

**Manchester City Council
Report for Information**

Report to: Resources and Governance Scrutiny Committee –
6 September 2018

Subject: Our Town Hall Project – Management Contractor Procurement

Report of: The City Treasurer

Summary

Previous reports to the Executive and Resources and Governance Scrutiny Committee have provided regular progress reports on the refurbishment and partial restoration of the Town Hall and Albert Square under the Our Town Hall (OTH) project. This report provides Members with an update on the procurement of a Management Contractor.

Recommendations

Resources and Governance Scrutiny Committee is recommended to note:

1. The progress made to date and the current status of the procurement of the Management Contractor for the Our Town Hall Project.
 2. The next steps and procurement timetable for the conclusion of the procurement process.
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Wards Affected: All

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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 Resources and Governance Scrutiny Committee Ethical Procurement Sub Group – 22 February 2018
- Report to Resources and Governance Scrutiny Committee – Our Town Hall Project – Budget Position Update – 24 May 2018
- Report to Ethical Procurement and Contract Monitoring Sub Group - 7 June 2018

1.0 Background

- 1.1 Manchester Town Hall is an internationally significant landmark and Manchester's greatest cultural and civic asset. The building is Grade 1 listed and considered to be one of the masterpieces of Victorian architecture, viewed by the people of the City and visitors as the civic heart of Manchester. As previously reported, the Town Hall, whilst structurally sound, now has many elements reaching the end of their natural lifespan. It has been agreed that significant refurbishment is now required to rectify the identified defects and to protect the building for the benefit of future generations of Mancunians.
- 1.2 In November 2016 Executive considered the options for the Town Hall with the recommended option being the full repair and upgrade to modern standards and partial restoration of the Town Hall and Albert Square. Also at this meeting the Executive approved Management Contracting as the most appropriate procurement route for the appointment of the main construction contractor.
- 1.3 Under this route, the Council will appoint a management contractor to manage the project, procure the Works, advise on risk and to contract with works package contractors who have the primary responsibility for undertaking the works. The management contractor will assume the financial and contractual burden associated with administering the works packages, but will not undertake any of the construction works itself. The management contractor will be paid a fee for its services (split between the pre-construction period and the construction period) and will be reimbursed the cost of its preliminaries and overheads. The procurement of all works packages will be open book and subject to approval by the Council.
- 1.4 In selecting this procurement route, the Council has recognised that for a project of the scale and complexity of Our Town Hall, a more traditional risk transfer approach to contracting, in which a main contractor is appointed under a lump sum cost, would be unlikely to deliver the outcomes required for the project.
- 1.5 At the Executive meeting on 8 March 2017 and also the 13 September 2017, it was confirmed that management contracting was still the preferred procurement route for the construction works.
- 1.6 The management contractor will work alongside the design team to develop and finalise design proposals, whilst in the same period market testing proposed solutions with the supply chain and refining and running robust tender processes for each of the works packages.
- 1.7 The management contractor approach is considered to be the procurement route that best fits with the Council's objectives of:
 - optimising local benefit for businesses, employment and training;
 - ensuring flexibility to introduce change during design together with a quality product, whilst accepting that change may incur cost and time impacts that may be undesirable;

- demonstrating value for money through cost transparency;
- achieving a high level of cost certainty prior to commencement of construction;
- maximising collaborative working and open book procurement; and
- ensuring attractiveness to the contractor market since it seeks to allocate risk to the party best able to deal with it.

1.8 Executive also noted that in light of the aspiration for an interactive procurement approach for Our Town Hall, the project was not considered suitable for an Open or Restricted Procedure and that a Competitive Dialogue Procedure would be undertaken as defined by the Public Procurement Regulations.

1.9 In November/December 2017 a total of 13 organisations were invited to take part in a soft market testing exercise of the procurement approach for the project and to gauge interest in the opportunity. Meetings were held with 9 of these organisations and the response from these was positive. The organisations showed a keen interest in the project and feedback on the social value requirements was encouraging. It was noted that the procurement process in total will take approximately one year to complete and that this is considered reasonable for a project of this scale and complexity.

1.10 The Council held a procurement Launch Event on 28 February 2018 with the aim of ensuring that the wider market was aware of the procurement, its scope and timescale. Alongside potential bidders, the event was attended by potential works package contractors, suppliers and local community/voluntary organisations. In total, 84 organisations were present.

2.0 Competitive Dialogue

2.1 Competitive Dialogue is a procedure that enables engagement with the bidders in successive rounds of discussions, tailored and focused as necessary, to develop suitable solutions to the complex technical, social value and financial mechanisms required on a project of the scale and complexity of Our Town Hall.

2.2 In addition to technical excellence and experience in heritage works, this approach will enable us through dialogue to ensure that bidders are able to respond to a number of factors that are critical to the success of OTH, by testing:

- the management style and behaviours of key personnel in the bidders' teams against the collaborative working standards required.
- the commitment of bidders to optimising local benefit for businesses, employment and training.
- the commitment of bidders to cost transparency and open book procurement.

2.3 At all stages of the dialogue process, bidders will be evaluated against five dialogue themes:

- Buildability, Programming & Phasing
- Supply Chain & Incentivisation

- Collaboration & Performance
- Social Value
- Cost

2.4 Once appointed, the management contractor will work alongside the design team to develop and finalise design proposals, whilst in the same period market testing proposed solutions with the supply chain and refining and running robust tender processes for each of the works packages.

2.5 The Social Value targets for the project have been reported at previous meetings of the Resources and Governance Scrutiny Committee. These targets have formed an integral part of the procurement documentation and the competitive dialogue process.

3.0 The Management Contractor procurement process

3.1 The procurement process was formally launched on 13 February 2018 with the issue of the Contract Notice via The Chest, accompanied by the full suite of procurement documents in line with the OJEU regulations which stipulate that Bidders should have access to all documentation from the start of the process. It was made clear from the outset that bids would be evaluated against the award criteria stated below.

AWARD CRITERIA			
A: QUALITY			70%
A1	Buildability, Programming & Phasing	25%	
A2	Supply Chain & Incentivisation	20%	
A3	Collaboration & Performance	25%	
B SOCIAL VALUE			20%
C COST			10%

3.2 A total of 6 potential Management Contractors registered and downloaded the documents from the Chest, however only 2 organisations returned a Selection Questionnaire on 19 March.

The procurement timeline is tabulated below.

Event	Date
Issue Invitation to Submit Outline Solutions (ISOS)	23 May 2018
Submit Outline Solutions	10 July 2018
Issue Invitation to Continue Dialogue (ITCD)	6 August 2018
Detailed Dialogue Stage Meetings	August and September 2018

Invitation to Submit Final Bids	24 September 2018
Final Bid Submissions	19 October 2018
Notification of Preferred Bidder	November 2018

3.3 Following evaluation of the Selection Questionnaires, Laing O'Rourke and Lend Lease were invited to Submit Outline Solutions by 10 July. These were evaluated prior to the issue of the Invitation to Continue Dialogue, on 6 August. This stage presents the Council with the opportunity to meet the bidders and provide feedback to bidders on their outline solution, and to enable the bidders to test their understanding of the Council's requirements. At all stages of the dialogue process, the objective is to enable the bidders to develop their best possible solution for the Council.

3.4 Five days of intensive dialogue meetings took place with bidders during week commencing 13 August. These sessions identified areas where further work was required or further information might be provided to enable the bidders to refine their solutions. A second week of dialogue meetings is planned week commencing 10 September.

4.0 Next Steps

4.1 The second dialogue week in September will comprise a series of detailed meetings and workshops, at which each bidder will present further details on their proposed solutions.

4.2 We intend to formally close the dialogue period on 21 September, subject to having reached the point at which we are confident that the bidders have developed solutions that meet the project requirements. If so, an Invitation to Submit Final Bids will be issued on 24 September, allowing Bidders four weeks to finalise and submit their responses.

4.3 Final Bids will be submitted in October followed by evaluation prior to the selection of the Preferred Bidder. The appointment of the management contractor is scheduled for November.

4.4 The management contractor will commence procurement of the works packages during Q1 2019. For OTH, we estimate that the construction works will be undertaken by in excess of 100 individual works package contractors, and that the procurement of individual packages will potentially continue beyond the date of commencement of the main works on site.

4.5 The main construction works are scheduled to commence on site Autumn 2020. It is also possible that a number of early works, or 'enabling' packages will be let in advance of this date, which is something that will be agreed with the successful management contractor, once appointed.

5.0 Finance

5.1 The competitive dialogue process anticipates the development of the bidder's proposals from Outline Solutions stage into Final Bid stage, during which time the bidder's financial offer is refined to respond to feedback given during dialogue. Bidders will add or omit as appropriate until the 'right' solution is priced as part of the Final Bid.

5.2 At Outline Solution, each bidder presented its estimate of costs for the following three categories of direct expenditure:

- Pre-Construction Services Agreement (PCSA) - This covers Management Contractor services from appointment (Nov/Dec 2018) to issue of the Notice to Proceed (NTP) with the formal contract works (Dec 2019). The cost includes for staff, management, office/ICT costs and associated management fees. This fee will be finalised at the point at which the management contractor is appointed.
- Construction Period Management Fee (CPMF) – This is the Management Fee applied to all costs incurred under the Management Contract for the construction works undertaken by the Works Package Contractors. This fee covers head office overheads and the contractor's profit margin, and will be finalised before the Notice to Proceed is issued (Dec 2019).
- Construction Period Preliminaries Prices (CPPP) – This is the 'estimated' cost of Staff and Management during the Construction Phase (2020-2024). The firm cost will be concluded at NTP based on rates agreed in the Final Bid Submission.

5.3 The bidders will further refine their solution following both the initial dialogue week and the workshops planned for the second week in September, such that their final offer forms part of the Final Bid stage of the process. The costs received to date are therefore likely to change as the solution is better defined, but current estimates are within the range of expectations.

5.4 It should be noted that the costs of the construction works packages (budget £150m) do not form part of this procurement, and will be subject to individual works package procurement following appointment of the management contractor.

6.0 Conclusion

6.1 The procurement of the management contractor continues to make good progress and is currently on programme with further dialogue sessions taking place in September 2018 and the final proposals will be submitted in October 2018 with the appointment of the preferred partner in November 2018.

6.2 Members are asked to note progress to date and the next steps in the process.