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|------------------------------------|--------------------------------|--|--|
| Item No. | Classification: Open | Date: 21 July 2014 | Meeting Name: Strategic Director of Finance and Corporate Services |
| Report title: | | Gateway 1/2 Procurement Strategy Approval and Award of Contract Corporate Removals, Storage and Crate Hire Services for the operational and non-operational estate | |
| Ward(s) or groups affected: | | All Wards | |
| From: | | Head of Corporate Facilities Management | |

RECOMMENDATIONS

1. That the strategic director of finance and corporate services formalises his prior approval for the procurement strategy outlined in this report for the interim corporate removals, storage and crate hire contracts, namely to undertake single supplier negotiations with the three incumbent suppliers for the reasons detailed in the report.
2. That the strategic director of finance and corporate services formalises his prior approval to award three interim contracts for the corporate removals, storage and crate hire service to Harradine Removals, Crown Promotions and Benjamin Oswalds in the total estimated sum of £339.2k for a period of six months commencing 1 July 2014, with the option to extend for two further periods of three months at the council's discretion giving an estimated total contract value of £678.4k by way of variation to the existing contracts.
3. That the strategic director of finance and corporate services formalises his prior approval for the use of CSO 4.4.2(e) for the reasons detailed in the report.
4. That the strategic director of finance and corporate services note that all three interim contracts will have a one month break clause to facilitate an early exit to the new housing and community services (H&CS) removals contract.

BACKGROUND INFORMATION

5. In September 2005 the council awarded three contracts for the corporate removals, storage and crate hire service to Harradine Removals, Crown Promotions and Benjamin Oswald's for a period of five years, with the option to extend for two twelve month periods at the council's discretion.
6. The contracts were call off and provided the following services:
 - Office relocations
 - Crate hire
 - Tenant moves
 - Temporary storage of tenant's belongings
 - Disposals
7. Those contracts expired 31 May 2012 and approval was given via a combined gateway one and two report to put new interim contracts in place with the same providers for the

period 1 June 2012 to 30 June 2014 by way of variation to the existing contracts. The spend from the start date of the contracts to 31 May 2012 was £3.5M. The spend during the term of the interim contracts referred to above (1 June 2012 to 30 June 2014) was £1M.

8. All service requests are sent to the corporate facilities management (CFM) service desk and allocated on a rotational basis where the estimated value is below £5k. For jobs over this value quotes are sought from all three service providers with award made based on best value. Table 1 below summaries the spend for 2013/14 financial year.

| Supplier | 2013/14 Expenditure |
|-------------------|----------------------------|
| Harradine's | £251,736 |
| Crown | £176,309 |
| Benjamin Oswald's | £193,202 |
| Total | £621,248 |

Table 1

9. The total estimated cost of the contracts for the initial term is £339.2k.
10. The length of the contracts is six months.
11. The contracts have provision to extend by two periods of three months. . If these extensions are exercised in full by the council, the total value of the potential spend approved by this report is £678.4k.
12. The contracts have a one month break clause.

Summary of the business case/justification for the procurement

13. The relocation of over 2,000 staff to new offices at 160 Tooley Street in the summer of 2009, and subsequent relocations to sites including Queen's road impacted on the level of services commissioned with the result that from 2011 over half of the orders were placed by H&CS (tenant moves/storage of belongings). It was for this reason the decision was taken to reclassify this service from corporate to departmental, with H&CS becoming the lead client for the service going forward. It was agreed that H&CS would complete a service review and have a new service provision in place by 1 July 2014 from which CFM could call-off as required.
14. Unfortunately it has taken longer than originally anticipated to implement the new service arrangements and so with a revised implementation date of 1 November 2014 there is a need to put further interim contracts in place to ensure service continuity. See appendix one for details of the H&CS procurement timetable.

Market Considerations

15. Whilst the removals market is well established it was felt that the interim nature of the contracts would prove unattractive to the market given possible mobilisation costs. Also the fact that a replacement exercise is about to commence, and satisfactory performance of the incumbent service providers, the recommended procurement strategy was to undertake single supplier negotiations and so there were no market considerations on this occasion.

KEY ISSUES FOR CONSIDERATION

Options for procurement including procurement approach

16. The following procurement options were considered:

| No. | Option | Advantages | Disadvantages | Decision |
|-----|--|--|---|------------------|
| 1. | Cease service provision | <ul style="list-style-type: none"> ▪ None | <ul style="list-style-type: none"> ▪ Departments would have to make own service arrangements. ▪ The council has a statutory duty to facilitate tenant moves and store belongings up to 28 days. ▪ The council would have to retrieve items currently stored with service providers by H&CS and find alternative provision. | Not recommended. |
| 2. | Use existing Yorkshire Purchasing Organisation (YPO) framework | <ul style="list-style-type: none"> ▪ Competitive process ▪ Opportunity to address service improvements. | <ul style="list-style-type: none"> ▪ This would take time meaning that interim contracts would still be needed. ▪ Duplicates proposed H&CS future service recommendation. | Not recommended. |
| 3. | Undertake EU procurement | <ul style="list-style-type: none"> ▪ Competitive process. ▪ EU compliant ▪ Opportunity to address service improvements. | <ul style="list-style-type: none"> ▪ Long procurement timeline. ▪ Resource intensive ▪ Interim contracts would still be needed. ▪ Risk of lack of response due to short contract term. | Not recommended. |
| 4. | Undertake single supplier negotiations with incumbent suppliers. | <ul style="list-style-type: none"> ▪ Short procurement timeline. ▪ No transition issues. | <ul style="list-style-type: none"> ▪ Non competitive process ▪ Risk of challenge | Recommended. |

Procurement Route followed

17. The procurement route followed was single supplier negotiation with the three incumbent suppliers.

Procurement project plan (Key Decision)

18. The procurement project plan is outlined below.

| Activity | Complete/Completed by: |
|--|------------------------|
| In principle procurement strategy and contracts award approval | April 2014 |
| Forward Plan | September 2014 |
| Completion of negotiations. | May 2014 |
| DCRB Review Gateway 1/2: Procurement strategy approval and contract award report | 5 June 2014 |
| CCRB Review Gateway 1/2: Procurement strategy approval and award report | 19 June 2014 |
| Scrutiny Call-in period and notification of implementation of Gateway 1/2 decision | 28 July 2014 |
| Approval of Gateway 1/2 : Procurement strategy and contract award report | 29 July 2014 |
| Contract award | 1 July 2014 |
| Contract start | 1 July 2014 |
| Initial contract completion date | 31 Dec 2014 |
| Contract completion date – if extension(s) exercised | 30 June 2015 |

Procurement Outcomes

19. The following procurement outcomes have been achieved:

- Continuity of service
- No increase in rates
- Increased service transfer flexibility through new one month break clause to facilitate early exit should the new procurement exercise by H&CS finish ahead of schedule.

Identified risks and how they were/ will be managed

20.

| No. | Risk | Risk Level | Mitigating Action |
|-----|---|------------|---|
| 1. | The new contract in not in place on time. | Low | H&CS has confirmed that they are on schedule to have the contract in place on time. |
| 2. | Risk of challenge as value over EU threshold. | Low | The council is satisfied that given the short term of the contract and the fact that a re-letting exercise is about to begin that the risk of challenge of minimal. |

Key/Non Key Decision

21. This is a key decision.

Policy implications

22. 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 negotiation documentation

23. As these contracts are being awarded by way of variation to the existing contracts no new documentation was produced.

Advertising the contract

24. Not applicable.

Negotiation process

25. The CFM contracts manager and contracts officer met with each service provider to discuss their willingness to continue to provide the service under the existing terms and conditions.

Evaluation

26. The evaluation panel was made up of representatives from CFM. The quality evaluation was based on an assessment of performance to date and re-assurance that key service standards would continue to be met. The price evaluation aimed to ensure on going best value.
27. Whilst the specification details the service requirements, there are no specific key performance targets within the contracts. CFM holds regular contract review meetings to resolve any concerns raised about the operation of the contract directly with the suppliers. There are no current performance or other issues that would prohibit the award of these contracts.

TUPE implications

28. None.

Plans for the transition from the old to the new contract

29. As the new contracts are with existing service providers and will be based on the existing terms and conditions there are no transitional issues.

Plans for monitoring and management of the contract

30. The contracts will continue to be monitored and managed by the CFM contracts team with input as required by the H&CS operations team. The team's responsibilities in relation to the delivery of these contracts will include:
- Monitoring budget spend and compiling monthly spend profile reports
 - Checking 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

31. Not required for these contracts.

Community impact statement

32. There will be some impact on local people as a result of these contracts as the suppliers provide services to a wide range of customers of the H&CS department, including those being moved as a result of regeneration projects.

Economic considerations

33. Only one of the suppliers is based in Southwark and actively seeks to employ local residents.

Social considerations

34. Both direct employees of the service providers and relevant third parties will continue to be paid in line with London Living Wage.

Environmental considerations

35. 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

36. None.

Staffing/procurement implications

37. None.

Financial implications

38. The contract has been valued at an estimated £339.2k. CFM is responsible for paying service providers and then reallocates these charges to departments who are responsible for containing charges within their overall departmental budgets.

Legal implications

39. See the legal concurrent for director of legal services.

Consultation

40. All key stakeholders have been consulted.

Other implications or issues

41. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

42. This report is formalising a prior procurement strategy and award decision to continue with three existing contracts to provide removals, storage and crate hire services for a period of up to twelve months.
43. The report explains that the requirement to continue these contracts is an interim arrangement to ensure continuity of service whilst a new procurement process is undertaken.
44. The report confirms that there will be no increase in rates for the period of this contract.
45. The report confirms that the performance of the current providers is satisfactory and outlines 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 throughout the required extension period.

Director of Legal Services

46. This report formalises the approval of the strategic director of finance and corporate services to the procurement strategy for the negotiation of interim corporate removals, storage and crate hire contracts with each of the three current suppliers (Harradines Removals, Crown Promotions and Benjamin Oswalds) as is outlined in this report by means of a single supplier negotiation in accordance with CSO 4.4.2(e).
47. This report also 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 of six (6) months commencing on 1 July 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.
48. These 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 7 and 11 of the report confirm that the value of the extension of these contracts falls below this 50% requirement.
49. Paragraphs 13 and 14 set out the reasons the council wishes to extend these contracts (which are primarily delays in the procurement of a replacement service and the need to ensure service continuity). The strategic director of finance and corporate services is advised that when relying on grounds for negotiation such as those under Regulation 14.(1)(d)(aa) there is always a risk of challenge on the basis that the council does not have sufficient grounds to justify negotiating in these circumstances. However, in view of the relatively short period of the contract extension and the intention to re-procure this service, it is considered that the risk of a successful challenge is reduced.

50. The strategic director of finance and corporate services will be aware of the Public Sector Equality Duty (PSED) in section 149 of the Equality Act 2010. At each stage, in exercising its function (and in its decision making processes) the council must have due regard to the need to:
- (a) Eliminate discrimination, harassment, victimisation or other prohibited conduct;
 - (b) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not share it;
 - (c) Foster good relations between person who share a relevant protected characteristic and those who do not share it.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex and sexual orientation. Marriage and civil partnership are protected in relation to (a) only.

Paragraph 32 of the report demonstrates how the council has had due regard to PSED in this procurement and the decision maker should satisfy him/herself that this duty as been complied with when considering these recommendations.

51. The decision to approve this report may be taken by the strategic director of finance and corporate services after consideration of the report by 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 F&CS14/012

52. The strategic director of finance and corporate services notes the recommendations in this report for single supplier negotiations and the award of contracts to three companies for corporate removals, storage and crate hire contracts.
53. The contracts are for the financial year 2014/15, and therefore any spend on the contracts must be contained within the 2014/15 budget as agreed by council assembly in February 2014. The financial implications note that the costs are met by departments, although the contracts are managed by corporate facilities management.

BACKGROUND DOCUMENTS

| Background Documents | Held At | Contact |
|-----------------------------|----------------|----------------|
| None | | |

APPENDICES

| No | Title |
|------------|----------------------------|
| Appendix 1 | H&CS Procurement Timetable |

AUDIT TRAIL

| | |
|-----------------------|---|
| Cabinet Member | Councillor Fiona Colley, Cabinet Member for Finance, Strategy and Performance |
| Lead Officer | Les Styles, CFM Support Services Manager |
| Report Author | Jan McMahon, Head of Corporate Contracts and Contract Management |
| Version | Post CCRB V.1 Final Open with concurrents |

| | | |
|---|------------------------|--------------------------|
| Dated | 21.7.14 | |
| 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 | |
| Contract Review Boards | | |
| Departmental Contract Review Board | Yes | Yes |
| Corporate Contract Review Board | Yes | Yes |
| Cabinet Member | No | |
| Date final report sent to Constitutional/Community Council/Scrutiny Team | | N/A |

APPENDIX ONE H&CS PROCUREMENT TIMELINE

| Activity | Complete by: |
|--|----------------|
| DCRB Review Gateway 1: | 16 Jun 2014 |
| Approval of Gateway 1: Procurement strategy report | 24 Jun 2014 |
| Completion of mini-competition documentation | 31 Jul 2014 |
| Issue mini-competition documents | 04 Aug 2014 |
| Closing date for return of bids | 05 Sep 2014 |
| Completion of evaluation of bids | 26 Sep 2014 |
| DCRB/ Review Gateway 2: Contract award report | 20 Oct 2014 |
| Approval of Gateway 2: Contract Award Report | 28 Oct 2014 |
| Contract award | 29 Oct 2014 |
| TUPE Consultation period | Not Applicable |
| Contract start | 10 Nov 2014 |
| Contract completion date | 09 Nov 2018 |

CONTRACT REGISTER UPDATE - GATEWAY 1/2

| | |
|---|--|
| Contract Name | Corporate removals, storage and crate hire services for the operational and non-operational estate |
| Contract Description | Provision of removals, crate hire and storage services to the operational and residential estate |
| Contract Type | Service |
| Lead Contract Officer (name) | Les Styles |
| Lead Contract Officer (phone number) | 020 7525 5664 |
| Department | Finance and Corporate Services |
| Division | Corporate Facilities Management |
| Procurement Route | Single Supplier Negotiations |
| EU CPV Code (if applicable) | |
| Departmental/Corporate | Corporate |
| Fixed Price or Call Off | Call Off |
| Supplier(s) Name(s) | Benjamin Oswalds Ltd |
| Contract Total Value | £339.2k (for all three suppliers) |
| Contract Annual Value | £678k (for all three suppliers) |
| Contract Start Date | 1 July 2014 |
| Initial Term End Date | 31 December 2014 |
| Number of remaining contract extensions | 2 x 3 mths |
| Contract Review Date | October 2014 |
| Revised End Date | 30 June 2015 |
| Comments | |

| | |
|---|--|
| Contract Name | Corporate removals, storage and crate hire services for the operational and non-operational estate |
| Contract Description | Provision of removals, crate hire and storage services to the operational and residential estate |
| Contract Type | Service |
| Lead Contract Officer (name) | Les Styles |
| Lead Contract Officer (phone number) | 020 7525 5664 |
| Department | Finance and Corporate Services |
| Division | Corporate Facilities Management |
| Procurement Route | Single Supplier Negotiations |
| EU CPV Code (if applicable) | |
| Departmental/Corporate | Corporate |
| Fixed Price or Call Off | Call Off |
| Supplier(s) Name(s) | Crown Promotions |
| Contract Total Value | £339.2k (for all three suppliers) |
| Contract Annual Value | £678k (for all three suppliers) |
| Contract Start Date | 1 July 2014 |
| Initial Term End Date | 31 December 2014 |
| Number of remaining contract extensions | 2 x 3 mths |
| Contract Review Date | October 2014 |
| Revised End Date | 30 June 2015 |
| Comments | |

| | |
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| Contract Name | Corporate removals, storage and crate hire services for the operational and non-operational estate |
| Contract Description | Provision of removals, crate hire and storage services to the operational and residential estate |
| Contract Type | Service |
| Lead Contract Officer (name) | Les Styles |
| Lead Contract Officer (phone number) | 020 7525 5664 |
| Department | Finance and Corporate Services |
| Division | Corporate Facilities Management |
| Procurement Route | Single Supplier Negotiations |
| EU CPV Code (if applicable) | |
| Departmental/Corporate | Corporate |
| Fixed Price or Call Off | Call Off |
| Supplier(s) Name(s) | Harradine Removals |
| Contract Total Value | £339.2k (for all three suppliers) |
| Contract Annual Value | £678k (for all three suppliers) |
| Contract Start Date | 1 July 2014 |
| Initial Term End Date | 31 December 2014 |
| Number of remaining contract extensions | 2 x 3 mths |
| Contract Review Date | October 2014 |
| Revised End Date | 30 June 2015 |
| Comments | |

This document should be passed to the member of staff in your department responsible for keeping your departmental contracts register up to date.

On approval of your report by the decision maker, please forward a copy of this document to [Tracey Webb](#) in the corporate procurement team. The contract details will be recorded on the corporate contracts register and a summarised version published online.