

LONDON BOROUGH OF HAMMERSMITH & FULHAM

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

Date: 06 December 2023

Subject: Variation of Procurement Strategy for Housing Lift Modernisation Programme to allow re-tendering of 2 Lots

Report of: Cabinet Member for Housing and Homelessness

Report author: Akeem Durojaye, Interim Commissioning Lead

Responsible Director: Richard Buckley, Assistant Director of Building and Resident Safety.

SUMMARY

This report seeks approval for a variation of the previously agreed procurement strategy (Appendix A) for housing lift modernisation programme to allow for the retendering of the remaining two Lots to complete the modernisation of housing's passenger lifts.

The reasons for the variation of the original strategy and therefore the retendering of the two 'Lots' are:

1. The initial procurement resulted in both tenderers failing to meet the council's 10% social value requirement and as a result, no contract was awarded.
2. Inflationary cost increases are likely to impact the original tendered values and therefore the sum is now likely to be much higher. The initial values for Lots 1 and 2 were £715,000 and £691,200 respectively.

Lot 1 - Lift Modernisation of Lytton Estates (Pelham house, Glenallan house and Mortimer House) at a cost of £900,000.

Lot 2 - Lift Modernisation of Various Fulham Sites (Pearscroft Court, Seagrave Lodge, Wheatsheaf Wharf and Rainville Court) at a cost of £900,000.

The works to the 10 lifts contained within the two lots will complete the modernisation programme of the entirety of H&F housing's 213 passenger lifts, which commenced in 2010. The works need to be undertaken as major components of the existing equipment are obsolete having reached their economical usable life span of 25 years. This results in an unacceptable service level for residents with increasingly frequent lift breakdowns. The upgrade will incorporate the latest technical components ensuring a longer life span and reliability for residents within the blocks.

This report has been approved by Contracts Assurance Board on 18 October 2023 and the recommendations have the support of the Departmental Management Team including the Director of Housing and the Assistant Director, Residents and Building Safety.

RECOMMENDATIONS

1. Approve a variation in the original procurement strategy for 'house lift modernisation programme' to allow for the retendering of 2 lots.
2. Approve the retendering of 2 lots from the initial Procurement Strategy via an Open Tender. The value of the 2 lots is estimated to be £1.8million.

Wards Affected: Lytton Estate and Various Fulham Sites.

| 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 continuity and extension of this currently successfully delivered service will be crucial in maintaining this outcome. |
| 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 which have surrounding communal infrastructure that is well monitored and managed. |
| Rising to the challenge of the climate and ecological emergency | Modernisation is more carbon efficient than multiple 'sticking plaster' repairs. By proactively modernising the lifts we |

| | |
|--|--------------------------------------|
| | can ensure optimal lift performance. |
|--|--------------------------------------|

Financial Impact

The Housing Capital Account 4-year Capital Programme contains a budget allocation of £4.379m for Future Schemes within the Lift Schemes division. It is anticipated the £1.8m for the procurement in this report will be funded from this allocation.

The works are anticipated to be wholly capital in nature as the works in the lift modernisation programme will upgrade the assets to function more efficiently and also extend the lifespan.

Once tenders are returned and a suitable contractor selected, Finance will conduct the necessary credit checks to ensure their financial stability and to minimise any risk.

An element of these costs are expected to be recovered from leaseholders and a Section 20 notice will need to be issued by the service to notify Leaseholders and ensure recovery.

Implications Prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital

*Implications verified by: Danny Rochford, Head of Finance (HRA & Economy),
31/8/23*

Legal Implications

The Council has an obligation to undertake these works in order to comply with its duties as a landlord under the Landlord and Tenant Act 1985 and a housing authority under the Housing Act 1985.

These are works contracts which are below the relevant threshold for the Public Contracts Regulations 2015 to apply. There are therefore no statutory provisions governing this procurement.

This is a high value contract for the purposes of the Council's contract standing orders. The use of an open procedure to undertake the tendering process is compliant with CSO 18.

The process provided for under s20 of the Landlord and Tenant Act 1985 will need to be complied with to ensure recovery of the elements of the costs which are chargeable to leaseholders.

As this involves retendering of two substantial lots each with a value considerably exceeding £300k this is a key decision for the purposes of the Council's Constitution and needs to be included in the key decision list on the Council's website.

Background Papers Used in Preparing This Report

None.

Reasons for Decision

This report seeks approval for a variation of the previously agreed procurement strategy for housing lift modernisation programme to allow for the retendering of 2 Lots via an Open Tender.

The reasons for the variation of the original strategy and therefore the retendering of the two 'Lots' are as follows:

1. The initial procurement resulted in both tenderers failure to meet the council's 10% social value requirement and as a result, no contract was awarded on Lots 1 and 2.
2. There has been increase in costs over the years due to inflation. These changes are likely to impact the initial tendered values and therefore the sum approved in the original report is now likely to be much higher. The initial values for Lots 1 and 2 were £715,000 and £691,200 respectively.

Market Analysis, Local Economy and Social Value

6. The market for modernisation of social housing lifts is limited but competitive. Previous procurement exercises undertaken by the council have generated interest from several contractors.
7. 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 TOMS matrix).

Risk Assessment and Proposed Mitigations

8. The lifts proposed for modernisation are generally nearing or past their recommended life of 25 years. In the event of breakdown parts become increasingly difficult to source leading to lifts being out of service for prolonged periods, this risk is mitigated by going out tender.
9. Furthermore, the works will mean that lifts are temporarily out of service, and this may be of inconvenience to some residents, for example the elderly, disabled, or

residents with young children. However, prior to works, consultation with residents and housing management will be undertaken and alternative arrangements for vulnerable residents will be considered.

10. In line with paragraph, the resident liaison officer will proactively be involved in this project and will undertake a risk assessment of vulnerable residents within the block. For resident identified as vulnerable, the housing officers will support with decanting and sourcing alternative accommodation for our residents.

Timetable

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

| | |
|--|------------|
| Key Decision Entry (Strategy) | 16/08/2023 |
| Contracts Assurance Board | 18/10/2023 |
| Cabinet Member | 02/11/2023 |
| Issue ITT | 06/11/2023 |
| Closing date for submission of Clarification questions | 27/11/2023 |
| Closing date for receipt of Tenders | 11/12/2023 |
| Evaluation and internal approval process | 08/01/2024 |
| Issue of Section 20 Notice of Estimate | 20/01/2024 |
| Expiry of Section 20 Notice of Estimate | 20/02/2024 |
| Award Notification | 04/03/2024 |
| Expiry of voluntary standstill period | 14/03/2024 |
| Letter of Acceptance | 18/03/2024 |
| Commencement Date on site | 25/03/2024 |

Selection and Award Criteria

12. Each contract will be awarded to the most economically advantageous Tender based on a combination of price and quality. Tenderers for each contract will be evaluated based on their Quality submission (Method statement) and Price (Commercial) submission. The ratio used will be 60% Quality and 40% Price.
13. There will be two stages to the evaluation of the quality criteria
14. Stage 1 – Compliance: Each Tender must achieve a minimum level of acceptability as defined by the compliance standards set out in the table 1 below. The Authority reserves the right to reject without further discussion any Tender which does not meet the compliance standards.

Table 1: Compliance

| Compliance Standard | Rationale |
|--------------------------------|--|
| Compliant and bona fide Tender | Each Tender shall be checked to ensure that there is no material breach of ITT conditions; that the Tender is complete; that there is no collusion or corruption or anti-competitive behaviour; and that all required information is provided. |
| Legal Acceptability | Each Tender shall be checked to ensure that there is no legal impediment to the Authority entering a contract with the successful Tenderer in the Authority's form eg conflict of interest. |
| Complete Tender | Each Tender shall be assessed as to whether the Tenderer has confirmed that it is able to provide the Services as detailed within the Service Specification. |

15. Stage 2 – Quality award Criteria (Technical Envelope in CapitaSourcing): Quality will be assessed on the basis of a Tenderer's written submissions in the Technical Envelope to the award criteria as set out below in Table 3.
16. The scoring table is set out in Table 2 below. Each response to the award criteria will be marked out of a possible score of 5. The scoring will be based on the general principles and descriptions shown in Table 2 below. A Tender must score 2 or above for each of the criteria otherwise it may be rejected.

Table 2: Zero to 5 Marking Scheme

| Score | Rating | Criteria for Awarding Score |
|--------------|---------------------|---|
| 0 | Unacceptable (fail) | The information is omitted/no details provided, or irrelevant answer provided |
| 1 | Poor (fail) | The Authority has serious reservations that the Tenderer understands the requirement in the |

| | | |
|---|--------------|--|
| | | question. The proposal provides very limited evidence and assurance that the relevant aspect of the service would be delivered to the expected standard and there are serious doubts about aspects of the response. |
| 2 | Fair | The submission is superficial and generic in its scope. The Authority has some reservations that the Tenderer understands the requirement in the question. The proposal provides some limited evidence and assurance that the relevant aspect of the service or requirement would be delivered to a satisfactory standard. |
| 3 | Satisfactory | The Authority is reasonably confident that the Tenderer understands the requirement in the question and the proposal provides some satisfactory evidence and assurance that the relevant aspect of the service or requirement would be delivered to a satisfactory standard. |
| 4 | Good | The submission is robust and well documented. The Authority is confident that the Tenderer understands the requirement in the question and the proposal provides good evidence and assurance that the relevant aspect of the service or requirement would be delivered to a good standard in full compliance with the contract requirements, and potentially exceeding such standards in some areas. |
| 5 | Excellent | The proposal is innovative and adds value. The Authority is completely confident that the Tenderer understands the requirement in the question and the proposal provides very good evidence and assurance that the relevant aspects of the service or requirement would be delivered to an excellent standard in excess of the contract standards in many areas. |
| | | |

The Quality section of the Tender has sub-sections as follows:

Table 3

| Section | Total Weighting | Element Weighting |
|------------------|------------------------|---|
| Technical | 25% | Methodology: 50% Resources: 50% |
| Service Delivery | 16.7% | Flexibility: 60% Communication: 20% Innovation/Added Value: 20% |

| | | |
|---|-------------|--|
| Customer care | 20% | Satisfaction: 50% Complaints Procedure: 50% |
| Environment | 5% | Energy Savings: 50% Disposal of Waste: 50% |
| Social Value | 33.3% | Social Value Questionnaire: 50% Social Value Delivery Plan: 50% |
| Total Quality (out of 100% - is then adjusted to represent 60% of overall score) | 100% | |

17. After completing their individual scoring exercise, members of the evaluation team will meet and consider each Tender and a consensus on scoring for each Tenderer's responses to the award criteria will be reached.
18. If during the evaluation team's consensus meeting a Tender is scored 2 or less for a response to any of the award criteria the Tender may not be further considered.
19. For those Tenders which at the evaluation team's meeting score 2 or above for all responses to the award criteria the evaluation will proceed.
20. Each score for a response to an award criterion will be multiplied by the relevant sub-weighting to arrive at a weighted score. Weighted scores will be added together to produce a total score out of 100. The overall quality weighting of 60% will then be applied.
21. **PRICE (COMMERCIAL ENVELOPE IN CAPITALSOURCING):** The Tender with the lowest total sum will automatically score 100% of the price element in the Commercial Envelope. Thereafter each other Tender is compared against the lowest priced Tender in accordance with the following formula to arrive at a score to one decimal point:

$(A \div B) \times C = X$
 Where:
 A = the lowest submitted price of all Tenders
 B = the total price submitted by Tenderer
 C = the maximum percentage score i.e. []
 X = the score for Price
22. Based on a notional figure of £60,000 for the lowest Tender price and using the formula set out in paragraph 3.1 above the Commercial Envelope score for price would be as set out below and then weighted by 60% and awarded as follows

| TENDERER | PRICE | SCORE AWARDED (X) |
|----------|-------|-------------------|
|----------|-------|-------------------|

| | | |
|---|-------------|------|
| 1 | £60,000 (A) | 100% |
| 2 | £70,000 (B) | 86% |
| 3 | £80,000 (B) | 75% |
| 4 | £90,000 (B) | 67% |

23. **COMPILATION OF PERCENTAGES AWARDED FOR QUALITY AND PRICE**

The percentages awarded to each Tender for the Price (Commercial Envelope) and Quality (Technical Envelope) elements of the evaluation are added together to arrive at the most economically advantageous Tender i.e. the Tender with the highest total percentage awarded.

Contract Management

- 24. The contracts will be managed by LBHF's Senior Technical Lift Engineer and Quality Assurance Engineer along with the appointed contractor's Field Project Manager. They will monitor progression and quality of installation through bi-weekly and monthly site meetings, these meeting will be logged along with the Senior Engineer's weekly site inspections. Internal progress meetings will be scheduled to allow formal reporting to the Head of Mechanical and Electrical Service, Growth and Place.
- 25. The Senior Technical Lift Engineer will raise all project contract documentation for change control i.e. Variation Orders/Engineers Instructions etc
- 26. The Senior Technical Lift Engineer will complete periodic valuations and authorise payment certificates in accordance with the contract.
- 27. There will be pre-handover inspection surveys to ensure that work has been carried out to specification, and to a satisfactory standard of workmanship, prior to the lift installation being accepted from the lift contractor.
- 28. On completion of the project (or project phases), the lift engineer will raise Sectional Practical Completion Certificate and Final Certificate of Practical Completion.
- 29. An End of Defect Liability Inspections survey will ascertain whether the lift has been maintained correctly during the 12-month defect period and that there are no outstanding items that need to be addressed by the lift contractor.

Equality Implications

- 30. The works will mean that lifts are temporarily out of service and this may be of inconvenience to some residents, for example the vulnerable, disabled, or residents with young children. However, prior to works, consultation with residents and housing management will be undertaken and alternative arrangements for vulnerable residents will be considered. In exceptional

circumstances this may entail a temporary decant while service is interrupted. However, in the longer term, the works will improve the reliability of the affected lifts.

Risk Management Implications

The report recommends approving a procurement strategy to go out to tender for 2 Lots, in line with the objective of being ruthlessly financially efficient. The contracts will provide appropriate expertise to maintain residential lifts, which supports resident safety. The report identifies risks with not moving to procure the contracts, including to vulnerable residents, and appropriate mitigations to manage the risks are proposed.

David Hughes, Director of Audit, Fraud, Risk and Insurance, 4 October 2023

Climate and Ecological Emergency Implications

1. As part of the tender process, we will ask the supplier to provide a method statement detailing their approach towards climate change, including ensuring energy savings, reducing embodied carbon and reducing waste. 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.

Verified by: Jim Cunningham, Climate Policy and Strategy Lead, 11 October 2023

Local Economy and Social Value Implications

1. It is a requirement that all contracts let by the council with a value above £100,000 factor in a 20% social value weighting in the evaluation criteria.
*Paragraph amended post contract assurance board to reflect the advice of AD of Procurement.
2. Paragraph 1 specifies that this will be a competitive tender. The social value proposal should account for 20% of the overall score for each bidder.
3. It is recommended that the commissioner works closely with Legal Services to ensure appropriate social value clauses are included in the contract, so that the council can enforce its right to remedies if social value commitments are not delivered.

Social Value Implications completed by Paul Clarke, Social Value Officer, 12 October 2023

Consultation

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

LIST OF APPENDICES

Appendix A

[Business Case and Procurement Strategy for Housing Lift Modernisation Programme.](#)