

Cabinet (Resources) Panel

24 April 2024

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| Report title | City Learning Quarter Phase 2 – Central Library and Adult Education Project | |
| Decision designation | AMBER | |
| Cabinet member with lead responsibility | Councillor Stephen Simkins Leader of the Council | |
| Key decision | Yes | |
| In forward plan | Yes | |
| Wards affected | All Wards | |
| Accountable Director | Richard Lawrence, Director of City Development | |
| Originating service | City Development | |
| Accountable employee | Mark Bassett | City Learning Quarter Programme Director |
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| Report to be/has been considered by | Regeneration Leadership Team | 25 March 2024 |
| | Strategic Executive Board | 9 April 2024 |
| | Leaders Briefing | 15 April 2024 |

Recommendations for decision:

The Cabinet (Resources) Panel is recommended to:

1. Approve that the Council enter into a pre-construction contract, Pre-Construction Services Agreement (“PCSA”) with Speller Metcalfe (Malvern) Limited (“Speller”) to progress design, enabling works and to provide construction cost certainty for the Central Library and Adult Education Project (inclusive of library façade restoration) that forms part of the City Learning Quarter Phase 2.

2. Delegate authority to the Leader of the Council and Cabinet Member for Resources in consultation with the Directors of City Development and Finance to enter into the main construction contract with Speller provided that:
 - a. The contract sum is within the approved budget; and
 - b. The design, cost and programme have been approved by the City Learning Quarter Programme Board.

1.0 Purpose

- 1.1 On 6 September 2023 Cabinet was informed of the status of the City Learning Quarter (“CLQ”) component projects and noted that it will receive a future report setting out the proposals and procurement strategy for works related to the Central Library façade restoration and internal improvements to include provision of Adult Education facilities.
- 1.2 This report provides an update and seeks authorisation to appoint Speller under a Pre-Construction Services Agreement (PCSA) for the contract sum of £698,745 to progress the Central Library and Adult Education works with a duration of 22 weeks from commencement, and further delegated authority to enter the subsequent construction contract to complete delivery of the scheme on its satisfactory agreement.

2.0 Background

- 2.1 The CLQ programme, representing £69 million of investment, has been developed in partnership between the Council and the City of Wolverhampton College.
- 2.2 CLQ Phase 2 originally comprised of three component projects situated within Wolverhampton City Centre around Old Hall Street and St George’s Parade at the Metro One building site to facilitate the provision of co-located education services that meet Post 16 learner and employer demands. These projects are namely; new Main City of Wolverhampton College campus (new build extension and refurbishment works that is currently under construction), Central Library Façade restoration and Central Library and Adult Education internal improvements to provide a modernised, reconfigured, accessible and digitally enabled Central Library and an expanded centralised Adult Education provision.
- 2.3 The combined Central Library and Adult Education project includes the refurbishment and restoration of the Grade II listed Central Library building, including new roof and façade restoration, as well as internal remodelling to facilitate the relocation of Adult Education services into the library building, as well as a new entrance, public conveniences and landscaping works.
- 2.4 The procurement of a construction contractor for the Central Library and Adult Education project has been difficult. A single stage tender for the procurement of the Central Library heritage façade restoration works was abandoned due to only one bidder who was found to be non-compliant as they sought significant changes to the tendered contract (that included removal of a Performance Bond) which would have breached the Public Contracts Regulations 2015 (“PCR”). Further financial checks on the company raised concerns regarding their ability to undertake a project of this size. The procurement was paused to enable sequencing of various contractor activities within the development site to be reviewed and to confirm operational requirements.
- 2.5 It was agreed by the CLQ Programme Board to combine the Central Library façade and the internal works into a single contract in order to maximise efficiencies in terms of site

management, logistics and health and safety noting the requirement to keep these facilities operational throughout the works period.

3.0 Procurement Progress

- 3.1 The Construction West Midlands Framework (“CWMF”) has been used to select a contractor given the tight programme timescale. The CWMF is a PCR compliant framework that has been competitively tendered and awarded to four West Midlands regional contractors selected following a quality and price evaluation. The suppliers are capable and financially able to deliver projects of this nature and scale.
- 3.2 All four contractors on the framework were approached by the Council. All were initially interested, however during the engagement process, two contractors declared they would not proceed with the tender, as they were unable to commit resource due to their other work commitments. One contractor later declared they would not proceed as they did not favour the form of contract that was being proposed. The remaining contractor continued to express an interest and appointment is available via a direct award. Following checks of the framework and the direct award route, the CLQ Programme Board agreed to explore this procurement route with Speller.
- 3.3 The project team engaged with Speller to prepare a detailed pre-construction programme and indicative construction programme and establish their pre-construction services fee for the combined Central Library and Adult Education project.
- 3.4 A PCSA contract and JCT Design and Build contract is in the process of being prepared allowing the delivery of the Central Library and Adult Education project.
- 3.5 The PCSA scope of work includes the review, adoption and development of the design. It also includes a package of enabling works ahead of the main construction contract achieving savings through a reduced work programme duration. On completion of the design, during the PCSA period the construction costs will be developed and evaluated against the approved budget. The contractor overhead and profit were fixed during the competitive process to establish the framework. The construction costs use framework rates and competitive packages of work to establish the actual cost of delivering the works. Should these costs exceed the approved budget, the contractor will be required to take action. This may include value engineering such as finding alternative methods of construction or lower cost materials that meet the same performance specifications, and scope review to reduce the contract sum to the approved budget. On satisfactory conclusion of the PCSA the Council could then enter into the construction contract to complete the project subject to CLQ Programme Board approval.

4.0 Pre-Construction Contract (PCSA) Cost, Scope and Programme

- 4.1 The PCSA scope and fee (primarily derived from the rates as set out in the CWMF) has been prepared by Speller and reviewed by the Project Team who have confirmed these to be competitive rates and compliant with the framework.

- 4.2 During the PCSA period Speller will work with the Council's Project Team to complete the design to Royal Institute of British Architects (RIBA) Stage 4. They will also engage with their supply chain during the PCSA period allowing cost certainty based on advanced design work, construction, logistics and supply chain information, reducing risk, protecting the programme and budget. By the end of the PCSA period Speller will deliver the following:
- i. Design Works including Architectural, Mechanical & Electrical and Specialist Work to RIBA Stage 4;
 - ii. Confirmation of contractor's programme;
 - iii. Scaffolding erection – to enable the measurement / design / procurement of terracotta and survey works to the roof, as well as enabling works to the roof and brick work to commence sooner within the main contract;
 - iv. Surveys / Investigation works;
 - v. Permits and licences for traffic management and pavement closures for welfare and scaffolding;
 - vi. Preliminaries associated with on-site works for the contractor and their façade sub-contractor;
 - vii. Cost advice and a firm price for construction works to complete the project.
- 4.3 The PCSA contract period will start on the 23 May 2024 for a 22-week period. On satisfactory conclusion of the PSCA and agreement of the main construction contract, the 49-week construction period is programmed to commence in October 2024 and complete in September 2025. The project team have reviewed the programme and consider this to be achievable noting that it will be further developed and confirmed by the contractor as part of the scope of the PCSA.
- 4.4 This report is seeking approval to enter into a PCSA with Speller to provide pre-construction services to the Council for the development of the design, delivery of early enabling works and agreement of construction contract. The total cost to the Council of the PCSA is £698,745.00 excluding VAT breakdown as follows:

| PCSA Item | Cost |
|--------------------------|-----------------|
| PCSA Fee and Design cost | £297,161 |
| Scaffolding | £217,631 |
| Site works and surveying | £32,672 |
| Pedestrian management | £25,000 |
| Preliminaries | £106,859 |
| Overheads and Profits | £19,422 |
| Total | £698,745 |

4.5 The above costs have been reviewed by Turner and Townsend Cost Management against their pre tender estimates (with the understanding that the preliminaries and Overhead and Profit rates are prescribed by the CWMF). Turner and Townsend are satisfied that these are compliant with the framework's set rates (that are competitive) and aligns with their pre tender cost estimates.

5.0 Evaluation of alternative options

5.1 The option to do nothing would lead to further dilapidation of the public library facility which could result in additional works should the project be brought forward in the future. Established funding would be lost.

5.2 The second option for single stage tender for the project was considered. A Prior Information Notice was issued to understand the market for the work. Feedback from contractors indicated they were unwilling to accept design responsibility outside of a two-stage contract and therefore there was a high risk of no tenders being received.

5.3 The third option of a two-stage contract has therefore been proposed in this report. This allows for early contractor engagement so they can gain a better understanding of the project and risks which will lead to greater price certainty. Given the complexity and risk involved with restoration of the Library heritage building, the Council's need for cost certainty and a fixed timeframe for delivery to meet funders requirements, a two-stage contract is recommended.

5.4 The use of the CWMF as an alternative to an open tender reduces the procurement timescale in line with the funding constraints. The programme team are satisfied that Speller, who are currently delivering Phase 1 CLQ Advanced Technology Automobile Centre ("ATAC"), have capacity and capability to undertake all aspects of this project.

6.0 Reasons for decision(s)

6.1 The CWMF direct award to Speller for the development and delivery of the CLQ Central Library and Adult Education project is PCR compliant and will enable the project to achieve practical completion by Spring 2025 in line with funders requirements.

6.2 The CLQ Project Team are satisfied that Spellers proposed team for this project have the capability to deliver the scheme having proven experience of completing schemes of a similar scale and complexity.

6.3 Entering the PSCA does not commit the Council to enter the Construction agreement. Appointment of Speller for the construction phase will be dependent on satisfactory completion of the PSCA and the agreed construction works price which will be subject to an Individual Executive Decision Notice (IEDN).

7.0 Financial implications

7.1 The delivery of the Central Library and Adult Education project will be divided into two contracts to allow the Council to retain more control. The PSCA is the first stage of a two

stage design and build construction works contract. The cost of entering into the PCSA with Speller is £698,745 which will be met from the overall approved capital budget for the City Learning Quarter Programme (Phase 1 and 2) of £69.1 million which includes an allocation of £5.2 million to the Central Library Façade, Library and Adult Education internal improvement works projects.

- 7.2 It should be noted that this approval is only for the commencement of the PCSA to cover the period from 23 May 2024 to 22 October 2024 with no further commitment from the Council to continue with the construction contractor after the PCSA period. This will further incentivise the contractor to ensure that construction costs remain within the budget and that the proposal is attractive for the Council to take forward and enter into the main construction contract (JCT D&B).
- 7.3 The total construction cost (i.e. sum of the PCSA and main construction contract) will need to be containable within this approved budget for the Council to take the proposal forward for delegated approval in October 2024 through an IEDN for Stage 2 construction award. The remaining contract budget following the PCSA will be £3.2 million.
- 7.4 Further to the above it should be noted that current market conditions, particularly inflationary pressure is very challenging for the delivery of capital projects at this time. Turner and Townsend are continuing to monitor and mitigate the risk where possible. This is reflected in the costed risk register for the project at Appendix 1.
[DW/03042024/H]

8.0 Legal implications

- 8.1 The Procurement is subject to the requirements of the PCR and the Council's own Contract Procedure Rules.
- 8.2 Framework Agreements can be used under Regulation 33 of the PCR.
- 8.3 The framework has been reviewed and direct awards can be made.
- 8.4 The parties will enter into the PCSA.
- 8.5 There is no obligation upon the Council to enter into the main construction contract.
- 8.6 An Individual Executive Decision Notice ("IEDN") will be used to obtain approval to enter into the main construction contract.
[AS/03042024/A]

9.0 Equalities implications

- 9.1 The Equalities Act 2010 requires public authorities to have due regard to the need to eliminate discrimination and advance equality of opportunity. The Council must take this into account when making decisions.

- 9.2 The City Learning Quarter project is designed to increase all age participation in learning and at the core enhanced Library and Adult Education provision promotes access and equality of opportunity for all groups and the widest number of residents.
- 9.3 It is not anticipated that there will be any negative impact on any groups within the protected characteristics under the terms of the Equality Act 2010 from the proposal to enter into the PCSA as set out in the recommendations.
- 9.4 As part of its statutory duty, the Council in conjunction Speller will continue to consider the equalities implications on protected and non-protected characteristics as the PCSA moves forward into construction contract award / delivery stages so that measures can be affected to mitigate any negative impacts identified.

10.0 All other implications

- 10.1 None

11.0 Schedule of background papers

- 11.1 [Cabinet, 6 September 2023 – City Learning Quarter](#)

12.0 Appendices

- 12.1 Appendix 1– Central Library and Adult Education project costed risk register (**PRIVATE – exempt from publication under Schedule 12A of the Local Government Act 1972 (as amended), Part 1, Paragraph 3**)