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# Report

**Subject** : Office Centralisation – Awarding the Contracts for a) the enabling contract and b) the main contract

**Report to** : Full Council

**Date** : Monday 11 December 2006

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**Leader** : Councillor Richard Britton

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## 1. Purpose of Report:

The purpose of this report is to recommend to Full Council that the enabling contract be awarded to contractor Z and the award of the main contract be delegated to the Policy Director following discussion with the Leader to enable construction of centralised offices.

## 2. Background:

- 2.1. Members will recall that the council has been working in earnest to centralise offices at Bourne Hill with a purpose built customer contact centre during the last 4 years.
- 2.2. Key milestones in the project this year include the granting of planning permission in September, the approval of a net £9.7m in the Capital Programme in June, adoption of the revised Business Case in July and a very positive 4Ps review of the project in November.
- 2.3. This report considers current context, updates Full Council on the latest total valuation of surplus properties and outlines the tendering process.
- 2.4. Full Council is asked to note that there is a supplementary exempt paper that contains commercially sensitive information. Officers are of the opinion that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

## 3. Current Context:

- 3.1. Since Full Council last considered the project, the results of the ballot for the stock options appraisal are now known and the Housing Management Unit will be accommodated within the centralised offices.



Awarded in:  
Housing Services  
Waste and Recycling Services



- 3.2. In November the Local Government White Paper was issued. A key element of the paper is an invitation for councils to submit proposals for unitary local government. Whilst this council will be considering the matter at a special Full Council on 18 December, Wiltshire County Council has already asked the Chief Executive to prepare a report on this for further consideration in January in advance of the submission date for any bid. Given this lack of clarity about future local government structures in the area, it is important to consider whether there is any impact on the office project.
- 3.3. Whilst it is impossible to predict whether the future structure would be based on one or two unitary councils or the current two tier structure, it would be inconceivable, given the geography, population centres and unique city status within the county, for there not to be staff based in Salisbury providing services to local people.
- 3.4. It should also be noted that the property holdings of Wiltshire County Council within the Salisbury District are in poor condition and are dispersed throughout the City. In the event of any merger of councils in the future the refurbished and extended Bourne Hill will provide fit for purpose offices and customer contact centre for any successor council.

#### **4. Valuations of Surplus Properties:**

- 4.1. Full Council will be aware that the project will be partially financed by the sale of surplus properties. The last valuation of these by an independent valuer was undertaken in September 2005. At that time, and based on the lower end of the range of the valuations, asset disposal contributed £4m to the project.
- 4.2. Given the current performance of the property market locally and some new opportunities that have arisen for disposal, the independent valuer has updated the valuations. The revised total now represents £4.7m which is still at the lower end of the formal valuation carried on the council's behalf. Full details of the updated valuations are contained in the exempt report.
- 4.3. In accordance with the Cabinet decision on asset disposal (of February 2006) to maximise return on investment, the Project Sponsor in consultation with the Portfolio Holder for Resources has provisionally removed two assets (Pennyfarthing House and 37 Endless Street) from the Asset Disposal Strategy and replaced them with another three assets (Britford Depot, Milford Street and Bedwin Street as the tenant has given us notice that they will vacate the building).
- 4.4. Pennyfarthing House and 37 Endless Street would be reconsidered at a further date once the future of CCTV is determined and the location of Wiltshire County Council intelligent transport monitoring equipment is resolved.

#### **5. The Short-listing Process for Potential Contractors:**

- 5.1. The revised Procurement Strategy approved by Cabinet in May 2006 was based on splitting the work on site into two contracts. Firstly one for the enabling work which includes demolition of the Victorian extension and ancillary buildings, tree protection and removal, site strip and archaeological investigations, alterations to Belle Vue car park entrance and underpinning to the house. Secondly, the main contract for the construction of the extension, refurbishment of the Council House and associated site works.
- 5.2. The enabling contract was advertised in *Building magazine* (a national publication) and on our website and expressions of interest were invited from interested contractors. The initial applications were evaluated against a set of criteria including financial standing, insurances and technical capability. The evaluation was undertaken by the council, cost consultants and project managers.
- 5.3. Following this evaluation 4 contractors were invited to submit tenders.

- 5.4. One tender for the enabling works was received by the due date of 1 November.
- 5.5. Given the scale of the main contract the council was required to advertise an invitation to interested contractors in the Official Journal of the European Union. This was also placed on our own website. 11 contractors responded and again their submissions were evaluated against an extensive set of criteria including financial standing, insurances, technical capability and experience, health and safety, personnel practices and sustainability. The initial evaluation of the long list of eleven was undertaken by the whole of the design team, council and project manager and a short list of seven were invited to interview and references taken up.
- 5.6. The selection panel included the Deputy Portfolio Holder for Resources, the Project Sponsor, Internal Project Manager, Architect, Conservation Architect, Cost Consultant and external Project Manager.
- 5.7. Following this evaluation, interview process and references 5 contractors demonstrated that they would be able to achieve the required quality threshold. 1 firm withdrew prior to formal issue of the invitation to tender. The remaining four firms were invited to submit tenders.
- 5.8. Four tenders for the main contract were received by the due date of 22 November.

## **6. Pre Tender Submission liaison**

- 6.1. The council's cost consultant, Gardiner and Theobald, has led the pre tender submission liaison for both contracts. This has included mid tender discussions with the contractors to ensure full comprehension of the project. Detailed site visits have been arranged via the council.

## **7. Post Tender Technical and Financial Evaluation:**

- 7.1. On receipt of the tenders a team from Gardiner and Theobald has undertaken a thorough evaluation of the lowest tender and an initial evaluation of the other tenders. Their findings are that whilst there is still considerable work to do in respect of finalising the final contract sum and other details, there is sufficient cost certainty to proceed with a view to entering into a formal contract. However work is still continuing to identify the tender that offers the best value for money. Since the original report was despatched further evaluation work has been undertaken by Gardiner and Theobald. This suggest that best value can be obtained with negotiations with three of the contractors.
- 7.2. The current approved Capital Programme and the latest estimates are compared in Appendix 1.
- 7.3. The financing of the project has been updated to reflect the additional proceeds of capital receipts as outlined in 4.2.
- 7.4. An additional maximum sum of £1.220,000 is required within the Capital Programme to fund the project. This represents a maximum percentage increase of 8.9% on the current budget. A breakdown of this potential additional sum is detailed in the exempt paper as it contains commercially sensitive information.
- 7.5. An additional £85,000 recurring revenue savings will be required to finance the maximum additional capital outlined in 7.4. The affordability model has been updated (Appendix 1) and shows how this will be achieved. The targets for savings are on course to deliver and are reflected in the Council's Medium Term Financial Strategy. These are within the tolerances of the existing business case.

## 8. Recommendations:

- 8.1. The Council approves an additional maximum £1.220,000 in its Capital Programme for the office project. Since this represents the maximum additional sum required any unspent sums will be returned to balances.
- 8.2. The enabling contract is awarded to contractor Z.
- 8.3. The decision to award the main contract is delegated to the Policy Director (following discussion with the Leader and in consultation with the Head of Financial Services / Head of Legal and Property Services / Project Manager / consultants) to the contractor whose tender represents the best value for money within the approved Capital Programme.

## 9. Next Steps:

Subject to Full Council's decision the enabling contractor will mobilise and take possession of the site in mid January 2007. The enabling works contract is expected to take approximately twelve weeks. On completion of these works the site will be handed over to the main contractor in April. The programme for the main contract indicates completion taking place in late summer/autumn 2008.

## 10. Implications:

- **Financial:** By following the recommendations the Council will vary its capital programme by a maximum of £1.220,000 to reflect the tender prices. This is within the tolerances of the current business case.
- **Legal:** the Council is required to comply with the Public Contracts Regulations 2006 ["the Regulations"] in respect of the main contract. Post tender negotiations must be conducted within the scope of the Regulations. The contract cannot be concluded until following the expiry of 10 days of written notification of the decision to award the contract. Notification must contain the award criteria, the scores obtained by unsuccessful bidders and the successful bidder and the name of the winning bidder.
- **Human Rights** : compliance with the Regulations should meet Article 6 [right to a fair trial] if it is engaged.
- **Personnel** : Contained within the Business Case.
- **ICT** : Contained within the Business Case.
- **Community Safety:** Contained within the Business Case.
- **Environmental** : Contained within the Business Case.

**APPENDIX 1**

**AFFORDABILITY MODEL Office Project**

	<b>Current Budget</b>	<b>Recommended Budget</b>	<b>Difference</b>	
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>Notes</b>
Adjusted Tender Price/Original Estimate	10,488	12,260	1,772	Tender prices received
Other Project Costs	2397	2545	148	Fees in proportion to uplift
Project costs attributable to scheme	<u>12,885</u>	<u>14,805</u>	<u>1,920</u>	
Contingency	817	817	0	Market risk removed
Total project costs	<u>13,702</u>	<u>15,622</u>	<u>1,920</u>	
Less estimated disposal receipts	(4,000)	(4,700)	(700)	Market conditions
<b>NET COST OF SCHEME</b>	<b><u>9,702</u></b>	<b><u>10,922</u></b>	<b><u>1,220</u></b>	
Capital receipts banked to date	(4,000)	(4,437)	(437)	Final installment received in Nove
To be financed from Revenue	<u>5,702</u>	<u>6,485</u>	<u>783</u>	
Capital repayment (year 2 onwards) @ 4%	228	259	31	
Loss of interest	437	491	55	
Total cost of capital to revenue	<u>665</u>	<u>751</u>	<u>85</u>	
<b>Annual revenue savings:</b>				
Premises Related Costs(Based on Current budgets)	166	200	34	Original figure two years ago
Energy Costs	42	63	21	Due to increased fuel prices
Staffing Costs	344	400	56	Target was set at £400k in MTFS
Rent from County Council	30	25	(5)	Minimum rent
Other savings to be Identified	83	62	(21)	Service charges and miscellaneou
Total revenue savings	<u>665</u>	<u>750</u>	<u>85</u>	

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