

Item No N/A	Classification: Open	Date: 20 June 2012	Decision Taker: Finance Director
Report title	Gateway 1 & 2 - Procurement Strategy and Contract Award Approval for Lift Maintenance and Repair Contract		
Ward(s) or groups affected	All Wards		
From	Strategic Director of Housing Services		

RECOMMENDATIONS

1. That the Finance Director retrospectively approves the single supplier negotiation procurement strategy outlined in this report for the Lift Maintenance and Repairs Contract with Liftec Lifts Ltd ("Liftec") to cover additional contract areas 1 & 2 for a period of thirty (30) months and 10 days from 22 June 2010 to 1 January 2013.
2. That the Finance Director retrospectively approves the award of the Lift Maintenance and Repairs contract areas 1& 2 with Liftec Lifts Ltd for a period of thirty (30) months and 10 days commencing 22 June. Upon approval, award will be affected by way of a variation to the existing contract.

BACKGROUND INFORMATION

3. The contract delivers essential planned maintenance, repairs and refurbishments of 1300 lifts across the borough. These comprise of 760 passenger lifts and 540 disability lifts (including disability hoisting equipment). The contract is split into three contract service areas and these are as follows:
 - Area 1- Bermondsey, Leather Market, Borough & Bankside and Rotherhithe
 - Area 2 – Walworth and Peckham
 - Area 3 - Camberwell, Peckham Rye and Dulwich
4. From the period 2nd January 2008 to 1st January 2013 (5 years), the council entered into two separate contracts with Apex Lift and Escalator Engineers Ltd ("Apex") for Areas 1 and 2 and Liftec for Area 3. Both contractors were required to act as 'back-up' in support of each others areas should the need arise.
5. Both contracts had the option of two further 12 month extensions (in 12-monthly increments).
6. In June 2009, a Gateway 3 Report was approved to increase the maximum order value within the contract from £25,000 to £40,000. The variation allowed the council to undertake minor refurbishments, which extends the life of a lift, without the need for complete replacement.
7. The council ended the contract with Apex with a view to procuring a new lift contract for Areas 1 & 2 in accordance with OJEU. To ensure service continuity, the council proposed to invoke the 'back-up' arrangement and transfer Areas 1 & 2 to Liftec, but were advised by external legal advisors that this would constitute a material amendment to the original conditions of the

14. Since becoming aware of the magnitude of remedial works required, Engineering and Compliance took the decision that, because of the Health and Safety nature of the majority of the works, the contract should not be subject to a retender until the works have been completed. This has meant that service disruptions have been limited and that the remedial works programme has been completed in the shortest possible time. This would not have been the case if the contract had been retendered, especially given the lengthy procurement process that would apply. The submission of this gateway report, for approval, has been delayed subject to the remedial works being completed.
15. The intention is to undertake a full retender of the contract, as outlined in paragraph 19(i) below.
16. Engineering and Compliance developed a new suite of health and safety KPI's and targets, specifically for the works. These are and will remain in place for the duration of the contract. Monthly reports are prepared and reviewed each month as part of the monthly contract progress meetings, held with Liftec. With the additional health and safety measures in place, Engineering and Compliance are satisfied that Liftec should continue with contract, for the term for which this report seeks approval.

Summary of the business case/justification for the procurement

17. As a result of the variation to Liftec's contract, the contract is now delivering and maintaining very good month-on-month performance achievements (for Areas 1,2 & 3), against the contract KPI's. It is envisaged that the current contract will continue to deliver cost and lift asset performance benefits, to the council and its households, across the borough until the contract expires (30 September 2013).
18. The Contract should have been subject to a retender soon after the issue of the Deed of Variation on 22 June 2010. Whilst there was a genuine need by the council to ensure that the technical issues (referred to in paragraph 8) were addressed, the remedial works process took longer than anticipated, due to the number of lifts (in Areas 1 & 2) requiring attention. The works are now complete and this has precipitated the need to commence the retender process immediately.
19. Whilst this Combined Gateway 1&2 Report seeks approval to vary Liftec's original contract to now include Areas 1 & 2, Engineering and Compliance intend to submit the following separate gateway reports, for approval, in order to retender the whole of the lift maintenance and repairs works.
 - i) Gateway 1 Report – Setting out the procurement strategy for the retender and award of a new contract for the lift maintenance and repairs works. The tender process shall be subject to OJEU and the council's CSO's. It is planned that the new contract will be split between two separate contractors, on the same geographical areas as the original Apex and Liftec contracts. The Gateway Report will be submitted to DCRB on 12 March 2012
 - ii) Gateway 3 Report – Shall seek approval to extend the existing contract with Liftec for Areas 1, 2 and 3 (subject to approval of this combined Gateway 1&2 Report) from 2 January 2013 to 30

Activity	Completed by/Complete by:
DCRB/CCRB Review Gateway 2: Contract award report	29 March 2012
Notification of forthcoming decision – Five clear working days <i>(if cabinet member decision maker only)</i>	12 June 2012
Approval of Gateway 2: Contract Award Report	29 March 2012
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	20 June 2012
Alcatel Standstill Period (if applicable)	n/a
Contract award (Retrospective)	22 June 2010
Add to Contract Register	10 April 2012
Contract start (Retrospective)	22 June 2010
Place award notice in Official Journal of European (OJEU) (if applicable) A maximum of 48 days after award	n/a
Contract completion date	1 Jan 2013

Description of procurement outcomes

22. Liftec will continue to provide the service to the council which will ensure service continuity across the borough.

KEY ISSUES FOR CONSIDERATION

Policy Implications

23. The Lift Maintenance and Repairs contract provides an essential service to the community. It supports the council's statutory obligations in relation to the provision of 'step-free' access to its buildings.

Tender Process

24. Not applicable.

Tender Evaluation

25. Not applicable

TUPE implications

26. There were Tupe implications when the work for Area 1 & 2 was taken from Apex and given to Liftec. These were addressed and satisfactorily resolved.
27. As for the proposed retender, the appointment of two new contractors will amount to a Service Provision Change and therefore Tupe is likely to apply however until due diligence is carried out, definitive advice on Tupe cannot be

36. All work will be managed by Engineering and Compliance who will ensure compliance with the council's Equal Opportunity Policy. Engineering and Compliance are working closely with the housing office to detail vulnerable people within the blocks to assess the impact of prolonged lift breakdowns.
37. The impact of the service improvement brought about by the transfer of areas 1&2 to Liftec will continue to affect all communities/ groups in all wards by improving the quality of life for the residents. Direct benefit to tenants includes limiting the occurrences of lift breakdowns and a more reliable and effective lift service.
38. Liftec's work will have a positive impact for communities as there will be fewer failures due to work being carried out to the required standard.

Sustainability Considerations (including Economic, Social and Environmental considerations)

39. Liftec is ISO 1401 accredited and have set annual recycling targets for operations they undertake. Many parts are recycled when being refurbished thus building up a store of parts ready to be used on the council's lifts. Liftec also operate an apprenticeship scheme and will be encouraged to engage with the council's CS-Leadership Innovation and Learning Support team.

Market Considerations

40. There are a number of companies in the market, with the capabilities and resources to provide Lift Maintenance and Repairs services to the council.
 - I. The contractor is a private limited company.
 - II. The contractor has more than 50 employees
 - III. The contractor has a local area of activity

Resource Implications

Staffing/procurement implications

41. The staff, resources and budget required to manage and fund the works will remain unchanged.
42. Staff are in post to oversee the performance of the contractor. There is no requirement for additional staffing resources.

Financial Implications (JP – FIN0674)

43. The Lift Maintenance and Repairs contract delivers essential planned maintenance, repairs and refurbishments of 1300 lifts across the borough.
44. The total budget available for lifts has been same since 2010/11 and will continue to be for the foreseeable future; this incorporates the mentioned contract award from the 22 June 2010 to 1 January 2013, therefore the budgeted costs can be met from the current Lifts budget in Maintenance and Compliance.

Finance Director (Nr/F&R/23/5/12)

56. This gateway report recommends that the Finance Director retrospectively approves the single supplier negotiation procurement strategy for the Lift Maintenance and Repairs Contract with Liftec Lifts Ltd and retrospectively approves the award of the Lift Maintenance and Repairs contract areas 1 & 2 with Liftec Lifts Ltd for a period of thirty months and 10 days commencing 22 June 2010.
57. The Finance Director notes the financial implications contained within the report. Officer time to effect the recommendation will be contained within existing budgeted revenue resources.

Head of Procurement

58. This report is seeking retrospective approval to award the lift maintenance and repair contract to Liftec Lifts Ltd. following a single supplier negotiation. This contract is for the delivery of services to the north of the borough and are therefore additional, not covered by the existing contract with Liftec Lifts Ltd.
59. Paragraph 4 of this report describes how the Council originally entered into two contracts with two providers covering three geographical areas. Two of the areas (areas 1 & 2) were awarded to one contractor and one area (area 3) to another contractor. Paragraph 7 advises that the council ended the contract with the contractor covering areas 1 & 2. To ensure continuity of service delivery was maintained, officers took the most pragmatic approach to sourcing this contract and awarded the additional contract areas to the remaining existing provider Liftec Lifts Ltd.
60. The report advises that performance on the contract has improved since the award of additional contract areas to Liftec Lifts Ltd. Paragraph's 35 and 36 outlines the monitoring arrangements that will continue to be in place to help maintain this level of service delivery. There would appear to be no reason why the Council would not wish to continue with the current arrangements on an interim basis.

Head of Home Ownership Unit

61. NOP was served on this contract on 12 October 2007 and the contract commenced on 2 January 2008. The consultation identified a contract of 5 years with an option to extend for a further two years and details of both contractors and the back up arrangements in the case of the termination of one of the contracts was included in the notice. Although the maximum order value for this extension has increased, the scope on which the consultation took place is essentially the same - planned maintenance and repairs. I note that council leaseholders and tenants have been advised of the change in contractor.
62. The variation is within the terms of the consultation carried out and does not require further statutory consultation.