

Item No.	Classification: Open	Date: 6 July 2012	Decision Taker: Deputy Leader and Cabinet member for Housing Services
Report title:		Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call systems Contract Plus Door Entry Contract	
Ward(s) or groups affected:		All Wards	
From:		Strategic Director of Housing Services	

RECOMMENDATION

1. That the Deputy Leader and Cabinet member for Housing Management approve the procurement strategy outlined in this report for the Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Installations Contract and the Door Entry Systems contract at an estimated annual cost of £730,288 for a period of 3 years from 1 June 2013 plus the option for two 12 month extensions making a total contract value of £3,651,440.

BACKGROUND INFORMATION

2. The services currently fall under two separate contracts. These are as follows;
 - (i) Planned preventative maintenance (PPM) and reactive work to all fire fighting equipment and fire alarm, emergency lighting and warden call installations. This includes housing blocks, sheltered housing units, housing offices, temporary accommodation hostels and tenant's halls with systems described above identified on the asset register. The contractor currently providing these services is Lovelock & Taylour Limited (Lovelock and Taylour) at an estimated annual cost of £230,885.
 - (ii) Planned preventative maintenance and reactive work to all door entry systems and installations across the council's housing stock. The contractor currently providing these services is Silk & Mackman Services Limited (Silk and Mackman) at an estimated annual cost of £499,403.
3. Each of the above contracts is subject to a separate Gateway 1&2 report seeking approval to extend them until 31 May 2012. These reports will be submitted for approval in May 2012.
4. In considering the tender process to be followed, the Engineering & Compliance team consider it prudent to package the council's door entry service with the fire fighting equipment, fire alarms, emergency lighting and warden call systems service, providing a single point of responsibility for both. This initiative is consistent with the recommendations set out in the Engineering Contracts Strategy, which came about as a result of market testing, carried out by consultants appointed by the council in 2010. Potential benefits of this arrangement include technical and operational synergies, as well as potential cost savings to be made by combining the engineering disciplines.

5. The intention is to competitively tender the fire fighting equipment, fire alarms, emergency lighting and warden call systems service, plus the door entry systems service, as set out in this report for a period of 3 years (with the potential for 2 x 1 year extensions) to ensure competitive costing of the contract, and long term stability of the service delivery.
6. Both the fire alarm contract and the door entry contract are operating well but if they are combined the council will benefit from economies of scale in costs and service delivery.
7. The intention is to award a contract for the whole service to one individual contractor, subject to a rigorous EU tender process, as set out in paragraphs 18 and 19 below. A single contractor is considered sufficient to cover the whole service. With this proposal there will be no back up arrangements built into the contract. Officers have considered this and in the event there is a need to source back up arrangements either partially or on an interim basis, the council's works approved list will be used.

Summary of the business case/justification for the procurement

8. Services performed under the proposed new contract are essential to council residents of all wards. They support the council's statutory obligations in relation to the provision of fire protection systems within its buildings across the borough.
9. Residents rely on the council to ensure that proper fire fighting equipment, fire alarms, emergency lighting, warden and door are in place and properly maintained across the wards. The provision of these services is considered to be essential to the health, safety and quality of life of council residents.
10. By tendering these services, the council will avail itself of the current market forces within the relevant market sectors, and any commercial and technical benefits that may be available to promote a regime of continual improvement and cost reduction.
11. The contract duration of 3 plus 2 x 1 year extensions, achieves a balance between ensuring price competitiveness and allowing sufficient time to develop, embed and improve service delivery.

Market considerations

12. There will be significant benefit in opening up these services to the market, to explore the options that are currently available. This does not only refer to costs, but includes better working methodologies and efficiencies that could benefit the council and users of the service. The market is well developed, with fire alarm and door entry contractors of various sizes likely to be interested in providing both services to the council. There are a number of organisations that can operate both services and which currently perform these for other Local Authorities within London.
13. With economy (in the UK and the rest of Europe) still slow to recover after the downturn of the last few years, and given current knowledge of the market for this type of service, it is anticipated that proposals will be highly competitive.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

14. The Engineering and Compliance team considered the following procurement options.
- Do Nothing – This is not an option open to the council. As a landlord and an employer, the council has a statutory obligation to provide fire alarms and door entry systems in residential buildings. The council must therefore provide this essential service at all times.
 - Use an existing framework agreement – the council has no existing framework agreements in place for this type of service and there are no external arrangements that meet the council's requirements. This has therefore been precluded as an option.
 - Shared Services – there are no other neighbouring local authority currently seeking a shared service arrangement for this type of service. Their contracts are in general ring fenced arrangements with their internal workforce or external contractors. This has therefore been precluded as an option.
 - The council provides these services in-house – The service is specialised and the expertise does not exist within the council. This has therefore been precluded as an option.
15. None of the above options are considered suitable so the Engineering and Compliance team shall adopt an EU procurement route as set out in paragraph 16 below.

Proposed procurement route

16. Procurement will be carried out in accordance with an EU Restricted Procedure. In response to the notices, contractors interested in tendering will be required to formally express an interest in order to receive a Pre-Qualification Questionnaire (PQQ).

Identified risks for the procurement

17. The Engineering and Compliance team are undertaking a number of procurements and have set up monthly meetings with the Head of Maintenance and Compliance to ensure successful delivery of these projects. The table below identifies a number of risks associated with this procurement, the likelihood of occurrence and the control in place to mitigate the risks.

R/N	Risk Identification	Likelihood	Risk Control
R1	Gateway 1 approval delayed	Low	Ensure report submitted on time with all concurrents in place
R2	Procurement tender process becomes delayed	Medium	Continual review of the procurement process. In the event of a possible delay, re-visit the process and evaluate with the Engineering and Compliance team
R3	Deadline for advertising delayed	Low	Re-evaluate and adjust the programme for procurement
R4	Challenges to procurement outcome	Low	Ensure procurement process is transparent and conducted in accordance with CSO governance and EU regulations. A robust evaluation methodology will also be in place.
R5	Overrun of Procurement Programme	Medium	Weekly reviews with project team. Tight time management of all key activities
R6	Contract award delayed	Medium	Close monitoring and management of the procurement programme with monthly progress meetings, with the project team, to mitigate any potential delays. Engineering and Compliance to liaise with Legal. If necessary, approach incumbent contractor to provide interim arrangements and extend contract.
R7	Security for insufficiencies in Performance	Medium	Contractors will be required to provide Performance Bonds and/or Parent Guarantees (subject to ownership by a parent company)

Key /Non Key decisions

18. Award of the contract flowing from this Gateway 1 Report will be a key decision. Approval of this report is not a key decision.

Policy implications

19. The fire fighting equipment, fire alarms, emergency lighting, warden and door entry systems contracts provide an essential service to the community. It supports the council's statutory obligations as a landlord.

Procurement project plan (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1:	21 May 2012
CCRB Review Gateway 1:	24 May 2012
Notification of forthcoming decision	30 May 2012
Approval of Gateway 1: Procurement strategy report	7 June 2012
Notification of implementation of Gateway 1 decision	11 June 2012
Issue Notice of Intention	12 June 2012
Completion of tender documentation	20 July 2012
Advertise the contract	23 July 2012
Closing date for expressions of interest	30 Aug 2012
Completion of short-listing of applicants	13 Sept 2012
Invitation to tender	14 Sept 2012
Closing date for return of tenders	25 Oct 2012
Completion of any interviews	n/a
Completion of evaluation of tenders	15 Nov 2012
Issue Notice of Proposal	16 Nov 2012
Forward Plan	January 2013
DCRB Review Gateway 2: Contract award report	14 Jan 13
CCRB Review Gateway 2: Contract award report	17 Jan 2013
Notification of forthcoming decision	25 Jan 2013
Approval of Gateway 2: Contract Award Report	4 Feb 2013
Notification of implementation of Gateway 2 decision	11 Feb 2013
Alcatel Standstill Period (if applicable)	21 Feb 2013
Contract award	25 Feb 2013
TUPE Consultation period	27 May 2013
Contract start	1 June 2013
Initial Contract completion date	31 May 2016
Contract completion date – if both extensions exercised	31 May 2018

TUPE/Pensions implications

20. The appointment of a new contractor in this proposed retender of these services will amount to a Service Provision Change and therefore it is possible TUPE will apply. Due diligence will need to be carried out in respect of both Lovelock and Taylour and Silk and Mackman before definitive advice on TUPE can be provided. This due diligence work needs to be carried out before the tender process commences as its results need to be included in the tender pack.

Development of the tender documentation

21. The specification and contract documentation will be prepared by the Engineering & Compliance team in conjunction with the council's legal department. A project team consisting of the Engineering & Compliance manager, Commercial Manager, Contract Managers and representatives from legal and procurement will ensure that the tender documentation is prepared.
22. The form of contract to be used will be JCT Measured Term Contract 2011 which will be subject to amendment as directed by the council's legal department.
23. All tender documentation shall be approved by the Project Board before issue.

Advertising the contract

24. The contract will be advertised by way of an official notice that will be published in OJEU.
25. Subsequent to publication of the OJEU Notice, the contract will also be placed on the council's website

Evaluation

26. The PQQ's returned will be evaluated by the Engineering and Compliance team. The selection process will be an evaluation of each contractor's economic and financial standing and their technical knowledge, experience, ability and capacity to provide the service. Those who successfully pass the short listing stage will be invited to tender. Health and Safety, Financial and Equalities & Diversity will be a pass or fail. The score percentage threshold, for a successful pre-qualification, will be 50% on the technical questions.
27. The tender evaluation criterion will follow the Most Economical Advantageous Tender (MEAT) protocol. The assessment of the tender will be based on price/quality ratio of 70:30.
28. The evaluation process will be undertaken by representatives from, engineering and compliance with guidance from legal and procurement.
29. Price evaluation will be undertaken by members of the Engineering and Compliance Quantity Surveying Team. This will be done separately and scoring inserted into the overall score sheet. Method statements will be used in assessing the quality and appropriateness of working practices. These will be scored by representatives from Engineering and Compliance Technical Team.

Tenderers will be required to provide information on their organisation, which will include (but not be limited to) organisation structure, number of personnel and their relevant qualifications, transport / logistics infrastructure, out of hours working and 24 hour helpdesk support etc., that demonstrates their ability to fulfil the requirements of the contract. The full evaluation methodology will be agreed by the Engineering and Compliance team prior to issue of the tender documentation.

Community impact statement

30. The proposed services under this contract will ensure the continued integrity of the fire fighting equipment, fire alarms, emergency lighting, warden and door entry / secure building access systems for the safety of council residents.

Economic considerations

31. It is envisaged that expressions of interest will be submitted by interested parties within the EU in response to the OJEU advertisement for the contract. As the contract will also be put on the Southwark website, it is anticipated that this will also attract the interest of more local electrical contractors and afford them the opportunity to register their interest in competing for the work.
32. Rates of pay are set by the relevant industry sector governing body for these services. The rates are well above the London Living Wage (LLW) threshold and apply to all Lovelock and Taylour operatives, and Silk and Mackman, operatives engaged in providing the services.

Social considerations

33. Contractors will be required to demonstrate that they operate an Equal Opportunity Policy and that they are fully aware and compliant with the council's own Equal Opportunity Policy.

Environmental considerations

34. The use of low emission vehicles and planning of journeys will be encouraged within the contracts. A waste consignment note will be requested from removal contractors by the council to ensure materials containing asbestos are not fly-tipped but disposed at a controlled site.

Plans for the monitoring and management of the contract

35. The contracts will be managed by the Engineering and Compliance team. The contractor will be measured on performance by the contract manager against the KPI's contained within the specification. Engineering & Compliance Quantity Surveyors will review the monthly valuations and select jobs that require post inspections to ensure quality and financial accuracy. Monthly meetings will be undertaken and recorded.

Staffing/procurement implications

36. There will be no impact on council staff caused by re-tendering these contracts. Consultants have been appointed through the council's existing framework agreements and will be used, where required, to assist and support specific elements of the procurement process.

Financial implications (FIN0696 – JP)

37. The Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Installations contract which covers the PPM element is an essential contract and is required to meet the British Standards – Code of Practice and the Door Entry contract is a vital service to the community to help ensure that it is safe and secure for residents.
38. For the foreseeable future, the annual budget available for the door entry contract is £499,403 (allowing £2,497,015 over the potential five year contract period); and the annual budget available for the fire alarms contract is £230,885 (allowing £1,154,425 over the potential five year contract period), therefore the combined door entry and fire alarm contract allows for £3,651,440 over the total five year period.

Legal implications

39. These are contained in the supplementary advice from the Director of Legal Services.

Consultation

40. N/A

Other implications or issues

41. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Director of Legal Services

42. This Report seeks the approval of the Deputy Leader and Cabinet member for Housing Management to the procurement strategy for the Fire Fighting Equipment, Fire Alarms, Emergency Lighting, Warden Call Installations and Door Entry systems at an estimated annual cost of £730,000 for a period of 3 years, with the potential for 2 twelve month extensions, making an estimated contract value of £3,651,000 as outlined in this report.
43. Contract Standing Orders (CSOs) 5.4 requires all reasonable steps to be taken to obtain at least 5 tenders following a publicly advertised competitive tendering process for non-construction works and services over £75,000 and construction works and services over the EU threshold.
44. Paragraph 16 of this Report confirms that a restricted two stage tendering procedure is proposed which will comply with EU regulations and CSO tendering requirements.
45. It is considered that these services are Part A services under the Public Contracts Regulations 2006. As the estimated value of this contract exceeds the relevant EU threshold it must also be tendered in accordance with those Regulations.

46. CSOs 4.4.2 b) requires the relevant individual decision maker to authorise this proposed procurement process, after consideration by the Corporate Contracts Review Board (CCRB) of this Report.

The Strategic Director of Finance and Corporate Services (NR/F&R/27/6/12)

47. This gateway report recommends that the Deputy Leader and Cabinet member for Housing Management approve the procurement strategy outlined in this report for the Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Installations Contract and the Door Entry Systems for a period of 3 years from 1 June 2013 plus the option for two 12 month extensions.
48. The Strategic Director of Finance and Corporate Services notes the financial implications contained within the report. Officer time to effect the recommendations will be contained within existing budgeted revenue resources.

Head of Procurement

49. This report seeks approval from the Deputy Leader and Cabinet member for Housing management for the procurement strategy for a contract covering Fire fighting equipment, fire alarms, emergency lighting, warden call systems & Door entry services.
50. The report advises that this procurement is combining services that are currently delivered by two separate contracts. Paragraph 12 confirms that there are a number of organisations within the market that have the ability to provide all of the required services.
51. The proposed strategy is for the council to carry out a competitive tender process. The process described in the report is in line with the Council's contract standing orders (CSO's) and EU regulations.
52. The report confirms that the evaluation shall be carried out on the basis of the most economically advantageous tender and in determining this shall use a price/quality ratio of 70:30 which is in line with the Council's suggested ratio.
53. The report confirms that the full evaluation model is still to be agreed and shall be issued to interested parties during the tender process to ensure a fair and transparent process.
54. This procurement is one of a number which the Engineering and Compliance team has scheduled for delivery this year. The project timetable included within the report is challenging and requires close management of all key activities. Paragraphs 21 & 23 confirm that a project team will be in place and a project board set up. It is important that good governance arrangements are in place to ensure successful and timely delivery of this procurement and continuity of service maintained.

Head of Home Ownership

55. This contract is a qualifying long term agreement within the terms of the Commonhold and Leasehold Reform Act 2002. It is subject to consultation under schedule 2 of the regulations and this must be completed before tenders

are invited through OJEU. This first stage of consultation has not yet been undertaken.

56. Further consultation will be required following receipt of the tenders before the Council enters into the agreements. It will be necessary at this second stage of consultation to provide to leaseholders a contract cost, service charge or unit rate.
57. Costs will be service charged through the annual charge and any changes to the way in which work is ordered and paid for should be discussed with the Service Charge Accountant to ensure that all costs can be attributed on a block by block basis

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
GW1/2 Door Entry Systems Maintenance & Repair (Open Report)	160 Tooley Street, SE1 2TZ	Gavin Duncumb, Commercial Manager Tel: 020 7525 0685
GW1/2 Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call installations (Open Report)	160 Tooley Street, SE1 2TZ	Gavin Duncumb, Commercial Manager Tel: 020 7525 0685

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Gerri Scott, Strategic Director of Housing and Community Services	
Report Author	David Lewis, Head of Maintenance and Compliance	
Version	Final	
Dated	6 July 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Procurement	Yes	Yes
Head of Home Ownership	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		4 July 2012

CONTRACTS REGISTER ENTRY FORM – GATEWAY 1

Contract Name	Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call systems Contract Plus Door Entry Contract
Contract Description	Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call systems Contract Plus Door Entry Contract
Contract Type	JCT Measured Term Contract 2011
Lead Contract Officer (name)	Chris Baxter
Lead Contract Officer (phone number)	0207 525 0685
Department	Housing Services Department
Division	Engineering and Compliance
Procurement Route	EU Restricted Procedure
EU CPV Code (if applicable)	TBC
Departmental/Corporate	Departmental
Fixed Price or Call Off	Call Off
Supplier(s) Name(s)	TBA
Contract Total Value	£3,651,440
Contract Annual Value	£730,288
Contract Start Date	1 June 2013
Initial Term End Date	31 May 2016
Number of Remaining Contract Extensions	2
Contract Review Date	September 2014
Revised End Date	31 May 2018
Comments	None