

Part A Report

For General Release	
REPORT TO:	Cllr Alison Butler, Cabinet Member for Homes, Regeneration and Planning And: Cllr Simon Hall, Cabinet Member for Finance and Treasury
AGENDA ITEM:	Background paper to Item 11 - Cabinet 14.12.15
SUBJECT:	Central Parade, New Addington Phase 2 Public Realm Improvements: Contract Award
LEAD OFFICER:	Jo Negrini, Executive Director - Place
CABINET MEMBER:	Cllr Alison Butler Cabinet Member for Homes, Regeneration and Planning and Cllr Simon Hall, Cabinet Member for Finance and Treasury
WARDS:	New Addington
CORPORATE PRIORITY/POLICY CONTEXT:	
<p>The recommendation is in accordance with the Council's strategic priorities, as expressed in the Croydon Promise, for New Addington district centre as an attractive place in which to live, work and visit and is an integral component of the wider regeneration strategy for Central Parade that is currently being developed by the Council</p> <p>The scheme will address the following priorities:</p> <ul style="list-style-type: none"> • An Enterprising City • A Sustainable City 	
AMBITIOUS FOR CROYDON & WHY WE ARE DOING THIS:	
<p>Central Parade is a vital and convenient district centre and is the heart of the community. However, there are noticeable areas which, through age and lack of maintenance to shop fronts, areas of litter and graffiti and damage to street furniture, trees and footpaths, require improvement.</p> <p>The regeneration of New Addington is a key priority for both the Borough and the GLA. The London Plan identifies New Addington as a strategic area for regeneration and Central Parade was identified in 2009 as one of the Mayor's Great Spaces. Croydon's core strategy also identifies New Addington as a location for growth, with significant opportunity to capitalise on good links to, and its strategic position between Croydon Metropolitan Centre and Biggin Hill Airport, and Central Parade itself has been allocated as an area for rejuvenation and public realm</p>	

improvements.

The New Addington Phase 2 Public Realm Improvements project builds on the success of the Phase1 project with the delivery of a public realm scheme that helps overcome remaining physical issues that are having a detrimental impact on the perception and experience of Central Parade including:

- Cluttered footways that create an unattractive environment
- Old and inefficient street lighting
- Poorly-surfaced roads
- weak provision for pedestrians crossing the road
- a high proportion of shop entrances with a step-up from the footway, thereby limiting accessibility for people with impaired mobility
- A less-than-ideal pedestrian environment during market days

FINANCIAL IMPACT SUMMARY:

Approval of this recommendation to enter into a contract to deliver construction works services for the Central Parade New Addington Public Realm Improvement project will commit the Council to a Works Instruction in the sum of £486,957 plus contingency sums to a maximum cost not exceeding £540,767.

All funding is secured and there are no revenue consequences as a result of this recommendation.

Contract award would not directly contribute savings against the Council's 10% target, but the scheme has been subjected to extensive value-engineering, re-scoping and supply-chain management to minimise the cost of repair and renewal in the future.

KEY DECISION REFERENCE NO.: This is not a Key Decision

RECOMMENDATIONS

The Leader of the Council has delegated to the Cabinet Member for Homes, Regeneration and Planning in consultation with the Cabinet Member for Finance and Treasury the authority to make the decision set out in the recommendation below.

- 1.1. The Cabinet Member for Homes, Regeneration and Planning in consultation with the Cabinet Member for Finance and Treasury is recommended to:
Approve the award of a Works Instruction to Kier Highways Ltd, under the Term Highways Management Contract, for the sum of £486,957 plus project contingency of £53,810 to give a maximum contract value of £540,767.

2. EXECUTIVE SUMMARY

- 2.1 This report seeks approval to award a contract for the Phase 2 public realm improvement works in Central Parade, New Addington (the project).
- 2.2 The Council has received £800k funding from the Mayor of London to carry out these public realm improvements as part of the Connected Croydon Capital Programme. This is supplemented by £45k of S106 receipts and £197k of Council capital funding giving a total budget of £1,042k
- 2.3 On the 20th August 2015, the Contracts and Commissioning Board agreed the procurement strategy seeking, in accordance with Regulation 3, an exception to the Councils Tenders and Contracts Regulations. The recommendation was to approve the request for a quotation leading to a potential Works Instruction from Kier Highways Ltd under the Council's existing Term Highways and Management Contract (THMC) which was considered appropriate for these works. CCB Ref: CCB1044/1516.
- 2.4 Following clarifications in response to their original quotation dated 16th November 2015, Kier Highways Ltd submitted a revised quotation on 3 December 2015 in the sum of £486,957. Including a project contingency of £53,810 the maximum contract sum is £540,767.
- 2.5 The content of this report has been endorsed by the Contracts and Commissioning Board

CCB Approval Date	CCB ref. number
10 December 2015	CCB1069/15-16

3 DETAIL

- 3.1 The Central Parade, New Addington Phase 2 Public Realm Improvements project (the Project) is a component of the Council's Connected Croydon Programme and will deliver the following outputs:

Output	Quantity
Area of quality footway uplift	2,082 sqm
No. of commercial premises made step-free	41
Renewed vehicular carriageway	1,944 sqm
Improved pedestrian crossings points	2
Upgrade of street-lighting to current EN standards	24
New bins	5
Disabled parking bays	2
New benches	5
New cycle parking stands	12
Estimated increase in footfall along Central Parade	2% pa (16,484)
Estimated increase in retail expenditure for Central Parade businesses generated by increased footfall.	£149k pa
Estimated reduction in road accidents (overall) within the first five years post-delivery.	15%
Estimated decrease in crime rates along Central Parade	5% pa

Quotation Assessment and Analysis

- 3.2 The pre-tender estimate for these works was £500,577. This estimate was prepared on the basis of the RIBA Stage 4 detailed design and costing exercises undertaken by the Council's consultants 5th Studio and Mott McDonald respectively.
- 3.3 The Contracts and Commissioning Board agreed the procurement strategy seeking, in accordance with Regulation 3, an exception to the Councils Tenders and Contracts Regulations. The recommendation was to approve the request for a quotation from Kier Highways Ltd for a potential Works Instruction from the Councils existing THMC. CCB Ref: CCB1044/1516.
- 3.4 This decision was based upon benchmarking exercises carried out in 2014 and 2015 by quantity surveyors on behalf of the Council which compared the schedule of rates contained within the existing term contract against prices tendered for a recent public realm works contract in South End. The results of this exercise suggested that a competitive tender exercise was unlikely to offer better value for money and that the existing contract could also deliver the additional benefits of an earlier start on site and improved Social Value and Localism.
- 3.5 Kier Group submitted their quotation for the works on 16 November 2015 in the sum of £544,606.71.
- 3.6 Seventy five per-cent of the quotation's value has been priced using schedule of rates contained in the Term Highways Management Contract (THMC), and 25% of the value using "star rate" prices provided by Kier Group. A "star rate" is a price submitted by Kier Group in response to a specification provided by the Council for an item of work that is not listed in the THMC's Schedule of Rates.
- 3.7 As is usual under a term contract, the quotation was based on a series of assumptions made by the Contractor that the Council is invited to accept or reject. This includes items such as "star rates" (see above); listing operations that are expected to be carried out at night; what night-time working hours will be permitted; and what traffic management would remain in place when no works were taking place (eg on Sundays).
- 3.8 In clarifying the assumptions made by Kier Group and directing them to adjust their quotation to be in accordance with the THMC, the Project Manager rejected Kier Group's quotation.
- 3.9 In response to this clarification, on 3rd December 2015 Kier Group resubmitted their quotation in the sum of £486,957.36. On this basis, the price for the works (i.e. the cost arising from a Works Instruction under the Contract) is forecast not to exceed £540,767, including a contingency of £53,810.
- 3.10 The Council's pre-tender estimate was that the construction period would be twenty weeks but Kier Group has estimated that they require 25 weeks to construct the works.
- 3.11 Award of this contract will enable works to start in January 2016 as notified to stakeholders. The works are due to be completed by 1st July 2016. Following

practical completion there will be a one year defects correction period for all works except gullies and manhole covers, which carry a two-year defects correction period.

4. CUSTOMER IMPACT AND CONSULTATION

4.1 Various stakeholder groups have been consulted as part of the project, specifically:

- Ward Members for New Addington and Fieldway
- GLA
- New Addington BID
- Path finders
- Public exhibition held in April 2014
- The Emergency Services
- Croydon Mobility Forum
- Frontagers

4.2 Once complete, the improvements will add to the quality of life for residents and visitors and will add to the commercial viability of business units in Central Parade.

5 FINANCIAL AND RISK ASSESSEMENT CONSIDERATIONS

5.1 Revenue and Capital Consequences of Report Recommendations

As detailed in paragraph 2.4, a Works Instruction in the sum of £486,957.36 to Kier Highways will commit the Council to costs not exceeding £540,767 including contingency sums.

5.2 Budget

5.2.1 Funding for New Addington Phase 2 Public Realm project, totals £1,042,494. The funding, which is all capital, comprises:

Source of Funding (all Capital)	£'000s	Conditions attached to Funding
GLA (Mayor's Regeneration Fund)	800	<u>Note 1</u> : although, under the existing Funding Agreement with GLA, this finding expires on 31 March 2016, GLA have agreed in principal to this being extended to 1 st September 2016, subject to the Council signing a deed of variation.
S106	45	Expires 31 July 2016 but can be extended by agreement
LBC Capital Programme	197	none

5.2.2 Total spend in previous years was £154,992. The available budget for 15/16 onwards is therefore £887,502.

5.3 Forecast Expenditure (all capital - there is no revenue expenditure)

	Current year	Medium Term Financial Strategy – 3 year forecast		
	2015/16	2016/17	2017/18	2018/19
	£'000	£'000	£'000	£'000
Capital Budget available	328	560	0	0
Expenditure to date	55	-	0	0
Expenditure already committed	83	0		
Effect of decision from report	190	556	0	0
Remaining budget	0	4	0	0

5.4 Contract cost and Effect of the Decision:

The award of contract for the Works will commit a sum not exceeding £540,767 from the capital budget. In entering a contract to construct, the Council will also be committed to incur an estimated £205k in ancillary costs relating to secondary contracts and contract management, the effect of which is included in Table 5.3 above as “effect of decision from report”.

5.5 Risks:

- 5.5.1 Should the Council consider that post-contract acceleration is required there is no obligation on the contractor to comply with this request. However, if they do choose to do so, then they would be entitled to additional payment.
- 5.5.2 The THMC does not include a provision for retention (the withholding of 2.5% of the contract sum until works are complete, and a further 2.5% until expiry of the defects correction period). There is the risk that without this financial leverage, the contractor will not remedy defects that arise during this period of guarantee. The risk is mitigated to some degree by the Council employing a Clerk of Works to oversee quality during construction, thereby achieving “right-first-time”, and by the number of failures to remedy defects being a performance indicator in the wider term contract.
- 5.5.3 Kier Group do not have unlimited resources and during periods of emergency (eg flooding, gales, snow) the Council requires the term contractor to mobilise sufficient resources to deal with that emergency. As evidenced by the February 2014 floods, this can mean that work can stop for several weeks on a term contractor’s construction sites. This risk cannot be mitigated, but should it occur notices can be erected on site informing the public why no work is taking place.
- 5.5.4 Although a quotation, the THMC is a re-measurement and not a fixed-price contract. This means that the actual cost can be higher or lower. Experience of similar works in Croydon suggests that the cost will be higher due chiefly to (a) some of the assumptions listed in the quotation proving to be wrong, and (b) unforeseen ground conditions (such as underground services being too shallow in some locations for the contractor to construct the works as specified). Significantly, the balance of costs between works items and “preliminaries” is to the Council’s benefit in the THMC when compared to recent tenders (8% in the

THMC versus over 20% in some recent tenders). This means that the financial cost should a variation be required after contract award to overcome unforeseen circumstances will generally be less than had the contract been competitively tendered via the market.

- 5.5.5 Although the project is majority-funded by the Mayor's Regeneration Fund, it is a condition of funding that after the award of construction contract all risks are carried by the Council. Any overspend, therefore, would have to be met by the Council.

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

6 COMMENTS OF THE COUNCIL SOLICITOR

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.

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

7 HUMAN RESOURCES IMPACT

N/A, there are no HR impacts in issuing a Works Instruction for these Works.

Approved by: Adrian Prescod, HR Business Partner, on behalf of the Director of Human Resources

8 EQUALITIES ANALYSIS

- 8.1 Following adoption of the Equality Impact Assessment on 13th April 2013, this scheme has been specifically designed to improve convenience, accessibility and safety, with special focus on the needs of more vulnerable members of the community such as the very young, blue-badge holders, elderly people and people with restricted mobility.
- 8.2 Croydon Mobility Forum attended a presentation by the design team and a specialist in access for people with restricted mobility was engaged to evaluate the design prior to public consultation. During the consultation exercise, all responses that proposed changes to the design likely to reduce inequalities were incorporated into the design.
- 8.3 An independent road safety audit has been undertaken, the scope of which extends to identifying any changes that may impact vulnerable road users. All issues that were identified have been addressed.

9 ENVIRONMENTAL IMPACT

- 9.1 As a key component of the Council's ambitions for regenerating New Addington, the scheme will deliver an environment that is more attractive to shop, visit and do business. As such, New Addington will become more viable as a self-supporting district centre, thereby reducing motor vehicle usage

which, in turn, will improve the environment. Furthermore, better amenities for pedestrians and cyclists are aimed at encouraging people to walk or cycle to Central Parade instead of drive.

- 9.2. In respect of the report's specific recommendation, the THMC requires the contractor to:
- operate the sustainable management of construction waste.
 - use sustainable / recycled material where suitable alternatives exist
 - remove excavated material for reuse or recycling where suitable processes exist

10 CRIME AND DISORDER REDUCTION IMPACT

- 10.1 An objective of the scheme's brief was to design-in changes that would contribute to a target reduction in crime rates along Central Parade of 5% pa. The police have been invited to comment on the design and whilst no response has so far been received, they will remain a key stakeholder during the construction phase.

11 REASONS FOR RECOMMENDATIONS/PROPOSED DECISION

- 11.1 Other than the forecast duration of construction being 25 weeks rather than the target 20, the quotation fully meets the specification and is comparable to the Quantity Surveyor's pre-tender estimate. Award of this contract will enable works to start in January 2016 as notified to stakeholders.

12 ANY OPTIONS CONSIDERED AND REJECTED

- 12.1 **Not accepting the quotation and instead inviting competitive tenders:** since the quotation is comparable to the pre-tender estimate and there are no new risks or issues when compared to those described in the procurement strategy, there is no justification to reject it. Changing the procurement strategy at this late stage and inviting tenders would delay the start of works until April 2016, a move that the GLA would not support. This delay would require the Council to apply for a variation to the GLA's Funding Agreement, an application which, as well as committing further officer resources, the GLA may decline to approve, thereby withdrawing part or all of the MRF grant.

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BACKGROUND PAPERS: None