

Decision Taker:	Strategic Director of Finance
Date:	16 July 2024
Report title:	GW3 Lift Maintenance Contracts (North & South)
Ward(s) or groups affected:	All
Classification:	Open
Reason for lateness (if applicable):	Yes Due to administrative delays it was impracticable for a decision to be taken in June 2024.
From:	Director of New Homes

RECOMMENDATIONS

1. That the Strategic Director of Finance retrospectively approve the variation of the Lift Maintenance Contract B (South) with Guideline Lift Services Ltd to extend the term of the contract for a period up to a maximum of nine months from 26 February 2024 to 25 November 2024.
2. That the Strategic Director of Finance retrospectively approve an estimated additional sum of £1.377m with work added from Contract A (North) on their back-up tendered rates at an estimated additional sum of £1.243m making a total revised estimated contract value of £14.041m.

BACKGROUND INFORMATION

3. A Gateway (GW) 2 report was approved by cabinet on 22 July 2014 to award two Lift Maintenance contracts (Contract A north of the borough and Contract B south of the borough) for a period of five years with the option to extend by a further two years to Liftec Lifts Ltd (Liftec) and Guideline Lift Services Ltd (Guideline) respectively.
4. The contracts were for an initial period of five years from 2 January 2015. The annual cost for Contract A was estimated at £1.763m and for Contract B was estimated at £1.432m plus the option to extend by a further two years making a total estimated contract value of £12.341m and £10.024m respectively. The contracts contained a provision for Liftec and Guideline to provide back up to each other to ensure that the council is able to meet its obligations to residents.
5. Both Contracts A and B were the subject of a number of extensions via GW3 reports, the most recent being a GW3 report dated 22 June 2023 giving an expiry date of 25 February 2024.

6. The exploration of the option to extend Contract A was undertaken; however, Liftec stated their unwillingness to extend Contract A, for this proposed extension. As a result, negotiations took place with Guideline, as agreed by the Strategic Director of Finance, who confirmed that they were willing to extend their Contract B and carry out works under Contract A on their back up tendered rates, which will now be added to their contract (Contract B).
7. The scope of both Contracts A and B encompasses the following work streams:
- Responsive repairs to Passenger and Disability Lifts.
 - Monthly Planned Preventative Maintenance of Passenger Lifts.
 - Bi-annual Planned Preventative Maintenance of Disability Lifts.
 - Minor refurbishment of Passenger and Disability Lifts.
 - Supplementary Tests.
 - Maintaining Asset Registers.
 - Builders work in connection with services.
8. The actual expenditure to date against the original GW approval is shown below in Tables 1 & 2:

Table 1 Contract A spend:

Contract A North – Liftec			
Financial Period		Original Gateway Approval	Total Expenditure Contract A
02/01/2015	25/02/2024		
Totals		£15.324m	£14.03m

Table 2 Contract B spend:

Contract B South – Guideline			
Financial Period		Original Gateway Approval	Total Expenditure Contract B
02/01/2015	31/03/2015	£0.358m	£0.114m
01/04/2015	31/03/2016	£1.432m	£0.712m
01/04/2016	31/03/2017	£1.432m	£1.261m
01/04/2017	31/03/2018	£1.432m	£1.102m
01/04/2018	31/03/2019	£1.432m	£1.284m
01/04/2019	31/03/2020	£1.414m	£1.257m
01/04/2020	31/03/2021	£1.360m	£1.405m
01/04/2021	31/03/2022	£1.020m	£1.420m
01/04/2022	31/03/2023	£1.692m	£1.068m
01/04/2023	25/02/2024*	£0.987m	£1.798m
Totals		£12.559m	£11.421m

Projected Expenditure for Extension Period Contract B**		
26/02/2024	25/11/2024	£1.377m
Projected Expenditure for Extension Period - North (on back-up tendered rates)		
26/02/2024	25/11/2024	£1.243m
Total of the Actual and Projected Expenditure for the Extension Period to 25/11/2024 and the backup works in the North inclusive.		
02/01/2015	25/11/2024	£14.041m

*includes all works orders in February

9. Contract B has an average expenditure with Guideline of around £0.153m per month. Taking into account previous spend (£11.421m) and a further maximum nine month extension at current expenditure (£1.377m) plus the additional work from Contract A now added in under Guideline's back-up tendered rates (£1.243m), will provide a total revised estimated value of £14.041m.
10. This report is seeking the Strategic Director of Finance to retrospectively approve the variation to extend the term of Contract B with Guideline for a period of up to a maximum of nine months, with work added from Contract A (North) on their back-up tendered rates to 25 November 2024.

KEY ISSUES FOR CONSIDERATION

Key Aspects of Proposed Variation

11. The nature of the proposed variation is to extend the term of Contract B adding in the work for Contract A (north of the borough) with Guideline for a maximum period of up to nine months. The revised completion date will therefore be 25 November 2024.

Reasons for Variation

12. This variation will enable the council to maintain continuity of the lifts maintenance contracts across the borough pending completion of the council's new procurement exercise and award of contracts in November 2024.
13. The reason for the extension is that as a social landlord, it is essential that the council meet its obligations to ensure it has the capability to deliver lift maintenance works across the borough to manage its housing stock; to ensure resident and other user health and safety; and to reduce financial and reputational risks.
14. Guideline is demonstrating good levels of performance in terms of quality evidenced on their work orders under their contract and will continue to provide a value for money service.

15. The current contracts have an end date of 25 February 2024 however, this report seeks to retrospectively extend the term of Contract B with Guideline on Guideline's tendered rates, adding in work needed on Contract A, on Guideline's backup tendered rates, to 25 November 2024 for the reasons set out above. Once implementable, Contract B will continue from 26 February 2024 until 25 November 2024. No new planned orders will be given until this GW3 report has been approved.
16. As noted in paragraph 5 above, notice to vary was given to Guideline in accordance with the contract during negotiations and Guideline agreed. This proposed extension will be executed through a deed of variation

Future Proposals for this Service

17. A GW1 report was approved on 14 July 2020 to carry out a restricted procurement for two (2) contracts at an estimated contract cost of £20.74m for a period of six years with the potential to extend for a further two years to Contract A - North - Bermondsey, Borough & Bankside, Rotherhithe and Walworth and Contract B - South - Camberwell, Peckham, Peckham Rye and Dulwich.

Alternative Options Considered

18. Due to the nature of these works and given the inability to extend Contract A for a short period, at this stage, there are not deemed to be any other viable and value for money alternative options that could be considered in the short interim period needed between now and the award of the new contracts.

Identified risks for the Variation

19. The table below identifies the specific risks associated with these contracts, the likelihood of occurrence and the controls in place to mitigate the risks:

R/N	Risk	Likelihood	Risk Control
R1	Guideline become insolvent leaving works incomplete across the borough	Low	Please see financial check in paragraph 44 below. Guideline are paid based on a monthly valuation dependent on the quantity of work claimed. Should they become insolvent, they would only be paid for the work they complete. These monthly claims and payments help mitigate the risks involved of company failure. Guideline are monitored for any change in trading status via alerts from Companies House and industry information.
R2	Guideline are unable to fulfil the requirements of the contract e.g.	Low	The Alcumus Safe Contractor approved list of contractors used by the council would be used to

	performance issues, leading to the need to terminate the contracts.		distribute the works whilst new contracts are procured. Alternatively, an external framework may be accessed.
R4	Inflation	Medium	The contract terms includes Building Material Indices and individual exceptional cases will be reviewed on their own merit. The prices will be fixed for the duration of the extensions.
R5	Possible risk of procurement challenge	Low	At this extension value, there is no requirement to comply with the full regime of the Public Contracts Regulations 2015 (“PCR15”). This extension is to enable a procurement process to be completed.
R6	Possible risk of Section 20 challenge	Medium	This latest contract extension is for a period of less than 12 months and does not require S20 consultation. It is noted however that sequential extensions may be considered to constitute a continuous contract. The council’s mitigation in respect of this would be that the terms are not prejudicial to leaseholders since this extension will be at the originally tendered rates.
R7	Possible risks if an extension is not in place pending proposed new contract	High	Possible risks are significant impact on backlog of work orders, increased resident complaints, shortage of skilled labour force (implications of Brexit) and significant financial implications if extension not in place and having to procure via other means.
R8	TUPE	Medium	Due diligence to be carried out with Liftec staff.

Procurement project plan (Key Decision)

20.

Activity	Completed by/Complete by:
Brief relevant cabinet member (over £100k)	03/06/2024
DCRB Review Gateway 3:	08/04/2024
CCRB Review Gateway 3:	11/04/2024
Notification of forthcoming decision completed	16/07/2024

Approval of Gateway 3 Report	24/07/2024
End of Scrutiny Call-in period and notification of implementation of Gateway 3 decision completed	01/08/2024
Contract Variation Enacted	01/08/2024
Amend Contract Register	01/08/2024
Contract amendment start	26/02/2024
Publication of variation notice on Find a Tender Service	01/08/2024
Contract completion date	25/11/2024

Policy framework implications

21. The extension to the contract will assist the council to continue to contribute to the council's Fairer Future Promise of quality affordable homes, improving housing standards and revitalising neighbourhoods.

Contract management and monitoring

22. The council's contract register publishes the details of all contracts over £5,000 in value to meet the obligations of the Local Government Transparency Code. The Report Author must ensure that all appropriate details of this procurement are added to the contract register via the eProcurement System. Annual Performance Reports will be presented in line with the requirements of Contract Standing Orders (CSO).

23. The contracts will continue to be managed by an asset management (AM) engineering contract manager with dedicated officers who carry out daily joint inspections to ensure quality and compliance with the agreement and contract specifications.

24. The AM contract manager will continue to be assisted by an AM commercial team quantity surveyor to ensure financial integrity, compliance and performance management in regards to measuring key performance indicators (KPIs), carrying out credit checks and continuing with monthly valuations and progress meetings.

25. Both contracts are subject to KPIs on lift availability, overdue work orders, and attendance/completion within timescales.

26. The table below shows the KPIs set for the contracts:

No.	Key Performance Indicator (KPI)	Minimum Target Percentage %	Council's Aspirational Target Objective %	Guideline Actuals %
1	Percentage of Emergency Orders commenced within stipulated timescales	97	99	97.52

No.	Key Performance Indicator (KPI)	Minimum Target Percentage %	Council's Aspirational Target Objective %	Guideline Actuals %
2	Percentage of Non - Emergency Orders commenced within stipulated timescales	97	99	98.06
3	Percentage of maintenance works completed within the agreed programme	98	100	100
4	Percentage of Orders which a default notice (recall order) has not been issued	95	98	100
5	The provision of reports and certificates issued within the stipulated time periods	95	98	95
6	Response to queries/ complaints from residents and council officers to meet the council's Corporate Policy	100	100	100

27. During the proposed extension period, the AM contract management team will continue to focus on reducing any backlog of orders across the contract and in addition ensure all current non-essential works are postponed and not raised throughout the financial moratorium period.

28. Annual performance reviews continue to be carried out in line with the council's CSOs.

Community, equalities (including socio-economic) and health impacts Community impact statement

29. The contract is of medium impact to tenants, homeowners and other stakeholders as majority of these works will be done externally.

30. Guideline confirmed that they are able to continue to meet the requirements of the Fairer Future Procurement Framework and this will be reported as part of the ongoing annual performance review.

Equalities (including socio-economic) impact statement

31. The works are selected based on the condition of the assets to ensure that they are maintained and provide a good service to all residents equally; this is done using monthly lift PPMs.

32. The council has circa 757 passenger lifts. There are currently 5,736 people who could be deemed to require the use of a lift to ensure the ability to have step free access to their property, through either vulnerability and parental need or health issues. Some of the lift assets include sheltered housing units, which by their nature have a large portion of residents with a need for mobility aids.

Health impact statement

33. This extension will continue to maintain and repair lifting equipment as an essential requirement for the health of residents by providing them safe and reliable access to their homes beyond ground level.

34. The lift services will continue to provide essential access for visitors, health care workers and the emergency services to ensure residents are not excluded.

35. This extension will assist with the Analogue to Digital Switchover timescale managed under this contract to ensure that the necessary works are carried out ahead of the PSTN switch off in 2025 to maintain the safety of lifts but the PSTN lines need to be completed before December 2024.

Climate change implications

36. Lift maintenance works will continue to use low energy use equipment, such as LED lighting and low power controllers, to reduce their contribution to CO2 emissions where applicable.

Social Value considerations

37. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

38. The full cost to the council and the life span of the contracts are set out in paragraph 1 of this report. London Living Wage (LLW) will continue to be paid under the contract.

Social considerations

39. Guideline confirmed that all relevant staff continue to be paid in excess of the minimum London Living Wage hourly rate and will continue to comply with council policies relating to GDPR, Blacklisting, Modern Slavery, Health & Safety and Equalities and will continue to be required to demonstrate that they operate an Equal Opportunities Policy, comply with the provisions of the

Equalities Legislation, the Employment Relations Act 1999 (Blacklists) Regulations 2010 and the Prevent Duty under section 26 of the Counter-Terrorism and Security Act 2015.

40. Guideline provided employment and apprenticeship opportunities to the local community during the interim period of the contract and various extensions. The contracts secured existing jobs, particularly among those with dependents who enjoy the benefits of Guideline’s flexible working policies.
41. This report is seeking the Strategic Director of Finance to retrospectively approve a maximum of nine months extension and there is insufficient time available for Guideline to provide employment and apprenticeship opportunities to the local community.

Environmental/Sustainability considerations

42. Materials specified within the contract are from sustainable resources and are recycled wherever possible.
43. Contractors programme their works in order to reduce travelling and traffic within the borough. Planned preventative maintenance (PPMs) are done on an estate basis.

Financial Implications

44. The contract value excluding VAT is:

	Contract A North	Contract B South	Total
Original total cost	£7.032m	£5.072m	£12.104m
Total value of any previous variations	£6.993m	£6.349m	£13.342m
Value of proposed variation	£0m	£2.620m	£2.620m
Revised total cost	£14.03m	£14.041m	£28.066m

Cost Code	Budget 2024/2025	Description
H-3118-9562	£1.4m*	Capital
GG224	£1.773m	Revenue

* This will all be allocated within this extension period as all PSTN lines need to be completed before December 2024. Therefore there will be no lift upgrades between December 2024 and March 2025.

45. Bureau van Dijk (BvD) FAME financial checks were carried out on Guideline on 19 February 2024 with the following results:

	Guideline
Credit Score	Secure

Likelihood of failure	Low
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46. The AM Contracts Compliance Officer monitors changes to the financial status via alerts from BvD FAME and Companies House. No significant alerts noted for Guideline.

Investment Implications (Housing Contracts only)

47. This is not applicable for this report.

Legal Implications

48. Please see the supplementary advice from the Assistant Chief Executive – Governance and Assurance below.

Consultation

49. This is not applicable for this report.

Other implications or issues

50. This is not applicable for this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance REF: [H&M 24/008]

51. This report seeks approval from the Strategic Director of Finance to retrospectively approve the variation to extend the term of the Lift Maintenance contracts (North & South) to Guideline Lift Services Ltd for a period up to a maximum of nine months from 26 February 2024 for a combined estimated additional sum of £2.62m.

52. Planned Preventative Maintenance (PPM) programme for the north of the borough will cost £100k more using the Guideline back up rates as recommended in this report, compared to the old rates with Liftec. Therefore if the North PPM programme is delivered with its current scope, an additional £100k will need to be allocated to the lift programme from within Asset Management cash limited budgets for 2024-25. Otherwise the scope of the PPM lift programme could be reduced so that it can be delivered within the current budget allocation.

53. Following the extension of the contract, the actual cost will be determined by both the overall priorities of the council's asset management programme and the resources available to fund it.

Head of Procurement

54. This report seeks the retrospective approval from the Strategic Director of Finance to vary the Lift Maintenance Contract B (South) to Guideline Lift

Services Ltd by a period up to nine months from 26 February 2024, for an estimated sum of £1.377m, together with an estimated sum of £1.243m for the addition of works from the former Contract A for the same timeframe, making a contract £14.041m.

55. The Strategic Director of Finance notes the reasons for the variation are detailed in paragraphs 11 to 15, future of the service is detailed in paragraphs 16 and 17, the risks are detailed in paragraph 19, management and monitoring of the contract is detailed in paragraph 22 to 28, the impact on equalities, health and climate change are detailed in paragraphs 29 to 36.. Paragraph 38 confirms that the payment of London Living Wage and continuation of social value commitments are set out in paragraphs 37-43.

Assistant Chief Executive – Governance and Assurance

56. This report seeks retrospective approval of the Strategic Director of Finance to the variation of the Lift Maintenance Contract B (South) to Guideline Lift Services Limited to extend the duration of the contracts by up to nine months from 26 February 2024 at the estimated costs highlighted in paragraph 1 of this report.

57. The key aspects of the proposed variations and the reasons for the variations are outlined in paragraphs 10 to 15 of this report.

58. As contract B has been extended beyond its anticipated contract period, it is necessary to consider any possible risks. The contract was subject to the Public Contracts Regulations 2015 (PCR15) tendering requirements as it met the threshold for works contracts. The proposed extension value fall below the PCR 5 threshold for works contract and as such the PCR-15 is not applicable to this variation, although the council must ensure compliance with the procurement principles of transparency, equal treatment and non-discrimination.

59. Every contract extended beyond its term contains an element of risk and as an aggrieved supplier could argue that, the council showed favouritism to the Guideline Lift Services by extending the contract further without competition. In mitigation, the council can argue that the contract is being extended for a short period to allow the longer-term procurement exercise to be completed, and accordingly the risk of challenge to this variation is considered low.

Director of Exchequer (for housing contracts only)

60. The current lift repair contracts are qualifying long-term agreements that we entered into in 2015 for a seven-year term. The contracts were extended under S20 notice in January 2021, and we served Notice of Intention for the new contracts in August 2020 and Notice of Proposal in July 2023.

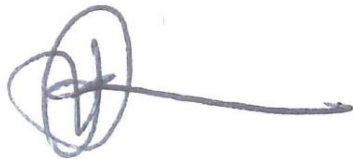
61. This further extension of the contract, as a result of delays in appointment of the new contractors, is on the same terms as the original extension, and for a period of less than 12 months. This extension is not therefore subject to

S20 consultation. The extension recognises the need for continuity of service and the competitive costs that result from the extension of the original contract, which will result in lower charges to leaseholders. The appointment of Guideline to the Contract A (North of the borough) is made under the contract back-up arrangements that were within the original Section 20 consultation. This requires no additional consultation with leaseholders.

62. Although day-to-day lift repairs will be carried out under this extension, pre-planned lift refurbishment works should be subject to tender/quotes. In these circumstances the consultation requirement is that, we serve an initial Notice of Intention prior to inviting quotes and a further Notice of Proposal that makes the quotes available to leaseholders. The most efficient way to do this is to advise HOS of the lift refurbishment programme for the year so that we can serve NOI on all those leaseholders that are affected, and serve NOP when tenders are received for each lift or package.

PART A – TO BE COMPLETED FOR ALL DELEGATED DECISIONS

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 (and as otherwise recorded in Part B below).



Signature

Tim Jones 30/07/2024

Date

Designation Director of Finance

PART B – TO BE COMPLETED BY THE DECISION TAKER FOR:

- 1) All key decisions taken by officers
- 2) Any non-key decisions that are sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available (see ‘FOR DELEGATED DECISIONS’ section of the guidance).

1. DECISION(S)

As set out in the recommendations of the report.

2. REASONS FOR DECISION

As set out in the report.

3. ALTERNATIVE OPTIONS CONSIDERED AND REJECTED BY THE OFFICER WHEN MAKING THE DECISION

Not applicable to this report.

4. ANY CONFLICT OF INTEREST DECLARED BY ANY CABINET MEMBER WHO IS CONSULTED BY THE OFFICER WHICH RELATES TO THIS DECISION *

Not applicable to this report.

* Contract standing order 6.6.1 states that for contract Variations with an Estimated Contract Value of £100,000 or more, the lead contract officer (LCO) must consult with the relevant cabinet member before the decision is implemented.

5. NOTE OF ANY DISPENSATION GRANTED BY THE MONITORING OFFICER, IN RESPECT OF ANY DECLARED CONFLICT OF INTEREST

If a decision taker or cabinet member is unsure as to whether there is a conflict of interest they should contact the legal governance team for advice.

Not applicable to this report.

6. DECLARATION ON CONFLICTS OF INTERESTS

I declare that I was informed of no conflicts of interests.*

or

I declare that I was informed of the conflicts of interests set out in Part B4.*
(* - Please delete as appropriate)

7. CONSIDERATION GIVEN TO WHETHER, AS A NON-KEY DECISION, THIS SHOULD BE FORWARDED TO THE CONSTITUTIONAL TEAM FOR PUBLICATION IN ACCORDANCE WITH REGULATION 13(4)*

The decision taker should consider whether although a non-key decision, the decision is sufficiently important and/or sensitive that a reasonable member of the public would reasonably expect it to be publicly available. Where there is any doubt, having considered the importance and/or sensitivity of a decision, it should be deemed that Regulation 13(4) would apply.

I consider that the decision be made available for publication under Regulation 13(4).*

or

I do not consider that the decision be made available for publication under Regulation 13(4).*
(* - Please delete as appropriate)

* Under the Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012, the council is required to put in place

a scheme for recording and publishing some officer executive decisions. This process is sometimes referred to as “Regulation 13(4)”.

BACKGROUND PAPERS

Background Papers	Held At	Contact
Gateway 1 – Lift Maintenance Contracts (North & South)	Housing, Asset Management 160 Tooley Street London SE1 2QH	Chris Gregory 02075251803
Link: (https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=3840)		
Gateway 2 – Lift Maintenance Contracts (North & South)	Housing, Asset Management 160 Tooley Street London SE1 2QH	Chris Gregory 02075251803
Link: (https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=4692)		
Gateway 3 – Lift Maintenance Contracts (North & South) dated 17 December 2019	Housing, Asset Management 160 Tooley Street London SE1 2QH	Chris Gregory 02075251803
Link: (https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=6980)		
Gateway 3 – Lift Maintenance Contracts (North & South) dated 25 October 2022	Housing, Asset Management 160 Tooley Street London SE1 2QH	Chris Gregory 02075251803
Link: (https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=7738)		

APPENDICES

No	Title
None	

AUDIT TRAIL

Lead Officer	Hakeem Osinaike, Strategic Director of Housing	
Report Author	Christopher Gregory Procurement Manager	
Version	Final	
Dated	16 July 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Assistant Chief Executive – Governance and Assurance	Yes	Yes
Director of Exchequer (for housing contracts only)	Yes	Yes
Cabinet Member	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		