

<b>Item No.</b>	<b>Classification:</b> Open	<b>Date:</b> 13 April 2016	<b>Meeting Name:</b> Strategic Director of Children's and Adults' Services
<b>Report title:</b>		Gateway 2 Early Works 2 Contract Phoenix School	
<b>Ward(s) or groups affected:</b>		Grange	
<b>From:</b> Joanna Roberts		Head of Regeneration – Capital Works and Development	

### RECOMMENDATIONS

1. That the strategic director of children's and adults' services approves the award of an Early Works 2 (EW2) contract to Galliford Try, up to a maximum of £2,341,244 for internal works to complete The Eveline Lowe Annex at Phoenix Primary School.
2. The EW2 contract will commence on the 3 May 2016 for a period of 17 weeks.

### BACKGROUND INFORMATION

1. On the 16 July 2013 Cabinet approved a primary school investment programme to address the shortfall in primary school places for a number of schools and sites.
2. The works were procured through the Improvement and Efficiency South East construction and management framework (IESE) and that the selected school projects would be split into two packages: Package A and one for Package B.
3. On 22 July 2014 Cabinet approved that the Phoenix School expansion should be included in the primary school investment programme and should incorporate the disused Edwardian building located in The Eveline Lowe Annex site.
4. The approved procurement strategy proposed 2 separate contractors, one for Package A and one for Package B, through the IESE framework.
5. It was envisaged that the contractor for each Package would carry out preconstruction services, the contract works and, where necessary, enabling works. These services and works would be approved with a number of gateway 2 reports by the strategic director of children's and adults' services.
6. The Phoenix expansion development falls within Package A.
7. On 17 November 2014 the strategic director of children's and adults' services approved the appointment of Galliford Try to carry out the pre-construction services for Package A.

8. The development of Phoenix School includes the demolition of the existing temporary classrooms (now completed), refurbishment of the Edwardian building known as the Eveline Lowe annex, which is currently progressing well on site, the construction of a substantial extension to the Edwardian building, a separate sports hall and a MUGA.
9. This school refurbishment, extension and new builds will permanently accommodate the upper school of the extended Phoenix Primary School from a 2FE to a 4FE.
10. Planning permission for the Edwardian building development was granted in April 2015.
11. Planning permission for the new build was granted in February 2016.
12. The first phase of the works on the Edwardian building commenced on 4 January 2016 is progressing well on site.
13. The works for the EW1 contract included erecting scaffolding, roof and window repairs, asbestos survey and removal, structural steel works, structural alterations including wall and chimney removal and associated Works at Phoenix School.
14. The works for the EW2 contract includes the interior fit-out and completion of the Edwardian building.
15. The completed Edwardian building will be handed over to the school in mid-August 2016. The school staff will then have time to prepare the class rooms for occupancy by both pupils and staff, in time for September 2016 to accommodate Southwark Council's expansion programme.
16. As reported in the gateway 2 report which has been approved for EW1; this gateway 2 report seeks approval for remaining internal works to the Edwardian building to be awarded Galliford Try plc.
17. The Joint Tribunal Contract (JCT) design and build (D+B) main contract for works to construct the new substantial extension to the Edwardian building, the sports hall, MUGA, and associated landscaping of Phoenix Primary School will be subject to a separate Gateway 2 report.

#### Procurement project plan (Key decisions)

18. The timetable of the procurement process is set out in table 1.

Table 1: Procurement milestones

Activity	Completed by/Complete by:
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Activity	Completed by/Complete by:
Forward Plan for Gateway 2 decision	October 2015
Approval of Gateway 1: Procurement Strategy Report Appointment of Contractors for Primary Expansion Programme	22 Jul 2014
Approval of Gateway 2 (Pre-Construction Services): Contract Award Report	17 Nov 2014
CAB Review Gateway 2	6 April 2016
Notification of forthcoming decision – Five clear working days	14 April 2016
Approval of Gateway 2: Contract Award Report	21 April 2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	28 April 2016
Contract award	29 April 2016
Add to Contract Register	29 April 2016
Contract start	3 May 2016
Contract completion date	18 August 2016

### Legal implications

19. Pursuant to the Cabinet Report dated 22 July 2014 the decision maker for this report is the strategic director of children's and adults' services.

### KEY ISSUES FOR CONSIDERATION

#### Description of procurement outcomes

20. The outcome of this procurement will be the completion of renovations at Phoenix School Edwardian building. This phase of the works will be completed in advance of the main construction works on site.
21. This phase of works is essential to enable Phoenix School to commence the agreed expansion and welcome the new public intake for September 2016.
22. The considered phasing of the project allows the initial expansion to commence in September 2016. The main extension, sports hall, MUGA and associated landscaping will be completed for September 2017.

#### Key/Non Key decisions

23. This is a key decision.

#### Policy Implications

24. This award supports the delivery of the expansion of Phoenix Primary School with the remainder of works to complete the renovation scheme to Eveline Lowe

Edwardian building.

25. This work is required to deliver the council's strategy for additional pupil places and is a key part of the Primary Investment Strategy.
26. The council is under a statutory duty to deliver school places and the expansion programme ensures the council's Fairer Future objective of guaranteeing a local primary place for every child.

### **Tender Process**

27. Galliford Try plc was appointed by way of a mini-competition, in line with the procedure prescribed by the iESE framework arrangements.
28. The procurement for Stage 1, pre-construction services followed the standard IESE two-stage approach, in which the contractor has the following core responsibilities:

#### Stage 1 (pre-construction)

- Fully developing the design proposals from RIBA Work Stage E onwards
- Packaging and competitively tendering the works on an open book basis
- Submitting contractor's proposals and pricing document, including the proposed contract sum, for decision by the council (this report).

#### Stage 2 (construction) – subject to a separate gateway 2 approval (this report)

- Carrying out and completing the works in compliance with the contract documents
29. The Gateway 2 report for the award of the contractors for Stage 1 (pre-construction services) was approved in November 2014. This report details the evaluation method which was followed to award the most economically advantageous tender.
  30. Galliford Try plc has provided a detailed scope and cost breakdown for the early works. This has been reviewed by Southwark Council's internal project managers, consultant project managers and quantity surveyors to ensure that the works are required by the council and that the price is representative of the works being carried out in the current market.
  31. The sub contract packages were competitively tendered by the main contractor.

### **Tender Evaluation**

32. A number of benefits for procuring the works through Galliford Try plc have been identified by the Authority, including:
  - Cost certainty at an earlier stage of the process
  - A reduced programme for delivery
  - Single point of responsibility for delivery of the works.
  - An integrated range of supply chain sub-contractors (only one procurement required and reduced contract management and interface risks).

- Site set up can be re-utilised where appropriate for the main works being undertaken by Galliford Try plc.
33. The Authority and its technical advisors have received the scope and costs provided for the internal works to complete the Edwardian Building at Phoenix School through Galliford Try plc as a discrete contract offers best value in consideration of our wider obligations and constraints.
  34. It is difficult to enter into a fixed price contract for this section of the works. To gain value for the council, Southwark Council have agreed with the contractor to enter into contract on provisional sums; until the main works contractor have the opportunity to commence the works, as it is a Edwardian building, there is a risk of the condition of the underlying building fabric. The contractor would have offset this risk to the council if this was a fixed price contract.
  35. The council will continue to interrogate the cost plan submitted, to identify any opportunities for the value of these works to decrease as a result of value for money queries being resolved.
  36. The council will seek to terminate this contract in the event that the contractor commits an offence under the Employment Relations Act 1999 (Blacklist) Regulations 2010.

#### **Plans for the transition from the old to the new contract**

37. Not applicable.

#### **Plans for Monitoring and management of the Contract**

38. The scheme will be managed and monitored by officers in the Regeneration Capital Projects team acting as technical clients for the scheme.
39. An external consultancy firm have been engaged to act as Southwark Council's employer's agents to manage and administrate the EW contracts and the main contract.
40. The council's quantity surveyors will continue to scrutinise project valuations to ensure continued value for the council.
41. The contract will be a fixed price, and payment for the works will be via monthly valuation and payment.
42. Internal governance arrangements for the primary expansion programme comprise a programme board with onward reporting direct to the strategic director of children's and adults' services. The programme board will include representation from legal services (contracts division) and procurement team to assist and advise during the procurement process.

#### **Identified risks for the new contract**

No.	Risk	Risk Level	Mitigating Action
1	Delay completing the	Low	The EW1 contract commenced 4

No.	Risk	Risk Level	Mitigating Action
	internal refurbishment at Eveline Lowe Edwardian building.		<p>January 2016.</p> <p>Works to upgraded roof, clean and locally repair the façade and windows is advanced, no delays reported.</p> <p>EW1 contract works had greater risk associated with them due to the nature of works and the potential for uncertainty in an existing build.</p> <p>The EW2 is predominantly internal works to the annex.</p> <p>The internal refurbishment does not , in its very nature, contain as much risk as renovating and upgrading the external shell.</p> <p>The shell of the building will be complete prior to EW2 commencing.</p> <p>The contractor will report progress to both the employer's agent and Southwark every second week, to ensure that the programme is on schedule.</p> <p>There is a contingency plan where temporary class rooms can be housed in the existing school. The head-teacher is aware of this plan.</p>
2	Compensation events which may arise as a result of unknown site conditions	Low	An amount of contingency is retained meet any risks and any agreed variations to the scope of the contract.
3	The building will not meet current Building Regulations or appropriate construction standards.	Low	<p>The design team includes experienced architects and design teams members from educational frameworks and Southwark Council's approved professional consultants.</p> <p>Design advisors; John Jenkins for architecture and Jonathan Purcell for M+E to check the specification prior to construction.</p>

No.	Risk	Risk Level	Mitigating Action
			<p>Southwark Council have appointed an approved Building Control officer to the expansion programme.</p> <p>The appropriately controlled budgets allocated for the schemes, enable the design teams to specify quality, robust building materials, with accepted warranties.</p> <p>The schemes that are on site, including Phoenix School have weekly visits from a Southwark Council appointed external independent Clerk of Works with weekly reports of any observations and specification requests ensuring the contractor is adhering all Building Control standards and Southwark Council's specifications.</p>

### Health & Safety

43. The council's Health & Safety policies are included in the contracts as a contractual obligation.

### Community Impact Statement

44. Generally the provision of additional school places, which this contract will ultimately provide, will have a positive impact on communities with increased provision of places in areas where they are needed enhancing community cohesion. The proposals are consistent with promoting the safeguarding and well being of all local children and young people by providing sufficient school places to meet forecast need.
45. Discussions have commenced to ensure that there is a coordinated approach to provide a number of apprentice positions across the expansion programme. The Contractor has had meetings with the supply chain to ensure this is implemented and a number of apprentices have already been appointed. Monitoring information will be required quarterly, to a standard format including basic equalities data.

A summary of the package A community Strategy document prepared by the Phoenix Primary school appointed contractor includes the following detailed management of employment skills:

Work placement (16 Plus Years)

Work placement (14-16 Years)	1
Construction Curriculum Support Activities	2
Graduates	0
Apprentice starts	2
Existing Apprentices	2
Apprentice Completions	0
Jobs created on Construction Projects	2
S/NVQ Starts for Subcontractors	2
S/NVQ Completions for Subcontractors	2
Training Plans for Subcontractors	3
Supervisor Training for Subcontractors	3
Leadership and management training	1
Advanced Health and Safety Training	3

### Economic considerations

46. Galliford Try plc will be expected to deliver direct benefits to the local community and local residents. It is proposed that these benefits will be delivered through some or all of the following possible means:
- Supply chain and procurement with local businesses;
  - Use of local labour and training initiatives, including a construction employment, skills and training scheme linked to the council's Building London Creating Futures programme, which aims to match local residents with construction vacancies especially where these are linked to key development sites and regeneration activities;
  - A commitment to construction apprenticeships in proportion to the size and scale of the development; and
  - Corporate social responsibility and sustainability.

### Social considerations

47. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors and subcontractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. Galliford Try Ltd has committed to meeting LLW requirements and this will be included as a contractual condition, which will result in quality improvements for the council. These will include a higher calibre of multi-skilled operatives that will contribute to the delivery of works on site and will provide best value for the council.
48. Pursuant to section 149 of the Equality Act 2010 the council has a duty to have due regard in its decision making processes to the need to:
- (a) Eliminate discrimination, harassment, victimisation or other prohibited conduct.
  - (b) Advance equality of opportunity between persons who share a relevant protected characteristic and those who do not.
  - (c) Foster good relations between those who share a relevant characteristic and those that do not share it.



49. The relevant protected characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion or belief, sex, sexual orientation. The Public Sector Equalities Duty also applies to marriage and civil partnership, but only in relation to (a) above. This report sets out the considerations which have been given to the PSED General Duty, in particular at paragraph 28 of this report which the strategic director of children's and adults' services should consider when making this decision.

#### Environmental considerations

50. Not applicable.

#### Market considerations

51. Galliford Try plc has over 250 employees and a national area of activity.

#### Staffing implications

52. There will be no direct impact on staffing as a result of the award of this contract.

#### Financial implications

53. The total financial liability for this contract will be incurred in 2016/17. Liabilities from this procurement can be funded from the total project budget allocation for the Phoenix Primary School Project, as agreed by Cabinet and held on code E-1145-0310.

	Budget (£)	Estimated cost (£)
Pre-Construction Services Agreement	333,199	333,199
Edwardian Building refurbishment:		
enabling works 1		1,075,540
enabling works 2 (this report)		2,341,244
Sub-total:	10,837,001	3,416,784
New build - as QS estimate		8,160,763
less Value Engineering (VE) target @ 6.2%		509,165
Sub-total:		7,651,598
Fees, surveys, tests, etc	1,731,381	1,500,000
<b>TOTAL:</b>	<b>12,901,581</b>	<b>12,901,581</b>

54. The July 2013 Cabinet report identified an overall available budget for the programme. The council will continue to pursue maximum funding from other non-council sources.
55. The July 2013 cabinet report delegated the authority to the strategic director of children's and adults' services to allocate the budgets for individual school expansion programmes from within the existing available resources.
56. Value for money has been considered in the tender evaluation paragraphs. The programme and contract costs will continue to be challenged and monitored by the Regeneration Capital Projects team.
57. The schools will be responsible for any on going revenue implications as a result of the expansions.
58. The total estimated cost of contract in this report can be met from existing identified resources.

#### **Consultation**

59. The proposals have been subject to the decision making arrangements of the council's planning process, including consultation with relevant statutory consultees.

#### **Supplementary Advice from Other Officers:**

##### **Head of Procurement**

60. The value of this contract is below the EU threshold, therefore a procurement concurrent is not required.

##### **Strategic Director of Finance & Governance (CAP16/001)**

61. This report is seeking approval for an Early Works 2 (EW2) contract to Galliford Try plc, up to a maximum of £2,341,244 for internal works to complete The Eveline Lowe Annex at Phoenix Primary School.
62. The strategic director of finance and governance notes that the costs of this particular contract at £2.341m can be contained in the planned budget for this project of £12.902m which forms part of the current overall primary expansion programme budgets allocated within the council's approved capital programme. This contract represents 18% of the budget for this project, and taken with the existing enabling works, means 29% of the available funding is committed.
63. The capital programme reported at February 2016 showed £175m for permanent expansions noting that overall the council's general fund 10-year capital programme was under funded by £82m.
64. The overall school expansion programme faces a risk that there will not be resources available to complete all planned projects within the programme budget. This is because as each individual school project is agreed at a sum

which exceeds the initial budget for that project, remaining resources are reduced disproportionately. This risk becomes more likely to occur as each additional package of work or project is agreed in excess of the planned budget.

65. Officers will reallocate budgets within the primary expansion programme to reflect the contract costs for monitoring and reporting as required and the financial position on the council's primary expansion programme will be reported to members on a regular basis. Officers should ensure that budgets for the contract are established and profiled on the council's financial information system for effective monitoring and reporting.
66. The on going running costs of the expansion programme will be met from existing schools budgets.
67. Staffing and any other costs connected with this contract are to be contained within existing departmental budgets.

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

68. The value of this contract is below the EU threshold; therefore a legal concurrent is not required.

**FOR DELEGATED APPROVAL**

Under the powers delegated to me in accordance with the Council's Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature *[Signature]* ..... P. QUARRE-HORRION  
 Date ..... 12/5/2016  
 Designation ..... STRATEGIC Director .....

**APPENDICES**

Appendices
N/A

**BACKGROUND DOCUMENTS**

Background Papers	Held At	Contact
Cabinet report of 16th July 2013 – Primary Investment Strategy	Capital Works, Regeneration, 160 Tooley Street, SE1 2QH	Rebecca McTier – 02 7525 4808
Cabinet Report of 22nd July 2014: Gateway 1 Procurement Strategy Approval Appointment of Contractors for Primary Expansion Programme	Capital Works, Regeneration, 160 Tooley Street, SE1 2QH	Rebecca McTier – 020 7525 4808
Cabinet Report of 17 <sup>th</sup> November 2014 : Gateway 2: Appointment of Contractors for Primary Expansion Programme for Pre-Construction Services	Capital Works, Regeneration, 160 Tooley Street, SE1 2QH	Rebecca McTier – 020 7525 4808
Cabinet Report 6 October 2015 Gateway 2 - Contract Award Approval Scaffolding, roof and window repairs, asbestos survey and associated	Capital Works, Regeneration, 160 Tooley Street, SE1 2QH	Rebecca Marsh – 020 7525 4808

Works at Phoenix School		
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**AUDIT TRAIL**

<b>Lead Officer</b>	Bruce Glockling, Head of Regeneration – Capital Works and Development	
<b>Report Author</b>	Joanna Roberts	
<b>Version</b>	2	
<b>Dated</b>	13 April 2016	
<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>
Director of law and democracy	No	
Strategic Director of Finance and Governance	Yes	
Head of Procurement	No	
Cabinet Member	No	
<b>Contract Review Boards</b>		
Departmental Contract Review Board	No	
Corporate Contract Review Board	No	
Cabinet	No	No
<b>Date final report sent to Constitutional/Community Council/Scrutiny Team</b>		

## BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Internal works to Eveline Lowe.
Contract Description	To award an Early Works 2 contract to Galliford Try plc, for completion of internal works to Eveline Lowe Edwardian building.
Contract Type	Single Supplier Negotiation
Lead Contract Officer (name)	Andrew Brown
Lead Contract Officer (phone number)	0207 525 0138
Department	DCE
Division	Regeneration
Procurement Route	Single Supplier Negotiation
EU CPV Code (if appropriate)	
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed Price
Supplier(s) Name(s)	Galliford Try Ltd
Contract Total Value	£2,341,244
Contract Annual Value	£2,341,244
Contract Start Date	May 2016
Initial Term End Date	August 2016
No. of Remaining Contract extensions	n/a
Contract Review Date	n/a
Revised End Date	n/a
Comments	