



# **Sumner Road B - Review of Morgan Sindall's Offer**

5 October 2016



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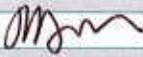
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# **Sumner Road B - Review of Morgan Sindall's Offer**

5 October 2016



# Issue and Revision Record

Revision	Date	Originator	Checker	Approver	Description
-	05/10/2016	Ahmed Amrouche 	Peter Gray 	James Masters 	Review of Morgan Sindall's Lump Sum Offer for Sumner B

**Information class: Standard**

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## Executive Summary

The project is a major infrastructure scheme involving the construction of a new road network and associated facilities. The project is being undertaken by Morgan Sindall, a leading contractor in the UK. The project is being funded by the local authority and the central government. The project is expected to be completed by 2020. The project will provide a significant improvement in the local road network and will also provide a number of other benefits, including the creation of new jobs and the improvement of the local environment.

The project is being undertaken in a number of phases. The first phase is the construction of the new road network. The second phase is the construction of the associated facilities, including the construction of new bridges and the installation of new street lighting. The third phase is the completion of the project and the handover of the new road network to the local authority.

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## Executive summary

Morgan Sindall were the single contractor involved in this tender process, following the first stage iESE procurement process, where they acted under the duties outlined in the iESE PCSA. Sumner B was not in the original scope of works.

Subsequently, Morgan Sindall were appointed by Southwark Council (LBS) to develop the design and price for Sumner B development.

It was agreed between the parties that as Southwark Council wished to accelerate the procurement process Morgan Sindall would submit a fixed Lump Sum rather than detailed work packages. This has the benefit of providing LBS with cost certainty now whereas, given the experience from Sumner A, continuing with the procurement process would have no fixed end date, no cost certainty and would incur progressively increasing inflation costs. Furthermore the residual risk to LBS would be reduced as the lump sum price from Morgan Sindall would include construction related risk. However, ownership of the construction risk needs to be confirmed by Morgan Sindall, prior to entering into contract.

A number of price submissions were made by Morgan Sindall between March 2016 and July 2016. During this period of time, Mott MacDonald have successfully negotiated down the cost of the works by £2,164,227, circa 18% reduction. This has resulted in a Lump Sum offer of £9,713,467 being submitted.

Morgan Sindall's fixed Lump Sum offer has been analysed and reviewed against Sumner Road A contract sum analysis. As outlined in the report, the offer rate for Sumner Road B is approximately 9% lower than Sumner Road A which is currently underway.

Prior to entering into contract with Morgan Sindall, clarification is required that the contractor's proposal fulfils LBS aspirations, expectations and requirements. A full approval of Morgan Sindall's design submission and Contractor's Proposals, complete with Programme for the Works, is required by the Employer and their Technical Advisors.

Following the evidence provided within this report, provided that a full approval of Morgan Sindall's design submission and Contractor's Proposals complete with Programme for the Works, is carried out, it is Mott MacDonald's recommendation that Morgan Sindall's offer provides value for money and that Southwark Council can enter into contract with Morgan Sindall for the total sum of £9,713,467. This sum is based on a 74 weeks programme with commencement on site not later than the 3rd quarter of 2016 and is purely for construction works, excluding enabling works, Pre-Construction Services Agreement (PCSA) fee, consultancy fees, LBS contingency and VAT.

For clarity we therefore recommend that Southwark Council should allow for a project contingency on top of the Lump Sum offer from Morgan Sindall.



# 1 Introduction

## 1.1 The Brief

Mott MacDonald were appointed by Southwark Council to manage the Improvement and Efficiency South East (iESE) second stage tender process for the Sumner Road B project. Morgan Sindall (MS) were originally appointed by Southwark Council, through the iESE framework, to undertake pre-construction services for the project. The pre-construction services were subject to a separate appointment through a Pre-Construction Service Agreement (PCSA). Subject to the satisfactory completion of the pre-construction works and agreement of a contract sum, Morgan Sindall will be appointed to carry out the construction works.

## 1.2 The Scope

The scope of works is to provide 42 private units for sale. Currently there is no detailed Employer's Requirements (ER's). Morgan Sindall have based their proposal on limited information. The duties to be undertaken by Morgan Sindall during the pre-construction phase are identified within the PCSA and issued during the iESE first stage tender process.

Note: Lovell is a Morgan Sindall Group Company, who is acting on Morgan Sindall's behalf on LBS lot 2 housing projects. A supplementary agreement will be entered into to regularise this position.

## 1.3 Exclusions and Comments

All costs outlined in this report relate to Morgan Sindall's overall lump sum offer for the main works only, and exclude any costs associated with the following streams of work:

- Pre-construction Services Agreement (PCSA) costs
- Pre-construction design fees
- Surveys
- Enabling Works costs consisting of demolition and removal of the existing basement and UKPN services diversion works.
- Any additional direct orders undertaken by Southwark Council during the period of the Pre-Construction Services Agreement
- Costs associated with delayed start of the works on site beyond the third quarter of 2016 and completion by first quarter of 2018.

This also excludes any costs associated with any claims made by Morgan Sindall for additional works/services undertaken during the PCSA.

## 2 Tender Process

### 2.1 The Tender

Morgan Sindall were the single contractor involved in this tender process, following the first stage iESE procurement process, where they acted under the duties outlined in the iESE PCSA. Sumner B was not in the original scope of works.

Subsequently, Morgan Sindall were appointed by Southwark Council (LBS) to develop the design and price for Sumner B development.

It was agreed between the parties that as Southwark Council wished to accelerate the procurement process Morgan Sindall would submit a fixed Lump Sum rather than detailed work packages. This has the benefit of providing LBS with cost certainty now whereas, given the experience from Sumner A, continuing with the procurement process would have no fixed end date, no cost certainty and would incur progressively increasing inflation costs. Furthermore the residual risk to LBS would be reduced as the lump sum price from Morgan Sindall would include construction related risk. However, ownership of the construction risk needs to be confirmed by Morgan Sindall, prior to entering into contract.

The first fixed price lump offer was finally issued directly to LBS on 26 July 2016.

### 2.2 Amendments and Changes

There are no amendments that we are aware of; as noted earlier there is no detailed Employer's Requirements.

### 2.3 Clarifications

Prior to entering into contract with Morgan Sindall clarification is required that the contractor's proposal fulfils LBS aspirations, expectations and requirements.

## 3 Contractor's Proposal Review

### 3.1 Overview

In the absence of the ERs documentation, prior to entering into contract with Morgan Sindall, a full approval of Morgan Sindall's design submission and Contractor's Proposals is required by the Employer and their Technical Advisors.

## 4 Fixed Lump Sum - Contract Sum

### 4.1 Overview

It was agreed between the parties that as Southwark Council wished to accelerate the procurement process Morgan Sindall would submit a fixed Lump Sum rather than detailed work packages. Morgan Sindall are currently working on Sumner Road A and they are envisaging taking the opportunity to start work on the adjacent site, Sumner Road B.

Morgan Sindall submitted their first offer on 02 March 2016. Following Mott MacDonald's review and negotiations, Morgan Sindall issued a subsequent offer on 18 July 2016 and a final offer on 26 July 2016. Mott MacDonald have successfully negotiated down the original offer, which resulted in a reduction of £ 2,164,227.

The following table summarises the lump sum offers:

Morgan Sindall Lump sum offers	Offer 1	Offer 2	Offer 3 (final)	Difference Original Offer
<i>Date of issue</i>	<i>(02 March 2016)</i>	<i>(18 July 2016)</i>	<i>(26 July 2016)</i>	
<b>Total</b>	<b>£11,877,694</b>	<b>£10,172,047</b>	<b>£9,713,467</b>	<b>-£2,164,227</b>

The lump sum offer is fixed for the duration of the contract (74 weeks), provided that the works commence by the third quarter of 2016. Any delay to this start date will entitle Morgan Sindall to review their offer. The potential possible cause of the delay would be linked to the LBS approval process.

The lump sum price was based mainly on Sumner Road A residential scheme's pro-rata basis and on tendered Groundworks, RC frame and Brickworks packages. The preliminaries, overheads and profits and insurances were in line with iESE 1st stage submission and consistent with the framework's rates.

### 4.2 Provisional Sums

Morgan Sindall have provided a firm lump sum price and no provisional sums.

### 4.3 Risk Items

#### 4.3.1 Construction Risk

The ownership of the construction risk needs to be confirmed by Morgan Sindall, prior to entering into contract.

#### 4.3.2 Parent Company Guarantee (PCG)

Morgan Sindall have also allowed for a PCG within their costs for insurances and bonds based on 0.75% as part of the PCSA.

#### 4.4 Fixed Prices

Morgan Sindall have fixed their price for the duration of the contract period, provided that the start date on site is 26 September 2016, not beyond the third quarter of 2016.

#### 4.5 Preliminaries

Morgan Sindall revised their preliminary costs to be in line with their stage 1 iESE tender submission.

#### 4.6 Overheads and Profit

Examination of Morgan Sindall's pricing confirmed that their mark-ups for insurance costs at 0.75% and overheads and profit at 2.9% are in line with the iESE framework.

#### 4.7 Value for Money Exercise

Morgan Sindall's fixed Lump Sum offer has been analysed and reviewed against Sumner Road A contract sum analysis. This exercise includes establishing a metre square rate for Sumner Road A, excluding its specific abnormal e.g. the community centre, the podium and the external works. This rate has been applied to the Sumner Road B gross internal floor area, then relevant abnormal have been added, which include; the open market enhanced specification and the external works. This has resulted in the reduction of approximately £2 million since the original offer. M.S's overall rate per metre square for Sumner B is approximately 9% lower than Sumner Road A rate. We believe that this sum is reasonable and represents value for money.

Table 4.2 – Overall Rate Comparison with Sumner A	£/m <sup>2</sup>
Sumner A overall rate (including abnormal, as per Sumner A report, Table 4.8.4)	£2,621
Sumner B overall rate ( based on M.S GIFA of 4,025 m <sup>2</sup> )	£2,413

Sumner B overall rate per meter square is approximately 9% lower than the equivalent of Sumner A



## 5 Conclusions and Recommendations

### 5.1 Summary

Morgan Sindall were the single contractor involved in this tender process, following the first stage iESE procurement process, where they acted under the duties outlined in the iESE PCSA. Sumner B was not in the original scope of works.

Subsequently, Morgan Sindall were appointed by Southwark Council (LBS) to develop the design and price for Sumner B development.

It was agreed between the parties that as Southwark Council wished to accelerate the procurement process Morgan Sindall would submit a fixed Lump Sum rather than detailed work packages. This has the benefit of providing LBS with cost certainty now whereas, given the experience from Sumner A, continuing with the procurement process would have no fixed end date, no cost certainty and would incur progressively increasing inflation costs. Furthermore the residual risk to LBS would be reduced as the lump sum price from Morgan Sindall would include construction related risk. However, ownership of the construction risk needs to be confirmed by Morgan Sindall, prior to entering into contract.

A number of price submissions were made by Morgan Sindall between March 2016 and July 2016. During this period of time, Mott MacDonald have successfully negotiated down the cost of the works by £2,164,227, circa 18% reduction. This has resulted in a Lump Sum offer of £9,713,467 being submitted.

Morgan Sindall's fixed Lump Sum offer has been analysed and reviewed against Sumner Road A contract sum analysis. As outlined in the report the offer rate for Sumner Road B is approximately 9% lower than Sumner Road A which is currently underway.

Prior to entering into contract with Morgan Sindall, clarification is required that the contractor's proposal fulfils LBS aspirations, expectations and requirements. A full approval of Morgan Sindall's design submission and Contractor's Proposals complete with Programme for the Works is required by the Employer and their Technical Advisors.

### 5.2 Recommendations

Following the evidence provided within this report, provided that a full approval of Morgan Sindall's design submission and Contractor's Proposals complete with Programme for the Works is carried out, it is Mott MacDonald's recommendation that Morgan Sindall's offer provides value for money and that Southwark Council can enter into contract with Morgan Sindall for the total sum of £9,713,467. This sum is based on a 74 weeks programme with commencement on site not later than the 3rd quarter of 2016 and is purely for construction works, excluding enabling works, Pre-Construction Services Agreement (PCSA) fee, consultancy fees, LBS contingency and VAT.

For clarity we therefore recommend that Southwark Council should allow for a project contingency on top of the Lump Sum offer from Morgan Sindall.



# Appendices

A. Morgan Sindall's Offer for Sumner B

10



## A. Morgan Sindall's Offer for Sumner B



## Amrouche, Ahmed H

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**From:** Tony.Ingram@lovell.co.uk  
**Sent:** 26 July 2016 17:09  
**To:** Andrew.Brown@SOUTHWARK.GOV.UK; Masters, James E; Daynton, Stuart P; Amrouche, Ahmed H; Hancock, Billy P  
**Cc:** Michael.Ofarrell@lovell.co.uk; Andy.MALES@lovell.co.uk  
**Subject:** L486125 - Sumner Road Block B (LBS Lump Sum Offer 160726)  
**Attachments:** Lump Sum Offer letter 160726.pdf; L486125 - Sumner Road Block B cost plan updated-160726.pdf

Dear Andy,

Please find attached our lump sum offer and cost plan, for the main works to Sumner Road Block B.

Regards,

Tony

**Tony Ingram**  
Chief Surveyor

dd: 020 8731 3866 | m: 07970 554 349

Tasman House  
The Waterfront  
Elstree Road, Elstree, WD6 3BS

# LOVELL

A MORGAN SINDALL GROUP COMPANY



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Registered Number: 2387333

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# LOVELL

Ref: LPL/TI/L486125/lump sum offer

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The Waterfront  
Elstree Road  
Elstree  
Hertfordshire  
WD6 3BS

26 July 2016

T: 020 8731 3800  
F: 020 8731 3830

Andrew Brown  
London Borough of Southwark  
Regeneration  
PO Box 64529  
London  
SE1P 5LX

Dear Andy,

## L486125 - Sumner Road Block B

Further to the continuing discussions and meeting held with Mott MacDonald on the 19 July 2016, we are pleased to confirm our lump sum price to carry out the works to Sumner Road Block B is **£9,713,467.**

The works are to be carried out in accordance with the documents listed in schedule 1.

For avoidance of doubt, the Block B Main Works Contract excludes the work carried out initially under the basement enabling works contract dated as detailed in your notification of contract award decision dated 12 March 2014.

The form of contract is the JCT Design and Build Contract 2011, as amended by the amendments agreed with Sharpe Pritchard on 20 June 2016.

We would note that this offer is based upon the works commencing in the third quarter 2016, with the contract fixed priced till the first quarter 2018. Should the works commence after this point we would like to use the BCIS as a mechanism for calculating the additional fixed cost.

The work is to be completed over a period of 74 (seventy-four) calendar weeks, commencing on site 26 September 2016.

Please note that whilst we have based our quotation on Lovell 'Bronze' specification for open market units, we would like to discuss with you our 'Silver' / 'Gold' specification that we have been used on some of our more recent developments, should this be of interest.



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Registered Office: Kent House, 14-17 Market Place, London W1W 8AJ

We trust that you can now put forward a recommendation to award the Contract works to Sumner Road Block B, however should you need any further clarification or wish to discuss any of the points raised in detail, please do not hesitate to contact either Michael O'Farrell, Andy Males or the undersigned.

Yours sincerely



Tony Ingram  
Chief Surveyor  
Direct Dial: 020 8731 38XX  
Email: [tony.ingram@lovell.co.uk](mailto:tony.ingram@lovell.co.uk)

Cc Mott MacDonald - James Masters / Stuart Daynton / Ahmed Amrouche / Billy Hancock

**LOVELL**

L486125 - Sumner Road Block B

Schedule 1

26 July 2016

1. Lovell Partnership Limited cost plan dated 26 July 2016
2. Lovell Partnership Limited 'Bronze' specification for open market units as viewed at our Brabazon Road development.
3. The following drawings issued for planning:

Dwg No	Drawing Title	Revision Letter
101	Location Plan	-
102	Existing Site Plan (Topo)	-
105	Proposed Site Plan	A
200	Ground Floor Plan	E
201	First & Second Floor Plans	E
202	Third & Fourth Floor Plans	E
203	Fifth Floor & Roof Plan	E
210	Unit Types Ground Floor 1, 2, 2a	D
211	Unit Types Ground Floor 3, 4, 5	D
212	Unit Types Upper Floors 6, 7, 7a, 8	D
213	Unit Types Upper Floors 9, 10, 11	D
220	East & South Elevations	D
220 c	East & South Elevations - Colour	B
221	West & North Elevations	D
221 c	West & North Elevations - Colour	B
225	East & South Elevations in Context	B
230	Section AA & BB	B
231	Section - CC	B
235	Site Sections	B
	Design and Access Statement	A

4. Mechanical and Electrical specifications:

Dwg No	Drawing Title	Revision Letter
	Mechanical Services Specification - June 2016	Draft
	Electrical Services Specification - June 2016	Draft





Project Name	Sumner Road B	<b>MORGAN SINDALL</b>
Authority	Southwark Council	
Form of Contract	Jct D & B 2011	
Contractor	Morgan Sindall	
Consultant Team Lead	Andrew Brown / James Masters / Ahmed Amrouche	
Sheet last updated	26/07/2016	

Package	Subcontractor	26/07/2016	Comments
1 Prelims		£ 748,489	As PCSA
2 Scaffolding		£ -	Included above
3 Craneage		£ -	Included above
4 Groundworks, Frame & External Works		£ 1,810,953	
5 Piling		£ 119,747	
6 Masonry (Brickwork, Blockwork)		£ 774,517	
7 Masonry - Material, Bricks and block and Masonry support system		£ 261,925	
8 Metsec		£ 153,117	
9 Carpentry		£ 128,700	
10 Carpentry materials		£ 202,938	
11 Structural Steel		£ -	
12 Roof coverings		£ 216,007	
13 Metalwork's & Glazed balustrading		£ 395,704	
14 External cladding		£ 284,000	
15 Windows & External doors		£ 332,258	
16 Screed		£ 173,228	
17 Plastering, dry lining, skim, S. Ceiling, Metal stud partitions		£ 661,712	
18 Wall & Floor Tiling		£ 128,089	
19 Painting & Decoration		£ 107,009	
20 Soft Flooring		£ 92,190	
21 Sanitaryware		£ -	
22 Mechanical Services		£ 841,780	
23 Electrical Services		£ 487,030	
24 PV		£ 58,000	
25 Lift		£ 240,000	
26 BWIC		£ 30,000	
27 Curtain Walling / perforated metal feature panel		£ -	
28 Soft Landscaping		£ 29,570	
29 Signage		£ 5,000	
30 Mastic sealant		£ 18,619	
31 Builders Clean		£ 24,600	
32 Statutory Authority / Utilities		£ 147,000	
33 Uplift to open market specification		£ 452,970	Based on Lovell 'Bronze' specification
34 Tender inflation		£ -	
<b>Sub total</b>		<b>£ 8,925,152</b>	
Design Fees		£ -	
Design Risk		£ 446,258	Contingency @ 5%
Fixed Price from Q3 '16 - Q1'18			
<b>Sub total</b>		<b>£ 9,371,410</b>	
Insurance @ 0.75%		£ 70,286	
OHP @ 2.9%		£ 271,771	
<b>Total C5A</b>		<b>£ 9,713,467</b>	
	GIFA m2	4,025	
	£/m2	2,413	
<b>Assumptions</b>			
1 Start on site third quarter 2016			
2 Excludes Pre-construction works value			
3 Excludes Enabling works value			
4 Price based upon current reserved matters planning drawings			
5 Sales specification as per LPL site in Hounslow			

