

## REQUEST FOR DMPC DECISION – PCD 06

**Title:** Contract Renewal for the Supply of Volvo Penta Boat Spares and Parts

### Executive Summary:

This paper is seeking approval to renew the call off contract for the purchase of Volvo Penta parts, used by the Marine Policing Unit (MPU) for the maintenance of the boat fleet.

### Recommendation:

That the DMPC approves the request to initiate procurement and award of a 4 year call off contract for the purchase of Volvo Penta parts for the maintenance of the boat fleet with a value of £800k.

### Deputy Mayor for Policing and Crime

I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

**Signature**

*Spue Hendon*

**Date**

*23/6/16*

## **PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC**

### **Decision required – supporting report**

#### **1. Introduction and background**

- 1.1. Volvo Penta parts are essential for the maintenance and repair of boats, operated by the Marine Police Unit. The current contract expires in June 2017; this report is seeking approval to initiate procurement activity via an OJEU procedure to award a four year call off contract.

#### **2. Issues for consideration**

- 2.1. The contract renewal does not commit the MPS to any expenditure, thereby giving flexibility if there is change the strategic delivery model for maintenance of marine vessels.

#### **3. Financial Comments**

- 3.1. The 4 year call off contract will have a value of £800k and will be funded from within existing revenue budgets.

#### **4. Legal Comments**

- 4.1. The recommendation can be lawfully approved in accordance with MOPAC Contract Regulations and EU/UK Procurement law.
- 4.2. In accordance with the MOPAC Scheme of Delegation and Consent (4.8), the DMPC must approve all requests to go out to tender for contracts that exceed £500,000.

#### **5. Equality Comments**

- 5.1. There are no equality or diversity implications arising from this procurement process.

#### **6. Background/supporting papers**

- 6.1. MPS Paper

**Public access to information**

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOIA) and will be made available on the MOPAC website following approval.

If immediate publication risks compromising the implementation of the decision it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary.

**Part 1 Deferral:**

Is the publication of Part 1 of this approval to be deferred? NO

If yes, for what reason:

Until what date:

**Part 2 Confidentiality:** Only the facts or advice considered as likely to be exempt from disclosure under the FOIA should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a **Part 2** form – No

**ORIGINATING OFFICER DECLARATION:**

	<i>Tick to confirm statement (✓)</i>
<b>Head of Unit:</b> The Director of Strategy has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
<b>Legal Advice:</b> The MPS legal team has been consulted on the proposal.	✓
<b>Financial Advice:</b> The Strategic Finance and Resource Management Team has been consulted on this proposal.	✓
<b>Equalities Advice:</b> Equality and diversity issues are covered in the body of the report.	✓

**OFFICER APPROVAL****Chief Operating Officer**

I have been consulted about the proposal and confirm that financial, legal and equalities advice has been taken into account in the preparation of this report. I am satisfied that this is an appropriate request to be submitted to the Deputy Mayor for Policing and Crime.

Signature



Date

23/6/16

## Business Justification

# Contract Renewal for the Supply of Volvo Penta Boat Spares and Parts

### Freedom of Information Act Publication Scheme

Protective Marking	Commercial - Protected
Publication Scheme Y/N	No
Title	Contract Renewal for the Supply of Volvo Boat Spares and Parts
Version	1.0
Summary	Approval is sought to renewal a call off contract for the purchase of Volvo Penta parts, used by the Marine Policing Unit (MPU) for the maintenance of the boat fleet.
(B)OCU or Unit, Directorate	Fleet Services
Author	Jiggs Bharij, Acting Head of Fleet Services
Review Date	25 <sup>th</sup> May 2017
Date Issued	25 <sup>th</sup> May 2016

## **Decisions Required**

**Approval is sought to renew a call off contract for the purchase of Volvo Penta parts, used by the Marine Policing Unit (MPU) for the maintenance of the boat fleet.**

This report was approved by Portfolio and Investment Board on 18th May 2016.

**To proceed with this contract action approval is sought for:**

- The MPS to continue purchasing replacement Volvo Penta components. A call off contract will be put in place with the selected supplier, on a 2 plus 2 year basis for the supply of Volvo Penta parts, at a total cost up to £800k, funded from existing revenue budgets.

**The key issues to take account of are:**

- Volvo Penta parts are essential for the maintenance and repair of boats, operated by the Marine Police Unit (MPU)
- The purchase of Volvo Penta boat spares forms part of the MPU's non-discretionary spend i.e. the parts are essential for maintaining operational performance
- The existing Volvo Penta parts contract was originally for a value of £800k. The value was increased by £80k (10%), approved by the Director or Procurement Services. Based on current expenditure, we expect to exhaust this by June 2017.
- We are requesting a contract renewal of 2 plus 2 years, commencing July 2017.
- The purchase of Volvo boat spares forms part of Fleet Service's revenue budget.
- The continued availability of parts is essential for maintaining operational performance
- The Director or Procurement Services has delegated authority to approve the award of all contracts with the exception of those called in through the agreed call in procedure.

## Strategic Case

Since 2005, every new built vessel that has gone into service with the Marine Policing Unit (MPU) has been specified with Volvo Penta engines and, where required, Volvo Penta propulsion units. One of the main reasons for using Volvo Penta is their extensive dealer network and spare parts availability. This availability means that our need to hold parts in stock is reduced and the servicing time, during which the boat is not operational, is also reduced.

The current parts supply contract with Volspec is due to expire on the 7<sup>th</sup> June 2017, discounts on parts range from 22% on general repair parts to 32% on all service parts.

All routine servicing is carried out in accordance with the manufacturer's guidelines. For example, Volvo Penta engines and drive legs are serviced every 100 hours. A 100 hour service is a very basic service which involves changing oil and filters. After the next 100 operational hours the vessel will receive a 200 hour service which also includes renewal of the water pump. This service schedule will continue to alternate between 100 and 200 hour services until the vessel has completed 800 hours. An 800 hour service involves removing the engines from the vessel, stripping them down and refurbishing major components. Once the engines are refitted the vessel returns to operational duties and the service schedule starts again with a 100 hour service.

Without the correct parts to service and maintain our boats, we risk the safety of officers and other river users and seriously compromise the MPU's ability to meet operational demands

The proposed new contract will be a 2 plus 2 year contract with a total value of up to a total value of £800K over the 4 years.

## **Economic Case**

The key objective of this proposal is to ensure the renewal of the Volvo Penta parts contract, enabling the MPS Marine Unit to continue meeting operational demands.

Until 2010-11, vessels were typically replaced after five to seven years of service. Since then, the renewal of marine vessels has been managed on a boat by boat basis, taking account age, cost of maintenance and depreciation.

By specifying (wherever possible) Volvo Penta power units, we have secured the desired operational performance, whilst optimising our purchasing power and thereby minimising the cost associated with on-going maintenance and repairs.

Given the range of tyres and the nature of the operational support that is required, the MPS procurement Services will run an EU Competition. This process will ensure that the MPS continues to optimise parts discount whilst maintaining the levels of spares availability to meet operational demands.

## **Management Case**

The quantity, and cost of parts is determined by the number of vessels, their operational demands and the manufacturers servicing schedule. The MPU employs qualified marine engineers to perform maintenance and these staff are responsible for identifying parts required. In the event that an engineer identifies the need for a high cost item, the manager of the Marine Workshop reviews this ensuring that the most economical solution is implemented. This ensures that we only spend money on parts that are necessary to keep vessels fit to meet operational demands.

There are no equality or diversity implications arising from this procurement process.

## **Environmental**

The servicing and repair of marine vessels inevitably leads to the need to dispose of used parts. The MPU outsources the collection, disposal and, where possible the recycling, of the used parts, to ensure that the impact on the environment is minimised and that the MPU meets its environmental objectives. An auditable confirmation of the collection and disposal is retained for inspection.



## Decision Briefing note - PCD 06

### Commercial Case

The MPS procurement process will be to run an open competition through the Official Journal of the European Union (OJEU), during which we will evaluate the cost of parts and (potential) suppliers' ability to provide the parts within an acceptable time, thereby minimising any operational down-time.

Given the specialised use of boat spares, the MPS does have any other parts supply contracts to align this requirement with. However, by standardising Volvo Penta engines across the fleet, we have aggregated our purchasing power, enabling us to optimise supplier terms, whilst achieving the levels of service required to maintain operational performance. Current discounts being achieved range from 22% on general repair parts to 32% on all service items.

We are seeking a renewal of the parts contract on a 2 plus 2 year basis, commencing June 2017. This renewal does not commit the MPS to any expenditure, thereby giving us flexibility if we change our strategic delivery model for maintenance of marine vessels.

### Financial Case

The summary of revenue spend, below, clearly shows the gradual increase in maintenance costs, as predicted, and largely due to the aging profile of the fleet. It also demonstrates that we have been able to operate within the annualised value of the current parts supply contract (£200k pa).

This request for contract renewal is valued at £800k and is based on our expectation that we will continue to operate within the current spend profile and no additional marine vessels are being considered. As this is a call-off contract, we have a contingency for high cost repairs, such as replacement of major power units. Without this contingency, a lack of contract value may result in our inability to facilitate timely repairs to a vessel that is unable to support operational policing.

Current average annual expenditure on Volvo Penta parts is shown below, along with the annual parts budget.

Annual Spend	Average Annual Spend	Parts Budget 2016/17
Volvo Penta Parts	£166,410	£270,000

The nature of this contract will mean that the MPS is not committed to any value or volume of spend.

### Capital

There are no additional capital requirements

### Appendix 1

#### Current Volvo Penta Powered MPU Fleet

Name	Fleet Number	Type of Volvo Engine	Service Year	Type of Vessel
Patrick Colquhoun II	900054	Twin Volvo Penta D6-370	2011	Botnia Targa 37
Gabriel Franks II	900001	Twin Volvo Penta D6-310	2006	Botnia Targa 31

Sir Robert Peel II	900002	Twin Volvo Penta D6-310	2006	Botnia Targa 31
Nina Mackay II	900003	Twin Volvo Penta D6-310	2007	Botnia Targa 31
John Harriott IV	900004	Twin Volvo Penta D6-310	2007	Botnia Targa 31
Thames Reserve	90187	Twin Volvo Penta AD41P-A	2002	Botnia Targa 31
Delta I	900005	Twin Volvo Penta D6-370	2009	Delta Power 10m TX
Delta II	900028	Twin Volvo Penta D6-370	2009	Delta Power 10m TX
Delta III	900045	Twin Volvo Penta D6-370	2010	Delta Power 10m
Robin Locker	900053	Twin Volvo Penta D4-300	2011	Delta Power 10m Cabin
Ribcraft I	900055	Single Volvo Penta D3 220	2011	Ribcraft 6.8M Jet RIB
Ribcraft II	900046	Single Volvo Penta D3 220	2011	Ribcraft 6.8M Jet RIB