

Report Statement

Report Purpose:

South Park Pavilion

Author:

Town Clerk

Background

The plans for South Park Pavilion were submitted to Cheshire East Council in December and we continue to await the outcome from the Planning department.

Update

The South Park Pavilion working group have been moving forward and looking at the tendering process that will be employed by the Town Council.

The Town Council has previously used a one stage tendering process which involves writing a specification document and then putting this out to open tender following the Standing Orders for Contracts.

The standard form defines the roles of the contractor and the employer into the normal buyer and supplier relationship. The employer and their team have a responsibility to fully specify and design the works.

Those who wish to tender submit their response and providing they meet due diligence criteria a selected panel of Councillors make the decision.

However, in terms of the pavilion a 2 stage tendering process may be more appropriate, as explained stated in the Standing Orders for Contracts:

10.1 Where large, high value tender exercises take place, in areas in which the Council have limited expertise, it may be necessary to engage the use of established procurement specialists. These specialists will undertake the tender process on behalf of the Council, subject to compliance with Financial Regulations for the opening of tenders.

Current Construction market

There are some key cost drivers which the council need to be aware of.

These are:

- The UK construction costs increased by 18% over the past 12 months.
- Recent basic building materials were increased by 35-45% at local Macclesfield stockists.
- BCIS (Building Cost Information Service) predictions are for an average 5% increase in 2023 , but this is subject to the European War being contained.

Therefore, contractors are reluctant to commit to fixed price tenders without including a significant contingency. Recently, there have been several instances where contractors have refused to tender fixed prices. due to unknown risks.

The use of a two-stage tender alleviates much of these risks and establishes the contractor as being part of the council team with an incentive to save costs rather than seek claims to cover unforeseen costs as would be the case in a standard form of contract.

Two Stage Tender Method

JCT Intermediate Standard Form of Contract with addendum to cover an Agreed Maximum Price, incentives and sub-contractor/supplier design input.

Stage 1:

- Contractor tenders for site set up, overheads and profit. This is translated into a fee.
- Contractor agrees an Agreed Maximum Price (AMP) based on the council's quantity surveyors measured quantities and prevailing materials/workmanship rates.
- The Contractor undertakes to work with the employer to keep the price within the AMP and programme. In the event of there being a cost overrun the contractor bears the cost, rather as Liquidated and Ascertained damages would apply in a standard contract. Any savings against the AMP would be shared 50:50 with the employer. This creates an incentive to manage the costs and time within the agreed parameters.

Stage 2

- The scheme is divided into "works packages" which will be separately tendered against target costs. In this case the packages would typically include: piling and groundworks, structural frame, flooring, roofing, external masonry, internal partitioning and ceilings, joinery and fit out, piped services, cable services, internal wall finishes, ceiling finishes, floor finishes, external works.
- All works packages are open book with the employer influencing the specification and tender terms.

Advantages

- Reduced price risk for both the employer and contractor.
- The method is well suited to times of market volatility and recession.
- Contractor joins the team earlier in the design process and can provide knowledge and advantages to be derived from their supply chain and advance ordering of materials and sub contractors.
- Increased control on prices and specifications by the employer
- The contractor becomes a member of the councils team and has a responsibility to use their market knowledge, discounts and supply chain to keep costs under the AMP with all savings being made apparent. There have been similar successful local schemes where this method has been used involving the councils architects, Bower Mattin +Young, including Sainsburys, Worthington Group factory and offices at Fence Avenue (now Armadillo), and Waters Green Medical Centre.

In each of these cases time as well as cost were of the essence.

Recommendation

To adopt a two stage tender method for the South Park Pavilion