



LONDON FIRE BRIGADE

## PART 2 – CONFIDENTIAL FACTS AND ADVICE

**LFC Number LFC-0691y**

**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 Governance Team for advice.*

### **This information is not for publication because:**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 & Plumbing (“MEP”), building fabric, lift maintenance and appliance bay doors and gates maintenance.

### **Legal recommendation on the grounds of keeping the information confidential:**

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 which 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 Commissioner’s financial position in relation to the procurement.

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



**London Fire Brigade**

The London Fire Brigade 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:** Karen Boother

**Date:** 08 March 2022

For the Deputy Mayor

That the Deputy Mayor for Fire and Resilience authorises the London Fire Commissioner to commit revenue expenditure of up to £41,931,524 for maintenance services contracts including an option for some minor capital replacement for the period of four years. The total approval is £41,931,524, will be split into two separate procurements made up of £39,749,796 and £2,181,728.

*This LFC decision will only be taken after further consultation with the Greater London Authority's finance and legal advisers and Corporate Investment Board.*

For the London Fire Commissioner

The London Fire Commissioner approves the expenditure of £41,931,524 for the procurement of maintenance services contracts including an option for some minor capital replacement (with no guaranteed volumes) for the period of four years.

## **Confidential decision and/or advice:**

### **Introduction and background**

0. The current budget for maintenance services is £10,482,881 per annum comprising:
  - a. The current budget for the Appliance Bay Door and Gate maintenance service is per £545,432 annum which includes £195,432 for planned services and £350,000 for reactive services.
  - b. The current budget for Mechanical, Electrical & Plumbing services, Lift maintenance and fabric maintenance is £7,105,481 per annum which 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 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.
1. 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 been included in the costs stated within this report; a decision on additional resource to meet the inflationary uplift will form part of Corporate annual budget planning process.

2. **LONDON FIRE BRIGADE** £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:

- Hard FM contract (comprising MEP, Fabric and Lift maintenance) 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 of unallocated capital budget through the Hard FM contracts; and
- Appliance Bay Door and gate maintenance contract of £2,181,728 represents four-year contact cost.

### Objectives and expected outcomes

- The objective of this report and the recommended decision is to secure approval for the procurement of maintenance contracts comprising:
  - MEP, fabric and lift maintenance services as a bundled Hard FM service – awarded to two suppliers on a North and South geographic split to maintain resilience in the service provision; and
  - One maintenance contract for Appliance Bay Doors for the whole portfolio kept separate on the basis it is a business-critical and niche service where direct contract management of the service increases resilience in requirements.
- The maintenance contracts will include the provision of an option to purchase minor works and minor capital replacement with no guaranteed volumes.
- The maintenance contracts will continue to support LFC's approach to maintaining its property portfolio including planned and reactive maintenance and fulfilling statutory maintenance obligations. In addition to maintaining the estate to enable LFC to continue its BAU operations, the new contracts will also include requirements that support LFC's Net Zero target as well as seeking to utilise maintenance technology (e.g. remote monitoring sensor technology) to seek further efficiencies over the life of the contracts.

### Financial comments

- 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, fabric and lift maintenance.
- This contract (inclusive of minor works) will run for three years with the option to extend for a one year at a full cost of up to £39,749,796
- The Facilities Maintenance 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 Property Department capital programme budget. This capital budget is noted within LFC capital forward plan as a recurring annual allocation into the Medium Term.
- 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.
- 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 22/23	3YR Budget requirement	4YR (plus 1YR) Budget requirement	Whole Life Procurement Cost (excluding inflation uplift)
Appliance Bay Door Maintenance	£545,432	£1,636,296	£545,432	£2,181,728

L	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

11. 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 (RPI) rate which is subject to review on an annual basis. The LFC funding approach budgets for inflation on an item by item basis and reviews the assumptions as part of the budget process for future years.
12. 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.
13. 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.

### Legal Comments

Legal comments are set out in Part 1 and in this Part 2 report.

### Confidential Appendices and supporting papers:

N/A



LONDON FIRE BRIGADE