

<b>Item No.</b> 11.	<b>Classification:</b> Open	<b>Date:</b> 21 March 2017	<b>Meeting Name:</b> Cabinet
<b>Report title:</b>		Gateway 1 - Procurement Strategy Approval: Door Entry and Warden Call Contract	
<b>Ward(s) or groups affected:</b>		All	
<b>Cabinet Member:</b>		Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing	

## **FOREWORD – COUNCILLOR STEPHANIE CRYAN, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING**

This report sets out the council's procurement strategy for the door entry and warden call responsive repair services and provides an essential service to some of the boroughs most vulnerable residents. The contract covers the entire borough, and each year the service spends in the region of £1.2 million.

This report recommends a strategy where the previously combined "fire fighting equipment, fire alarms, emergency lighting and warden call systems plus door entry" contract is split into two separate contracts to reflect market specialisation needed across the borough. The current contract expires on 31<sup>st</sup> May 2018 and this report asks cabinet to agree a new procurement strategy for the Door Entry and Warden Call contract.

## **RECOMMENDATION**

1. That cabinet approves the procurement strategy outlined in this report for a door entry and warden call contract at an estimated annual cost of £1,210,000 for a period of four years from 1 June 2018 with the option of one or more extensions for a maximum of two years, making a total estimated contract value of £7,260,000.

## **BACKGROUND INFORMATION**

2. Currently, there is a Fire Fighting Equipment, Fire Alarms, Emergency Lighting, Warden Call and Door Entry contract in place which delivers the following services:
  - (a) periodic testing of fire alarm systems to meet statutory obligations;
  - (b) responsive repairs and maintenance to door entry systems;
  - (c) responsive repairs and testing of warden call systems;
  - (d) testing and repairs to fire fighting equipment;
  - (e) periodic testing of emergency lighting installations;
  - (f) automatic opening ventilation systems;
  - (g) some passive fire protection works; and
  - (h) builders work in connection with services.
3. The current contract commenced on 1 June 2013 for an initial term of three years with the option to extend for two 12-month extensions.

4. A Gateway 3 report seeking the first 12-month extension was approved on 19 June 2015. This report identified the need to review the existing service packaging in relation to managing corporate risks and obtaining best value.
5. A Gateway 3 report seeking the final 12-month extension will be approved shortly. This contract will therefore expire on 31 May 2018 and there is a requirement to ensure that arrangements are in place for these services.
6. The current contract scope was based upon market evaluation carried out by consultants in 2010 that recommended that bringing the services together in single contract would deliver benefits, and was in accordance with the engineering contracts strategy.
7. In 2016 asset management engineering reviewed the market in the London area and engaged with the current contractor to consider how future services should be delivered. They concluded it would be beneficial to procure two separate contracts that group entry systems and warden call into one contract and fire safety systems and equipment into another, as this reflects market specialisation.
8. The door entry and warden call services are weighted heavily towards responsive repairs, whereas fire systems and equipment services are weighted to planned cyclical maintenance and inspection. These differences require different organisational structures to deliver services efficiently and effectively.
9. The responsive door entry and warden call services can be delivered by general electrical contractors that have the appropriate call centre facilities. The fire systems and equipment sector is a niche market, where skilled maintenance engineers are scarce. General electrical contractors struggle to recruit and retain competent fire systems and equipment staff.
10. A separate Gateway 1 report for fire alarms, emergency lighting and fire fighting equipment will be presented in due course.

#### **Summary of the business case/justification for the procurement**

11. The services performed under the proposed new contract are essential to council residents housing blocks, sheltered housing units, temporary accommodation hostels and tenant's halls in all wards. It is anticipated that the contract would mainly used for housing and modernisation purposes.
12. Residents rely on the council to ensure that warden call and door entry systems are in place and properly maintained across the wards. These services form part of the safety and risk management strategy to safeguard the residents and the council's assets, and to create a safe environment for all premises users and further the council's objectives for safer communities.
13. The existing arrangements were reviewed by asset management engineering and it was concluded that an improved service would be obtained through two contracts that separated the fire alarms, emergency lighting and fire fighting equipment repairs and maintenance into one contract, and warden call and door entry systems repair and maintenance into the other. The proposed contract should elicit better competition as many contractors do not provide the whole range of services required under the current contract.

14. This proposed new contract creates a coherent approach to ensuring the safety of residents and compliance with regulations, reflecting that these customer-facing services are high volume responsive repairs services where resident satisfaction, right first time and response times are paramount. The scope of works shall include the following;
- responsive repairs and maintenance to door entry systems;
  - responsive repairs and testing of warden call systems;
  - builders work in connection with services
  - door entry upgrades and replacement for major works projects;
15. The total estimated value of the proposed contract stands at £7.2m broken down as follows:
- (i) Total estimated cost for four year term = £4.8m
  - (ii) Total estimated cost of additional two year term = £2.4m
16. The rationale for the contract duration, composed of a four year initial term and extensions of up to two years, is that it allows asset management to objectively review the effectiveness of the new contract after two years in the second annual performance review. This will leave sufficient time to re-procure should the contract not be performing as expected.
17. The contract duration of up to six years is to ensure that the door entry and warden call contract is an attractive proposition to the marketplace, stimulating competition and therefore to achieve the best possible response from tenderers.

### **Market considerations**

18. The London market is very active and the proposed contract should attract a high level of interest from across the sector. Desk-based research of business databases, including Exor, carried out by the commercial team indicates that there are around 70 companies providing these services based within 15 miles of Southwark.

### **KEY ISSUES FOR CONSIDERATION**

#### **Options for procurement route including procurement approach**

19. The asset management division considered the following options before determining the procurement strategy set out in this report:
- A. Do nothing - this is not an option available to the council. As a landlord and employer it is essential that the council ensures that the door entry and warden call systems are functional.
  - B. The council provides these works in-house - council's traded services (TS) division has been consulted and confirm that it does not currently have the in-house services. However, should the council's traded services (TS) division establish such a team, TS would be invited to tender for these works.
  - C. Shared Services - neighbouring boroughs already have their own contracts in place which have not been opened up for other boroughs to use.

D. The use of internal or external frameworks - there are no existing frameworks that meet the service requirements.

20. As none of the above options are viable and these services are estimated above the EU threshold for services, it is proposed that an EU restricted tender process is carried out to procure these services.

### **Proposed procurement route**

21. This procurement will be carried out in accordance with an EU restricted procedure via the council's e-procurement system "Pro-contract". In response to the portal advert and OJEU notice, organisations interested in tendering will be required to formally express an interest online in order to receive a PAS91 pre-qualification questionnaire (PQQ) and to view the tender documents.
22. Up to five organisations will be selected for the tender list, subsequent to the PQQ process. In the event that any tenderer achieves a score within 2% of the ranked fifth tender it would be included in the shortlist. This will meet the EU restricted procurement process.
23. The PQQ and tender evaluation will set out minimum quality and financial thresholds.

### **Identified risks for the procurement**

24. 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	Challenges to procurement outcome	Low	Ensure robust procurement in line with EU procurement regulations.
R2	The procurement process fails due to inadequate quality of submissions by tenderers	Low	Ensure that tender documents are drafted to facilitate submissions of required standard.
R3	The procurement process is delayed	Low	Effective procurement project management.
R4	The contractor fails to deliver service	Low	There will be contractual mechanisms in the contract for default. Also, selection of contractors from the council's approved list may be used.

25. An ultimate holding/parent company guarantee will be required if the successful contractor has a parent company. A performance bond will not be required as retention will be held on all interim payments

### **Key /Non-key decisions**

26. This deals with a strategic procurement and this report is therefore a key decision.

## Policy Implications

27. This contract will provide an essential service to the community. It supports the council's statutory obligations as a landlord to comply with the Building Regulations 2010 and the Housing Act 2004.

## Procurement Project Plan (Key Decisions)

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	Dec 2016
DCRB Review Gateway 1	23 Jan 2017
CCRB Review Gateway 1	02 Feb 2017
CMT Review Gateway 1	06 Feb 2017
Notification of forthcoming decision - Cabinet	09 March 2017
Approval of Gateway 1: Procurement strategy report	21 March 2017
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	29 March 2017
Issue Notice of Intention (Applies to Housing Section 20 Leaseholder consultation only)	30 March 2017
Completion of tender documentation	03 March 2017
Publication of OJEU Notice	22 May 2017
Publication of Opportunity on Contracts Finder	24 May 2017
Closing date for receipt of expressions of interest	26 June 2017
Completion of short-listing of applicants	21 July 2017
Invitation to tender	24 July 2017
Closing date for return of tenders	12 Sept 2017
Completion of evaluation of tenders	11 Oct 2017
Issue Notice of Proposal (Applies to Housing Section 20 Leaseholder consultation only)	25 Oct 2017
Forward Plan (if Strategic Procurement) Gateway 2	Oct 2017
DCRB Review Gateway 2:	11 Dec 2017
CCRB Review Gateway 2	14 Dec 2017
CMT Review Gateway 2 (if applicable)	11 Dec 2017
Notification of forthcoming decision – despatch of Cabinet agenda papers	16 Jan 2018
Approval of Gateway 2: Contract Award Report	06 Feb 2018
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision	13 Feb 2018
Debrief Notice and Standstill Period (if applicable)	26 Feb 2018

Activity	Complete by:
Contract award	01 Mar 2018
Add to Contract Register	02 Mar 2018
TUPE Consultation period (if applicable)	30 May 2018
Place award notice in Official Journal of European (OJEU)	05 Mar 2018
Place award notice on Contracts Finder	07 Mar 2018
Contract start	01 June 2018
Initial contract completion date	31 May 2022
Contract completion date – (if extension(s) exercised)	31 May 2024

### **TUPE/Pensions implications**

28. The appointment of a new contractor for the existing services in this proposed retender is likely to amount to a Service Provision Change under The Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). There should be no TUPE implications for the council as an employer because the council's contract management and administrative function will remain with the council and these activities do not appear to form part of the contract specification. TUPE is therefore only likely to apply in relation to any incumbent and new contractor. There should be no pension implications for the council unless there is a transfer from any incumbent provider of any staff who were originally employed by the council to deliver the service(s). However until due diligence is carried out definitive advice on the full TUPE and pensions implications cannot be determined. This due diligence work needs to be carried out before the tender process commences as the results need to be included in the tender pack.

### **Development of the tender documentation**

29. A project team and project board will be set up for this procurement. The project team will be responsible for producing the tender documentation and the project board will provide governance. 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 services department.

### **Advertising the contract**

30. The contract will be advertised by way of an official notice that will be published in the official Journal of the European Union (OJEU).
31. After publication of the OJEU notice, an advert will also be placed on the council's website as well as the Contract Finder website. The contract will also be advertised to all relevant suppliers on the London Tenders Portal via Pro-Contract, the council's e-procurement system.

### **Evaluation**

32. The PQQs returned will be evaluated by officers in the council's asset management division. The selection process will be an evaluation of each

contractor's economic and financial standing, technical knowledge, accreditation, experience and its ability and capacity to do the work. Five tenders, to be agreed by the project board, will be shortlisted and invited to tender.

33. Tenderers will be evaluated on the basis of M.E.A.T (most economically advantageous tender) using a weighted model of 70:30 price and quality. This achieves a balance between cost and the quality of service delivery.
34. Price evaluation will be undertaken by officers in the council's asset management team and checked by the finance and governance department.
35. Quality evaluation will be undertaken by officers in the council's asset management team. Tenderers will be evaluated based on the method statements for:
  - Mobilisation and quality of resources available.
  - Service delivery in achieving specification, customer care, health and safety and key performance indicators.
  - Response to a scenario.
  - London living wage.
36. The evaluation methodology will be developed by the project team and approved by the project board.

### **Community impact statement**

37. The contract is borough wide and supports the council's commitment to providing safe homes by ensuring the security of tenants and leaseholders in communal areas and also the safety and security of those residents living in sheltered housing units.

### **Social Value considerations**

38. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.

### **Economic considerations**

39. It is envisaged that expressions of interest will be submitted by interested parties within the EU in response to the published OJEU advertisement.
40. The successful contractor will be encouraged to develop a local supply chain where possible, however a significant proportion of components are highly specialised and only available from national suppliers.

41. The successful contractor will be required to provide apprenticeship opportunities to Southwark residents through the Southwark apprenticeships standard. The contract manager will monitor the contractor and report on progress. The standard addresses four key areas that the council has learnt are central to the success of any apprenticeship:
- Minimum contract of 12 months
  - Payment of the London Living Wage
  - Quality training provision
  - Mentoring and support.

### **Social considerations**

42. The successful contractor will be required to demonstrate that they operate an Equal Opportunities Policy, comply with the provisions of the Equalities Legislation and the Employment Relations Act 1999 (Blacklists) Regulations 2010, and make guidance or policy documents concerning how the organisation embeds equality and diversity available to employees/ sub-contractors, recognised trade unions or other representative groups of employees.
43. The successful contractor is expected to meet the London Living Wage (LLW) requirements. For this contract, the quality improvements are expected to include a high calibre of staff that will contribute to the delivery of the services on site and it is therefore considered that best value will be achieved by including this requirement. As part of the tender process, tenderers will be required to confirm that they pay the staff, who will be engaged on the contract, equal to or more than the minimum LLW hourly rate and will continue to do so through the contract term and confirm how productivity will be improved by payment of LLW. On award, any associated quality improvements and cost implications will be monitored as part of an annual review of the contract.
44. The successful contractor will be encouraged to register with and seek to secure accreditation through the TfL Fleet Operator Recognition Scheme (FORS).

### **Environmental/Sustainability considerations**

45. This contract will encourage the use of low emission vehicles and the minimisation of journeys needed.
46. All electrical equipment being replaced will be disposed of in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE). All new equipment will be low energy rated to meet current regulations.
47. All recyclable packaging will be set aside and disposed of via a recycling centre.
48. No hazardous materials will be used.
49. The successful contractor will be issued with the council's current asbestos register to avoid any risk of exposure to contractor staff or the council's residents.

### **Plans for the monitoring and management of the contract**

- 50. The contract will be let and managed by the asset management division.
- 51. Key performance indicators will be set and challenged to ensure the successful contractor's performance. In particular, targets will be set to ensure survey data is uploaded to the council's Apex asset management system.
- 52. The council's commercial team will review all applications for payment and monitor and administer defaults and recovery of costs for poor performance.
- 53. To ensure robust contract management arrangements are in place, officers will undertake audit site inspections to ensure that method statements are adhered to and surveys, sampling and air monitoring results are accurate.
- 54. Monthly progress meetings, to be attended by officers will be arranged and recorded to review performance and compliance.

### **Staffing/procurement implications**

- 55. There will be no impact on staff as the existing engineering and compliance management team are already performing the contract management functions.

### **Financial implications (FIN0934)**

- 56. The estimated cost of the proposed Door Entry and Warden Call contract can be met from the current Door Entry maintenance and refurbishment budget.
- 57. The refurbishment element of this contract was identified as an area of potential savings in future years, yet to be agreed, and will need to be considered as part of the gateway 2 contract award.
- 58. The maintenance element is recovered through service charges (both tenants and leaseholders) dependent on the conditions of the lease and will need to remain a separately identifiable budget.

### **Investment implications**

- 59. None.

### **Legal implications**

- 60. Please see concurrent from the Director of Law and Democracy.

### **Consultation**

- 61. This contract will be subject to statutory consultation under the Commonhold and Leasehold Reform Act.

### **Other implications or issues**

- 62. None.

## **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

### **Strategic Director of Finance and Governance (H&M16/059)**

- 63. The strategic director of finance and governance notes the procurement strategy for the door entry and warden call contracts.
- 64. The financial implications identify the budgets for these contracts, and emphasise the need to maintain separately identifiable budgets for service charge purposes and any savings highlighted will be addressed as part of the award of the contract.

### **Head of Procurement**

- 65. This report seeks the approval of cabinet for the procurement strategy for the door entry and warden call contract that is the subject of this report. The contract is for a period of four years with the option of one or more extensions for a maximum of two years, commencing on 1 June 2018. The estimated annual cost of the contract is £1,210,000, making a total estimated contract value of £7,260,000.
- 66. The covers warden call and door entry part of the current contract that sees the needs delivered as part of a single contract combined with Fire Fighting Equipment, Fire Alarms and Emergency Lighting. The report sets out the basis of market arrangements that have lead to the recommendation to split these requirements into two separate contracts.
- 67. The procurement strategy is for a two-stage procurement process to be undertaken via advertisement in the Official Journal of the European Union (OJEU) in line with the Public Contract Regulations 2015 and to be evaluated on the Most Economically Advantageous Tender (Meat) basis of a 70:30 price and quality.
- 68. Social value will be taken into account, measuring the contract delivery and ensuring that London Living Wage and other factors are taken into account as part of this contract opportunity.

### **Director of Law and Democracy**

- 69. This report seeks the approval of cabinet for the procurement strategy to procure a contract as further detailed in paragraph 1.
- 70. The nature and value of these services are such that they are subject to the tendering requirements of the Public Contract Regulations 2015 (PCR 2015). Paragraphs 21 to 23 of this report confirm that an EU restricted procedure will be followed which will comply with PCR 2015 and contract standing order (CSO) tendering requirements.
- 71. As this procurement strategy falls within the circumstances noted in CSO 4.5.2 a), the decision to approve the procurement strategy is reserved to the cabinet or cabinet committee, after consideration of this report by the corporate contracts review board.

### Director of Exchequer (For Housing contracts only)

72. This contract is a qualifying agreement within the terms of the Commonhold and Leasehold Reform Act 2002 and is subject to consultation under Schedule 2 of the regulations in respect of the door entry.
73. Notice of Intention is required to be served, before tenders are invited, on all leaseholders who may be affected by the charges in the course of the contract. Following analysis of tenders further Notice of Proposal will be required, detailing the tender schedule of rates, before the agreement is entered into. Once the agreement is in place, further notices under Schedule 3 will be required before carrying out an individual piece of work that will cost any leaseholder more than £250.
74. The Schedule 2 Notice of Proposal will require that the unit costs of the schedule of rates are available for leaseholders to view, so the procurement model for pricing must ensure that this is possible. Costs incurred under the contract will be service charged on costs picked up from iWorld so it will be necessary to ensure that orders are raised from that system or are drawn to our attention if they are paid through any other system.

### BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Gateway 2 - Contract Award Approval Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems Plus Door Entry Contract – March	Engineering and Compliance 3 <sup>rd</sup> floor, Hub 4, 160 Tooley Street London SE1 2QH	Rod Davies 020 7525 5097
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3609">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3609</a>		
GW3 Contract Extension Approval Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems Plus Door Entry Contract – 19 June 2015	Engineering and Compliance 3 <sup>rd</sup> floor, Hub 4, 160 Tooley Street London SE1 2QH	Rod Davies 020 7525 5097
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=5333">http://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?ID=5333</a>		
GW3 Contract Extension Approval Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems Plus Door Entry Contract – 15 December 2016	Engineering and Compliance 3 <sup>rd</sup> floor, Hub 4, 160 Tooley Street London SE1 2QH	Rod Davies 020 7525 5097
<b>Link:</b> <a href="http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Id=50011745&amp;Opt=0">http://moderngov.southwark.gov.uk/mglIssueHistoryHome.aspx?Id=50011745&amp;Opt=0</a>		

### APPENDICES

No	Title
None	

## AUDIT TRAIL

Cabinet Member	Councillor Stephanie Cryan, Deputy Leader and Cabinet Member for Housing		
Lead Officer	Gerri Scott, Strategic Director of Housing and Modernisation		
Report Author	Rod Davies, Procurement Manager		
Version	Final		
Dated	10 March 2017		
Key Decision?	Yes		
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title		Comments Sought	Comments included
Strategic Director of Finance and Governance		Yes	Yes
Head of Procurement		Yes	Yes
Director of Law and Democracy		Yes	Yes
Director of Exchequer (For Housing contracts only)		Yes	Yes
Contract Review Boards			
Departmental Contract Review Board		Yes	Yes
Corporate Contract Review Board		Yes	Yes
Cabinet Member		Yes	Yes
Date final report sent to Constitutional Team			9 March 2017