

## LONDON BOROUGH OF HAMMERSMITH & FULHAM

**Report to:** Jon Pickstone, Strategic Director for The Economy in consultation with Cabinet Member for Housing and Homelessness.

**Date:** 20/02/2024

**Subject:** Air cooling systems for housing lift motor rooms

**Report of:** Cabinet Member for Housing and Homelessness

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

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

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### SUMMARY

The impact of climate change and severe weather events is becoming all more frequent with significant temperature events in since 2020 with 40°C being surpassed in 2022\*. These increases have direct impact on residents and buildings and the associated infrastructure including the failure of passenger lifts. To manage this risk, the provision of full function air conditioning units to manage temperatures within lift motor rooms is urgently required.

This report recommends approving a fixed term contract to install circa 120 air conditioning units in lift motor rooms. We are proposing a direct contract award (via a waiver to standing orders) to Drurycourt Limited to ensure that all systems are in place before summer 2024.

This report has been assured by Contracts Assurance Board on 08<sup>th</sup> November 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.

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### RECOMMENDATIONS

1. To agree that Appendix 1 is not for publication on the basis that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) as set out in paragraph 3 of Schedule 12A of the Local Government Act 1972 (as amended)
2. To approve the procurement strategy to directly contract award (via a waiver to contract standing orders), a 1-year contract to Drurycourt Ltd. The value is estimated at £500,000.

- To approve the contract award of a 1-year contract to Drurycourt Limited at £500,000.

**Wards Affected:** All.

[\\*UK and Global extreme events – Heatwaves - Met Office](#)

## Timetable

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

Key Decision Entry (Strategy)	14/08/2023
Contracts Assurance Board	08/11/2023
SLT/Cabinet Member/Cabinet Sign off	16/11/2023
Contract start date	04/12/2023

## H and F Values

<b>Our Values</b>	<b>Summary of how this report aligns to the H&amp;F Values</b>
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 fit for purpose and well maintained is essential for the residents who reside in multi-level buildings. Installing this critical asset-functionality, at pace, is 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 service has sought quotations from our existing supply chain and have progressed with the most cost-competitive quote. The price stated in the quote will be pulled through to the

	contract and used to build a comprehensive schedule of rates to which we can monitor and manage costs in a manner that ensures tight control and value for money.
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	Upgrading lifts to be 'fit for purpose' to changing climates is more carbon efficient than multiple 'sticking plaster' repairs that arise from breakdowns. By installing this appropriate functionality, the lifts can be proactively managed to ensure optimal performance.

### **Financial Impact**

This report seeks to appoint Drurycourt Ltd to install air conditioning units within lift motor rooms across our housing stock to mitigate the adverse effects of overheating from climate change events..

The work is capital in nature up to a maximum cost of £0.5m for this single year contract.

The HRA Capital Programme contains an approved budget allocation in 2023/24 for Lift Schemes of £4.0m. Within this is an unallocated sum for Future Schemes of £2.079m which is available to fund the £0.5m required for this contract.

There are no revenue costs arising as any day-to-day repairs and maintenance required will be covered under warranty for the duration of this one year contract.

In the event that this contract is extended beyond the one-year term, it is expected that there would be servicing, testing and maintenance costs and these costs would need to be funded from available approved budgets. A further decision report would be needed in this case at a later date.

A Credit Safe report was run for Drurycourt Limited on 23/06/2023, which provided a risk score of 35, which is below the Council's minimum requirement of 50 and the annual contract limit was £75,000, which is insufficient to cover the £0.5m contract award in this report.

Drurycourt provided their most recent set of financial statements for the year to end of December 2021. These are abbreviated accounts from a period in excess of 18 months ago and there is only basic balance sheet information. However, inspection of these documents does not give rise to any significant concern regarding Drurycourt's suitability for the contract and analysis of the accounts demonstrates a liquidity ratio of 2, suggesting Drurycourt has twice the necessary assets to settle its debts, should they need to with immediate effect.

In light of the limited information available to confirm the company's current financial status, the service has advised that payment will only be made upon successful completion of work and receipt of a test and commissioning certificate, witnessed by the service team. This approach ensures there is little risk to the Council, though should the contractor fall into administration, there may be an additional cost to procure a new supplier.

*Implications prepared by: Llywelyn Jonas, Principal Accountant – Housing Capital  
28/06/2023*

*Implications verified by: Danny Rochford, Head of Finance (Housing Revenue  
Account and The Economy), 11/7/23*

## **Legal Implications**

This report recommends that the Cabinet Member approves a direct award of a contract to Drurycourt Limited for works to install air conditioning in lifts. The works are below the threshold under the Public Contracts Regulations 2015, However, the Council's own Contract Standing Orders require that contracts of this value are subject to competition unless a waiver has been approved by the Assistant Director commercial and procurement on recommendation of the Contracts Assurance Board. The justification here for the waiver is the knowledge (albeit not carried out in a formal procurement) that other contractors would charge more to deliver the contract and the need to carry out the works without delay.

The decision is a Key Decision (see Article 12 of the Constitution) and the report must be submitted to Committee Services for publication on the Council's website.

The decision to approve the award can be taken at the level of SLT Member and above.

The appropriate form of contract is one of the JCT forms of contract.

*Angela Hogan, Chief Solicitor (Contracts and Procurement) 25<sup>th</sup> September 2023*

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## **Background Papers Used in Preparing This Report**

None.

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## **DETAILED ANALYSIS**

### **Background**

2. Since 2021, a rise in temperatures during summer months has resulted in frequent periods where lifts are out of service owing to safety shutdown of systems to prevent overheating of plant in motor rooms. This leads to a

significant impact on residents ability to access their homes and for emergency services in the event of an emergency.

3. The installed air flow grilles in the motor rooms are inadequate to provide a cool operating function and therefore there is need for the provision of climatic control within the motor rooms.
4. Furthermore, temperatures drop below freezing during the winter months, having an adverse effect on control units due to ice forming on motor room walls during the day with this resulting in condensation which pours into control panel and malfunctions the drive units. To manage this risk, the provision of full function air conditioning units within lift motor rooms is urgently required.
5. We therefore propose an urgent direct contract award via a waiver to standing orders.
6. This contract will deliver on the installation of circa 120 air conditioning units in lift motor rooms and exterior motor room walls within our Residential Housing stock.
7. These 120 motor rooms have been identified as being at high risk due to climatic change. Of these identified properties, the M and E team will programme and prioritize the most vulnerable lifts according to our records. Upon contract award, works will be immediately scheduled at these sites.
8. Once installed, these air-conditioning will be under a 12-month warranty. On expiry of this 12-month warranty, the M and E term-service contractor will pick up the relevant servicing and maintenance.
9. In order to urgently undertake the works, the service have consulted with their existing supply chain as these suppliers already have a knowledge of LBHF housing stock, policies and processes. The possession of this pre-requisite knowledge is crucial for urgency.
10. As a result of paragraph 5, the service approached our existing supply chain to source quotations for this scope of works.
11. Drurycourt Ltd quote was the cheapest amongst the quotation's received from our current supply chain of Lift providers. Please see appendix one for more detail.
12. Drurycourt Ltd has a long standing and successful performance delivery track record when undertaking maintenance and repairs of our Lifts.
13. On this basis, we are therefore seeking a direct contract award (via a waiver to standing orders) of £500,000 to Drurycourt limited for the installation of lift motor room air conditioning.

## **Reasons for Decision**

14. To ensure that we have an appropriately skilled provider to deliver upon this critical provision at a cost that constitutes good value for money.
15. The equipment to be supplied are confirmed with climatic carbon controls.

## **Contract Specifications Summary**

16. This contract will deliver the following services:
  - To implement a plan of action regarding the fitting of air-conditioning units to lift motor rooms.

- Supporting compliance to statutory regulations by providing Supplementary Inspections.
- Surveys and installation of units with the result of giving a constant temperature throughout the motor room. These will sit alongside the thermostats previously fitted within the lift installation.
- 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 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**

17. 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 (DPS)
  - Direct award from a suitable framework
  - Direct award via a waiver to contract standing orders
18. 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).
19. There is an urgent requirement for works to be completed to avoid causing difficulties for vulnerable and therefore a competitive tender or a mini-competition via Framework or dynamic purchasing system is not suitable route.
20. We considered a Framework (FW) as a method for compliantly direct awarding the contract however we couldn't find a framework to which all of our incumbent suppliers are a signed up to. Given that we wanted to source quotes from all of our relevant incumbent suppliers, this ruled out the framework route.
21. The only remaining option is therefore a direct award outside of a framework. This route is less desirable than a call-off through a competitively tendered framework as it does not meet the requirements of Contract Standing Orders. That said, given the essential, urgent and critical nature of these works, we are proposing a direct award via a waiver to standing orders.

## **Risk Assessment and Proposed Mitigations**

22. Left as-is, there is a significant risk of lifts shutdown. This issue was recognised last year through the hot spells we had in the summer and the erratic temperature changes we had through the winter. In summary, when a lift motor room becomes too hot the lift will automatically shut down and if there is a greater than normal switch in temperatures during the winter (causing a build-up of humidity, resulting in condensation which in turn gets into the master boards) there will also be lift failures. To mitigate this risk, there is an urgent need to install air conditioning units in lifts motor rooms via a direct contract award.
23. To ensure that the contractor delivers in a manner that satisfies quality, health and safety, time and value for money outcomes, we will work with legal services to issue a contract which has clauses that monitor and manage the supplier's delivery against these outcomes.
24. The service will also proactively monitor and manage this contract and work collaboratively with the supplier to ensure that these contract terms are acted upon and therefore the desired delivery is achieved.

## **Selection and Award Criteria**

25. N/A as recommending a direct award.
26. Hammersmith and Fulham Bespoke form of contract and bespoke schedule of rates.

## **Contract Management**

27. 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.
28. 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
  - Social Value delivery

## **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**

The report recommends awarding a contract following an exercise to obtain quotations, in line with the objective of being ruthlessly financially efficient. The contract will provide appropriate expertise to maintain residential lifts, which supports resident safety. The report identifies risks with not moving to award a contract appropriate mitigations to manage the risks.

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

## **Climate and Ecological Emergency Implications**

Installing air conditioners is a necessary result of the extreme temperatures now being reached due to climate change; passive cooling options have been explored but are not sufficient. To reduce the climate impact of the air conditioning energy efficient appliances rated A++ have been specified, using a refrigerant with a lower global warming impact than the industry standard.

The service has liaised with the climate and ecological emergency team to discuss implications. We can confirm that the air conditioning units meet the requirements set out by the climate and ecological emergency team. The climate and ecological emergency team requires the air conditions unit to meet the required carbon recommendation. We can confirm that they do meet these recommendations.

*Verified by: Jim Cunningham, Climate Policy and Strategy Lead, 14 September 2023*

## **Local Economy and Social Value Implications**

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. These commitments must amount to at least 10% in value of the price of the contract proposed. In addition, the evaluation of social value should account for a weighting of a minimum of 10% of the overall score.

The report states this is a direct award.

Drurycourt has proposed contributions with a value 10.5%. This is made up of employing and training local residents on the contract.

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.

Paul Clarke, Social Value Officer, 25 October 2023

## **LIST OF APPENDICES**

Exempt Appendix one- supply chain quotation exercise