

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 7 November 2012	<b>Meeting Name:</b> Strategic Director of Finance and Corporate Services
<b>Report title:</b>		<b>Gateway 3 – Variation Decision/Extension Approval</b> Lift Maintenance and Repair Contract	
<b>Ward(s) or groups affected:</b>		All Wards	
<b>From:</b>		Strategic Director of Housing and Community Services	

## RECOMMENDATION

1. That the Strategic Director of Finance and Corporate Services approve the extension of the Lift Maintenance and Repair contract to Liftec Lifts Limited ("Liftec") for a period of 12 months from 2 January 2013 to 1 January 2014 at an estimated cost of £1,282,276.

## BACKGROUND INFORMATION

2. 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, Borough & Bankside and Rotherhithe
  - Area 2 – Walworth and Peckham
  - Area 3 - Camberwell, Peckham Rye and Dulwich
3. From the period 2 January 2008 to 1 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 at an overall contract value of £6,512,176. Both contractors were required to act as 'back-up' in support of each others areas should the need arise.
4. Both contracts had the option of two further 12 month extensions (in 12-monthly increments). This increased the overall total contract value to £9,076,728.
5. The contract with Apex was terminated through a commercial agreement. At contract end, Areas 1 & 2 were transferred to Liftec on 22 June 2010. With the addition of Areas 1 & 2, Liftec are contracted to provide the Lift Maintenance and Repair works for the whole borough until 1 January 2013. Formal approval of the transfer was granted by way of a retrospective Gateway 1&2 report, submitted in April 2012 (see background documents).

## **KEY ISSUES FOR CONSIDERATION**

### **Key Aspects of Proposed Variation**

6. The nature of the proposed variation is for the contract with Liftec to be extended for a period of 12 months at a cost of £1,282,276 to allow sufficient time for a comprehensive tender process to take place, as approved by Cabinet in April 2012 under a Gateway 1 Report for the Lift Maintenance and Repairs Contract (see Background Papers). The proposed extension of the contract is within the contract extension provisions referred to in paragraph 4 above.
7. The cost of the proposed variation represents 14.13% of the contract value.

### **Reasons for Variation**

8. With the absence of a 'back-up' contractor to support Liftec, there is an increased degree of risk to the council should Liftec fail or be unable to fulfil its service commitments. In recognition of this, the Engineering and Compliance team intend to retender the service. The plan is for the service to be split between two separate contractors and based on the following redesignated service areas / contract split.
  - Contract A (North) - Bermondsey, Borough & Bankside, Rotherhithe and Walworth
  - Contract B (South) – Camberwell, Peckham, Peckham Rye and Dulwich
9. This report seeks approval to extend the existing contract with Liftec for Areas 1, 2 and 3 from 2 January 2013 to 1 January 2014. The extension will be effected by invoking the contract extension provision in Liftec's contract, which allows the contract to be extended up to a period of 24 months.
10. The extension of the contract will allow sufficient time for the tender process to take place.
11. The intention is for the new contracts to start 2 January 2014.
12. The performance of the contractor has been good throughout and such performance is monitored and managed against agreed KPI's for the service. Lift availability over the last 12 months has increased from 96% to 97.4%. Lift trap-ins have also been reduced by circa. 50%. This significant reduction was recorded from the end of June 2009 to the end of December 2011, and has continued to date.

### **Future Proposals for this Service**

13. With the current available resources, this is the quickest procurement route to ensure delivery on time.
14. The future proposals for the service are datelined as follows:
  - Date of service review: February 2012
  - Date of submission of Gateway 1 Report : 29 March 2012

- Date of OJEU advertisement: 11 January 2013
  - Date of Expression of Interest to be received: 22 February 2013
  - Date that short listing of prospective tenderers to be completed: 6 April 2013
  - Date of sending out tenders: 8 April 2013
  - Date of completion of the evaluation of tenders: 14 September 2013
  - Date of submission of Gateway 2 Report: 23 September 2013
15. The dateline allows a sufficient period of time for the service to be successfully retendered. The Engineering and Compliance Team will use the time between the submission of the Gateway 1 Report to the OJEU advertisement date, to develop the technical specifications (incorporating extensive asset performance data) that will form part of the tender documentation.

### Alternative Options Considered

16. At this juncture of the current contract with Liftec, there are no viable alternative options that could be used in the interim, between now and the proposed award of new contracts to commence 2 January 2014. The retender of the services was approved by Cabinet in April 2012 and the procurement process has already begun.
17. By continuing with the existing service within Housing until the procurement process has run its course, culminating in the award of new contracts to commence in January 2014, 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

18. The table below identifies a number of 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 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 issue at an early stage.
R3	Procurement of new contract is delayed	Medium	Continual review of the procurement process.  In the event of a possible delay, re-visit the process and evaluate with the Engineering and Compliance team.  Additional procurement and commercial resources to be made available if or when required.
R4	Contractor goes into administration or Liquidation during the contract	Medium	Appointment of an interim contractor from the councils approved list.

## **Policy implications**

19. The Lift Maintenance and Repair 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 council housing within the borough.

## **Contract management and monitoring**

20. The Engineering and Compliance team have been, and will continue to be, responsible for the management of the contract using the council's IWorld system. The system facilitates the raising of orders, management/performance monitoring, management accounting and reporting. The following original KPI's shall continue to be used, to measure Liftec's performance.
  - a) Lift availability
  - b) Attend emergencies within 2 hours
  - c) Percentage of maintenance carried out within timescales
  - d) Percentage of orders issued that have received a default
  - e) Percentage of complaints answered within the correct timescales
  - f) Percentage of orders carried out within timescales.
21. From the outset the Engineering and Compliance team have held contract meetings with Liftec on a monthly basis. This will continue to be the case. Site inspections have also formed part of the contract monitoring process and these will also continue to be carried out to check the quality of Liftec's work.

## **Community Impact Statement**

22. The ongoing work under this contract will continue until the award of 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 a stair lift within their property will benefit equally as the works are designed to ensure the safe and satisfactory performance of the lifts.
23. The impact of the 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.
24. All work will be managed by the Engineering and Compliance team who will ensure compliance with the council's Equal Opportunity Policy. 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.
25. 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 include, limiting the occurrences of lift breakdowns and a more reliable and effective lift service.
26. 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**

27. As the work represents a significant increase in the original scope of work awarded to Liftec, a financial check and second stage appraisal of the company was carried out by Finance and Resources on 18 June 2012. The Financial reports concluded that Liftec present a 'Below Average Risk'.

### **Social considerations**

28. 'Step free' access in residential buildings is essential to facilitating freedom of movement within and/or around the council's buildings. Safe and reliable access to street level (and above), facilitated by passenger or disabled lifts, contributes to the quality of life for all residents.
29. Where possible Liftec use local suppliers as part of their supply chain for the services.
30. Liftec operate an apprenticeship scheme which is open to applicants from within the borough.
31. Rates of pay are set by the relevant industry sector governing body for these services. The rates are well above the London Living Wage (LLW) threshold and apply to all Liftec operatives engaged in providing the services.

### **Environmental considerations**

32. 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.

### **Financial Implications (FIN0705 – JP)**

33. The Lift contract is an essential service allowing 'step-free' access to the community. The current Liftec budget is £1,202,533 p.a. for the HRA (Engineering and Compliance and all the Tenant Management Organisations (TMO's) excluding Leathermarket) and £79,743 p.a. for the stairlift maintenance in the General Fund. Even though the budget for 2013/14 has yet to be agreed, the lift budget was not part of the savings agreement, so it is assumed the budget will remain at the same level in future years. Therefore the budget for the extension period 2 January 2013 to 1 January 2014 will meet the estimated cost.
34. In the last two financial years, the Engineering lift budget has been overspent by £474,770.16 (2011/12) and £396,207 (2010/11) due to first calls being stopped for the first six months of the year in 2011/12 and additional work being required as a result of the Apex fallout in 2010/11. This overspend has been contained within the Engineering budget in the past two years. The TMO's and the General Fund expenditure have been close to budget in the previous years.
35. The spend to date for this year is £155,186 and £0 for HRA lift budget and General Fund respectively. It is currently projected that the HRA lift budget will

overspend by £100k and the General Fund is projected to be on budget. The HRA budget for this contract needs to be monitored carefully as the budget is barely sustainable for the 1,300 lifts across the borough. Any overspends will need to continue to be contained within the Engineering and Compliance budget.

36. A portion of the costs will be recovered from leaseholders, dependent on the terms and conditions of the lease.

#### **Investment Implications**

37. The service will be funded from the revenue budget (see Financial Implications above).

#### **Legal Implications**

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

#### **Consultation**

39. See paragraphs 50 - 51 (Head of Home Ownership and Tenant Management Initiatives).

#### **Other implications or issues**

40. n/a

### **SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**

#### **Head of Procurement**

41. This report is seeking to extend the period of the existing Lift Maintenance and repair contract with Liftec Lifts Limited for a period of 12 months from 2 January 2013.
42. The report explains that the reason for requesting the extension is to allow sufficient time for a competitive tender process to be carried out. Paragraph 10 of the report confirms that the existing contract allows for the proposed extension period.
43. Paragraph 12 of the report advises that performance has been good throughout the life of the contract. Paragraphs 20 & 21 outline 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 throughout the required extension period.

#### **Director of Legal Services**

44. This report seeks the approval of the Strategic Director of Finance and Corporate Services to an extension of the Lift Maintenance and Repair contract which is being performed by Liftec Lifts Limited (Liftec). This report sets out the extent of the required extension and the reasons why the extension is necessary.

- 45. The report explains why the Lift Maintenance and Repair services for the whole of the Borough were transferred to Liftec in June 2010. There is a risk that the council could be challenged in continuing to extend this contract further but it is noted in paragraphs 8 to 12 that the council is procuring this contract to split the services into 2 areas and this extension is required to allow that procurement to take place and therefore the risk is minimised.
- 46. CSO 4.6.2 a) provides that this decision is reserved to the Strategic Director of Finance and Corporate Services to authorise this proposed contract variation, after consideration by the Corporate Contracts Review Board (CCRB) of the report. The report has been considered by CCRB and its comments have been included.
- 47. 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. Paragraphs 33-36 of this report confirm how the proposed additional expenditure will be funded.

**Strategic Director of Finance and Corporate Services (NR/FCS/19/9/12)**

- 48. This gateway report recommends that the Strategic Director of Finance and Corporate Services approve the extension of the Lift Maintenance and Repair contract to Liftec Lifts Limited for a period of 12 months from 2 January 2013 to 1 January 2014
- 49. The Strategic Director notes the financial implications contained within the report. Officer time to effect the recommendations will be contained within existing budgeted revenue resources

**Head of Home Ownership and Tenant Management Initiatives**

- 50. Full statutory consultation was carried out on this contract before it was entered into in January 2008. The consultation confirmed the back up arrangement whereby one contractor would take over the area allocated to the other if their contract was ended for any reason. It also confirmed the contract period of five years with an option to extend for a further 2 twelve month periods.
- 51. The transfer of areas 1 and 2 to Liftec, and the 12 month extension of the contract period for all 3 areas, is covered by the statutory consultation carried out in 2008 and no further consultation with leaseholders is required for this extension. Full consultation will be required on the proposed new contracts to start in 2014.

**FOR DELEGATED APPROVAL**

- 52. Under the powers delegated to me in accordance with the councils Contract Standing Orders, I authorise action in accordance with the recommendation contained in the above report.

Signature .....



Date... 8.11.12...

**Duncan Whitfield, Strategic Director of Finance and Corporate Services**

## BACKGROUND PAPERS

Background Papers	Held At	Contact
Combined Gateway 1&2 – Procurement Strategy and Contract Award Approval for Lift Maintenance and Repair Contract (Open Report).	160 Tooley Street, SE1 2TZ	Gavin Duncumb, Tel: 020 7525 0685
Gateway 1 – Procurement Strategy and Contract Award Approval for Lift Maintenance and Repair Contract (Open Report).	160 Tooley Street, SE1 2TZ	Gavin Duncumb Tel: 020 7525 0685

## APPENDICES

No	Title
N/A	

## AUDIT TRAIL

<b>Lead Officer</b>	Chris Baxter – Engineering Services Manager	
<b>Report Author</b>	Gavin Duncumb – Commercial Manager	
<b>Version</b>	Final	
<b>Dated</b>	7 November 2012	
<b>Key Decision?</b>	Yes	
<b>CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER</b>		
<b>Officer Title</b>	<b>Comments Sought</b>	<b>Comments included</b>
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Head of HO&TMI	Yes	Yes
<b>Cabinet Member</b>	n/a	n/a
<b>Date final report sent to Constitutional Team</b>		7 November 2012