

Item No. N/A	Classification: Open	Date: 6 September 2016	Meeting Name: Deputy Leader and Cabinet Member for Housing
Report title:		Gateway 2: Contract Award Approval - Removals, storage and disposal services	
Ward(s) or groups affected:		All	
From:		Director of Resident Services	

RECOMMENDATION

1. That the Deputy Leader and Cabinet Member for Housing approves the award of the removals, storage and disposal services contract to Harrow Green Limited for the estimated sum of £750,000 per annum for a period of three years from 1 October 2016 with the option to extend up to a further two years (in increments at the council's discretion) making a total estimated contract value of £3.75m.

BACKGROUND INFORMATION

2. The planned procurement strategy was the subject of a Gateway 1 report approved by the cabinet member for housing on 27 July 2016. The approved 'call-off' via the Yorkshire Purchasing Organisation (YPO) Removals Solutions framework ('the Framework') was followed.
3. The three current contracts providing corporate removals, storage and crate hire services in place with Benjamin Oswald Ltd (Benjamins), Crown Promotions and Removals Ltd (Crown Promotions) and Harradines Removals Ltd (Harradines) are due to end on 30 November 2016.
4. The new contract will provide removal and transport services for relocation or storage purposes, and services for disposal of goods held in storage.

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	11/07/2016
Approval of Gateway 1: Procurement Strategy Report	27/07/2016
Negotiations with supplier	05/08/2016
DCRB Review Gateway 2	11/08/2016
CCRB Review Gateway 2	18/08/2016
Notification of forthcoming decision – Five clear working days	01/09/2016
Approval of Gateway 2: Contract Award Report	09/09/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	19/09/2016

Activity	Completed by/Complete by:
Contract award	20/09/2016
Add to Contract Register	20/09/2016
Contract start	01/10/2016
Publication of award notice on Contracts Finder	20/10/2016
Contract completion date	30/09/2019
Contract completion date – if extension(s) exercised	30/09/2021

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

5. These services will be used primarily by the resident services team, in circumstances where items belonging to a council tenant remain in premises that have been made void: these items are removed into storage for a period of time after which, if unclaimed by the owner or not transported to alternative premises, the items are disposed of. These services will also be used in circumstances where tenants need to be rehoused in temporary accommodation, or for the removal of council office furniture.
6. By replacing three contracts with a single-supplier contract it will achieve efficiencies and rationalisations through the elimination of the duplication of resources. Any items in storage remaining with the existing suppliers at the start of the new contract will be transferred into Harrow Green Ltd's (Harrow Green) facilities at no cost to the council.

Key/non key decisions

7. This report deals with a key decision.

Policy implications

8. The council has a number of statutory obligations in respect of the removal and storage of tenant goods, including the (Local Government (Miscellaneous Provision) Act 1982 s.41, Torts (Interference with Goods) Act 1977 and Mental Health Capacity Act 2005). Section 48 of the National Assistance Act 1948 places a duty on the council to protect the moveable property of people admitted to hospital, or rest or nursing homes, and where it seems no other suitable arrangements can be made.
9. The council storage and removals policy and procedure recognises that due process needs to be followed to store and protect goods left in empty properties while the owner is given notice that they must collect them. The new contract will enable the council to deliver on its obligations to store goods left in its premises and to commission the transport of goods from one location to another, such as when rehousing residents or decommissioning council facilities.

Negotiation process

10. As there was only one supplier on the YPO Removals Solutions framework, negotiations between the council and Harrow Green were conducted on 5 August 2016 by officers of resident services programmes and investigations team; in attendance for the supplier were the managing director and general manager.

Negotiation outcomes

11. These negotiations established/determined the following:
 - Key personnel and communications
 - Agreement on the council's specification
 - Agreement on key performance indicators including 95% removals carried out on time
 - Agreement to comply with council policies on equalities, safeguarding, blacklisting and Prevent duties
 - Agreement on adherence to quality, technical and regulatory standards
 - Agreement on payment of the London Living Wage
 - Agreement on use of, and targets for, local 'tier-2' subcontracting
 - Agreement on environmental and sustainable considerations through carbon reduction and alternatives to disposal
 - Agreement to put in place a mobilisation and implementation plan for the transfer of 'legacy' goods in storage (to be carried out at no cost to the council)
 - Agreement on exit and disaster recovery plans
 - Agreement on arrangements for performance reporting, invoicing and contract review meetings
 - Agreement on arrangements for collection of user feedback.

Plans for the transition from the old to the new contract

12. In the period up to 1 October 2016, disposal of longstanding goods from storage will take place where appropriate in order to reduce to a minimum the volume of goods held in storage facilities with the current suppliers. Between 1 October 2016 and 30 November 2016, Harrow Green will carry out new service requests and liaise with the current suppliers to transfer goods into its own storage facilities: it is estimated that this will take 15 to 17 days to complete.
13. Internal operational changes have been completed with the centralisation of service desk and contract management functions within resident services business support (programmes and investigations) team. The team will notify council users of the new service prior to the operational start date.

Plans for monitoring and management of the contract

14. The contract will be monitored and managed by resident services business support teams with no additional impact on staff resources. Harrow Green will provide performance management information for monitoring purposes.
15. Performance meetings will be held between the council and Harrow Green on a monthly basis with performance reports issued to the council one week before. These meetings will monitor the following performance metrics:

- Service delivery levels
- Contract compliance
- Invoicing and reconciliation
- User satisfaction and complaints
- Contract risks and issues.

16. Payment to Harrow Green will be made on a monthly basis (in arrears), based on service demand. All costs will be paid out of a single Housing Revenue Account cost centre and recharged to relevant users on a quarterly basis (including a 5% administration fee). The budget will be monitored to reduce goods storage spending to a minimum.

Identified risks for the new contract

17. The table below identifies risks associated with the contract and controls to mitigate the risks.

Risk	Risk level	Risk Control
The supplier is unable to meet the council's storage capacity requirements	Low	The supplier has confirmed that it already has the necessary capacity, with three storage facilities in London at Silvertown, Belvedere and Croydon (with over 120,000 square feet of storage). It has a fleet of over sixty commercial vehicles and more than 100 permanent employees. The council's current storage usage amounts to approximately 3000 sq ft; this will reduce further with the progressive disposal of goods held in longstanding storage. Currently the council's use of the service requires 50-60 vehicle journeys a month. The tier-two supply chain (whereby the supplier acts as a single point interface between the council and approved local suppliers) offers scope for additional capacity and flexibility.
The supplier ceases trade or goes into administration/ liquidation	Low	In this event the Framework would be terminated. In the short-term the council would approach other suppliers in the market for one-off orders, while a procurement process or replacement framework would be put in place. As Harrow Green has a parent company, a Parent Company Guarantee will be required for this contract.

Other considerations (For Housing Department works contracts only)

18. Not applicable.

Community impact statement

19. With regard to the council's duties under the Public Sector Equality Duty and the Public Services (Social Value) Act 2012 this decision has been judged to have a limited impact on local residents, with no specific equality implications. Harrow Green will comply with the council's equality and diversity policy and all applicable equalities legislation.

Social value considerations

20. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

21. The full cost to the council and the life span of the contract is set out in paragraph 1 of this report.
22. Local economic benefits are expected to derive from the use by Harrow Green of a 'tier-two' supply chain: local suppliers may apply for 'tier-two' status, or be considered for 'tier-two' consideration at the request of the customer.
23. Harrow Green works with a number of apprenticeship programmes and has agreed to commit to a Southwark Apprenticeship Standard apprenticeship programme for this contract.

Social considerations

24. Local suppliers accredited with the British Association of Removers, including small and medium-sized enterprises (SMEs), will benefit from the 'tier-two' supplier network with Harrow Green acting as a single point of interface with the council.
25. Special terms will be included for the payment of the London Living Wage: associated quality improvements will be monitored across the range of performance metrics during the contract lifetime. Since approval of the Gateway 1 report, in order to allow for payment of the London Living Wage, Harrow Green has provided the council with an amended set of rates; the best value assessments and estimated contract value noted in the Gateway 1 report are not affected.

Environmental considerations

26. Harrow Green has an environmental programme and holds ISO14001 accreditation. On average the programme achieves 100% diversion from landfill, 70% re-use and 30% recycling, with a full audit trail and reporting service for all items. Harrow Green will endeavour to ensure that all unwanted items are reused through charity donation, upcycle or resale.
27. Harrow Green is certified with 'Planet Mark' (an environmental monitoring organisation) to measure and report on its carbon usage; environmental considerations will be incorporated into performance reporting, with an impact and assessment plan to be developed with contract-specific targets.

Market considerations

28. Harrow Green is a private company (parent company Restore Plc) based in London, with over 250 employees operating across the UK. Its 2015 turnover was £30.4m; operating profit was £2.2m.

Staffing implications

29. The contract will not adversely impact staff resources as internal operational changes have already been completed, with the centralisation of service desk and contract management functions within resident services business support (programmes and investigations) team. It is expected that there will be a positive impact owing to rationalisation and efficiencies achieved by moving from three contracts to a single supplier.
30. All three current contractors have confirmed that they do not have an organised grouping of employees who as their principal purpose carry out activities on behalf of the council. Under these circumstances the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE) is unlikely to apply on the commencement of the call-off contract under the Framework.

Financial implications

31. As set out in the Gateway 1 report, the annual cost of the new contract is not expected to exceed current spend levels.
32. In 2014/15 and 2015/16 total spend was £1.5m or approximately £750k per year. The new contract will offer an opportunity to manage out of the system any storage that no longer needs to be held by the council, and to reduce the average storage duration through better management information and reporting. This, together with a dedicated service desk, will enable the resident services business support team to provide enough challenge to service users to:
 - a) reduce the risk of incurring costs that are unnecessary
 - b) ensure that goods in storage are disposed promptly.
33. All users of the removals and storage service will be responsible for funding their requirements under the new contract as is the case now and will therefore be expected to have made adequate budget provision. Where this is not the case, it is expected spend in service areas will be contained within existing resources. A growth bid is being prepared to re-align the resident services removals budget with actual spend for 2017/18: currently set at £137,000, the 2015/16 overspend was £352,000.

Investment implications

34. Not applicable.

Legal implications

35. Please see supplementary advice from the director of law and democracy.

Consultation

36. Consultation was not considered necessary as the service will have limited engagement with residents. Harrow Green has agreed to collect user (resident and council officer) feedback.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (FC16/015)

37. The strategic director of finance and governance notes the recommendations in this report to award the removals, storage and disposal services contract to Harrow Green Limited for a period of five years.
38. All users of the service will be responsible for paying for the contract use, and contain this within agreed budgets. The costs will be paid out of a single HRA cost centre and recharged to relevant users on a quarterly basis (including a percentage administration fee).

Head of Procurement

39. This report is seeking approval for the award of a removals, storage and disposal service.
40. The report describes the procurement process to source this service from an EU compliant framework was followed and is in line with the procurement strategy which was approved in July 2016.
41. As there was only one provider on the framework, discussions were carried out between the provider and the council to obtain agreement of key aspects around the operation and performance of the contract. The report concludes that these discussions were successful and mutual agreement was reached.
42. The report sets out plans for the transition of the service from the old contract to the new and describes how the contract will be managed and monitored which should provide a framework to help ensure that the required standards are delivered throughout the life of the contract.

Director of Law and Democracy

43. This report seeks the approval of the deputy leader and cabinet member for housing to the award of the removals, storage and disposal services contract to Harrow Green Ltd as further detailed in paragraph 1.
44. The nature and value of these services are such that they are subject to the application of the Public Contract Regulations 2015. However, the YPO Removals Solution framework was established following an EU compliant tendering process and the council is a party able to use this arrangement without undertaking its own OJEU process. Paragraph 11 confirms the negotiations established with Harrow Green Ltd as the single supplier on the YPO Removals Solutions framework.
45. As this award falls within the circumstances noted in contract standing orders (CSO) 4.5.2(b), the decision to approve this award is reserved to the relevant cabinet member.

46. CSO 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 31-33 confirm the financial implications of this award.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Contract file http://moderngov.southwark.gov.uk/mglssueHistoryHome.aspx?lId=50011097&Opt=0	Resident services 160 Tooley Street, SE1 2QH	Jonathan Schaaf x54872

APPENDICES

No	Title
None.	

AUDIT TRAIL

Lead Officer	Martin Kovats, Business Development Manager	
Report Author	Jonathan Schaaf, Service Development Officer	
Version	Final	
Dated	6 September 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Contract Review Boards	No	No
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet	Yes	Yes
Date final report sent to Constitutional Team		6 September 2016

BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Removals, storage and disposal services
Contract Description	Provision of removals and storage services to the operational and residential estate
Contract Type	Services
Lead Contract Officer (name)	Martin Kovats
Lead Contract Officer (phone number)	020 7525 1251
Department	Housing and modernisation
Division	Resident services
Procurement Route	Call off from third-party framework
EU CPV Code (if appropriate)	N/A
Departmental/Corporate	Corporate
Fixed Price or Call Off	Call off
Supplier(s) Name(s)	Harrow Green Limited
Contract Total Value	£3.75 million
Contract Annual Value	£750,000
Contract Start Date	1 October 2016
Initial Term End Date	30 September 2019
No. of Remaining Contract extensions	2
Contract Review Date	1 April 2018
Revised End Date	30 September 2021
SME/ VCSE (If either or both include Company Registration number and/or registered charity number)	N/A
Comments	None
London Living Wage	Yes

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