

Item No.	Classification: Open	Date: 1 March 2017	Meeting Name: Strategic Director of Finance and Governance
Report title:		Gateway 3 – Extension Approval Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems plus Door Entry Contract	
Ward(s) or groups affected:		All	
From:		Director of Asset Management	

RECOMMENDATION

1. That the strategic director of finance and governance approves the contract extension of the Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems plus Door Entry contract to SCCI Alphatrack Ltd (SCCI) for a period of 12 months from 1 June 2017 to 31 May 2018 at an estimated cost of £730,288.

BACKGROUND INFORMATION

2. A Gateway 2 report was approved on 11 February 2013 to award the fire fighting equipment, fire alarms, emergency lighting, warden call and door entry contract to SCCI for a period of three years from 1 June 2013 to 31 May 2016 with the option to extend for 2 further periods of 12 months each.
3. A Gateway 3 report was approved on 19 June 2015 to extend the fire fighting equipment, fire alarms, emergency lighting, warden call and door entry contract for a period of 12 months only as opposed to the 24 month extension period available. SCCI's performance had declined and at the time of the Gateway 3 report as measures were being taken to improve performance, it was not known whether the required service performance could be sustained by SCCI.
4. Through pro-active contract management and close collaboration with SCCI, the performance has improved significantly, as is shown below, and provides the confidence to justify this extension to the contract.
5. The scope of the contract encompasses the following work streams:
 - Periodic testing of fire alarm systems to meet statutory obligations
 - Responsive repairs and maintenance to door entry systems
 - Responsive repairs and testing of warden call systems
 - Testing and repairs to fire fighting equipment
 - Periodic testing of emergency lighting installations
 - Automatic opening ventilation systems
 - Some passive fire protection works
 - Builders work in connection with services
6. The contract was for an initial period of three years from 1 June 2013. The annual cost of the contract was estimated to be £730,288 per annum for an initial period of

three years plus the initial one year extension making a total estimated contract value of £2.92m.

7. The estimated contract value was based on the projected engineering expenditure for the term of the contract at the time of that the Gateway 2 was approved. This is a demand led contract and actual expenditure may vary accordingly. The repairs and maintenance services costs have not exceeded the estimated cost in any year.
8. Some of the works for Door Entry Upgrade project were undertaken by SCCI and the actual expenditure up to the end of May 2016 shown below includes this;

	Period	Actual Expenditure
Initial 3 Year Term	01/06/13 ~ 31/05/14	£ 698,708
	01/06/14 ~ 31/05/15	£ 953,022
	01/06/15 ~ 31/05/16	£ 647,264
Total		£2,298,994

9. The estimated expenditure for the current extension is £730,288. The actual expenditure up to 30 September 2016 is £236,020.
10. The 2016/17 HRA budget is £807,121 for this contract with a reduced budget of £633,451 per annum being available within engineering.
11. This report is now seeking approval for the second and final 12 month extension to 31 May 2018.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

12. The nature of the proposed contract extension is to exercise the option in the contract with SCCI to be extended for a period of twelve months. The revised completion date will therefore be 31 May 2018.
13. The estimated value of this proposed extension is £730,288. Combined with the actual value of the approved initial contract term and estimated value of the current extension, of £2,298,994 and £730,288 respectively, brings the total to £3,759,570.
14. The value of this extension to the contract as a percentage is estimated to be 19%.

Reasons for Variation

15. The services delivered through this contract enable the council to meet its obligations as a landlord and comply with regulatory requirements for these installations described in paragraph 26.
16. SCCI addressed the service delivery issues to consistently meet and exceed targets as shown in paragraph 30 below, and has provided confidence that SCCI will maintain performance standards during the term of the extension.
17. SCCI's level of performance demonstrate that the council will benefit by utilising the remaining extension to the existing contract to 31 May 2018 and continue to receive a high level of service provision and value for money.

18. Following the first 12 month extension the commercial manager and the electrical contracts manager reviewed the market. The review concluded that due to the complexity of repackaging the services and SCCI's improved level of performance that it would be beneficial to extend the existing contract to 31 May 2018.

Future Proposals for this Service

19. The current contract is under review to consider what improvements should be made and the necessary approval will be sought in respect of the future procurement. i.e. a service from 1 June 2018. It is currently expected that the contract will be repackaged into two contracts that reflect market specialisation.
20. The Gateway 1 reports shall propose an OJEU restricted procurement route with the following timetable.
- a. Service review - September 2016
 - b. Submission of gateway 1 reports - January 2017
 - c. Expressions of interest to be received - April 2017
 - d. Short listing of prospective tenderers is to be completed - May 2017
 - e. Sending out tenders - June 2017
 - f. Completion of the evaluation of tenders - September 2017
 - g. Submission of gateway 2 reports - January 2018

Alternative Options Considered

21. The following alternative options to this extension were considered by the council's engineering and compliance team:
- Procure a new contract - the contract is currently delivering savings against the previous contracts; SCCI is demonstrating a satisfactory performance and providing value for money and therefore it is considered appropriate to continue with the contract and the ongoing performance improvements for a 12 month period.
 - Bring the service back in-house –the necessary skills and knowledge are not available in-house as an economically viable package.

Identified risks for the extension

22. The table below identifies the risks associated with this extension, the likelihood of occurrence and the control in place to mitigate the risks:

R/N	Risk Identification	Likelihood	Risk Control
R1	SCCI performance declines	Low	The necessary controls have been put in place to control and mitigate against this eventuality.

R/N	Risk Identification	Likelihood	Risk Control
R2	SCCI ceases trading, go into administration or liquidation	Low	<p>The asset management commercial team analyses contractors' published accounts to identify risks and with the contract manager reviews this in relation to performance.</p> <p>In the event the risk is realised the asset management engineering team will utilise the approved contractor list on an interim basis while a procurement plan is put in place.</p>

23. SCCI has complied with the contract documents and has provided a performance bond.

24. The contract documents contain a break clause to terminate the contract with no consideration of any loss or expense.

25. There are no current adverse financial indicators regarding SCCI.

Policy implications

26. The fire fighting equipment, fire alarms, emergency lighting, warden call and door entry systems contract provides an essential service to the community. It supports the council's statutory obligations as a landlord to comply with the following legislation and regulation;

- The Regulatory Reform (Fire Safety) Order 2005
- Building Regulations 2010
- The Housing Act 2004

Contract management and monitoring

27. Programmed monitoring meetings are held each month with SCCI and council officers to discuss and evaluate performance against, amongst other things, the key performance indicators (KPI) within the contract.

28. The council's asset management engineering repairs team monitor performance monthly via a combination of performance data and work in progress/post inspections. The team quality check the works to ensure the council is receiving best value. Any issues are raised quickly through daily interaction between SCCI, and the council's technical officers.

29. The KPIs are measured from the council's IT system I World, and reported monthly to the contract manager (electrical). The KPIs for Urgent and Non-Urgent services completed on time are shown below for the twelve month period 2015/16 to date. The figures represent the volume of works orders. Urgent works orders are those defined as emergency (priority code 0 or 1) and are for situations where resident safety and wellbeing are at risk, such as lock-ins or fire alarm system failure.

30. The table below shows SCCI's performance over the last twelve months against the KPI's.

URGENT Target 95%	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16
On Time	523	566	705	670	580	501	682	637	512	625	619	409
Late	19	13	6	4	5	3	2	5	4	2	9	4
Total	542	579	711	674	585	504	684	642	516	627	628	413
% On Target	96%	98%	99%	99%	99%	99%	99%	99%	99%	99%	99%	99%

NON-URGENT Target 95%	Nov 15	Dec 15	Jan 16	Feb 16	Mar 16	Apr 16	May 16	Jun 16	Jul 16	Aug 16	Sep 16	Oct 16
On Time	89	78	101	75	115	120	104	144	83	104	113	94
Late	3	1	5	2	3	2	2	1	1	1	1	4
Total	92	79	106	77	118	122	106	145	84	105	114	98
% On Target	97%	99%	95%	97%	97%	98%	98%	99%	98%	99%	99%	96%

31. The asset management engineering commercial team have conducted compliance verification to ensure that SCCI has current insurances and trade certification, comply with council's contractual requirements.

Community Impact Statement

32. This contract contributes directly to creating and maintaining a safe environment across the council's housing properties, and complying with legislation. All residents are affected by this contract.

33. The maintenance of the warden call system specifically supports vulnerable residents.

Social Value considerations

34. 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 social value considerations delivered are set out below.

Economic considerations

35. The full cost to the council and the life span of the contract is set out in paragraph 13 above.
36. SCCI is using locally based component supply companies to establish a supply chain for generic components. However, many of the systems are composed of specific specialised parts that are available exclusively from UK and overseas specialist suppliers.
37. SCCI has employed an apprentice who is currently studying for NVQ Level 3 qualifications set by the industry professional bodies, having achieved the NVQ Level 2.

Social considerations

38. SCCI employees and those of its subcontractors are paid in accordance with the London Living Wage and have equalities policies that conform to the council's standards. The application of these is reviewed for compliance as part of the contracts annual review.
39. SCCI has employed an apprentice from within the borough.

Environmental/Sustainability considerations

40. All electrical equipment being replaced is disposed of in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE). All new equipment is low energy rated to meet current regulations.
41. All recyclable packaging is set aside and disposed of via a recycling centre.
42. No hazardous materials are used.
43. SCCI has been issued with the council's current asbestos register to avoid any risk of exposure to SCCI or the council's residents.

Financial Implications (FIN0921 – JP)

44. The current HRA budget available for the fire alarms and door entry contract is £807,121 per annum, with no expected changes in 2017-18. This is more than adequate to meet the estimated costs of the contract.
45. The estimated cost was based on an indicative basket, used for the purposes of evaluating the tender and although, there has been underspends in the main contract in the last three years, flexibility within the budget is still required. Any underspend in the contract will be used to fund the overspend in the lift contract.

Investment Implications (Housing Contracts only)

46. There are no investment implications.

Legal Implications

47. Please see the supplementary advice from the director of law and democracy.

Consultation

48. This contract was subject to consultation under the Commonhold and Leasehold Reform Act 2002 and Notice of Proposal was served under schedule 2 of the regulations on 9 January 2013.
49. The agreement was for 3 years with an option to extend for up to two periods of 12 months each. This is the second 12 month extension.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (H&M16/052)

50. The strategic director of finance and governance notes the recommendation in this report for the extension of the Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems plus Door Entry contract to 31 May 2018.
51. Costs of this contract will fall in the financial years 2017-18 and 2018-19, and are to be met by the Housing Revenue Account. The HRA budget for 2017-18 is due to be agreed in January 2017 and at this point there is sufficient planned budget to meet the costs of the contract.
52. Future commissioning of work must ensure that there is budget available before works orders are placed.

Head of Procurement

53. This report is seeking approval to extend the provision of the fire fighting equipment, fire alarms, emergency lighting, warden call systems and door entry contract from June 2017 for a period of 12 months.
54. The report advises that these services are required in order for the council to meet its obligations as a landlord and comply with regulatory requirements. The existing contract has the provision to extend for two periods of 12 months, this report is seeking approval for the final extension period.
55. Timescales and proposals for the future delivery of this service are set out in the report and it appears that there is sufficient time for the service to be re-procured within the proposed extension period.
56. The Housing and Community Services department reports that performance to date has been satisfactory. There are management and monitoring arrangements in place which should help to ensure that this level of contract performance is maintained throughout the extension period.

Director of Law and Democracy

57. This report seeks the approval of the strategic director of finance and governance for an extension to the Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems Plus Door Entry contract which is being performed SCCI Alphatrack Ltd. This report sets out the extent of the extension and the reasons why the extension is necessary.

58. This report confirms at paragraphs 18-20 why the final extension provision of 1 year is sought and what future proposals of the service will be considered.

59. The nature of this variation is such that it is subject to the tendering requirements of the Public Contracts Regulations 2015 (EU regs). Regulation 72(1)(a) of the EU regs allows the council to extend the current contract as this option was provided for in the initial procurement documents and does not alter the overall nature of the contract.

60. As the decision to approve this extension falls within the circumstances noted in contract standing order 4.6.2(a), the decision is reserved to the strategic director of finance and governance, after consideration by the corporate contracts review board.

61. CSO 2.3 requires that no steps should be taken to vary the contract unless the expenditure involved has been approved. Paragraphs 44 and 45 of this report confirm the financial implications of this variation.

Director of Exchequer (for housing contracts only)

62. This contract is a qualifying long term agreement under the terms of the Commonhold and Leasehold Reform Act 2002. Notice of Proposal was served on 19.1.13. The Notice identified the contract duration as 3 years with an option to extend for up to two periods of 12 months subject to performance.

63. There is no further statutory requirement to consult with leaseholders on the proposed extension as it lies within the terms of the original consultation.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature

Date 13.3.17

Designation STRATEGIC DIRECTOR OF FINANCE AND GOVERNANCE

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions which are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available.

1. DECISION(S)
As set out in the recommendations of the report.

2. REASONS FOR DECISION

As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

~~**I declare that I was informed of the conflicts of interests set out in Part B4.***~~

(* - Please delete as appropriate)

BACKGROUND PAPERS

Background Papers	Held At	Contact
GW2 Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems plus Door Entry Contract	Housing & Modernisation Asset Management 3 rd floor 160 Tooley St SE1 2QH	Gavin Duncumb 02075250685
Link: G:\Asset Management\Engineering & Compliance\Engineering Procurement\Door Entry W.Call, Fire Alarms & FFE.zipx\GW1, 2 & 3 old contract\Gateway 2 - Fire Fighting Alarms - FINAL - OPEN.doc		
GW3 Fire Fighting Equipment, Fire Alarms, Emergency Lighting and Warden Call Systems plus Door Entry Contract - June 2015	Housing & Modernisation Asset Management 3 rd floor 160 Tooley St SE1 2QH	Gavin Duncumb 02075250685
Link: G:\Asset Management\Engineering & Compliance\Engineering Procurement\Door Entry W.Call, Fire Alarms & FFE.zipx\GW1, 2 & 3 old contract\GW3 Fire fighting equipment etc (open) - signed.pdf		
Annual Performance Review 2015	Housing & Modernisation Asset Management 3 rd floor 160 Tooley St SE1 2QH	Gavin Duncumb 02075250685
Link: G:\Asset Management\Engineering & Compliance\Engineering Procurement\Door Entry W.Call, Fire Alarms & FFE\Door Entry W.Call, Fire Alarms & FFE\Annual Performance Reviews\SCCi Annual Review CCRB FINAL A.doc		
Annual Performance Review 2016	Housing & Modernisation Asset Management 3 rd floor 160 Tooley St SE1 2QH	Gavin Duncumb 02075250685
Link: Door Entry W.Call, Fire Alarms & FFE\Annual Performance Reviews\SCCi Annual Review SMT FINAL A.DOC 16.03.2016.DOC		

APPENDICES

No	Title
	None

AUDIT TRAIL

Lead Officer	David Markham Director of Asset Management
Report Author	Gavin Duncumb Commercial Manager
Version	GW3 – Final

Dated	16/12/16	
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
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	No	No
Date final report sent to Constitutional/Community Councils/Scrutiny Team		1 March 2017

