PART 2 – CONFIDENTIAL FACTS AND ADVICE

DMFD165
Title: Maintenance Services

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because:

Publication of the information included in this report is deferred as its disclosure would be likely to prejudice the commercial interests of the London Fire Commissioner (LFC) and the suppliers of the maintenance services comprising mechanical, electrical and plumbing (MEP) services; building fabric maintenance; lift maintenance; and appliance bay doors and gates maintenance.

Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed:
1 March 2023

Legal adviser recommendation on the grounds for not publishing information at this time:

In the event the information contained in this Part 2 and/or its appendix is the subject of a request for information under section 1 of the Freedom of Information Act 2000 (the Act), it is considered that access can be denied on the basis that such information constitutes exempt information under:

Section 43(2) of the Act, on the basis that the information in this report includes information that is exempt information if its disclosure under this Act would, or would be likely to, prejudice the commercial interests of any person (including the public authority holding it).

Public interest assessment

At present, on balance, it is considered that the public interest is best served if the information is not disclosed at this point.

The Information Commissioner has recognised that a wide range of commercial information relating to ongoing procurement activity may be covered by this exemption. In this instance the information in this Part 2 report includes information in relation to future procurement plans for a contract for the supply of maintenance services, and the London Fire Commissioner's financial position in relation to the procurement.

The recommended period for non-publication of Part 2 is 10 months to allow for the completion of that procurement and contract award process.

The eligibility of the exemption should be reassessed in the event of an FOI request for this information, as the level of sensitivity will change over time and different circumstances may alter the arguments in favour of non-disclosure.

Legal Adviser – I make the above recommendations that this information should be considered confidential at this time.

Name: **Date:**

Once this form is fully authorised, it should be circulated with Part 1.

Confidential decision and/or advice:

This report recommends that the Deputy Mayor for Fire and Resilience is requested to approve expenditure of £41,931,524. This consists of two contracts of £39,749,796 and £2,181,728 respectively, each for a three-year period with an option to extend for one further year.

1. The current annual budget for maintenance services is £10,482,881, comprising the following:

   a. The current budget for the appliance bay door and gate maintenance service is £545,432 per annum. This includes £195,432 for planned services and £350,000 for reactive services.

   b. The current budget for MEP services, lift maintenance and building fabric maintenance is £7,133,481 per annum. This includes £3,348,481 for planned services and £3,785,000 for reactive services.

   c. There is a current budget for small works and minor projects, of £2,303,968 per annum. It is intended for the LFC to continue with the ability to procure small works and minor projects through the new maintenance contracts, albeit with no guaranteed volumes.

   d. There is a further £500,000 unallocated minor capital replacement budget within the Capital Programme. LFC wishes to include this budget within the maintenance contracts values to provide an additional option to LFC when procuring minor capital replacement items. This is not a guaranteed value of spend within the new maintenance contracts and will continue to be subject to LFC's financial governance processes as and when the requirement arises.

2. To estimate the cost of the new contracts, this report assumes the cost for these services remains at 2022-23 allocated budget. Costs will be subject to inflation increases from year two of the contracts. This has not been included in the costs stated within this report; a decision on additional resource to meet the inflationary uplift will form part of Corporate's annual budget-planning process.

3. The total annual value is £10,482,881 and the proposed maximum term for the new contracts is four years. The values of all new contracts over the full four-year contract term will be £41,931,524 excluding inflation, and comprises:

   a. a hard Facilities Management (FM) contract (comprising MEP services, and building fabric and lift maintenance) whose cost is £39,749,796 over the four-year contact period; this is inclusive of the option to procure minor works and up to £500,000 from unallocated capital budget through the hard FM contracts

   b. an appliance bay door and gate maintenance contract of £2,181,728, representing the total four-year contract cost.

Financial comments

4. This report requests approval to re-procure the current LFC maintenance services for a period of up to four years, using an existing public sector framework (Tenet) for hard FM services comprising MEP

services, and building fabric and lift maintenance.

5. This contract (inclusive of minor works) will run for three years with the option to extend for one year at a full cost of £39,749,796.

6. The FM contracts will include an option to procure minor capital replacement through the successful maintenance providers, at the existing budget of £500,000 per annum from the Property Department's capital programme budget. This capital budget is noted within LFC capital forward plan as a recurring annual allocation into the medium term.

7. This report also requests approval to re-procure the current LFC appliance bay door and gates maintenance service for a period of three years with an option to extend for one year, as a separate contract for the whole of LFC's portfolio at a total cost of £2,181,728. This maintenance requirement will be procured using a competitive tender process in the absence of any available frameworks.

8. The current 2022-23 budget for all the maintenance services in paragraph 3, above (including the unallocated minor capital budget), is as set out below, subject to future funding approvals:

Procurement category	**Annual budget 2022-23**	**3-year budget requirement**	**4-year (plus 1-year) budget requirement**	**Whole-life procurement cost (excluding inflation uplift)**
Appliance bay door maintenance	£545,432	£1,636,296	£545,432	£2,181,728
Planned services – hard services	£3, 348,481	£10,045,443	£3,348,481	£13,393,924
Reactive services – hard services	£3,785,000	£11,355,000	£3,785,000	£15,140,000
Minor works	£2,303,968	£6,911,904	£2,303,968	£9,215,872
Unallocated minor capital budget (minor capital replacement scheme)	£500,000	£1,500,000	£500,000	£2,000,000
Total budget required	£10,482,881	£31,448,643	£10,482,881	£41,931,524

9. The proposed procurement and request to award new contracts up to £41,931,524 is based on available budgets. This procurement notes any annual inflationary increase will be based on the Retail Price Index rate, which is subject to review on an annual basis.

. *With regard to non-pay inflation: all LFC contractual inflationary increases are reviewed on an annual basis. The LFC budgets for non-pay inflation on an item by item basis, and the LFC will review those assumptions as part of its budget process for 2023/24. If inflation rates are above current assumptions a resulting budget increase will need to be submitted as part of LFC's annual submission to the Mayor's GLA Group budget process and/or the contract will need to be reviewed to assess whether it is possible to reduce the annual cost via a reduction in service. If inflationary increases result in in-year financial pressures, this will be reported on as part of regular financial reporting and met through the use of the Budget Flexibility Reserve. The Budget Flexibility Reserve has a forecast balance of £27.3m as at the end of the 2022/23 financial year.*

LFC standard terms and conditions include clauses on indexation and termination that can be utilised in the event that inflationary pressures affect the performance of the contract~~.~~ *If a contract is no longer viable then LFC will seek to terminate it on this basis, or work with suppliers to pause delivery and/or renegotiate what is being delivered. This is preferable to inserting a break clause for inflation as such pressures apply across the market so it is unlikely that benefits will be gained from terminating a contract in order to go back out for competition.*

Appendix

Part 2 of Report LFC-0691