

## Agenda Item 6

<b>Executive Member</b>	Councillor Charles Yarwood
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<b>Date</b>	16 <sup>th</sup> June 2015
<b>Ward (s) affected</b>	Dorking   <b>Key Decision</b>   Yes

<b>Subject</b>	<b>The process for procuring a principal contractor for the refurbishment of the Pippbrook Civic Offices, Dorking.</b>
<b>RECOMMENDATIONS</b>	
<ol style="list-style-type: none"> <li>1. That approval is given for the procurement of the principal contractor for the refurbishment of the Pippbrook Civic Offices to be selected via the Scape Framework Agreement as outlined within this report.</li> <li>2. That a report be presented to the Executive in October 2015 which sets out the offer made by the principal contractor to refurbish the Pippbrook Civic Offices.</li> </ol>	

<b>EXECUTIVE SUMMARY</b>
<p>Following Executive approval on 9<sup>th</sup> September 2014 to:</p> <p style="padding-left: 40px;">“Refurbish the existing offices at an estimated cost of £4.5m as detailed in the report; the order of priority should be: Health and Safety, statutory compliance issues, sustainability and improvements to the working environment.”</p> <p>This report sets out the process and recommendations for procuring a suitable principal contractor for the construction phase.</p> <p>A further report will be brought before the 20<sup>th</sup> October 2015 Executive asking members to receive the tender report and approve the awarding of the construction contract.</p>
<b>CORPORATE PRIORITIES</b>
<b>Environment - Maintaining the character and environment of Mole Valley</b>
<ol style="list-style-type: none"> <li>1. Where possible there is the opportunity to incorporate sustainable construction options within the refurbishment of the building which in turn will have a positive impact on running costs.</li> </ol>
<b>Prosperity - Delivering quality, value for money services</b>
<ol style="list-style-type: none"> <li>1. It is recommended that the procurement of the principal contractor will be via the Scape Framework Agreement in order to make best use of the pre-construction</li> </ol>

time available and allow early dialogue with the proposed contractor, ensure competitive pricing of the works and in order to achieve best value for money.

### **Community Wellbeing - Helping residents to access the services they need**

- 1. Improve the way we engage with our Customers and listen to our communities** – It is the long term aim of this project to both maintain and improve access to the main Council offices at Pippbrook particularly for disabled users. Incorporating new technology and working methods will improve the various ways by which customers gain access to services and be an important part of the refurbishment.
- 2. Working with our partners** will be facilitated by enhanced co-location and joint working. This will be optimised, by designing flexible working space within the office environment that can be adjusted to accommodate different user groups and the services being delivered.

## **1.00 BACKGROUND/INTRODUCTION**

- 1.1.0 At the Councils Executive on 9<sup>th</sup> September 2014 approval was given to carry out a refurbishment of the Pippbrook Civic Offices. Under Contract Standing Order 5.2 this project's value requires the Council's Executive to approve the procurement and contract strategy.
- 1.2.0 In considering the most suitable procurement route for this project, the following key elements need to be considered:
  - a. Compliance with Public Contract Regulations 2015 together with MVDC's own Contract Standing Orders (revised and adopted by Council on 17 February 2015);
  - b. Ability to demonstrate value for money;

### Framework Arrangement

- 1.3.0 Under an established framework agreement, public authorities are able to streamline the procurement process by eliminating the Stage 1 PQQ selection process, as this has been dealt with as part of establishing the framework agreement. Such agreements may have a number of approved suppliers, or only one. The terms and conditions on which the supplier provides the services under the framework agreement have been agreed upfront.
- 1.4.0 One such framework agreement was established by the Scape Group (**Scape**) in 2006 and is a local authority owned company offering a range of professional and construction related national procurement frameworks to local authorities amongst other public sector organisations. By taking a national approach, Scape is able to deliver highly measurable and innovative solutions that stimulate local growth in communities across the UK where around 30,000 small and medium sized enterprises (SME's) are currently employed across the suite of frameworks. Scape also state that 99% of its projects are delivered on budget and 95% are delivered on time. Within this suite is the Major Works Framework which can be used for any type of building construction project with a value of £2 million and above using the NEC form of contract. Scape appointed Willmott Dixon as the sole supplier under this framework, it having scored the highest overall for cost and quality. Although a national framework, the framework includes a strong local delivery focus, and under the framework agreement, the supplier uses specialist

sub-contractors from their supply chain which would enable regard to be given to using locally based companies in delivering the project.

1.5.0 Founded in 1852 Willmott Dixon is the UK's second largest family owned contracting, residential development and property company with a turnover of £1 billion a year. They were the first major contractor to win a Queen's award for Sustainable Development and is the UK's only construction company with Carbon Trust recognition for year-on-year cut in carbon footprint. Their local focus ensures that 75% of project spend is conducted within a 40 mile radius of all sites, with over £1m a year in time and materials being invested in local community projects.

1.6.0 They successfully won the sole contractor role on the Scape Framework Agreement on two previous occasions with the latest award being made in May 2013. This followed a rigorous selection process which involved Scape undertaking a carefully controlled two stage process which was fully compliant with OJEU and Public Contract Regulations requirements. Scape achieves the most economically advantageous tenders by procuring them on both cost and quality. This enables a single supplier to be selected who will offer the best combination of competitive pricing and the highest quality, backed by a strong local delivery focus.

In addition, the various sub-contractors which the principal contractor (Willmott Dixon) uses on the project will be procured via individual mini tenders. This will ensure competitive pricing for each of the work packages within the scheme and provide additional value for money for the client as much of the works will be subject to testing the market.

1.7.0 Willmott Dixon are a local company based in Cobham, Surrey and have considerable experience in carrying out major refurbishment contracts whilst buildings remain occupied. A number of case studies are available as background papers giving details of schemes which Willmott Dixon have undertaken with other local authorities. The refurbishment of the Wealden District Council Civic Offices is of particular interest as part of the works were carried out with staff in occupation and where continued service delivery was paramount. An important part of this project and one which will be a contract condition, will be a requirement for the principal contractor to have a suitably experienced site manager based permanently on site who can ensure clear communication with MVDC and its staff.

1.8.0 Over 125 public sector clients procure work through Scape, with projects including a wide range of buildings: schools, care homes, leisure centres and residential buildings.

The principle benefits for using the Scape Framework Agreement are:

1. Robust validation of construction costs is achieved by early engagement with the framework contractor.
2. The contractor's performance is monitored and captured by Scape at all stages and audited KPI's are reported to the clients.
3. By being part of a £1 billion Scape workload, projects benefit from lower contractor and management fees.

4. A time saving of around 5 months as a result of using an existing OJEU compliant contact.

1.9.0 Through the Scape Arrangement for Asset Management, Surveying and Design Services, the consultants Faithful+Gould were appointed as sole supplier following a competitive tendering process which made the selection based on both quality and price. Through this arrangement, Mole Valley District Council have appointed them to provide a range of professional services on the refurbishment of the Pippbrook Civic Offices including: Building Surveying, Quantity Surveying, Structural Engineering, Contract Administration, Electrical and Mechanical Engineering and CDM Co-ordination. This appointment which is also under an NEC form of contract, clearly ties in with the recommendations of this report to use the Major Works part of the Scape framework for the appointment of Willmott Dixon as principal contractor. Whilst other framework options for the appointment of the principal contractor have been looked at, the continuity achieved by using Scape for both consultants and the principal contractor is seen as an important ingredient to the on-going success of this project.

1.10.0 The pre-tender estimate for the refurbishment of the Pippbrook Civic Offices is below the EU threshold of £4,322,012 (construction costs) and therefore will not be subject to an OJEU notice.

1.11.0 Whilst a two stage restricted procurement route was considered for this project, the use of an established Framework Agreement was considered to be more suitable as it not only ensures compliance with the criteria under 1.2.0 above but also achieves the requirements of the delivery programme.

#### 1.12.0 Delivery Programme

The following sets out the anticipated delivery programme for the project. The internal refurbishment works will be carried out in a number of phases during the contract period. Each phase will identify areas or zones which the contractor will refurbish before moving onto the next one. This will all be clearly laid out within the contract document under a 'sectional completion supplement'. The refurbishment zones and phasing programme will be developed in order to cause the minimum amount of decanting and disruption possible to both our service delivery and building occupiers during the contract period.

Initial Surveys, Consultants Report – April 2015

Draft Scope of Works & Draft Phasing Plan – May/June 2015

Executive approval of Contractor Procurement Route – June 2015

Detailed Scope of Works & Tender Package – July/August 2015

Tender package to Willmott Dixon – August/September 2015

Executive Approval of Contractors Offer – 20<sup>th</sup> October 2015

Formation of Contract & Contractors Lead-in Period – Nov/Dec 2015

Works Commencement – January 2016

Works Completion – December 2016

### **1.13.0 Legal Implications**

If Executive approves the use of the Scape Major Works Framework, the construction contract with Wilmott Dixon will use the NEC form of contract. The NEC form of contract is endorsed for public sector use in the UK Government Construction Strategy.

The NEC contract is different from other standard form building contracts, such as the JCT, in that it is founded on a collaborative, project-management approach to construction. It requires all those involved in operating the contract to act 'in a spirit of mutual trust and co-operation', and for there to be properly documented Works Information, a competent and well-resourced Project Manager and a hands-on client, which are all correspondingly more important to the success of the project. MVDC will need to take an active role in the project delivery, by being aware of what it is going on, being available to take decisions when required and to actively participate in risk reduction through the early warning process, which is required when anything occurs which could increase prices, delay completion or any other key date or impair the performance of the works, and also the compensation event notification process, where the Contractor notifies the Client about an actual or potential compensation event so as to enable the parties to act/mitigate.

This means that under the NEC contract, there is less initial cost certainty; however the prices tendered should not have built into them the risk premium that arises when all risks are transferred, or are sought to be transferred, to the contractor, and should result in less risk of disputes at the end of the contract.

With any procurement process there is always a risk of challenge. However, provided the Council complies with the terms of the Scape Major Works Framework, and the Executive have properly taken the decision in accordance with public law decision making principles, the risk of a challenge on public law or procurement law grounds is mitigated.

As we are not procuring services, but a works contract, the Public Services (Social Value) Act 2012 requirement to consider at a pre-procurement stage as to:

- (a) how what is proposed to be procured might improve the economic, social and environmental well-being of its district, and
- (b) how, in conducting the process of procurement, it might act with a view to securing that improvement.

does not apply. However, given the policy of making public contracts more accessible to SMEs, Wilmott Dixon will be expected to have due regard, when constructing its supply chain, to enable SMEs to participate in the project delivery.

Consideration will need to be given pre-procurement as to whether it is appropriate to require collateral warranties/third party agreements from the construction partner for the benefit of any potential operators or tenants of the facilities.

## **2.0 OPTIONS**

The following options are open the Executive:

### Procurement

1. Agree to use the SCAPE framework agreement for the procurement of the principal contractor.
2. Agree not to use the SCAPE framework agreement for the procurement of the principal contractor but to follow a two stage restricted route instead.

## **3.0 CORPORATE IMPLICATIONS**

### **Monitoring Officer Commentary**

The Monitoring Officer confirms that all relevant legal implications have been taken into account in the report.

### **S151 Officer Commentary**

The s151 Officer confirms that all relevant financial issues and risks have been taken into account.

**Risk Implications** – The risk register for this project is monitored and reviewed by the MVDC Corporate Board and the Member Working Group and updated by the project team. This ensures that risks are identified at an early stage and mitigation strategies are put in place.

1. There is a risk that the tender provided for the works will be over the budget allowed for this scheme. In order to mitigate this risk, early discussions will take place with the proposed contractor and a detailed pre-tender estimate will be undertaken for the works.
2. Risk of challenge on the chosen procurement route. This is mitigated by the Council complying with the terms of the Scape Major Works Framework, and that the Executive have properly taken the decision in accordance with public law decision making principles.

### **Equalities Implications –**

The Equalities Implications were detailed in the previous Executive report as a result of being assessed within the Equality Impact Assessment. Where appropriate, any requirements will be incorporated into the schedule of works and specification for inclusion in the tender documents.

### **Employment Issues –**

There are no employment considerations associated with this report.

### **Sustainability Issues –**

The report which was approved by the Executive on the 9<sup>th</sup> September 2014 recommended that as part of the overall refurbishment, priority should be given to issues of sustainability. As the schedule of works and specification is developed by the project team, ways of improving the building sustainability and carbon footprint will be under continual review.

**Communications –**

Communication on the projects delivery programme is ongoing with both the Pippbrook Member Working Group and MVDC staff.

**BACKGROUND PAPERS**

Case Studies on projects undertaken by Willmott Dixon.

