MAYOR OF LONDON OFFICE FOR POLICING AND CRIME

REQUEST FOR	DMPC DECISION -	DMPCD 2015 79
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Title: Initiate Procurement – National Legal Service Framework

Executive Summary:

This paper requests the approval for the initiation of procurement for the retendering of a national legal services framework. The framework will comprise of three lots (Procurement, Contract & Commercial, Civil Litigation, Employment & Governance, and Property), and will have a term of 4 years. The national value of the work over the 4 years is estimated at £18-20m, with MOPAC/MPS value estimated at £8.5m.

Recommendations:

That the Deputy Mayor for Policing and Crime approves the initiation of procurement for the retendering of a national legal services framework.

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.

-100

The above request has my approval.

Signature

Date

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE DMPC Decision required - supporting report

Introduction and background

1.1 As part of the on-going process of managing contracts and tendering/re-tendering for goods and services, Procurement Services identifies contracts which require DMPC approval for either extension or to initiate contract action to tender or re-tender for goods or services or to award contracts.

2. Issues for consideration

- 2.1. The current national legal services framework, which is operated by MOPAC/MPS, covers 4 areas of legal work a) Procurement, Contract & Commercial, b) Civil Litigation, c) Employment & Governance, and d) Property. It is due to expire in May 2016. The mixed economy of in-house MPS Directorate of Legal Services (DLS), and a framework enables peaks of work and complex commercial and property related work to be managed effectively.
- 2.2. This report requests approval to initiate procurement to retender the framework in order to ensure continuity of service and to improve value for money. The proposed framework will have 3 lots a) Procurement, Contract & Commercial, b) Civil Litigation, Employment & Governance, and c) Property, the reduction from 4 to reduce bureaucracy and management overhead. The current rates have not changed in the last 4 years so there is potential for higher rates in a new tender.
- 2.3. The framework will be accessible to all GLA-group bodies and local authorities. Learning from the previous framework contract terms will be updated, key performance indicators used (linked to financial incentives) and pricing structures amended e.g. use of work packages for agreed volumes of cases.
- 2.4. The estimated value of the 4 year framework is £18-£20m, of which MOPAC/MPS value is estimated at £8.5m. Through managing the demand on the MPS in-house legal service the number of MOPAC/MPS cases to be sent to external firms is expected to reduce.

3. Financial Comments

3.1. The MOPAC/MPS estimated cost of the proposed framework and call-off contracts will be funded 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). When awarding public contracts for goods and services valued at £172,514 or above, all contracting authorities must do so in accordance with the Regulations. This report confirms that the value of the proposed contract is in excess of the above threshold. Consequently, the Regulations will be engaged.
- 4.2. It should be noted that the change from the existing NLSF to the proposed new framework is likely to constitute a service provision change under the TUPE regulations and may potentially involve one or more relevant transfers. In the event of any relevant transfers being subject to TUPE it will be the responsibility of the first and second generation contractors to comply with the provisions of TUPE, with assistance from MOPAC where necessary.

- 4.3. Paragraph 4.13 of the MOPAC Scheme of Delegation and Consents provides that the Deputy Mayor for Policing and Crime has delegated authority to approve all requests to go out to tender where the value is £500,000 or over.
 - 5. Equality Comments
 - 5.1. There are no equality and diversity implications arising from this proposal.
 - 6. Background/supporting papers
 - 6.1. MPS Report

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Information in this form is subject to the Freedom of Information Act 2000 (FOIA) and other legislation. Part 1 of this form will be made available on the MOPAC website within 1 working day of approval. Any facts/advice/recommendations that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

is the publication of this form to be deferred? NO

If yes, for what reason:

Until what date (if known):

Is there a part 2 form - Yes

If yes, for what reason: commercial confidentiality

Tick to confirm statement (✓)
√
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√

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 17/7/2015



Outline Business Case

National Legal Service Framework SS3/15/85

Submitted to:

Deputy Mayor for Policing and Crime

Document Edit History

Version	Date	Additions/Modifications	Prepared/Revised by
Version 1.0	4th June, 2015	N/A	Franca Oliffe on behalf of Hugh Giles (Director of DLS)
Version 1.1	12th June, 2015	N/A	Procurement Services
Versions 1.2	15th June, 2015		DLS



1. Summary

1.1. Executive Summary

A. Introduction

- (1) The MPS has always operated on a mixed economy when dealing with its legal work. The MPS has an in-house team (Directorate of Legal Services (DLS)) and a panel of external contractors managed by DLS.
- (2) Historically the MPS has appointed its own panel of external contractors but in 2012 the MPS was approached by the former National Policing Improvement Agency (NPIA) to set up, in collaboration with them, a National Legal Services Framework (NLSF). The purpose of the NLSF was to allow other named Police Forces/Authorities and public bodies to use the framework. The intention was to drive down costs and encourage competition.
- (3) The NLSF is managed by the MPS (DLS).
- (4) The existing contract period is from 1 June 2012 to 31 May 2016. There is no provision in the contract terms to extend the contract beyond this date and to do so would be in breach of EU procurement law.

B. Scope (including FTEs and £) and Context

- (1) Currently the contract is divided into 4 Lots:
- Lot 1 Procurement, Contract and Commercial
- Lot 2 Civil Litigation
- Lot 3 Employment and Governance
- Lot 4 Property (Residential, Commercial and PFI)
- (2) The external contractors deal with work not undertaken by DLS e.g. complex commercial work and property (residential and commercial); and act as an overflow facility for lower level legal work to deal with peaks/pressures in legal work undertaken by DLS or with specialist projects.

C. Current position (including challenges)

- (1) The NLSF contract is now in its third year and the MPS needs to commence the retendering of the new contract.
- (2) It is intended that the retendering process will be completed by November 2015. Meeting this deadline will allow sufficient time to seek authority to award the contract, carry out an induction programme for any new legal firm(s) that join the NLSF panel; deal with run offs; handover of existing legal work to any new firm(s); and other NLSF users will need to be notified in good time of any changes.
- (3) The challenge for the MPS will be to repeat its success in maintaining the cost of legal services within the budget envelope in a buoyant legal market whilst maintaining quality.

D. Future model - recommendation

- (1) The Lots will be reduced from 4 to 3. This change will reduce administration and bureaucracy for the MPS in terms of managing the framework providers. The Lots will be as follows:
- Lot 1 Procurement, Contract and Commercial
- Lot 2 Civil Litigation, Employment and Governance
- Lot 3 Property (Residential, Commercial and PFI)

- (2) Updated contract terms and Key Performance Indicators (KPIs) will enable cost benefits to be achieved e.g. financial incentives linked to KPIs to ensure that the required standards of performance are delivered.
- (3) Updated pricing structure will minimise the impact of increased charge-out rates (please see section 2.1).
- (4) Updated guidance and protocols will reduce unnecessary legal work, supervision and bureaucracy.
- (5) There are a number of potential providers which will ensure that there is a competitive process;
- (6) The use of the framework will be extended to other bodies such as the GLA group, Local Authorities and County Councils. This will create greater focus/opportunity for the providers as well as supporting other organisations.
- (7) Discussions have already been held with the legal services directorate of Transport for London (who advise the Greater London Authority group of functional bodies). TfL's feedback is that they would be keen to have the option of using the framework as an additional resource to their existing legal services contract. Consequently, TfL have asked that all the members of the GLA group are included in the MOPAC's OJEU contract notice as eligible users of the framework

E. Benefits, costs and risks of recommendation

Benefits

- (1) Allows flexibility to use the external contractors as an overflow facility to address peaks/work pressures.
- (2) Allows the MPS to reallocate MPS resources/case work to deal efficiently and effectively with unplanned/complex legal work.
- (3) Flexibility for the MPS to select the appropriate level of work to be undertaken by the NLSF panel to ensure a value for money service to the MPS.
- (5) Deals with legal work not undertaken by the MPS, e.g. complex commercial work and property (residential and commercial).
- (6) The revised contract, KPIs, guidance and protocols will reduce the supervision and bureaucracy in managing the external contractors and therefore provide the MPS with greater value.
- (7) This tender anticipates generating the saving set out in Part 2 and a further 1% rebate. Based on the estimated contract value of £20m nationally, the 1% annual rebate will equate to a maximum of £200,000.00 over the contract duration.

Costs

- (i) The estimated value for the full four years is approximately £18m-20m nationally. The estimated value is based upon historic volumes and spends. The revised pricing structure will allow the MPS to minimise increases in charge-out rates. It must be appreciated that the present charge-out rates have not been subject to review in the last four years.
- (ii) The annual MPS external contractor budget will be reduced (see Part 2).
- (ii) This reflects the agreement reached in the ASR process that increased in-house capacity, made available by rationing demand partly through the gatekeeper process, should be utilised to reduce the number of litigated cases sent to external firms.

Cost controls:



- (1) The revised pricing structure and KPIs/financial incentives will further strengthen the control over external contractor legal costs.
- (2) The revised pricing structure will bolster the financial cap cost control system already in place (A financial cap is placed on every matter that is allocated to an external contractor. The MPS' permission is required to raise the financial cap). Further details are set out in section 2.1.
- (3) The flexibility of selecting the appropriate type of legal work to be undertaken by the external contractors will maximise value for money as DLS will be able to decide which cases should be kept in-house and which should be outsourced.
- (4) The management of large pieces of legal work by a phased approach contains legal costs (The external contractor must provide quotes on agreed stages).
- (5) DLS (and all eligible users of the framework) will be able to conduct mini-competitions between the external contractors on appropriate projects. This will drive down legal costs further.
- (6) Introduction of the revised billing system will reduce bureaucracy and will allow the MPS to explore further savings within the in-house administrative team.
- (7) MPS guidance and protocols (e.g. when to fight/settle cases) safeguards against external contractors exceeding the financial caps.
- (8) Keeping high level and complex legal work in-house such as counter-terrorism, complex litigation and public inquiry work etc., allows the MPS to keep costs to the minimum level possible. For example the hourly rate for a lawyer within DLS based on the MPS Ready Reckoner is £52.36 per hour. The private sector would not be able to compete at those hourly rates for this high profile and complex legal work.

Risk

The risk of not retendering:

- It will impact on the MPS' ability to deal with non-discretionary work pressures leading to non-compliance with judicial deadlines; reputational damage; and financial penalties;
- MPS will not have the flexibility or resources to respond effectively to unplanned legal work;
- If legal work is required to be retendered as one-off pieces of work the MPS will not have the negotiating power to reduce costs;
- It will increase bureaucracy if legal work is required to be retendered on a one-off basis;
- Tendering legal work on a one-off basis may take three to six months even an already established legal framework is used. This delay may cause non-compliance with judicial deadlines; reputational damage; and financial penalties.
- Tendering legal work on a one-off basis will not provide best value for money for the MPS.

F. What next and timescales

- (1) Seek approval from Deputy Mayor for Policing and Crime to proceed with procurement.
- (2) Commencement of the procurement exercise July 2015
- (3) Appointment of firms by February 2016
- (4) Commence new contract in 1 June 2016

1.2. Recommendations

The Deputy Mayor for Policing and Crime is invited to:

(1) Approve the retendering of the National Legal Services Framework (NLSF), noting that:



- The MOPAC's/MPS' anticipated expenditure under it will be approximately £10m over the four-year period; and
- The total expenditure by all eligible users (including MOPAC/MPS) is anticipated to be between £18-20m over the four-year period.
- (2) Note that, in accordance with paragraph 4.13 of the MOPAC Scheme of Delegation and Consent, approval to go out to tender for this contract must be obtained from the Deputy Mayor for Policing and Crime.
- (3) Approve this requirement ahead of the 29 July Joint Investment Board. This urgency is required due to key milestone dates in the procurement timetable, including the publication of the MOPAC's OJEU Contract Notice on 20 July. This date is imperative for allowing sufficient time to conduct the procurement process and enable subsequent transitional arrangements prior to the current contract expiration date. The date changes for Management Board Investment and Resources and Joint Investment Board have impacted on the procurement timetable, thus creating a need for a formal decision from the Deputy Mayor for Policing and Crime prior to 19 July in order that the publication of the MOPAC's contract notice and procurement pack can be achieved by 20 July

2. Supporting Information

2.1. Overview

What is the overall purpose and scope of the Contract

The overall purpose and scope of the contract is to ensure that the MPS has an overflow facility to deal with legal work that cannot be dealt with by the MPS and undertake legal work that is not dealt with by the MPS. This will be achieved by retendering the NLSF.

How are activities/services/capabilities within scope currently delivered within the organisation?

Currently legal services are provided to the MPS by the DLS and NLSF panel firms on a mixed economy basis.

How will these activities/service/capabilities be delivered under a future business model?

The future model will continue to operate on a mixed economy basis by legal work being undertaken by DLS and NLSF panel firms.

How will the contract achieve these changes?

- (1) The updated contract terms and expanded KPIs will place further responsibility on the external contractor to self-monitor.
- (2) Financial penalties being introduced if KPIs are not achieved.
- (3) Reducing bureaucracy, especially, when dealing with invoices and billing procedures.
- (4) In the previous tendering process, the MPS moved away from the traditional method of using hourly rates for particular levels of legally qualified staff to a variety of other charging methods e.g. fixed prices; mini competitions; band rates for different levels of work; and splitting large pieces of legal work into phases. The MPS will be introducing "work packages" of similar work to be undertaken at a set price. The work packages pricing will be based on agreed volumes of cases being allocated to the external contractor.



How will the proposed future business model drive business change, increase effectiveness and deliver efficiencies?

- (1) The updated contract terms and KPIs will form the management mechanism to drive in the new business changes relating to a reduction in supervision of external contractors.
- (2) The updated guidance and protocols will improve decision making to ensure that cases do not linger incurring unnecessary costs and will be completed within the financial cap.
- (3) The changes proposed will improve the throughput of cases as it will result in reduced administration for DLS and will mean contractors can run cases more quickly.
- (4) Financial caps and financial penalties linked to non performance against KPIs will focus external contractors on self-monitoring providing an improved value for money service. The MPS will be able to recover costs for non performance.

What will the contract deliver?

- (1) The variety of pricing options for legal work will allow the MPS to select the most efficient and value for money option to deal with work undertaken by external contractors.
- (2) Central management of legal work by DLS ensures that unnecessary costs are not incurred as a result of the same advice being sought more than once.
- (3) Reduction in bureaucracy.
- (4) Build on the value for money services already in place.

What are the implications of not having the contract?

- (1) The MPS does not have sufficient in-house resources and in some case expertise (e.g. property law) to handle all the MPS' legal work.
- (2) To deal with all the legal work in-house the MPS would need to increase staffing levels including lawyers; provide additional accommodation; and MPS on-costs would increase.
- (3) There would be a serious impact on the MPS' estates programme as there is no expertise within DLS to deal with property issues. The estates programme will not be able to achieve it financial savings target for the MPS without access to specialist legal support.
- (4) Not having the resources to deal with non-discretionary legal work will lead to non-compliance with judicial deadlines; reputational damage; and financial penalties
- (5) Work pressures and lack of expertise in certain legal areas would require the MPS to go through a tendering process on every occasion to appoint external contractors. The tendering process could take anything between 3 to 6 months. This would cause unnecessary delays and bureaucracy.
- (6) Remove the flexibility for the MPS to respond effectively and efficiently when issues arise.

2.2 Benefits

Cashable Benefits:

The MPS recovers 1% annually from the NLSF firms based on the income that the NLSF panel firms have recovered from all users of the NLSF (including the MPS) for managing the NLSF framework. Based on the estimated contract value being approximately £20m nationally, the 1% annual rebate will equate to a maximum of £200,000.00 over the contract duration.

There is also a cashable benefit from having the annual MPS external contractor budget reduced by the levels include in Part 2. This is saving has been captured within the ASR process for BSS (incl MetHQ).



Non-Cashable Benefits:

- (1) Maintain support to police officers and staff in dealing with operational and non-operational matters by maintaining a full range of legal advice and support to manage the risk of claims being brought against the MPS across a variety of heads of claim
- (2) Regular performance reviews with the external contractors to keep updated on any service delivery issues. To ensure costs are managed proactively and processes are adhered to.
- (3) Reducing bureaucracy in the way that performance issues are dealt by applying consistent contract mechanisms which ensure performance issues are dealt with expediently and with minimal bureaucracy to the MPS.
- (4) Ability to respond efficiently and effectively to legal matters due to DLS being able to maintain high profile matters in-house at the same time as out sourcing less complex and non sensitive matters.
- (5) The unnecessary bureaucracy relating to having to tender individual pieces of legal work which allows for more expedient instructions and frees up DLS time and resources to concentrate on the retained matters, thereby providing a more efficient and effective client service throughout.

Support to other Projects / Initiatives:

- (1) DLS provides a centralised pan London legal service for all MPS units.
- (2) DLS provides support to the achieve the MOPAC/MPS Policing Plan
- (3) DLS provides support in achieving the MPS saving target for 2020 e.g. estate disposals

2.3 Key Risk Analysis

The risks below are currently associated with the delivery and implementation of the project and potential ongoing impacts.

Performance and Project Risks

Risk	Impact	Mitigation	
Slippage on procurement process resulting in missing implementation date	There is no extension clause in the existing contract.	Tight control of project	
Business Case rejected	The MPS would not have the resources to deal with the work currently undertaken by the external contractors. This would have serious financial and legal implications which would result in reputational damage and financial penalties.	Clearly articulate the operational requirement so that an informed decision is made in a timely manner.	

3. Business Change

- (1) The impact on the MPS units using DLS will be minimal.
- (2) It will provide continuity and an improved value for money service to the MPS



(3) The defined four-year period will align to the over-arching MOPAC 2020 Strategic Plan. The framework will not guarantee contractors a level of expenditure and therefore offers the MOPAC/MPS flexibility as to the degree of its use.

4. Options Analysis

4.1. Option financial comparisons

Option 1:

Description: As described in executive summary

Option 2:

Do nothing/let the current NLSF expire: This is not a viable option as the MPS will continue to have a need for certain legal work to performed externally (eg, conveyancing). The MOPAC/MPS also has the role of lead procurer of the national legal services contract for police forces and a number of other public bodies nationally

Option 3:

Extend the current NLSF: This would be in breach of EU procurement law in that the current Framework was awarded for the maximum duration permitted of four years. To extend it beyond the current term would expose the MOPAC and any users of the contract to a risk of legal challenge on the basis such use has not been further competed.

Option 4:

Use other compliant contracts: Benchmarking by DLS has shown that other applicable contracts do not offer: (i) coverage all the work areas that Polices forces would require and therefore those firms lack the required experience, or (ii) rates as low as the proposed retender.

5. Other impacts and implications for consideration

5.1. Equality and Diversity

Equality and Diversity considerations will be undertaken as part of the Procurement Tendering process.

There are considered to be no negative equality or diversity implications arising from this Outline Business Case. The procedure elected by the MPS is an OJEU Restrictive procedure which is open to all contractors ranging from large, medium to small enterprises and all documents will be freely available on an E-tendering website.

Careful consideration has been given as to being open and inclusive in order receive a wide range of responses. The tender process for the procurement of external contractors to provide legal services will seek equality and diversity statements, as well as evidence of their ability to meet the MPS requirements under the Equality Act 2010 as a supplier to MOPAC.

5.2. Legal

- (1) The Mayor's Office for Policing and Crime (MOPAC) is a contracting authority as defined in the Public Contracts Regulations 2015 (the Regulations). When awarding public contracts for goods and services valued at £172,514 or above, all contracting authorities must do so in accordance with the Regulations. The Executive Summary section of this report confirms that the value of the proposed contract is in excess of the above threshold. Consequently, the Regulations will be engaged.
- (2) It should be noted that the change from the existing NLSF to the proposed new framework is likely to constitute a service provision change under the TUPE regulations and may potentially involve one or more relevant transfers. In the event of any relevant transfers being subject to TUPE it will be the responsibility of the first and second generation contractors to comply with the provisions of TUPE, with assistance from MOPAC where necessary.
- (3) Paragraph 4.13 of the MOPAC Scheme of Delegation and Consents provides that the Deputy Mayor for Policing and Crime has delegated authority to approve all requests to go out to tender where the value is £500,000 or over.

5.3. Health and Safety

Health and Safety considerations will be undertaken as part of the Procurement Tendering process.

5.4. Procurement Implications - Procurement Approach and Strategy

The procurement process will be undertaken by Procurement Services in accordance with EU procurement law. The MOPAC Contract Regulations state that requirements over circa £172,514 to be procured via competitive tendering in line with EU Directives and the Public Contract Regulations 2015.

The Framework value will have a maximum throughput value of £18m-20m for of the four-year period. It will have fixed prices which will cover:

- Lot 1 Procurement, Contract and Commercial
- Lot 2 Civil Litigation, Employment and Governance
- Lot 3 Property (Residential, Commercial and PFI)

Procurement Services is encouraging competition by utilising the 'Restricted' procedure. This route to market will permit Police Forces/Police and Crime Commissioners, GLA functional bodies, Local Authorities and other specified public bodies to diversify their supplier base and access to new, as well as existing, providers.

Subject to approval, this contract will be set up as a framework agreement, therefore there will be zero financial commitment to spend.

'Value-Add' will be achieved by competitively tendering the requirement coupled with an updated specifications and demand challenge.

This requirement will benefit from 'lessons learnt' from the previous contract and improvements will be made to increase value for money such as, revised billing systems and additional guidance and protocols (e.g. when to fight/settle cases) and tighter financial caps on rates.

This business case, subject to approval, seeks to have the new contract to commence on 1st June 2016.

The assigned marking scheme is set out in Part 2

5.5. Value for Money



- (1) Value for money will be achieved by having a framework in place to continue to allow the MPS to operate a mixed economy legal service that is flexible and resilient.
- (2) The proposed pricing structure and cost controls will further limit the possibility of the MPS being surprised by large unexpected bills as well as containing fees.
- (3) The MPS can deal with peaks/work pressures by examining the best value for money option to either keep the legal work in-house or for it to be undertaken by external contractors.
- (4) The updated guidance and protocols provides limited opportunities for external contractors to bill for unnecessary legal work and increases the throughput of cases.
- (5) The updated contract terms and the introduction of KPI that have financial incentives will reduce the MPS supervision of external contractors; reduce bureaucracy; and the MPS will be recompensed for non-compliance to KPIs.

5.6. Environmental Implications

There are no significant environmental impacts associated with the National Legal Services Framework.

C1	Environmental Implications				
Y.		Higher	Lower	No impact	Mitigation/ management of any higher impact
	energy use and associated kide emissions			×	
	ter consumption		,	X	
Level of requiring di	waste generation/waste sposal			Х	
Level of associated	travel and transport and emissions			X	
(use of	ial use and finite resources recycled materials and alternatives)			х	

5.7. Property Services

Approval is sought to retender the NLSF legal services contract which expires in May 2016 and cannot be extended. The proposed new contract is for 4 years to align with 2020 Strategic Plan. DLS have no in-house property legal expertise and failure to retender would impact significantly on PSD's ability to deliver on its financial savings target. Increased rates can be expected in a buoyant market which was depressed at the time of the previous tender and there have been no rates increases for the last 4 years. The new contract will further refine pricing and performance aspects, including rates for specific work packages and mini tenders. Procurement needs to commence with service of OJEU notice on 20 July 2015 to appoint by February 2016 and commence the new contract in June 2016. DLS have liaised closely with PSD and PSD is supportive.