

## London Borough of Hammersmith & Fulham

**Report to:** Cabinet Member Board

**Date:** 24<sup>th</sup> January 2020

**Subject:** Award of term contract to carry out planned servicing, day to day repairs and minor improvement works to housing passenger lifts

**Report of:** Cabinet Member for Housing

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### Summary

This report seeks approval to let a contract to undertake planned servicing, day to day repairs and minor improvement works to housing passenger lifts. The value of the contract exceeds the threshold for service contracts and has therefore been tendered in accordance with the Public Contracts Regulations 2015.

### Exempt Appendices

Appendices 1 and 2 of this report are currently exempt from disclosure on the grounds that they contain:

- (in the case of appendix 1) 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;
- (in the case of appendix 2), information in respect of which a claim for legal professional privilege could be maintained in legal proceedings under paragraph 5 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.

### Recommendations

1. That the Cabinet Member for Housing approves the appointment of Liftec Lifts Limited to carry out emergency and day-to-day reactive repairs, planned servicing and statutory inspections together with minor improvement works for all housing passenger lifts with an estimated annual value of £403,420 which equates to £2,017,100 over the five year period or £2,823,940 if the option to extend for a further two years is taken up. This excludes inflationary uplifts linked to industry indices.
2. That the Cabinet Member for Housing agrees that the contract will start on 11<sup>th</sup> May 2020 for a period of five years, with an optional extension of a further two years.

**Wards Affected:** All

## H&F Priorities

Our Priorities	Summary of how this report aligns to the H&F Priorities
<ul style="list-style-type: none"> <li>Building shared prosperity</li> </ul>	
<ul style="list-style-type: none"> <li>Creating a compassionate council</li> </ul>	
<ul style="list-style-type: none"> <li>Doing things with local residents, not to them</li> </ul>	
<ul style="list-style-type: none"> <li>Being ruthlessly financially efficient</li> </ul>	<p>The project has been competitively tendered and awarded on the basis of most economically advantageous tender. There will be robust contract management to ensure value for money.</p>
<ul style="list-style-type: none"> <li>Taking pride in H&amp;F</li> </ul>	<p>Liftec is ISO 14001 (Environmental Management Systems) accredited and has taken positive steps to reduce energy consumption, such as better space utilisation and more efficient running of equipment and vehicle fleet. Liftec applies waste minimisation schemes mainly focusing on increased recycling and responsible waste disposal. Any lift parts are disposed of at certified waste disposal sites.</p>

## Financial Impact

The estimated annual value of the contract is £403,420 excluding inflationary uplifts linked to industry indices. The notional contract sum comprises £353,420 fixed price servicing costs (as specified within Schedule 1) plus £50,000 contingency to cover costs arising from works ordered under Schedules 2-4. The estimated value over the five-year term will be £2,017,100, excluding inflationary uplifts linked to industry indices.

In addition to the servicing costs (Schedule 1), the tender model also requested tenderers to provide schedules for additional labour, dayworks, and items of work outside the contract. These are effectively basket rates to be used as required and orders raised on these terms will be contained within the agreed budget of £50,000.

The revised cost of the contract follows a review of the initial tender prices which were significantly above the available budget. The review identified that annual condition surveys were not essential as the majority of the lift portfolio has been recently modernised or is programmed for modernisation over the next two years.

The approved Housing Revenue Account (HRA) budget for lift repairs and maintenance for 2019/20 is £558,000 and the budget for 2020/21 is expected to remain at the same level. The nature of works expected are servicing with minor improvement works for all housing passenger lifts, therefore the costs of this contract can be contained within this revenue budget.

There are a number of other calls on the £558,000 existing revenue budget. These include the costs associated with lift monitoring and lift safety inspections and it is estimated that these costs could amount to a further £120,000 per annum. The potential for savings will be reviewed in the coming months as the Long Term Repairs Model tendering process is progressed.

A credit check has been carried out for Liftec Lifts Limited as at 13 January 2020 and details are provide in exempt Appendix 1.

### **Legal Implications**

This report is recommending award of a lift maintenance contract for the Council's housing stock. It is classified as a services contract under the EU public procurement regime and accordingly was tendered in accordance with the required procedure.

The procurement route described is a restricted procedure, as set out in the Procurement Strategy approved by Cabinet, while the award criteria used are also compliant with the Strategy.

The contract has a mixture of fixed price elements for cyclical servicing and those inspections required by law, and a schedule of rates for responsive repairs required outside the servicing/ inspection cycle.

There may be a transfer of staff under TUPE from the outgoing contractor to the incoming contractor.

See also exempt comments in Appendix 2.

The decision-maker needs to be satisfied that the recommended award of contract will see the tenderer being appointed which submitted the most economically advantageous tender.

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**Background Papers Used in Preparing This Report: None**

## **DETAILED ANALYSIS**

### **1. Proposals and Analysis of Options**

- 1.1. The procurement of a new lift maintenance contract is essential in order to continue to provide a day to day reactive breakdown callout repair service, planned servicing and statutory inspections together with minor improvement works as and when necessary in maintaining each lift to the required standard in providing a safe and reliable lift services to users.
- 1.2. The tendering exercise has been carried out following an analysis of procurement options which were considered in the Business Case and Procurement Strategy report approved by Cabinet 27 March 2017.

#### **Property**

- 1.3. The housing portfolio includes 215 passenger lifts and one goods lift serving over 6,000 homes in 156 blocks.

#### **Tender Process**

- 1.4. A Contract Notice was published in the Official Journal of the European Union on 13<sup>th</sup> February 2019.
- 1.5. On 15<sup>th</sup> February 2019 a Selection Questionnaire was published inviting suppliers to provide information in respect of their technical and financial credentials by a closing date of 21<sup>st</sup> March 2019. A total of 16 suppliers submitted SQs which were evaluated using the published criteria.
- 1.6. The shortlisting process resulted in a total of six suppliers being invited to tender on 6<sup>th</sup> June 2019 with a closing date of 19<sup>th</sup> August 2019. On 10<sup>th</sup> July one supplier gave notice of their wish to withdraw from the process. Two other suppliers did not submit tenders, one citing issues with TUPE and timescales, the other giving no reason. Three valid tenders were received on 19<sup>th</sup> August 2019.
- 1.7. Analysis of the pricing submissions identified significant arithmetical errors in the completion of schedules and summaries carried forward to the form or tender. All three tenderers were requested to review and resubmit their pricing by 23<sup>rd</sup> August 2019.
- 1.8. The Council evaluated the quotations received using most economically advantageous tender (MEAT) criterion with a weighting of 50% to qualitative and technical aspects of the tender submission and 50% to price.
- 1.9. After submission of initial tenders, it was identified that all three tenderers were in excess of the available budget. The lift team reviewed the requirements set out in the original tender and considered potential efficiencies. It was agreed that annual condition surveys were not essential as the majority of the lift portfolio has been recently modernised or is

programmed for modernisation over the next two years. Further the lift team now includes two in-house inspectors to provide additional feedback on lift performance as required. In addition the lift team will continue to have access to statutory inspection reports undertaken separately for insurance purposes. As a result the three tenderers were asked to re-price without including costs for the preparation of lift condition surveys for each lift in the estate. This exercise did not alter the original ranking of the tenderers.

- 1.10. Table 1 below sets out the scores achieved by each supplier as assessed by the evaluation panel based on the resubmitted prices. Further scoring information is provided at Appendix 1. The tender model used for evaluation includes pricing schedules for additional labour, dayworks, and out-of-scope repairs on an “estimated volumes” basis, together with the fixed price elements for regular servicing and inspections.

*Table 1*

No	Supplier	Value of notional tender model (for evaluation purposes only)	Weighted Price Score	Weighted Quality Score	Total Score
1	Liftec Lifts Limited	£3,339,095.00	50.00	33.595	83.595
2	Tenderer 2	£4,482,375.25	37.25	37.16	79.41
3	Tenderer 3	£7,428,173.20	22.48	36.61	59.09

- 1.11. Based on the evaluation process carried out in accordance with the procurement strategy officers recommend acceptance of the tender submitted by Liftec Lifts Limited.
- 1.12. The new contract is for a period of five years, with an option to extend for a further two years. The contract contains annual price fluctuation clauses linked to published industry indices to allow for inflation over the term of the contract. There will be a TUPE transfer from the existing lift maintenance contractor.

### **Funding and Cashflow**

- 2.1. The anticipated Programme for the project is as follows:

Activity/Milestone	Estimated Date
Cabinet Member Meeting	24 January 2020
Notification of award	31 January 2020

Standstill ends	10 February 2019
Contract Award	11 February 2020
Start on site (contract go live)	11 May 2020

## 2. Reasons for Decision

- 2.1. The provision of a lift maintenance service is essential for both reasons of safety and resident convenience.
- 2.2. A decision is required to appoint the contractor and is being referred to Cabinet Member in accordance with CSO 21.1

## 3. Equality Implications

- 3.1. It is not anticipated that the approval of these proposals, as set out in the Recommendations, will have any direct negative impact on any protected groups, under the Equality Act 2010.
- 3.2. The loss of a lift service within a building is of particular inconvenience to the elderly, people with disabilities and people with young children. The contract will include regular planned preventative maintenance programme to reduce the frequency of lift failure and provide a two-hour response time for reactive repairs, 24 hours a day, 7 days a week
- 3.3. *Implications verified/completed by: Fawad Bhatti, Policy & Strategy, tel. 07500 103617.*

## 4. Risk Management Implications

- 4.1. The contract includes financially incentivised key performance indicators (KPIs) whereby 10% of the amounts payable to the contractor in any reporting month are dependent upon the contractor achieving the necessary performance as defined by the KPI. The areas of performance to be measured are:
  - Lift Availability
  - Submission of Financial Reports
  - Provision of Contractors Quality Checks Reports
  - Response Time for (P1) Breakdown Works
  - Lift Trappings
  - Number of Breakdowns per month
  - Receipt of "Complete" service Reports
  - Performance against servicing programme
- 4.2. The evaluation process has concluded that the contractor has the necessary financial standing, insurances, and health and safety qualifications to complete this project.

4.3. *Implications completed by: Michael Sloniowski, Risk Manager, tel 020 8753 2587, mobile 07768 252703. Verified by David Hughes, Director of Audit, Risk, Fraud and Insurances on 07817 507695 and 0207 361 2389*

## **5. Other Implications**

### **Procurement**

- 5.1. For high value revenue contracts between £500,001 and £5M the CSO states that the contract award is by the relevant Cabinet Member as long as the award value is not over 10% of the initial estimated value and over £10,000,000. As the proposed contract is estimated at £2,017,100 over the five year period or £2,823,940 if the option to extend for a further two years is taken, up it is below this figure.
- 5.2. The tender process was conducted using the capitalE-sourcing system in accordance with the CSOs. The process has resulted in the submission of 3 bids and after arithmetic pricing were highlighted to the tenderers the corrected bids were evaluated in line with the advertised criteria, based on a 50% - 50% quality- price ratio. The evaluation found that Liftec Lifts Ltd were the most economically advantageous but all bids received were above the allocated budget. After a review of the requirements the tenderers were asked to resubmit their bids and it was found that Liftec Lifts Ltd still submitted the most economically advantageous tender.
- 5.3. The contract should be awarded by way of a notification on the e-tendering system after any standstill period has expired, the service area must arrange for the borough solicitor to seal the contract on behalf of the council and must comply with the requirements under Contract Standing Orders 21.8 and 21.9.
- 5.4. Implications verified/completed by: Joanna Angelides, Procurement Consultant, 0208 753 2586

### **Business Implications**

- 5.5. Lift maintenance is a specialist market and therefore there are limited opportunities for local suppliers. However the site team and support staff will generally avail of local services such as shops and cafes during the contract.
- 5.6. Implications verified/completed by: Albena Karameros, Economic Development Team, tel 0207 938 8583

### **ICT**

- 5.7. IT Implications: No IT implications are considered to arise from the proposal in this report.



- 5.8. IM implications: A Privacy Impact Assessment should be carried out to ensure that all the potential data protection risks associated with these works are properly assessed with mitigating actions agreed and implemented.
- 5.9. The contract with Liftec Lifts Ltd will need to include H&F's data protection and processing schedule – which is compliant with Data Protection law (the General Data Protection Regulation (GDPR) 2016; and the Data Protection Act (DPA) 2018).
- 5.10. Liftec Lifts Ltd will be expected to have a Data Protection policy in place and all staff will be expected to have received Data Protection training.
- 5.11. Implications verified/completed by: Karen Barry, Strategic Relationship Manager, IT Services, tel 0208 753 3481.

## **6. Consultation**

- 6.1 Leaseholders were notified in accordance with the statutory consultation legislation. The Stage 1 Notices of intent were sent out on 17th March 2017 and expired 21st April 2017. This was for Lift Maintenance, Servicing and Minor Works. It was also intended to include Condition Surveys.
- 6.2 A decision was taken to omit Condition Surveys on grounds of affordability and the resulting bids, which were based on the remaining themes of Annual Servicing, 24hr Breakdown Cover and a risk element for Vandalism, suggested an annual excess of £588 above the prescribed £100 limit for services. With consultation costs significantly exceeding this, these costs are not sufficient to warrant issuing a Stage 2 Notice of Proposal.
- 6.3 The contract also provides for minor works although the number of ad hoc repairs have been comparatively small over the period 2016-19, and, with the S20 block thresholds running from £2-40k, not triggered separate consultation. The number of ad hoc repairs is also expected to reduce further with new lifts being installed. The Council will nevertheless retain the ability to take a job outside this contract and procure it separately if it is likely to trip the S20 threshold.

### **List of Appendices:**

- Exempt Appendix 1: Tender Analysis and details of credit check
- Exempt Appendix 2: confidential legal comment

## Appendix 2

*This appendix is exempt from disclosure on the grounds that it contains information in respect of which a claim for legal professional privilege could be maintained in legal proceedings under paragraph 5 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*

**Additional legal comment:** As set out in paragraph 1.9, there was a repricing exercise. Only the three tenderers who submitted tenders were invited to participate in the pricing exercise. Arguably, as six tenderers were invited to submit tenders, they should all have been invited to tender. This would be to ensure fairness, as it may have been the case that the item omitted from the tender scope on the repricing was the reason they did not tender in the first place. However legal advice has been provided that indicates that the risk of any challenge is likely to be very low, and was balanced against the need to get a contract in place without further extensions, which of itself is challengeable.