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To: All Members of the Procurement Committee
c.c. All other persons receiving Procurement Committee papers

Dear Member,

Cabinet Procurement Committee - Thursday, 20th December, 2007

I attach a copy of the following report for the above-mentioned meeting which was not available at the time of collation of the agenda:

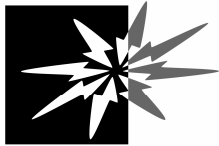
4. CONSTRUCTION OF NEW HARINGEY MORTUARY (PAGES 1 - 10)

(Report of the Director of Urban Environment): To seek approval to the final price of the contract for the main construction work (Phase 2) for the new Haringey Public Mortuary situated at the Lodge, Church Lane, N.17.

Yours sincerely

Richard Burbidge
Cabinet Committees Manager

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Haringey Council

Agenda item:

[No.]**Report to Procurement Committee****On 20th December 2007**Report Title: **Construction of new Haringey Mortuary**

Forward Plan reference number (if applicable):

Report of: **Niall Bolger, Director Urban Environment.**Wards(s) affected: **White Hart Lane &
Northumberland Park**Report for: **Key Decision****1. Purpose**

1.1 This report seeks Member approval to the revised Agreed Maximum Price and to award the contract in respect of the main construction work (Phase 2) for the new Haringey Public Mortuary situated at The Lodge , Church Lane , Tottenham , N17 . The value of the proposed contract is detailed in 9.4 .

2. Introduction by Cabinet Member for Enforcement & Safer Communities

2.1 I support the recommendation to award the contract at the revised Agreed Maximum Price detailed for the construction works at the new mortuary.

2.2 This project will release the important redevelopment site at Hornsey and provide a well designed and improved mortuary facility. There has been considerable delay and we must ensure that the works are implemented as soon as possible.

3. Recommendations

3.1 That members agree to award the contract to Mulalley & Co Ltd based on the revised contract sum detailed in 9.4.

Report Authorised by: Niall Bolger , Director of Urban Environment

Signature

Contact Officer: Keith Betts, Commercial Services Group Manager , Enforcement Service

4. Director of Finance Comments

- 4.1 The latest agreed overall project budget is £3.149m including the pre AMP tender for stage 2 construction works in the sum of £2.497m. As indicated in the report the AMP process has resulted in increased costs above the original tender of £420k. An extensive review of the project specification has been undertaken to bring this figure down to within the budget. This has resulted in some items being omitted from the specification to achieve savings and using £139k from the main contract contingency to bring the overall cost down to within budget. This means that more or less all of the contingency is now used and there is no contingency cover for any other unforeseen items of expenditure which may arise. This increases the risk of eventual costs exceeding the budget.
- 4.2 If the above mentioned risk materialises, any additional costs above the budget will have to be a first call against the Council's capital resources for next year including any underspends on next year's Urban Environment capital programme. There is also a possibility that funding will be available from the Home Office for using the mortuary as a forensic facility, which would off-set some of the cost pressure. A further option is presented by the Council's successful bid for GAF Round 3 funds and the possibility that some of this money could potentially be used to mitigate any risk items that may occur.
- 4.3 GAF funding accounts for £1.5m of the budget. This element has to be spent by the end of this financial year. The re-location of the mortuary is a very important element in the Council's asset disposal programme, particularly disposal of the Hornsey Depot site, which itself will generate a substantial capital receipt for the Council.

5. Head of Legal Services Comments

- 5.1 On the 4 September 2007 , subject to the Cabinet Procurement Committee agreeing the funding, approval was granted in principle to award the contract for the main construction of works (Phase 2) for the new Haringey Public Mortuary to the contractor based on the Agreed maximum price set out in the interleaved report.
- 5.2 Urban Environment Directorate have advised that due to factors set out in clause 9.2 of this report the original Agreed Maximum Price requires revision to enable the formal award of the contract and the construction of the new mortuary.
- 5.3 This report is seeking member approval to adopt a revised contract sum for the construction of the New Haringey Mortuary as set out in clause 9.4
- 5.4 In accordance with Contract Standing Order 11.03 as the contract value exceeds £250,000 the proposed award must be approved by the Cabinet Procurement Committee.

5.5 In accordance with Contract Standing Order 12.01 the contract must be in writing and by way of a document prepared by or in a form approved by the Head of Legal Services

5.6 The Head of Legal Services notes the content of the report and confirms that there is no legal reason preventing Members from approving the recommendation in paragraph 3.1

6. Head of Procurement Comment

6.1 The contractor for this project has been selected via mini-competition from the Construction Procurement Group's framework agreement.

6.2 Under this process, the contractor provides an indicative price, which will then be worked on, as the design progresses, to achieve the final Agreed Maximum Price (AMP).

6.3 The AMP returned by the contractor was £420k over budget, resulting in the need for extensive value engineering between all parties (consultants, client and contractor) to reach an on-budget figure.

6.4 In order to reach this figure, some items have been removed, which may represent some risk to the project. These are listed below, and some represent higher risk than others. However, as it is critical that the project proceeds, and there is no budget to add most of them in, then the project will need to proceed recognising these risks, and the cost saving achievements that have already been made

6.5 The procurement process has been undertaken in accordance with the requirements of the framework agreement, and has been value engineered accordingly.

6.6 The Head of Procurement therefore notes the risk items listed above, but also notes that it is critical that the project proceeds within the current budget.

7. Local Government (Access to Information) Act 1985

7.1 List of background documents :

Framework Agreement for Major Works, January 2006 , (Project banding £1m - £3.8m).

Report to Procurement Committee on 4th September 2007 (Agenda Item 12)

8. Executive Summary

8.1 Procurement Committee agreed on 4th September 2007 to award the contract for the Stage 2 construction of the mortuary to Mulalley & Co Ltd. This was agreed at a figure of £2,497,500 for this main construction work, within a total project cost of £3,148,898.

8.2 This decision was subject to approval of the Agreed Maximum Price at a later stage, delegated to the Director in consultation with the Chair of Cabinet Committee and the Cabinet member for Enforcement and Community Safety.

8.3 This report seeks the approval of Members to approve the revised contract sum for Phase 2 for the construction of the new mortuary.

9. Background & Report

9.1 Following the conditional approval of the Phase 2 construction costs by this Committee in September at Stage 2 of the tendering process, the ' Agreed maximum Price ' process was continued . The Phase 2 works were split into 26 construction packages and sent out by Mulalley & Co Ltd to their sub-contractors to submit their tendered prices. The invitation went out to a minimum of three trade contractors for each package The return of the tenders was monitored by the quantity surveyors, Potter Raper Partnership.

9.2 The return of trade tenders came in at a sum of £2,917,672, an additional £420,250 above the stage 2 cost. The increased tender value had arisen due to the following factors ;

- a) Increase in specialist mortuary equipment requirements (£73,884).
- b) Introduction of automatic irrigation (£15,442).
- c) Introduction of canopy to roller shutter (£23,060).
- d) Introduction of security grilles (£29,096).
- e) Higher quality door entry system (£11,875).
- f) Design development following issue of more detailed drawings (say £120,000).
- g) Unfavourable tendering conditions reflected by the difficulty in obtaining three competitive tenders for each trade (Potter Raper estimate this at around £150,000).

9.3 As a result of these trade AMP tenders, and in order to reach a figure within the Stage 2 tender price originally submitted to Committee , it was necessary to undertake extensive 'Value Engineering ' together with a further savings exercise. This work involved all elements of the design team particularly those involved in the higher cost elements such as the structural engineers. All parts of the construction were considered for necessity and cost.

9.4 The proposed savings identified by this process to reach a Stage 3 tender value are as follows;

Omission of contingency fund	138,937.00
Refurbishment of railings instead of replacement	16,527.00
Guard rails omitted from ramp and roadway	44,567.91
Omission of irrigation system	15,442.50
Reduced specification for internal screens	11,608.30
Omission of canopy to roller shutter	23,060.23
Alternative roof material	5,610.00
Reduced finish to formwork	5,322.71
Omission of brick offset coursing	5,274.41
Omission of facing bricks to road retaining wall	38,844.67
Omission of topping to ramp	3,291.11
Specification reductions to mechanical and electrical services	31,194.00
Use of lodge for site set-up	2,000.00
Omission of radii to the ramp	10,742.66
Omission of block inserts to ramp	4,206.75
Omission of wind posts	4,260.00
Concrete cast against contiguous wall	2,000.00
Reduced amount of imported top soil	2,000.00
Reduced specification of doors	5,000.00
Omission of window grilles	29,095.80
Reduced specification for suspended ceiling	1,894.17
Omission of epoxy membrane to basement screed	11,244.36
Reduced amount of tree removal and crowning	2,000.00
Omission of soft landscaping	10,650.00
	<hr/>
	424,773.53
<u>Deduct</u>	
Stage 3 first AMP tender value	<hr/> 2,917,672.00
REVISED STAGE 3 AMP	<hr/> £ 2,492,898.42 <hr/>

9.5 We have against this revised specification and associated savings, produced a list of risk items to the construction. The potential for these risk items to be needed is dependant on a number of factors, including planning considerations, contingencies arising during construction and provisional sums entered.

9.6 The schedule of risk factors and their provisional costs are as follows ;

Risk Items of additional costs to AMP figure	£
Reinstatement of contract contingency	138,937.00
Galvanised railings to roadway and ramp	29,320.00
New railings to boundary wall	14,237.66
Revisions to metal and timber screens	11,608.30
Bauder roof to mortuary	5,610.00

Brickwork facing to ramp	12,000.00
Topping to ramp	3,291.11
Revised specification for luminaries	6,000.00
Revised door entry/intercom system	11,875.00
Revised specification of electrical cabling	3,000.00
Revisions to radiators	2,819.00
Revised specification to a/c unit in Bier room	500.00
Change in services suppliers and manufacturers	6,000.00
Grade 3 security system	1,000.00
Radii to ramp walls	10,742.66
Wind posts	4,260.00
Concrete wall cast independently of contiguous piled wall	2,000.00
Additional imported top soil	2,000.00
Revised specification to doors	5,000.00
Window protection grilles	29,095.80
Burgess metal suspended ceiling system	1,894.17
Epoxy damp proof membrane to basement	11,244.36
Additional tree removal and crowning	2,000.00
Soft Landscaping	10,650.00
Additional professional fees	40,000.00
Additional statutory fees	20,000.00
PROVISIONAL SUM RISK IN TENDER:	£385,085.06

10. Budget

10.1 The submitted Stage 2 tender price, as submitted to 4th September Procurement Committee, was £2,497,500. After the AMP process the Stage 3 tender price for Phase 2 (Mortuary construction) is **£2,492,898** .

10.2 The total project costs are as follows:

- Professional fees (Architects, QS, Clerk of works , Planning Supervisor , Project management , Landscape architect , all surveys) **£523,276**
- Statutory Fees (Planning fees , Building Control) **£8,122**
- Phase 1 (Repairs to the Lodge & site preparation) **£120,000**
- Phase 2 (Mortuary construction , link extension , Lodge alterations and refurbishment , access roadway / ramp , landscaping) **£2,492,898**
- Total costs **£ 3,144,296**

10.3 The project is funded by the following methods:

- DCLG GAF award **£1.5m**
- Prudential borrowing financed through additional charges to Enfield Council for the mortuary function provided **£500k**
- Revenue contribution **£460,000**
- Capital receipts **£684,296**
- **Total Funding** **£3,144,296**

10.4 In respect of funding for any contingencies and risk items as detailed at 8.6 (if needed), this will be considered against Growth Area Fund (GAF III) awards for 2008/9, and the potential to utilise some of these funds for the mortuary project.

11. Financial Implications & timescales

11.1 The GAF funding agreement requires the project and spend to be completed by 31st March 2008. The Department for Communities and Local Government (DCLG) who are part-funding this project have agreed that we can overrun and complete the new mortuary after April 2008. However, it is imperative that the GAF II money from the DCLG (£1.5m) is spent by the 31st March 2008 deadline.

11.2 At the present time some £460,000 has been spent and claimed from DCLG. The construction in Phase 2 of the project, which will be on site mid-January and digging by end-January, will spend a further £533,000 by the end of March . Further to this, and subject to the contact, the contractors we will shortly be ordering all of the equipment for the mortuary in advance for the post-mortem functions and storage, the lift and the extensive mechanical , electrical and air-handling components . All of this will be fully certified by the Quantity Surveyors and have a robust audit trail. This will ensure that a spend of £1.5m will be achieved by the end of March 2008.

11.3 The importance of this mortuary relocation to the disposal of the Hornsey Depot site cannot be over emphasised. Whilst there remains some risk in relation to the items listed in 8.6 above, this needs to be seen in the wider policy objectives of securing the regeneration of the Hornsey Depot site.

12 Equalities Implications

12.1 The new mortuary facility will provide a much improved facility for all residents in Haringey. The mortuary is also used by Enfield Council on a chargeable basis. The new position of the mortuary is more convenient in terms of transport for the residents of both boroughs.

12.2 The new facility is within MOL and whilst this has produced challenges at the design & planning stage, the result will be an environment that will be both respectful and comforting to the bereaved, and support all our communities in circumstances for them of great stress and anxiety.

13 Consultation

13.1 The planning application process did involve resident consultation including a well attended resident's forum in Risley Avenue School. The matters raised during the forum were able to be incorporated into the plans at that stage, and there was general support for the proposals. There was some discussion in regard to the position of the underground part in relation to the Lodge building, but the possible positions for this, particularly in consideration of the access road and ramp down to basement level, were limited.

14 Description of Procurement Process and Framework Agreement Methodology.

14.1 The Construction Procurement Group has used the Framework Agreement Contract to undertake a three stage tendering process for Phase 2 of the works. The process for the selection of contractors is outlined below.

14.2 Phase 2 of the project falls under the Major Works £1m - £3.8m band in the Framework Agreement. There are 12 contractors in this band. For Stage 1 of the process, all twelve companies were asked to consider this project and put forward their expressions of interest with experience in this type of construction. A panel involving the client (Enforcement Service), Construction Procurement, the project managers, quantity surveyors and architects assessed and scored the returns selecting two companies to move to Stage 2 of the process.

14.3 Stage 2 was a mini-tender involving the two selected companies with a cost breakdown of all elements of the construction. It should be noted that the companies were advised that for stage 2 submissions, this would be a maximum price for each element. Construction Procurement has a developed and rigorous selection process for the analysis of the tenders received. The assessment was based on 40% quality, 40% price and 20% interview.

14.4 From Stage 2, a single contractor, Mullalley & Co Ltd was interviewed further and asked to proceed to Stage 3. Stage 3 was to complete the 'Agreed maximum Price' process. Twenty six construction packages containing the exact details and specification were prepared by our architects and quantity surveyors and sent out by Mullalley & Co Ltd. to their sub-contractors for a further tendering process.

14.5 These stage 3 tenders have been assessed by our Quantity Surveyors and have been approved by them to proceed to the next stage of agreement by Procurement Committee.

15 Contract & Performance Management

15.1 Contract & performance management will be overseen by the Project Manager & Clerk of Works, working closely with Construction Procurement and the Quantity Surveyors and structural engineers.

16 Key benefits and risks

16.1 **Benefits:** A new mortuary to the latest design providing excellent facilities for residents. The facility will provide a modern and safe working environment for our anatomical pathology technicians, for the pathologists undertaking the post-mortems and for the Police and other visitors engaging with the mortuary function. The mixture of underground clinical facility with above ground public 'softer style' reception and viewing areas will support the difficult and sensitive circumstances that exist for the bereaved following an unexpected death.

16.2 The new facility will bring this dilapidated site and building back into beneficial use for the community, and provide a more secure site which has been a great worry to local residents for some considerable time.

16.3 **Risks:** The award from the DCLG of £1.5m as part of the GAF initiative must be spent by 31st March 2008. The vacation of the site at Hornsey is also part of the DCLG funding agreement. The new mortuary will not be ready until after this date but the DCLG have accepted this overrun. The £1.5m award will have been spent by 31st March 2008, and the overrun and consequential delay in vacating the Hornsey redevelopment site will not impact on the disposal by the Council and the subsequent possession of the site by the developers.

16.4 With construction underground there is always a higher risk of discovering something unexpected. However, we have undertaken extensive site and building surveys including full geotechnical ground survey and archaeological digs. Contingency figures are contained with the tendered prices.

17 Conclusion

17.1 This report seeks the approval of the Agreed Maximum Price by the Committee as detailed in 8.4 above and that a contract can be awarded to Mulalley & Co Ltd for Phase 2 of the works to complete the new mortuary.

18 Health & Safety and Sustainability implications.

18.1 The project has appointed a Planning Supervisor from the approved list of framework consultants. The planning supervisor is responsible for the management of the construction health & safety together with risk management issues.

18.2 The new underground mortuary has been designed to meet high levels of insulation to comply with the updated building regulation requirements. The underground nature of the building will minimise temperature variation from external factors.

18.3 The existing Lodge has been upgraded already in Phase 1 with vastly increased insulation and double glazed window units. It will be provided with condensing heating boilers and dual flush low volume toilet cisterns.

18.4 The site enjoys good access and is within five minutes walk of several bus routes and the over ground railway network.