

Committees:	Dates:	
Corporate Projects Board Housing Management & Almshouses Sub Projects Sub	21/11/2018 27/11/2018 12/12/2018	
Subject: Middlesex Street Estate Lift Refurbishment	Issue Report: Post Gateway 3/4 Regular	Public
Report of: Director of Community & Children's Services Report Author: David Downing		For Decision

Summary

Project Status	Red
Project Risk	Green – Low
Programme status	Pending Approval of Budget Increase prior to Gateway 5
Timeline	Gateway 5 – December 2018 Contractor Appointment – December 2018/January 2019 Work completion – Summer 2020 Gateway 7 report – Autumn 2020
Expenditure to date	£11,600.00 (fees) £3,000.00 (staff costs)
Last approved estimate (post Gateway 3/4 Issues Report)	£1,032,500.00
Current estimate (post procurement, prior to Gateway 5)	£1,382,500.00 (works) £172,500.00 (fees & staff costs)
Total Estimated Cost	£1,555,000.00

Last Gateway Approved

A Gateway 3/4 was presented to the Housing Management and Almshouses Sub Committee on 04/07/2016 and to the Project Sub Committee on 29/06/2016. The recommended option of fully refurbishing the six residential lifts on the Middlesex Street Estate was approved. A subsequent Issues Report was approved by those same Committees (16/01/17 and 31/01/2017 respectively) to increase the estimated project budget to £1,032,500.00 allowing for a change of project scope to include the installation of new lift stops to previously unserved floors to make all flats step-free accessible.

Progress to date including resources expended

A detailed specification for the works has been drafted by industry specialists Butler & Young Lift Consultants & verified by City Officers. A full, compliant open tender process

for the works contractor has also been completed in conjunction with City Procurement. It is intended to award the contract, subject to successful conclusion of Section 20 consultation with long leaseholders, to Guideline Lift Services.

A total of £14,600.00 has been expended to date to reach this stage.

Summary of Issue

Following the procurement process the total estimated project budget for the lift refurbishment project, encompassing the winning tender and associated staff costs & fees, exceeds the estimated budget range approved by the prior post Gateway 3/4 Issues Report by £522,500.00.

Proposed way forward

The four complete tender returns received by the City, all from reputable lift refurbishment contractors, exceed the previously approved estimated budget. These bids are deemed to be reflective of both the complexity of the works specified and the current state of the lift refurbishment industry and, with greater economic uncertainty on the immediate horizon, it is not thought that returning to the market would realise any savings for the City. It is recommended to increase the project budget accordingly to allow the project to advance for Gateway 5 approval.

Recommendations

1. Approve an increase to the estimated project budget of £522,500.00 to a new total of £1,555,000.00, comprised of £1,382,500.00 for the tendered refurbishment works and £172,500.00 to cover fees and staff costs.
2. Note that a Gateway 5 – Authority to Start Work report will be submitted for Chief Officer approval as per the regular approval track.

Main Report

1. Issue description	1. Background. <p>The six residential lifts at the Middlesex Street social housing estate have reached the end of their operational life. A Gateway 3/4 report was heard by Committee (Housing Management and Almshouses Sub Committee - 04/07/2016, and Project Sub Committee - 29/06/2016) whereby the recommended option of fully refurbishing the lifts was approved with an estimated total project budget of £1,012,500.00.</p> <p>A subsequent Issues Report was approved by those same Committees (16/01/17 and 31/01/2017 respectively) to increase the project scope to include for the installation of new lift stops to previously unserved floors to make all flats accessible without the use of a staircase with a revised estimated total project budget of £1,032,500.00.</p>
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Following a fully compliant open market tender process in conjunction with the City Procurement a winning tender bid from Guideline Lift Services of £1,382,500.00 was identified.

Including fees and staff costs the total project budget at Gateway 5 is now forecast to be £1,555,000.00

This exceeds the currently approved budget estimate by £522,500.00.

2. Justification for Cost Increase

The previously approved cost estimate, as per the aforementioned Issues Report, was largely based on the tendered costs for the recent Golden Lane Estate lift refurbishment project (works undertaken between 2016-18) and sense checked by industry specialists Butler & Young Lift Consultants via engagement with industry contacts/suppliers during 2016.

Butler & Young, on instruction from the City, subsequently completed a full condition survey of the Middlesex Street Estate Lifts in September 2017 prior to drafting the formal specification to bring to market. This survey revealed that the works required to the Middlesex Street Estate lifts were far more extensive and complex to those required at Golden Lane as both replacement lift cars and guiderails were deemed necessary (with full scaffolding of the lift shafts also required). Butler & Young again consulted with lift industry contacts, presenting a revised outline of the project to two reputable contractors, and thereby revised estimates to the range £1,100,000 - £1,220,000.

These revised pre-tender estimates were not brought to Committee as it was decided by Officers to proceed to tender and then present actual cost information once known for Committee approval if required.

The works, with a detailed specification, were advertised on the open market during July 2018. The delay between the completion of the condition survey and the advertising of the tender was due to an additional feasibility study being commissioned at the request of Portsoken Ward Members to explore and cost options for reconfiguring the wider Ground Floor lobby of Petticoat Tower on the Estate. It has subsequently been determined, in conjunction with Members, that this additional work at the scale desired is not affordable at this time although smaller scale alterations are still being explored.

Four complete tender returns were received from reputable specialist lift suppliers and installers; the costs of which all significantly exceeded the approved budget estimates.

Once combined with scoring from technical & quality assessments, the bid from Guideline Lift Services was identified as the winning submission. It may be noted that Guideline Lift Services have just successfully concluded a similar lift refurbishment contract with the City at the Golden Lane, William Blake and Southwark housing estates

which was completed on-time and £242,384.77 under budget. Subject to approval, City Officers will again work in conjunction with the successful contractor to identify and realise savings under the contract wherever possible.

As detailed above, the tender returns received have been priced on a detailed specification as prepared by Butler & Young Lift Consultants on a far more complex project than originally envisaged. Butler & Young have advised that these costs are representative of the current state of the industry market, reporting that the lift industry in general is very busy to such a degree that there is currently more work available than there are qualified engineers to do it.

Furthermore, with greater economic uncertainty on the immediate horizon, it is not thought that returning to the market would realise any savings for the City.

3. Financial Implications.

An estimated budget of £1,032,500.00 was notified to Committee at the last approved Issues Report (post Gateway 3/4), this was broken down as follows:

Last approved estimate (post Gateway 3/4 Issues Report)	
MSE Lift Refurbishment	
Estimated works costs	£920,000.00
Fees and staff costs	£112,500.00
Total	£1,032,500.00
Funding strategy	HRA (circa 31.9% of the cost recoverable from leaseholders)

Following the tender process, budget estimates are revised as follows:

Revised project costs following tender	
MSE Lift Refurbishment	
Refurbishment works	£1,319,190.49
Additional works (non-recoverable)	£63,309.51
Fees and staff costs	£172,500.00
Total	£1,555,000.00
Funding strategy	HRA (circa 31.9% of the cost of refurbishment works and fees & staff costs recoverable from leaseholders)

The project is funded by the Housing Revenue Account (HRA), with circa 31.9% of the cost recoverable by way of service charges from long leaseholders. A small element of the works, to the value of £63,309.51, concerns creating new lifts stops to serve the 3rd floor flats of Petticoat Tower, and new stops to serve flats 301 and 501 Petticoat Square thereby making these properties fully step free accessible. This element has been confirmed as works of improvement by Comptrollers and City Solicitors and thus not recoverable from leaseholders under

	the terms of their leases and therefore must be charged in full to the HRA. The total recoverable sum therefore is estimated to be approximately £475,849.27 (31.9% of £1,491,690.49).
2. Last approved limit	£1,032,500.00
3. Options	<p>(1) Increase the projects budget by £522,500.00 to £1,555,000.00, comprised of £1,382,500.00 for the tendered refurbishment works and £172,500.00 to cover fees and staff costs, in line with the successful tender return to allow the project to proceed for Gateway 5 approval. This is the recommended option.</p> <p>(2) Repeat the tender process. It is not envisioned that re-tendering on the same specification will realise any cost savings for the City. This option is not recommended.</p>

Appendices

Appendix 1	Project Coversheet
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