

Item No.	Classification: Open	Date: 19 December 2019	Meeting Name: Strategic Director of Environment and Leisure
Report title:		Gateway 2 Contract award approval, Walworth Library and Southwark Heritage Centre (Design and Build)	
Ward(s) or groups affected:		North Walworth	
From:		Head of Regeneration North	

RECOMMENDATION(S)

That the Strategic Director Environment and Leisure

1. Approves the award of contract to Lendlease to deliver the Design and Build for Walworth Library and Southwark Heritage Centre to a value of £3,250,000 (including a 10% works contingency to be held by the client) to commence on 20 December for a period of 2 years.

BACKGROUND INFORMATION

2. The council has committed in its Fairer Future promises to revitalise neighbourhoods and make them places in which we can be proud to live, work and visit. Elephant and Castle is a key regeneration area and the council is working to achieve its vision, bringing forward development sites for new homes and other community facilities, improving the public realm and building a stronger local economy.
3. A gateway 1 report was signed on 13 December 2019 to agree the procurement strategy for the construction of the Walworth Library and Southwark Heritage Centre to a value of £3,250,000.
4. Following the decision to enter into a lease for 145-147 Walworth Road for the new library and heritage centre officers assessed how best to procure the project given the arrangements of the site, and the appetite to deliver the project urgently to limit the gap in service for the community following the closure of the Newington Temporary Library and Artworks, Elephant Road. The appointment is to deliver a design and build process resulting in a fully fitted out, ready for use turn key Library and Heritage Centre. As a partnership project with council funding, the decision to use Lendlease to act as the council's project managers and site managers is based on the following considerations.
 - a. The potential for efficiencies in consultant appointment, logistics, site supervision and project delivery through procuring the library and heritage centre using design team consultants on the Lendlease framework and Lendlease construction.
 - b. The agreement by Lendlease to jointly involve Southwark Council in the selection and appointment process for lead designer and architects.
 - c. The opportunity to tie in closely with Lendlease for the Elephant Park project, and the savings made by using one set of contractors with an

- existing site set up, prelims and welfare. The cost of appointing a new contractor would duplicate all of Lendlease's existing management costs.
- d. The decision by Lendlease to waive commercial costs associated with the project in order to help enable a valuable community project with significant place making benefits which will be advantageous to the local community.
 - e. All project payments will be verified with appropriate backup information at the point of submission.
 - f. The relatively lower cost, low risk and speed of delivery. Other sites identified for possible development have high risk associated with various factors including planning and land ownership and the need to secure sites prior to development.
 - g. There is scope to benefit from substantial cost savings, especially in terms of project and construction management Lendlease are not charging the council for Project Management fees and a fixed fee for site supervision has been negotiated with Lendlease and will be agreed through a legal agreement (DMA).
5. The new facility will have a full range of library services including bookstock for adult and children, IT and internet provision alongside access to the Borough's rich heritage collections.

Procurement project plan (Non Key decisions)

Activity	Completed by/Complete by:
Add to Forward Plan for Gateway 2 decision	June 2019
Cost plan agreed with council	17 July 19
Brief relevant Cabinet Member	11 November 19
Gateway 1: Procurement Strategy Report	13 December 19
Approval of Gateway 2: Contract Award Report	19 December 19
Contract award / completion of DMA	20 December 19
Add to Contract Register	20 December 19
Contract start	20 December 19
Contract completion date	20 December 21

Works scope

6. The appointment is to deliver a design and build process resulting in a fully fitted out, ready for use turn key Library and Heritage Centre. The consultants required and appointed by Lendlease and the deliverables to achieve the procurement are included in the table below.

Work package	Items
Lead designer and architect	<ul style="list-style-type: none"> • Design • Furniture & Fittings • Signage
Structural Engineer	<ul style="list-style-type: none"> • Load bearing of library and heritage requirements • Design structures as required

Mechanical and electrical services	<ul style="list-style-type: none"> • Heating • Lighting & Emergency Lighting • Power & internal data cabling • Sustainability
Cost Planning and QS	<ul style="list-style-type: none"> • RIBA stage cost plans
Fire strategy	<ul style="list-style-type: none"> • Fire strategy development
Acoustics	<ul style="list-style-type: none"> • Acoustic design and testing
Access and inclusive design	<ul style="list-style-type: none"> • Inclusive access design
Construction	<ul style="list-style-type: none"> • Construction and fitout

7. Lendlease will prepare the work packages and tender to list of suppliers based on Lendlease's rigorous procurement methodology which is very similar to the council's own standing orders, and note the recent performance of each contractor, and makes stringent checks for health and safety.
8. A revised feasibility cost plan was agreed with the council on 17 July 2019 which sets out the maximum prices for each of the work packages and total fees:

Item		Notes
Total professional fees	£333,445	
Construction including fixtures fitting and equipment and fees	£2,660,578	
Works Contingency	£255,977	
Project management costs	£0	
Total	£3,250,000	

9. On the basis of the feasibility cost plan this report recommends that Lendlease are appointed as main contractor to deliver the library and heritage centre to a fixed maximum price of £3,250,000 including 10% contingency.
10. The project will be delivered in partnership, with Lendlease acting as project manager and lead consultant managing the above sub-contractors on behalf of the council, with a fixed construction management fee for site management of the sub-contractors. The fees are agreed and formalised through a legal development management agreement (DMA), based on the same successful partnership process for managing the demolition of the former Heygate Estate and Construction Skills centre.
11. It should be noted that Lendlease have waived project management and commercial fees in order to promote a community project.
12. The project will be owned by the council with a lease in place, and will benefit the community with the creation of the library and heritage centre. The centre will have equal access to all, across Southwark.
13. By way of the summary, this report appoints Lendlease to act as the council's project managers and construction managers is based on the following considerations

- a) The need to tie in closely with Lendlease logistics for the Elephant Park project, and the savings made by use one set of contractors with an existing site set up, prelims and welfare. The cost of appointing a new contractor would duplicate all of Lendlease's existing management costs.
- b) The decision by Lendlease to waive commercial costs associated with the project in order to help enable a valuable community project which significant place making benefits which will be advantageous to the local community and all contractors across Southwark delivering local employment outcomes.
- c) The decision to create an "open book" contract with Lendlease who have managed a tender process which meets the council's procurement standing orders with a fixed fee for project management and site supervision agreed through a legal agreement (DMA).

Key/Non Key decisions

- 14. This report deals with a key decision

Plans for monitoring and management of the contract

- 15. The performance of Lendlease as project manager and lead consultant will be monitored by the project manager, Regeneration North through regular meetings with the supplier with reference to the programme and required services and deliverables.

Identified risks for the new contract

- 16. The following key risks have been identified for this project:

RISK		RISK LEVEL	MITIGATION ACTION
1.	Completing the design process within programme due to tight delivery timeframes.	Low	The project team is working hard to ensure that the design team – 1. deploy adequate resources and is willing to supplement additional resources to the project, if required. 2. put adequate management arrangements in place to deliver the project.
2.	Increases in design costs	Low	Cost consultants are monitoring each design stage and alerting to expenditure needs and mitigation. Budget set on basis of feasibility cost planning.
3.	Delay to final agreement of consultants proposals and contract documents, leading to a delay in contract award.	Medium	On going monitoring and forward programming to ensure DMA can be achieved.
4.	Construction delays on site and additional costs.	Medium	Key items with long lead require decisions early within the programme.
5.	Coordination of Council direct	Medium	Project team planning and

RISK	RISK LEVEL	MITIGATION ACTION
delivery items within the design and construction timeframe		monitoring of both programmes development and delivery. Coordination will be required during construction.

Community impact statement

- 17. The new Council Plan 2018-22 was the subject of extensive community consultation in 2017. The recommendations herein directly deliver upon an undertaking to build a new library and heritage centre on the Walworth Road that forms part of the Vibrant Future commitment set out in the Plan.
- 18. The new library and heritage centre will directly benefit the residents of the local community, creating a new front door for accessing the council's heritage and collections alongside valuable library services. The provision will resolve the break in local library service resulting from the closure of the temporary library in December 2018.
- 19. The construction will be closely managed with work being done during normal working hours and noise and environmental nuisance being kept to a minimum.
- 20. 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 who do not.
- 21. 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. Lendlease will be ensuring the Equality Act is upheld in their procurement process through their policy on Equality inclusion and respect.

Economic considerations

- 22. Contractors working on the project will be asked to consider promoting sub-contracting opportunities to local businesses through local media and business networks, and the scope for training opportunities on the project will be queried at interview stage, although it is noted the project is a very short build.

Social considerations

- 23. The Walworth Library and Southwark Heritage Centre will create a new community facility offering cultural, learning and research opportunities which will contribute to residents access to vital resources, and improve wellbeing through enhancing social cohesion and sustainable communities.

24. 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.
25. Lendlease are a LLW wage employer and ensure that all subcontractors commit to the LLW.
26. Opportunities for apprenticeship's and training during the project will be encouraged however due to the short delivery period of the project it may not be practical specifically for this scheme. Across the Lendlease delivery of Elephant Park there have been a number of apprentices and training opportunities, including the establishment with council of the construction skills centre.

Environmental considerations

27. The project will meet the council's sustainability requirements as defined in the planning process.

Market considerations

28. Lendlease are lessee of land at Elephant Park following grant of long leasehold interest for a premium.

Financial implications

29. The funding for the costs of this procurement (£3.25m) is contained within the approved capital project for "Walworth Library & Heritage Centre" (R-4020-0328). The total approved funds are £7.8m with no prior year expenditure.
30. The delivery of this project is split into 3 distinct phases which are a) Acquisition (£3.88m – net and including SDLT & professional fees), b) Construction (£3.25m including contingency) & c) Fit out (£0.67m). Therefore there is sufficient budget available to cover this planned procurement.
31. The expenditure on this project is expected to be incurred mostly in the current financial year with a residuary forecast for 2020/21.
32. The overall expenditure incurred against the capital allocation for the scheme will be monitored and reported as part of the capital programme management.
33. Staffing and any other costs connected with this project will be contained within existing departmental revenue budgets.

Legal implications

34. A development management agreement (DMA) is being prepared to confirm the contractual responsibilities of the Council and Lendlease and ensure that Lendlease meet procurement criteria in managing the tender process on behalf of the council.
35. The council is working with Lendlease to provide the Walworth library and Southwark Heritage Centre. The reason why the council has not obtained at least five tenders in accordance with CSO 5.3 is set out above.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

36. As the value of the works contract is less than the EU thresholds a procurement concurrent is not required for this report.

Director of Law and Democracy

37. The report notes that the appointment of Lendlease to arrange the construction of the Walworth Library and Southwark Heritage Centre and associated supervisory and project management services is recommended as part of a development agreement between Lendlease and the council. The procurement of the various professional consultancy services required in relation to the construction works has been undertaken by Lendlease following a process which is consistent with EU and domestic legislation and with the council's Contract Standing Orders.

Strategic Director of Finance and Governance (CAP19/029)

38. This report is requesting the Strategic Director Environment and Leisure to approve the appointment of Lendlease as project manager and supervisor to manage the construction of the Walworth Library and Southwark Heritage Centre to a value of £3,250,000 including a 10% works contingency held by the client. The appointment to commence on 20 December 2019 for a period of two years.
39. The strategic director of finance and governance notes that the costs of the contract will be contained within the departmental capital budgets for the "Walworth Library & Heritage Centre" project allocated under the Council's capital programme, as mentioned in financial implications.
40. The total expenditure for the scheme will be monitored and reported on as part of the overall capital programme
41. Staffing, subsequent maintenance and any other costs connected with this project to be contained within existing parks and leisure division revenue budgets.

I declare that I was informed of no conflicts of interests.*

or

~~I declare that I was informed of the conflicts of interests set out in Part B4.*~~

(* - Please delete as appropriate)

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Title of document(s) Project brief Project budget	Title of department / unit Address Regeneration South, 5 th Floor, Zone C, Tooley St	Name Jillian Houghton 55414

AUDIT TRAIL

Lead Officer	Jon Abbott, Head of Regeneration North	
Report Author	Jillian Houghton project manager	
Version	FINAL	
Dated	16 December 2019	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Strategic Director of Finance and Governance	Yes	Yes
Cabinet Member	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	No	No
Cabinet	No	No
Date final report sent to Constitutional/Community Council/Scrutiny Team	N/A	