

DMPC Decision – PCD 1200

Title: Security, Mail, Porterage, Front of House Services Contract Uplift

Executive Summary:

This paper seeks approval for an uplift in the contract value of £17,914,050 for the provision of various 'front of house' services including security, mail and porterage. The uplift is compliant with Public Contract Regulations and will be funded from within existing MPS budgets.

Recommendation:

The Deputy Mayor for Policing and Crime is recommended to:

1. Approve increasing the value of the Equans (formerly Engie) contract by total value of £17,914,050 which is 37% of the initial value of the contract to allow the contract to operate for its full base term plus the 2 additional extension years (total of 5+2 years). The new value of the Contract for the 5+1+1 Year term will be £65,844,920 against the originally approved contract value of £47,930,870 for the 5+1+1 Year term.

Deputy Mayor for Policing and Crime

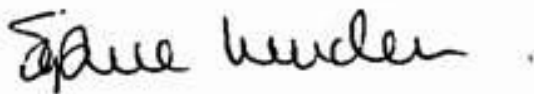
I confirm I have considered whether or not I have any personal or prejudicial interest in this matter and take the proposed decision in compliance with the Code of Conduct. Any such interests are recorded below.

The above request has my approval.

Signature

Date

19/08/2022



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

1. Introduction and background

- 1.1. MOPAC approved the contract award for the supply of the security, mail, portering, and front of house services in 2018 for an initial 5 year term, with the option to extend by two 1 year periods.
- 1.2. This paper seeks approval for a contract value uplift to enable the extension periods to be awarded.

2. Issues for consideration

- 2.1. The reasons for the need to approve a contract value uplift now is due to an administrative error whereby the contract award value was understated by £13,999,125 – this is 78% of the requested contract value uplift. The MPS has assured that this has no impact on the decision to award the contract to the supplier.
- 2.2. In addition, there has been spend on activities in excess of the expected volumes at contract award – for example, additional reactive guarding, gate failures requiring additional security, and mitigating Covid-19 impacts.

3. Financial Comments

- 3.1. The estimated contract value uplift required to the end of the planned seven year term is £17,914,050. The MPS assure that this will be met from within existing budgets.

4. Legal Comments

- 4.1. The Mayor's Office for Policing and Crime ("MOPAC") is a contracting authority as defined in the Public Contracts Regulations 2015 ("the Regulations"). All awards of, and modifications to, public contracts for goods and/or services valued at £213,477 or above shall be procured in accordance with the Regulations. This report confirms both the value of the original contract and the proposed modification exceeds this threshold.
- 4.2. The MPS assure that the proposed contract value uplift is within the Public Contracts Regulations 2015.
- 4.3. Paragraph 4.13 of the MOPAC Scheme of Delegation and Consent provides that the Deputy Mayor for Policing and Crime (DMPC) has delegated authority to approve all unforeseen variations and extensions to contracts with an original value of £500,000 or above, when the variation or extension is greater than 10% of the original value and/or is for a period of more than 12 months.

5. Commercial Issues

- 5.1. The contract for these services was awarded in 2018 for a upto seven year term, at a value of £47,930,870. The MPS has delegated authority to award the two 1 year extensions which it plans to do.
- 5.2. Due to the administrative error and additional activity the contract value needs to be uplifted by £17,914,050, 37% of the original contract value. The award of the extension will be to a performing supplier and based on the 2018 prices bid (plus inflation). The extensions will avoid the costs involved in a re-procurement and avoid exposure to potential market increases. The MPS state that as this is in relation to an extension and value uplift the existing contract deliverables cannot be amended, however the London Anchor Institution objectives will be reviewed through contract governance meetings in order to drive improvements.
- 5.3. The administrative error was in relation to the value of the contract award and does not affect the original decision to award the contract to the supplier.

6. GDPR and Data Privacy

- 6.1. MOPAC will adhere to the Data Protection Act (DPA) 2018 and ensure that any organisations who are commissioned to do work with or on behalf of MOPAC are fully compliant with the policy and understand their GDPR responsibilities.
- 6.2. The MPS assure that there is no use of personal information in regard to staff or public within this contract, and so there are no GDPR issues.

7. Equality Comments

- 7.1. MOPAC is required to comply with the public sector equality duty set out in section 149(1) of the Equality Act 2010. This requires MOPAC to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations by reference to people with protected characteristics. The protected characteristics are: age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.
- 7.2. The MPS assure that as this paper relates to an extension period to existing contract and a request to agree a financial contract value uplift there is no equality implication in regard to this paper.

8. Background/supporting papers

- Appendix 1a and 1b MPS Report - Security, Mail, Porterage, Front of House Services Purchase Order (PO) Uplift

<p>Public access to information</p> <p>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.</p> <p>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.</p>
<p>Part 1 Deferral:</p> <p>Is the publication of Part 1 of this approval to be deferred? NO</p> <p>If yes, for what reason:</p> <p>Until what date:</p>
<p>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.</p> <p>Is there a Part 2 form – NO</p>

ORIGINATING OFFICER DECLARATION	<i>Tick to confirm statement (✓)</i>
<p>Financial Advice: The Strategic Finance and Resource Management Team has been consulted on this proposal.</p>	✓
<p>Legal Advice: The MPS legal team has been consulted on the proposal.</p>	✓
<p>Equalities Advice: Equality and diversity issues are covered in the body of the report.</p>	✓
<p>Commercial Issues Commercial issues are covered in the body of the report.</p>	✓
<p>GDPR/Data Privacy GDPR compliance issues are covered in the body of the report .</p>	✓
<p>Drafting Officer Alex Anderson has drafted this report in accordance with MOPAC procedures.</p>	✓
<p>Director/Head of Service: The interim MOPAC Chief Finance Officer and Director of Corporate Services has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.</p>	✓

Chief Executive 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 19/08/2022

A handwritten signature in dark ink, appearing to read "Hannahuchford.", is written in a cursive style.



Security, Mail, Porterage, Front of House Services Purchase Order (PO) Uplift

MOPAC Investment Advisory & Monitoring meeting 9th May 2022

Report by the Director of Property Services on behalf of the Chief of Corporate Services

Part 1 – This section of the report will be published by MOPAC. It is classified as OFFICIAL – PUBLIC

EXECUTIVE SUMMARY

The current contract for Security, Mail, Porterage, Front of House Services with Equans Ltd (Formally Engie) ends on 29th April 2023. DMPC decision “PCD303” included approval for 2 one-year optional extensions of the term; both years of which will be exercised under delegated authority. Annual spending has been higher than initially forecasted (due to factors beyond the Authority’s control). This paper seeks approval to uplift to the value of the contract in order to provide for current and forecast demand, enabling the 2x1 year contract extensions to be executed.

The Contract was awarded as 1 Lot by the Mayor’s Office for Policing and Crime (MOPAC), commencing on 30th April 2018. The total value of the five-year initial term is £34,236,336. There are two individual option years giving a total 7-year Contract Value of £47,930,871. The Contract has been called-off from a £131,500,000.00 framework agreement open to all GLA members.

Equans have been in contract for a period of 3 years and 8 months of the Initial 5 Year Contract Term. The base term end date is 29th April 2023. There are 2 x 1-year unilateral optional extension periods available under the existing contract with notice to be provided to the supplier for any potential extension not later than 28th Jan 2023 (3 months).

Recommendations

The Deputy Mayor for Policing and Crime, via the Investment Advisory and Monitoring meeting (IAM), is asked to:

1. **Approve** increasing the value of the Equans (formerly Engie) contract by total value of £17,914,050 which is 37% of the initial value of the contract to allow the contract to operate for its full base term plus the 2 additional extension years (total of 5+2 years). The new value of the Contract for the 5+1+1 Year term will be £65,844,920 against the originally approved contract value of £47,930,870 for the 5+1+1 Year term.

Time sensitivity

A decision is required from the Deputy Mayor by 24/05/2022. This is to allow MOPAC to review and approve the uplift so the extension years (year 6 & 7) can be exercised.

Non-confidential facts and advice to the Deputy Mayor for Policing and Crime

Introduction and background

1. Following a competitive tender process completed in 2018 by KBR on behalf of the Authority, the Authority entered a contract with Equans Services Limited (formerly Engie) on 30th April 2018 for the provision of Security, Mail, Porterage, Front of House Services.
2. The Contract was awarded as 1 Lot by the Mayor's Office for Policing and Crime (MOPAC), commencing on 30th April 2018. The total value of the five-year initial term is £34,236,336. There are two individual option years giving a total 7-year Contract Value of £47,930,871. The Contract has been called-off from a £131,500,000.00 framework agreement open to all GLA members.
3. Equans have been in contract for a period of 3 years and 8 months of the Initial 5 Year Contract Term. The base term end date is 29th April 2023. There are 2 x 1-year unilateral optional extension periods available under the existing contract with notice to be provided to the supplier for any potential extension not later than 28th Jan 2023 (3 months).

Issues for consideration

4. Deputy Mayor for Policing and Crime (DMPC) to take into consideration:
5. The 2018 IAB paper to MOPAC stated an incorrect amount to be approved. The £47,930,871 approved should have stated a figure of £61,929,995 to align with the outcome of the bidding process and the figure published in the Contract Award Notice.
 - I. The Equans bid model for the 7-year contract (financial model) confirms a total fee for the 7 contract years of £61,929,995. The value that was submitted to the IAB award paper for approval by MOPAC for the 7-year period was £47,930,871. This was an administrative error, and the larger value should have been put forward for IAB approval as evidenced in the contract award notice which stipulates lot no: 4 - the provision of security, mail, porterage, and front of house services has a MOPAC expenditure for this lot anticipated to be

between £57,000,000 and £105,000,000. The contract award notice reference that relates to this service is 2017/S 096-189225.

6. The requested uplift in value is in full compliance with the Public Contracts Regulations 2015 (PCR 2015) under provisions of Regulation 72.
7. The overspend on planned and reactive services key reasons. Examples of these key reasons are:
 - Gate failures: increase in frequency and duration - some sites in excess of 6 months (Dagenham P.S.), 15 Deer Park Road 3 months etc.
 - Additional reactive guard: retained at Peel Centre since contract start date; pending changes to physical security yet to be agreed
 - COVID-19: Significant additional costs due to COVID-19 'Excusing Event' under Schedule 7 – Performance - Clause 6 Mitigation, paragraph Cl 6.1.1 (C) 'epidemic'
 - Kennington Recruitment Centre: Addition of Kennington Recruitment Centre (receiving site for ESB) as guarded site not anticipated at time of tender
 - Greater activity by anti-establishment demonstrators targeting police properties by way of unlawful entry and squatting. Increased security of vacant sites required pending sale.

Contributes to the MOPAC Police & Crime Plan 2022-2025¹

8. This is for the Supply of Security, Mail, Porterage & Front of House Services specifically to provide The Authority the provision of a full (reactive and planned) security guarding, mail, portorage and front of house service. The reactive and planned service shall be provided on a 24/7/365 basis across the MPS Estate. The Estate covers the 32 boroughs of the Greater London area, and a number of other locations to support policing operations.

Financial, Commercial and Procurement Comments

9. The proposed Purchase Order (PO) contract uplift value required for full term of contact (5 + 1 + 1) is £17,914,050
10. Increasing the value of the Equans (formerly Engie) contract for the entire term (5+2 years) represents an uplift of 37% of the initial value of the contract.
11. The request for an uplift is against the approved contract value and no additional funding will be required by MOPAC. The spend is managed within MPS existing budgets.
12. The uplift is compliant with regulation 72(1)(b) as re-procurement would cause significant inconvenience or substantial duplication of costs for the contracting authority. The extension of this service line avoids significant duplication of costs by not having to retender. The extension will allow the authority to create a procurement strategy for future contracts that is developed to deliver the best possible service and value for money. Furthermore, the authority will achieve cost certainty as the costs are fixed (subject to Average Weekly Earnings inflation) as well as mitigating risk of new entrant to estate and poor performance.
13. While this is not a new procurement having an approved uplift will allow further

¹ <https://www.london.gov.uk/publications/building-safer-london>

commitment by Equans (formerly Engie) to the delivery of the key principals to the London Anchor Institutions' Charter through the following:

- Continue to deliver local employment and their innovation in doing so;
- have inclusion and diversity values that are reflected within their workforce;
- work towards achieving 80% recycling;
- have apprenticeship schemes in place; and
- bring innovations into reducing their carbon footprint whilst working towards carbon net-zero

Legal Comments

14. The Mayor's Office for Policing and Crime ("MOPAC") is a contracting authority as defined in the Public Contracts Regulations 2015 ("the Regulations"). All awards of, and modifications to, public contracts for goods and/or services valued at £213,477 or above shall be procured in accordance with the Regulations. This report confirms the value of the recommendations exceed this threshold.

15. Regulation 72 provides a limited number of circumstances when a contract shall be modified compliantly.

16. Regulation 72(1)(b) provides a modification is permitted:

for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor—

(i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, or

(ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority,

provided that any increase in price does not exceed 50% of the value of the original contract;

17. An increase of 37% is within the limit of 50% in regulation 72(1)(b). This report also confirms the impacts of changing contractor and the technical challenges that would bring. On that basis, regulation 72(1)(b) would apply.

18. Regulation 72(3) requires contracting authorities that have modified a contract in the case described 72(1)(b) shall send a notice to that effect, in accordance with regulation 51, for publication.

19. Paragraph 4.13 of the MOPAC Scheme of Delegation provides that the Deputy Mayor of Policing and Crime (DMPC) has delegated authority to approve all unforeseen variations and extensions to contracts with an original value of £500,000 or above, when the variation or extension is greater than 10% of the original value and / or is for a period of more than 12 months.

Equality Comments

20. As this is requesting to agree a financial contract value uplift there is no equality

implication in regard to this paper.

Privacy Comments

The MPS is subject to the requirements and conditions placed on it as a 'State' body to comply with the European Convention of Human Rights and the Data Protection Act (DPA) 2018. Both legislative requirements place an obligation on the MPS to process personal data fairly and lawfully in order to safeguard the rights and freedoms of individuals. There is no use of personal information in regard to staff or public within this contract, so there are no GDPR issues.

Real Estate Implications

21. None other than to ensure a compliant suite of contracts.

Environmental Implications

22. At the time of the original contract there was no requirement in regard to ULEZ but the supplier is encouraged to ensure that all Supplier(s) vehicles used on the contract meet the requirements of the current Ultra-low Emission Zone (ULEZ) and establish plans to meet any future emission requirements, this could include the provision of zero emission deliveries to MPS sites, in line with the ambitions of the GLA Responsible Procurement Implementation Plan.

Background/supporting papers

There are no supporting papers included in part 1.

Report author: Keeley Richfield (FM integrator) – MPS Procurement Team

Part 2 – There is no part 2 document with this paper.

Business Justification Paper

Security, Mail, Porterage, Front of House Services Purchase Order (PO)
Uplift

Portfolio & Investment Board

12th April 2022

Freedom of Information Act Publication Scheme

Protective Marking

Official Sensitive

Publication Scheme Y/N

Freedom of Information Act Publication Scheme

Title	Security, Mail, Porterage, Front of House Services – Annual Spending Re-Profiling and Two-Year Extension of the Contract term.
Version	1
Summary	The initial Term of current contract in place for Security, Mail, Porterage, Front of House Services with Equans Ltd (Formally Engie) ends on 29th April 2023. DMPC decision “PCD303” included approval for 2 one-year optional extensions of the term; both years of which will be exercised. Annual spending has been higher than initially forecasted (due to factors beyond the Authority’s control). This paper seeks approval to uplift to the value of the contract in order to provide for current and forecast demand, enabling the 2x1 year contract extensions to be executed.
(B)OCU or Unit, Directorate	Property Services Department
Run/Change	
Author	Prepared by Property Services
Date Issued	22nd March 2022

Purpose of this document

This is the standard MPS template for the production of business cases where a business decision is required by departmental COGs, corporate or project/programme Boards. Although it follows a broadly similar structure, it is distinct from the SOP/SOC/OBC/FBC templates which are only used as part of the MOPAC/MPS Investment Appraisal process to pass through the required ‘Gates’. This template should be used for all other business decisions which require management or corporate approval, in particular where a number of options are available for achieving the required outcome or funding considerations apply. It is designed to ensure that all relevant considerations are taken into account when significant business decisions are required.

Document edit history

Version	Date	Additions/Modifications	Prepared/Revised by
Version 1.0	03/02/2022	-	Integrator Service Provider / PSD
Version 2.0	01/04/2022	Amended to incorporate PIB comments	Integrator Service Provider / PSD

Internal consultation and assurance

The following people have either:

- assured this proposal as subject experts, by considering its impact on their area of expertise; or
- been consulted as a representative of a part of the organisation affected by the proposal.

Their opinions have been incorporated in the paper.

Directorate / Dept.	Name & Job Role	Rank / Grade	Date Assured
Property Services Directorate	Vince Fihosy	Director of Property Services BB2	18/03/2022
Commercial Services Directorate	Mark Roberts	Director of Commercial Services BB2	
Finance Directorate	Ian Percival	Director of Finance BB2	
Finance Directorate	Victoria Thompson	Finance Business Partner Band U	01/04/22
Property Services Directorate	Dave Field	Head of Facility Management Services Band S	28/02/22
Property Services Directorate	Keith Limburn	Assistant Director FM Soft Services Band A	28/02/22
Property Services Directorate	Nigel Wright	Snr Commercial Manager Band U	28/02/22
Commercial Services Directorate	Sepideh Farzam	Head of Commercial Band S	07/03/22
Commercial Services Directorate	Alex Carter	Commercial Manager	28/02/22
Directorate of Legal Services	Prit Mandair	Solicitor	01/03/22
Strategic Secretariat	HQ-StrategicSecretariatMailbox-.StrategicSecretariat@met.police.uk	Natoya Battick	04/03/22
Digital Policing (DP)	SDIM.PMO@met.police.uk	William Hawkins	09/03/22
HR	HRMailbox-.StrategicLearning@met.police.uk		28/02/22 (no response)
Safety & Health Risk Management	HRMailbox-.SHRMMBandMPARports@met.police.uk		28/02/22

			(no response)
Strategic Diversity and Inclusion	StrategicDiversityandInclusion@met.police.uk		28/02/22 (no response)
Integrated Design & Architecture	TransformationMailbox- .IntegratedDesignandDelivery@met.police.uk	James Dowman	03/03/22
Environmental Management	Environment-MPS@met.police.uk		07/03/22 (awaiting final response)
Business Change	TDMailbox-.BusinessChange@met.police.uk		28/02/22 (no response)
Transformation Centre of Excellence	TDMailbox-.PortfolioOffice- CentreofExcellence@met.police.uk		28/02/22 (no response)
Information Management	MetHQ- .DataOfficeActionPlanningTeam@met.police.uk	Laura Marjason-Smyth	09/03/22

1 Decisions Required

This Business Justification relates to 'The Supply of Security, Mail, Porterage & Front of House Services' contract.

The Portfolio & Investment Board is requested to approve the following recommendations:

1. **Approve** increasing the value of the Equans (formerly Engie) contract by total value of **£17,914,050** which is **37%** of the initial value of the contract to allow the contract to operate for its full base term plus the 2 additional extension years (total of 5+2 years). The new value of the Contract for the 5+1+1 Year term will be **£65,844,920** against the originally approved contract value of **£47,930,870** for the 5+1+1 Year term.

Noting that:

- a) Currently the Services are provided to the full estate by Equans (formerly Engie). This Contracts' initial Term will be expiring 29th April 2023, with a unilateral option to extend by two years (1+1 years).
- b) DMPC decision PCD303, dated 05 February 2018, for the award of this included approval for 2 one-year optional extensions of the term; both years of which will be exercised by MPS Commercial Services under delegated Authority.
- c) Due to the actual annual spending exceeding that of originally forecasted and thus approved, this paper seeks approval for the increase in the value of the contract.
- d) The 2018 IAB paper to MOPAC stated an incorrect amount to be approved. The £47,930,871 approved should have stated a figure of **£61,929,995** to align with the outcome of the bidding process and the figure published in the Contract Award Notice.
 - II. The Equans bid model for the 7-year contract (financial model) confirms a total fee for the 7 contact years of **£61,929,995**. The value that was submitted to the IAB award paper for approval by MOPAC for the 7-year period was **£47,930,871**. This was an administrative error, and the larger value should have been put forward for IAB approval as evidenced in the contract award notice which stipulates lot no: 4 - the provision of security, mail, porterage, and front of house services has a MOPAC expenditure for this lot anticipated to be between £57,000,000 and £105,000,000. The contract award notice reference that relates to this service is 2017/S 096-189225.
- e) The requested uplift in value is in full compliance with the Public Contracts Regulations 2015 (PCR 2015) under provisions of Regulation 72.

Key Financial Data – Current Spend Status

Original Contract PO Value Approved by MOPAC	Total Contract PO Value initial 5 Year Term (5 Years)	Total Contract PO Value Extension Period for Year 6 and 7 (2 Years)	Current Spend to Date (Dec 21)
£47,930,871	£34,236,336	£13,694,534	£33,706,328*

*Based on the current Monthly Average Spend run rate of £783,868, the Contract PO Value of £34,236,336 for the 5 Year Initial Term will be fully consumed within Q1 2022. Therefore, an uplift is required.

Key Financial Data – Uplift Required to Contact Purchase Order (PO) Value.

Service	Contract Value Approved by MOPAC (5+1+1 Years)	Total Approved Contract Value Initial 5 Year Term + Two 1 Year Extensions (5 + 1 + 1 Years)	Actual Annual Spending Profile to Date** £ Per Annum	Revised Forecast Spending for Initial 5 Year Term + Two 1 Year Extensions (5 + 1 + 1 Years)	Uplift Required	Uplift % of the total value
Front of House	Years 1 to 5 £34,236,336 Year 6 £ £6,847,267 Year 7 £6,847,267	£47,930,870	£9,406,417	£65,844,920	£17,914,050	37%

** Based on the current Monthly Average Spend run rate of £783,868 on the Contract.

***This is calculated by taking the “total approved contract value” for the full 7-year term (£47,930,870) and deducting the “revised forecast spending” for the initial 5-year term plus the two 1-year extensions (£65,844,920) = **£17,914,050**.

The key issues the Portfolio and Investment Board need to take account of are:

a) Monthly Spend Rate against Initial and Full Contract Terms

- Based on the current average spend rate the PO value against the initial contract term of 5 years has been fully consumed as of March 2022.
- In addition, based on the current average spend rate the PO value against the full contract term of 7 years would be fully consumed as of June 2023. This is 22 months in advance of the full contract term due to the overspend key reasons below.
- Approval of this uplift paper will mitigate significant duplication of costs in having to run a re-procurement process earlier than planned. Based on current market rates there is a risk that any new contract pricing would increase, and the Authority would lose the benefit of the competitive rates secured in 2018.
- The Authority would seek to extend the supplier for both optional 1 year extension years based on current levels of performance.

b) Overspend on Reactive Services (Key Reasons)

- **Escorting at ESB:** for Programme 10 during refurbishment - at peak 4 guards per day for 12-18 months approx.
- **Additional car parking:** provision at ESB for COVID-19 and then for ESB Security project (changes to physical security)
- **Guarding vacant sites:** Paddington Green P.S. for about 8 months following occupation of by protestors; various decommissioned sites since April 2021 following occupation of an MPS site by protestors.
- **Gate failures:** increase in frequency and duration - some sites in excess of 6 months (Dagenham P.S.), 15 Deer Park Road 3 months etc.
- **Additional reactive guard:** retained at Peel Centre since contract start date; pending changes to physical security yet to be agreed
- **COVID-19:** Significant additional costs due to COVID-19 ‘Excusing Event’ under Schedule 7 – Performance - Clause 6 Mitigation, paragraph Cl 6.1.1 (C) ‘epidemic’
- **Periodic reactive guarding:** Ongoing periodic reactive guarding at OVRO (Southwark P.S.)

c) Overspend on Planned Services (Key Reasons)

- **Belvedere:** this addition was anticipated however the expected release of guarding at sites such as Ponton Road (retained), Rowdell Road (COVID-19 PPE storage) has not occurred and delayed sale of Tower Bridge Business Park (Mandela Way).
- **Kennington Recruitment Centre:** Addition of Kennington Recruitment Centre (receiving site for ESB) as guarded site not anticipated at time of tender
- **Deer Park Road:** Addition of 25 Deer Park Road (evidence storage) as guarded site not anticipated at time of tender

d) Services Overspend – Contract Value administrative error

- The reasons behind the service overspend has been investigated by the Integrator and the findings show that when tendering the original package the contract value entered into the 2018 IAB award paper was incorrect due to an administrative error. Together with this, the growth in demand during this period has risen which has led to an overspend on Planned and Reactive Services.
- The Equans bid model for the 7-year contract (financial model) confirms a total fee for the 7 contact years of **£61,929,995**. The value that was submitted to the IAB award paper for approval by MOPAC for the 7-year period was **£47,930,871**. This was an administrative error, and the larger value should have been put forward for IAB approval as evidenced in the contract award notice which stipulates lot no: 4 - the provision of security, mail, portorage, and front of house services has a MOPAC expenditure for this lot anticipated to be between £57,000,000 and £105,000,000. The contract award notice reference that relates to this service is 2017/S 096-189225.

2 Strategic Case

Background

Following a competitive tender process completed in 2018 by KBR on behalf of the Authority, the Authority entered a contract with Equans Services Limited (formerly Engie) on 30th April 2018 for the provision of Security, Mail, Porterage, Front of House Services.

The Contract was awarded as 1 Lot by the Mayor's Office for Policing and Crime (MOPAC), commencing on 30th April 2018. The total value of the five-year initial term is £34,236,336. There are two individual option years giving a total 7-year Contract Value of £47,930,871. The Contract has been called-off from a £131,500,000.00 framework agreement open to all GLA members.

Equans have been in contract for a period of 3 years and 8 months of the Initial 5 Year Contract Term. The base term end date is 29th April 2023.

There are 2 x 1-year unilateral optional extension periods available under the existing contract with notice to be provided to the supplier for any potential extension not later than 28th Jan 2023 (3 months).

Current Performance

Equans BSC														
Engie FoH	Oct-20	Nov-20	Dec-20	Jan-21	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21	Aug-21	Sep-21	Oct-21	Nov-21
CPF 3	PASS	PASS	PASS	PASS	PASS	Fail	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
CPF 5	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 1a	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 2a	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 3n	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 3o	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 5a	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 5b	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 6	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 7	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 8	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS
KPI 9	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS	PASS

An analysis of Equans BSC performance across the Contract Term to date demonstrates a continuous level of performance for the six-month period up to end Nov 2021

In summary the Authority has a performing Supplier (Equans) delivering the Services across the MPS Estate.

Proposed Strategy

To allow the contract to reach the full-term period (7 years), approval is requested to increase the value of the Equans (formerly Engie) contract by total value of **£17,914,050** which is **37%** of the initial value of the contract for the entire Contract Term including the extension years (total of 5+2 years).

This can be achieved through section 72 of the PCR 2015 regulations.

Although the MPS require a 37% uplift to ensure the contract can get to the end of the 2 extension years the Authority will publish to the market a 28% uplift in value via a modification notice as the Contract Award Notice in 2018 stated the correct higher figure.

The proposed arrangements and the benefits envisaged:

a) Increase the value of the contract.

The uplift to the contract will allow the Authority to reach the full term of 7 years (total of 5+2 years).

The following benefits are envisaged;

- **Allows the Authority to retain performing Supplier for a further 24-month period.**
- **The Authority will achieve cost certainty as the costs are fixed (subject to AWE inflation)**
- **Avoids significant duplication of costs by not having to retender the service line.**

Risks and Mitigations

There are several risks relevant to this procurement strategy. The Integrator will manage the risks as we move through the procurement process and implement the proposed mitigations. The main risks associated with the recommended approach are summarised below.

Ref	Category	Risk Description	Date Raised	Risk Rating		Risk Level	Mitigating Action / Proposal to Manage
				Probability	Impact		
1	Commercial	Inflation: There is a risk inflation rises above the current AWE level of inflation leading to an additional cost over and above the contingency built into the Contract Uplift.	01-Feb-22	Medium	Medium	5	<ol style="list-style-type: none"> Authority to build in enough contingency into the uplift to factor in inflation over the 2 years. FM Integrator to monitor AWE inflation via ONS and provide update to the Authority.
2	Commercial	PCR Challenge: There is a risk that the market may challenge any uplift in contract value if >50%	01-Feb-22	Low	Low	1	<ol style="list-style-type: none"> MPS to ensure robust legal advice is taken to mitigate this. Uplift shall be considered in the context of regulation 72. Modification notice to be published citing a Major change of contract within the regs to ensure PCR compliance
3	Commercial	Monthly Spend Rate There is a risk that spending increases further due to variables outside MPS control, e.g., COVID outbreak, heightened security alerts.	01-Feb-22	Medium	Medium	5	<ol style="list-style-type: none"> Appropriate commercial risk percentage to be added to the uplift value FM Integrator to monitor run rates and provide updates to the Authority.

Impact			
HIGH	6	7	9
MED	3	5	8
LOW	1	2	4
	LOW	MED	HIGH

The following strategic options have been considered to satisfy the business need and this paper recommends the uplift to Equans (Formally Engie) PO value to cover the Services until 28th April 2025 as per option 2 below.

Option to satisfy business requirement	Estimated Cost	Pros	Cons	Risk Indicator
1. Extend and Uplift Contract for 1 Year	£8,507,632 (1 Year Cost)	<ul style="list-style-type: none"> Allows the Authority to retain performing Supplier for a further 12-month period. Equans costs fixed (subject to AWE inflation) Mitigates risk of new entrant to estate and poor performance 	<ul style="list-style-type: none"> Authority exposed to potential market increases through a retender earlier than required. Duplication of re-procurement costs early than planned 	<u>Not Recommend</u>
2. Extend and Uplift Contract for 2 Years	£17,914,050 (2 Year Cost)	<ul style="list-style-type: none"> Allows the Authority to retain positively performing Supplier for a further 24-month period beyond the base term Equans costs fixed (subject to AWE inflation) Mitigates risk of new entrant to estate and poor performance Avoids duplication of re-procurement costs. 	<ul style="list-style-type: none"> Additional spend against the service line in excess of the contract value MOPAC originally approved. The budget has been set based on actual expenditure, taking account of funding from elsewhere in the MPS to deliver, and is sufficient across the two 	<u>Recommend</u>

		<ul style="list-style-type: none"> MPS Legal note supports this as compliant route (no breach of Regulation 72) not exposed to potential market increases Capitalises on the benefit of the competitive rates secured in 2018) 	contracts to cover planned expenditure, with no increase in budget required.	
3. Do Nothing – allow Contract to expire naturally	£14,224,543 Remaining PO Value	<ul style="list-style-type: none"> None noted 	<ul style="list-style-type: none"> The PO value against the full contract term of 7 years would be fully consumed as of June 2023. Contract would end 22 months in advance of the full contract date Requires Authority to terminate early and retender Service line 	Not Recommend

4 Commercial Case

Following a competitive tender process completed in 2018 by KBR on behalf of the Authority, the Authority entered a contract with Equans Services Limited (formerly Engie) on 30th April 2018 for the provision of Security, Mail, Portage, Front of House Services.

The Contract was awarded as 1 Lot by the Mayor's Office for Policing and Crime (MOPAC), commencing on 30th April 2018. The total value of the five-year initial term is £34,236,336. There are two individual option years giving a total 7-year Contract Value of £47,930,871. The Contract has been called-off from a £131,500,000.00 framework agreement open to all GLA members.

The Equans bid model for the 7-year contract (financial model) confirms a total fee for the 7 contact years of **£61,929,995**. The value that was submitted to the IAB award paper for approval by MOPAC for the 7-year period was **£47,930,871**. This was an administrative error, and the larger value should have been put forward for IAB approval as evidenced in the contract award notice which stipulates lot no: 4 - the provision of security, mail, portage, and front of house services has a MOPAC expenditure for this lot anticipated to be between £57,000,000 and £105,000,000. The contract award notice reference that relates to this service is 2017/S 096-189225.

Proposed PO Contract Uplift Value required

- Uplift Required to PO Value for full term of contact (5 + 1 + 1): **£17,914,050**

The increasing the value of the Equans (formerly Engie) contract for the entire Term (5+2 years) represents an uplift of 37% of the initial value of the contract.

Value for Money

The Authority seeks this route as it has been identified as the strategy for providing the best value for money and to ensure the continued high operational performance to the MPS, for the following reasons:

- Extending the contract by two years and uplifting the value will mitigate significant duplication of costs in having to run a re-procurement process whilst extension options are available to the Authority.
- It allows sufficient planning to realign the scope of the services to the estate strategy.
- Extension by two years will mean that the MPS will benefit from the competitive rates secured in 2018.
- Ensures a continuous service of a contract of critical importance.
- Allows focus on the mobilisation of the new 'Property Integrator' as opposed to retendering during an intense period of mobilisation.
- Takes advantage of rates negotiated in 2018 noting that current market indices (building/construction) have increased above inflation.

The uplift is compliant with regulation 72(1)(b) as re-procurement would cause significant inconvenience or substantial duplication of costs for the contracting authority. The extension of this service line avoids significant duplication of costs by not having to retender. The extension will allow the authority to create a procurement strategy for future contracts that is developed to deliver the best possible service and value for money. Furthermore, the authority will achieve cost certainty as the costs are fixed (subject to AWE inflation) as well as mitigating risk of any new supplier on the estate with possible poor performance.

In addition with the above, awarding a new contract with a potential new supplier would cause MPS to suffer significant inconvenience or substantial costs. There is currently a significant delay in getting staff & contractors vetted and mobilising a new contract early would put further strain on the vetting unit and pose a significant chance of not having enough vetted staff for the start of the contract. TUPE transfers of current contractor staff would be duplicated with a new contractor. MPS systems and operational training will be required and service interruption due to the transition would be seen causing a drop in performance. This would all take place within the mobilisation period of the re-procurement which is a 6 months' timescale or longer. Furthermore, the knowledge gaps left by changing and mobilising of contracts in quick succession when going through the TUPE process would pose a significant operational performance risk.

Legal Implications

1. The Mayor's Office for Policing and Crime ("MOPAC") is a contracting authority as defined in the Public Contracts Regulations 2015 ("the Regulations"). All awards of, and modifications to, public contracts for goods and/or services valued at £213,477 or above shall be procured in accordance with the Regulations. This report confirms the value of the recommendations exceed this threshold.
2. Regulation 72 provides a limited number of circumstances when a contract shall be modified compliantly.
3. Regulation 72(1)(b) provides a modification is permitted:
for additional works, services or supplies by the original contractor that have become necessary and were not included in the initial procurement, where a change of contractor—
(i) cannot be made for economic or technical reasons such as requirements of interchangeability or interoperability with existing equipment, services or installations procured under the initial procurement, or
(ii) would cause significant inconvenience or substantial duplication of costs for the contracting authority, provided that any increase in price does not exceed 50% of the value of the original contract;
4. An increase of 37% is within the limit of 50% in regulation 72(1)(b). This report also confirms the impacts of changing contractor and the technical challenges that would bring. On that basis, regulation 72(1)(b) would apply.
5. Regulation 72(3) requires contracting authorities that have modified a contract in the case described 72(1)(b) shall send a notice to that effect, in accordance with regulation 51, for publication.
6. Paragraph 4.13 of the MOPAC Scheme of Delegation provides that the Deputy Mayor of Policing and Crime (DMPC) has delegated authority to approve all unforeseen variations and extensions to contracts with an original value of £500,000 or above, when the variation or extension is greater than 10% of the original value and / or is for a period of more than 12 months.

Environmental Implications

1. The Supplier(s) should ensure that all Supplier(s) vehicles used on the contract meet the requirements of the current Ultra-low Emission Zone (ULEZ) and establish plans to meet any future emission requirements, this could include the provision of zero emission deliveries to MPS sites, in line with the ambitions of the GLA Responsible Procurement Implementation Plan.

London Anchor Institutions' Charter

2. Approving the uplift will allow Equans (formerly Engie) to continue in the delivery of the key principals to the London Anchor Institutions' Charter through the following:
- 3.
4. Continue to deliver local employment and their innovation in doing so;
5. have inclusion and diversity values that are reflected within their workforce;

6. work towards achieving 80% recycling;
7. have apprenticeship schemes in place; and
8. bring innovations into reducing their carbon footprint whilst working towards carbon net-zero

5 Financial Case

Note that:

The request for an uplift is against the approved contract value and does not require additional funding. Budgets are set taking account of the actual level of expenditure, resulting in adequate provision within existing budgets. These contracts deliver work from a number of MPS funding streams so the contract value includes sufficient headroom. The average actual expenditure is greater than envisaged when the contract was awarded, this is due to factors beyond the Authority's control and is compounded by the administrative error when raising the contract PO. Examples of these unforeseen key factors are:

- **Gate failures:** increase in frequency and duration - some sites in excess of 6 months (Dagenham P.S.), 15 Deer Park Road 3 months etc.
- **Additional reactive guard:** retained at Peel Centre since contract start date; pending changes to physical security yet to be agreed
- **COVID-19:** Significant additional costs due to COVID-19 'Excusing Event' under Schedule 7 – Performance - Clause 6 Mitigation, paragraph Cl 6.1.1 (C) 'epidemic'
- **Kennington Recruitment Centre:** Addition of Kennington Recruitment Centre (receiving site for ESB) as guarded site not anticipated at time of tender

The budget has been set based on actual expenditure, taking account of funding from elsewhere in the MPS to deliver, and is sufficient across the two contracts to cover planned expenditure, with no increase in budget required.

Key Financial Data – Current Spend Status

Original Contract PO Value Approved by MOPAC	Total Contract PO Value initial 5 Year Term (5 Years)	Total Contract PO Value Extension Period for Year 6 and 7 (2 Years)	Current Spend to Date (Dec 21)
£47,930,871	£34,236,336	£13,694,534	£33,706,328*

*Based on the current Monthly Average Spend run rate of £783,868, the Contract PO Value of £34,236,336 for the 5 Year Initial Term will be fully consumed within Q1 2022. Therefore, an uplift is required.

Key Financial Data – Uplift Required to Contact PO Value.

Service	Contract Value Approved by MOPAC (5+1+1 Years)	Total Approved Contract Value Initial 5 Year Term + Two 1 Year Extensions (5 + 1 + 1 Years)	Actual Annual Spending Profile to Date** £ Per Annum	Revised Forecast Spending for Initial 5 Year Term + Two 1 Year Extensions (5 + 1 + 1 Years)	Uplift Required	Uplift % of the total value
Front of House	Years 1 to 5 £34,236,336 Year 6 £ £6,847,267 Year 7 £6,847,267	£47,930,870	£9,406,417	£65,844,920	£17,914,050	37%

** Based on the current Monthly Average Spend run rate of £783,868 on the Contract.

***This is calculated by taking the "total approved contract value" for the full 7-year term (£47,930,870) and deducting the "revised forecast spending" for the initial 5-year term plus the two 1-year extensions (£65,844,920) = **£17,914,050**.

6 Management Case

This strategy adopts the current baseline Contract suite and therefore all the processes and procedures are in place to manage the service.

A decision is required from London's Deputy Mayor for Policing and Crime (DMPC) by 24/05/2022.

Responsibility for implementation: The FM Integrator will prepare all the relevant documentation to progress the activities.

How will benefits be envisaged: The Authority will retain a performing supplier which will support a fully compliant service and Estate. The Contract will end on expiry of the full term allowing for a future re-procurement activity to maximise economy of scale. This also avoids significant duplication of costs by not having to retender the service line earlier than required.

Project management arrangements: Project plans will be created and timescales will be monitored at every milestone to ensure a successful outcome, with responsibilities at every stage being assigned to teams/individuals as appropriate within the FM Integrator and MPS Property Team.

Stakeholder management arrangements: A schedule of Stakeholder engagement will be generated by the FM Integrator to ensure that all relevant and pertinent considerations have been considered for the extension. The FM Integrator will ensure that this is incorporated into the programme activities beyond the initial term of the contract.

Contract award notice modification: Where required an addendum to the OJEU notice will be completed to extend the value. This will depend on then original OJEU but for the avoidance of doubt will be no greater than the 37% requested in this paper.

A separate BJP for a full re-procurement will be submitted for a new contract start date of April 2025