

<p>London Borough of Hammersmith & Fulham</p> <p>LEADERS URGENCY</p> <p>19 February 2019</p>		
<p>Amending a decision to award a Contract to replace Warden Call and Door Entry Systems</p>		
<p>Report of the Cabinet Member for Housing – Councillor Lisa Homan</p>		
<p>Part Exempt Report Appendix 2 to this report is exempt from disclosure on the grounds that it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information.</p>		
<p>Classification: For decision Key Decision: Yes</p>		
<p>Consultation: Legal</p>		
<p>Wards Affected: All</p>		
<p>Accountable Director: Jo Rowlands, Strategic Director, Growth and Place</p>		
<p>Report Author: Richard Buckley Assistant Director Growth and Place</p>	<p>Contact Details: Email: Richard.buckley@lbhf.gov.uk Tel.07769882207</p>	
<p>Reasons for Urgency: On the 14th January 2019 Cabinet considered a report ‘Award of Warden Call Contract’. Due to an administrative error the report recommended the award to the wrong company. It agreed to award a contract for replacement of warden call and door entry systems at sheltered housing blocks to SCCI Alphatrack Limited. However, the tender was submitted by a subsidiary of that company, and so the contract should have been awarded to Alphatrack Systems Limited.</p> <p>An urgent decision is required to correct the contract award decision so that these vital works can start, which help to keep older Council tenants safe.</p> <p>Date by which decision is required: ASAP</p>		

AUTHORISED BY:

The Leader has signed this report

DATE: 21 March 2019

1. EXECUTIVE SUMMARY

- 1.1 On the 14th January 2019 Cabinet considered a report 'Award of Warden Call Contract'. The report was open but had an exempt appendix setting out the results of the tender evaluation process that were commercially confidential. It agreed to award a contract for replacement of warden call and door entry systems at sheltered housing blocks to SCCI Alphatrack Limited. However the tender was submitted by a sister company of that company, and so the contract should have been awarded to Alphatrack Systems Limited.
- 1.2 An urgent decision is required to correct the contract award so that the works can start.
- 1.3 The open report is appended to this report at Appendix 1.

2. RECOMMENDATION

That the Leader:

- 2.1 Notes that the earlier Cabinet decision on 14 January 2019 to award the contract to SCCI Alphatrack Limited was incorrect and should be amended to Alphatrack Systems Limited which is a subsidiary company.

3. REASON FOR DECISION

To correct the award of contract recommended in the report attached at Appendix 1.

4. PROPOSAL AND ISSUES

- 4.1 The works described in the report appended at Appendix 1 need to be undertaken because major components of the existing equipment are obsolete with many parts having reached their economical lifespan. Components required to maintain the equipment are increasingly difficult to obtain as they are not readily available from the manufacturer and can result in lengthy delays and breakdowns causing inconvenience to residents and raising safeguarding concerns.
- 4.2 The award of contract for the replacement of the Warden Call System and Door Entry Systems in LBHF Sheltered Schemes was previously approved by Cabinet on 14th January 2019. However in the report there was an error made with the company name of the winning bidder in this report. The original report states the winning company name is SCCI Alphatrack Ltd, it should be amended to Alphatrack Systems Ltd.
- 4.3 The error is purely clerical and has no bearing on the bid, its evaluation or financial implications. All documentation provided by the organisation submitting the most economically advantageous tender was submitted in the company name of Alphatrack Systems Ltd. An updated financial check has been carried out on Alphatrack Systems Ltd which passed the Council's

minimum credit threshold. However due to the size of the contract SCCI Alphatrack Ltd who are the parent company have agreed to provide a parent company guarantee and this is will be a requirement of the contract.

5. CONSULTATION

Commercial, social value, risk, IT and equalities implications

5.1 These are as stated in the report at Appendix 1 below.

6. FINANCIAL IMPLICATIONS

6.1 These are as stated in the report at Appendix 1 and 2 below.

6.2 In addition, there are a number of revisions to the financial implications as follows:

Financial Strength and Stability of Contractor

6.3 A credit check on the proposed supplier Alphatrack Systems Limited was carried out on 20th February 2019 and although this has indicated a very good credit rating of 70, the suggested contract limit of £0.3m and turnover of £1.6m are significantly lower than the value of the proposed contract. Ratio analysis also indicates that the company are carrying a relatively high level of debt. These findings indicate that the company may find it difficult to meet the Council's expectations in terms of the pace of delivery and the volume of work required. Also, there is a risk that Alphatrack Systems Limited may experience cash flow difficulties which could push them into liquidation.

6.4 In mitigating this risk, Alphatrack Systems Limited have submitted to the Council their audited annual report and financial statements for the year ended 31st May 2018. These statements show that annual turnover has increased to £13.9m and that key accounting ratios are satisfactory. Based on these more recent accounts and assuming the credit rating remains at 70, this would suggest a contract limit of c£2.9m which would be more than sufficient to cover the value of the proposed contract.

6.5 Further, the parent company of Alphatrack Systems Limited, SCCI Alphatrack Limited have agreed to act as guarantor. A credit check on SCCI Alphatrack Limited shows an excellent credit rating of 73 with a turnover of £16.1m. Further, finance officers have reviewed key accounting ratios within the contractors' financial statements and found these to be satisfactory. This indicates that the parent company have sufficient financial standing to provide the Council with assurance as guarantor.

6.6 The risk can also be mitigated by good contract management which could mean the Council not providing too many jobs at once etc. In the worst case, if Alphatrack Systems Limited ceased trading this would not be likely to leave too much disruption because the Council only pays on completion of certified works, and the parent company would be under an obligation to remedy the breach of contract as guarantor and to take over the works.

- 6.7 Finance officers will work with the service to ensure more robust monitoring and payment arrangements will be put in place to avoid any significant financial risk to the Council.

HRA Revenue Budget Impact

- 6.8 As stated in the exempt report in Appendix 2, the costs of the repairs and maintenance of sheltered housing door entry systems will be £218,000 over the 5-year life of the contract costing £0 in year 1 (2019/20) and £54,500 per year for the next 4 years (2020/24).
- 6.9 On the 4th March, Cabinet are expected to approve the report “Costs of the interim housing repairs delivery model” which includes a recommendation to approve a one-off annual revenue budget of £22.2m for the interim repairs model. This will replace the current budget for repairs and maintenance which includes door entry systems.
- 6.10 The £22.2m includes a budgetary provision of £0.8m (within the specialist contractors budget) which is based on current costs and is expected to cover the annual revenue cost of door entry and controlled access repairs and maintenance contracts.
- 6.11 This budget is solely for the twelve months commencing April 2019, so as the proposed contract will not incur revenue costs until the following year, the budget for 2020/21 will need to include a provision for the annual costs of this contract. It is expected that this will be implemented through the annual budget setting process which will require approval from Cabinet in February 2020.
- 6.12 Assuming a £0.8m annual revenue budget remains in 2020/21, this will leave the remaining budget allocation of £0.6m to fund HRA general needs properties door entry repairs.
- 6.13 There is a risk that the future revenue cost of a maintenance contract for general needs door entry systems may exceed the remaining budget available. Finance officers will work closely with the service to ensure that any further procurement is within the approved budget envelope.

HRA Capital Budget Impact

- 6.14 The system installation element of the contract will be delivered and funded by the HRA Capital Programme.
- 6.15 The 2018-19 quarter 3 revised budget approved by Cabinet on 4th February 2019 includes £1,878,000 allocated for the capital element of this scheme. This is in line with the expected capital costs of the contract.

Financial Context

- 6.16 The plans set out in this report are not expected to directly adversely impact on the current projected level of HRA cashable reserves which before any appropriation or transfer to the reserve for the 2018/19 financial year outturn, is

forecast to be £35.8m. However, assuming that in March Cabinet approve the “Costs of the interim housing repairs delivery model” report, the level of HRA cashable reserves will reduce to £31.7m during 2019/20.

- 6.17 The plans in this report are not expected to adversely impact on the level of debt in the HRA as measured by the HRA Capital Finance Requirement (CFR), as the Capital Programme Monitor & Budget Variations, 2018/19 (Third Quarter) report that went to Cabinet on 4th February 2019 sets out that the CFR is forecast to be within prudential borrowing limits.

Implications completed by: Danny Rochford, Head of Finance, tel. 020 8753 4023 and Firas Al-Sheikh, Head of Financial Investment & Strategy, tel. 020 8753 4790


Implications verified by: Hitesh Jolapara, Strategic Director, Finance and Governance

7. LEGAL IMPLICATIONS

If the decision to award the contract is not amended to show the name of the correct company submitting the most economically advantageous tender, then the Council is not in a position to award the contract to that company, because the authorisation states a different company. To award the contract to the company SCCI Alphatrack Limited, even though part of the same company group as the correct company, would in theory be challengeable. The correct company Alphatrack Systems Limited are aware that they are the most economically advantageous tenderer, and if they have started mobilisation on site, leaving this matter unresolved could place the Council at risk of a claim for abortive costs.

Implications completed by: Deborah Down, senior consultant with Sharpe Pritchard solicitors, on secondment to the Council. ddown@sharpepritchard.co.uk

Appendix 1

<p>London Borough of Hammersmith & Fulham</p> <p>CABINET</p> <p>14 JANUARY 2019</p>	
AWARD OF WARDEN CALL CONTRACT	
Report of the Cabinet Member for Housing - Councillor Lisa Homan	
Open report A separate report on the exempt part of the Cabinet agenda provides information about the tender evaluation.	
Classification - For Decision	
Key Decision: Yes	
Consultation Legal, Procurement and Finance	
Wards Affected: All	
Accountable Director: Jo Rowlands Strategic Director, Growth and Place	
Report Author: Charles Kinney Head of Mechanical and Electrical	Contact Details: Tel 020 8753 4438 Charles.kinney@lbhf.gov.uk

1 EXECUTIVE SUMMARY

- 1.1 This report seeks approval to award the Warden Call and Door Entry Contract for Sheltered Housing following a competitive procurement process.
- 1.2 The work consists of the replacement of the emergency alarm and door entry system in the Council's 22 Sheltered Housing Schemes. The contract provides for the supply and fitting of the infrastructure and equipment for a digital broadband based emergency alarm system and assistive technology.

2 RECOMMENDATIONS

- 2.1 That approval be given to accept the tender submitted by SCCI Alphatrack Limited and award a contract for the supply and installation of a Warden Call and Door Entry System in the sum stated in the exempt report.

- 2.2 That SCCI Alphatrack also be awarded a subsequent 5-year Maintenance Contract in the sum stated in the exempt report.

3 REASONS FOR DECISION

- 3.1 These works need to be undertaken because major components of the existing equipment are obsolete with many parts having reached their economical lifespan. Components required to maintain the equipment are increasingly difficult to obtain as they are not readily available from the manufacturer and can result in lengthy delays and breakdowns causing inconvenience to residents.
- 3.2 The alarms are critical for the safety of residents in the event of a fall or illness. The increased numbers of breakdowns and unreliability of the equipment creates potential risk of failure and causing inconvenience to residents and visitors.
- 3.3 This Tender Acceptance Report is submitted for Cabinet approval in accordance with Contract Standing Orders.

4 PROPOSAL AND ISSUES

- 4.1 The specification provides for the removal of existing door entry access and replacement with the new warden call access control and video door entry systems together with new wi-fi systems.
- 4.2. Tenders were received on 31 August 2018 and were evaluated based on both price and quality. Tenderers were advised that the contract would be awarded based on the most economically advantageous tender using 60% price and 40% quality.
- 4.3 The open process was used so that all organisations responding to the opportunity listing on capitalEsourcing had to submit a full tender. They were required to submit a Minimum Standards Questionnaire, and method statements in response to the quality award criteria and prices.
- 4.5 Although not included in the original procurement strategy it was subsequently felt that there were significant advantages in having the ongoing maintenance carried out by the installer as it would eliminate any disputes over responsibility in the event of performance issues.
- 4.6 Further information is set out in the exempt report on the exempt Cabinet agenda

5. OPTIONS AND ANALYSIS OF OPTIONS

- 5.1 Officers have analysed the tenders received and officers consider that it represents good value for money and is economically viable. The lowest tender value reflects the competitive market which exists for work of this

nature. Tenderers were advised that the award of the contract would be made on the basis of the most economically advantageous tender. The tenders were evaluated on 40% Quality 60% price basis and SCCI Alphatrack met the Council's minimum quality threshold set out in the Minimum Standards Questionnaire and came first in terms of quality and price.

- 5.2. Clearly the pre- tender estimate was incorrect and the competitive tenders received are a truer reflection of the contract value.
- 5.3 The only other option is not to award a contract following the tender exercise, which is unacceptable as already explained in section 3 above.

6. CONSULTATION

- 6.2. Internally consultation has taken place with Legal, Procurement and Finance and other departments. Residents have been consulted through the Sheltered Housing Forum and further consultation will take place prior to the works commencing.

7. EQUALITY IMPLICATIONS

- 7.1 The Council has paid due regard to its Public-Sector Equality Duty, as set out in Section 149 of the Equality Act 2010, and it is not anticipated that there will be any negative impact on any groups with protected characteristics from the awarding of this contract.
- 7.2 The works will have a positive effect on older people by providing an up to date and reliable warden call and door entry system. The warden call element of the contract provides an emergency service to residents who are ill or in difficulty and is vital for the safety and wellbeing of our residents. A dedicated resident liaison officer will be on site during the works to deal with any issues that may arise
- 7.3 Implications verified/completed by: Peter Smith, Head of Policy & Strategy, tel. 020 8753 2206.

8 LEGAL IMPLICATIONS

- 8.1 The tender exercise described in this report is for a works contract. It is below the EU threshold for works contracts of £4,551,413.
- 8.2 Under Contract Standing Order 17, the award of contract has to be approved by Cabinet because it is more than 10% above the pre-contract estimate.
- 8.3 The contract was tendered on the basis that award of contract would be made to the tenderer submitting the most economically advantageous tender. Members need to be satisfied that the tender process and evaluation described in this report will lead to award being made to that tenderer.

8.4 A draft contract was prepared by Legal Services using one of the recognised standard forms of contract for these types of works, and supplied to tenderers. This will form the basis for a formal written contract executed by both parties as required by Contract Standing Orders.

8.5 *Implications verified/completed by: Deborah Down, Senior Associate with Sharpe Pritchard Solicitors on secondment to the Council*
dtdown@sharpepritchard.co.uk

9 FINANCIAL IMPLICATIONS

4.1 As set out in the exempt report on the exempt Cabinet agenda.

10 IMPLICATIONS FOR LOCAL BUSINESS

10.1 There are limited implications for businesses in the Borough as the contractor uses sub- contractors from outside the area although local businesses may benefit from operatives using local facilities. However the chosen contractor will be encouraged to use local companies for the supply of materials and to recruit local labour where possible.

10.1 Implications verified by Albena Karameros, Economic Development Team, tel. 020 7938 8583

11 COMMERCIAL IMPLICATIONS

4.2 As set out in the exempt report on the exempt Cabinet agenda.

12 SOCIAL VALUE CONSIDERATIONS

12.1 Social value has not been considered as part of the tendering exercise. It has not been part of the awarding criteria. However, the supplier notified the Council that they wish to maximise their corporate social responsibility policy by implementing several initiatives in London Borough of Hammersmith & Fulham, if successful. This has been sent to all suppliers as a clarification message, and a full audit trail can be provided.

12.2 The tenderer's proposal with regards to Social Value includes offering employment opportunities to residents, training, and preparations for interviews for individuals from the local community who are long-term unemployed or not in employment or education.

12.3 The tenderer will also help boost local economy within the Hammersmith and Fulham by adding local privately-owned suppliers to their supply chain. During the mobilisation period of the contract, it is proposed that the Project Manager will request from the Council a list of local business to identify the companies that will be of assistance, such as local glazing companies, sign manufacturers, plant hire, metal fabricators, welding

12.4 Officers shall agree a Social Value Delivery Plan with the winning bidder and monitor it in accordance with the targets set.

12.5 Implications verified/completed by Andra Ulianov, Procurement Consultant, tel. 020 8753 2284.

13 IT IMPLICATIONS

13.1 IT Implications - There are no IT implications identified in this report.

13.2 IM Implications - The contractor - SCCI Alphatrack Limited – and their subcontractors will be expected to have a GDPR policy in place and for all staff to have received GDPR training.

13.3 As the contractor will be processing sensitive personal data on behalf of H&F (such as names and addresses of vulnerable residents) a Privacy Impact Assessment will need to be completed to ensure all potential data protection risks in relation to this contract are properly assessed with mitigating actions agreed and implemented. For example, a contract data protection and processing schedule or an information sharing agreement template and a Supplier Security Checklist to ensure the systems used by the contractor comply with H&F's regulatory requirements.

13.4 All personal data supplied to all contractors will be password protected and handled in line with the data protection policy

13.5 The contractor will be expected to comply with all LBHF requirements.

13.6 The contract will need to include H&F's new data protection and processing schedule. This is compliant with the General Data Protection Regulation (GDPR) enacted from 25 May 2018.

13.7 Implications verified/completed by: Karen Barry, Strategic Relationship Manager, tel. 020 8753 3481.

14 RISK MANAGEMENT

14.1 Risk assessments will be carried out prior to work starting on each individual scheme and the method statement from the contractor takes account of the environment that they will be working in. The resident liaison officer and the Scheme Manager will be on site if there are any health and safety issues.

14.2 The contractor has satisfied all the health and safety requirements which are contained in the contract specification which formed part of the evaluation process.

14.3 Implications verified/completed by: Michael Sloniowski Risk Manager, tel. 020 8753 2587.

15 BACKGROUND PAPERS USED IN PREPARING THIS REPORT - None