

Item No.	Classification: Open	Date: 14 April 2016	Meeting Name: Strategic Director of Children's and Adults Services
Report title:		Gateway 2 Contract Award Approval Refurbishment works at Grange Primary School	
Ward(s) or groups affected:		Grange	
From:		Director of Regeneration	

RECOMMENDATION (S)

1. That the strategic director of children's and adult's services approves the award of the design and build contract and associated documents and agreements, for Grange Primary School to Graeme Ash Limited, for the contract period of 56 calendar weeks commencing in May 2016 and completing in July 2017, for a total contract value as disclosed in the closed version of this report.

BACKGROUND INFORMATION

2. On 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 which included Grange Primary School. It was envisaged that the works would be procured through the Improvement and Efficiency South East construction and management framework (IESE) and that the projects would be split into two packages.
3. On 22 July 2014 Cabinet approved the procurement strategy to appoint 2 contractors, one for Package A and one for Package B, using IESE. It was envisaged that the contractor for each Package would carry out preconstruction services, the works and, where necessary, enabling works and these services and works would be approved in a number of gateway 2 reports by the Strategic Director of Children's and Adults Services.
4. The development at Grange Primary School falls within Package B.
5. On 17 November 2014 the Strategic Director of Children's and Adults Services approved the appointment of Morgan Sindall plc to carry out the pre-construction services for Package B, under the Improvement and Efficiency South East (iESE) regional framework arrangements for construction and management using the Design and Build method.
6. The development of Grange Primary School includes the demolition of existing school keeper's house and boundary wall along Webb Street, the erection of a single storey extension to the school to accommodate a new entrance, early years classrooms, administration blocks and kitchen; two storey height hall and new two storey caretaker's house along Webb Street. In addition to this, there will be the erection of a new canopy on the northwest elevation of the main building, relocation of the existing MUGA and associated landscaping. There will also be

extensive internal refurbishment and reconfiguration of the existing building to create better classroom and learning spaces. The expansion works will enable the accommodation of an additional 0.5 form of entry, and planning permission for the development work was granted in November 2014.

7. The original intention was for Morgan Sindall to undertake the full extent of works at Grange school, as described in paragraph 6 of this report. This would ensure a single point of responsibility for all works associated with the school. As a result, Morgan Sindall have undertaken a competitive tender process to procure these works, based on the detailed scope of works and associated phasing of work. However, for the refurbishment element of the works, due to the lack of tender returns, Morgan Sindall have advised they will only be in a position to submit a provisional sum to the council for consideration. This leaves the council open up to a number of risks and uncertainties including financial impact and uncertainty as to whether Morgan Sindall will be able to appoint a sub-contractor within the agreed programme of works.
8. As a result of these uncertainties, and also due to the programme requirements for achieving additional school places by September 2016 and September 2017, it is concluded that the council can achieve better value, and programme certainty, if the refurbishment works are directly procured and managed by the council and not Morgan Sindall.
9. A separate Gateway 1 report has been submitted, seeking approval for exemption under CSO4.8 from the tendering requirements of CSO 5.3 to enable the single supplier negotiation in terms of appointment of Graeme Ash (shopfitter) Limited as contractor.
10. The contracts to be entered into at contract award are outlined in table 1 and are based on JCT 2011 Design and Build Contract with the council's standard and special amendments. This documentation has been subject to detailed review by Southwark Legal Services, with advice from external legal advisors (Sharpe Pritchard).
11. Due to the key milestones for the programme, this report seeks approval to award the contract for refurbishment works at Grange Primary School to Graeme Ash Limited, following a single supplier negotiation process.

Key /Non Key decisions

12. This report deals with a key decision.

Policy implications

13. The refurbished Grange Primary School will help to fulfil Southwark's ongoing commitment to its community, helping to encourage improved educational attainment for the borough's children, and assist with the council's statutory duty to provide additional school places for September 2016.

Procurement project plan (Key decisions)

Activity	Completed by/Complete by
Forward Plan for Gateway 2 decision	April 2016
Approval of Gateway 1 – Procurement Strategy Approval: Appointment of Contractors for Primary Expansion Programme	22/04/2016
Approval of Gateway 2: Refurbishment works at Grange Primary School	22/04/2016
CAB Review: Gateway 2: Contract Award Approval: Grange Primary School	20/04/2016
Notification of forthcoming decision – Five clear working days	03/05/2016
Approval of Gateway 2: Contract Award Report	22/04/2016
Scrutiny Call-in period and notification of implementation of Gateway 2 decision (5 clear working days)	10/05/2016
Finalisation of contract terms	April 2016
Contract award (subject to sign-off by the Strategic Director)	11/05/2016
Add to Contract Register	May 2016
Contract start	16/05/ 2016
Contract date for completion	July 2017

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

14. This procurement will lead to the delivery of the expanded 2 FE Entry Grange Primary School. The works consist of a new build extension and extensive internal remodelling and refurbishment works and associated external landscaping.
15. The project will address the condition and sustainability issues of the existing building, and will provide high quality learning and teaching environments for the staff and students of the new school.
16. Paragraphs 28 and 29 of this report outline the positive impact that the new school will have on the local community.

Policy implications

17. The expanded Grange Primary School will help to fulfil Southwark's on going commitment to its community, helping to encourage improved educational

attainment for the borough's children, and assist with the council's statutory duty to provide additional school places for September 2016.

TUPE/Pensions implications

18. Not applicable.

Tender process

19. Graeme Ash Limited were appointed under single supplier negotiation, as approved by the Strategic Director of Children's and Adult's services in March 2016.

20. This report deals with the Gateway to appoint Graeme Ash Limited for the refurbishment element of the school works. The design and specification for the project was developed by the consultant team under the direction of the council's Project Management consultants, Mace Limited, which together with the overall scheme proposals were issued to Graeme Ash Limited in the form of Employer's Requirements.

21. Following the process of design development and packaging of the scheme proposals by the council's appointed professional team, the contractor has obtained competitive prices for the various packages which, together with their construction phase core costs combine to make up the proposed contract sum for the refurbishment works.

22. Graeme Ash provided a detailed scope and cost breakdown for the main works in January 2016. This was reviewed by the consultant project manager, client design advisor, the architects Maccreanor Lavington and quantity surveyor to ensure that the works are those that are required and that the price is representative of the works being carried out.

Evaluation

23. The submission from Graeme Ash has been considered by the Capital Projects Team and external cost consultant and project manager, to ensure that it meets the council's requirements in terms of value for money.

24. The council's cost consultant's tender report for these works is attached as appendix 1 to the closed version of this report and confirms that the cost proposals demonstrate value for money.

25. It is worth noting that Graeme Ash's preliminaries are based on seven phases separated by time intervals to the school to make their necessary arrangements, These time intervals may be reduced depending on actual circumstances encountered.

Plans for the transition from the old to the new contract

26. Not applicable.

Plans for monitoring and management of the contract

27. The project clienting, including the management and administration of the consultant and contractor appointments, will be run and resourced through the Regeneration - Capital Works team. Progress with the contract works and performance of the consultant team will be subject to constant scrutiny and monthly formal review, including reviews on cost, programme and quality. The experienced officer client team will use a number of mechanisms 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 reports by:
 - The project manager/Employer's Agent
 - Main contractor
 - Other design consultants
- Monthly progress meetings on site
- Tracking and chasing actions on critical issues
- Weekly 'look ahead' meetings with principals / directors
- Periodic project team 'look ahead' workshops covering key phases of work and risks
- Risk and issues logs

Identified risks for the new contract

	RISK	RISK LEVEL	MITIGATION ACTION
1.	Contractor has inadequate resources and management arrangements to deliver the project	Low	Ensure prior to appointment – 1. that the contractor plans to deploy adequate resources and is willing to supplement additional resources to the project, if required. 2. that the contractor proposes to put adequate management arrangements in place to deliver the project.
2.	Insolvency of framework contractor	Low	An up-to-date financial check was obtained and this found the contractor to be at 'low risk'. Graeme Ash to provide a parent company guarantee as a condition of contract. Closely monitor performance of firms once appointed.
3.	The installation of the new cycle quietway along Webb Street leads to the following issues:	Medium	Regular coordination meetings to be held with Public Realm, Highways, TfL on the programme of works.

	RISK	RISK LEVEL	MITIGATION ACTION
	<ul style="list-style-type: none"> • Delays to the main school works due to access issues/potential road closures as a result of different contractors undertaking works in the same vicinity. • Increased preliminary costs to provide extensive traffic management to deal with interface of cyclists, drivers and pedestrians on narrow street (the school site is landlocked with access only from Webb Street) 		Traffic Management proposals included within contract sum to meet requirements.
4.	Construction delays on site and additional costs	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.
5.	Delay to the new build works (Being undertaken by separate contractor) leads to delays to handover of certain sections of the school and therefore the refurbishment works	Medium	Phasing plan agreed with the school which acknowledges there will be some gaps in the phasing. This has been reflected in the cost and scope proposals issued by Graeme Ash. Regular monitoring and review to be undertaken to ensure works on programme.
6.	Lack of coordination of the 2 contractor's on site (Morgan Sindall and Graeme Ash)	Small	Detailed discussions to take place to define responsibilities, access arrangements and site logistics. Regular coordination meetings to be in place during the works should issues arise.

Community impact statement

28. 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 in need. 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.

29. The project will provide a newly refurbished building and extension for the borough's children.

Sustainability considerations

30. The Public Services (Social Value) Act 2012 requires the council to consider a number of issues including how what is proposed to be procured may improve the economic, social and environmental well-being of the local area. These issues are considered in the following paragraphs which set out economic, social and environmental considerations.

Social considerations

31. 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. Graeme Ash will meet LLW requirements and contract conditions requiring the payment of LLW will be included in contract documents, which will result in quality improvements for the council. These should 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.

32. 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.

33. 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, which the Strategic Director of Children's and Adult's Services should consider when making this decision.

Environmental considerations

34. The completion of this procurement will create a new school which will demonstrate commitment to the carbon reduction measures required by Southwark council, through the application of design principles to manage the use of energy most efficiently.

Market considerations

35. Graeme Ash Limited is a small to medium sized company and has a national area of activity. A recent Experian Check confirms that it is a low risk company.

Staffing implications

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

Financial implications

37. This report is seeking approval from the strategic director of children's and adults' services to award the contract for the development works for Grange Primary School, to Graeme Ash at a cost not exceeding the value disclosed in the closed version of this report.

38. The closed version of this report includes a proposed cashflow statement for the project.

39. Officers will continue to work with its external cost consultants to ensure that the works packages are competitive and represent value for money to the council.

40. The schools will be responsible for any on going revenue implications as a result of the expansion.

41. Staffing and any other costs connected with this contract will be contained within existing departmental revenue budgets.

42. The total estimated cost of contracts in this report can be met from existing identified resources.

Legal implications

43. 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.

Consultation

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

45. The headteacher and Business Manager of Grange Primary School have been involved in the design development process. Consultation has been carried out locally ahead of the statutory consultation being conducted through the planning process.

Other implications or issues

46.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

47. A formal procurement concurrent is not required as the contract value falls below the EU threshold for works.

Director of Law and Democracy

48. A formal legal concurrent is not required as the contract value falls below the EU threshold for works.

Strategic Director of Finance and Governance (CAP16/002)

49. This report is seeking approval for the award of the design and build contract and associated documents and agreements, for Grange Primary School to Graeme Ash Limited.

50. The strategic director of finance and governance notes that the costs of this particular contract can be contained in the planned budget for this project which forms part of the current overall primary expansion programme budgets allocated within the council's approved capital programme.

51. 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.

52. 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.

53. 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.

54. The on going running costs of the expansion programme will be met from existing schools budgets.

55. Staffing and any other costs connected with this contract are to be contained within existing departmental budgets.

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 

Date 09/05/2016

Designation Strategic Director CAK

BACKGROUND DOCUMENTS

Background Documents	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 th 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

APPENDICES

No	Title
1	Summarised Tender Report
2	Graeme Ash Benchmark

AUDIT TRAIL

Lead Officer	Andrew Brown, Principal Programme Manager – Capital Works	
Report Author	Rebecca McTier	
Version	Final	
Dated	14 April 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments

		included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (for housing contracts only)	No	No
Cabinet Member	Yes/No	Yes/No
Contract Review Boards		
Departmental Contract Review Board	Yes/No	Yes/No
Corporate Contract Review Board	Yes/No	Yes/No
Cabinet Member	Yes/No	Yes/No
Date final report sent to Scrutiny Team		28 April 2016