

<b>Lift Replacement and Maintenance Procurement Business Case</b> <b>Key Decision No. NH S076</b>	
<b>CABINET PROCUREMENT AND INSOURCING COMMITTEE MEETING DATE</b> 11 April 2022	<b>CLASSIFICATION:</b> Open  <b>If exempt, the reason will be listed in the main body of this report.</b>
<b>WARD(S) AFFECTED</b> All Wards	
<b>CABINET MEMBER</b> Cllr McKenzie, Cabinet Member for Housing Services	
<b>KEY DECISION</b> Yes	
<b>REASON</b> Affects two or more Wards and involves significant expenditure	
<b>GROUP DIRECTOR</b> <b>Ajman Ali - Group Director for Climate, Homes and Economy</b>	

## 1. CABINET MEMBER'S INTRODUCTION

- 1.1 The Council is passionate about its housing stock, and committed to the aims and principles of social housing. It is both a privilege and a duty to repair and maintain the Council's homes and estates, where more than 30,000 tenants and leaseholders live and are their beating heart.
- 1.2 In 2019 we published a long term vision for our homes, in a new Housing Asset Management Strategy, and began work to procure new contracts to deliver that work, which would deliver on the ambitions of that document as well as the Council's wider objectives in making Hackney fairer, safer and more sustainable.
- 1.3 This procurement work has been unavoidably affected by the global coronavirus pandemic. While the ambitions remain, the Council has had to urgently respond to the risk of not having suitable contracts in place to maintain our homes to the required standard. This report recommends a decision to award new contracts to mitigate that risk. This will ensure that the Council can continue to maintain homes so they are safe, secure and decent.

## 2. GROUP DIRECTOR'S INTRODUCTION

- 2.1 The Council has faced an unprecedented challenge from the Covid-19 outbreak; while frontline staff have worked to support residents directly affected by the pandemic, others have been working to ensure that we continue to fulfil

our core responsibilities. An important responsibility is the maintenance of our housing stock; ensuring that residents remain safe and secure and our homes are decent.

- 2.2 This report summarises the reasons for procuring contracts for lift replacement and maintenance to Hackney's housing stock. The contracts will be for an initial term of five years with the option to extend up to a further five years.
- 2.3 The proposal is for there to be two geographical areas, namely; north and south with one contractor covering each of these areas for the maintenance work with the lift replacement works being competitively priced by each of the 2 appointed contractors.

### **3. RECOMMENDATION(S)**

**That Cabinet Procurement and Insourcing Committee approves:**

**The procurement of two (2) contracts to undertake servicing and maintenance as well as lift refurbishments to Hackney's housing stock for a period of five (5) years with an option to extend for a further five (5) years.**

### **4. RELATED DECISIONS**

- 4.1 March 2019: Approval of the Housing Asset Management Strategy 2019-2027, by Cabinet on 25 March 2019. This provides an overarching framework for investment decision-making across the Council's homes and estates. It sets out the ambitions that Hackney has for the quality of its homes and the priorities that will be established to ensure that the limited available resources are directed at the greatest need. <http://mginternet.hackney.gov.uk/ieListDocuments.aspx?CId=111&MID=4332#A132478>
- 4.2 June 2019: Approval of the Business Case for Construction Contracts for Planned Capital Works to Hackney Council Housing, by Cabinet 11 June 2019. This provides the approach to be adopted to reprocure the planned capital works projects.
- 4.3 February 2021: Approval of Business Case and award of contract for interim lift servicing contracts.

### **5. REASONS FOR DECISION/OPTIONS APPRAISAL**

- 5.1 The proposed lift replacement and maintenance contracts are required to ensure that Hackney Council meets its statutory requirements as a landlord and ensures the safety of its residents. In addition, it will ensure that lifts are out of service for the minimum time possible. The contracts will enable Hackney to achieve its objective to undertake capital investment within its significant lift portfolio thus minimising breakdowns and ensuring longevity of the lifts. As a

result of the significant statutory and reputational impact of not having a suitable lift contract in place the procurement of a lift contract can be considered of high risk to the Council.

- 5.2 The proposed approach has two geographical areas, namely; north and south. The rationale behind the split is that it enables greater resilience for the Council and also opens up the market to a wider number of tenders and in particular SMEs. The contract will be drafted to enable one contractor to take some of the work outside their allocated geographical area if the other contractor is not performing. Lift refurbishment packages will be competitively bid between the 2 appointed contractors.
- 5.3 Careful consideration has been given to the appropriate length of the contract. In reaching the conclusion thought was given to ensuring that Hackney could build a beneficial long term relationship with the successful bidders and the opportunity to ensure value for money as well as contain future procurement costs. As a result, the contracts are for an initial term of 5 years with an option to extend up to a further 5 years.
- 5.4 The risk log for the lift procurement is set out below;

<b><u>Risk</u></b>	<b><u>Impact</u></b>	<b><u>Mitigation</u></b>
Delays in Procurement	Risk that residents will experience an inadequate service.	Ensure that procurement is progressed in a timely manner and closely monitored.
Poor Specification	Increased costs.	Work closely with the appointed lift consultant to ensure appropriate specification.
Non-recovery of costs from leaseholders	Impact on HRA budget.	Ensure that sec.20 notices are accurately served.
Lack of interest from the Market.	High tender prices.	Ensure appropriate tender packages. Work with the appointed lift consultant to ensure appropriate split of work and tender documentation.

## **6. ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

- 6.1 Option 1 - Procuring Repair Works and refurbishment Works separately (rejected)
- 6.2 The option would involve procuring the repairs works under a long term contract and procuring the refurbishment works through a framework. This approach was discounted as having different contractors undertake the lift refurbishments and then passing them over to a repairs contractor is likely to cause problems with the lines of responsibility and makes the repairs contract less attractive for bidders..
- 6.3 Option 2- Procuring 2 contractors (selected)
- 6.4 This option involves procuring the repairs and refurbishment works as a combined contract thus ensuring clear lines of responsibility. It also ensures that the contract is attractive to potential bidders thus ensuring that Hackney receives competitive bids. Having 2 contractors provides great resilience for Hackney and its residents and should there be poor performance from one of the contractors.
- 6.5 Option 3 - Procuring a single contractor (rejected)
- 6.6 This option involves procuring the repairs and refurbishment works as a combined contract thus ensuring clear lines of responsibility. It also ensures that the contract is attractive to potential bidders thus ensuring that Hackney receives competitive bids. Having a single contractor will reduce some of the Hackney management time but it will reduce Hackney's resilience to poor performance.

## **7. PROJECT PROGRESS**

### **7.1 Developments since the Business Case approval. NONE**

- 7.2 **Whole Life Costing/Budgets:** Funding is available for the work that would be undertaken through these contracts.

## **8. SAVINGS**

- 8.1 The new contracts will ensure that Hackney is achieving the current market rates for the proposed works.

## **9. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES**

- 9.1 The maintenance of the lift is essential to the functioning of the housing blocks and their safe and convenient access. The cost of the service is included in the Asset Management Strategy and the HRA Business Plan and therefore budget provision has been allocated for the service.

## **10. COMMENTS OF THE DIRECTOR, LEGAL, DEMOCRATIC & ELECTORAL SERVICES**

- 10.1 Paragraph 2.7.6 of Contract Standing Orders states that all procurements with a risk assessment of “High Risk” will be overseen by Cabinet Procurement Committee (now Cabinet Procurement and Insourcing Committee) and therefore this Business Case Report is being presented to Cabinet Procurement and Insourcing Committee for approval.
- 10.2 The contracts in this report comprise both works and services and are of a value higher than the current thresholds for works or services under Regulation 5 of the Public Contracts Regulations 2015. Therefore it will be necessary to publish a high value notice in respect of the procurement of these works/services. It is proposed to use the Restricted Procedure under Regulation 28 of the Public Contracts Regulations 2015 to make an award of contract.

## **11. COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

- 11.1 A number of procurement routes were considered due to the complexity of the service:

11.1.1 Framework: Although there are several frameworks in the market they do not allow leaseholders to nominate a contractor and as this will be a long term qualifying agreement this option was discounted.

11.1.2 Open Tender: This option would be compliant with the Public Contracts regulations and it would allow leaseholders to notify their nominated contractors of the procurement it was discounted. The reason for not selecting this option is that potentially there would be a lot of bidders and it would be resource intensive for both suppliers and buyers.

11.1.3 Restricted Tender: This option is the preferred route to market as it complies with the Public Contracts Regulations and it will allow leaseholders to notify their nominated contractors of the procurement. This will allow the deselection of contractors with the most suitable being asked to complete a full tender.

- 11.2 Section 20 applies to this contract and has an implication on the timetable.

- 11.3 The draft procurement timetable is as follows:

<b>Date</b>	<b>Stage</b>
12 <sup>th</sup> April 2022	Issue Section 20 Notice of Intention
1 <sup>st</sup> June 2022	Dispatch of the Find a Tender Contract Notice by the Authority. Procurement Documents (SQ and ITT) made available over the internet.
4 <sup>th</sup> July 2022	Deadline for SQ to be returned by Bidders to the Authority.
2 <sup>nd</sup> July 2022	Notify SQ Bidders and Debrief unsuccessful Bidders.
<b>ITT STAGE</b>	
1 <sup>st</sup> August 2022	Issue ITT document to shortlisted Bidders
2 <sup>nd</sup> Sept 2022	Deadline for return of ITT document
1st November 2022	Completion of the Authority approval and award decision processes.
2 <sup>nd</sup> November 2022	Issue Section 20 Notice of Proposal
30 <sup>th</sup> December 2022	Notification by the Authority of the award decision, debriefing unsuccessful Bidders and commencement of the standstill period.
6 <sup>th</sup> March 2023	End mobilisation / start on site

## **APPENDICES**

None

## **EXEMPT**

N/A

## **BACKGROUND PAPERS**

**In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required**

**Description of document (or None)**

None.

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