

**CHRISTOPHER ADDISON HOUSE – 72 Wilton Way, London E8 1BJ  
CORPORATE ESTATE RATIONALISATION (CER) – CAPACITY & UTILISATION**

**CONTRACT APPROVAL**

**Key Decision No. FCR Q23**

**CPC MEETING DATE (2019)**

**2 December 2019**

**CLASSIFICATION:**

**OPEN with EXEMPT APENDICES A-D**

**By Virtue of Paragraph(s) 3, Part 1 of schedule 12A of the Local Government Act 1972 appendices A – D are exempt because they contain information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.**

**WARD(S) AFFECTED**

**Hackney Central**

**CABINET MEMBER**

**Mayor Glanville**

**KEY DECISION**

**Yes**

**REASON**

**Spending or Savings**

**GROUP DIRECTOR**

**Ian Williams - Group Director of Finance and Corporate Resources**

## **1. CABINET MEMBER'S INTRODUCTION**

- 1.1 The Council's estate represents a significant and important asset. As well as providing for our current accommodation needs, the management of the estate must take place within the context of a long-term plan which takes account not only of changing accommodation needs but also of the need for the Council to use the estate as an asset. This is especially important when externally provided resources for local government are being progressively reduced.
- 1.2 This report outlines the objectives and principles behind refurbishing Christopher Addison House (CAH) as well as how the tendering process meets our priorities in other areas – providing employment and training opportunities for local residents, and tackle the climate emergency which we declared in June 2019.
- 1.3 The current CAH building has not seen significant refurbishment or infrastructure investment since it was first built in 1993. The current layout, mechanical and electrical services, as well as fabric, have out-seen their useful working life and are in a state of disrepair, and staff based in the building were decanted. Refurbishing and re-organising CAH, while also fitting it with mechanical and electrical facilities fit for the modern working environment, would create space for circa 420 council staff. Many of these staff members are currently situated in the Annexe building, meaning this building would be freed to generate revenue for the Council of £650K – £700K. This helps meet our savings target while also contributing to our Inclusive Economy Strategy – to think about how we can use our assets to provide local, inclusive economic benefits.
- 1.4 At the same time, this report makes clear how the Tenderer will meet our ambitious opportunities programmes, working with the Council's Employment & Skills teams through Hackney Works, providing apprenticeship programmes and work experience, while also meeting our London Living Wage commitments. The procurement process also makes clear the need to prefer local subcontractors if required to meet our Sustainable Procurement Strategy.
- 1.5 The refurbishment also gives us a chance to bring CAH up to modern standards of environmental efficiency. In June this year we declared a climate emergency in Hackney, promising to tell the truth about the climate crisis and do everything in our power to decarbonise our services. We have an ambitious target to ensure no Council property is below an EPC rating of C by 2030, and this refurbishment will see CAH jump from a band D to band B. We will also look to reduce the carbon footprint of the building as well as build its resilience to global warming

by installing environmentally friendly LED lights, water efficient toilets and showers, contemporary ventilation and cooling systems, and installing new lockers to encourage staff to cycle or take other modes of sustainable transport to work.

1.6 I commend this report to Cabinet Procurement Committee.

## **2. GROUP DIRECTOR'S INTRODUCTION**

2.1 Hackney Council continues to adapt under a sustained period of significant and evolving changes, with the Corporate Estate being rationalised to deliver more effective, efficient working environments for its staff under the LBH Corporate Estate Rationalisation (CER) programme. The programme consists of the need to consolidate the Council's buildings to make better use of the space we have particularly when externally provided resources for local government are being progressively reduced at increasing pace, the CER programme has proven to offer a sustainable opportunity to generate commercial income, develop and regenerate Hackney Central and move towards the savings we must achieve.

2.2 This key directive of the Corporate Estate Rationalisation (CER) Programme consists of the need to consolidate the Council's buildings to make better use of the space we have, which means office moves and new ways of working, such as hot-desking, agile working and remote working which is already adopted by many organisations and local authorities.

2.3 This report recommends proposals for Christopher Addison House including costs and timescale potentials for increasing working space utilisation & optimizing operational/functional efficiency; incorporating the Council's New Ways of Working directive.

2.4 This report seeks approval for the Award of Contract to Principal Contractor for the development of the Christopher Addison House scheme as carefully planned & formulated project within the original CER Project Feasibility Study & Cost Plan further summarised within the body of this report.

2.5 Approval is sought following due procurement process which ensures that the Council selects a contractor on the basis of both whole life cost and quality. Council procurement protocol has also enabled further detailed financial assessments of the proposed contractor to be undertaken prior to entering into formal contractual arrangements.

## **3. RECOMMENDATION(S)**

- 3.1 Cabinet Procurement Committee CPC is recommended to:-  
Agree for the Award of Contract to Tenderer D for the Development (refurbishment, improvements and adaptations) of the Ground, First, Second & Third floors at Christopher Addison House – 72 Wilton Way, Hackney E8 1BJ at a cost of £3,624,963.02
- 3.2 Approve the proposal to enter into a JCT standard building contract without quantities (SB XQ) 2016 edition including Hackney Council amendments and any other ancillary legal documentation relating thereto with Tenderer D for the Development of Christopher Addison House – 72 Wilton Way of on such terms as shall be agreed by the Director of Legal and Governance.
- 3.3 Authorise the Director of Legal and Governance to prepare, agree, settle and sign the necessary legal documentation to effect the proposals contained in this report and to enter into any other ancillary legal documentation as required.

#### **4. RELATED DECISIONS**

- 4.1 Hackney Procurement Board (HPB) approved the business case to commence the procurement process for the Christopher Addison House development on the 12th February 2019 *eDOCS Ref 20997942*

#### **5. REASONS FOR DECISION/OPTIONS APPRAISAL.**

- 5.1.1 Key Decision – This key decision is an Executive decision which while resulting in the Council incurring expenditure, is the making of carefully and strategically planned savings and efficiencies which are significant, having regard to the Council's budget for the services and functions to which the decisions relates.
- 5.1.2 The report is presented as concise summary of how this project, and associated award of contract recommendation, is fundamentally deep-seated within the Accommodation Programme/Strategy and presents a case for a successful outcome which will derive and underpin a key performance target of the Strategic Financial Plan and Corporate Strategy.
- 5.1.3 Outlined within the report are process that have been completed for procuring a principal contractor for the adaptation & improvement development at Christopher Addison House – 72 Wilton Way, Hackney E8 1BJ in the Hackney Central ward.
- 5.1.4 As part of the CER strategic programme an initial Options Appraisal & Feasibility Study was undertaken which included capturing the current and future occupant's teams & operational service requirements as

well as condition/validation surveys of building fabric & environmental services. There also followed an extensive exercise of consultation and presentation to all key stakeholders to develop proposals for the site outlined below.

5.1.5 In essence, decant “The Annexe” to enable it to be re-let and maintain an existing Council asset namely CAH, into a modern equipped facility and key located space for staff with optimum space utilisation. The project eliminates the need to remain in a building (The Annexe) which could otherwise be earning revenue/rent in support of the wider savings the Council is seeking to achieve.

5.1.6 The Project Works & Objectives Consists of:-

#### **CAH Refurbishment Works**

- Refurbishment, improvements and adaptations of the Ground, First, Second & Third floors at Christopher Addison House, Hackney.
- Achieving increase occupancy capacity and space utilisation of CAH
- Maintaining and enhancing a Core Campus LBH Property Assets

#### **Relocation of services from the Annexe**

- Facilitating the relocation of Corporate Business Support (CBS) and Post Franking Facility from the Annexe ground floor into CAH
- Facilitating the relocation of Self Service (Payment) Centre (SSC) from the Annexe ground floor into CAH
- Unlocking decant of the Annexe and maximising revenue generating opportunities, culminating in letting The Annexe.

5.1.7 CAH was built between 1993-94 with very little investment on maintenance and infrastructure being afforded to date. Many of the original mechanical and electrical services, as well as fabric, have out-seen their useful working life and are in a state of disrepair.

5.1.8 If these works are not awarded then CAH will inevitably decline into an advanced state of disrepair and may reach a stage where it cannot efficiently meet statutory health and safety and Council operational requirements for public service.

5.1.9 The refurbishment proposals for restacking CAH include investment in re-organising the office layout, furniture and an adaptation of existing mechanical and electrical infrastructure to allow us to optimise space utilisation. Following the proposed refurbishment works, it is anticipated that the building will be able to accommodate circa 420 Council staff with new ways of working, a potential increase of circa 140. The refurbishment works will refresh the office environment and thereby

boost staff morale and bring the building in line with the condition of other key campus buildings.

- 5.1.10 To facilitate this increase in occupancy, the award of contract works in alignment with ICT to establish & implement the Councils recently improved ICT solutions support services to work more flexibly and achieve better utilisation of the building. An example of this is the new proposed Google Suite productivity tools that will provide a range of opportunities to work more flexibly when mobile, at home and in the office that has also been factored into the construction designs.
- 5.1.11 The scope, design & specification of works have been formulated on the basis of known site conditions, measured surveys and contemporary works proposals within current market and construction/materials technologies. Officers have also taken into account recent L.B. Hackney projects of similar elements of works for evaluation within the CER programme such as the 136-142 Lwr Clapton Rd – Parking Services project.
- 5.1.12 The Council will meet the full development costs of the scheme from the Capital Programme Review Panel process and act as Project Management for the Professional Services Team, Construction and Operational Logistics of decant/relocations within the Estates & Accommodation Team.
- 5.1.13 The Council Legal Service – Senior Lawyer will assemble the contract which will be a Joint Contracts Tribunal JCT standard building contract without quantities (SB XQ) 2016 edition including Hackney Council amendments.
- 5.1.14 There is an opportunity to undertake essential renovation works to CAH utilising cost/programme benefits and efficiencies within the CER strategy, incorporating operationally disruptive & costly staff decant alongside the associated synergies of decanting/letting the Annexe. The strategy & planning within the CER Programme underpinning this decision also supports the Best Value duty to promote efficiencies within the Council, which standalone maintenance or upgrade works to CAH would not provide.
- 5.1.15 The entire scheme and fundamental award of contract follows the underlying directives supporting Best Value, as an authority LB Hackney are continually moving to secure improvement in the way in which its functions are exercised. Accordingly the newly refurbished CAH building and letting of the Annexe will have regard to a combination of economy, efficiency and effectiveness.

## **5.2 ALTERNATIVE OPTIONS (CONSIDERED AND REJECTED)**

- 5.2.1 Options providing a comparison, alongside the proposed adaptation, refurbishment and maintenance work required within the site of CAH 72 Wilton Way that did not involve major new build infrastructure and development are simply not available for consideration.
- 5.2.2 The opportunity to develop a new build site, would be beyond the scope of the objectives and the viable budget allocation considered reasonable, within the Corporate Property long term Strategic Financial Plan or that of the CER directives.
- 5.2.3 Letting CAH and retaining the Annexe was given due feasibility & viability analyses as well as deliberation by the Commercial Estates Team and found to be less lucrative in terms of income and market interest.
- 5.2.4 The outline strategy for letting CAH would conversely also have incorporated the restacking and increase in occupancy of The Annexe building which did not provide adequate floor space for the occupancy numbers and workstations required.
- 5.2.5 In terms of the Procurement strategy, the use of Framework Agreements are considered to make procuring construction works simpler, faster and more robust while minimising the cost of local procurement in terms of resources and retaining the element of competition. Procuring a principal contractor using this procurement route was given considerable consideration and deliberation by the Project Management & Consultant Teams which ultimately proved to be not ideal as per the evaluations outlined in the following paragraphs:-
- 5.2.6 A range of frameworks were considered to review the alternative framework agreement available to the London Borough of Hackney (LBH) with these key objectives:-

Key Objectives

- *Selection of a contractor suitably experienced and competent in delivering a project of this nature.*
  - *Ensure the contractor is compliant with LBH internal governance and procurement guidelines.*
  - *Ensure that the contract is conversant with projects using Building Information Modelling (BIM) protocols.*
- 5.2.7 Whilst the value of the project falls below the OJEU threshold, LBH evaluated potentials within recognised framework contractors to take advantage of the pre-qualification and health checks against standard procurement standards.



The frameworks we have considered were:

1. London Construction Programme (LCP)
2. PAGABO Major Works Framework
3. Southern Contractors Framework (SCF) Lot 3
4. Orbis Construction Framework Lot 1
5. South East Consortium (SEC) Frameworks
6. LPP - National Framework for Medium Value Construction Work

5.2.8 As previously specified the BIM component is a critical consideration for potential Contractors capabilities working with designs from project Architect & Engineers etc. within the 3D Model & BIM. It is necessary to have the skills, knowledge & experience be able to extract measurements and quantities from the BIM in order to tender for this project using accurate data. Once the project has been won it is equally important to be able to output the relevant information in a format that can then be used on site.

5.2.9 Following investigation and evaluation in relation to the key criteria outlined in paragraph 5.2.8 and experience of working on BIM projects a significant number of the contractors on all the frameworks do not specifically state or demonstrate their ability to work in this specialist environment.

5.2.10 As a general overview LCP appeared to consist of local general contractors operating in the London marketplace, however the list excludes a number of contractors that the Project Team, who hold extensive experience and knowledge of Contractors in this field are familiar with and are well versed in the refurbishment of office buildings and have undertaken a number of innovative projects in the private sector. Many of the final Tenderers were ultimately very experienced in the field of work and to use just LCP would have restricted our ability to appoint the most suitable contractor for the project.

5.2.11 The SCF is based entirely on a two-stage open book early contractor engagement tender process, which would not be the preferred procurement model for this project. We would recommend using a single stage tender process because the design team are taking the project right through to the end of RIBA Stage 3/4. This will result in a well-defined design and specification to allow us to seek competitive tenders for the project. A two-stage tendering process would be unnecessary, and introduce additional costs for the Pre-Construction Services Agreement (PCSA) that we would have to be entered into with the contractor. We would also not achieve cost certainty until the last package was let. We also have a satisfactory programme period of 8 to 10 weeks for the tender period which will allow us to tender the project in this way.

- 5.2.12 An alternative procurement route, as the PM Teams evaluations have demonstrated in the preferred recommendations, proved to be outside of the frameworks as OJEU compliance is not essential. The tender list as outlined was eventually compiled through further research into BIM capabilities and selection of contractors that are known to be experienced and on Constructionline list to ensure compliance with all the requisite quality and skills.
- 5.2.13 A fully detailed options appraisal for the chosen procurement approach was presented to and approved at Hackney Procurement Board in September 2018.

## **6. PROJECT PROGRESS**

### **6.1 Developments since the Business Case approval.**

- 6.1.1 Due to the relatively substantial financial investment and resources required for the realisation of this project, and as no future site location for development has been identified as imminently available or viable, the Council occupation of CAH is currently forecast to be up to ten years subject to the Corporate Property Accommodation Strategy programme. The intention of long term retention of the site as a revenue generating asset in future years also remains the same.
- 6.1.2 The development and progress of the Procurement since the HPB Business Case approval is further outlined and elaborated on further within section 8 of this report on the Tender.

### **6.2 Whole Life Costing/Budgets:**

- 6.2.1 Funding has been agreed and made available for the project via the Capital Programme Review Panel (CPRP) 2018/19 and a budget of £5.47m was approved as available to cover the construction and implementation of the facility. The cost of the works contract recommended for approval within this report was originally estimated and budgeted for CPRP at £3.98m.
- 6.2.2 Building operational running costs and repairs and maintenance (R&M) are to be met by a combination of the current Hackney Housing R&M and Property cost budget arrangements for 2020 beyond and savings made in the LBH decant and re-letting of floors within The Annexe. The current R&M costs for CAH stand at circa plus of £100k per annum. The R&M costs of circa £33K per annum for Hackney Housing at CAH when relocated will also contribute to these costs. Based on historical data for running costs on existing similar type and size buildings and relative to the upgrade works around the M&E design scope we anticipate a total running cost of circa £50-60K per annum.

6.2.3 Building information modelling (BIM) utilised in this scheme is a technically-advanced tool used in the architecture, engineering, and construction (AEC) industry. It is used for design, visualisation, cost estimating, programming, scheduling, and so on. The entire lifecycle of a built asset can be managed with BIM. BIM has allowed the Council to see the impact of design or capacity changes before committing the time and materials to build. It has helped create more precise construction documents. And, most importantly, it delivers efficiencies and cash savings. In many cases, 20-30% and we expect to achieve savings on this project in terms of reduced variations due to design discrepancies. All BIM activities and QA will be overseen by the Project Team BIM Manager.

## **6.3 SAVINGS**

### **6.3.1 Cashable**

- Increased revenue / receipts from the re-letting all floors of The Annexe following Hackney Housing Teams relocation to CAH of circa £650 – £700K per annum.
- This report can also highlight that the final recommended contract award sum is £500k less than the original Pre-tender Estimate and £300k less than the amount budgeted on the CPRP bid in 2018.

### **6.3.2 Non-cashable**

- CAH can potentially be let at a better future rate following the refurbishment works.
- Increasing the Council's stock of revenue generating assets.
- Combining the LBH Hackney Housing Teams, currently located within Maurice Bishop House, and the Housing Group, currently located within the HSC, within one location provides a platform for increased operational performance in several areas including the ability to monitor the service/ contract and efficiency.
- The Council's buildings will be as energy and water efficient as their design economically allows and opportunities for further improvement can be identified.

## **7. SUSTAINABILITY ISSUES**

The following paragraphs demonstrate how Issues raised and identified in the PRIMAS (Procurement Impact Assessment) paper produced for the project, continue to be tackled or addressed.

### **7.1 Equality Impact Assessment and Equality Issues:**

- 7.1.1 Equalities issues raised/identified in the PRIMAS are addressed by the Council stipulating that Equal Opportunities and Diversity policies must be attached to the project contract which will be assessed to ensure obligations are met in respect of fair opportunities of race, gender and disability, and additionally, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment and the engaged contractors policies must take into account service delivery and employment.
- 7.1.2 Additionally Work Placement Schemes and the use of Local labour resources, which have been utilised as a criteria in the Tender Quality Evaluation, offer the opportunity for under-represented groups to experience working in the sector to see what it is like. This type of programme has been implemented in a number of schemes in Hackney with success; with this project having key performance requirements that can be monitored to provide one such example. This can be used (within the law as an example of positive action) to target groups such as local ethnic minority communities, women or disabled people.
- 7.1.3 Design & Contract Management: CIOB has developed specific guidance for embedding inclusive design into all built environment projects which will be followed within this scheme. Where equality and diversity have been included as a requirement in the design & contract the supplier's performance will be monitored through contract management to ensure that they continue to meet our equality requirements during the life of the contract. The level and detail of monitoring being governed by the framework provision within the contract.

## **7.2 Environmental Issues:**

- 7.2.1 The deliverables of project designs, specifications, contract etc. into realised constructed works within this construction services contract will provide LB Hackney the requisite specialist professional contractors to ensure Environmental legislation for building design and construction is built to legislative standards. The Building Regulations, to which this project have been strictly designed around, set minimum standards for the performance of buildings, with Part L specifically regulating the conservation of fuel and power. The building energy consumption will be reduced as a direct result of new Energy Efficient plant, components and construction methods in line with current Building Control standards.
- 7.2.2 Increasing energy efficiency encompassed within the CAH works not only allows the Council to reduce their capital and operational costs, it can also help lower fuel consumption and so reduce the emission of

greenhouse gases and help prevent climate change. This is in line with the council's energy policy and carbon reduction initiative of reducing energy consumption and emissions the Project Design Engineers have estimated the Energy Performance Operational Rating of the building will be improved from a D to a B Rating. This also contributes to delivering Council initiatives to tackle climate change and continuing commitment to reducing energy consumption and improving efficiency, while also saving the Council money.

7.2.3 This projects refurbishment works provides a scope of works considered preferable to bring the building into closer alignment with the quality and functional standard already prevalent in key campus buildings. Incorporating environmentally friendly energy saving LED lighting systems throughout and a complete refit out and remodelling of all tea point/breakout areas to include mains fed chilled and hot water eco-storage features. WCs & water efficiency saving showers are specified and will provide increased facilities for cyclists and further supported with new lockers and furniture to encourage green & healthy commuting.

7.2.4 The Works for which this report seek approval of contract award forge deeper into the core building services than merely an aesthetical refurbishment of refresh by installing completely new contemporary ventilation & comfort cooling and heating systems to enhance the building and ensure efficient & economical function in the longer term. These systems replace the inefficient and outdated old gas fired heating systems with modern energy efficient electrical Variable Refrigerant Flow (VRF) systems, providing a range of services that optimises room comfort and reduces energy and maintenance costs, combined with maximised simplicity and operating flexibility. The procurement of sustainable construction presents different challenges than the procurement of sustainable goods. It is usually a more straightforward process to identify what the environmental and social issues are for a supply of goods, and therefore easier to identify sustainable alternatives. The choice of contemporary components built to modern energy conforming designs standards has therefore underpinned and addressed this objective.

7.2.5 Ultimately residual key risks can be continually managed and mitigated following the Tender process whereby the winning Contractor will also provide evidence of explored opportunities to improve the energy/resource efficiency of activities within company policies and the Contractors' design/specification portion of the Contractors Design portion elements associated with delivery of the contracted service.

### **7.3 Economic Issues:**

7.3.1 The economic issues raised and identified in the PRIMAS, such as the impact on Local Economy, will continue to be addressed within the Capital Programme Review Panel (CPRP) process. This Construction

is a Capital Investment under the CER strategy which supports wider savings and provides optimised & efficient facilities for council operations and serving the public.

7.3.2 The Quality Criterion within the ITT required Contractors to demonstrate opportunities for employing local sub-contractors and local training and employments for which the winning Contractor scored highly on, including commitments to London Living Wage. While the project programme does not afford the time for the Council to insist on a local apprentice, the winning Contractor has committed to providing work experience for selected local individuals for which the PM Team will work with the Hackney Opportunities and Works teams, who provide a free employment support service for Hackney residents to fulfil this objective. The commitments evaluated and scored within the Tender are expected of the winning bidder within the contract works and will be monitored, during Project Progress Meetings and evidence based assessment during the works, by the Council PM Team.

7.3.3 Council Contract Standing Orders and Tendering Protocol has provided an auditable and transparent VFM process. Nevertheless best practice due diligence with Contract Administration under consultant QS against which KPIs for cost & quality within the Contract documents will be monitored via JCT 2016 Guidance for Contract & Cost evaluation by the Project Cost Consultant for continual professional assessment of the works during construction phase

## **8. TENDER EVALUATION**

### **8.1 Evaluation:**

8.1.1 The value of the refurbishment contract was estimated within a qualified Cost Plan to be below the EU threshold for works required to be subject to OJEU protocol. An OJEU advert was not required and suitable contractors were therefore sourced as outlined in the following paragraphs.

8.1.2 The procurement route utilised a single stage tender process whereby Constructionline members in the Office Fit-Out & Refurbishment sectors with proven experience and competence on (BIM) Building Information Modelling based projects bid for the works. This procurement approach allowed the Council to seek best value from a competitive tender process from among a shortlist of pre-qualified firms with minimal risk of underperformance.

8.1.3 A soft market testing exercise was undertaken on the suitable suppliers selected by the CER Accommodation & Estates Teams for the scheme. Members in the Fit-out and Refurbishment categories fulfilling

the BIM criteria were contacted to understand their interest in tendering for the CAH development on a single stage basis. Responses were positive, with members indicating they would be interested in tendering for and completing the works within the current programme.

- 8.1.4 The shortlist of selected Contractors have been gauged by direct experience of working with consultants and organisation embedded within the Project Team industry reputation and proven track records of high quality and cost effective performance in the key categories:-

(Please refer to the Exempt Documentation in the Appendices for a full list of bidders.)

- 8.1.5 Constructionline enabled the Project & Procurement Teams to evaluate all standard supplier information covering: Company Details, Financial Records, Health & Safety, Insurances and Equality and Environmental policies.

- 8.1.6 Prior to the Invitation to Tender (ITT) tender being released a formal Expression of Interest (EoI) was submitted to the selection list. The EoI was issued by the Council to all organisations. Subsequently, all interested tenderers were then successfully invited to respond competitively to the Invitation to Tender that was sent out by the Councils Procurement Team via the ProContract Portal on the 21<sup>st</sup> June 2019.

- 8.1.7 The tendering contractors were instructed to provide a detailed priced cost submission along with a programme, response to quality questions and completed Form of Tender. The JCT standard building contract without quantities (SB XQ) 2016 edition including Hackney Council amendments documentation was to be completed following a mid-tender briefing and site visits and based upon the information provided within the tender documentation packs.

- 8.1.8 Through issuing a robust set of ITT documents the Council are able to test both quality and price in order to obtain value for money. This was achieved through the requirement to provide a qualitative response to the Method Statement Questions and detailed construction costs in the Pricing Document.

- 8.1.9 A number of Tender Clarifications were issued, these were administered via Pro-Contract (Councils Procurement Portal) by LB Hackney Procurement team.

- 8.1.10 A dedicated project evaluation team, consisting of key officers and consultants involved in the scheme either from inception within the CER Team or early development with Consultants, has undertaken a comprehensive, systematic and consistent evaluation of each Tender. Overseen for compliance with Council protocol and moderated final

quality evaluation scoring by the Construction & Environment Category Lead for Procurement & Fleet.

8.1.11 The evaluation team comprised the following representatives of the Council:-

Quality Evaluation & Scoring

- Building Surveyor – LBH Strategic Property Services - CPAM
- Accommodation Advisor – LBH Corporate Estates & Accommodation
- Consultant Quantity Surveyor – Faithful+Gould
- Consultant Project Manager – Faithful+Gould
- Building Information Modelling (BIM) Manager – Faithful+Gould

Cost Evaluation & Reporting

- Consultant Quantity Surveyor – Faithful+Gould

Procurement Compliance & Moderation

- Category Manager – LBH Construction & Environment Procurement

8.1.12 All members of the Quality Evaluation & Scoring team scored the quality criteria response items and a moderated consensus score was agreed at the end of the evaluation with a meeting chaired by the Procurement Category Manager (moderator). The evaluation team has been advised by procurement at every stage, and legal team at relevant stages, of the evaluation process.

8.1.13 The pricing documentation returned by each Tenderer was evaluated separately by an independent third party cost consultant Quantity Surveyor against the Cost Plan pre-tender budget estimate and qualified in comparison to current market material and labour rates where applicable. The items for each element of works have been tabulated for each Contractor alongside each other and included in the Quantity Surveyors Tender evaluation and recommendations report. (Exempt Appendix B).

8.1.14 Evaluation Criteria and Weightings;

The contract is awarded to the Most Economically Advantageous Tender, evaluated as described in the Invitation to Tender. The tender Evaluation criteria has been based on a combination of Quality and Price which has been specified and weighted as illustrated in the table below:



Criterion	Quality – 60%	Weighting
1	Detailed Project Methodology	30%
2	Project Team & Communication	30%
3	Health and Safety	10%
4	BIM Capability	20%
5	Economic Added Value and Sustainable Innovation	10%
	Price – 40%	
1	Fixed Price Cost Proposal	100%

A tender analysis was completed in accordance with the evaluation methodology set out within the tender document based on 40% cost/price and 60% quality. The completed evaluation is summarised and analysed within sections (quality) and costs) of the Tender Evaluation Report within the Appendix of this report.

The following scoring mechanism has been utilised to score the quality method statement responses:

Score	Rating	Criteria for Awarding Score
0	Unacceptable	No response to the question.
1	Poor	Limited response provided or a response that is inadequate, substantially irrelevant, inaccurate or misleading
2	Below expectations	Response only partially addresses the question
3	Satisfactory	An acceptable response submitted in terms of level of detail, accuracy and relevance. The response is good but there are either some omissions of important factors or negative indications that reduce the extent to which the project aims will be achieved
4	Good	A comprehensive response submitted in terms of detail and relevance and clearly meets the project aims with no negative indicators or inconsistencies
5	Excellent	A more than comprehensive response submitted in terms of detail and relevance with no negative indications or inconsistencies

#### 8.1.15 Number of Tenderers who responded, declined to bid (with reasons), non-compliant bids, variant bids;

- Four out of six tenders were submitted to LB Hackney via Pro-Contract. The copy of the tender opening record (as-submitted tender summary) is included in Appendix A.



Tenderer A	42%	2	40%	1	82%	1	£2,889,640.42
Tenderer B	42%	3	32%	4	74%	3	£3,626,912.58
Tenderer C	34%	4	33%	2	67%	4	£3,456,367.75
Tenderer D	48%	1	32%	3	80%	2	£3,624,963.02

## 8.2 Recommendation:

- 8.2.1 Based on the scoring mechanism shown in the ITT Section 2.14.12, the lowest price contractor achieves the maximum score = 40%. Then the other contractors are scored proportionally in comparison to the lowest (revised) tender. The recommendation is based upon a due diligent process informing carefully measured results to provide confidence of value for money, quality end result and professional service in the best interests of the Council. This report recommends that the contract be awarded to Tenderer D.
- 8.2.2 Following the detailed analysis of the tender submissions, we note that Tenderer A's cost submission contains numerous items not priced, as the Council Cost Consultant template was split floor-by-floor. This is partly due to the fact that the contractor included perhaps all costs within say Ground Floor element of works, which made the comparison more complicated. Other contractors (particularly Tenderer C & D, on the other hand, added a significant number of additional items to the pricing schedule so that their tender price would reflect accurately all the works as required on floor-by-floor basis. Following the post tender meeting Tenderer A rectified the error and resubmitted the document as requested.
- 8.2.3 The Council note that Tenderer A's tender stands out as a very competitive bid when compared with others. Under the Regulation 69 of the Public Contract Regulations the Council and Consultant Project Team held a meeting to satisfy ourselves that the tendered price (the lowest bid as submitted by Tenderer A) incorporates the full scope of works and services required to successfully deliver this project. To allow the Council Cost Consultant to properly examine the price, a post tender clarifications meeting was held on 12 September 2019. We requested the contractor to provide a detailed pricing schedule with sufficient detail [line by line] to ensure the Council Cost Consultant could benchmark their submission to current market rates.
- 8.2.4 The contractor provided the information (they have also corrected the tender price for the ceilings, partitioning, internal partitions, MEP and BIM elements) which resulted in an additional cost of £154,279.71. We are concerned that Tenderer A could potentially identify more errors before (or after) the contract award, which could be a concern if they sought to rectify the price again, as learnt from recent experience. Our observation is that the following key MEP elements are still substandard (abnormally low) and therefore are key risks when compared with the market returns:

- 8.2.5 Following the Councils due diligence and Cost Consultants financial recommendation the course of action would be not to proceed with Tenderer A on the basis of an extremely competitive tender price submitted (when compared with other tenderers and the Council Cost Consultant cost estimate) and potential cost issues within their MEP price. We have concerns that due to potential under-pricing by the supply chain, there could be numerous changes / variations and contractor claims or disputes once on site. A loss making project (or a significantly reduced margins for the contractors and particularly their supply chain) is a significant risk for the project, and in our experience, does not encourage good working relationships between respective parties.
- 8.2.6 Tender assessment and scoring matrix indicates that based on the combined scores for price and quality, the most economically advantageous submission is that received by Tenderer A, for the overall sum of £2,889,640.42 (excl. VAT). However, our recommendation is not to proceed with Tenderer A due to the considered abnormally low tender bid (and associated risks), as analysed in Section 4 of the Faithful+Gould Tender Report (Exempt Document). The Cost Consultants recommendation is for LB Hackney to consider Tenderer D (the second highest moderated scores received) for the works for the revised tender sum of £3,624,963.02 (excl. VAT) based on a 22 week contract duration.
- 8.2.7 This report recommends that a contract documentation is progressed as soon as the internal discussions, liaison and confirmation of the preferred tenderer takes place. This is to ensure that the tight programme dates are met (particularly the long lead times need to be addressed to place sub-contract and material orders and to ensure that any surveys and validations are carried out in timely manner) all before the start on site date.
- 8.2.8 In terms of the realisation of the scheme the recommended contractor has clearly demonstrated through due process that the bid meets the needs and objectives as identified in project Business Case

## **9. CONTRACT MANAGEMENT ARRANGEMENTS**

### **9.1 Resources and Project Management (Roles and Responsibilities):**

9.1.1 Corporate Property & Asset Management – Estates & Accommodation Team has been identified as having adequate & sufficiently qualified Project Team resources for this scheme consisting of:

- Building Surveyor / Project Manager
- Electrical & Mechanical Engineers

- Principal Designer CDM 2015
- Clients Agent Quantity Surveyor
- BIM Manager

9.1.2 This will involve continuing liaison with all clients, stakeholders and contractors to monitor progress, quality and budget to ensure satisfactory completion of the works. Project Manager will report directly to the Assistant Director of Strategic Property Services on the project.

9.1.3 Compliance with The Construction Design and Management Regulations 2015 will be assured by the Consultant Principal Designer who is fully qualified in this respect.

## 9.2 Key Performance Indicators:

Main KPI Targets Set	Monitoring
1. Cost certainty	Contract administration & quality valuation based payments +/- 5%
2. Programme	Risk register, Programme Reviews & Contract Meetings to Completion
3. Energy Efficiency	EPC Rating to at least B
4. Waste Management & Recycling	Waste Management Plans & Environment & Pollution Officer reviews. 10% of Materials
5. Defects Volume	Contract Administration Clerk of Works Tracker – 20 defects per programme month rectified during construction to zero defects on handover.
6. Local Suppliers & Labour	Site checks & written evidence of material suppliers within the contract administration process – 10% Resource

## 10. COMMENTS OF THE GROUP DIRECTOR OF FINANCE AND CORPORATE RESOURCES

10.1 This report seeks approval to award a contract to Tenderer D for the development & refurbishment of the Ground, First, Second and Third floors of Christopher Addison House at 72 Wilton Way at a cost of £3.62m.

- 10.2 There were lower bids submitted, including one which was substantially lower at £2.8m. Finance have consulted with the project team including the cost consultants, and Legal and Procurement colleagues. We are satisfied that the reasons for awarding the contract to a higher bidder which are outlined in this report and associated appendices are valid and in the best interests of the council.
- 10.3 This project is part of the Corporate Estate Rationalisation plan which aims to optimise the use of the council's building by reducing the amount of office space occupied by Hackney staff and therefore freeing up some buildings to enable them to be let on commercial leases therefore generating additional income into the council. This project is anticipated to result in the letting of The Annexe and the current estimate from Commercial Property for this is £650 - £700k pa depending on Market Conditions.
- 10.4 The project was the subject of a CPRP bid for Capital Funding in 2018. The bid included £3.9m for the contract award in relation to the refurbishment of the building. The cost of the proposed contract award is within this number and therefore within the approved budget.

**11. VAT Implications on Land & Property Transactions - N/A**

**12. COMMENTS OF THE PROCUREMENT CATEGORY LEAD**

- 12.1 The value of the proposed work is below the EU Threshold for Works. As the value is above £2m, in compliance with the Council's Contract Standing Orders, the project has followed a formal tendering process supported by the procurement team.
- 12.2 Tender A was substantially lower than the other tenders received. The Council's evaluation panel undertook an investigation into the tender with the support of experienced construction cost consultants. This included verification of prices, clarification with the bidder, and market rate comparisons. The bidder also was provided an opportunity to explain the low level prices. Throughout the process the evaluation panel applied the principles of fairness, equality of treatment, objectivity and proportionality. A detailed breakdown of the clarifications sought with the specific elements of the tender which the evaluation panel considered may be abnormally low, is the subject of a separate report (Appendix D). On completion of the investigation the evaluation panel decided that Tender A is unlikely to deliver the contract the Council is seeking to procure for reasons of reliability and viability.
- 12.3 The recommendation is therefore to award the contract to Tenderer D.

### **13. COMMENTS OF THE DIRECTOR OF LEGAL AND GOVERNANCE**

- 13.1 The public works contract in this Report is of a value higher than £2m and therefore under paragraph 2.5.3 of Contract Standing Orders the award of contract will need to be approved by Cabinet Procurement Committee.
- 13.2 The Council used Constructionline to seek tenders for the works contract in this Report. Contract Standing Order 3.1.2 states that for works contracts with an estimated value between £100,000 and the EU threshold, officers may use, as approved by the Group Director, Finance and Corporate Resources, a nationally recognised pre-qualification system such as Constructionline.
- 13.3 The Council is under an obligation under Regulation 69 of the Public Contracts Regulations 2015 to investigate any tender which appears to be abnormally low. The Council may only reject the tender where the evidence supplied in response to such investigations does not satisfactorily account for the low level of price or costs proposed. Therefore the failure to award the works contract in this Report to the lowest bidding tenderer is consistent with the Council's compliance with its obligations under Regulation 69.

### **APPENDICES**

- Exempt Appendix A – List of Contractors invited to tender.  
Exempt Appendix B – Financial Submission – Comparison  
Exempt Appendix C – Detailed evaluation scores  
Exempt Appendix D – Tender Report (Consultant)

### **EXEMPT**

By Virtue of Paragraph 3 Part 1 of schedule 12A of the Local Government Act 1972 this reports appendix A, B & C are exempt because they contain information relating to the financial or business affairs of any particular person (including the authority holding the information) and it is considered that the public interest in maintaining the exemption outweighs the public interest in disclosing the information.

### **BACKGROUND PAPERS**

**In accordance with The Local Authorities (Executive Arrangements) (Meetings and Access to Information) England Regulations 2012 publication of Background Papers used in the preparation of reports is required**

None.

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