



Report title

Vehicle and Equipment Contract Update

Meeting	Date
Resources Committee	12 January 2018
Report by	Document Number
Head of Procurement & Technical and Service Support	FEP 2813

Summary

This report provides updates on the operation and performance of the Vehicles and Equipment Contract with Babcock Critical Services Ltd. It covers the period from June 2017 to November 2017. It also sets out the vehicle and equipment replacement programme activities since the last Vehicle and Equipment Contract update report (15th September 2017 - FEP 2778), discusses the next stages for the vehicles and operational equipment assets replacement programme and developments with the Mayor's Officer regarding LFB's compliance with the Ultra Low Emission Zone (ULEZ).

Recommendation

That the Committee agree:

1. That the Head of Procurement and Technical Service Support in consultation with the Head of Legal and Democratic Services, be authorised to place orders under the contract with Babcock Critical Services to procure a combination of standard range and extended range aerial appliances giving a total of fifteen (15) aerial appliances at an estimated total capital cost including the donation from the Metropolitan Grand Lodge of London, not exceeding £14,800k (see paragraphs 16 - 20 below for details).

Background

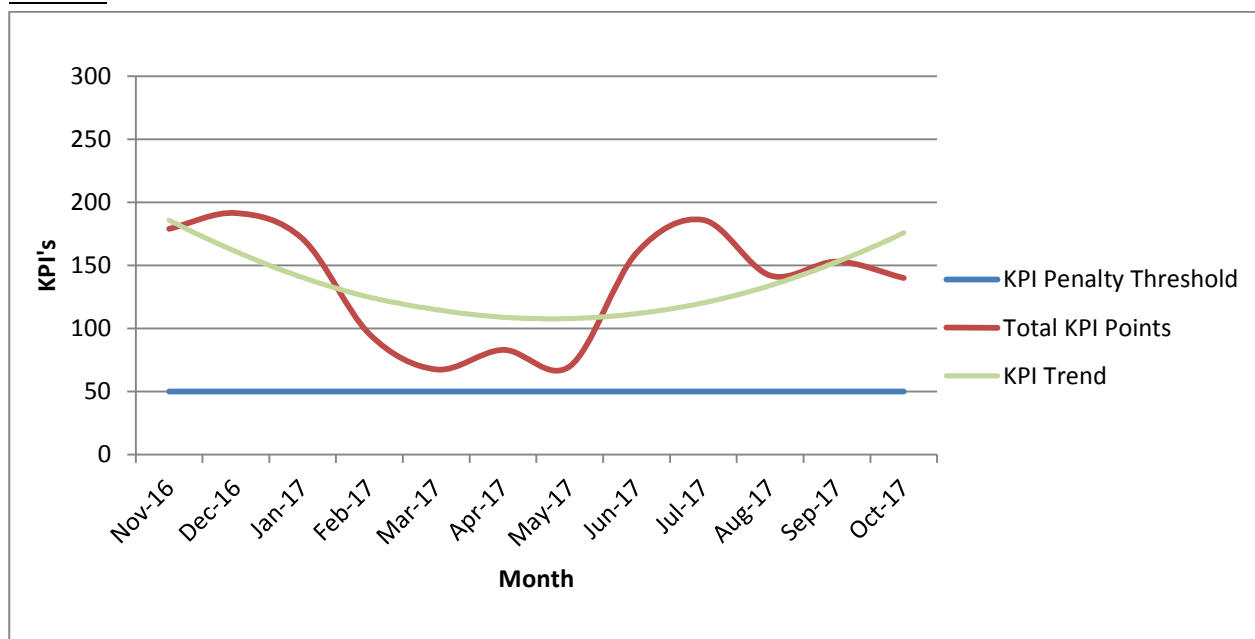
2. On 14th November 2014, Babcock Critical Services Ltd were awarded the 21 year contract to provide the vehicles and operational equipment contract services. The contract provides exclusive managed services for the availability, quality, maintenance, repair, collection and delivery, asset procurement and asset disposal for all London Fire Brigade's vehicles and operational equipment.

3. The contract performance is measured through a series of Key Performance Indicators (KPI) and availability criteria that carry financial penalties for performance below the standards set out in the contract. The performance for the period of this report is from June 2017 to November 2017, it is discussed in paragraphs 5-10 and the rolling 12 month KPI points incurred is charted in Table A at paragraph 6 of this report.
4. As set out in the Procurement Process for the Authority's Vehicle and Equipment Contract (17th March 2014, FEP2237), the vehicles and equipment contract with Babcock provides for the capital replacement of fleet vehicles and equipment throughout the contract period. This is undertaken via a competitive procurement process and in accordance with the output based specifications issued by the Brigade.

Contract Performance

5. Overall availability performance remains satisfactory and averages 99.85% for this period. This is consistent with the performance levels achieved in the previous reporting period.
6. The contract allows the contractor a monthly threshold of 50 KPI penalty points before the Authority can apply any financial abatements. Table A below, sets out the Key Performance Indicator (KPI) levels for the last 12 months.

Table A



7. KPI performance has declined from that reported in the last Vehicles & Equipment Update (Resources Committee 15th September 2017 - FEP2778). The 12 month average is now 141 points per month (up from 74 in the last report). The resulting 91 points per month above the penalty threshold of 50 points, is a focus for Babcock managers who are working with LFB's contract managers to return the trend to a downward direction. The increases have mainly occurred in the areas of planned maintenance event date slippages, delays in rectifying defects that do not take the

vehicle off the run (non critical defects) and vehicles being delivered to users with outstanding non-critical defects. As reported in the previous report (September 2017 - FEP2778), Babcock have continued to have difficulties in recruitment of workshop technicians and this has continued to result in some difficulties for them to resource the workload. The detail of what is being undertaken to address this issue is discussed in paragraph 10.

8. Previously, Babcock's telephone call handling services have performed well. However, due to reliability issues occurring as a result of a change over to a new network telephone service provider, 114 KPI points (13.5% of the total noted in table A) were accrued over the period of this report. Remedial actions have been made and both Babcock and LFB managers are closely monitoring the services reliability and performance.
9. "Code 1" defects result in an appliances being taken 'off the run' (i.e. out of service). For critical frontline pumping appliances, the contract requires such defects to be repaired or the appliance replaced within 2 hours and for aerial and other front line appliances, within 4 hours. The contract provides for abatements to be applied for instances of fleet unavailability outside these contracted periods. During this reporting period, there were 12 availability failures for pumping appliances. These failures included four "code 1" pumping appliance defects that were not repaired nor the appliance replaced within the allotted two hour slot. This resulted in an average of two (2.00) "Code 1" failures per month. This demonstrates a decline in performance compared to the previous average which was 0.83 per month. LFB contract managers have made it quite clear to Babcock that the drop in performance needs to be addressed and are monitoring this closely.
10. Related to the decline in performance outlined in paragraphs 7 and 9 above, Babcock's assessment identified workshop technician shortages as the main reason and correctly identified this as a national skills shortage problem. Babcock lost some 10 skilled technicians in quarter one of 17/18 and whilst some recruitments have been achieved since, continued staff turnover has not improved the overall shortage. In their attempts to overcome the shortages, Babcock have instigated a pay structure review and a localised benchmarking review. In addition, they have an existing technicians apprenticeship scheme and skills related resource collaboration within their wider Group. Because of the difficulties being faced here, Babcock have not yet been able to put a timeline on when the matter will be resolved. However, LFB contract managers are working with Babcock managers to mitigate the impacts where possible and closely monitoring the problems and performance implications.

Update on the Asset Replacement Programme

11. As reported to Resources Committee in September 2017 (FEP 2778), the roll out of the new Series 3 pumping appliances (batch 1) has continued at the rate of one per week throughout the period of this report. Additionally Babcock have confirmed with the supply chain that the batch 2 order for 73 additional replacement pumping appliances (approved at Resources Committee September 2016, FEP2650) will start to be delivered in January 2018. This is as a direct follow on from the last of the batch 1 appliances and this batch (batch 2) is also planned to continue to be rolled out at the rate of one per week .

12. The user feed back process (noted in FEP2778 – September 2017) requested changes to the siren system controls and central locking systems. LFB managers have subsequently been working with Babcock engineers to assess the feasibility and affordability for making the changes. As a result in relation to the siren system, a prototype has been developed and is now under evaluation . The issue of the central locking system has been referred back to the supplier and they are working towards developing a solution under the warranty for these vehicles. We expect these issues to be resolved within the financial year 2017-18.
13. FEP2778 (September 2017) reported on progress of the three major operational equipment projects to introduce battery powered rapid intervention sets (RIS) , 22mm hose reel tubing and branches and that the new FIRE high rise and fire fighter decontamination equipment had been delivered and issued.
14. Approval for 177 Rapid Intervention Sets was provided in FEP 2508 (£1,558k- September 2015). It was subsequently recognised that operational and technological capability of the RIS replacements needed to be enhanced and this has been addressed. However, it has subsequently delayed the delivery of this project. Babcock's continued poor delivery of procurement solutions has also added delays. As a result the process has moved on by one quarter, the tender evaluations and outcome orders will now be completed quarter 4 of 2017/18 and deliveries are expected to start in quarter 1 of 2018/19. The enhancements will enable the equipment to be able to be used in confined spaces, it will be lighter, more compact and as the equipment will be battery powered, crews will not have to consider how emissions will affect the atmosphere they are working in. The changes have resulted in a requirement for 158 rapid intervention sets each comprising two battery operated tools replacing the four items in the current set. This change provides both operational advantages and savings in capital replacement costs of some £2.2k per set (£7,940 down from £9,500) . The resulting total procurement cost of £1,254.5k makes a £303.5k saving for the Authority.
15. The project to replace the 19mm hosereel with the enhanced 22mm hosereel tubing on fire pumping appliances is progressing via both the scheduled workshop maintenance of the existing series III fleet and the rollout of the new series III pumping appliances. Work is also ongoing to develop a modification to enable the same to be fitted to the series II fleet of pumping appliances.
16. The Resources Committee met in July 2017 and gave approval (FEP2763) for three extended range aerial appliances as part of the aerial replacement programme. As reported to Resources Committee September 2017 (FEP2778), the procurement process for the replacement of aerial appliances was stopped whilst officers completed a review of our aerial appliance capability requirements in line with the aims set out in FEP2763 (July 2017). That review identified that operational capability enhancements would be provided by a limited quantity of extended range aerial appliances forming part of the replacement of the overall fleet of 15 aerial appliances . Additionally, the Metropolitan Grand Lodge of London have made an offer of a donation to the Authority to support the procurement of an additional two extended range aerial appliances. The Freemasons have set a target to raise £2,500k for this purpose. Approval had originally been given (FEP2650 – September 2016) for £9,900k to replace all fifteen aerial appliances with a single type. Subsequently approval was given (FEP2763 – July 2017) for a further £2,400k for the

additional cost of three of the fifteen to be extended range aerial appliances. Added to these amounts is the Metropolitan Grand Lodge of London's proposed donation of £2,500k for two aerial appliances make a total available asset replacement funding of £14,800k.

17. FEP2763 (July 2017) also agreed a supplemental provision of £150k per year for on-going maintenance and repair for the 3 extended range aerial appliances. More detailed analysis has subsequently been undertaken in relation to this specific revenue budget requirement and officers are now confident that the additional revenue budget already agreed in FEP2763 (July 2017), should be sufficient to cover the additional service and maintenance costs of all five extended aerial appliances. Therefore, there should be no further additional revenue budget required for the two additional aerial appliances that are being donated.
18. For clarification, irrespective of the funding source, all fifteen aerial appliances will be procured through the contracted services with Babcock as set out in paragraphs 3 & 4 above. The procurement process is being written in such a way that we can be flexible on the types of appliances we purchase. Therefore, if necessary, we will be able to purchase a larger number of standard range aerial appliances in place of some of the extended range aerial appliances should sufficient finance not available to fully cover the costs of all five of the extended range aerial appliances.
19. Babcock and LFB procurement managers have reviewed the Authority's key operational requirements for aerial appliances, they are as follows:-
 - Proven reliability and durability;
 - A consolidated skill s set for all aerial operators and aerial appliances, quick and agile aerial system operations;
 - Appliances that will fit in the Authority's fire station appliances bays and are able to negotiate the congested roads of London;
 - The options available from the market place and funding constraints;
 - The procurement options .
20. The generic term of "aerial appliances" is used when referring to these appliances, but specifically the assessments found that in our current fleet, the key requirements could only be met by turntable ladder (TTL) appliances and that the future aerial control functions would need to be of a common functional type. The assessments also found that only the manufacturers Magirus and Metz had designs that could meet the key requirements and that all fifteen should be supplied from one manufacture with a common operating system. It is recommend that tenders be invited from Magirus and Metz for at least 10 standard TTL appliances to the same specification as set out for the original procurement process that was stopped and up to five extended range TTL appliances with a new specification to match our requirements. Further recommendations are that the tenders for both standard and extended range types should be evaluated together, in order to establish the best single supplier solution. Members are requested to approve that the Head of Procurement and Technical Service Support be authorised to accept the most advantageous tender and place orders for fifteen replacement aerial appliance

up to a total price of £12,300k (total spend of £14,800k with the Metropolitan Grand Lodge of London's donation added).

21. Members agreed at the Resources Committee on 16th September 2016 (FEP 2650) that orders should be placed for the early replacement of the two fireboats, £2,400k was allocated for that purpose in 2018-19 and £100k was allocated for specification and expert consultancy fees in 2017-18.
22. Two independent reports were commissioned from Frazer Nash, a specialist consultancy company in the field of small maritime craft and engineering. The reports were commissioned to look at;
 - (1) The feasibility and potential cost of replacement Fire Boats
 - (2) The options feasibility of alternative low emission fuels and power units noted in September Resources Committee report (FEP 2778 – September 2017).
23. Both reports have been received and the first report concludes that a price of £1,200k per boat is feasible to meet the Authority's draft outputs based specification. This sum fits within the budget agreed by Members at the Resources Committee on 16th September 2016 (FEP 2650) The second report concludes that marine diesel fuelled engines are the only realistic and affordable option for the replacement boats. There are no current emission restrictions or targets and no known plans to introduce them for river craft in London, so diesel engines are acceptable. LFB officers are now progressing the procurement for replacing the two fire boats in accordance with the approval given by the Resources Committee (FEP 2650 - September 2016).
24. Fitting appliances with CCTV and Enhanced Appliance Security is being progressed as part of a coordinated Major Modifications Programme which will minimise vehicle downtime and the impact on fire station crews, it is planned to be rolled out through 2017/18.
25. FEP2778 (September 2017) noted that the 2017 major incidents had resulted in the requirements for replacement of the Fire Rescue Units (FRU), Scientific Support Units (SSU), Command Support Units (CSU), LFB Detection Identification & Monitoring (DIM) Unit, Logistic Support lorries being further reviewed by Operation Policy officers. These reviews remain on-going by the relevant responsible departments and officers will report the outcomes and implications of those reviews to the Resources Committee when received.

Update on minor fleet and operational equipment items replacement programme

26. FEP 2581 (March 2016) reported that the age replacement programme for minor type capital assets in 2016/17 will continue as normal, in line with the Assets Register life schedule and with each purchase being within officers Delegated Authority. This is progressing in a satisfactory manner and the items include the following;

- Fire investigation vans
- General purpose vans
- Inflatable Rescue Boats and Outboard Engines
- Major Lighting Units
- Air Lifting Bags and Stability Props
- Forced entry equipment
- Light portable pumps
- Battery powered tools
- Ladders
- Air compressors
- Water Delivery Aluminium Alloy Couplings and Fittings

Ultra Low Emission Zone (ULEZ)

27. As authorised at the June Authority meeting (FEP2734 – June 2017), officers responded to the Mayors consultation saying that "the Authority supports ULEZ, but will work with Transport for London to identify precisely how it will comply with the earlier implementation." This work is ongoing, so a full update, including the financial implications for the Authority, will be provided when the matter is concluded. However, the following paragraphs set out the current position and anticipated outcomes.
28. Since the last update on LFB's ULEZ compliance plans noted in the September report to Resources Committee (FEP2778 – September 2017), LFB officers have been working with the GLA to develop a Memorandum Of Understanding (MOU) between the Transport for London and LFEPA. The Ultra Low Emissions Zone (ULEZ) will be applied within the Congestion Charge Zone from 8th April 2019 and it is assumed from the London Wide zone for heavy goods vehicles from 26th October 2020. In the development of the MOU's proposed arrangements, officers are keen for TFL to recognise both the difficulties that the LFB will have in complying early with the ULEZ requirements and the considerable work and contributions that the LFB have already undertaken towards the Mayors green agenda.
29. It is expected that the LFB will need to commit to achieve ULEZ compliance by ULEZ published dates for all non emergency response vehicles, but agreement on how to achieve zero emission vehicles for the whole fleet has yet to be formally agreed. We will also be expected to comply with key targets for zero emission capabilities for 2025 & 2030 and a full zero emissions fleet for 2050 as noted in the Authority response to the London Environment Strategy (FEP 2797).
30. It is hoped that when agreed, the MOU will enable the LFB's existing plans for accelerated fleet replacements to achieve full fleet ULEZ compliance, with the exception of the remaining 27 National Resilience (NR) vehicles (25 Prime Movers and 2 Detection Intervention and Monitoring vehicles).

31. The estimated costs to modify the 27 NR vehicle are expected to fall within the budget already approved for this work in FEP2734 (June 2017). However, officers are writing to the Home Office to request that they cover the costs of the NR vehicles.

Vehicle & Equipment Contract Finance Update

32. The Unitary Payments are currently forecast to be underspent against budget by £91k resulting in an outturn spend of £10,692k for 2017/18. The £91k underspend reflects a forecast of the performance abatements as at the end of the year. This shows an improvement in performance against 2016/17 for which the level of performance abatements was very high.

33. The forecast variance against pass through charges is an underspend of £181k, the annual budget is £753k. The variance is due to a reduction in in the modifications revenue spend. There is a large programme of capital funded modifications scheduled as set out in paragraph 13. As such there is currently no scope for any further fleet modifications in this financial year. The normal modification program is funded through a revenue budget, as any further modifications will exceed Babcock's capacity it is forecast this normal activity will not be possible.

Head of Legal and Democratic Services comments

34. The Head of Legal and Democratic Services has reviewed the report and his comments have been included.

Director of Finance and Contractual Services comments

35. The report provides an update of the contract with Babcock Critical Services Ltd. The overall availability performance remains satisfactory and averages 99.85% for this period. The Unitary Payments are currently forecast to be underspent against budget by £91k resulting in an outturn spend of £10,692k for 2017/18. The forecast variance against pass through charges is an underspend of £181k, the annual budget is £753k.

36. The report also provides an update on the equipment and fleet replacement programme . The report requests approval to place orders under the contract with Babcock Critical Services to procure a combination of standard range and extended range aerial appliances giving a total of fifteen (15) aerial appliances at an estimated total capital cost not exceeding £12,300k . This budget is included in the current capital fleet replacement budget also on today's agenda.

37. The report notes that the Head of Procurement and Technical Service Support , in consultation with the Head of Legal and Democratic Services will draw down on the Metropolitan Grand Lodge of London's donation to the Authority (targeted to be £2,500k) to procure two extended range aerial appliances.

38. An update is provided on the approved purchase of two fireboats at a £2,500k, 158 Rapid Intervention Sets at £1,254.5k which are also included in the current capital fleet replacement budget also on today's agenda.

39. The financing of these items are included in the future revenue budget and if financed by external borrowing, the annual debt charges would be £1,436k, based on an interest rate of 1.5% and a useful life of 15 years for the aerial appliances, 20 years for the fire boats and 5 years for the rapid intervention sets. Sustainable Development implications
40. The ongoing work to achieve ULEZ compliance is set out in para's 29-33. The estimated costs to modify the 27 National Resilience (NR) vehicle are expected to fall within the £670k reserve set aside for ULEZ compliance. However, officers are writing to the Home Office to request that they cover the costs of the NR vehicles

Sustainable development implications

41. The Head of Sustainable Development Services has reviewed the report and her comments have been included with particular reference to the ULEZ paragraphs 27-31.

Staff Side consultations undertaken

42. Affected staff side representatives are consulted to discuss options for all vehicle and operational equipment replacements.

Equalities implications

43. There are no equality implications arising directly from this update report. Consideration of the potential equality implications of the vehicle and equipment contracts is provided in the relevant equality analysis.

LOCAL GOVERNMENT (ACCESS TO INFORMATION) ACT 1985	
List of background documents	
<ol style="list-style-type: none"> 1. FEP 2237 Procurement Process for the Authority's Vehicles and Equipment Contract and the Protective Equipment Group 2. FEP2508 Vehicles and Equipment Contract Update 3. FEP 2581 Vehicles and Equipment Contract Update 4. FEP2650 Vehicles and Equipment Contract Update 5. FEP2687 Vehicles and Equipment Contract Update 6. FEP2734 Response to Consultation on the Ultra Low Emission Zone 7. FEP2763 Vehicles and Equipment Contract Update 8. FEP2778 Vehicles and Equipment Contract Update 	
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