

Item No.	Classification: Open	Date: 17 October 2013	Meeting Name: Strategic Director of Finance & Corporate Services
Report title:		Gateway 3 – Variation Lift Maintenance and Repair Contract	
Ward(s) or groups affected:		All Wards	
From:		Head of Maintenance & Compliance	

RECOMMENDATION

1. That the strategic director of finance and corporate services approves the extension of the Lift Maintenance and Repair Contract to Liftec Lifts Ltd for twelve (12) months from 2 January 2014 to 1 January 2015 at an estimated cost of £1.7m.

BACKGROUND INFORMATION

2. Two (2) contracts were awarded to Apex Lift and Escalator Engineers Ltd ('Apex') and Liftec Lifts Ltd ('Liftec') for the period of five (5) years with two (2) extension periods of twelve (12) months which commenced on 2 January 2008.
3. The contract service areas were as follows:

Contract	Contractor
Area 1 – Bermondsey, Leathermarket JMB, Borough & Bankside and Rotherhithe	Apex (Contract 1)
Area 2 – Walworth and Peckham	Apex (Contract 1)
Area 3 – Camberwell, Peckham Rye and Dulwich	Liftec (Contract 2)

4. The contract with Apex was terminated through a commercial agreement. At contract end, Areas 1 and 2 were transferred to Liftec on 22 June 2010. With the addition of Areas 1 and 2, Liftec were contracted to provide the Lift Maintenance and Repairs contract for the whole of the borough until 1 January 2013. Formal approval of the transfer was granted by way of a retrospective Gateway 1&2 approved on 20 June 2012.
5. A Gateway 3 report was approved on 8 November 2012 (see background documents) to extend the contract to 1 January 2014 to allow time for a comprehensive tender process to take place, as approved by cabinet in April 2012 by way of a Gateway 1 report for Lifts Maintenance and Repairs contracts (see background documents). That extension was within the contract extension provisions referred to in paragraph 2 above.
6. For reasons given in the Gateway 1 report of 26 June 2013 the previous procurement process was stopped and a new competitive procurement was commenced (see background documents). The decision was taken by the project board to terminate the process, review the situation and subsequently to expand the scope of the contract to present a more attractive package to the market.
7. A new OJEU Notice was published on 12 July 2013 inviting expressions of interest. The closing date for PQQ submissions was 21 August 2013.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

8. The nature of the proposed variation is for the contract with Liftec to be extended for a period of twelve (12) months from 2 January 2014 to 1 January 2015 to allow sufficient time for the new competitive tender process to proceed, as approved by cabinet on 26 June 2013 (see background documents). The existing contract has the capacity to be extended for another twelve (12) months.
9. The value of the initial five (5) year contract was £6.5m with a previous variation of £1.28m plus this proposed estimate variation of £1.7m. The total estimated value of the contract is £9.48m
10. The cost of the proposed variation represents 22% of the total contract value including the previous variation.

Reasons for Variation

11. The Lift Maintenance and Repairs Contract is an essential service for residents and the existing contract must be extended to ensure continuation of the service whilst the competitive tender process is being carried out.
12. It is essential that the council ensures that it meets its obligations in the Lifting Operations and Lifting Equipment Regulations 1998 ("LOLER") for independent inspection and testing and to demonstrate that maintenance regimes are in place.

Future Proposals for this Service

13. Cabinet approved a revised Gateway 1 report on 26 June 2013 to competitively tender for two (2) contracts at an estimated contract value of £21.8m for a period of 5 years, with the potential for 2 twelve month extensions. The two (2) geographic areas are:
 - Contract A - North - Bermondsey, Borough & Bankside, Rotherhithe and Walworth
 - Contract B - South - Camberwell, Peckham, Peckham Rye and Dulwich
14. The procurement plan is set out in Appendix 1. The competitive tender process has commenced as referred to in paragraph 7 above and is on track to meet the required timescales. The project plan allows for an extended mobilisation period due to the complexity of the lift equipment and the number of staff to be transferred.

Alternative Options Considered

15. At this stage of the current contract with Liftec, there are no viable alternative options that could be pursued in the interim, between now and the proposed award of the new contracts to commence on 2 January 2015. The retender of the services was approved by cabinet on 26 June 2013 and the procurement process has already begun.

16. By continuing with the existing service within housing, until the procurement process has run its course in January 2015, the risk to the council remains low, whilst still maintaining the service benefits that have and continue to be achieved.

Identified risks for the extension

17. The table below identifies the risks associated with this procurement, the likelihood of occurrence and the control in place to mitigate the risks:

R/N	Risk Identification	Likelihood	Risk Control
R1	Gateway 3 approval delayed	Low	Ensure report is submitted for approval on time with all concurrents in place.
R2	Decline in the contractors performance	Low	Continue monthly monitoring of the service and address any performance issues at an early stage.
R3	Contractor ceases trading, goes into administration or liquidation	Low	On-going contract management and access to approved contractor list as back-up.
R4	Procurement of new contract is delayed	Low	Active project management of procurement process and utilisation of an interim contractor from the council approved list in the event risk is realised.
R5	Contractor declines contract extension	Low	Liftec have confirmed that should an extension be issued they would accept it and provide the service.

Policy implications

18. In order to fulfil its duties as a landlord and employer, the provision of 'step free' access in residential buildings across the borough is essential. The Lift Maintenance and Repairs contract ensures that the council continues to comply with current legislation.

Contract management and monitoring

19. The council's engineering & compliance contract manager for lifts has been and will continue to be responsible for the contract, for authorising works, inspecting quality, and monitoring the performance of the contractor.
20. The council's Quantity Surveyors (QS) manage commercial aspects of the contract against the contract specification. The QS review the monthly valuations and select jobs that require post inspections to ensure quality and financial accuracy. Monthly progress meetings are undertaken and recorded.
21. Works orders are raised and managed through iWorld, where all information relating to orders is contained. Liftec is required to provide 10% post-inspections that are rigorously audited by the council's lift engineer.
22. The table below shows the improved Key Performance Indicator (KPI) for the contract. Originally, the Minimum Target Percentage was 96%. A new Minimum Target Percentage of 97% was introduced in 2012.

	Improved Key Performance Indicator (KPI)	New Minimum Target Percentage	Council's Target Objective
	Availability of all lifts expressed as a percentage of KPI	97%	98%

23. Currently, Liftec are achieving 98.3% lift availability, therefore meeting the council's required target, confirming that Liftec continues to perform to a good standard. Complaints have significantly reduced and maintenance works are to a high standard.
24. The existing contract has a team of dedicated competent lift technical officers who carry out daily joint inspections to ensure quality and compliance with the contract specifications.

Community Impact Statement

25. The contract is a borough-wide service. It is concerned with responsive and planned works and seeks to improve the quality of the service. It affects all communities/groups in the borough and contributes to the improvement of the quality of life for residents. The direct benefits to residents include limiting the incidence of trap-ins and breakdowns, and delivering more effective lift service.
26. The ongoing work under this contract will continue until the award of the new contracts. It will continue to serve all blocks of residential dwellings within the detailed wards of the borough. All residents who currently have a lift within their block or stair lift within their property will benefit equally as the lift works are designed to ensure the safe and satisfactory performance of the lifts.
27. The impact of continuing works to residents will be low and will not involve them being decanted, as it relates to the communal lift installations and disabled lifts. The purpose of this procurement is to ensure that the lifts are maintained and breakdowns are repaired within set time scales.
28. The engineering and compliance team are working closely with the housing office to detail vulnerable people within the blocks to assess the impact of prolonged lift breakdowns.
29. Liftec's work will continue to have a positive impact for communities as there will be fewer failures due to work being carried out to the required standard.

Economic considerations

30. As the work represents a significant increase in the original scope of work awarded to Liftec, an Experian financial check was carried out. The financial reports concluded that Liftec present a "Below Average Risk".
31. Liftec operates an apprenticeship scheme within Southwark.

Social considerations

32. Liftec has demonstrated that it operates an Equal Opportunity Policy and that it is fully aware of and compliant with the council's own Equal Opportunity Policy.

33. Rates of pay are set by the Lift and Escalator Association for these services. The rates exceed the London Living Wage threshold and apply to all Liftec operatives engaged in providing these services.

Environmental considerations

34. Liftec has attained ISO14001 Accreditation.
35. All new lift machinery uses energy regenerative feedback to mains systems thus reducing power consumption.
36. All lamps, light fittings and equipment being replaced are disposed of in accordance with the latest Waste Electrical and Electronic Equipment Regulations (WEEE).
37. All recyclable packaging is to be set aside and disposed of via a recycling centre.

Financial Implications (FIN0793 – JP)

38. The existing 2013/14 budget is £1.62m per annum in the housing revenue account and £80k per annum for the stair-lift maintenance element in the general fund. The £1.7m estimated value of the contract extension can be contained within the budget allocation available.
39. In the unlikely event that costs exceed the indicative contract value, any overspend would need to be contained within the overall repairs & maintenance resources available within the Maintenance and Compliance division. A proportion of these costs are recoverable from leaseholders under the terms of their lease.

Investment Implications (Housing Contracts only)

40. No implications.

Legal Implications

41. Please see the comments from the Director of Legal Services.

Consultation

42. Consultation with Tenant and Resident Association (TRA) groups has already been undertaken.

Other implications or issues

43. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

44. This report is seeking to extend the period of the existing Lift Maintenance and repair contract with Liftec Lifts Limited for a further period of 12 months from 2 January 2014.

45. The background information of the report explains that the existing contract has the ability to extend for two periods of 12 months and that a previous Gateway 3 report for first 12 month period to be exercised has been approved . The report explains that the initial procurement process ceased and restarted and this further extension is to allow sufficient time for the new competitive tender process to be carried out.
46. The future procurement timeline shown in Appendix 1 appears generous. Officers have confirmed that there is a need to programme procurement activity to align with available resources within the team. It is important that an overview of this project is maintained to ensure that activity is commenced and completed and continuity of service continues to be achieved.
47. The report confirms that Liftec are achieving above target on key performance areas and therefore continue to perform to a good standard. There would appear to be no reason why the Council would not wish to continue with the current arrangements throughout the required extension period.

Director of Legal Services

48. This report seeks the approval of the strategic director of finance and corporate services to an extension of the existing Lift Repair and Maintenance contract which is being performed by Liftec Lifts Ltd. This report sets out the extent of the required extension and the reasons why the extension is necessary.
49. By virtue of CSO 4.6.2a), this decision is reserved to the strategic director of finance and corporate services to authorise this proposed extension, after consideration by the corporate contracts review board (CCRB) of the report.
50. CSO 2.3 provides that a variation decision may only be made if the expenditure has been included in approved revenue or capital estimates or has been otherwise approved by, or on behalf of the council. This report confirms how the proposed additional expenditure will be funded.

Strategic Director of Finance and Corporate Services (F&CS13/028)

51. This report seeks approval to the extension of the Lift Maintenance and Repair Contract to Liftec Lifts Ltd for twelve months from 2 January 2014 at an estimated cost of £1.7m. The financial implications are set out in paragraphs 38 and 39.
52. The strategic director of finance and corporate services notes the forecast cost of the service in financial year 2014/15, which will need to be identified during the budget setting process.
53. It is expected that robust monitoring arrangements will be in place to ensure this contract delivers to the expected standard. Officer time to implement this framework will be contained within existing resources.

Head of Specialist Housing Services (For Housing contracts only)

54. This is a qualifying long term agreement within the terms of the Commonhold and Leasehold Reform Act 2002, and following an earlier Notice of Intention, Notice of Proposal was served on leaseholders under schedule 2 of the regulations on 12th October 2007. The Notice detailed the term of the contract as

BACKGROUND PAPERS

Background Papers	Held At	Contact
Combined GW1&2 – Procurement Strategy & Contract Award Approval for Lift Maintenance & Repair Contract – 20 June 2012 (Open Report)	160 Tooley Street London SE1 2QH	Gavin Duncumb X50685
GW3 Report – Variation/Extension of contract for Lift Maintenance & Repair Contract – 8 November 2012 (Open Report)	160 Tooley Street London SE1 2QH	Gavin Duncumb X50685
GW1 Report – Procurement Strategy for Lift Maintenance Contract – 26 June 2013 (Open Report)	160 Tooley Street London SE1 2QH	Gavin Duncumb X50685

APPENDICES

No	Title
Appendix 1	Procurement project plan

AUDIT TRAIL

Lead Officer	David Lewis – Head of Maintenance & Compliance	
Report Author	Gavin Duncumb – Commercial Manager	
Version	Final	
Dated	17 October 2013	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of Specialist Housing Services	Yes	Yes
Cabinet Member	N/a	N/a
Date final report sent to Constitutional Team		N/A

five years with the option to extend by a further two twelve month periods. This extension is therefore within the terms of the original notice and does not require any further consultation with leaseholders. It should be noted that there is no further extension allowable within the terms of the notice served.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature  Date: 25/10/13

Duncan Whitfield, Strategic Director of Finance and Corporate Services

APPENDIX 1

Procurement Project Plan

Activity	Completed by
Forward Plan	April 2012
DCRB Review Gateway 1 CCRB Review Gateway 1	20 May 2013 23 May 2013
Notification of forthcoming decision – despatch of Cabinet agenda papers	28 May 2013
Approval of Gateway 1: Procurement strategy report	26 June 2013
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	09 July 2013
Issue Notice of Intention	27 June 2012
Completion of tender documentation	12 June 2013
Issue new contract notice	24 Aug 2013
Closing date for expressions of interest	26 Sept 2013
Completion of short-listing of applicants	16 Oct 2013
Invitation to tender	30 Oct 2013
Closing date for return of tenders	19 Feb 2014
Completion of any interviews	19 March 2014
Completion of evaluation of tenders	29 March 2014
Issue Notice of Proposal	02 April 2014
Forward Plan	13 March 2014
DCRB Review Gateway 2 CCRB Review Gateway 2	03 June 2014 13 June 2014
Notification of forthcoming decision – despatch of Cabinet agenda papers	18 June 2014
Approval of Gateway 2: Contract Award Report	27 June 2014
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	11 July 2014
Alcatel Standstill Period (if applicable)	14 July 2014
Contract award	15 July 2014
Place award notice in Official Journal of European (OJEU)	17 July 2014
TUPE Consultation period	18 Oct 2014
Contract start	02 Jan 2015
Contract completion date	01 Jan 2020
Contract completion date – (if extension(s) exercised)	01 Jan 2022

