

**Manchester City Council  
Report for Information**

**Report to:** Ethical Procurement and Contract Management Sub Group –  
4 October 2019

**Subject:** OTH Work Package Procurement Strategy

**Report of:** Director of Capital Programmes

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### Summary

This report provides an update following the recommendation at the 31 July 2019 that a detailed report on the Our Town Hall work packages procurement strategy be submitted to this sub-group. As well as a summary of the strategy that is being used the report includes a number of case studies as illustrative examples of this process in practice.

### Recommendations

To note the contents of the report.

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### Wards Affected: All

<b>Environmental Impact Assessment</b> - the impact of the issues addressed in this report on achieving the zero-carbon target for the city
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An objective of the OTH project is to make the building more sustainable.
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<b>Manchester Strategy outcomes</b>	<b>Summary of how this report aligns to the OMS</b>
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	The report shows how procurement of works package contractors will benefit Manchester.
A highly skilled city: world class and home grown talent sustaining the city's economic success	The report shows how procurement of works package contractors will benefit Manchester.
A progressive and equitable city: making a positive contribution by unlocking the potential of our communities	The report shows how procurement of works package contractors will benefit Manchester.
A liveable and low carbon city: a destination of choice to live, visit, work	An objective of the OTH project is to make the building more sustainable.

A connected city: world class infrastructure and connectivity to drive growth	N/A
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### Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Report to Executive Committee – *Town Hall Complex Strategy* – 23 July 2008
- Report to Executive Committee – Town Hall Complex Programme - Transforming Customer Experience – 11 February 2009
- Report to Executive Committee – *Town Hall and Albert Square Maintenance Programme* – 1 October 2014
- Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 27 July 2016
- Report to Executive Committee – The Refurbishment of Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 16 November 2016
- Report to Executive Committee – *Capital Programme (Budget 2017/18 – 2021/22)* – 11 January 2017
- Report to Executive Committee – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 8 March 2017
- Report to Resources and Governance Scrutiny Committee – *Our Town Hall Social Value and Communications* – 22 June 2017
- Report to Resources and Governance Scrutiny Committee – *Our Town Hall* – 7 September 2017
- Report to Executive Committee – Manchester Town Hall and Albert Square: ‘Our Town Hall’ – 13 September 2017
- Report to Resources and Governance Scrutiny Committee – *Manchester Town Hall and Albert Square ‘Our Town Hall’* – 9 November 2017
- Report to Resources and Governance Scrutiny Committee - *Manchester Town Hall and Albert Square: ‘Our Town Hall’* – 1 February 2018
- Report to Ethical Procurement Sub Group - *Our Town Hall Social Value Update* - 22 February 2018

- Report to Ethical Procurement Sub Group - *Our Town Hall Procurement Launch Event* - 22 February 2018
- Report to Resources and Governance Scrutiny Committee - *Town Hall Project - Capital and Revenue Budget Position* - 24 May 2018
- Report to Resources and Governance Scrutiny Committee - *Our Town Hall Project Management Contractor Procurement* - 6th September 2018
- Report to Resources and Governance Scrutiny Committee - *Our Town Hall Project Letting of the Management Contract* - 6th December 2018
- Report to Executive - *Our Town Hall Project Management Contractor Appointment* - 12th December 2018
- Report to Ethical Procurement and Contract Management Sub Group – *Our Town Hall Social Value Update* - 31<sup>st</sup> July 2019

## **1.0 Introduction**

- 1.1 At Ethical Procurement Sub-Group on 31 July 2019 a paper was presented which updated the Sub-Group on the delivery of Social Value targets and the progress with works package procurement. The paper is attached as **Appendix 1**.
- 1.2 This further paper is the response of the OTH team to the request at Sub-Group for a detailed report on the works package procurement strategy, including case studies, and will be presented to Ethical Procurement Sub Group in October.
- 1.3 The paper describes the overarching strategy, the six procurement options from which the appropriate strategy is selected for each package, and then presents a study of the MEP package (two stage tender, high value); the stonework repairs package (competitive tender to smaller craft-based companies, mid value) and the lifts package (single source tender, low value).
- 1.4 In each case, the paper describes the commercial and technical factors influencing the selection of the appropriate procurement option and the way in which Social Value is procured, monitored and delivered.

## **2.0 Council oversight of procurement**

- 2.1 The Our Town Hall project is currently moving towards the latter stages of the design process, with notice to proceed and the start of construction works expected to begin in early 2020 and scale up over the course of that year. Lendlease were appointed management contractor in January 2019 and will manage a programme of construction works that includes over 120 individual work packages and a large and complex supply chain. Part of Lendlease's role is to maximise the number of opportunities created for Manchester residents and businesses to benefit from the project.
- 2.2 In selecting management contracting as the preferred procurement strategy for the project, the Council has recognised that it is a procurement model which gives us the flexibility to tailor the procurement of individual works packages to the needs of the project rather than the one size fits all approach of traditional contracting.
- 2.3 In the previous report to this sub-group, members were updated on the oversight of works package procurement by the Executive Procurement Group (EPG) and the Executive member for the OTH project, noting in particular that the EPG is attended by both the Council's Head of procurement and the Project Director. The Executive Member for the OTH project is briefed on the progress of procurement on a fortnightly basis.
- 2.4 In the event that a change to the agreed works package strategy is proposed, to respond to market conditions for example, approval to the change will be sought from the City Treasurer and the Executive Member for Finance and Resource.

2.5 Progress with the procurement of the Works Packages is reported to the Council’s Procurement Group meeting, to Project Board and to the Strategic Board.

2.6 The previous report noted that the contract with Lendlease stipulates that all works package procurement is open book and that MCC has the right of approval for all tender short-lists. The due diligence process was explained in detail.

**3.0 Works package procurement strategy**

3.1 The works package procurement process seeks for each package to strike the optimum balance between technical and social value objectives.

3.2 The works package procurement strategy has been developed to identify the number of contractors required for each element of works to achieve best value, whilst ensuring that an appropriate legacy for the City is a key consideration.

3.3 The number of work packages has been derived based on a number of considerations. Some examples are:

- Strength of available supply chain
- Value/size
- Capabilities
- Capacity
- Number of operatives
- Potential to deliver KPIs
- Local labour and spend
- Support for SMEs
- Complexity and ability to manage interfaces
- Appropriate allocation of risk.

3.4 The project procurement strategy comprises 6 procurement options, and each package will fall into one of these. These have been designed to provide sufficient flexibility to achieve best value in respect of the project objectives and are cognisant of the capacity for specific packages within the supply chain.

3.5 The table below shows the number of packages by value and as a percentage of the value of the construction works that are forecast to be procured under each procurement option.

<b>Package procurement strategies</b>			
Procurement strategy option	No. of packages	Total value of packages	Total package value as % of construction
Stage 3 design competitive tender	0	£0	0.0%

Full stage 4 design competitive tender	97	£86,603,905	49.7%
Stage 3 market test and stage 4 tender	6	£11,498,887	6.6%
2 stage in competition	1	£34,220,336	19.6%
Tendered contractor design proposals	1	£2,000,000	1.1%
Negotiation/ single source	12	£11,036,439	6.3%
N/A e.g. Management Contractor's direct costs	4	£28,947,267	16.6%
<b>Totals</b>	<b>121</b>	<b>£174,306,834</b>	<b>100%</b>

3.6 When bidding for the role of management contractor, Lendlease were required to forecast which packages would contribute to the delivery of all project KPIs, including Social Value, and this forecast informed the offer that was inserted into the Contract. This forecast was based on the work they had already done to ascertain supply chain capacity for each package. At that early stage, it was already clear that a number of works packages had very limited local capacity.

3.7 **Appendix 2** sets out the Lendlease Social Value forecast that was submitted at bid stage, from which it can be seen that Lendlease expect to provide:

- 40% of project spend in Manchester
- 50% of project spend in Greater Manchester
- 50 new jobs created
- 72 careers information/advice/guidance sessions in schools
- 40 STEM sessions in schools
- Work with 800 students and Manchester HE Institutions
- 46 work placements for 14-16 year olds
- 40 work experience placements for people aged 17+ (including adults)
- 125 level 3 apprenticeship opportunities
- 50 level 4 apprenticeship opportunities
- 100 sustained apprentices
- 12,800 unstructured volunteer hours
- Commitment to paying Manchester Living Wage through the supply chain

3.8 The above figures include what is forecast to be delivered both through the Lendlease project team and their wider supply chain.

3.9 It should be noted that the benefit of the management contracting approach is that it provides the Council the opportunity to flex its approach to the procurement of individual works packages, such that where opportunities arise to exceed the Social Value obligations embedded into the head contract with Lendlease, we have the ability to do so. This means that we have the ability to improve upon the original Lendlease offer where it is possible to do so.

3.10 Similarly, where feedback from the market identifies that there are potential emergent issues (with capacity or appetite, for example), it gives us the ability to move packages between procurement option.

3.11 The Council's Ethical Procurement Policy is embedded into the contract with Lendlease, and a monitoring framework is being developed with Unite and Lendlease to ensure that this and the Unite Charter is appropriately reflected throughout the project supply chain.

#### **4.0 Case studies**

4.1 We have selected the following packages as case studies to demonstrate how the packaging strategy, procurement options and KPIs are being handled on OTH:

- MEP: two stage tender (procurement option D), high value (total package value circa £30.3m), split between Stage 1 pre-construction services and Stage 2 construction.
- the stonework repairs package (procurement option C), mid value (total package value circa £6.9m).
- the lifts package (procurement option F), low value (total package value circa £1.6m)

4.2 These packages have been selected as case studies since procurement options 3, 4 and 5 are the ones which do not follow a traditional single stage competitive tender. In addition, the MEP and lifts packages respectively represent the two extremes in terms of what was forecast as part of the Lendlease Social Value offer, in that the MEP package was forecast as part of the Lendlease Social Value offer, in that the MEP package was forecast to contribute significantly, whilst the lifts package was not.

#### **5.0 Case study one: MEP package**

5.1 The mechanical, electrical and plumbing package is valued at £34m and is the largest single package on the project, encompassing strip out of existing services, and design, installation and commissioning of a huge range of services including ventilation, electrical, network and telephony, heating, cooling, lighting, water, and gas.

5.2 To date, this is the only package that is forecast to be procured via the 2 stage competition procurement option. This approach follows in principle the same approach that was adopted in procuring the management contractor, namely that the MEP contractor is appointed initially under a pre-construction services agreement for a fee, to work with the team in defining the sub-contracted works packages that will form the MEP works.

5.3 This procurement option was selected to enable the early engagement of the MEP contractor with the design team in recognition of the scale and complexity of the package, which is closely integrated across all design clusters. Early engagement will significantly de-risk the project by contributing to development of the mock-up rooms, the asbestos surveys, the interfaces with Metrolink, Electricity Northwest and the Civic Quarter Heat network project, and by testing the buildability of the proposed MEP design solutions.

- 5.4 At the same time, and acknowledging the significant contribution that the MEP package will make to our Social Value targets, early engagement enables us to work very closely with the MEP contractor in packaging works, and thus having a far greater influence on the outcome than would have been the case in a lump sum tender approach.
- 5.5 The long-listed contractors comprised 18 contractors, of whom 2 are Manchester based, and 13 are based in (or have substantial offices within) Greater Manchester.
- 5.6 The successful contractor, NG Bailey, was appointed on 01 July, and will work with Lendlease and the Council in the period up to Notice to Proceed to develop the contract price, programme and Social Value commitments of MEP supply chain.
- 5.7 Given the scale of this package the forecast social value commitments were anticipated to be significant. This includes 45% Manchester resident workforce, 40% Manchester spend, creation of 15 new jobs, 31 level 2-3 apprenticeships, 16 level 4+ apprenticeships and 28 work placements. The appointed contractor is also appointing a dedicated social value manager to work with Lendlease and the client team in the delivery of social value objectives. In many cases the appointed contractor exceeded the forecast social value targets, for example an additional 3 jobs created, additional 4 STEM sessions in local schools, and an additional 8 work experience placements for Manchester secondary school students.
- 5.8 The NG Bailey Social Value offer is described at **Appendix 3**.

## **6.0 Case study two: Stonework repairs package**

- 6.1 The External Stonework Repairs package is budgeted at approximately £6m and is one of the larger packages. This is the largest single 'Heritage' focussed package on the project. The scope incorporates the repair and replacement of identified areas of stonework on the external facades of the Town Hall, also the internal courtyard facades and the roof level stonework including chimney repairs.
- 6.2 There has always been a clear concern identified by all parties about the quantity and size of stonemasonry companies available within the Manchester area to deliver packages of this value. Most of the UK's largest stonemasonry companies are London based. Consequently, the decision was taken from the outset to split this package into at least 3 lots which will then allow smaller locally based contractors to tender the work. The long list of potential tenderers identified 29 possible contractors offering stonemasonry as a skill of which 2 are based in Manchester with a further 15 based in Greater Manchester.
- 6.3 This work package is currently being tendered and was issued to a shortlist (only 1 of which is based outside the North-West) of 8 contractors in lieu of the

normal 3-4 tenderers. The rationale for tendering to so many contractors was that we are aiming to appoint at least 3 different contractors to the 3 lots mentioned earlier and we anticipate that some contractors will decline due to workload/capacity constraints.

- 6.4 The procurement approach has been to tender the work based on the latest external surveys predominantly using binoculars. Once the scaffolding has been erected, the facades will be cleaned and validation survey will be undertaken by the Designers which then inform the Stage 4 information requirements (procurement option C). This information will be used by the bidders to firm up their offer and the order will be placed on full Stage 4 design and measure.
- 6.5 Given the specialist heritage nature of this package it was always deemed that from a social value perspective we would employ local companies who employ a local workforce and that we would focus on creating both apprentices and heritage apprentices, leaving a lasting legacy for the City by training up a new batch of skilled craftsmen. For aesthetic reasons we are only able to source the stone from a single quarry which supplied the original stone for this building, so the social value created by this package is mainly related to the manpower and machinery involved in transforming that stone into the necessary blocks and artefacts required and installing it.
- 6.6 As we have not yet concluded the tender process, we are not able to categorically state the social value offering being made by the contractors from the shortlist, and assuming all short-listed contractors return a tender, it is very likely that at least 2 of the 3 contractors being awarded work will be based in Manchester or Greater Manchester. At bid stage we assumed that this work package would be let to a Greater Manchester based contractor.
- 6.7 Most of the mid-tender reviews have given a strong positive feedback on their social value commitments and it is anticipated that the social value targets will be met or exceeded. As a minimum for these packages we have targeted the contractors to create 3 new jobs, 6 apprenticeships and at least 800hrs of volunteering in addition to other social value requirements included in the Lendlease bid.

## **7.0 Case study three: Lifts package**

- 7.1 The lifts package, valued at approximately £1.5m, covers the design, equipment purchase, delivery and installation of the lifts. Due to the nature of this work it was not anticipated that a high proportion of this spend would be in Manchester or Greater Manchester given that lifts are generally constructed elsewhere in Europe, predominantly Germany and Italy, and this is where equipment is likely to be sourced. The Social Value offer from Lendlease did not anticipate that this package would contribute to the project's targets for local labour or local spend. The workforce will be small with around six operatives on site.

- 7.2 The lifts package is one of a limited number of packages that were selected as single source negotiations, owing to the critical nature of the complex interfaces with the design of structures, architecture and building services, and the need to engage with a contractor sufficiently early to inform design ahead of the application for Listed Building Consent.
- 7.3 In parallel with the ongoing pre-qualification process, and continuing design development, it was agreed that the most appropriate procurement route for the lifts package would be single source negotiation, owing to the critical nature of the complex interfaces with the design of structures, heritage architecture and building services, and the need to engage with a contractor sufficiently early to inform design ahead of the application for Listed Building Consent.
- 7.4 The final decision to negotiate with Ansa Elevators was taken since they have successfully installed lifts in other Council properties (including the Town Hall Extension) and has a strong record of aftercare. This was given significant weight given the complexity of the installations for OTH, referenced above.
- 7.5 In terms of the social value gained from this package the outcomes for Manchester are in the main very good. Manchester spend and Manchester resident workforce are likely to be low given the value of spend on equipment manufactured elsewhere, and the fact the appointed contractor is based in Oldham. As noted above, this package was never intended to make a significant contribution towards social value outcomes, however this is accounted for in the round across all packages and local spend against forecast is on track. The appointed company are very passionate about apprenticeships, with the director and a regional manager both starting as apprentices, and have offered two new apprentice starts as part of this contract, together with two work placements, school engagement activities, and voluntary time committed. The ANSA Elevators Social Value offer is described at **Appendix 4**.

## **8.0 Forecast position and progress in delivery of social value to date**

- 8.1 The table at **Appendix 5** sets out the status with delivery of the Social Value targets to date, showing targets and actual progress for the management contractor, the consultant team and the Council.