

Report of: Executive Member for Housing and Development

Meeting of:	Date	Ward(s)
Executive	18 June 2015	Bunhill

SUBJECT: Procurement strategy for refurbishment of part of the basement and ground floors of commercial premises at 69 – 85 Old Street**1 Synopsis**

- 1.1 This report seeks pre-tender approval for the procurement strategy in respect of the refurbishment of part of 69 – 85 Old Street contract in accordance with Rule 2.5 of the Council's Procurement Rules
- 1.2 The works will facilitate delivery of 55 new homes, including 39 much needed new council homes for rent.

2 Recommendations

- 2.1 To approve the procurement strategy for the refurbishment of commercial premises at 69 – 85 Old Street contract as outlined in this report.
- 2.2 To delegate the key decision of the award of the contract to the Corporate Director of Housing and Adult Social Services.

3 Background

- 3.1 The refurbishment of the council's commercial premises at 69-85 Old Street will facilitate delivery of 55 new homes on three sites across the Redbrick Estate, of which 39 (71%) will be for social rent. This is because the new build proposals include the demolition of the current retail units on the estate and the displacement of the existing occupiers.
- 3.2 The existing retail block on the Redbrick Estate comprises of 5 individual units and the council has an obligation under planning policy to either re provide or relocate 2 of the occupiers as they are D1

users, in planning terms being defined as non- residential institutions. The 2 units are Spectrum, the council's youth music project and a private dentist surgery which is classified as a D1 health use

- 3.3 Site constraints: due to the phasing of the new build construction works and the need for continued provision of the D1 services provided by Spectrum and the Dentist, it is not possible to relocate these 2 units on the estate. We have therefore explored options to relocate these in other council-owned buildings in the local area.
- 3.4 The commercial premises owned by the council at 69 – 85 Old Street have been identified as a suitable relocation option subject to refurbishment works being carried out. The planning application has been submitted and is due to be considered at the May Planning Committee. Our consultants are currently working on the specification and tender package for these works so that they can be tendered at the earliest opportunity.
- 3.5 Risk: Construction of the new homes on the Redbrick Estate cannot commence until vacant possession of the retail block is secured which, in turn, is reliant on Spectrum and the dentist surgery being relocated to suitable alternative premises.
- 3.6 In summary, the planning application and start on site of the Redbrick proposals are dependent on obtaining the relevant planning permissions and undertaking any necessary refurbishment works for the relocation proposals so that vacant possession can be achieved of the new build housing site.
- 3.7 The New Build Framework 2014-19 is not available for appointment of contractors for refurbishment only type works.
- 3.8 A procurement strategy is, therefore, required for the appointment of a suitably experienced contractor to carry out refurbishment works to the commercial premises at 69-85 Old street to facilitate relocation of D1 users to from the existing retail units on the Redbrick Estate. Due to the specialist nature of the re-location works we are recommending a traditional competitive procurement process using a JCT 2011 Intermediate Building Contract with Contractors Design, with a full specification and drawings.
- 3.9 A full Design team was appointed following agreement of a Consultancy Business Case in December 2014. The team is currently working on the detailed designs and undertaking all of the necessary surveys and investigation works so as to achieve a full set of tender documents for this project.

3.10 **Estimated Value**

The estimated value of this contract is £1.3m and contract period is expected to be 6 months plus a 12 month defects period. The total estimated costs of this refurbishment project will be funded through the New Build Capital Programme as this expenditure relates to the delivery of new homes on the Redbrick Estate.

3.11 **Timetable**

A key milestone is to achieve start on site for the refurbishment works by November 2015 and completion by June 2016. This timeline is dependent on our ability to commence the procurement process by June 2015. Any delays in the programme to relocate the D1 users will have a knock on effect in both time and cost on the main Redbrick New Build proposals. The value of the construction contract for the 55 new homes to be built on the Redbrick Estate is estimated at £16m. Build cost inflation is running in excess of 10% per annum and there is no sign of the market stabilising due to ongoing shortages of both labour and materials in the construction industry. Any delay, even of only a few weeks, is likely to see costs of delivering new homes on the Redbrick Estate, and elsewhere in Islington increase further which could impact on the number of new homes that can be delivered within our Medium Term Financial Strategy resources.

3.12 Options appraisal

The council does not have a Framework which is appropriate for these types of works therefore the recommended procurement route is a competitive tender process using the Restricted Procedure.

As these are specialist refurbishment works for the Spectrum Youth Project and the Old Street dental practise it is important that the council engage suitably experienced contractors to carry out these works. In the current housing market, many contractors are being selective about the projects they will express an interest in which has led to a more limited pool of contractors being willing/able to accept invitations to tender for contracts with a value of less than £7m. By following the restricted procedure the council should be able to attract the best contractors who are currently available and willing to tender for these works.

3.13 Other Key Considerations

The successful contractor would be required to sign up to paying their own employees the London Living Wage.

The refurbishment works will need to meet the sustainability criteria for the scheme, including any relevant planning conditions.

3.14 Evaluation

This tender will be conducted in two stages under the Restricted Procedure. The first stage is to a Pre-Qualification Questionnaire (PQQ) which establishes whether an organisation meets the financial requirements, is competent and capable and has the necessary resources to carry out the contract. The PQQ is backwards looking and explores how the organisation has performed to date, its financial standing, information about their history and experience.

A limited or 'restricted' number of these organisations meeting the PQQ requirements as specified in the advertisement are then invited to tender (ITT). The second stage is the forward-looking ITT stage which includes Award Criteria. Tenders are evaluated on the basis of the tender price and ability to deliver the contract works or services as set out in the evaluation criteria in order to determine the most economically advantageous offer

3.15 The evaluation will based on a split of 60% quality and 40% cost.

Quality: 60% divided into the following areas:

- 10% Proposed programme of works
- 10% Proposed approach to site set up including health and safety specific to this site
- 10% Proposed approach to managing communication and relationships with stakeholders and adjoining residents/commercial units
- 10% Proposed approach to quality management & workmanship
- 10% Risk assessment evaluation specific to this site
- 10% Proposed approach to working with the design team

Price: 40%

The above are draft qualitative criteria at this stage, pending a full design team/client session to agree these for this procurement exercise.

The quality element is higher than cost to reflect the specialist nature of the works. For example, in the case of Spectrum there will be a recording studio with the intention to let these out on a commercial basis to generate income for the project. If the refurbishment works do not achieve the required standards, the uses of the premises will be compromised. There is also the location of the site on Old Street with restricted space, the upper floors of the buildings still being occupied and needing to be accessed to co-ordinate the services within the entire building.

3.16 Business Risks

The key business risks are as follows

- 1) No acceptable tender responses from appropriate contractors. To mitigate this risk the tender opportunity will be advertised as widely as possible.
- 2) Our evaluation criteria are not robust. To mitigate this risk, the evaluation criteria will focus on the respective outputs and outcomes for this project.
- 3) Increased costs for unforeseen works. To mitigate this risk the project design team is undertaking the necessary surveys and investigations work to inform the tender process. There will also be detailed discussions with the intended users with regards to their requirements and function of the building which will be signed off prior to tender. Specialist advice is also being sought with regards to fire strategy, acoustics and ventilation of the building.

3.17 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 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. The adequacy of these measures will initially be assessed by officers and the outcome of that assessment will be reviewed by the Council's Procurement Board.

3.18 The following relevant information is required to be specifically approved by the Executive in accordance with rule 2.6 of the Procurement Rules:

Relevant information	Information/section in report
1 Nature of the service	The procurement of a suitable contractor through a competitive tendering process to carry out specialist refurbishment works to commercial premises at 69-85 Old Street See paragraph 3.8
2 Estimated value	The estimated value of the contract is £1.3m The estimated contract duration is 6months plus 12 months defects period.
3 Timetable	Advert: June 2015 Shortlisting: August 2015 Competitive tendering process: Sept/October 2015 Tender evaluation: October 2015 Tender Award: November 2015 The estimated contract start date is November 2015 See paragraph 3.11
4 Options appraisal for tender procedure including consideration of collaboration opportunities	The outcome of the options appraisal is described within this report. See paragraph 3.12
5 Consideration of: Social benefit clauses; London Living Wage;	The outcomes are described within this report. See paragraph 3.13

Best value; TUPE, pensions and other staffing implications	
6 Evaluation criteria	The proposed cost and or price/quality breakdown is as follows: 40% cost and 60% quality The award criteria price/quality breakdown is detailed in paragraph 3.15
7 Any business risks associated with entering the contract	Business risks are described within this report. See paragraph 3.16
8 Any other relevant financial, legal or other considerations.	The costs are to be funded as part of the schemes costs for the construction of new homes on the Redbrick Estate which are contained within the new build programme as agreed within the current 7 year Medium Term Financial Strategy 2015-2022.

4 Implications

4.1 Financial implications

The Council's approved 3 year (2015 -16 to 2017 -18) new build programme totals £118.8m. The latest indicative 7 year (2015-16 to 2021-22) new build programme totals £170.9m. The overall indicative cost of the Redbrick new homes scheme is estimated to be £22.2m and is incorporated in the current new homes 7 year programme. This indicative total scheme cost includes £1.5m (including fees) being the estimated cost of relocating the Dentist & Spectrum.

It should be noted that the indicative overall scheme cost of £22.2m is funded from capital receipts from outright sale, 1-4-1 RTB retention and the Council's own internal resources. The spend on non-residential costs e.g. the costs associated with relocating the Dentist & Spectrum are not eligible for 1-4-1 RTB receipts hence any increase above the £1.5m already built in the financial model will be an additional call on the Council's own resources.

4.2 Legal Implications

The commercial block (69 -85 Old Street) is held by the council under part 2 of the Housing Act 1985. The council may carry out refurbishment works to that block which will facilitate the relocation of commercial occupiers from the Redbrick estate and thereby enable the construction of new housing on the estate (Part 2 Housing Act 1985 and section 111 of the Local Government Act 1972).

The estimated value of the procurement for the refurbishment works is below the financial threshold for the full application of the Public Contracts Regulations 2015. Although under threshold contracts do not need to strictly comply with the provisions of the Regulations, there is a requirement under EU rules for the procurement of such contracts to adhere to the principles of equal treatment, non-discrimination and fair competition. Further the council's Procurement Rules require contracts over the value of £100,000 to be subject to competitive tender. In this instance, it is proposed to advertise the contract in the Official Journal of the European Union using the restricted procedure in order to attract suitable specialist refurbishment contractors.

On completion of the procurement process the contract may be awarded to the highest scoring tenderer. In deciding whether to appoint the selected contractor the decision maker, be it the Executive or the Corporate Director of Housing and Adult Social Services, should be satisfied as to

the competence of the chosen tenderer and that the tender price represents value for money for the Council.

4.3 **Environmental Implications**

It will be essential during both the strip out and refurbishment periods to ensure that the contractor adheres to environmental legislation, particularly around waste regulations. Clearly defined roles on who is responsible for waste management and disposal, obtaining licences and permits and liability will be essential before work commences. Appropriate legislation will be applied rigorously and full method statements for all activities will be required from the contractor before commencement in order to mitigate these risks. The contractor will be required to implement the waste hierarchy, prioritising reuse and recycling.

Other risks include the potential for nuisance to neighbours (e.g. noise, vibration, congestion, dust) and disturbance to biodiversity if any protected species are living in the fabric of the building (e.g. bats). The contractor should be required to mitigate these risks, as well as considering the whole life costs and embedded emissions of any materials being used for the refurbishment.

Islington Building Control Service have confirmed that SBEM calculations are needed for non-residential work as this is a refurbishment work of an existing non-residential space and it will need to meet Part L2B of the Building Regulations, which deal with energy conservation. Ensuring the new units are energy efficient will both reduce energy consumption and energy bills for the potential occupants.

4.4 **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.

An RIA is completed for each New Build Team scheme and this will be included with the contract award report. For this project the relocation of both Spectrum Youth Project and the Dentist Surgery to 69-85 Old Street will have a positive impact in that the new units will be modern and offering increased flexibility in their usage. The dentist surgery will be larger and be able to offer an additional 2 surgery rooms. Both units will be fully accessible. The location on the corner of Old Street and Central Street will greatly improve the units visibility as well as improved transport accessibility to a wider part of the borough.

All of the current users will continue to be able to use the dentist and the youth facilities at Spectrum in these new premises.

The Redbrick New Build proposals for 55 new homes is reliant on the relocation of these 2 units and in general the provision of new council housing demonstrates positive impacts as it helps increase the supply of genuinely affordable homes for people in housing need, including those with protected characteristics who tend to be over represented in housing need categories

5. **Conclusion and reasons for recommendations**

- 5.1 As the council does not have an appropriate Framework in place to appoint a suitably experienced contractor to carry out specialist refurbishment works to commercial premises it is recommended that a procurement strategy should be agreed using the restricted procedure. The works are necessary to facilitate the relocation of the Spectrum Youth Project and the dentist surgery from the Redbrick estate to alternative premises at 69 – 85 Old Street. This will enable their existing premises to be demolished and construction of much needed new homes, including 39 for social rent.

Final report clearance:

Signed by:

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Received by: Executive Member for Housing and Development

Date:

Head of Democratic Services

Date

Report Author: Teresa Santucci, Principal Housing Development Manager
Tel: 020 7527 8114
Email: Teresa.santucci@islington.gov.uk