

LONDON BOROUGH OF HAMMERSMITH & FULHAM

Report to: Councillor Frances Umeh, Cabinet Member for Housing and Homelessness

Date: 14/08/2023

Subject: Term-service contract for lift monitoring and control

Report author: Nicholas Marco-Wadey, Head of Contract Governance

Responsible Director: Jon Pickstone, Strategic Director for The Economy,
Richard Buckley, Assistant Director of Building and
Resident Safety

SUMMARY

Since 2008, Thames Valley Controls Ltd has provided our lift monitoring and control solution. Until now, they have delivered the service for us via purchase orders. In line with commercial best practice, we are now aiming to work with them via a formal contract that will cover more detailed terms and conditions and a better articulation of the service specification and key performance indicators. We will also adjust the current scope of works to enable a more comprehensive maintenance and repair offer and allow for a planned equipment replacement regime to factor in some of the hardware being old (installed in 2008). This will be a 5-year term-service contract, with a projected spend of £1,232,399.

We believe that a direct award of the contract to Thames Valley Controls Ltd is appropriate as:

- 1) The service assessed the transfer cost that would arise from changing Thames Valley Controls Ltd's lift monitoring hardware to a new provider's lift monitoring hardware. Based on the volume of hardware assets and the material and labour rates for undertaking the hardware transfer, an internal H&F review estimates a circa two million pounds supplier-transfer cost if we went out to the open market and transferred suppliers. This cost makes a change of provider financially unviable. This cost is not specific to Thames Valley Control Ltd's business model, similar costs would apply if exiting another firm offering similar products and services.
- 2) Thames Valley Controls Ltd provide us with an 'information-back' system, which is a real-time monitoring and reporting system for the council and contractors to access, including automatic notification of any lift failures, and analysis of the relative usage of our lifts. This is business-critical functionality for H&F's monitoring of our lift's performance and condition. Based on market research conducted by the service, Thames Valley Controls Ltd are the only supplier currently with this level of offering.
- 3) Thames Valley Controls Ltd provides a good service. We have 21 million lift journeys a year and c.98% availability of our lifts, ensuring it is rare that residents cannot access a particular lift. Our market research gave no reason to believe that performance would improve under another operator or that better value would be

offered. Not using a data reporting system would result in lift availability, performance and resident satisfaction falling. Timely repairs also extend the lifespan of our lifts. H&F's lifts currently have a lifespan of 30 years, double the industry norm.

RECOMMENDATIONS

1. To approve the procurement strategy to directly contract award (via a waiver to contract standing orders), a 5-year contract to Thames Valley Control Limited. The value is estimated at £1,232,399.
2. To approve the contract award of a 5-year contract to Thames Valley Control Limited at £1,232,399.

Wards Affected: All.

Our Values	Summary of how this report aligns to the H&F Values
Building shared prosperity	The contractor will be required to deliver Social Value equivalent to 10% of the contract values. This should have a positive impact on local wellbeing prosperity.
Creating a compassionate council	Ensuring that our lifts are well monitored and maintained is essential for the residents who reside in multi-level buildings. The works outlined in the contract will be crucial in ensuring that we avoid the negative outcomes on residents that happen due to lift breakdowns.
Doing things with local residents, not to them	The contract will stipulate high standards of resident communication throughout the works process.
Being ruthlessly financially efficient	The prices set in the contract will be rigorously negotiated via a clearly set out costs and prices. Also, by continuing with the existing provider, we will ensure high change costs are avoided.
Taking pride in H&F	It is important that the Council provides tenants with homes to be proud of that have surrounding communal infrastructure that is well monitored and managed. This contract will help us achieve this ambition by ensuring our

	lifts are reliable and functional.
Rising to the challenge of the climate and ecological emergency	Robust monitoring is more carbon efficient than multiple 'sticking plaster' repairs. By monitoring the lifts proactively, the lifts can be proactively managed to ensure optimal performance.

Financial Impact

The total contract spend across the five years of the contract will be £1,232,399.

This will be a fixed price contract and the contract will not include any provision for annual uplifts as the total contract price is fixed for the five-year term. The annual costs increase each year by circa 1% and this gives the Council price certainty.

The cost will be a combination of revenue and capital as shown in the table below –

	Year 1	Year 2	Year 3	Year 4	Year 5	Total Capital	Total Revenue	Total
Annual costs	£000	£000	£000	£000	£000	£000	£000	£000
Upgrade Yearly Cost	£55	£55	£55	£55	£55	£275		£275
SIM card current price, per annum	£56	£57	£58	£59	£58		£288	£288
Mercury contract per annum	£39	£39	£40	£41	£42		£201	£201
Health Check	£2	£2	£2	£2	£2		£10	£10
24 Hour Call	£20	£20	£21	£21	£22		£104	£104
EMU Servicing cost - £203, Autodialler Servicing cost – £102 and CMS Anywhere - £20.80	£68	£69	£71	£72	£74		£354	£354
	£240	£242	£247	£250	£253	£275	£957	£1,232

The HRA Capital Programme contains a budget for Lift Works (Future Schemes) of £2.079m in 2023/24 and then £0.750m per year from 2024/25 ongoing. It is anticipated the £0.055m for the yearly upgrade will be funded from this allocation.

The revenue budget associated with the non-capital spend is £0.677m for 2022/23 and this has been rolled forward for 2023/24. The budget provides for the current contract as well as work from other providers. The cost of the contract will be covered by the existing budget.

Where any upgrade works result in a cost exceeding £250 per property, it may be necessary to issue a Section 20 Notice to ensure that major works invoices can be issued to leaseholders.

A Creditsafe report shows a credit score of 79 which indicates very low risk the current value requested is within the Creditsafe recommended maximum contract value limit of £2.4m.

Commentary from Mark Collins and Llywelyn Jonas Principal Accounts (Revenue and Capital) HRA 26 March 2023

Verified by Danny Rochford, Head of Finance (Housing Revenue Account and Economy) 30 March 2023

Legal Implications

The Council has power to purchase these services as they enable it to fulfil its duty to carry out repairs to lifts in order to comply with its obligations as a landlord under the Landlord and Tenant Act 1985 and as a housing provider under the Housing Act 1985.

The proposed contract is a public services contract for the purposes of the Public Contracts Regulations 2015 (PCR). However, there are grounds for awarding the contract without competition using the negotiated procedure without competition under regulation 32 of the PCR. This would be on the basis that competition is absent for technical reasons. The supplier transfer cost involved in changing providers and the fact that only Thames Valley Controls Ltd has the necessary information back-up system mean that a competition resulting in an award to any other supplier would be impracticable.

This is a high value contract for the purposes of the Council's Contract Standing Orders. This would normally require a process of competition to be followed. A waiver of the relevant contract standing order is therefore required.

This is a "key decision" under the Council's Constitution and needs to be included on the key decision list on the Council's website.

John Sharland, Senior solicitor, Contracts and procurement, dated 16 March 2023

Background Papers Used in Preparing This Report

None.

DETAILED ANALYSIS

Background

1. The purpose of this direct contract award is to put in place a comprehensive contract with our supplier of critical data services in relation to residential housing passenger lifts in the borough.
2. This contract will deliver on planned preventative maintenance such as inspection, servicing and repairs following servicing and a breakdown call-out

service. Many of the inspections, servicing and works are a regulatory requirement.

3. Thames Valley Controls Ltd control panels have provided our contractors with data alerts regarding lift breakdowns, which very importantly have operated out of hours on a 24 hrs basis.
4. The provision of this service has improved the KPIs with increased lift availability at 98% and reduced breakdowns within the lift department and with this, our response times are the best for a council using Thames Valley Controls Ltd within London and South-East England. Pennington Choices recent external audit of residential building compliance noted that our lift performance was good. Pennington Choices are experts in auditing compliance across this sector.
5. Further to this, due to the better reliability and availability of the lift service throughout the borough, we have seen a reduction in complaints from over 300 per month back in 2014 to 1 or 2 per month and an increase in resident contentment as feedback at a recent Housing Representative Forum.
6. In line with commercial best practice, we are now aiming to work with our existing supplier via a formal contract. This contract will cover more detailed terms and conditions and a better articulation of the service specification and key performance indicators.
7. We also want to adjust the current scope of works to enable a more comprehensive maintenance and repair offer and allow for a planned equipment replacement regime to factor in some of the hardware being no longer fit for purpose, having been installed in 2008.
8. As part of the initial project scoping, the service did look at using a dynamic purchasing system or open competition. However, after scoping the market, the transfer costs were deemed too high and therefore change at this time would constitute very poor value for money.
9. The reason transfer costs would be too high is that the current hardware that needs serving is provided by Thames Valley Controls Ltd. The providers we researched suggested that they would need to switch this hardware out and install their own. Undertaking this switch would come at a very high cost in the region of £2 million. The equipment is owned by us with no ongoing revenue rental costs. These costs are not specific to Thames Valley Control Ltd's business model, similar costs would apply if exiting another firm offering similar products and services.
10. As Thames Valley Controls Ltd are not part of a compliant framework, we are therefore proposing a direct contract award via a waiver to contract standing orders. Thames Valley Control Ltd are also a UK based provider, with competitors based overseas.

Reasons for Decision

11. To ensure that we have an appropriately skilled provider to deliver upon this critical provision at a cost that constitutes good value for money.

Contract Specifications Summary

12. This contract to deliver the follow services:

- Annual servicing and inspection of Emergency Em-phone auto-diallers, control monitoring systems and Mercury digital information Screens within Housing owned properties. Contractual 'Key performance indicators' will set the expectation that no unit covered by the contract shall be out of service for more than 48 hours in total.
- Supporting compliance to statutory regulations by providing Supplementary Inspections.
- The execution, rectification of all remedial works identified in the contractor's service / inspection report, the council officers, and insurers inspection report.
- Carrying out day to day breakdown call out repairs, including repairs caused by vandalism (to a maximum value of £500).
- In addition to the above, the contract includes provision for planned improvement works to be carried out on a schedule of rates basis as and when instructed by the Engineer.
- The regular and close monitoring and provision of detailed monitoring data. The supplier will use this data to update residents with current and future events associated with their individual sites via the remote Information display screens (which are fitted to all sites).

Procurement Route Analysis of Options

13. There are a range of procurement options available to procure providers of these works:
 - Competitive tender
 - Mini-competition from a suitable framework or Dynamic Purchasing System.
 - Direct award from a suitable framework
 - Direct award via a waiver to contract standing orders
14. These options provide varying levels of assurance that the resulting providers are value for money. Competitive tender is usually the best guarantor of value as it is open to the whole market, whereas direct award from framework provides a limited degree of assurance (from the fact of the competition required to get onto the framework in the first place).

15. As our current hardware in relation to this service is provided by Thames Valley Controls Ltd, if we use a new provider, we will need to replace this hardware with any incoming providers hardware. This hardware change will come at a substantial cost and will largely be driven due to the need to tender in line with CSO rather than be driven by the possibility of good value for money being achieved. On this basis, from a value for money point of view, we believe it is preferable to continue with the incumbent supplier.
16. We considered a framework as a method for awarding the contract via a compliant vehicle. That said, Thames Valley Controls Ltd is not part of any frameworks and therefore we are unable to direct award through this channel. A Dynamic purchasing system would not be a suitable route as a dynamic purchasing system doesn't allow a direct awards.
17. The only other option is a direct award outside of any framework. This route is less desirable than a call off through a competitively tendered framework as it would not meet the requirements of Contract Standing Orders. That said, for the purposes of our commissioning objectives (ensure we contract with a capable/proven supplier and ensure value for money), we are proposing a direct award outside of any framework.

Market Analysis, Local Economy and Social Value

18. Market Analysis is not applicable as this procurement strategy involves no test of the market. It is a strategy for direct award.
19. The Council's Social Value policy requires that all contracts greater than £100k in value must require the contractor to deliver Social Value equivalent to 10% of the contract value (as measured by the Council's themes, outcomes, and method statement matrix).
20. A clause will be included in the contract to cover this requirement. The contractor will be required to pay the annual fees of the Social Value Portal (who will monitor their delivery of Social Value activities). Contract managers from the Client service will be required to complete the forms necessary to register Thames Valley Controls Ltd with the Social Value Portal.

Risk Assessment and Proposed Mitigations

18. Please summarise the key risks for the procurement and proposed mitigations. Consideration may include the risk profile of the procurement such as: value of the procurement; complexity of the proposed procurement approach; strategic importance of the procurement arrangement).

Timetable

19. Please include an estimated timetable of the competition process through to contact commencing.

Key Decision Entry (Strategy)	28/02/2023
Contracts Assurance Board	14/06/2023
SLT/Cabinet Member/Cabinet Sign off	15/07/2023
Contract start date	01/08/2023

Selection and Award Criteria

20. N/A as recommending a direct award.
21. H&F Bespoke form of contract and bespoke schedule of rates.

Contract Management

22. The standard of workmanship and service will be monitored and measured by the Client team. The successful contractor will need to provide evidence of works undertaken, with service/recommendation reports. The service will be allocating a dedicated supervisor resource to the contract.
23. There will be quarterly performance meetings in which KPIs will be reviewed. KPIs will include:
 - Appointment kept
 - Works completed by target completion date
 - Submission of all require information every job, proving quantity and quality
 - Resident satisfaction
 - Quality assurance
24. Social Value will be monitored by the Social Value Portal. The contractor will be registered with the social value portal (and required to pay the annual fee).
25. We will insert a clause in the contract that allows for annual inflationary uplifts to be applied for on each yearly contract anniversary date. The uplift decision will be based on CPI and any other market relevant factors. The local authority will decide on any uplift payable based on their uplift business case

Equality Implications

26. There are no negative equality implications anticipated because of this contract. Furthermore, as a landlord of social housing we have a higher proportion of vulnerable residents who may be negatively impacted due to lift breakdowns. The service provided by this contractor ensures a timely and effective resolution to such breakdowns.

Risk Management Implications

27. The report recommends the direct award of a contract as officers believe there is no alternative provider in the market who could meet the Council's requirement and the proposed provider is not on a competitively procured framework. Officers should be satisfied that the risk of procurement challenge is low, that there is a clear assessment that this proposal represents value for money and that appropriate contractual terms are agreed with the provider. The contract will support providing better services to residents and enhancing resident safety, which is in line with creating a compassionate council.

David Hughes, Director of Audit, Fraud, Risk and Procurement, 25 March 2023

Climate and Ecological Emergency Implications

28. As part of the contract award process, we will ask the supplier to provide a method statement detailing their approach towards climate change. We will also review the delivery of their method statement intentions at contract annual reviews to manage their performance and continuous improvement in relation to climate change.
29. The supplier will also be asked to try and prioritise climate outcomes in its social value commitments.

Verified by: Jim Cunningham, Climate Policy and Strategy Lead, 13 April 2023

Local Economy and Social Value Implications

30. It is a requirement that all contracts let by the council with a value above £100,000 provide social value commitments that are additional to the core services required under the contract.
31. This report confirms that a clause will be included in contracts to confirm that at least 10% of proxy value of social value will be delivered and evidenced as part of the services commissioned.
32. It is advised that the project lead works closely with the council's Social Value Officer and the provider to agree on social value measures and their delivery plan.
33. It is advised that the commissioner works with Legal to ensure appropriate social value clauses are included in the contract, so that the council can enforce its right to compensation if social value commitments are not delivered.

Oliur Rahman, Head of Employment and Skills 31/05/23

Consultation

34. No consultation has been carried out. The contract will stipulate high standards of resident communication throughout the works process.