

Item No. N/A	Classification: Open	Date: 12 August 2013	Decision Taker: Chief Executive
Report title:		Gateway 2 - Contract Award Approval Proposed fit-out of new Council offices in Block J at Queens Road, SE15 – appointment of contractor for main fit-out works	
Ward(s) or groups affected:		Nunhead	
From:		Project Delivery Team Manager, Property Services	

RECOMMENDATION

That the chief executive:

1. Approves the award of the Block J, 134 Queens Road office main fit-out works contract to Morgan Sindall plc with a contract period of sixteen calendar weeks commencing 16 August 2013.

BACKGROUND INFORMATION

2. The fit-out of Block J is the third and final phase of the council's strategy establishing a main operation presence in the centre of the borough at Queens Road.
3. The single supplier appointment of the contractor, Morgan Sindall plc, to provide pre-construction (Stage 1) services was originally approved by the then deputy chief executive on 16 May 2012. Approval to modify the contractual basis for that appointment from the iESE framework to a stand alone contract and for carrying out the enabling works for Block J as a stand alone contract was given by the chief executive on 2 July 2013. The Gateway 2 reports relating to these decisions fully describe the procurement strategy for single supplier negotiations with Morgan Sindall and evaluation of the contractor's submission. The pre-construction duties include the submission of contractor's proposals and pricing document, including the proposed contract sum, for further decision by the council.
4. Block J was originally proposed as the new location for the council's call centre, but this was dropped in favour of the ground floor of Block C, which had recently become available on the market. The fit-out of Block C as a call centre, therefore, took precedence over the Block J fit-out in the council's programme of organisational change and the commencement of the Block J fit-out was accordingly re-programmed to follow the completion of Block C.
5. When the Gateway 1 and Gateway 2 reports for Block J were approved, the intention was to appoint Morgan Sindall plc through the same (generation 1) iESE contractor framework as used for Block F, particularly as their tender had been won in competition and represented exceptionally good value for money. This is no longer possible, however, as the generation 1 iESE contractor framework term has expired. An alternative, single provider contractual approach has therefore been agreed by the director of regeneration (on behalf of the chief executive) for appointing Morgan Sindall plc, but still based on the advantageous

rates and equivalent terms and conditions as those established for Block F.

6. A deadline of 28 November 2013 has been set for completing the fit-out works in Block J.
7. This report seeks approval to let the main fit-out contract, comprising the following elements:
 - 86 workstations
 - Provision of three enclosed meeting rooms of varying sizes, print and post hubs, lockers, comms room and improved toilets
 - A secured entrance lobby with security barriers, facilities management spaces, and staff welfare facilities
 - New fittings and fixtures and completely new engineering services are provided throughout, all with similar 'look and feel' as Tooley Street
 - Plant room
8. The bin store and secure bicycle storage are located externally at the side and rear of the building and shared with Block C, 1 Lugard Road. The ground floor of Block C was fitted-out by Morgan Sindall plc as a call centre under a separate contract, which was completed on 14 March 2013.
9. The enabling works contract for Block J is framed such that it will be subsumed by the main fit-out works contract once let, subject to approval of this report.
10. It is proposed that the main fit-out works are carried out over the 16 calendar week period following completion of the enabling works contract, starting on 19 August 2013 and completing on 28 Nov 2013. The bar chart in Appendix 2 shows the overall project programme and highlights activities relating to the main fit-out works package in red.
11. A site plan showing the location of the building in respect of Blocks F and C is included in Appendix 1 of this report.
12. The acquisition and fit-out of the new offices at 134 Queens Road is a key component of the council's strategy for the Modernise 2 programme, the funding of which was set out in a Quarterly Capital Monitoring Outturn Report to Cabinet on 16 Jul 2013.
13. Actions and decisions to date include:

16 Feb 2012	Gateway 1 approval of the procurement strategy, including single supplier appointment of consultant, Mott MacDonald, and contractor, Morgan Sindall plc.
16 May 2012	Gateway 2 approval to appoint Morgan Sindall plc for pre-construction services under the iESE contractor framework.
22 May 2012	Gateway 2 approval to appoint Mott MacDonald as consultant under the GPS/iESE consultant framework.
11 Jun 2013	Planning permission granted.
1 Aug 2013	Chief executive's Gateway 1/2 approval of the revised procurement

	strategy and contract award for pre-construction services and enabling works, to appoint the contractor, Morgan Sindall plc, to provide pre-construction (Stage 1) services.
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Procurement project plan (Key decision)

14. The timetable for the main fit-out works procurement process is, as follows:

Activity	Completed by/Complete by:
Approval of Gateway 1: Procurement Strategy Report	16 Feb 2012
Completion of tender documentation	30 Apr 2013
Invitation to submit contractor's proposals	1 May 2013
Date for submission of contractor's proposals	5 Jun 2013
Completion of evaluation of tenders	3 Jul 2013
DCRB Review Gateway 2 for Stage 2 main fit-out works: Contract award report	31 Jul 2013
Issue notice to Scrutiny of impending decision	1 Aug 2013
Delegated approval of Gateway 2 main fit-out works by Chief Executive	9 Aug 2013
Scrutiny call-in period expiry	16 Aug 2013
Letter of award	16 Aug 2013
Add to Contract Register	16 Aug 2013
Contract start	19 Aug 2013
Contract completion date	28 Nov 2013

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

15. The intended outcome of this procurement is to deliver a fitted-out office building ready for use, by 29 Nov 2013.
16. A further intended outcome of this procurement is for the outturn cost of works to be contained within the relevant budget allowances made in the cost plan for the overall project.

Key/Non Key decisions

17. This report deals with a key decision.

Policy implications

18. The provision of new corporate offices and customer services facility at Queens Road is an essential component in the implementation of the council's policies and strategies for transforming public services with particular regard to:

- Modernisation
- Customer services
- Accommodation

Tender Process and Evaluation

19. The scope of works included in the main fit-out works package is as summarised in paragraph 7, above.
20. Information on the design and specification of these elements was developed by the consultant team under the direction of Mott MacDonald Ltd, together with the overall scheme proposals for issue to Morgan Sindall plc in the form of employer's requirements. Final information was issued to Morgan Sindall plc in 1 May 2013 reflecting the exact office accommodation requirements as advised by the client-user.
21. Following the process of design development and packaging of the scheme proposals, Morgan Sindall plc has obtained competitively tendered prices for the various packages which, together with their construction phase core costs (previously tendered and reported in the Gateway 2 for pre-construction services) combine to make up the proposed contract sum for works.
22. Rates and prices were checked and found to be comparable with those on Queens Road Block F and Block C contracts. There were however a small number of items that had been duplicated or not quantified correctly. These were drawn to Morgan Sindall's attention and appropriate amendments made to their price submission were agreed.
23. The contractor's proposed contract sum was reviewed on 25 Jun 2013 and a value engineering exercise was carried out with the design consultant team, quantity surveyor, contractor and officers from the Modernise 2 Programme and property, project delivery services.
24. The adjusted proposed contract sum, stated in the closed report, includes the value of the enabling works contract for which a separate gateway 2 approval has been given (reference paragraph 13 above).
25. In view of the time required to undertake the value engineering process following receipt of the contract sum analysis, a reduced contract period of sixteen weeks has been agreed commencing 19 August and completing 28 November 2013 has been agreed by Morgan Sindall plc.
26. The contractor had submitted the most economically advantageous offer in competition with three other firms from the iESE framework for the recently completed fit-out of Block F, winning on both price (by a substantial margin) and quality. The rates used for compiling the cost plan for works to Block J match the competitive rates obtained for Block F.
27. The Contractor's contract sum analysis for the main fit-out works package was evaluated by the consultant quantity surveyor, who is satisfied that a bona fide price submission has been made and that this is competitively priced, represents good value for money and is consistent with the allowances in the cost plan for the overall project, upon which the project budget is based.

28. The proposed form of works contract for the Stage 2 contractor appointment is GC/Works/1 Single Stage Design and Build (1998), incorporating standard and special amendments to the conditions of contract as advised by the contracts section of legal services.
29. Based on the foregoing evaluation, Morgan Sindall plc has submitted acceptable Contractor's Proposals for the main fit-out works package and their proposed contract sum, as stated in the closed report, is therefore recommended for acceptance.
30. Written confirmation from the CDM-Coordinator that Morgan Sindall plc has developed its construction stage health and safety plan in sufficient detail will be required before the main fit-out works is allowed to commence.

Plans for the transition from the old to the new contract

31. Not applicable.

Plans for monitoring and management of the contract

32. The project clienting, including the management and administration of the consultant and contractor appointments, will continue to be run and resourced through the project services delivery team programme office from within property services, deputy chief executive's department. 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. 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 lead consultant
 - Main contractor
 - Other design consultants
- Monthly progress meetings on site
- Daily tracking and chasing action on critical issues
- Monthly 'look ahead' meetings with principals / directors
- Periodic project team 'look ahead' workshops covering key phases of work and risks
- Risk and issues log

33. The project sits within the 'Premises' strand of the Modernise 2 programme governance arrangements, with ultimate accountability to the corporate management team (CMT). A separate board chaired by the head of property has been established within the overall Modernise 2 governance arrangements to oversee the premises-related projects, including the Queens Road fit-out project now reported.

Identified risks for the new contract

34. An assessment of the main risks and management actions required to mitigate the risks, is given in the following chart:

	RISK	MITIGATION ACTION
1.	Construction delays on site and additional costs.	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. Allow a contingency provision in the budget, as stated in the closed report, to cover possible loss and expense claims arising from delay and disruption of the works. Liquidated damages for non-completion by the contractor are included in the contract.
2.	Financial position of contractor deteriorates in the current economic climate, putting completion of the project in jeopardy.	The parent company guarantee will to some extent mitigate this risk. A re-appraisal of the financial standing of the works contractor and parent company, has been carried out prior to award of contract.
3.	Inadequate co-ordination of fit-out contractor and LBS IT provider, Capita.	Early engagement with Capita has been established to agree the scope and programme for the fit-out works. IT project manager identified to co-ordinate IT interface with fit-out contract.
4.	Review of IT fibre and copper lines provision is currently in discussion and a corporate decision may not be made in time for the works to be included in the programme.	The provision of fibre and copper lines for Block J was included in the IT works for Block C and can be 'pulled' into Block J should the decision be delayed.
5.	Significant design and/or latent defects emerge post completion.	Quality control regime to be put in place. A Clerk of works is to be engaged for the duration of the contract.
6.	LBS FM unprepared for running the building on completion.	Involve CFM in the design and specification. Ensure appropriate maintenance contractor arrangements are put in place and that the appointments are timed to overlap with testing and commissioning of systems and operational training. Involve CFM personnel in testing and commissioning and operational training sessions. Ensure O & M manuals and H & S Files are prepared and ready for handover on completion of the main fit-out works contract.
7.	Default by key subcontractor/supplier.	A select list of well established sub-contractors by trade (at least six per trade discipline) is maintained by the main contractor, which includes financial health

RISK		MITIGATION ACTION
		checks and performance monitoring.
8.	Belated, uncoordinated or contradicting client instructions	Ensure effective forward planning, communications and co-ordination with all relevant parties to the decision-making process.

Community impact statement

- 35. The completion of the fit-out contract will bring a currently empty building into use and, thereby, contribute greater vibrancy and improved image in the immediate locality.
- 36. There will be no other significant impact on local people and communities.

Economic, Social and Environmental considerations

- 37. A low energy, efficient and cost effective building engineering services design that keeps running costs to a minimum, is an essential component of the project brief. Key considerations include:
 - Consideration of whole life-cycle costs;
 - Adoption of space efficiency principles throughout to promote the flexible use and allocation of workspace, supported by the introduction of protocols to maximise the use of facilities and reduction in use of paper and other materials;
 - Sustainable sourcing, including locally produced materials and, where possible, timber from renewable resources.
 - Selection of contractors should take into account their environmental policies;
 - Incorporation of environmentally benign heating and lighting provision;
 - Incorporation of information technology tools that minimise travel;
 - Provision of facilities and equipment to encourage the re-use and recycling of materials including, where practicable, water recycling;
 - Ensuring all projects achieve BREEAM very good rating.
- 38. The project brief material and components to be specified for the fit-out works in terms of excluded construction materials, the recommendations in the British Council of Offices (BCO)/British property Federation (BPF) Good Practice in the selection of Construction Materials are to be adopted, with the amendments and additions below:
 - Asbestos products: not to be specified
 - Brick slips: only to be used where cast onto pre-cast elements as risk of failure is unacceptably high
 - Man-made mineral fibre (MMMMF): the material to be encapsulated in all applications
 - No insulation materials in which hydrofluorocarbons (HFCs) are used in their manufacture or application
 - No hardwood unless from FSC or equivalent sources.
- 39. BREEAM requirements will cover design and specification and will set targets for

minimising the adverse environmental impact of carrying out the works.

40. Data on contractors' local employment schemes, held by IESE, will be referred to in discussions with the successful contractor on potential employment opportunities for local people under their scheme.
41. Construction personnel and, once occupied, staff and visitors using the building are likely to bring economic benefit to local traders through increased trade.
42. The contractor will carry out the works under the considerate contractor scheme which seeks to minimise disturbance and disruption to people in the locality.
43. There are no other particular social considerations in connection with this procurement.

Market considerations

44. The successful tenderer:
 - Is a private organisation
 - Has over 250 employees.
 - Has a national area of activity.

Staffing implications

45. Officer time relating to the management of this project is funded from existing revenue budgeted resources. Consideration will be given to an alternative treatment dependant on the current accounting rules and regulations. Should any of the revenue costs be allowable as capital costs, these will be included within the expenditure to be set against the existing approved capital programme budget.
46. The project will be resourced by existing staff.
47. There are no specific implications other than those covered elsewhere in this report.

Financial implications

48. The cost of the main fit-out works contract will be contained within the budgetary allowance for the fit-out works of Block J as provided in the Quarterly Capital Monitoring Outturn Report to Cabinet on 16 Jul 2013.
49. Some of the works pertaining to Block J were undertaken under the Block C contract to facilitate better co-ordination and efficient use of the two buildings. These works include a shared external bin store and cycle sheds. The cost of these elements of works, as stated in the closed report, is excluded in the proposed contract sum for Block J.
50. A parent company guarantee will be provided by The Morgan Sindall Group plc in respect of the contracting subsidiary, Morgan Sindall plc.
51. The implications of not completing the fit-out works by 29 November 2013 so that the building can be prepared by Corporate Facilities Management for other

council departments to re-locate would be that alternative premises and additional budget provisions would need to be identified.

Investment implications

52. Not applicable.

Second stage appraisal (for construction contracts over £250,000 only)

53. A check of the financial standing of Morgan Sindall plc (i.e. the contracting organisation) and the parent company, the Morgan Sindall Group plc, was undertaken in June 2013. Both companies were classified as "very low risk".

Legal implications

54. As was the case in the appointment of Morgan Sindall plc for Stage 1 (pre-construction services), Morgan Sindall plc's tender is formulated on the basis that the works will be undertaken by their sister company, Overbury plc, who are recognised specialists in fit-out contracts, both companies coming under a single parent company, the Morgan Sindall Group plc. A supplementary agreement between Morgan Sindall plc and the council will be drafted with advice from the council's legal services to give consent to Morgan Sindall plc to sub-let the whole of the works under the contract to Overbury plc in terms that protect the council's interest. This includes responsibility for health and safety on site and the role of principal contractor under the Construction (Design and Management) Regulations 2007. The agreement satisfies the requirement of the corporate health and safety manager for the responsibilities of Morgan Sindall plc and Overbury plc to be unambiguous. The agreement similarly resolves responsibilities in respect of the equality and diversity assessment.

Consultation

55. Public consultation has been undertaken in support of the planning application.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

56. As the advised estimated value of these works is below the current EU works threshold, no formal procurement concurrent is required.

Director of Legal Services


57. As the advised estimated value of these works is below the current EU works threshold, a formal legal concurrent is not required.

Strategic Director of Finance and Corporate Services

58. It is confirmed that the cost of these works can be funded from the budget for the fit-out works for Block J, and that there are sufficient funds available to cover these costs.

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 13/8/13
 Designation STRATEGIC DIRECTOR, ENVIRONMENT & LEISURE
(ACTING CHIEF EXECUTIVE)

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Project records	Property Services, Regeneration, 160 Tooley Street, SE1 2QH	Andrew Brown – 020 7525 5538

APPENDICES

No	Title
Appendix 1	Location Plan
Appendix 2	Overall Project Programme

AUDIT TRAIL

Lead Officer	Sam Fowler, Project Delivery Team Manager, Property Services, Regeneration
Report Author	Andrew Brown, Principal Project Manager, Property Services, Regeneration
Version	Final
Dated	12 August 2013
Key Decision?	Yes

CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER

Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	No
Director of Legal Services	Yes	No
Strategic Director of Finance and Corporate Services	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	Yes	No
Corporate Contract Review Board	N/A	N/A
Cabinet	N/A	N/A
Date final report sent to Constitutional Team		12 August 2013

BACKGROUND DOCUMENT – CONTRACT REGISTER UPDATE - GATEWAY 2

Contract Name	Block J, 134 Queens Road
Contract Description	Proposed fit-out of offices in Block J, 134 Queens Road, SE15 – appointment of contractor for Stage 2 (main fit-out works)
Contract Type	Works
Lead Contract Officer (name)	Sam Fowler
Lead Contract Officer (phone number)	020 752 55095
Department	Chief Executive's Department
Division	Regeneration, Property
Procurement Route	Single supplier negotiated tender using a stand alone contract
EU CPV Code (if appropriate)	Not applicable
Departmental/Corporate	Departmental
Fixed Price or Call Off	Fixed Price
Supplier(s) Name(s)	Morgan Sindall plc
Contract Total Value	£1,759,812.03
Contract Annual Value	Not applicable
Contract Start Date	16 Aug 2013
Initial Term End Date	28 Nov 2013
No. of Remaining Contract extensions	Not applicable
Contract Review Date	Not applicable
Revised End Date	Not applicable
Comments	Nil

