

Cabinet

30 JANUARY 2012

LEADER

Councillor Stephen Greenhalgh

TENDER ACCEPTANCE REPORT FOR A MEASURED TERM CONTRACT TO CARRY OUT PLANNED SERVICING, DAY TO DAY REACTIVE CALL OUT BREAKDOWN REPAIRS AND MINOR IMPROVEMENT WORKS TO THE COUNCIL'S PASSENGER LIFTS WITHIN CORPORATE PROPERTIES BOROUGH-WIDE 2012- 2016

**Wards
ALL**

Summary

This report seeks approval to accept a tender for a four year term contract for lift maintenance. This 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 order to maintain all lifts to the required standard and to provide a safe and reliable lift service to users.

CONTRIBUTORS:

EDTTS
EDFCG
ADLDS

Recommendations:

1. That approval is given to accept the most economically advantageous tender submitted by PDERS Ltd (A division of Otis Ltd) in the notional annual sum of £92,665 plus fees of £13,900 making a total notional sum of £106,565.
2. To note that the contract is expected to start on 13th March 2012 for a period of 4 years, with an optional extension of a further three years.

**HAS THE REPORT
CONTENT BEEN
RISK ASSESSED?
YES**

**HAS A EIA BEEN
COMPLETED?
YES**

1. BACKGROUND

- 1.1 Lift services maintenance contracts are let to provide regular servicing, day to day breakdown repairs, planned preventative maintenance and minor improvements to the Council's lift installations.
- 1.2 The provision of a high quality and reliable lift maintenance service is of benefit to all groups within the community of Hammersmith and Fulham. The loss of a lift service within a building however is of particular distress to vulnerable sectors of society such as the aged, people with disabilities and people suffering from illness. The contracts include a regular maintenance program 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.
- 1.3 Building & Property Management act on behalf of client departments as agents in matters relating to the tendering, administration and monitoring of this maintenance contract.
- 1.4 The value of this contract exceeds the European threshold for services contracts. The contracts were tendered in accordance with the Restricted Procedure under the Public Contracts Regulations 2006 (as amended).
- 1.5 A Tender Appraisal Panel (TAP) has been set up to oversee the tendering process for the contract. This panel consists of officers from Housing & Regeneration, Procurement and IT Strategy, Legal Services, Finance and Building & Property Management.
- 1.6 A Contract Notice in relation to separate contracts for lift services for housing and non-housing properties was placed in the OJEU on 2nd March 2011, requesting Economic Operators to apply for inclusion on the select lists to tender for the contracts, by the deadline of 18th April 2011. Interested contractors were able to apply for inclusion on the tender list for either Contract No 1: Non Housing Properties or Contract No 2: Housing Properties, or for both Contracts. Contractors were required to complete the Pre-Qualification Questionnaire (PQQ) and provide information in respect of their technical and financial credentials for carrying out the type of works proposed. Selection of six Economic Operators to be included on each tender list was on the basis of the highest scores awarded by the Council's Tender Appraisal Panel based on a pre-defined quality weighted appraisal of the PQQs.
- 1.7 The proposed contract is fully comprehensive, whereby Tenderers were required to submit a lump sum price for carrying out planned servicing, remedial works and day-to-day breakdown call-out repairs, including repairs caused by vandalism to a maximum value of £400. The contract also includes notional schedules of rates with provision for Tenderers to submit prices for potential minor improvement works and repairs which fall outside the comprehensive element of the contract. These will be used to price all works over and above the lump-sum element and for minor improvement works, as the extent of such works are currently unknown. Any works outside the comprehensive element of the contract which become necessary during the course of the contracts will be subject to the appropriate approvals process based upon the value of the works. The comprehensive element of the contract excludes complete replacement of major parts such as the main control panel, motor and gear, and the lift car which will be the subject of separate procurement exercises as and when necessary.

- 1.8 The Contract includes financially incentivised key performance indicators whereby, under the terms of the contract, 10% of the amounts payable to the Contractor in any reporting month are dependant 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 Contractor's Quality Check Reports
 - Response Time for (P1) Breakdown Works
 - Response Time for (P2) Planned / Remedial Works
 - Lift Trappings
 - Number Of Breakdowns Per Month.
 - Receipt of "Complete" Service Reports
 - Performance against servicing programme
- 1.9 Eleven submissions were received by the deadline all of which were evaluated. The Deputy Leader and Cabinet Member for Environment & Asset Management on 20th June 2011 approved the short-listing of the six highest-scoring contractors to be included on the tender list, following the completion of the pre-qualification process
- 1.10 The existing contract with PDERS LIFTS Ltd (A division of Otis Ltd) expires on 12 March 2012.
- 1.11 The new contract is for a period of four years, with an option to extend for a further three years. The contract contains annual price fluctuations clauses linked to published industry indices to allow for inflation over the term of the contract. The contract also includes a one-way, non-default break clause, in the event that the Council wishes to determine the contract ahead of its full term.
- 1.12 It is proposed that the maintenance of lifts within corporate buildings is to be included within the scope of the Tri-boroughs' Total FM project., and it is therefore intended that the contract is novated across to the new provider when the TFM contract is awarded, programmed for May 2013.
- 1.13 The procurement of these tenders for lift maintenance within corporate buildings has been undertaken in parallel with the procurement of the new contract for lift maintenance within housing properties. Since tenders for both services were received in August 2011, Housing & Regeneration have been considering how best to provide the lift maintenance service prior the commencement of their proposed sole supply contract.. Following an appraisal of the options, Housing & Regeneration concluded that proceeding with the letting of the specialist contract was the clear preferred option. The time taken to undertake that review has delayed the procurement programme of both housing and corporate contracts such that there is now insufficient time to seek Cabinet approval to accept the tender prior to the existing contract expiring on 12th March 2012, and hence Leader's Urgent approval is requested, to ensure that there is no break in the provision of this essential service.

2. BRIEF DETAILS OF THE WORKS

- 2.1 The proposed works to be undertaken under this contract includes planned servicing, remedial works and day-to-day breakdown call-out repairs including repairs caused by vandalism, together with minor improvement works and repairs, to the borough's lift installations within corporate properties.

3. TENDER DETAILS

- 3.1 The tenders received on the 2nd August 2011 are on a fixed price basis for the first 12 months of the contract with annual inflationary increases thereafter. They initially remained open for acceptance until 1st December 2011. However, the Tenderer recommended for acceptance has agreed to stand by their tender price until 29th February 2012.
- 3.2 Tenderers were asked to provide prices to provide a comprehensive maintenance service to the schedule of properties in the housing portfolio detailed within the contract, together with prices for a schedule of rates for potential remedial works which may be required throughout the duration of the contract. The Tender sum is a notional value for comparative purposes only and actual expenditure will be undertaken according to demand and resources.
- 3.3 As part of the tender process Tenderers were required to provide with their tender a detailed quality submission in response to a pro-forma compiled by Building & Property Management. The submissions were scored by members of the TAP in accordance with the scoring criteria included within the contract documents, based on a price quality ratio of 80% price / 20% quality . Each tender was awarded a maximum of 80 percentage points for price and 20 percentage points for quality based on their responses to the following weighted criteria in their quality submission:-
- Performance and Quality Control
 - Resourcing
 - Health and Safety
 - Customer Care
 - Environmental Issues
- 3.4 The following sets out the tender values of those firms invited to bid (together with their financial limits).

	Company	Value Of Tender (Annual Tender Value)	Price Score	Quality Score	Overall Score	Limit Per Job
1.	PDERS Lifts (A division of Otis Ltd)	£407,120	80	12	93	£5,000,000
2.	Liftec Lifts Ltd	£554,092	58	13	72	£4,031,000
3.	Apex Lifts & Escalator Engineering	£791,268 Tender withdrawn	N/A	N/A	N/A	£4,808,000
4.	Orona Lifts	No Tender	N/A	N/A	N/A	£5,000,000
5.	Acre Lifts	No Tender	N/A	N/A	N/A	£1,615,000
6.	Temple Lifts	No Tender	N/A	N/A	N/A	£2,469,000

3.5 The TAP agreed at its meeting on 7th September 2011 that PDERS Lifts Ltd (A division of Otis Ltd) provided the best value bid for the contract and therefore recommends that they be awarded the contract.

3.6 The financial make-up of the Contract comprises three elements as follows:-

- a) Fixed annual sum for regular servicing, condition reporting and for day-to-day repairs, call outs and vandalism up to £400 per repair order;
- b) Planned improvement works and repairs in excess of item "a" above, costed using a notional Schedule of Rates or dayworks.
- c) General contingency

The elemental breakdown of the two valid returned tenders is as follows:-

Company	Fixed annual sum for regular servicing and day to day repairs	Planned improvement works – cost of Schedule of Rates and dayworks	General Contingency	Overall Value Of Tender
PDERS Lifts Ltd (A division of Otis Ltd)	£41,865	£355,255	£10,000	£407,120
Liftec Lifts Ltd	£48,291	£495,801	£10,000	£554,092

3.7 The items included in the element of the tender sum in Column 3 above (Planned improvement works – cost of Schedule of Rates and dayworks) are, however, notional and will be subject to demand and available budgets. In particular the spend on planned improvement works which are not necessarily essential, will be subject to the availability of budgets. Whilst rates have been obtained for all common major repairs and planned improvement works (save major parts replacement), it is not necessarily the case that each item of work in the Schedule of Rates will need to be undertaken in any given calendar year, and based on previous demand, officers consider that only a proportion of the cost included against the Schedule of Rates items will be expended.

- 3.8 Whilst the tender sum submitted by PDERS Lifts Ltd (A division of Otis Ltd) is £407,120, officers estimate that the likely value of works to be carried out under the new contract will be £92,665 (based on the likely level of planned improvement works to be instructed, on a like-for like basis when compared to the existing contract), as shown in the table below.

Company	Fixed annual sum for regular servicing and day to day repairs	Notional likely annual cost of Planned improvement works (Schedule of Rates and dayworks)	Total notional annual cost of contract
PDERS Lifts Ltd (A division of Otis Ltd)	£41,865	£50,800	£92,665

- 3.9 The current expenditure under the existing contract is in the order of £84,000, and therefore officers estimate that, overall, the cost of the contract to be let will be £8,665 higher, which represents an increase of 10%. However, the value of the fixed costs for servicing and reactive repairs under the new contract is £41,865, compared with £44,000 under the existing contract, and hence the cost for the servicing and reactive repairs has decreased by approximately £2k, which represents a decrease of 5%. With respect to the Schedule of Rates items of work, based upon the most commonly instructed items, officers estimate that likely annual value to be instructed under the contract is in the order of £50,800, compared with £40,000 under the existing contract. Whilst this represents an increase of 27%, as stated previously, this element of the works may be instructed subject to the available resources.
- 3.10 Officers therefore recommend acceptance of the tender from PDERS Lift Ltd (A division of Otis Ltd) in the notional sum of £92,665 plus fees of £13,900 (15%) making a total of £106,565.

4. PROGRAMME OF WORK

- 4.1 The anticipated programme of work is as follows:

Cabinet	30 th January	2012
Issue Letter of Acceptance	7 th February	2012
Start on Site	13 th March	2012
Completion	12 th March	2016

5. FEES

- 5.1 The professional services previously provided by Building & Property Management (Environment Directorate) are now, following market testing, being provided by EC Harris LLP. Consequently fees are calculated on the basis of the tendered schedule of rates plus the cost of the Client Agent Team, which is funded via a percentage fee to the value of the commissions placed. Fees are charged on the basis of 15% with final account reconciliation at the end of each financial year. Scheme financial approval will include the appropriate fees.

6. COMMENTS OF THE DIRECTOR OF ENVIRONMENT AND DETAILS OF FUNDING PROVISION

- 6.1 The proposed works form part of the 2011/12 – 2015/16 CPMP Revenue Programmes.

7. RISK MANAGEMENT

- 7.1 Risks relating to the project's pre-construction processes have been ascertained, and the project will not commence until the necessary actions identified on the register have been undertaken. A post-contract risk register will be developed jointly with the contractor once they have been appointed, in order that risks can be managed throughout the duration of the project.

8. EQUALITY IMPLICATIONS

- 8.1 An Equalities Impact Assessment has been completed and is available on request

9. COMMENTS OF THE EXECUTIVE DIRECTOR OF FINANCE AND CORPORATE GOVERNANCE

- 9.1 The financial standing of the Company Otis Limited has been examined. The council has been advised that in the light of the information available, the overall performance of the company is still considered to be sound.

10. COMMENTS OF THE ASSISTANT DIRECTOR (LEGAL AND DEMOCRATIC SERVICES)

- 10.1 Legal services has been represented on the TAP and has advised on the procurement of this contract which has complied with EU procurement rules and the Council's contract standing orders.

11. COMMENTS OF THE ASSISTANT DIRECTOR FOR PROCUREMENT & IT STRATEGY

- 11.1 The Corporate Procurement Team has provided advice and assistance during the tendering exercise. The AD agrees with the recommendations for the reasons outlined in the report.

**LOCAL GOVERNMENT ACT 2000
BACKGROUND PAPERS**

No.	Description of Background Papers	Name/Ext of holder of file/copy	Department/ Location
1.	Project Manager	Danny Reynolds Ext.4780	BPM/ENV 6 th Floor, HTH Ext King Street Hammersmith W6 9JU
2.	Procurement & Project documents	Danny Reynolds Ext.4780	BPM/ENV 6 th Floor, HTH Ext King Street Hammersmith W6 9JU

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