

**Report of: Executive Member for Housing and Development**

<b>Meeting of:</b>	<b>Date</b>	<b>Ward(s)</b>
Executive	14 June 2018	All

<b>Delete as appropriate</b>	<b>Exempt</b>	<b>Non-exempt</b>

## **SUBJECT: PROCUREMENT STRATEGY FOR LIFT MAINTENANCE IN HOUSING AND PUBLIC BUILDINGS**

### **1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of a new contract for Lift Maintenance in Housing and Public Buildings in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The Council's Property Services department currently manages one housing lift maintenance contract serving the whole borough for Housing. The Council's Financial Operations and Customer Services department also manages a separate contract for lift maintenance in public buildings. The intention is to procure and award a new single lift maintenance contract for both housing and public buildings.

Although it is not a statutory requirement, lift maintenance and repair is an essential service, which facilitates ease of access for our residents and visitors to our housing and public buildings.

### **2. Recommendations**

- 2.1 To approve the procurement strategy for Lift Maintenance in Housing and Public Buildings as outlined in this report.
- 2.2 To delegate authority to award the contract to the Corporate Director of Housing and Adult Social Services in consultation with the Executive Member for Housing and Development.

### **3. Background**

#### **3.1** The Council would like to procure one contractor to deliver borough-wide maintenance to existing lift stock within housing estates and public buildings

The current individual contracts in place both expire on 31 March 2019. All options to extend them have been fully utilised.

The Council wishes to ensure continuity of lift maintenance beyond the expiry of contracts and therefore needs to secure a contractor to manage lift maintenance from 1 April 2019. Any break in service is not an option for the council. All lifts must be maintained so they are in continuous service.

Lifts that are out of action have considerable impact on both residents and visitors to our public buildings who rely on lifts to increase ease of accessibility. Poorly maintained lifts are liable to increased breakdowns, failures and overall costs.

The contract will have an operational team that oversees day-to-day repair works including quality of work, costings, residential/service user access etc. and this will include a monthly operational meeting. There will be a contract officer that will oversee contractual matters, including performance and dealing with any escalated operational matters. This will include higher-level "core" meetings that will occur quarterly, or at a frequency set as required.

This re-procurement also gives the Council the opportunity to achieve greater value for money for the Council and its residents by improving levels of performance through a rewritten specification.

#### **3.2 Estimated Value**

The aggregate value of this contract is £7,366,000 (£920,000 per annum), based on a contract term of 96 months (24+24 +24 +24). The Housing element of the contract will be funded from the Housing Revenue Account (HRA). Leaseholders will be recharged therefore consultation will be undertaken as required by The Commonhold and Leasehold Reform Act 2002. For Public Buildings the budget will be provided from existing budgets held by the Financial Operations and Customer Service Division.

The housing lift repairs contract budget was £836,000 .00 per annum for 2016/17 and 2017/18. The expenditure for 2016/17 was £778,000 and for 2017/18 was £737,000.

The budget for 2018/2019 has been set at £870,000. This takes into account inflation, larger repairs required not previously undertaken and allows for additional sites for any new build properties.

The public buildings lift repairs budget was £50,000 for both 2016/17 and 2017/18 and expenditure for both years was on budget. The budget for 2018/19 is £43,000, However if anticipated spend of £50,000 is materialised, the small shortfall is expected to be contained within the overall General Fund (GF) Building Repairs budgets.

#### **3.3 Timetable**

The Council intends to advertise the Open Tender on via the Official Journal of the European Union on 6 September 2018, with estimated contract award in January 2019. The contract start date will be 1 April 2019. A formal Procurement Project Plan has been finalised covering all the key stages in the process.

A two-stage consultation process (section 20) has been factored into the timetable The first consultation (notice of intention) will take place upon approval of this procurement strategy and the second consultation will take place at the award stage (notification of proposal) within the procurement process.

#### **3.4 Options appraisal**

A competitive tender process, using an external framework and the option of insourcing have all been considered.

The schedule of rates within available frameworks are not fit for purpose and do not meet Islington's specific requirements and so this option is not suitable.

Insourcing allows the Council to have full control over the services delivered, however it is not considered a viable option at this time. The Council does not employ any staff with the required specialist skills and does not have the equipment required to deliver this service. It would require significant investment and time to purchase the equipment required, source a parts supply chain and train and/or employ staff to deliver the services, as well as the length of time required to facilitate it. A larger specialist contractor can also provide the flexibility to deal with unpredicted surges in work and provide full 24-hour service.

Collaboration with neighbouring authorities was considered within the options appraisal. However, this option is not suitable as service delivery models did not meet Islington requirements.

Procurement via a competitive tendering process will deliver the best overall value whilst meeting service needs.

A number of options were considered as to how the tender could best be packaged to achieve best value and service delivery arrangements. The following options were reviewed;

A single main contractor with a second contractor engaged on a retainer – This would enable the instant availability of an alternative contractor should the main contractor fail. Procurement and legal advice was sought on this option. However, this arrangement could be expensive and potentially not provide the best value for the Council in regards to price as the offer to the market has no tangible value and the retainer contractor may never be used. Using this option may limit market interest and the number of suppliers willing to bid.

Two contractors serving borough based on a geographical split – This would make available a second contractor in event one contractor is underperforming. However, this could lead to differences in price and service quality for residents depending on which contractor was providing their service. This could be mitigated by regular rotation of the areas served. However, this contract does not lend itself to rotation as it is essential that the contractor builds a firm understanding of the assets. It is also administratively time consuming in respect of system changes that would need to be made for every rotation.

Appointment of a single contractor has been decided as the best option. This would avoid disparity in service and price. Robust operational and contract monitoring arrangements will be implemented to facilitate the effective management of the successful contractor.

### 3.5 **Key Considerations**

There will be key social value clauses contained within the contract terms including offering a minimum number of apprenticeship opportunities, work experience placements, job shadowing and training opportunities. The contract also facilitates improved access to properties and public buildings for residents and service users, especially for those with specific access requirements such as wheelchair users and mobility impairments.

An Environmental Impact Assessment has been completed. Environmental considerations for this contract include:

CO2 emissions from vehicle use and the contractor should optimise travel routes to minimise the number of journeys taken. Maintenance schedules should be planned in order to minimise travel and the resulting impact on congestion. Contractors should be encouraged to use LPG and environmentally friendly fuel sources for vans. By having one contract for lift maintenance for both Housing and Public Buildings it may be possible to reduce transport emissions and congestion.

The Contractor will be required to adhere to requirements of the Council's HSE Code of Conduct for contractors and appropriate legislation. The contractor should ensure that waste materials are kept to a minimum and that waste leaving sites is reused or recycled where practicable. The Contractor will

have a duty of care to ensure that any waste disposal is done in accordance with waste hierarchy and appropriate legislation. All environmental, health and safety precautions are to be observed while operatives are working with Hydraulic oil, and on completion of work old oil should be transported to a licensed contractor to be disposed of safely and should never be stored on site.

London Living Wage will be a requirement of the contract terms. The current market pays above London Living Wage for lift engineers.

Best value is considered within the terms and conditions for the Lift contract, especially with regard to community benefits such as apprenticeship schemes and training opportunities.

### 3.6 **Evaluation**

The tender will be conducted in one stage, known as the Open Procedure as the tender is 'open' to all organisations who expression their interest in the tender. The Open Procedure includes minimum requirements, which the organisation must achieve before their evaluation Award Criteria is considered. Selection criteria will look at the history and experience of the tenderers' organisations and award criteria will be "forward looking" to assess how the tenderers will deliver the service.

Best Value forms part of the tender criteria. Tenders are evaluated on the basis of the tenderers price and ability to deliver the contract works or services as set out in the evaluation criteria in order to determine MEAT (the Most Economically Advantageous Tender). The award criteria will be set at 60% cost and 40% quality.

The cost criteria will consist of the National Housing Federation (NHF) Schedule of Rates (SORs) and Bespoke SORs, which the contractors will submit prices for against individual items.

The quality criteria amounting to 40% is made up as follows, subject to review:

Proposed approach to resourcing, mobilisation and delivery of the contract – 10%

Ability to meet volumes and timescales – 5%

Proposed approach to quality management – 5%

Proposed approach to customer services – 5%

Proposed approach to equality – 5%

Proposed approach to health and safety – 5%

Proposed approach to social value – 5%

These headings will be further defined in the tender documentation, forming a series of questions that will allow us to assess proposed service delivery in the above areas. A key aim of the evaluation will be the assessment of tenderers' ability to adequately resource the contract and deliver a high quality, responsive and proactive lift repair and maintenance service within specified response times, including responding to emergency repairs and situations, e.g. persons trapped in lifts.

### 3.7 **Business Risks**

Although there is no statutory requirement to provide lifts, once provided the Council must ensure it complies with appropriate health and safety (Health and Safety at Work Act 1974) and other relevant legislation and ensures the safe operation of the lifts.

The Lifting Operations and Lifting Equipment Regulations 1998 provide that regular inspections at statutory intervals take place on all lifting equipment including passenger lifts. Regular maintenance and servicing is essential to ensure that lifts provided by the Council meet the standards to pass these regular inspections. Failure to properly maintain and regularly service the lifts provided may also invalidate the Councils insurance in this regard.

Many residents' are reliant on lifts for both themselves and their visitors to access their properties and the wider community including Islington's public buildings. Failure to keep lifts in good working order would result in vulnerable residents being unable to leave or access their homes or the essential services they require. Leaseholders pay service charges for lift repairs and maintenance and expect lifts to be constantly operational. There are significant reputational risks if our lifts are not

properly maintained. These risks will be mitigated by ensuring a Lift Repairs and Maintenance contract is procured within the given timescales to ensure continuous delivery of the necessary service.

The key risks identified with this procurement are:

Risk	Likelihood	Impact	Priority	Mitigation
Procurement is unsuccessful with no suitable supplier tendering or being identified	Low	High	Medium	Interim emergency measures will be sought and plans to re-procure put in place
The successful tenderer pulls out of the contract prior to start of the contract	Low	High	Medium	Interim emergency measures will be sought and plans to re-procure put in place
Delays to the procurement process result in limited mobilisation time for new supplier	Medium	High	High	A project plan is in place and the Project procurement team need to ensure agreed key milestones are met.

- 3.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.
- 3.9 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	Lift repairs and servicing to residential properties, blocks and to public buildings.  See paragraph 3.1
2 Estimated value	The estimated value per year is £920,000.  The agreement is proposed to run for a period of 24 months with an optional extension of 24 months.  See paragraph 3.2
3 Timetable	Open Tender Advert – 6 September 2018 Shortlisting – October 2018 Award – January 2019 Contract Start – 1 April 2019  See paragraph 3.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	A competitive tender process has been selected.  See paragraph 3.4

5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	London Living Wage and social benefit clauses will be included as part of the contract terms. Best value is considered as part of the specification, award criteria and delivery of the service. There may be TUPE implications.  See paragraph 3.5
6 Evaluation criteria	The award criteria will be split at 70% cost and 30% quality. The award criteria price/quality breakdown is described more particularly within the report.  See paragraph 3.6
7 Any business risks associated with entering the contract	Failure to provide services that leaseholders pay for and impact on vulnerable residents being unable to access or leave their homes or access essential services within the community. Impact on vulnerable persons needing to access Islington public buildings.  See paragraph 3.7
8 Any other relevant financial, legal or other considerations.	See paragraph 4.

## 4. Implications

### 4.1 Financial implications

The maintenance of lifts in Housing is funded by the Council's HRA Repairs Budget (£32.03m in 2018/19). The current budget allocation for Lift Maintenance is £870,000 per annum.

The maintenance of lifts in public buildings is funded by the Council's GF Building Repairs Fund budget (£1.38m in 2018/19). The current budget allocation for Lift Servicing is £43,000 per annum. If the anticipated £50,000 pa spend on lift maintenance in public buildings is materialised, there will be a budget shortfall of £7,000 pa. However, this small shortfall is expected to be contained within the overall BRF budget

It is anticipated that the current budget provisions (both HRA and GF) will continue to be available in the foreseeable future to support lift repair and maintenance work. The cost of this contract will therefore be contained within the 2018/19 HRA Housing Repairs and GF Building Repairs Fund budgets.

### 4.2 Legal Implications

The council has powers to carry out lift maintenance services in public buildings under section 111 of the Local Government Act 1972 which enables the council to carry out any activity that is calculated to facilitate, or is conducive or incidental to, the discharge of any of its functions. The council is responsible for undertaking the repair, maintenance and improvement of its housing properties and installations therein (Part 2 of the Housing Act 1985). The Council has powers to enter into such contracts under section 1 of the Local Government (Contracts) Act 1997.

The Executive may provide Corporate Directors with responsibility to award contracts with a value over £2 million using revenue money and over £5 million using capital money (council's Procurement Rule 16.2).

The proposed contract is a contract for services. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £181,302.00 for service contracts. Contracts above this threshold must be procured with advertisement in the Official Journal of the European Union and with full compliance of the Regulations. The council's Procurement Rules also require contracts over

the value of £181,302.00 to be subject to competitive tender. The proposed procurement strategy, to advertise a call for competition and procure the service using a competitive tender process, is in compliance with the principles underpinning the Regulations and the council's Procurement Rules.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

The contract is for a period in excess of 12 months and therefore will be qualifying long term agreements under section 20 of the Landlord and Tenant Act 1985. Accordingly, the council will need to comply with the leaseholder consultation requirements applicable to long term qualifying agreements set out in the Service Charges (Consultation Requirements) (England) Regulations 2003 (as amended).

#### **4.3 Environmental Implications**

Environmental considerations for this contract include CO2 emissions from vehicle use and the contractor should optimise travel routes to minimise the number of journeys taken. Maintenance schedules should be planned in order to minimise travel and the resulting impact on congestion. Contractors should be encouraged to use LPG and environmentally friendly fuel sources for vans. By having one contract for lift maintenance for both Housing and Public Buildings it may be possible to reduce transport emissions and congestion.

The Contractor will be required to adhere to requirements of the Council's HSE Code of Conduct for contractors and appropriate legislation. The contractor should ensure that waste materials are kept to a minimum and that waste leaving sites is reused or recycled where practicable. The Contractor will have a duty of care to ensure that any waste disposal is done in accordance with waste hierarchy and appropriate legislation. All environmental, health and safety precautions are to be observed while operatives are working with Hydraulic oil, and on completion of work old oil should be transported to a licensed contractor to be disposed of safely and should never be stored on site.

The contractor will install energy saving replacement parts where possible and if compatible. Where complete renewals are required, then energy saving replacements will be considered.

#### **4.4 Resident Impact Assessment**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed on 6<sup>th</sup> April 2018 and the summary is included below.

This procurement will not have any negative impact on any persons within the protected characteristics groups. The contract will have a positive impact on vulnerable groups as it is designed to ensure that lifts remain in service and working safely allowing residents to be able to continue to access and leave their homes. It also allows care services and other home assistance services to access resident properties. Vulnerable residents and visitors to the borough will also be able to continue to access Islington's public buildings. Diversity and equality are considered during the procurement. Potential service providers will be asked a scored question during the procurement process about how they will assess equality aspects of the service. It is a contractual requirement for service providers to work to Islington Council's policies and procedures where equality and diversity and an accessible service for all is factored into service delivery procedures.

## **5. Reason for recommendations**

- 5.1 The council have a duty to provide lift repairs for both the housing estates and public buildings to keep them in safe working order. The current contract expires on 31 March 2019. The procurement of a new contract is required to ensure continuous provision of Lift Maintenance in housing and public buildings and will allow for a more strategic delivery of service making better use of council funds and resources.

**Appendices:** None

**Background papers:** None

**Final report clearance:**

**Signed by:**

A handwritten signature in black ink that reads "Diarmuid Ward." The signature is written in a cursive style and is centered within a light gray rectangular box.

**Executive Member for Housing and Development**

Date: 5/6/2018

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