this for a further period of six months to ensure effective mobilisation and transition to a new corporate facilities management (FM) contract for the operational estate. Once approved the new end date of the contract and revised terms will be added to the existing contract by way of a variation.
3. That the cabinet member for finance, resources and community safety notes that the new end date of the contract and revised terms will be added to the existing contract by way of variation

BACKGROUND INFORMATION

4. Charter security PLC currently provide security services (security personnel/mobile patrols, alarm response and personal protection services) to the council's operational estate as well as emergency and specialist security requirements to the council's non-operational estate. Appendix 1 provides details of the core properties and services covered by the contract (note that Tooley Street is excluded from this contract as it falls within the scope of the total facilities management contract for 160 Tooley Street awarded in October 2012). The original contract commenced in April 2006 for a period of five years with the option to extend for two further periods of 12 months, both of which have been taken up.
5. In December 2010, cabinet approved the procurement strategy for the provision of a total facilities management (TFM) services contract for 160 Tooley Street. It was originally intended to have this contract in place by August 2011 thereby allowing corporate facilities management (CFM) to then focus their resources on

procuring a new FM services contract, to include security services, for the wider operational estate by November 2012, thus ensuring continuity of service. Unfortunately there were a number of delays in the TFM procurement, including:

- The unexpected complexity surrounding the development of tender documentation, including the evaluation process, following the decision to require applicants to submit both a standard and variant bid
- Wider Transfer of Undertakings (Protection of Employment) Regulations (TUPE) implications as a result of the variant bid e.g. this proposal included the option to transfer services currently undertaken in house
- The need to include the London living wage (LLW)
- The restructuring of CFM
- The need for CFM to redirect resources to implement service agreements for the provision of facilities management and building compliance activities across the operational estate.

- 6 This meant that not only was the new TFM contract not awarded until October 2012, but that work on the new operational estate FM contract was delayed by almost a year.
7. All costs are subject to an annual price review linked to the consumer price index.

Summary of the business case/justification for the procurement

8. The delays in awarding the contract for TFM meant that it was not possible to undertake a fully compliant EU procurement exercise for a new security services contract for the operational estate when this expires on 31 March 2013. As a result, in principle approval was sought and granted to undertake single supplier negotiations with the incumbent supplier to ensure service continuity from 1 April 2013. It is unlikely to be economically viable and the risk of service disruption is likely to increase if an interim contract for security services is awarded to a new supplier.
9. In addition, the contract for TFM has the option to be extended to a number of buildings other than Tooley Street. This option reduces the interim requirement and value of the security services contract and the extent of these reductions could only be defined in the latter stages of the TFM procurement process.
10. Aligning the end date of this interim security services contract with the end date of the interim contract for cleaning services will support CFM's strategy of consolidating facilities management (FM) services into a smaller number of contracts to achieve best value and will form the basis of a new FM contract for the operational estate to be awarded in March 2014 (see appendix 2).
11. CFM are confident that the agreed term is sufficient based on the following:
 - The new operational FM contract is not as complex as TFM
 - Consultation to identify service requirements has already been completed
 - The bulk of the documentation developed for the TFM exercise can be used.

Market considerations

12. The security services market is well established and whilst there are other organisations who could have provided the service, it was felt that there were a number of factors that made re-tendering at that time undesirable. The procurement options section provides further details. Charter security PLC is a regional organisation with more than 250 employees.

KEY ISSUES FOR CONSIDERATION

Options for procurement including procurement approach

13. A number of procurement options were considered as detailed below.

Option	Pros	Cons	Decision
Do nothing.	None.	No security services provided to the operational estate.	Not recommended.
Competitive tender.	Would test the market and demonstrate best value.	<p>An interim contract would still be needed whilst a competitive tender was undertaken, which given the value would have to be EU compliant.</p> <p>Even using the most basic specification, this would take at least 7 months.</p> <p>The resulting contract would have to be fairly short in FM terms as its purpose would be only to provide a service up to commencement of the new operational estate FM contract.</p> <p>Possible mobilisation and TUPE costs could make the package unattractive to the market so that no viable bids were received, or those that were resulted in hugely inflated costs.</p>	Not recommended.
Use existing framework.	<p>Some element of market testing.</p> <p>Shorter procurement timeline.</p>	Even if a framework had been identified, all of the above points except the need to do a full EU tender would have applied.	Not recommended.

Single supplier negotiation with the incumbent supplier.	Short procurement timeline. No transition issues.	No external market testing to demonstrate best value. Risk of not achieving potential savings due to lack of competition.	Recommended.
--	--	--	--------------

Procurement route followed

14. Single supplier negotiations with the incumbent supplier.

Procurement project plan

15. The procurement project plan is outlined below.

Activity	Completed by:
Forward Plan	1 March 2013
Completion of negotiation documentation	30 November 2012
Invitation to negotiate	1 December 2012
Closing date for negotiations	31 December 2012
Completion of evaluation of negotiations	16 January 2013
DCRB	21 February 2013
CCRB	28 February 2013
Approval of Gateway 1 / 2: Procurement strategy and award report	28 March 2013
Scrutiny Call-in period and notification of implementation of Gateway 1 / 2	9 April 2013
Contract award	9 April 2013
Contract start	9 April 2013
Contract completion date	30 June 2014
Add to contracts register	9 April 2013

Procurement outcomes

16. The following procurement outcomes have been achieved:

- Continuity of service
- Improved levels of customer service and productivity and better retention of staff as a result of introducing the London living wage (LLW) (see paragraph 32), although this has resulted in overall contract costs increasing
- New three month break clause to facilitate early exit should the new procurement finish ahead of schedule.

Identified risks and how they will be managed

17. Details of the risks and how they will be managed are outlined below.

No.	Risk	Risk Level	Mitigating Action
1	Best value not achieved.	Low	Close management of supplier performance and of contract costs moving forward for the duration of the contract.
2	Insufficient contract length to procure a new FM contract for the operational estate.	Medium	Lessons learnt from the TFM procurement exercise for Tooley Street. This interim contract for security services will have the option to extend for a maximum period of 6 months to mitigate the impact of any delays in awarding a new FM contract for the operational estate in 2014.

Key Decision

18. This is a key decision as the expected spend will be in excess of £500,000 per annum.

Policy implications

19. Effective delivery of the contract will contribute to the council's priorities of improving customer service and improving the management of the council's resources.

Development of the tender documentation

20. A range of existing documentation, including contract terms and conditions, service specifications, performance review reports and pricing schedules were used to support the negotiations with the current supplier.

Advertising the contract

21. As the agreed procurement strategy was to undertake single supplier negotiations with the incumbent supplier, on this occasion an advert was not required.

Tender process

22. The negotiation process involved a number of meetings between the CFM operations manager and representatives from the incumbent supplier. Negotiations were undertaken around cost structures and performance management. The results of monthly performance management reviews were used to confirm that the overall quality of the services provided by the supplier is improving over time. Where shortfalls in performance are identified the supplier takes action to resolve these. Revised prices were obtained for the core estate, including the impact of paying the LLW.

Tender evaluation

23. The evaluation was undertaken by the FM operations manager. The quality evaluation was based on an assessment of performance to date and reassurance that key performance targets would continue to be met.
24. The revised costs were benchmarked against current costs. However as the current contract includes the provision of security services to Tooley Street, it was difficult to undertake a true like for like comparison.
25. The contract is flexible so that as buildings close as a result of the office accommodation strategy, contract costs will reduce.

TUPE implications

26. None as all existing staff are the suppliers own employees.

Plans for the transition from the old to the new contract

27. Transition plans will be agreed with charter and all existing staff and services will continue as a continuation of service.

Plans for monitoring and management of the contract

28. The contract will continue to be managed by the CFM contracts team, primarily by the contracts manager, with the support of the contracts officer. The team's responsibilities in relation to the delivery of this contract will include:
 - Monitoring budget spend and compiling monthly spend profile reports for CFM
 - Checking all invoices for accuracy
 - Providing a robust single point of contact for end users
 - Responding to complaints and service improvement requests;
 - Chairing monthly performance monitoring meetings
 - Ensuring contractor performance reports are received
 - Risk management
 - Monitoring key performance targets and other performance standards.
29. There are no performance or other issues that would prohibit the award of this contract.

Performance bond/Parent company guarantee

30. A performance bond or parent company guarantee is not needed for this contract.

Community impact statement

31. This decision has been judged to have no or a very small impact on local people and communities, however charter security will continue to pro-actively promote employment of local staff to service the contracts.

Economic considerations

32. Charter will seek where possible to use local companies in their supply chain and to employ local people to service the contract. Payment of the London living wage to those servicing the contract will support the council's priorities as well as achieving better customer service from operatives, increasing productivity and improving staff retention.

Social considerations

33. The new contract will ensure that all staff servicing the contract will be paid at least the London living wage.

Environmental considerations

34. There are no additional environmental considerations.

Resource implications

35. The facilities contract manager will continue to be responsible for the overall management and monitoring of the corporate contract.

Staffing/procurement implications

36. There are no additional staffing implications.

Financial implications

37. The contract will be funded from existing corporate and departmental budgets. The costs are expected to reduce as the council continues to dispose of office accommodation in line with the council's office accommodation strategy.

Legal implications

38. Please refer to the legal concurrent from the director of legal services (paragraphs 47 to 48).

Consultation

39. None.

Other implications or issues

40. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

41. This is a combined gateway one and two report seeking formalisation of the approval of the procurement strategy, and award for an interim corporate security services contract.

42. The report explains the circumstances that have led to the need for this interim contract, the main one being a lack of resources to progress the procurement of the new TFM contract.
43. It is noted at paragraph 12 that there are other providers who could have undertaken this service, but as summarised in the procurement options table at paragraph 13 the consideration of a number of factors resulted in the procurement strategy recommendation being to undertake single supplier negotiations with the incumbent provider.
44. Paragraphs 22 to 25 summarise the negotiation process which primarily sought to ensure ongoing satisfactory performance and best value. The procurement outcomes summarised at paragraph 16 advise that whilst overall costs have increased with the inclusion of the London Living Wage, this in turn is felt will deliver a better service for the council in terms of productivity and customer service satisfaction.
45. Paragraph 28 confirms that contract monitoring and management that will remain in place.
46. Appendix 2 details the intended procurement plan for the new FM operational contract which if duly resourced is deemed deliverable. In addition paragraph 11 advises that given that some preparatory work for the new procurement has already commenced, and it is not deemed to be as complex, corporate facilities management are confident of delivering the new procurement within the term of this contract.

Director of Legal Services

47. This report approves the award of a corporate security services contract to charter security PLC from 1 April 2013 to 30 June 2014 with an option to extend this contract for a further period of six (6) months.
48. The decision to approve this report may be taken by the cabinet member for finance, resources and community safety after taking advice from the corporate contracts review board in accordance with CSO 4.5.2(b).

Strategic Director of Finance and Corporate Services (F&CS13/011)

49. The strategic director of finance and corporate services notes the financial implications contained within paragraph 37 of this report and the introduction of London living wage. Funding for this contract is contained within the 2013/14 budget.
50. Any new security contracts from June 2014 will need to be contained within future resources and are expected to represent a reduction in current costs as the council's office accommodation portfolio reduces.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Security services contract	Finance and Corporate Resources, Corporate Facilities Management Team, 2 nd Floor, 160 Tooley Street.	Paul Symington 0207 525 2185

APPENDICES

No	Title
Appendix 1	Core buildings covered by the security services contract
Appendix 2	Timeline for a new FM contract for the operational estate to be awarded in March 2014

AUDIT TRAIL

Cabinet Member	Councillor Richard Livingstone, Cabinet Member for Finance, Resources and Community Safety	
Lead Officer	Matthew Hunt, Head of Corporate Facilities	
Report Author	Paul Symington, Facilities Operations and Service Delivery Manager	
Version	Final	
Dated	20 March 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments sought	Comments included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	No	Yes
Cabinet Member	Yes/No	Yes/No
Date final report sent to Constitutional Team	20 March 2013	