

| | | | |
|----------------------------------------|--------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|
| Item No. | Classification: Open | Date: 22 April 2013 | Decision Taker: Strategic Director of Finance and Corporate Services Department |
| Report title: | | Gateway 1 /2 Procurement Strategy Approval and Award of Contracts: Corporate removals, storage and crate hire services for the operational and non- operational estate | |
| Ward(s) or groups affected: | | All | |
| From: | | Head of Corporate Facilities Management | |

RECOMMENDATIONS

1. That the strategic director of the finance and corporate services department formalises the previous decision approving the procurement strategy for the corporate removals, storage and crate hire contracts, namely to undertake negotiations with the three incumbent suppliers for the reasons detailed in the report.
2. That the strategic director of finance and corporate services formalises the previous decision to approve the award of the corporate removals, storage and crate hire contracts to the three current suppliers (Harradines Removals, Crown Promotions and Benjamin Oswalds) for the estimated sum of £1.32 million for the period 23 September 2012 to 30 June 2014.
3. That the strategic director of finance and corporate services notes the new end date of the contract and that revised terms will be added to the existing contract by way of a variation.
4. That the strategic director of finance and corporate services notes that the department for housing and community services will take responsibility for managing the procurement process for a new removals, storage and crate hire contract to be awarded in July 2014.

BACKGROUND INFORMATION

5. The corporate contracts for removals, storage and crate hire is demand led and is provided by three suppliers, harradines removals, crown promotions and benjamin oswalds. The contracts were awarded in September 2005 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. It is noted that the Gateway 3 extension report had revised contract end dates of 22 September 2012. Spend from the start date of the contracts to 22 September 2012 was £4.5 million.
6. As all three suppliers are able to undertake all categories of work, they are usually commissioned on a rotational basis by the facilities management (FM) service desk as their schedule of rates are similar (but not exactly the same), however where larger works are planned (estimated value of £5,000 or more) the

suppliers are asked to provide individual quotations for the work and the supplier offering best value is commissioned to undertake the work.

7. Suppliers are currently permitted to increase their prices in line with the retail price index on each anniversary of the contracts. None of the three suppliers has applied this increase since September 2008.
8. 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 focus their resources on procuring a new removals, storage and crate hire contract by September 2012, thus ensuring continuity of service.
9. 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 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 London living wage (LLW)
 - The restructuring of corporate facilities management (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.
10. This meant that not only was the new TFM contract not awarded until October 2012, but that work on procuring a new removals, storage and crate hire contract was also delayed.

Summary of the business case/justification for the procurement

11. With only a few weeks left on the existing contracts, and no further extension options, in principle approval was sought and granted to undertake single supplier negotiations with the incumbent suppliers and subject to satisfactory inclusion of new requirements e.g. LLW and a three month break clause, award interim contracts to ensure continuity of service from September 2012.
12. As the removals procurement had not been the only CFM project delayed due to more resources being focused on the TFM procurement than originally anticipated, there was a need for CFM to re-prioritise all projects going forward against resources, which meant it was not immediately possible to advise the incumbent suppliers of the duration of the interim contracts.
13. Following initial negotiations the incumbent suppliers agreed to continue providing the service as an 'implied continuum' based on existing terms and conditions whilst negotiations were completed.
14. CFM has now concluded the negotiations, which had a positive outcome in terms of the cost reductions achieved (see paragraph 20) and so the purpose of this report is to formalise the previous decisions taken.

15. CFM are confident that the agreed term is sufficient based on discussions with colleagues in the housing and community services department that confirm these interim contracts will provide them with the necessary time to explore a range of different options to obtain these services in the future, including reviewing the number of suppliers required to provide the services, bringing the services in-house or using a combination of in-house and external provision (see appendix 1 for a plan for this new procurement exercise).

Market considerations

16. The removals and storage market is well established and whilst there are other organisations who could have provided the services, it was felt that as the current suppliers had a detailed understanding of the council's requirements they would be best placed to deliver the services for the duration of the interim contracts. A new supplier would potentially lead to service disruption. All three suppliers are regional organisations with less than 50 employees.

KEY ISSUES FOR CONSIDERATION

Other procurement options considered

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

| Option | Pros | Cons | Decision |
|-------------------------|---------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|
| Do nothing. | None. | No removals, storage and crate hire services contract provided to the operational and housing estates. Major impact on housing and community services department's ability to deal with relocating tenants' personal belongings. Costs of dealing with removal companies not under contract are unlikely to offer best value and are likely to be prohibitive. | Not recommended. |
| Competitive tender. | Would test the market and demonstrate best value. | Interim contracts would still be needed while a competitive tender was undertaken, which given the value would have to be EU compliant. Even using a basic specification, CFM would encounter difficulties in meeting the procurement timeline as their focus was on awarding a TFM contract for 160 Tooley Street. | Not recommended. |
| Use existing framework. | Some element of market testing. | An appropriate removals, storage and crate hire contract framework was not found at the time. | Not recommended. |

| | | | |
|-------------------------------------------------------|-------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------|--------------|
| | Shorter procurement timeline. | | |
| Single supplier negotiation with incumbent suppliers. | Short procurement timeline. No transition issues. Savings of 5-6% on existing rates achieved. | No wider market testing to demonstrate that best value has been achieved. | Recommended. |

Procurement route followed

18. Negotiations with the three incumbent suppliers.

Procurement project plan

19. The procurement project plan is outlined below.

| Activity | Complete/Completed by: |
|-----------------------------------------------------------------------------|------------------------|
| Forward Plan | April 2013 |
| Invitation to negotiate | 1 September 2012 |
| In principal approval to award interim contracts | 16 September 2012 |
| Contracts start | 23 September 2012 |
| Closing date for negotiations | 1 December 2012 |
| Completion of evaluation of negotiations | 23 January 2013 |
| DCRB | 14 March 2013 |
| CCRB | 28 March 2013 |
| Approval of Gateway 1 / 2: Procurement strategy and award report | 22 April 2013 |
| Scrutiny Call-in period and notification of implementation of Gateway 1 / 2 | 30 April 2013 |
| Contracts award formalisation | 30 April 2013 |
| Add to contracts register | 1 May 2013 |
| Contracts completion date | 30 June 2014 |

Procurement outcomes

20. The following procurement outcomes have been achieved:

- Continuity of service
- Savings of 5-6% per annum on costs
- Improved levels of customer service and productivity and better retention of staff as a result of all three suppliers paying the London living wage (LLW)
- New three month break clause to facilitate early exit should the new procurement exercise by the housing and communities department finish ahead of schedule.

21. Identified risks and how they were/ will be managed

| No. | Risk | Risk Level | Mitigating Action |
|-----|----------------------------------------|------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 | Interim contracts not awarded in time. | Low | Seek in principle approval to commence supplier negotiations with the three incumbent suppliers and award contracts. |
| 2 | Best value not achieved. | Low | Negotiations delivered savings of 5-6% compared to former rates. Close management of supplier performance and of costs moving forward for the duration of the contracts. |

Key Decision

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

Policy implications

23. Effective delivery of the contracts will contribute to the council's priorities of transforming public services, improving customer service and improving the management of the council's resources.

Development of the tender documentation

24. 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 suppliers.

Advertising the contract

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

Tender process

26. The negotiation process involved a number of meetings between the CFM operations manager and representatives from the incumbent suppliers.

Evaluation

27. The evaluation was undertaken by the CFM operations manager. Negotiations were undertaken around cost structures and performance. The incumbent suppliers provided quotations to continue to supply removal, storage and crate hire services to the operational estate for the period up until June 2014.
28. Existing costs were benchmarked against the new service quotation. The quality evaluation was based on an assessment of performance to date and re-assurance that standards would continue to be met. Each of the three incumbent suppliers reviewed their schedule of rates and two suppliers reduced their rates by 5-6% compared to the costs under the previous contracts. The third supplier (Crown Promotions) were already offering more competitive rates than the other two and continue to do so despite not reducing their rates further.
29. Whilst the specification details the service requirements, there are no specific key performance targets within the contracts. CFM chair contract review meetings to resolve any concerns raised about the operation of the contract directly with the suppliers. There are no performance or other issues that would prohibit the formalisation of the award of these contracts.

TUPE implications

30. TUPE is unlikely to apply to the award of the interim contracts to the existing contractors as they will continue to deliver the same services. There may be TUPE implications in the proposed longer term procurement exercise if it is proposed to appoint a new contractor to provide one or more of the existing services. Due diligence will need to be carried out before the tender process commences and further advice will be sought as part of that longer term exercise.

Plans for the transition from the old to the new contracts

31. As the interim contract awards are to the three incumbent suppliers there are no transition issues.

Plans for monitoring and management of the contracts

32. The contracts will be managed jointly by the housing and community services department's operations team and the corporate facilities management team. The team's responsibilities in relation to the delivery of these contracts will include:
 - Monitoring budget spend, particularly the expenditure split between departments and the costs relating to long term storage and removals
 - Checking all invoices for accuracy
 - Providing a robust single point of contact for end users
 - Proactively responding to complaints and service improvement requests
 - Chairing monthly performance monitoring meetings
 - Ensuring contractor performance reports are received
 - Risk management.

Performance bond/Parent company guarantee

33. Not required for these contracts.

Community impact statement

34. There will be a minor impact on local people as a result of these contracts as the suppliers provide services to a wide range of customers of the housing and community services department, including tenants moved as a result of regeneration projects.

Economic considerations

35. One of the suppliers is based in Southwark and actively seeks to employ local residents

Social considerations

36. The new arrangements will ensure that all staff servicing the contracts will be paid at least the London living wage.

Environmental considerations

37. Paper, furniture and other waste will be disposed of in a sustainable way and in line with the council's waste policy. All supplier vehicles are compliant with current regulations in terms of emissions.

Resource implications

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

Staffing/procurement implications

39. There are no additional staffing or procurement implications.

Financial implications

40. The estimated value of the contracts has been calculated on the basis of the expenditure incurred during the period 1 October 2011 to 30 September 2012 and takes account of the 5%-6% reduction in rates negotiated during the procurement process. The main users of the contract indicate that the activity and costs during the term of these contracts will be at a similar level to that during the last 12 months. The reduction in rates will take effect once this report has been approved.
41. During the early stages of the former contracts for these services the majority of the expenditure related to moves of council staff between operational buildings and during 2009/10 in particular, the relocation of more than 2,000 staff to the council's new headquarters at 160 Tooley Street.
42. However, since 2011, the majority of expenditure (around 63%) now relates to expenditure incurred by the housing and community services department and in particular, relocating tenants as part of major works and/or regeneration activities. As a result of this change in focus of the contracts it has been agreed

that the housing and community services department will lead on developing the procurement strategy for these services once the new interim contracts end in June 2014. The procurement plan at appendix 2 provides an indication of the activities and timing of this exercise.

43. The cost of these contracts will be recharged to departments who have existing budgets for these services.

Legal implications

44. See the legal concurrent.

Consultation

45. Consultation with housing and community services department colleagues to agree a procurement strategy moving forward.

Other implications or issues

46. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS (Provided after CCRB)

Head of Procurement

48. This is a combined gateway one and two report seeking formalisation of the approval of the procurement strategy, and award for an interim corporate removals, storage and crate hire services contract.
49. 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 consolidated facilities management contract for tooley street.
50. It is noted at paragraph 17 that there are other providers who could have undertaken this service, but as summarised in the procurement options table at paragraph 18 the consideration of a number of factors resulted in the procurement strategy recommendation being to undertake single supplier negotiations with the incumbent providers.
52. Paragraphs 26 to 29 summarise the negotiation process which primarily sought to ensure on-going satisfactory performance and best value. The procurement outcomes summarised at paragraph 21 advise that savings of 5-6% have been achieved in addition to the inclusion of the London Living Wage which will deliver a better service for the council in terms of productivity and customer service satisfaction.
53. Paragraph 32 confirms the contract monitoring and management arrangements that will remain in place.
54. Appendix one details the intended procurement plan for the new departmental housing and community services based contract which if duly resourced is deemed deliverable.

Director of Legal Services

55. This report formalises the previous decision of the strategic director of finance and corporate services to award contracts for the provision of corporate removals, storage and crate hire to each of the three current suppliers (Harradines Removals, Crown Promotions and Benjamin Oswalds) for the period 23 September 2012 to 30 June 2014. As these contracts are for Part A services, the award of these contracts will for the purposes of EU law be treated as extensions of the existing contracts with these suppliers.
56. The contracts (which are for a Part A service) may only be extended to the extent that the EU procurement rules permit. Regulation 14.(1)(d)(aa) of the Public Contracts Regulations 2006 permits the council to allow a contractor to carry out additional services if through unforeseen circumstances they were not included in the original contract and they cannot for technical or economic reasons be carried out or provided separately from those under the original contract without major inconvenience to the council. These provisions may only be relied upon where the value of the extension is less than 50% of the value of the original contract. Paragraphs 2 and 5 of the report confirm that the value of the extension of these contracts falls below this 50% requirement.
57. Paragraphs 9 to 16 (inclusive) set out the reasons the council wishes to extend these contracts (which are primarily delays in related procurements and the need to ensure service continuity).
58. The decision to approve this report may be taken by the strategic director of finance and corporate services after taking advice from the Corporate Contracts Review Board in accordance with CSO 4.4.2(e) and CSO 4.5.2.


Strategic Director of Finance and Corporate Services (PD 19/04/13-3)

59. The estimated value of the contracts has been calculated on the basis of the expenditure incurred during the period 1 October 2011 to 30 September 2012 and takes account of the 5%-6% reduction in rates negotiated during the procurement process. The main users of the contract indicate that the activity and costs during the term of these contracts will be at a similar level to that during the last 12 months. The reduction in rates will take effect once this report has been approved.
60. During the early stages of the former contracts for these services the majority of the expenditure related to moves of council staff between operational buildings and during 2009/10 in particular, the relocation of more than 2,000 staff to the council's new headquarters at 160 Tooley Street.
61. However, since 2011, the majority of expenditure (63%) now relates to expenditure incurred by the housing and community services department and in particular, relocating tenants as part of major works and/or regeneration activities. As a result of this change in focus of the contracts, it has been agreed that the housing and community services department will lead on developing the procurement strategy for a new corporate storage, removals and crate hire contract. The procurement plan at appendix 2 provides an indication of the activities and timing of this exercise.

62. The cost of these contracts will be recharged to departments and will need to be contained within existing budgets.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's contract standing orders, I authorise action in accordance with the recommendations contained in the above report.

Signature  Date 30.4.13

Designation STRATEGIC DIRECTOR OF FINANCE AND CORPORATE SERVICES

BACKGROUND DOCUMENTS

| Background Documents | Held At | Contact |
|--------------------------------------------|-----------------------------------------------------------------------------------------------------------------|---------------------------------|
| Removals, storage and crate hire 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 | Plan for the review and procurement of a removal services contract in 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 V2.3 | |
| Dated | 22 April 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 | | |

Appendix 1

Plan for the review of the delivery arrangements for removals, storage and crate hire services and the possible procurement of a new contract to be awarded in July 2014

| Activity | Date to be completed |
|---------------------------------------------------------------------------|----------------------|
| Forward plan | June 2013 |
| Explore options for delivering a removals, storage and crate hire service | 1 August 2013 |
| Gateway 1: Approval given for procurement strategy | 1 September 2013 |
| Completion of tender documentation | 30 October 2013 |
| Advertise the contract | 1 November 2013 |
| Closing date for PQQ submission | 10 December 2013 |
| Shortlisting | 1 February 2014 |
| Sign off of tender list | 8 February 2014 |
| Invitation to tenders | 15 February 2014 |
| Closing date for return of tenders | 1 April 2014 |
| Completion of evaluation of tenders | 20 May 2014 |
| Forward plan for Gateway 2 | 1 May 2014 |
| Gateway 2: Contract award for Strategic Director approval | 15 June 2014 |
| Start date of contract | 1 July 2014 |

