



Memo

To: Merv Dacre, Associate DCE Organisational Solutions

From: Programme Manager

Date: 23 April 2015

Security level: IN CONFIDENCE

Signing of SHF Contract for 56 The Terrace

Purpose

1. This note outlines the negotiation process for the contract and confirms the delegation level for the Sub Divisional Hard Fitout (SHF) Contract for 56 The Terrace.

Contract Negotiation

2. The Ministry's contract with LT McGuinness Ltd has been negotiated with the support of Kensington Swan, The Building Intelligence Group (TBIG) and Wareham Cameron.
3. The General Conditions of Contract used are NZS 3910:2013 (including other Schedules), which are the industry standard Terms and Conditions. The contract has been further developed by Kensington Swan to meet the requirements of the Ministry.

5. In terms of payment structure for the works. All progress payments will be verified by Rider Levett Bucknall (RLB) and TBIG prior to being submitted to the Ministry for payment. In line with construction contracts, a portion of the contract price will be retained until the works are completed.
6. Kiwi Property agreed to extend their construction insurance works to cover the Ministry's construction works, with the cost of the cover being reimbursed by the Ministry. We will seek further insurance once the soft fitout of the building commences.

Ministry's Fitout Budget

7. In approving the commercial terms for 56 The Terrace the Joint Ministers also approved the Ministry's Capital budget of \$37.69 million and gave the Chief Executive the delegated authority to spend up to this amount on its fitout of 56 The Terrace. In addition, \$1.60 million for operating expenses associated with the relocation costs and legal advice was approved.
8. In accordance with the *Financial Delegations for the Ministry of Social Development* the Programme Manager and General Manager Workplace Services have the delegation to approve all expenditure for the project. Given the size of the budget a set of Project Financial Delegation Guidelines were developed in consultation with the Chief Financial Officer, which provide a set of principles for the approval of project expenditure.
9. In line with the Project Financial Delegation Guidelines the SHF construction cost of \$10,372,979 was approved by the GM Workplace Services and Associate DCE Organisational Solutions on 9 March 2015.
10. Given that the term of the contract spans more than one financial year the contract needs to be approved and signed by the relevant Deputy Chief Executive. As the Associate DCE Organisational Solutions you have the appropriate delegation to sign the SHF Contract.

Recommendation

11. It is recommended that you:
 - a. **note** the Form of Contract was developed and negotiated with LT McGuinness with the support of Kensington Swan, The Building Intelligence Group and Wareham Cameron.
 - b. **note** in line with the Project Financial Delegation Guidelines the SHF construction cost of \$10,372,979 was approved 9 March 2015.
 - c. **note** that as the term of the contract spans more than one financial year the contract needs to be approved and signed by the relevant Deputy Chief Executive.
 - d. **note** that as the Associate DCE Organisational Solutions you have the appropriate delegation to sign the SHF Contract.