

REQUEST FOR DMPC DECISION – PCD 208**Title: Disposal of Various Items of Property/Surplus Assets by Public Auction****Executive Summary:**

This paper seeks approval to initiate the procurement for the Disposal of Various Items of Property/Surplus Assets by Public Auction. The contract will be for a period of two years with the option to extend for a further two years.

Recommendation:

The DMPC is asked to

1. Approve the initiation of a procurement tender for a Disposal of Various Items of Property/Surplus Assets by Public Auction contract. The initial contract length will be for a period of two years, with the option to extend for a further two years.

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**

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

Decision required – supporting report

1. Introduction and background

- 1.1. The MPS has a requirement to dispose of various items of property and surplus assets through sale at public auction. The Criminal Exhibits Services team receive and store a wide range of items obtained as a direct result of criminal investigations including items seized under the Proceeds of Crime Act (POCA), property found in the street or surplus equipment and office machinery in need of disposal. These items are subsequently split into lots and sold at auction.
- 1.2 The contract will consist of four lots:
 - Lot 1 – Jewellery, fine art, antiques and memorabilia (excluding POCA)
 - Lot 2 – Property found in the street and MOPAC/MPS surplus assets
 - Lot 3 – Crime related property (excluding POCA)
 - Lot 4 – Crime related property and initial and on-going valuations (Proceeds of Crime Act)

2. Issues for consideration

- 2.1. The MPS had previously carried out a procurement exercise for this service, however there was a challenge by one of the unsuccessful bidders regarding the procurement process and the award of the contract was halted. The MPS sought external legal advice and was advised to terminate the tender and carry out a new procurement.
- 2.2. The MPS will be seeking separate approval to extend the services of their incumbent suppliers for up to 12 months to maintain the service until this tender has concluded.

3. Financial Comments

- 3.1. The cost to the MPS will be nil or minimal value as sales commission is charged to the winning bidder at the auction. The auction sales for lots 1-3 could generate income of £0.4m per annum, net of any commission charged by the auction house. Based on market prices it is expected that bidders for this contract will propose commission charges for buyers of between 10% - 15%. Based on historic sales information for lots 1-3 it is expected that they will generate potential sales commission in excess of £250,000 over the four year period. The commission is payable by the winning bidder at the auction.
- 3.2. It is estimated that monies received from items auctioned under Lot 4 will be £0.3m based on 2016 figures. The MPS will manage this income in accordance with the Proceeds of Crime Act 2002.
- 3.3. All income figures are estimates, as sales can fluctuate as they are dependent on the volumes of property found or seized over the year. As this contract is a framework agreement there is no guarantee on volume or income.

4. Legal Comments

- 4.1. There are no legal implications arising from this report.

5. Equality Comments

- 5.1. There are no direct equality or diversity implications arising from this report

6. Background/supporting papers

6.1. Report.

Public access to information

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.

Part 1 Deferral:

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

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 rational for non-publication.

Is there a **part 2** form – No

ORIGINATING OFFICER DECLARATION:

Head of Unit: The Chief Financial Officer has reviewed the request and is satisfied it is correct and consistent with the MOPAC's plans and priorities.	✓
Legal Advice: The MPS legal team has been consulted on the proposal.	✓
Financial Advice: The Chief Financial Officer has been consulted on this proposal.	✓
Equalities Advice: No Equality and Diversity issues identified.	✓

OFFICER APPROVAL**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

R. Lawrence

Date

23/5/17



Business Justification - Initiation

Disposal of Property/Assets

Investment Advisory Board 4th May 2017

Freedom of Information Act Publication Scheme

Protective Marking	Non Restricted
Publication Scheme Y/N	Y
Title	Disposal of Various Items of Property/Surplus Assets by Public Auction
Version	0.1
Summary	This is a current contract and a new contract is required as the need for this service is ongoing.
(B)OCU or Unit, Directorate	OSS - LDSS
Author	Andy Walker
Review Date	1 May 2017
Date Issued	14 March 2017

Purpose of this document

This template is to be used for procurement initiations for the following type of procurements -

PROCUREMENT TYPE	VALUE	BOARDS
<i>BUSINESS AS USUAL</i>	<i>ABOVE £500k</i>	<i>PB, PIB & IAB</i>



Version History

Version	Date	Additions/Modifications	Prepared/Revised by
1	14/03/2017	First version	Colin Griffin
2	24/03/2017	Second version	Colin Griffin
3	06/04/2017	Third version	Colin Griffin
4	27/04/2017	Final version	Colin Griffin

Internal Consultation & Assurance

The following people have been consulted in the production of this Business Justification and their opinions incorporated.

Directorate / Dept.	Name & Job Role	Rank / Grade	Date Assured
Commercial Services		Director of Commercial Services	
SCO7	Andrew Mahoney	Head of London RART	06/02/2017
OSS - LDSS	Andy Walker	Head of Criminal Exhibits Office	15/09/2016
Legal (DLS)			
Property	Sarah Foster		
Finance Business Partners	Sarah Evans		26/04/17
Health & Safety			
DCFD			



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Appendices

Procurement files are held by HQ Commercial Services containing all necessary approvals and strategies

1 Decisions Required

This Business Justification paper refers to the retender of an existing contract(s) for the Disposal of Various Items of Property/Surplus Assets by Public Auction. A tender for this requirement (Lots 1-3) was undertaken last year and on conclusion of the evaluation process a contract was subsequently awarded to a supplier in September. During the 10 day standstill period a challenge was made by one of the unsuccessful bidders in respect of the tendering process and in particular the potential contract value to the bidder, therefore the award of contract was halted. Advice was sought from the Directorate of Legal Services and they assisted with the concerns raised from the solicitors of the supplier. This turned out to be a lengthy process as both the MPS and the supplier were unable to agree on a satisfactory resolution for both parties. Legal Services sought advice from a firm of external solicitors and after some consideration they recommended to the MPS that the best course of action would be to terminate the tender and compete it again to negate the risk of a legal challenge.

In addition to this the MPS has subsequently identified an additional scope (Lot 4) to this requirement. This will now give a potential income in excess of £500,000 over an anticipated 4 year period to the successful bidder hence the need for board approval. Owing to the legal delays and need now to factor in approval by the relevant boards for both the initiation and the award of contract. This has been added as a separate Lot as it will be managed directly by SCO7 – Organised Crime Command. Items under this Lot are assets seized from suspects that includes property and vehicles. Under current legislation disposals under this category do not have to be auctioned under this contract as suspects can nominate other disposal providers. Valuations for these assets will be sought from the supplier shortly after its seizure.

A contract will be awarded to the new supplier(s) at the earliest opportunity after the approvals to award have been completed.

The Commercial Director will approve an unforeseen time only extension of up to 12 months to maintain the services of our incumbent suppliers until this tender has concluded.

The DMPC is requested to approve the following recommendations:

- To tender for a Disposal of Various Items of Property/Surplus Assets by Public Auction contract
- The contract will include the disposal of property found in the street or crime related property that has not been able to be returned to its lawful owner.
- The contract will be divided into four lots this will ensure that the MPS will benefit from the most cost effective means of generating income to the MPS (see strategic and economic case below for further details)

The key issues the DMPC need to take account of are:

- The Criminal Exhibits Office at Mandela Way has to store an array of unclaimed property that has been found in the streets by members of the public and taken to local police stations
- Items of property that are crime related and have not been traced back to the legal owner are also returned to Mandela Way for subsequent disposal
- With the current decommissioning of MPS buildings surplus assets are returned to property services for subsequent sale by auction
- The MPS has an obligation under the Proceeds of Crime Act (POCA) to facilitate the sale of assets seized from suspects

2 Strategic Case

- The Authority/MPS is seeking through this tendering process to award a contract with a single suitably capable Contractor or with a number of contractors' in line with the appropriate lots. The Services will be for an initial term of 24 months and a unilateral option for the Authority/MPS to extend for further periods at the Authorities discretion up to a maximum of 24 months.
- The Metropolitan Police Service (MPS), has a requirement for the disposal of various items of property and surplus assets through sale at Public Auctions.
- The MPS Corporate Real Estate programme involves the decommissioning of buildings resulting in various assets being surplus to requirements. These assets (excluding buildings and ICT containing MPS data) are to be split into lots and sold at auction
- The Criminal Exhibits Services (CES) team receive and store a wide-ranging number of items that can be obtained as a direct result of criminal investigations including items seized under the Proceeds of Crime Act (POCA), property found in the street or surplus equipment and office machinery in need of disposal. These items are subsequently split into lots and sold at auction
- The proposed new contract will be for an initial term of 24 months with the option to extend for further periods up to a maximum of 24 months. This will generate a possible income to the MPS in the region of £1.6M for lots 1-3 based on previous auctions. SCO7 facilitate the sale of items seized under POCA (Lot 4) and the funds raised are set aside for the relevant court. This POCA figure was approximately £0.3M for 2016.

3 Economic Case

The options for this contract are:

1. A single contract to one supplier for all lots if this offers best value for money to the MPS
2. Using a number of suppliers over the 4 lots to attract the auction experts in each area if this option offers better value to the MPS

Option one - One Contract

One single contract may have a potential benefit in that managing one supplier for all lots would give greater flexibility, accountability and the ability for us to negotiate lower commission charges to both the MPS and Buyer. This could therefore generate a higher income for the MPS

Option two – A number of contracts over the 4 lots

This will give us greater flexibility when evaluating tenders if one or more suppliers offer better revenue opportunities for particular lots.

Recommendations:

- Offering the contract in four lots allows the MPS to choose the suppliers that give the lowest rate of commission to both the MPS and the buyers at the auction.
- The opportunity for the generation of more income to the MPS as the 4 lots will encourage auctioneers to offer better commission rates in order to secure all 4 lots.

The recommended option should be based on the outcome which generates the best value for the MPS.

4 Commercial Case

We are seeking a retender of the current contract for this service for a term of an initial 24 months with the option to extend for up to a further 24 months.

The route to market will be via an open competition advertised in the Official Journal of the European Union (OJEU). The outcome of this process will be to put a Contract in place for the MPS as there are no viable frameworks for this particular requirement. The framework will be open for access to other police forces and GLA family. TFL have indicated that although they do not foresee using this framework presently, they are not averse to considering this route in the future. Lot 4 requires secure storage for high value goods and high end vehicles such as a Ferrari which are seized under POCA prior to sale at the auction house. The tender will be split into the following lots to optimise supplier interest and to attain best value.

- **Lot 1 – Jewellery, fine art, antiques and memorabilia (excluding POCA)**

This will be for items of unclaimed or crime related property considered to be of high value such as jewellery, art including but not limited to paintings and sculptures.

- **Lot 2 – Property found in the street and MOPAC/MPS surplus assets**

This is property which has been found in a street or a public place and handed in to police, which remains unclaimed by the owner, loser or finder. This includes but is not limited to bicycles, watches, clothing, and electronic equipment. Also assets belonging to MOPAC/MPS (excluding buildings or ICT equipment which contains MPS data). This includes but is not limited to ICT equipment, kitchen equipment, lighting and lamps, fire extinguishers, personal protection equipment.

- **Lot 3 – Crime related property (excluding POCA)**

Property which has come into police possession during the investigation of criminal offences and for which ownership cannot be ascertained, or which has been forfeited by order of a court. It is usually sold under the authority of the Police (Property) Regulations 1997. Other legislation may apply to individual items which will be identified when necessary.

- **Lot 4 – Crime related property and initial and on-going valuations – POCA**

Assets seized or obtained pursuant to Confiscation Orders issued by the Court under the Proceeds of Crime Act (POCA) 2002, Police and Criminal Evidence Act 1984.

Given the large volumes of property generated we have aggregated our purchasing power enabling us to optimise supplier terms, whilst achieving the levels of service required to maintain operational needs.

5 Financial Case

This is the re-tendering of an existing contract(s) for the Disposal of Various Items of Property/Surplus Assets by public auction for a four year term.

Auction sales on average for Lots 1 – 3 generate monies to MOPAC / MPS of around £0.4M per year net of any commission charged by the auctioneer. So over a 4 year period this could be in the region of £1.88M gross (assuming a 15% commission charge) with £1.6M to the MPS after commission to the auctioneer of £0.28M. Monies received will be dependent on the volume and types of property sold at auction. There is no direct cost to the MPS as proceeds of the sale are paid direct to MOPAC/ MPS minus commissions charged by winning bidder(s). Based on market prices it is expected that bidders will propose commission charges in the region of 10 -15% which could generate commissions to the auction company in excess of £0.25M over the 4 year period based on average sales. This will be attributed to the buyer at auction rather than the MPS therefore no budget provision is required for this contract.

Monies obtained from crime related exhibits (Lot 1 (partial) and Lot 3) are credited to the 'Police Property Act Fund' (managed by MOPAC). The Police (Property) Act 1897 and the Police (Property) Regulations 1997 enable the surplus (sale price less commission) from the sale of certain property and cash coming into the possession of police to be used for charitable purposes. MOPAC retain and administer these funds however the Criminal Exhibits office makes an annual claim to MOPAC for the recovery of direct costs.

For lost property found in the streets and MOPAC/ MPS surplus assets (Lot 1 partial and Lot 2) monies will go direct to MOPAC or to Property services.

Monies obtained for items seized under POCA (Lot 4) totalled £0.3M in 2016 will be credited to different nominated accounts as directed by SCO7 – Organised Crime Command. Associated POCA expenditure is managed by the POCA Programme Board in accordance with Proceeds and Crime Act legislation.

All figures are estimates, as sales can fluctuate as they are dependent on the volumes of property found or seized over the year however as this is a framework contract there is no guarantee on volumes or revenue.

6 Management Case

- This is the re-tendering of a previous contract so all the arrangements to manage a contract are already in place as follows:

Criminal exhibits offices are responsible for the management of property found in the streets and unclaimed property from crime related incidents which fall under Lots 1-3. They will also be responsible for all the collections by the supplier.

Property Services are responsible for supplying surplus building assets that need to be sold. These fall under Lots 1-2 depending on the nature and the value of the products.

SCO7 are responsible for property seized under POCA this includes storage and valuation.

- Regular meetings are held with the current supplier and this will continue with the new contract to ensure that a high level of service is obtained.
- The contract has a built in clause that commissions cannot increase without full agreement from the MPS. This is to protect the MPS and the buyers so that buyers are not put off by high commission charges which will reduce the income to the MPS.