

<b>REPORT TO</b>	<b>DATE OF MEETING</b>
<b>CABINET</b>	<b>4<sup>th</sup> September 2013</b>



<b>SUBJECT</b>	<b>PORTFOLIO</b>	<b>AUTHOR</b>	<b>ITEM</b>
<b>Electrical Upgrading, Roofing Works &amp; Fire Suppression, Civic Centre and Fire Suppression, Moss Side Depot</b>	<b>Finance &amp; Resources</b>	<b>John Dalton</b>	<b>8</b>

## **SUMMARY AND LINK TO CORPORATE PRIORITIES**

This report requests approval to award a contract to the company who submitted the lowest price tender for the improvement of Roofs including the installation of a photo voltaic system and electrical services replacement at the Civic Centre, Leyland; and Fire Suppression Systems to rooms at the Civic Centre and Moss Side Depot.

## **RECOMMENDATIONS**

That Cabinet agrees that

1. a contract be awarded to Harry Fairclough Construction Ltd -subject to the provision of a bond and parent company guarantees-to carry out improvement work to the civic centre roof, electrical services replacement and fire suppression systems;
2. a variation to the contract be issued to omit the fire suppression systems to rooms at the Council Depot, and to exclude the installation of a photo voltaic system at the Civic Centre.
3. any decisions relating to further variations to the contract (following on from the decision on the future of Commercial Services) be delegated to the Director of Planning and Housing in consultation with the Cabinet Member for Finance and Resources
4. a further report be presented to Cabinet regarding fire suppression proposals at Moss Side Depot

## **DETAILS AND REASONING**

### The schemes and approvals

At the Cabinet meeting, held in 6<sup>th</sup> February 2013, the Capital Expenditure Forecast for 2013/14 was approved; it includes the following schemes for works, associated professional fees etc., but excluding VAT:

<u>Scheme</u>	<u>Total budget 2012/14 estimate</u>
Photo voltaic system	£123,200
Improvement work to roof	£ 88,000
Electrical services replacement	£150,000
Fire Suppression system	<u>£ 75,000</u>
<b>Totals</b>	<b><u>£436,200</u></b>

The above estimates include an allowance of 10% of the estimated works value, for the cost of associated professional fees, e.g. the total of £436,200 comprises £396,546 works and £39,654 fees.

At the Cabinet meeting held on 20<sup>th</sup> March 2013, authority was granted under Section 3.4 of the Financial Regulations to incur capital expenditure on these schemes (the procurement being conducted in accordance with the provisions of the Council's Contract Procedure Rules).

It was considered beneficial to amalgamate these schemes into one contract, to benefit from economies of scale, assist in ensuring compliance with health & safety regulations and minimise disruption to persons and business at the Civic Centre.

#### Design and Management of the Works

The Council does not employ any persons with the necessary experience and skills to design and manage the works and conform with the requirements of the construction (Design & Management) Regulations 2007. Through a competitive process specialist consultancy has been obtained to support the Council.

#### Procurement and Tender Received

In accordance with the Council's Contract Procedure Rules, a prequalification process was undertaken to identify organisations who wish to provide tenders, act as Principal Contractors and carry out the works. An open invitation was made via the Chest, electronic tendering portal, inviting applications; eight organisations submitted a completed application form. Four were subsequently found to be suitable and invited to tender, again via the Chest.

In order to identify organisations who wished to carry out the electrical subcontract works a similar prequalification process was undertaken. Sixteen organisations submitted a completed application form. Five were subsequently found to be suitable and they were named in the tender documentation; which requires the four companies invited to tender for the Principal Contractor role to obtain tenders from the Named Electrical Subcontractors.

Unfortunately, despite an attempt to source tenders from companies genuinely interested in submitting a tender for the Principal Contractor role, only one tender was received.

The tender received, from Harry Fairclough Construction Ltd, of Warrington, Lancashire, in the sum of £458,000, excluding VAT has been evaluated and found to be acceptable. However, it is £61,470, in excess of the estimated £396,546 budget for the works.

#### Timing of the Works

It is proposed that the contract be carried out between mid-December 2013 and mid-March 2014.

The electrical services replacement necessitates a total shutdown of the electrical systems, resulting in the building being unusable. The building is to be closed for business from mid-day Christmas Eve until 7am on 2<sup>nd</sup> January; this would seem an ideal time to have the electrical services replaced. It is considered necessary to continue to provide power to the main IT servers to avoid damage if they were unpowered and allowed to cool, so a set of two generators will be temporarily installed prior to the Christmas shutdown.

A programme will be agreed with the contractor to have the other works carried out at convenient times during the period mid-December 2013 and mid-March 2014.

#### Implications of fully closing the Civic Centre

Following approval of the above recommendations by this Cabinet a 'Civic Centre Continuity Team' will be set up to look at the risks of unplanned events that may impact on delivery of services. It will comprise staff members who may be affected by the potential loss of services at the Civic Centre, loss of power during the closures, and the carrying out of all of the works. It will be asked

to identify potential problems, agree and recommend solutions, if not already in place. Also, it will consider and recommend contingency plans relating to non-performance of the replacement of electrical services during the scheduled Christmas closure, which would render the Civic Centre unfit for reoccupation on 2<sup>nd</sup> January.

### Breakdown of Tender Costs

It is impracticable at this time to attempt to accurately state the individual values of the elements of works included in the tender cost. However, Harry Fairclough Construction Ltd has provided information to enable approximate costs to be estimated. The costs should not be taken as the exact costs. The tender of £458,016 against a budgeted figure of £436,200, includes contingency sums totalling £26,412; therefore the total cost of works listed below is approximately £432,000.

### Improvement Work to Roof

The scheme in the budget is to improve the roof coverings to upgrade the insulation value of the roofs, to reduce the need for space heating to top floors and excessive solar heating of these floors in high summer. In addition, the maintenance life of these roof coverings would match the life of the photo voltaic equipment if a photo voltaic system was to be installed at a later date. It has been found that works to lead flashings etc, are greater than envisaged; the approximate cost of works in the tender for works to roofs and adjacent parapet walls is £110,000.

Also, whilst apparatus is on the roof to protect operatives and safely move materials onto the roof, it is considered appropriate to replace the roof coverings of the Boiler Room, situated on the high level roof, which have been in place for many years, and this additional work is included in the tender, approximate sum being £25,000.

### Electrical Services Replacement

The scheme involves replacement of the main electrical switchgear, electrical sub main to the Kitchen in the Civic Suite and rewire of circuits to kitchen equipment. They were installed when the building was constructed in 1974 and are near the end of their maintenance free life, or not in accordance with current standards. The future use of the Kitchen areas in light of the report at Cabinet on the future of Commercial Services will require further work. It is recommended that if the Cabinet recommendations regarding Commercial Services are agreed then the currently planned works to the kitchen areas are reviewed and the contract varied accordingly. To facilitate this it is recommended that any such revisions to the contract are delegated to the Director of Planning and Housing in consultation with the Cabinet Member for Finance and Resources.

Approximate costs in the tender are £124,000 for the works including the provision of temporary generators.

### Fire Suppression Systems

The insurer of the Civic Centre has stated that without fire suppression systems two rooms containing main IT servers constitute a high risk of spread of fire, and the stored documents in the Deeds Room are at risk; and has recommended that systems be installed. The insurer of the Council Depot has not commented on the fact that it includes two server rooms that do not have fire suppression systems, but the approved £68,182 budget (plus fees) for fire suppression systems includes for providing systems to these rooms at the Depot.

Approximate costs in the tender are £64,000 for the works at the Civic Centre and £36,000 for work at the Depot; total £100,000.

Back up servers for the IT system at Civic Centre are contained in a first floor room at the Depot, which is surrounded by premises let to another company, which is inconvenient for the Council and the company. The company has stated that it would be beneficial to its operations if this room was

part of the premise let to it, and has stated that it would be willing to make a payment to assist the Council in the cost of moving the servers elsewhere. The other server room at the Depot is a converted small, first floor room off a densely occupied office occupied by Council officers. Both server rooms have suspended ceilings below the pitched industrial roof, these ceilings are inadequate for the fire suppression system to properly operate and works are included in the tender for replacing these ceilings with timber and plasterboard ceilings, which, during construction will cause disruption to the persons in the offices through which access will be required. Also, proposals to carry out ceiling works, generating considerable dust, raises the concern of damage to the servers which would have to remain in operation. Therefore, it is suggested that the fire suppression systems to the server rooms at the Depot not be installed; the works being omitted from the tender of Harry Fairclough Construction Ltd. An alternative scheme for the provision of a ground floor, easily accessible, IT server room in part of the premises operated by the Council, be reported for approval to the Cabinet to be held in February 2014.

### Photo voltaic System

The proposed scheme involves the installation of a photovoltaic system on the high level roofs of the Civic Centre, to provide power and thereby reduce energy costs.

The approx. cost of the photo voltaic system included in the tender is £73,000; it is of a size to generate 28,000kWh per annum. The cost and power are considered to be the optimum for the available space, ineffectiveness due to shade etc. The estimated cost of £73,000 for the equipment is substantially less than the original estimate of £100,000. However, it remains unclear as to whether the returns to be generated from the photo voltaic system are sufficient to provide for a reasonable pay-back period for the capital outlay. There are a number of variables in assessing these returns and more work is required to demonstrate the risks associated with the variable such as Fit rates, inflation, rises in electricity prices. On this basis it is recommended that at this stage the photo voltaic system be removed from the works to be commissioned. However work should continue to better assess the returns and risks involved with a view to looking at such a scheme in the future.

### Summary of Proposed Expenditure

<u>Scheme</u>	<u>Expenditure</u>
Improvement work to roof	£135,000
Electrical services replacement	£124,000
Fire Suppression system	£ 64,000
<u>Total</u>	<u>£323,000</u>
Fees	£ 30,000
<b>Total</b>	<b>£353,000</b>

The proposed expenditure figure of £353,000 is less than the original budget estimate listed above by some £80,000. This will provide sufficient available funds to review the kitchen accommodation resulting from the proposed closure of commercial services.

### Bond/ Parent Company Guarantee

The Council's Procurement Rules state " ... consider whether a performance bond and/ or a parent company guarantee (if applicable) shall be required from the preferred supplier."

Companies invited to tender were asked to include within the tender for the cost of providing a bond; the cost within the tender recommended to be accepted is £1,122. Also, they were asked to allow for the provision of parent company guarantees (if applicable).

The proposed contract period is of a relatively short period – 13 weeks.

An independent financial assessment of Harry Fairclough Construction Ltd, dated 28<sup>th</sup> May 2013, states: Very Low Risk – There is every confidence this company will prove good for the assigned Contract Limit. An independent assessment of the parent company was also obtained, it states: Average Risk. Harry Fairclough Construction Ltd, and its preferred electrical subcontractor, have parent companies.

£1,122 is a relatively small sum compared to the total contract value; it is recommended that a bond, and parent company guarantees from it and its electrical subcontractor, be obtained.

## WIDER IMPLICATIONS

In the preparation of this report, consideration has been given to the impact of its proposals in all the areas listed below, and the table shows any implications in respect of each of these.

<b>FINANCIAL</b>	Award of a contract for all the tendered work will commit the Council to expenditure of £458,016. Fees of consultants and Building Control is estimated to be approximately £30,000, therefore the total expenditure could have been expected to be within the region of £488,000. However, omission of the photo voltaic system and fire suppression works at the Depot would result in a revised total expenditure of approximately £353,000 (including fees). However, any subsequent variation of the works to the kitchen of the Canteen would result in a higher total expenditure, but this is likely to be within the budget total of £436,200 as authorised by Cabinet previously.
<b>LEGAL</b>	An appropriate procurement exercise has been carried out in this regard. The Council and Company will enter into a signed and sealed, building industry standard contract for the works.
<b>RISK</b>	<p>To mitigate the effects of closure of the Civic Centre, or non-performance by the company during the closure, a Civic Centre Continuity Team will consider implications and recommend solutions.</p> <p>To mitigate the potential failure of the chosen company and performance of the contract, the tender selection process included an independent assessment of financial status.</p> <p>The provision of parent company guarantees and a bond will mitigate the failure of the chosen company, but incur expenditure of £1,122, the cost of Harry Fairclough Construction Ltd providing a bond.</p>
<b>ASSET MANAGEMENT</b>	The proposal is consistent with the philosophy of the adopted Asset Management Plan which seeks to improve energy efficiency, and provide a clean, green and safe environment.

## BACKGROUND DOCUMENTS

Cabinet Report 6<sup>th</sup> February 2013: Financial Strategy, Budget and Council Tax 2013/14; and Cabinet Report 20<sup>th</sup> March 2013: Authorisation of Expenditure of Capital Programme Schemes 2013/14.