

**Key Decision Report of the Corporate Director of Resources**

<b>Officer Decision</b>	<b>Date: 08/11/17</b>	<b>Ward(s): All</b>
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<b>Delete as appropriate</b>		Non-exempt
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**SUBJECT: Procurement strategy for the refurbishment of part of the commercial premises at 49 – 59 Old Street, EC1V 9HX****1. Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy for the refurbishment of part of the commercial premises at 49 – 59 Old Street in accordance with Rule 2.5 of the Council's Procurement Rules.
- 1.2 The property is a mixed use building over eight floors. This refurbishment consists of a Cat A fit out for office space on the ground and upper floors and a shell and core fit out for the ground floor retail unit. These parts of the building are vacant. The works exclude the interior of the occupied ground floor retail unit. The works will be carried out under a JCT contract.

**2. Recommendations**

- 2.1 To approve the procurement strategy for the refurbishment of part of the commercial premises at 49 – 59 Old Street as outlined in this report.

### **3. Date the Decision is to be taken:**

This decision is to be taken on 8th November 2017.

### **4. Background**

- 4.1 49/59 Old Street is a mixed used building over 8 floors. The property comprises of retail accommodation on the ground and basement floors with office accommodation available to the rear of the ground floor and on the upper floors.

The building is in need of major refurbishment works to place it into lettable and tenantable condition to attract market rent. The refurbishment costs of approximately £2.6 million are offset by the projected income from the office space at approximately £930,000 per annum.

The Old Street and Clerkenwell areas have seen rental growth in excess of 40% over the past three years, predominately due to increased demand and shortfall of supply of attractive office accommodation.

The works will include the rewiring of the premises, new windows and VRF heating and cooling.

- 4.2 The works will be funded through the property services buildings budget. The estimated value of the contract is £2.6 million. Projected rental income could see the scheme paying this back in three years.

A percentage reduction in the budget would result in a compromised quality of design and the durability of materials specified. The design and specification have undergone a value-engineering process alongside the design development. The scheme has also been benchmarked against comparable rental properties in the area, with the aim of achieving the highest quality of design and specification within the cost parameters.

#### 4.3 Timetable

- Contract notice to be published in November 2017
- Tender evaluation in December 2017
- Contract award in January 2018
- It is estimated that the refurbishment will start in February 2018
- There are no contract or statutory deadlines in place.

- 4.4 There is no suitable procurement framework available for refurbishment projects. The preferred option is to procure the works through an advertised competitive tender.

- 4.5 The main social benefit of this project is that, by investing in a council owned asset, we have an opportunity to generate income which can be used for other council services. Environmental sustainability has been considered in the design.

The contractor will be required to submit proposals on how they will keep their environmental impact to a minimum including their proposals for a site waste management plan. The building backs onto the Stafford Cripps Estate. The tenant management organisation will be kept informed of the programme of works and issues such as noise management will be discussed with the main contractor.

The London Living Wage will apply to the staff employed by the successful contractor. This will be monitored throughout the contract and evidence of pay rates will be required to be submitted on a monthly basis by the contractor and their sub-contractors.

- 4.6 The tender will be conducted in one stage, known as the Open Procedure as the tender is 'open' to all organisations who expression their interest in the tender. The Open Procedure includes minimum requirements which the organisation must achieve before their evaluation Award Criteria is considered. The proposed evaluation award criterion is based on an assessment of the most economically advantageous tender (MEAT). This enables the contracting authority to take account of criteria that reflect qualitative aspects of the tender submission as well as price when reaching an award decision. The MEAT for this project is based on 70% cost and 30% quality.

The full breakdown of the cost/quality award criteria is:

<b>Tender Award Criteria</b>	<b>Total</b>
<b>Cost</b>	<b>70%</b>
<b>Quality – made up of</b>	<b>30%</b>
Proposed approach to contract management and quality of finished build, including quality management and provision of consistent qualitative improvements to deliver project on time.	10%
Proposed approach to communication and partnership working including building good working relationships, monitoring progress and problem resolution.	10%
Proposed approach to the methodology for mobilising, implementing and undertaking the delivery of the works, including waste management and environmental considerations.	10%
<b>Total</b>	<b>100%</b>

#### 4.7 Business Risks

The key business risks are as follows:

- No acceptable tender responses from appropriate contractors. To mitigate this risk, the tender opportunity will be advertised as widely as possible on the council external Contracts Finder and the London Tenders Portal.
- Increased costs for unforeseen risks. To mitigate this risk, the project design team is undertaking the necessary survey and investigative works to inform the design process. These surveys include a building condition survey, mechanical and electrical inspections, inspections of the lift cars, shaft and motor room and a structural survey of the building.
- The premises is difficult to let. To mitigate this risk, the council is in discussion with a leading commercial real estate agent with good knowledge of the area to discuss both the marketing strategy and the look and feel of the finished office space. The design team has also visited similar local rental properties in the same rental bracket.

The main opportunities associated with this procurement would be that the tendering process results in a tender return which demonstrates high quality tenders which are tested in the market place demonstrating best value for the council. The main contractor will also be asked to provide employment for a number of Islington residents during the project.

- 4.8 The Employment Relations Act 1999 (Blacklist) Regulations 2010 explicitly prohibit the compilation, use, sale or supply of blacklists containing details of trade union members and their activities. Following a motion to full Council on 26 March 2013, all tenderers will be required to sign the Council's anti-blacklisting declaration. Where an organisation is unable to declare that they have never been blacklisted, they will be required to evidence that they have 'self-cleansed'. The Council will not award a contract to organisations found guilty of blacklisting unless they have demonstrated 'self-cleansing' and taken adequate measures to remedy past actions and prevent re-occurrences.

- 4.9 The following relevant information is required to be specifically approved by the Corporate Director in accordance with rule 2.6 of the Procurement Rules:

<b>Relevant information</b>	<b>Information/section in report</b>
1 Nature of the service	This report seeks pre-tender approval for the procurement strategy in respect of the refurbishment of part of the commercial premises at 49 – 59 Old Street.  See paragraph 1.1
2 Estimated value	The estimated value is £2,600,000.  See paragraph 4.1
3 Timetable	The timetable is outlined within this report.  See paragraph 4.3
4 Options appraisal for tender procedure including consideration of collaboration opportunities	Competitive tender option is preferred, to ensure best value is achieved for the Council.  See paragraph 4.6
5 Consideration of: Social benefit clauses; London Living Wage; Best value; TUPE, pensions and other staffing implications	Social, economic, environmental consideration including Equality, Diversity and Inclusion will form part of the bidders' proposals.  See paragraph 4.5
6 Evaluation criteria	Cost - 70%, quality - 30%. The award criteria breakdown is more particularly described within the report.  See paragraph 4.6
Business risks are described within this report.	Business risks are described within this report.  See paragraph 4.7

## 5. Implications

### 5.1 Financial implications:

The estimated value of this contract is £2.6m. This includes an amount of approximately £750,000 related to essential repairs covering the structure of the building, lifts, mechanical and electrical and fire safety. The increase in capital to provide full air conditioning to the building amounts to £60,000. The rental income derived from the 12 live/work units prior to the building becoming vacant was approximately £280,000 per annum including service charges that netted down to £235,000 per annum.

It is strongly recommended following market research that air conditioning should be included in the programme of works. The estimated rent income net of service charges for the 12 refurbished units is £825,000 per annum. The increase in income being £590,000 per annum at a one off capital cost of £2.6m (including essential repair works) will also significantly increase the asset value of the building as an investment by over £6m.

A budget code has been set up specifically for this project, anticipating a cost of approx. £2.6 million. A final decision on the level of budget for this project will be made on receipt of the tender returns.

## 5.2 **Legal Implications:**

The council has powers to provide and refurbish commercial premises for letting (section 2, Localism Act 2010)). The council has power to enter into a works contract for this purpose (section 1 of the Local Government (Contracts) Act 1997).

Corporate directors have power to approve the procurement strategy for works contracts up to the value of £5million using capital money (council's Procurement Rule 16.2).

The proposed contract is a public works contract. The threshold for application of the Public Contracts Regulations 2015 (the Regulations) is currently £4,104,394.00 for public works contracts. Contracts below this threshold must be procured in compliance with the principles of equal treatment and non-discrimination that underpin the Regulations. The council's Procurement Rules require contracts over the value of £164,176.00 to be subject to competitive tender. The proposed procurement strategy, to use the open procedure is in compliance with the principles underpinning the Regulations and the council's Procurement Rules.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer subject to the tender providing value for money for the council.

## 5.3 **Environmental Implications**

The refurbishment of the site has both short and long-term environmental implications. During the refurbishment the main impacts will be waste generation, material use (including the embedded emissions) and energy use for the tools and equipment as well as transport. There may also be nuisance impacts such as noise, dust and traffic management and care will have to be taken around asbestos management. As noted in the report, the contractor will be required to submit proposals to minimise these impacts.

In the long-term, the refurbishment will impact upon the energy and water efficiency of the building. Improved glazing and heating/cooling systems should reduce the building's energy consumption. However, the site is already connected to the Bunhill heat network through the Stafford Cripps estate, so it is not clear why a new VRF heating system has been proposed.

## 5.4 **Resident Impact Assessment:**

The council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

A Resident Impact Assessment was completed in August 2017. The refurbished offices will offer flexible work spaces. The building will have a fully accessible toilet and shower. The existing lifts will be modernised, and made roomier by the removal of wooden interior cladding.

The design will be fully inclusive where possible, given the constraints of working with an existing building. The proposal aims to meet the highest standards of accessibility and inclusion so that all potential residents and visitors, regardless of disability, age or gender, can use them safely and easily. Inclusive access is achieved by eliminating barriers physical, attitudinal and procedural, which inhibit the involvement of the whole community, not just disabled people.

The ultimate aim of inclusive access is that the design and layout of the building should enable everyone to be able to enter the building, use the facilities and leave safely, independently and with ease.

**6. Reasons for the decision: (summary)**

6.1 This report recommends the approval of the procurement strategy for the refurbishment of part of the commercial premises at 49 – 59 Old Street. One of the Council's priorities for non-residential commercial property is to ensure that it generates revenue from open market lettings of investment properties. Existing properties suitable for investment are limited on account of the small portfolio. The subject property represents a strong case to invest though refurbishment. This will generate additional revenue and also increase the capital value strengthening the asset base should there be a future need to sell. Advertising a competitive tender will ensure best value is achieved for the council, and secure a constructor that can deliver a high quality built product at a competitively tendered price.

**7 Record of the decision: (to be completed after 5 days on the website and re-sent to Democratic Services)**

7.1 I have today decided to take the decision set out in section 2 of this report for the reasons set out above.

**Signed by:**



**Corporate Director of Resources**

8 November 2017  
Date

**Appendices**

- None

**Background papers:**

- None

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