

COMMERCIAL STRATEGY APPROVAL

CAPITAL CONSTRUCTION PROJECTS

This form should be completed by a Procurement Professional, liaising with the Capital Delivery Service and consulting with the service area client.

The Procurement Strategy should be completed prior to beginning a tender process. The Contract Award should be completed at the end of the process when you are seeking authority to award.

If the procurement route requires a waiver of Council Standing Orders please provide the justification in section D2 and also complete all applicable sections of the Procurement Strategy and Contract Award. If a Construction Project includes an aspect that requires a waiver, such as appointing a nominated/or assigned external consultant to support the project please ensure this is reflected as appropriate in the Procurement Strategy.

KEY FACTS

Project title	Sheffield Retail Quarter Phase 1 – Project Cavendish	Project value	77,692,596	Client Portfolio	Place	Evaluation Criteria	Price	30%	Quality	70%	E&S	N/A*
Purpose and scope of works	Design and construction works (design and build contract) for the delivery of SRQ Phase 1. SRQ Phase 1 involves the delivery of a major new office above Block J (known as Project Cavendish) in the Sheffield Retail Quarter (“SRQ”). This supplementary Contract Award supplements the initial Stage 1 contract award from June 2016, and also seeks to award Stage 2 of the contract to BAM Construction. * Employment and skills was assessed as part of the quality response, as was Council policy at that time. It is now assessed as a stand-alone item.											

RECOMMENDATIONS AND APPROVALS

PROCUREMENT STRATEGY		CONTRACT AWARD	
Recommendation:	None. It has already been approved by: <ul style="list-style-type: none">ICM for ‘Approval to Call for Tenders for Pre-Construction Services for Early Phases of the Sheffield Retail Quarter’ approved 07/04/2016CPG (on 25 July 2016)Cabinet on 20 July 2016. The agreed route was: <ul style="list-style-type: none">Tender Process through YORBuild FrameworkProcurement to be Two Stage Design & BuildForm of Contract to be NEC3 ECC Option A	Recommendation:	Stage One Revised - That approval is given to award a Contract to BAM Construction in the sum of £10,244,024 (previously £149,674) to develop the design and deliver a Contract Sum for Stage 2. Stage Two – That approval is given to award a Contract to BAM Construction in the sum of £70,500,000 for the full Design and Build Contract to complete the works.

PROJECT TEAM APPROVALS

	Who	Signature	Date	Signature	Date
Cost Manager	David Blagden – T&T		21/09/2015		20/02/2017
Project Manager	Neil Morris – T&T		21/09/2015		20/02/2017
Contract Manager	Nick Jones – T&T		21/09/2015		20/02/2017
Client Lead	Nalin Seneviratne		21/09/2015		20/02/2017
Technical Manager – C & C M	Richard Eccles		21/09/2015		20/02/2017
Procurement Professional	Tim Sharp		21/09/2015		20/02/2017
Project Sponsor	Simon Green		21/09/2015		20/02/2017
Head of Capital Delivery Service	Dan Ladbury / Sean McClean		21/09/2015		20/02/2017
Capital Programme Group	Paul Schofield		21/09/2015	K Bollington	27/02/2017 via correspondence
Commercial Director	Kerry Bollington				3/4/2017

COMMERCIAL SERVICES’ APPROVAL DETAILS

Commercial Approval No.	CS-030-16	Original Commercial Approval (if extension)		CDS Project Reference	
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CONTRACT AWARD APPROVAL – STAGE 1 REVISION									
SECTION F EXCEPTION REPORTING									
F1	Exception reporting from Procurement Strategy		The original procurement strategy for Project Cavendish was deferred at CPG in September 2015, in order for a Cabinet report to be drafted and submitted requesting approval of the scheme. Subsequent to this an ICM report 'Approval to Call for Tenders for Pre-Construction Services for Early Phases of the Sheffield Retail Quarter’ was approved in April 2016. This report was to allow the commencement of the first stage of the procurement process by issuing expressions of interest and engaging the YORbuild contractors in the first stage of the tender process as set out in this report. The procurement strategy was approved on 7 April 2016 via ICM Report.						
			As recorded in the Contract Award dated June 2016 (and approved at CPG the same month) approval was given to proceed, subject to authority to proceed being given by Cabinet in July 2016. This Cabinet approval was duly given. ,BAM Construction Ltd was appointed under a Pre-Construction Services Agreement to complete the design and build up a contract sum, to allow works to commence on site in early April 2017.						
			Due to an error in drafting by our Delivery Partner, the contract award only covered fees under the PCSA of £149,674. Instead, it should have covered the full range of services under the PCSA, as set out at G3 below. This error occurred as Turner and Townsend were of the view that the Cabinet authority for the full £10,244,024 stage 1 Contract Award was given in July 2016. Upon becoming aware of this, Commercial Services decided to ensure a full Audit trail was provided by way of this document.						
			This part of the document therefore covers what should have been the correct original scope of the Stage 1 award. The next part covers the Stage 2 award for the full contract sum. This has not been subject to any previous report or approval and is delegated to the Director of Finance and Commercial Services (or her nominated deputy) in the usual way.						
SECTION G TENDER EVALUATION AND AWARD RECOMMENDATION									
G1	TENDER DETAILS – received and adjusted (please add rows as required). If using an in-house provider or have only engaged a single provider, please insert the price agreed. If a tenderer withdrew or did not return, please state in 'Comments’ column								
		Tenderer	Original submitted price	Amended final price (if applicable)	Price score (if applicable)	Quality Score (if applicable)	Total score (price+ quality)	Rank	Comments
	G1a	BAM	£10,244,024	£	28.84	58.50	87.34	1	Received
	G1b	Galliford Try	£9,847,914	£	30.00	55.30	85.30	2	Received
	G1c	Interserve	£11,711,244	£	25.23	51.90	77.13	3	Received
	G1d	ISG	£15,388,966	£	19.20	41.60	60.80	4	Received
	G1e		£	£					
G2	ARITHMETICAL CHECK				G3	TECHNICAL CHECK			
	See tender report					The above prices are based on equalised tender returns for Pre-Construction Fees, professional design fees, preliminaries, contractor’s risk allowance, YORBuild Call Off Charge, Guarantee Bond and Overheads and Profit. They are notional costs and will be subject to development and approval during the second stage tender period.			
G4	TENDER QUALIFICATIONS AND CLARIFICATIONS				G5	ADDENDA ISSUED DURING THE TENDER PERIOD			
	See Stage 1 tender report					See Stage 1 tender report			
G6	PRELIMINARIES				G7	PROVISIONAL SUMS and DAYWORKS			
	See Stage 1 tender report					None at Stage 1			
G8	CONTINGENCIES (outside contract sum)				G9	BOND / ULTIMATE HOLDING COMPANY GUARANTEE Please state if requiring and reasons for this decision			
	N/A at Stage 1					Due to the financial check showing the Company to be low risk it was decided to omit the Bond and just use the Parent Company Guarantee.			
G10	QUALITATIVE ASSESSMENT QUESTIONS				G11	ASSESSMENT CRITERIA			
	Quality was 30% of the Tender and there were various Quality Questions including subjects such as: <ul style="list-style-type: none">Programme / PhasingBuildability / added value / sustainabilitySupply Chain CompetitionSpecific Tenant Requirements					See Stage 1 tender report			

	• Employment & Skills														
G12	FINANCIAL STANDING OF PREFERRED TENDERER (do not complete if using an in-house provider)														
	Tenderer:		BAM Construction Limited		Recommendation:		The D & B financial check showed a low risk of business failure			Date of approval:		20/7/2016			
SECTION H FINANCIAL / BUDGETARY PROVISION – STAGE 1 TENDER REVISED															
H1	ACTUAL TOTAL PROJECT COSTS (see definitions at section C of the Procurement Strategy above)														
					Procurement Strategy		Contract Award - Revised		Reasons for any differences						
	H1a	Total project budget			TBC		TBC		TBC when cabinet paper is approved						
	H1b	Construction cost			£87,925,067 (Stage 1 and stage 2)		£10,244,024 (Stage 1 only)		Original Contract Award only requested approval of £149,674 pre-construction fees. It has been necessary for subsequent approval up to the £10,244,024 to also allow for Contractor’s design fees and various Enabling Works prior to agreement of the Stage 2 full Construction Price.						
	H1c	Fees			£10.05m		TBC		Approximately 12% for Professional Fees						
	H1d	Client costs capital			N/A – Part of SRQ		N/A		N/A – Part of SRQ						
	H1e	Allowances for contingency			£1,514,688		TBC		5% included in Original Development Appraisal at Procurement Strategy Stage						
	H1f	Revenue cost implications			Risks set out in separate cabinet paper		N/A		Risks set out in separate cabinet paper						
	H1g	Estimated contract value for each contract (see section D8 above)			TBC		TBC		Expected toward the end of 2016 when contract sum/ terms have been calculated.						
H2	COMPARISON WITH PRE-TENDER ESTIMATE including reasons for differences														
	No comparison as Stage One Cost only.														
H3	RECONCILIATION TO BUDGET														
	Is the tender price greater than:														
	H3a	Total project budget (see C1a above)			No	H3b	Construction cost (see B1b above)			No	H3c	Approved Q-tier / CAF (if different to C1a above)		No	
	H3d	If so, how will you reconcile this? This could include altering scope or using contingency monies. If scope change, does it still fall within OJEU notice (if applicable) and is it covered by previous delegated authority?													
	N/A														
H4	ESTIMATED CASH FLOW														
	H4a	Date of contract start		1/8/2016		H4b	Date of contract end		1/3/2017 - end of second stage tender period		H4c	End dates of any contract extensions		24/12/2018 – end of construction period	
	ANTICIPATED CASH FLOW PROFILE														
			2016/17 £		2017/18 £		2018/19 £		2019 / 20 £		2020 / 21 £		Total £		
	H4d	Contract delivery		5,516,000		4,574,400		0		0		0		10,090,400	
	H4e	Retention		84,000		69,624		0		0		0		153,624	
	H4f	Total		5,600,000		4,644,024		0		0		0		10,244,024	
H5	ACTUAL CONTRACT SAVINGS														
	Summation of actual contract construction cost at contract award stage, versus anticipated costs at procurement strategy stage (annual breakdown of figures provided at H1b above)														
			2016/17 £		2017 / 18 £		2018 / 19 £		2019 / 20 £		2020 / 21 £		Total £		
	Savings		N/A		N/A		N/A		N/A		N/A		N/A		
H6	DETAILS OF ANY OTHER SAVINGS OR BENEFITS														
	N/A														

SECTION I PROJECT IMPACT AND IMPLICATIONS									
I1	EMPLOYMENT AND SKILLS OUTPUTS								
	I1a	Work experience (14-16 years)		I1b	Work experience (16+ years)		I1c	School workshops / site visits	
	I1d	Internships		I1f	Employment		I1g	Apprenticeships (project initiated)	
	I1h	Trainees (project initiated L4 and higher level skills)		I1i	Graduates		I1j	Other trainees	
	I1k	Apprenticeships (existing)							
	If these differ from the benchmarks set in the Procurement Strategy, please state why here					See Stage 2 award below.			
I2	Are there any TUPE implications which have not previously been identified or addressed? If yes, how are these now being addressed?								No
	N/A								
I3	Are there any legal implications which have not previously been identified or addressed? If yes, how are these now being addressed?								No
	N/A								
I4	Are there any lessons learned to inform future procurement strategies?								
	No								
CONTRACT AWARD APPROVAL – STAGE 2									
SECTION F EXCEPTION REPORTING									
F1	Exception reporting from Procurement Strategy		As set out in the Stage 1 revised contract award above. The only other change was using the YORbuild2 framework, rather than YORbuild1. Tendering timescales had slipped, meaning that YORbuild1 was no longer available.						
SECTION G TENDER EVALUATION AND AWARD RECOMMENDATION – STAGE 2 TENDER									
G1	TENDER DETAILS – received and adjusted (please add rows as required). If using an in-house provider or have only engaged a single provider, please insert the price agreed. If a tenderer withdrew or did not return, please state in 'Comments' column								
		Tenderer	Original submitted price	Amended final price (if applicable)	Price score (if applicable)	Quality Score (if applicable)	Total score (price+ quality)	Rank	Comments
	G1a	BAM Construction	N/A – 2 Stage tender	£70,500,000	N/A – 2 Stage tender	N/A – 2 Stage tender	N/A – 2 Stage tender	N/A	Contract Sum Negotiated and Agreed during the Stage Two period.
	G1b								
G2	ARITHMETICAL CHECK				G3	TECHNICAL CHECK			
	Arithmetical checks were carried out throughout the Stage Two process as each work package price was agreed. Therefore the figure above now contains no arithmetical errors.					Technical checks were carried out throughout the Stage Two process as each work package price was agreed. The Cost Manager is satisfied that there are no pricing issues.			
G4	TENDER QUALIFICATIONS AND CLARIFICATIONS				G5	ADDENDA ISSUED DURING THE TENDER PERIOD			
	N/A – Second Stage of Tender Process					N/A – Second Stage of Tender Process			
G6	PRELIMINARIES				G7	PROVISIONAL SUMS and DAYWORKS			
	The preliminaries are included within the above sum and are considered to be at an appropriate level for the size and nature of the contract.					£4,200,000			
G8	CONTINGENCIES (outside contract sum)				G9	BOND / ULTIMATE HOLDING COMPANY GUARANTEE Please state if requiring and reasons for this decision			
	£1,696,101 of Contingencies are held by the Client outside the agreed Negotiated price above.					Due to the financial check showing the Company to be low risk it was decided to omit the Bond and just use the Parent Company Guarantee.			
G10	QUALITATIVE ASSESSMENT QUESTIONS				G11	ASSESSMENT CRITERIA			

	N/A – Second Stage of Tender Process						N/A – Second Stage of Tender Process												
G12	FINANCIAL STANDING OF PREFERRED TENDERER (do not complete if using an in-house provider)																		
	Tenderer:		BAM Construction Limited		Recommendation:		The D & B financial check showed a low risk of business failure			Date of approval:		20/7/2016							
SECTION H FINANCIAL / BUDGETARY PROVISION – STAGE 2 TENDER																			
H1	ACTUAL TOTAL PROJECT COSTS (see definitions at section C of the Procurement Strategy above)																		
					Procurement Strategy * updated to match cabinet approval budget		Contract Award		Reasons for any differences										
	H1a		Total project budget			£77,662,596		£79,234,806		As latest development appraisal (No VAT) and excluding interest. Approval for this value is already in place from Cabinet									
	H1b		Construction cost			£70,806,279		£70,500,000		Negotiated Agreed Price at Stage Two for Design & Build of Construction project. Assumes VAT is recoverable.									
	H1c		Fees			£5,341,629		6,842,370		Project Management, Cost management, All Design & Engineering Consultants = £5,033,973 Legal, Finance, Sales & letting = £1,458397 SCC Administration Fees = £350,000									
	H1d		Client costs capital			-		£196,335		Payment to HSBC for spec change + Insurance									
	H1e		Allowances for contingency			£1,514,688		1,696,101		As latest development appraisal (No VAT)									
	H1f		Revenue cost implications			Risks set out in separate cabinet paper		Risks set out in separate cabinet paper											
	H1g		Estimated contract value for each contract (see section D8 above)			N/A		N/A											
H2	COMPARISON WITH PRE-TENDER ESTIMATE including reasons for differences																		
	The costs have increased by £5m from the Cost Plan agreed with BAM Construction at Gateway 2. The reasons for this are a combination of planning requirements, ground conditions, demolition delays, market conditions and impact of FX movement since Brexit. In addition, there has been scope change with elements of WP2 now being undertaken under this contract. There has also been a corresponding increase in the value of the development on completion.																		
H3	RECONCILIATION TO BUDGET																		
	Is the tender price greater than:																		
	H3a		Total project budget (see C1a above)			Yes	H3b		Construction cost (see B1b above)			No	H3c	Approved Q-tier / CAF (if different to C1a above)			No		
	H3d		If so, how will you reconcile this? This could include altering scope or using contingency monies. If scope change, does it still fall within OJEU notice (if applicable) and is it covered by previous delegated authority?																
	* The above budget figures do not account for the additional funding for scope transfer (budget transfer) and SCRIF funding. These are £1.35m from Work Package 2, £1m SCRIF and 0.31m BU94050. With these budget transfers and additional funding accounted the overall capital budget for this work package increases above the agreed costs and is reflected in the Contract Award figures (minus VAT and interest).																		
H4	ESTIMATED CASH FLOW																		
	H4a		Date of contract start		10/4/2017		H4b		Date of contract end		24/12/2018		H4c		End dates of any contract extensions		N/A		
	ANTICIPATED CASH FLOW PROFILE																		
			2016/17 £			2017/18 £			2018/19 £			2019 / 20 £			2020 / 21 £			Total £	
	H4d		Contract delivery		5,516,000		34,480,000		33,789,000		3,334,881		0		77,119,881				
	H4e		Retention		84,000		1,020,000		1,011,000		0		0		2,115,000				
	H4f		Total		5,600,000		35,500,000		34,800,000		3,334,881		0		79,234,881				
H5	ACTUAL CONTRACT SAVINGS																		
	Summation of actual contract construction cost at contract award stage, versus anticipated costs at procurement strategy stage (annual breakdown of figures provided at H1b above)																		

		2016/17 £	2017 / 18 £	2018 / 19 £	2019 / 20 £	2020 / 21 £	Total £		
	Savings	N/A	N/A	N/A	N/A	N/A	N/A		
H6	DETAILS OF ANY OTHER SAVINGS OR BENEFITS								
	N/A								
SECTION I PROJECT IMPACT AND IMPLICATIONS									
I1	EMPLOYMENT AND SKILLS OUTPUTS								
	I1a	Work experience (14-16 years)	5	I1b	Work experience (16+ years)	25	I1c	School workshops / site visits	20
	I1d	Internships		I1f	Employment	25 new jobs	I1g	Apprenticeships (project initiated)	10
	I1h	Trainees (project initiated L4 and higher level skills)		I1i	Graduates		I1j	Other trainees	
	I1k	Apprenticeships (existing)	620 pw						
	If these differ from the benchmarks set in the Procurement Strategy, please state why here								
	I2	Are there any TUPE implications which have not previously been identified or addressed? If yes, how are these now being addressed?							
N/A									
I3	Are there any legal implications which have not previously been identified or addressed? If yes, how are these now being addressed?								No
	N/A								
I4	Are there any lessons learned to inform future procurement strategies?								
	No								