

Croydon Council

For General Release	
REPORT TO:	Cabinet 21 September 2015
AGENDA ITEM:	13.3
SUBJECT:	Award of Contract – Main Construction Works Heathfield Academy
LEAD OFFICER:	Jo Negrini, Executive Director for Place Paul Greenhalgh, Executive Director for People
CABINET MEMBER:	Councillor Simon Hall, Cabinet Member for Finance and Treasury Councillor Alisa Flemming, Cabinet Member for Children, Young People and Learning
WARDS:	Fairfield
CORPORATE PRIORITY/POLICY CONTEXT: The Capital Delivery Hub (CDH) Education Team has a remit to deliver the Schools Expansion Programme (the Programme) to increase the school places capacity on behalf of the People Department. The programme will deliver new school facilities to satisfy the growing permanent capacity requirements by providing new primary schools, new build expansions at existing schools and the refurbishment & improvements to existing schools.	
AMBITIOUS FOR CROYDON & WHY WE ARE DOING THIS: The delivery of these projects is critical in ensuring the Authority is able to meet its statutory requirement to provide pupil places to meet increasing demand and will support the Authority in meeting the Policy Objectives of: <ul style="list-style-type: none">• Achieving better outcomes for children and young people• Promoting economic growth and prosperity	
FINANCIAL IMPACT SUMMARY: This report recommends commitment to a maximum Contract Award of £8,743,471.00 (which includes a contingency sum) to provide a new 2 form entry primary school, Heathfield Academy, from the total budget allocation of £12,747,276.00 part of the 2014/15 capital budget, revised in the July 2015 Financial Review (minute ref: A72/15)	
KEY DECISION REFERENCE NO.: 16/15/CAB This is a Key Decision as defined in the Council's Constitution. The decision may be implemented from 13.00 hours on 5 th working day after it is made, unless the decision is referred to the Scrutiny & Strategic Overview Committee by the requisite number of Councillors.	

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1. RECOMMENDATIONS

The Leader of the Council has delegated to the Cabinet the power to make the decisions set out in the recommendations below.

The Cabinet is asked to:

- 1.1 Approve, subject to satisfactory finalisation of the contract value as detailed in 1.2, the award of a NEC3 Engineering and Construction contract to Mace Group for the main construction works to provide the 2FE Heathfield Primary Academy at the site known as 7 Aberdeen Road, South End to a maximum value of £8,327,115.00 plus a 5% risk and contingency allowance held by the Council of £416,356.00 to give a maximum contract sum of £8,743,471.00.
- 1.2 Agree that, for the reasons detailed in para. 3.6 the Executive Director of Place, in consultation with the Executive Director of People, the Cabinet Member for Finance and Treasury and the Cabinet Member for Children, Young People and Learning, be given delegated authority to conclude the final contract value within the maximum contract value detailed above.
- 1.3 Note that the final contract value will be included as part of the standard Contracts Report to the next meeting of Cabinet.

2. EXECUTIVE SUMMARY

- 2.1 This report recommends award of an NEC3 Engineering and Construction contract for the main construction works (“the Works”) to provide a new 2 form entry (2FE) Heathfield Primary Academy (the Academy) at the site known as 7 Aberdeen Road, South End (the site) to Mace Group (the Contractor) at a maximum contract price of £8,743,471.00 inclusive of a 5% risk and contingency allowance to be held by the Council.
- 2.2 The Detail section of this report sets out the background to the project, the procurement strategy in the context of the wider Education Estates expansion programme for 2014/15 agreed by Cabinet on 17 June 2013 (Min.A63/13) and details the call-off procurement process to ensure the required procedures have been followed to secure the best quality and value for the Works.
- 2.3 The Contractor was previously awarded the Pre-construction Services Agreement (PCSA) for the design work for the new primary school Heathfield Academy on the site. The award of that agreement was approved through CCB on 13th February 2014 (CCB Number CCB0866/13-14).
- 2.4 Following approval for the award of the PCSA contract to Mace, the demolition and enabling works started on 27 July 2015. Approval and award of this contract for the Works will enable the timely continuation of the project .and enable it to complete on time for the opening of the new Academy in September 2016.

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- 2.5 The content of this report has been endorsed by the Contracts and Commissioning Board

CCB Approval Date	CCB ref. number
21/08/15	CCB1037/15-16

3. DETAIL

Background:

- 3.1 The Cabinet Report of 18 November, 2013 (Min.A100/13) decided upon a new primary school on the site of 7 Aberdeen Road and a feasibility study was undertaken to set out the site constraints and opportunities. The conclusion of this study resulted in the Secretary of State appointment of the STEP Academy Trust to be the preferred sponsor of the new 2 FE Primary Academy School at Aberdeen Road.
- 3.2 A detailed feasibility analysis confirmed that a 2FE primary academy was deliverable on the site. A comprehensive design development process (to RIBA Stage 4) was completed in August 2015 with detailed design proposals for the Academy and associated highways improvements which are to be delivered. The demolition and enabling works have been completed.
- 3.3 Following the review of the Contractors Proposals it is recommended to Cabinet to award the contract for the Works to the Contractor to undertake the works as outlined above. The design proposals have been submitted for planning consent on 10th September 2015. The planning case office has recommended approval of the scheme subject to the normal conditions

Procurement

- 3.4 In accordance with the approved procurement strategy, the Council procured Mace via the iESE Major Construction Framework, which has been competitively tendered following an OJEU compliant procurement process. The framework has an agreed set of fixed rates for overheads, profits and preliminaries.
- 3.5 As part of the Council's requirements, Mace has completed an open book tender exercise for these works based on competitive quotes from their proposed sub-contractors. The costs have been reviewed by the Council's appointed cost consultants Keegans, who confirmed that they represent value for money based on school benchmark costs and local site circumstances and has allowed the Council to meet the demanding timescales set due to the requirement to provide school places for a growing population. Mace's proposals are currently just over 1% higher than the target budget price. Council officers and its professional advisors are of the opinion that, through final pre-contract negotiations with Mace, this remaining gap can be closed to ensure the cost of the works fall within the maximum contract value detailed in the recommendation 1.1.

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4. CONSULTATION

- 4.1 A pre-planning public presentation was held in April 2014. Consultation with relevant departments has been ongoing throughout the design stages, such as Planning, Building Control, Highways, Transport, Parking as well as local businesses and the community.
- 4.2 There has also be consultation with the wider community associated with the planning process to gain Planning Permission for the proposed expansion.
- 4.3 Ongoing community engagement will be conducted throughout the construction works period, as part of the Contractors responsibilities and the project's registration under the Considerate Constructors Scheme
- 4.4 The Council's project team and the Contractor's design team have worked extensively with local stakeholder and STEP ACADEMY to ensure the development of the design solution aligns with their reasonable expectations.

5. FINANCIAL AND RISK ASSESSEMENT CONSIDERATIONS

5.1.1. Revenue and Capital Consequences of Report Recommendations

The financial implications of this proposed award are identified below:

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2015/16 £'000	2016/17 £'000	2017/18 £'000	2018/19 £'000
Capital Budget available	4523	5274		
Expenditure Effect of decision from report				
Expenditure	4253	4493		
Remaining budget	273	781		

5.1.2. Effect of the Decision:

The award of contract for the Works will commit to spending a maximum of £8,743,471.00 from the budget allocated for the 2014/15 education expansion programme. This cost is made up of the Contractors Works costs of £8,327,115.00 plus a 5% risk and contingency allowance of £416,356.00 held by the Council. Current estimates from Mace anticipate costs of £8,432,115. If this cannot be value engineered to within the anticipated contractor work budget, the additional spend of £105,000 can be contained within the risk and contingency allowance.

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After commitment to this contract award, the remaining budget is considered sufficient for provision of ancillary items, such as FFE and IT, required to provide a suitable teaching environment for pupils.

The figures reflected within the table in 5.1.1 do not include prior year's expenditure, on the project of £2.95m during 2013/2014/2015, which includes expenditure on the site acquisition, feasibility, & pre-construction services.

5.1.3. Risks:

There are low to medium levels of below ground contamination in the development site, and this has been mitigated through the early demolition works. There remains a risk with the Works due to the deeper foundation excavations that will take place within the site for construction of the new build primary academy. Should any below ground contamination be exposed during the Works the Council will be responsible for the costs of the safe extraction and removal of this contamination from the development site. The level of risk and the contingency allowance is estimated to be sufficient to address this contamination risk for a project of this scale and magnitude.

Should the Contract for the Works not be awarded and the works not commence, the delivery of the project for opening of the School for September 2016 will not be possible. This delay will also mean the Council will be liable for extensive abortive costs and incur costs for the sourcing and preparation of alternative educational accommodation for 420 primary pupils for September 2016.

If the contractor works cannot be reduced and there are further cost overruns or delays there may be insufficient budget available within the risk and contingency allowance.

5.1.4. Future Savings / Efficiencies:

The Contractor has tendered the subcontract packages on an open book basis to determine the proposed contract value for the construction contract of Phase two of the Works. This approach has enable the Council's professional advisers to market test the Contractor's tendered price and to ensure market best value is being delivered for the project.

Approved by: Dianne Ellender, Head of Finance & Deputy S151 Officer

6. COMMENTS OF THE COUNCIL SOLICITOR

- 6.1. The Council Solicitor comments that the procurement process as detailed in this report meets the requirements of the Council's Tenders and Contracts Regulations and the statutory duty to demonstrate best value under the Local Government Act 1999.

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Approved by: Gabriel Macgregor, Head of Corporate Law on behalf of the Council Solicitor & Monitoring Officer

7. HUMAN RESOURCES IMPACT

- 7.1 This report does not directly raise considerations of staffing levels, restructuring/regarding, TUPE implications, recruitment, employee relations, the Council's personnel policies or other Human Resources matter and therefore has not sought approval from Human Resources.

Approved by: Deborah Calliste, HR Business Partner on behalf of the Director of Human Resources

8. EQUALITIES ANALYSIS

- 8.1 An Equalities Impact Assessment has been undertaken for the development of the Strategy Report for the Education Programme submitted along with the January 2015 Cabinet paper. Further EIA will be undertaken at appropriate stages in the development of the design proposals. Generally the development of the new school provision will have a positive impact on the school pupils / staff and the wider community. Regardless of familial, cultural, disability status, economic situation and social background, every child will have equal entitlement to a high qualitative education to be provided by the scheme.

9 ENVIRONMENTAL IMPACT

- 9.1 There will be a Site Waste Management Plan for the proposed school construction site to ensure that a minimum of waste is sent to landfill and opportunities for recycling and reusing materials are maximised.
- 9.2 The Contractor will comply with the Considerate Constructors scheme as follows:
- Identifying, managing and promoting environmental issues.
 - Seeking sustainable solutions, and minimising waste, the carbon footprint and resources.
 - Minimising the impact of vibration, air, light and noise pollution.
 - Protecting the ecology, the landscape, wildlife, vegetation and water courses.

As a condition of contract the Contractor and its subcontractors will be required to dispose of waste off site in line with current Government legislation.

Planning Permission is subject to the building achieving a BREEAM rating of Excellent and compliance with the London Plan reduction of carbon, 40% beyond Building Regulations 2010 Part L.

- 9.3 The Council will work with the school to monitor the post occupancy energy performance of the new buildings. This is to ensure that the low energy

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designs perform as expected and to capture any lessons learned for future projects.

10. CRIME AND DISORDER REDUCTION IMPACT

- 10.1 There will be increased numbers of people using and passing through the area which will in turn increase the level of passive supervision in the area.
- 10.2 The new school has a number of external CCTVs in place that provide a visual deterrent for criminal activity around the site.

11. REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 The Contractor's tender submission for the Works was evaluated by the Council's project officers, Employers Agents and Quantity Surveyor (QS) to ensure compliance with the specification. The pricing documents were checked against industry benchmarks and for arithmetical errors. The QS confirmed the costs for the services represent value for money as can be determined at this stage of the construction process.
- 11.2 The recommendation contained within this report is to award the contract for the Works to Mace Group whose compliant tender submission was considered to offer the best value for money and can be delivered within the programme with no risk of further delays.

12. ANY OPTIONS CONSIDERED AND REJECTED

- 12.1 The alternative options to procure via a mini competition using an alternative framework were considered and rejected due to the timescales involved in re-tendering which would have rendered the whole project un-deliverable for September 2016 opening.

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Background Papers : None