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| Item No. | Classification: Open | Date: 30 August 2019 | Meeting Name: Strategic Director of Finance and Governance |
| Report title: | | Gateway 3 – Variation Decision Goods removals, storage and disposal services | |
| Ward(s) or groups affected: | | All Electoral ward(s) | |
| From: | | Strategic Director of Housing and Modernisation | |

RECOMMENDATION

1. That Strategic Director of Finance and Governance approves the variation of the goods removals, storage and disposal call-off contract to Harrow Green Ltd to extend the term for a period of 2 years from 1 October 2019 at a maximum estimated contract value of £1.24m.

BACKGROUND INFORMATION

2. This is an ongoing service as 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 current contract enables 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.
3. A Gateway (GW) 2 report was approved on 16 September 2016 to award the goods removals, storage and disposal call-off contract (removal contract) to Harrow Green (HG), via a Yorkshire Purchasing Organisation Removal Solutions framework (YPO framework), for a period of three years from 1 October 2016 at an estimated annual cost of £750k with the option to extend for up to a further two years (in increments at the council's discretion) making a total estimated contract value of £3.75m over 5 years.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

4. The GW2 report estimated an annual cost of £750k for a period of three years with possible extension of 2 years making a total estimated contract value of £3.75m. Since that initial estimate the annual figure has been revised and based on the actual spend of £624k during 2018/19 the estimated total over two years will be £1.2m.
5. The nature of the proposed variation is to extend the current contract for a further period of 2 years. The revised completion date will therefore be 30 September 2021. The total estimated value of this contract is £3.49m. This includes the £1.24m for the extension and £2.25m for the last 3 years. The estimated value of this proposed variation to the removal contract is £1.24m. The value of this extension to the removals contract as a percentage is estimated to be 36%.

Reasons for Variation

6. The current contract period will expire on 30 September 2019.
7. The reason for the variation is that there is a need to extend the contract to ensure the council continues to discharge its obligations as outlined in paragraph 2 above with effect from 1 October 2019.
8. There have been a number of operational changes which have been implemented which has improved service delivery to customers and client groups within Southwark.

Future Proposals for this Service

9. Future proposals for this service include extending the current contract until September 2021. A draft outline plan is detailed below which sets out the anticipated timescales for the following activities that will be carried out during the extension period to ensure that a new contract is in place when the proposed extension of contract ends on 30 September 2021
 - Service review – Sept 2019 to Dec 2019
 - Market consideration – Jan 2020 to Feb 2020
 - Gateway 1 report submission – April 2020
 - EU tender exercise – May 2020 to July 2021
 - Gateway 2 report submission – July/August 2021
 - Contract Period anticipated – initial period of 3 years with extension provision of up to a further 2 years.

Alternative Options Considered

10. The following alternative option to this extension were considered by Strategy and Business Support prior to deciding to extend the current contract arrangement:
 - Bring in-house however at this point this was not viable due to lack of facilities, staffing, and vehicles and so on but may be considered in the future
 - Formal procurement under OJEU but given the time available this is not a viable option however the current contract provides what is needed
 - Extend the contract with the existing provider originally procured through the Yorkshire Purchasing Organisation (YPO) as this is performing well as detailed in this report.

Identified risks for the Variation

11. The table below details the risks and how they will be managed

| Risk No | Risk Identified | Risk level | Mitigation |
|---------|--|------------|--|
| R1 | Ongoing ability of HG to meet the council's requirements | Low | Continue close monitoring of HG performance |
| R2 | HG cease trading, go into administration or liquidation during the extension periods | Low | The council carried out a MINT check on HG on 17 July 2019 and the details are: HG have a Mint credit score rating of 95%. |

| | | | |
|----|--|-----|--|
| R3 | HG performance deteriorating in the final two years of the contract | Low | Continue close monitoring and management of HG performance Continue good business relationships |
| R4 | Possible risk of challenge for not undertaking a full procurement exercise | Low | This extension is allowed for under the current contract. Regulation 72(1)(a) of the Public Contracts Regulations 2015 (EU regs) will be relied upon for this variation. |

Policy implications

12. HG provide services that protect the belongings of some of our more vulnerable residents and in doing so they have assisted the council in Fairer Future commitments such as treating residents as if they were a valued member of our own family.
13. The current contract ensures there is an ongoing service as 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 council store goods for a number of reasons including the following:
 - Eviction
 - Prolonged tenant hospitalisation
 - Smart move removals (down-sizing)
 - Cases of emergency
 - Regeneration projects
 - Temporary accommodation
 - Fire Safety (additional costs anticipated)

Contract management and monitoring

14. Contract management is carried out by the RSStorage team which sits in the Strategy and Business and Support Team, under the Resident Services division within the Housing and Modernisation department. Regular contract monitoring meetings are held with HG to ensure key performance indicators are met, such as: service request acknowledged and carried out on time; invoices supplied accurately and on time; inventories and record maintained and provided on request; management report supplied on time and complaints handled promptly. Performance against key performance indicators has been very good. The council's Goods Storage team carry out regular formal contract monitoring meetings on a quarterly basis or as and when required. The monitoring of the contract includes ensuring that key performance indicators are met, such as: service request acknowledged and carried out on time; invoices supplied accurately and on time; inventories and record maintained and provided on request; management report supplied on time and complaints handled promptly.

| KPIs – 2018/19 | Target | Achieved |
|--|--------|---|
| Service Requests: acknowledged and carried out on time | 95% | 100% (502 acknowledged and 502 carried out on time) exceeding the target of 95% |
| Accurate invoices received on time | 100% | 100% - no issues / credits since May 2019 |

| | | |
|---|------|--|
| Inventories and records maintained and provided on request. | 100% | 100% - no issues |
| Management report provided on time | 100% | 100% - no issues / monitoring meetings |
| Complaints handled promptly (customer contacted within 5 working days with full or proposed resolution) | 95% | 100% - exceeding the target of 95% |

15. Since September 2016 until May 2019 compensation claims have been made by 39 customers who used the service. Of these, payments were made to the sum of £14k for 18 valid/upheld claims. HG resolved 19 customer claims outside insurance claims (such as replacing of missing or damaged items). All resolutions are negotiated between HG, the customer and the Storage team who liaise with appropriate Resident Services Area Manager. Currently there are 6 claims that are ongoing.

| | Upheld claims – HG Payment | | | |
|----------------|----------------------------|---------------|--------------|-----------|
| | >£5000 | >£1000 <£5000 | >£500 <£1000 | >£1 <£500 |
| No of claims | 1 | 2 | 1 | 14 |
| Category total | £6,684.00 | £4,248.90 | £590.00 | £2,531.92 |

Community Impact Statement

16. 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. The council storage and removals policy and procedure recognises that there are due processes that need to be followed to store and protect goods left in empty properties while the owner is given notice that they must collect them. The current contract enables 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.
17. The council delivers a fair service to all of its tenants who are in need. The service assists those households and individuals who are economically disadvantaged; living in poorer households; vulnerable due to disability – seen and unseen; over-representing households with protected characteristics such as Black and Minority Ethnic groups.
18. There are some current and future benefits for the community as HG are supporting moves from estates that are being regenerated.

Social Value considerations

19. 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

20. HG engages with borough-wide employment programmes such as Southwark Works and Building London Creating Futures to support unemployed residents' access to training, skills and sustainable employment.
21. HG works with a number of apprenticeship programmes and has agreed to commit to Southwark Apprenticeship programme for this contract. HG has taken on apprentices from the Growing Talent Scheme and has participated in the scheme for the last 4 years. Two apprentices started with HG in February 2018 but left prior to the completion of their apprenticeship.
22. To date no Southwark jobs have been sub-contracted. If a subcontractor is used in the future HG will act as a single point of contact and the sub-contractor will be one that is locally based. All HG vehicles are serviced locally. Where possible HG source locally to reduce the council carbon footprint. HG has confirmed their commitment to meet the council's London Living Wage (LLW) requirements by continuing to pay LLW to relevant staff.
23. The council via the Storage Team will continue to actively monitor the contract. Since the appointment of HG in October 2016, the cost reduction to the contract has been £750k to around £620k in 2019. The reduction in cost has occurred because the Storage Team are managing one contractor rather than three contractors to deliver the service. Reduction has also occurred because the team introduced efficient management systems for; raising works orders; monitoring of works delivery and performance and; implemented changes to the invoice payment process. These operational changes have resulted in improved service delivery to customers and client groups within Southwark. The Storage Team actively manage goods in storage to ensure items do not exceed reasonable timescales thus incurring unnecessary costs.

Social considerations

24. The contract currently supports the regeneration schemes in the council, such as Aylesbury in the Elephant and Castle area, north of the Borough. The contract also supports the homeless and other vulnerable residents.

Environmental/Sustainability considerations

25. The council has adopted a target to reduce the borough's CO2 emissions to zero by 2030. This contract seeks to ensure an improvement in the carbon and resource efficiency in the chosen suppliers' operational undertakings wherever possible. HG have an on going vehicle replacement system to ensure their vehicles are all low emission. HG has Fleet Operator Recognition Scheme (FORS) vehicles, a voluntary accreditation scheme for fleet operators. HG have recently changed their packaging supplier to UK Packaging and upgraded all trucks which has reduced their CO2 Emissions by 30%. HG offers a variety of biodegradable materials and has arrangements in place to produce an annual Waste Management Report to show that they are an environmentally aware business.

26. The appropriate disposal of goods is managed by HG in accordance with current legislation and regulations.

27. HG have in place the HGF700 Legal Requirement Register (see background papers) and Harrow Green's Environmental Policy (2 January 2018) (see background papers) states in part:

"Our vision, to be the number one choice for organisations relocating, restructuring or recycling, is supported by our commitment to achieving sustainable environmental best practice throughout our business activities by:

- ensuring our activities are safe for all involved parties and others who come into contact with our work
- continual improvement and adequate controls of processes with environmental impact and the prevention of pollution
- complying with or exceeding statutory, legal or other corporate requirements
- accepting reasonable responsibility for any harm to the environment caused by our activities and taking reasonable steps to remedy any damage
- monitoring purchasing practices and internal operations including energy and transport to ensure best use of natural resources and minimum environmental impact
- whenever possible reducing the environmental impact of goods and services to ensure long term value for money by assessing the full 'life cycle' costs during the procurement process
- minimising the waste produced and promoting recycling in all parts of our business
- working collaboratively with all parties associated with our business
- seeking to integrate environmental considerations into future business policy decisions"

28. HG also have in place the Planet Mark Certification Report (June 2017 to May 2018) (see background papers records):

- The carbon footprint in year ending 31 May 2018 was 5.96 tcO₂e per employee.
- HG total carbon footprint was 1,612.8 tcO₂e (including electricity, natural gas, water, fleet and travel) – 10.5% increase on 2016/17.
- 260 tcO₂ stored in one acre of protected rainforest.
- 21.7% reduction on business travel compared to previous year.
- During 2018/2019 HG aim to achieve the following targets: carbon reduction to 5%; total target reduction 80.6 tcO₂e; reduction for employee is 0.3 tcO₂e.
- Fleet 87.6% of total emissions, 1,412.5 tcO₂e – 14.5% increase on previous year.

Financial Implications

29. The original value of the three year contract starting 1 October 2016 for Harrow Green was £2.25m (£750k per annum). The value of the contract extension is estimated to be lower at £620k per annum for two years, increasing the cumulative value of the contract to £3.49m. This nature of the service is demand led which can cause spend to fluctuate depending on the volume/activity levels, but rigorous management control of the contract should ensure that spend is contained within the overall budget allocation of £652k going forward. Below is the contract spend over the last three years:

| | |
|-----------|----------------|
| FY 16/17 | £ 186k* |
| FY 17/18 | £ 459k |
| FY 18/19 | £ 624k** |
| All years | £1,269k |

*Spend 1/10/16 to 31/3/17

**Spend in year 3 includes Aylesbury decant and Ledbury fire safety costs.

30. The contract will be resourced by Strategy and Business Support team, within Resident Services division, Housing Modernisation Department.

31. The financial concurrent is in addition to the financial implications.

Legal Implications

32. Please see supplementary advice from the Director of Law and Democracy.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (FIN1140)

33. The Strategic Director of Finance and Governance notes the recommendations in this report for the approval for the extension of the removals and storage contract at an estimated cost of £1.24m with effect from 1 October 2019 for a further two years.

Head of Procurement

34. This report is seeking approval to extend the existing Southwark contract for a period of 24 months from 1 October 2019.

35. Paragraph 5 of the report confirms that the existing contract allows for the proposed extension period.

36. Paragraph 6-8 explains the rationale for requesting the extension is to ensure continuity of service. The timeline provided at paragraph 9 confirms that there is sufficient time for a full competitive tender process to be carried out for a future service.

37. Paragraphs 14 and 15 outline the monitoring arrangements that will continue to be in place to help maintain this level of service delivery. There would appear to be no reason why the Council would not wish to continue with the current arrangements and exercise the extension of 24 months.

Director of Law and Democracy

38. This report seeks the approval of Strategic Director of Finance and Governance to the goods removals, storage and disposal call-off contract which is being performed by Harrow Green Ltd. This report sets out the extent of the extension and the reasons why the extension of 2 years is necessary. As the value of the proposed variation is between £1-2 million, the decision to approve this variation is reserved to the Strategic Director of Finance and Governance after consideration by the CCRB of this report.

39. The nature of this variation is such that it is subject to the Public Contracts Regulations 2015 (PCR15). Regulation 72(1)(a) of PCR15 allows the council to vary the current call-off contract as this option was provided for in the initial procurement exercise and does not alter the overall nature of the contract. Paragraph 9 of this report confirms that a new procurement exercise for this contract will commence from May 2020.
40. CSO 2.3 requires that a variation decision may only be made if the expenditure involved has been approved. Paragraphs 29 to 31 of this report confirm the financial implications of this variation.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature

Date..30.8.19.....

Designation Strategic Director of Finance and Governance.....

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

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| 1. DECISION(S) |
| As set out in the report. |
| 2. REASONS FOR DECISION |
| As set out in the report. |
| 3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION |
| As set out in the report. |
| 4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION |

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| 4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION |
| None. |
| 5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST |
| <i>If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.</i> |
| None. |
| 6. DECLARATION ON CONFLICTS OF INTERESTS |
| <p>I declare that I was informed of no conflicts of interests.*</p> <p>or</p> <p>I declare that I was informed of the conflicts of interests set out in Part B4.*</p> <p>(* - Please delete as appropriate)</p> |

BACKGROUND PAPERS

| Background Papers | Held At | Contact |
|--|--|----------------------------------|
| Gateway 2 report – Removal and Storage | Resident Services, 160 Tooley Street, London SE1 | Ann-Marie Hawes 0207 525 7814 |
| Link: | | |
| Title of document(s) | Title of department / unit Address | |
| Link: (Insert hyperlink here) | | |

| Background Papers | Held At | Contact |
|-----------------------------------|--|----------------------------------|
| HGF700 Legal Requirement Register | Resident Services, 160 Tooley Street, London SE1 | Ann-Marie Hawes 0207 525 7814 |
| Link: | | |
| Title of document(s) | Title of department / unit Address | |
| Link: (Insert hyperlink here) | | |

| Background Papers | Held At | Contact |
|-------------------------------------|--|----------------------------------|
| Environmental Policy 2 January 2018 | Resident Services, 160 Tooley Street, London SE1 | Ann-Marie Hawes 0207 525 7814 |
| Link: | | |

| | | |
|-------------------------------|---------------------------------------|--|
| Title of document(s) | Title of department / unit Address | |
| Link: (Insert hyperlink here) | | |

| | | |
|--|---|-------------------------------------|
| Background Papers | Held At | Contact |
| The Planet Mark Certification Report (June 2017-May 2018) | Resident Services, 160 Tooley Street, London SE1 | Ann-Marie Hawes 0207 525 7814 |
| Link: | | |
| Title of document(s) | Title of department / unit Address | |
| Link: (Insert hyperlink here) | | |

APPENDICES

| No | Title |
|----|-------|
| | None |
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AUDIT TRAIL

| | | |
|---|---|--------------------------|
| Lead Officer | Ann-Marie Hawes, Housing Projects and Performance Interim Manager | |
| Report Author | Ann-Marie Hawes, Housing Projects and Performance Interim Manager | |
| Version | V5 | |
| Dated | 19 August 2019 | |
| 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/No |
| Director of Law and Democracy | Yes | Yes/No |
| Director of Exchequer (for housing contracts only) | No | No |
| Cabinet Member | Yes/No | Yes/No |
| Contract Review Boards | | |
| Departmental Contract Review Board | Yes/No | Yes/No |
| Corporate Contract Review Board | Yes/No | Yes/No |

| | | |
|--|---------------|---|
| Cabinet Member | Yes/No | Yes/No |
| Date final report sent to Constitutional/Community Councils/Scrutiny Team | | Date/Month/Year e.g. 5 July 2010 |