

Item No.	Classification: Open	Date: 2 October 2013	Meeting Name: Strategic Director of Children's and Adults Services
Report title:		Gateway 1 Procurement Strategy Approval For pre-construction and construction works at Bessemer Grange Primary School and Langbourne Primary School	
Ward(s) or groups affected:		South Camberwell Ward College Ward	
From:		Southwark Schools for the Future Project Director	

RECOMMENDATION

1. That the Strategic Director of Children's and Adults' Services approve the procurement strategy as outlined in this report for two separate contracts for the design and build of Bessemer Grange Primary School and of Langbourne Primary School namely to undertake a competitive process using the Exor Approved List, at an approximate cost of £2.5m each.

BACKGROUND INFORMATION

2. In October 2012, the Strategic Director of Children's and Adults' Services approved a two stage procurement strategy for the procurement of pre-construction (design) and construction works for Bessemer Grange and Langbourne primary schools, namely to undertake a competitive process using the IESE framework.
3. It was outlined at that time that the outcome of the procurement may be either a single supplier across both schools or different suppliers subject to their responses to the requirements each project represented.
4. The signed report is attached as Appendix 1
5. In November 2012 the Strategic Director of Children's and Adults' Services approved the appointment of Lend Lease as the lead consultants to develop two feasibility reports for the expansion schemes at Bessemer Grange and Langbourne Primary Schools.
6. Some initial proposals were discussed with Langbourne Primary School, however the incumbent Head Teacher was due to leave post in April 2013 and it was felt that the design should only be developed following the appointment of the new Head Teacher at Easter 2013 and the project was suspended,
7. The scheme for Bessemer Grange continued to be progressed as the extension will be developed on an unoccupied site, the site of the former early year's unit, the Head Teacher is fully established in post and the expansion will assist in formalising the increase in pupil numbers following the intake of temporary expansion classes over a number of years.

8. In May 2013, the programme for Bessemer Grange primary school had progressed sufficiently to enable the Part One of the mini competition, expression of interest, to be sent out to eight iESE contractors. There was limited interest with only two respondents, Morgan Sindell and Mansell Construction Services Limited.
9. The two contractors were invited to comment on the apparent lack of interest and their possible response to the second stage of the mini competition. Their overall view was that the market had picked up, contractor's resources were limited and the total value of the project was perceived as too small for the Framework.
10. The submission of the Expression of Interest does not include any costings so it is not possible to evaluate any financial return either for value for money or benchmarking against other tendered projects.
11. The Quantity Surveyor and consultants advised that the IESE Framework has been tested and that an alternative tendering process should be investigated.

Summary of the business case/justification for the procurement

12. Southwark has come under increasing pressure in recent years to provide additional reception class and primary places. The rising demand for places is forecast to continue and requires an increase in the number of places provided in Southwark's primary schools.
13. The programme of investment is to allow for developments in certain identified locations in order to strengthen the offer of places for parents and carers.

Market considerations

14. The Council's Approved List for Design and Build contractors contains only one company with a financial range of £1m - 2m. As this project is above this level and it is felt that a major construction company would be able to undertake the design aspect of this scheme the tenderers will be invited from the general construction List.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

15. The key principles that drove the procurement strategy remain as described in the original Gateway 1 Report which is attached as Appendix 1.
16. It is felt that the strategy to utilise the IESE Framework has been fully tested and that a further delivery approach is necessary.

Proposed procurement route

17. It was outlined at that time of the original Gateway 1 that the outcome of the procurement may be either a single supplier across both schools or different suppliers subject to the requirements each project represented.
18. It is now considered that because of the diversity of the two programmes and the absence of detail design for Langbourne school, it cannot be procured at this time, a separate single stage design and build contract is procured for each school through competitive tender from at least five suppliers from the council's approved list. This will most effectively allow the priorities of the council: high quality of design, minimal financial risk and reduced overall programme to be met in each of the contracts.
19. The appointment of the works contractor for each school will be subject to a separate Gateway 2 Report.
20. The programme for Langbourne Primary School is approximately four months later than that of Bessemer Grange Primary School. A feasibility study was carried out and a preferred option was identified. However, subsequent developments in the delivery of nursery services at the school, has lead to a further review of the requirements and the design team will re-commence in September.
21. The single stage design and build contract for Langbourne School will be tendered in spring 2014.

Identified risks for the procurement

22. The following risks have been identified:

Rank	Risk	Likelihood	Mitigating Action
1	Lack of interest by the market to the invitation to tender	Low	Invite companies from the Council's Approved List. Contact potential tenderers before hand to ensure that they have the necessary resources and capacity both to respond to tender and to indicative programme for works.
2	Non delivery of expansion capacity as a result of preconstruction delays by the professional consultant and/or contractor.	Medium	Provide clear information or milestones to the professional consultant and contractor in the selection process and obtain proposals for achieving milestones on their quality submissions. Establish contingency arrangements to meet accommodation requirements for 2014 expansion.
3	Works being carried out with school in occupation	Low	The location of the building site is discrete to the main school site so there will be

			limited interface. However, relevant experience of delivering works with schools in occupation will remain a key selection criterion.
4	Costs exceed budget	Low	Establish a robust and reliable cost plan at feasibility. Build in time for value engineering as an integral part of pre-construction activities, in agreement with the project (consultant and contractor) team, to ensure that costs align to the budget.
5	Construction delays on site	Medium	Pre-order components with long delivery period. Ensure that site operations are thoroughly and realistically planned by the contractor prior to commencement of the works.

Key /Non Key decisions

- 23. This report deals with a non key decision.
- 24. The subsequent Gateway 2 Report to appoint a contractor for each school will be a key decision.

Policy implications

- 25. Children's Services has established that there is the need for additional permanent primary school places in the south of the borough, which would be partially met through the expansion of Bessemer Grange Primary school.

Procurement project plan for Bessemer Grange Primary School (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1:	02/10/2013
Approval of Gateway 1: Procurement strategy report	04/10/2013
Completion of short-listing of applicants	25/09/2013
Completion of tender documentation	04/10/2013
Invitation to tender	07/10/2013
Closing date for return of tenders	15/11/2013
Completion of any clarifications	22/11/2013
Completion of evaluation of tenders	29/11/2013
DCRB Review Gateway 2 for Contract award report	17/12/2013
Approval of Gateway 2 : contract award report	17/12/2013
Scrutiny Committee call-in period	23/12/2013
Contract award	06/01/2014
Contract start	06/01/2014
Contract completion date	10/10/2014

Procurement project plan for Langbourne Primary School (Non Key decisions)

Activity	Complete by:
DCRB Review Gateway 1:	02/10/2013
Approval of Gateway 1: Procurement strategy report	04/10/2013
Completion of short-listing of applicants	27/01/2014
Completion of tender documentation	07/02/2014
Invitation to tender	10/02/2014
Closing date for return of tenders	21/03/2014
Completion of any clarifications	28/03/2014
Completion of evaluation of tenders	04/04/2014
DCRB Review Gateway 2 for Contract award report	25/04/2014
Approval of Gateway 2 : contract award report	30/04/2014
Scrutiny Committee call-in period	13/05/2014
Contract award	14/05/2014
Contract start	14/05/2014
Contract completion date	24/07/2015

TUPE/Pensions implications

26. Not applicable.

Development of the tender documentation

27. The proposed form of works for each separate contract for the contractor appointment is JCT 2011 Design and Build incorporating standard and special amendments to the conditions of contract as advised by the contracts section of Legal Services.
28. Following advice from the Director of Legal Services it is considered appropriate for the proposed contracts to be formed on the basis of the JCT conditions in view of the nature and scope of the projects and the fact that the lead consultants (who will be managing the projects) are familiar with those conditions and will therefore be able to administer the projects more effectively. The inclusion of standard and special amendments to reflect certain obligations imposed on the contractor under the GC/Works contracts will make the JCT contract "council specific" and will provide the fullest protection of the council's interests.

Advertising the contract

29. The tender lists for each contract will be derived from the Approved List of Contractors (CSO 5.3).
30. Two contractors, Morgan Sindell and Mansell Construction Services Limited, responded to the expression of interest for the IESE competition, however Morgan Sindell has since indicated that they would not respond to a subsequent invitation to tender. Mansell Construction Services Limited will be invited to tender as a nominated contractor.
31. Mansell Construction Services Limited are on the Council's Approved List and will be invited to tender as a nominated contractor.
32. A further five contractors will be selected from the Approved List based on their relevant expertise and capacity to the tender list for each separate contract.

Evaluation

33. The selection will be carried out on the basis of the most economically advantageous tender balancing price and quality submissions on a 70/30 price/quality weighting. The price is considered the greater element as the competitiveness of the contractors' overheads and preliminaries will be to the Council's advantage
34. The Project Quantity Surveyor will analyse and evaluate the tenders on a financial basis. The tender sum quoted in each returned compliant tender will be scored with the lowest tender receiving the maximum mark of 70 and the remaining tenders awarded a proportion of this score based on their percentage difference from the lowest tender

35. The quality submissions will be assessed by the project manager in Southwark Property, the members of the Design Team and the Quantity Surveyor.
36. The tenderers will be asked to provide a written submission in response to specific questions as stated in the Invitation to Tender. The response to each question will be marked using the Council's scoring criteria and assessment. A minimum threshold of 2 points will be required for each response. The scores will be moderated through discussion. The breakdown of the score and the evaluation methodology will be made clear to bidders at the time of invitation to tender.
37. The tenderers will be invited to present their proposals and any clarification to the responses in the tender submission. This will not be scored as part of the overall quality evaluation.
38. A tender report will be produced by the Project Quantity Surveyor showing the details of the evaluation of the tenders received for the contract.

Community impact statement

39. The outcome of this project will lead to an increase in the number of school places available which will give greater choice to parents and carers in the local areas. The council is required to have due regard to the Public Sector Equality Duty imposed by the Equality Act 2010 and the procurement and implementation of this project will not have an adverse effect on any section of the community having a protected characteristic under the Act.

Economic considerations

40. The contract relates to capital improvements only, with the expected life span of the improvements to be in the region of 25 years.

Social considerations

41. The contractor will carry out the works under the considerate contractor scheme which ensures that sites appear professional and well managed, respects the community by seeking to minimise disturbance and disruption in the locality, as well as supporting their workforce by encouraging the recruitment and retention and training of staff.
42. The Council requires the London Living Wage to be included for all new contracts where best value can be demonstrated. London Living Wage would be applied to all relevant staff working directly on the contract and to any relevant staff employed as sub contractors.

Environmental considerations

43. Full consideration will be given to issues of environmental sustainability and the building will be designed to demonstrate best practice.

44. A BREEAM rating of 'Excellent' is targeted for the building.

Plans for the monitoring and management of the contract

45. The project client role including the management and administration of the consultant and contractor appointments will be run and resourced through the project delivery team within Southwark Property.

46. The overall project will be managed by the Project Manager, Property Services, on behalf of Children and Adult Services Division. The contract will be monitored by the Lead Consultant, Lend Lease as Contract Project Manager

47. Progress with the contract works and performance of the consultant team will be subject to constant scrutiny and monthly, formal review, including cost, programme and quality.

48. A number of mechanisms will be in place for monitoring and controlling the financial and programme performance of the contract, including:

- Strategic cost plan, which will be regularly reviewed and updated
- Monthly financial statements by the consultant quantity surveyor/contractor
- Monthly appraisals of progress against the contract programme
- Monthly progress meetings on site
- Tracking and chasing action on critical issues
- Risk and issue logs

Meetings with the representatives from the School Management Team and the contractor will be held at key project milestones, e.g. at award of contract, sign-off of contractor's design, start on site, and at regular intervals until handover.

Following approval to award the each contract the Project Board will delegate authority to the Project Manager to spend up to an appropriate allocation within the Project Budget of £2,500,000 for each school. Any expenditure or commitment to spend outside of these budgets or any change in the scope of the projects will require the approval of the Project Executive

Resource Implications

49. There are no specific implications other than those covered elsewhere in this report.

Staffing/procurement implications

50. The project will be managed from within existing resources. The procurement and project implementation will be managed by the Southwark Property team.

Financial implications

51. Financial liabilities arising through this procurement will be met initially from Children's Services revenue budgets. Following the feasibility stage and the determination of the project scope and associated anticipated costs a budget will be established from central government grant for the provision of places.

52. Bessemer Grange and Langbourne Schools were included as a phase 1 school in the 16 July 2013 Cabinet report on the Primary Investment Strategy. The anticipated design scope will be able to be met from the total available funds identified for the Primary Investment Strategy.
53. The contract will not be subject to or linked to a price index.
54. The ongoing revenue costs of the expanded school will be met from the existing schools delegated budget.

Legal implications

55. Legal advice has been sought and obtained from the Director of Legal Services and the relevant legal issues affecting the procurement process are summarised in paragraphs 27 and 38.
56. A formal legal concurrent is not required as the estimated value of each individual contract is below the EU advertising threshold for works contracts.

Strategic Director of Finance and Corporate Services (CAP13/042)

57. This report is requesting the strategic director of children's and adults services to approve the procurement strategy for two separate contracts on the design and build of Bessemer Grange Primary School and Langbourne Primary School, using the Exor Approved List.
58. The report indicates that the IESE framework route for these contracts had been fully tested previously as there were limited responses on this approach and is therefore now requesting a competitive process from at least five tenders from the Council's approved list in addition to the contractor (Mansell Construction Services) from the previous IESE process for each contracts with an approximate value of £2.5m for each contract.
59. It is noted that the report incorporates advice from the Director of Legal Services on the procurement process to mitigate any risks and provide the best protection for the Council on these contracts.
60. The financial implications of the report states that the initial financial liabilities arising from this procurement will be met initially from the departmental revenue budgets and the anticipated design costs will be met from the capital funds for Primary Investment Strategy budgeted within the capital programme for Childrens services.
61. It is expected that budgets will be established for the contract works once the central government grant for the provision of school places are confirmed. Officers should ensure that commitments on contracts should only be made against confirmed funding and a robust monitoring system is in place to ensure expenditure can be monitored and reported on a regular basis.
62. It is also noted that revenue costs of the expanded school will be met from the existing schools delegated budget.
63. Staffing and any other costs connected with this contract to be contained within existing departmental budgets.

Cabinet Member	No	No
Date final report sent to Constitutional Council/Scrutiny Team		N/A

CONTRACTS REGISTER ENTRY FORM – GATEWAY 1

Contract Name	Bessemer Grange Primary School expansion
Contract Description	Contract for approval for the separate procurement of construction services to carryout expansion at Bessemer Grange Primary School
Contract Type	JCT 2011
Lead Contract Officer (name)	Susan Fuller
Lead Contract Officer (phone number)	55037
Department	Children's Services
Division	Strategy and Support
Procurement Route	Tender
EU CPV Code (if applicable)	N/A
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed price
Supplier(s) Name(s)	
Contract Total Value Bessemer Grange School	2,500,000
Contract Annual Value	N/A
Contract Start Date	
Initial Term End Date	
Number of Remaining Contract Extensions	
Contract Review Date	
Revised End Date	
Comments	

CONTRACTS REGISTER ENTRY FORM – GATEWAY 1

Contract Name	Langbourne Primary School expansion
Contract Description	Contract for approval for the separate procurement of construction services to carryout expansion at Langbourne Primary School
Contract Type	JCT 2011
Lead Contract Officer (name)	Susan Fuller
Lead Contract Officer (phone number)	55037
Department	Children's Services
Division	Strategy and Support
Procurement Route	Tender
EU CPV Code (if applicable)	N/A
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed price
Supplier(s) Name(s)	
Contract Total Value for Langbourne School	2,500,000
Contract Annual Value	N/A
Contract Start Date	
Initial Term End Date	
Number of Remaining Contract Extensions	
Contract Review Date	
Revised End Date	
Comments	

