

<b>Cabinet Meeting</b>	<b>Agenda Item:</b>
<b>Meeting Date</b>	16 <sup>th</sup> March 2022
<b>Report Title</b>	Procurement of Swale House Refurbishment Project
<b>Cabinet Member</b>	Clr Monique Bonney, Cabinet Member for Economy & Property
<b>SMT Lead</b>	Emma Wiggins – Director Regeneration & Neighbourhoods
<b>Head of Service</b>	Joanne Johnson – Head of Regeneration & Economic Development
<b>Lead Officer</b>	Jeremy Pilgrim – Interim Property Manager
<b>Key Decision</b>	Yes
<b>Classification</b>	<b>Open</b>
<b>Recommendations</b>	<ol style="list-style-type: none"> <li>1. That the Cabinet approves the appointment of Company A &amp; Company G for Swale House Windows &amp; Roof Finishes Replacement PSSC048 A807 from March 2022 at values of £314,774.00 &amp; £1,271,429.60 respectively</li> <li>2. To agree the recommendations in respect to the revised proposed works and award of tender(s) as set out in the evaluation document.</li> <li>3. To delegate the award of contracts to the Director of Resources and Director of Regeneration &amp; Neighbourhoods in consultation with the Portfolio Holder.</li> <li>4. To agree to any underspend up to the approved sum of £1.9 million to be allocated for future internal refurbishment/ decoration works</li> </ol>

## 1 Purpose of Report and Executive Summary

- 1.1 The purpose of the report is to present recommendations for the award of tenders for the repair of Swale House. It details the reasons for revised proposals and the results and recommendations of the tender exercise, and requests approval to appoint contractors. The Property Services Department carried out a one stage tender process based on the most economically advantageous tender (MEAT) which was evaluated on [80%] price and [20%] quality. The Swale House Windows & Roof Finishes Replacement PSSC048 A807 is to provide repair and refurbishment works to Swale House, Sittingbourne.
- 1.2 The report also makes comment on future internal refurbishment in accordance with the emerging New Ways of Working initiative and to postpone such further

proposals until a Cabinet decision is confirmed in respect to the repair works as detailed below.

- 1.3 This report summarises the procurement process and its results in appendix 1 and seeks Cabinet approval of the recommended contractors.

## **2 Background**

- 2.0 The opportunity was advertised in accordance with current contract standing orders, with interested parties asked to complete an Invitation to Tender. Seven submissions were received, and scores were allocated according to the criteria explained in the tender document. Score information held within Appendix 1
- 2.1 A progress report was presented to Cabinet on 9<sup>th</sup> December 2020 which provided background to the refurbishment project for Swale House, detailed the appointment of the project team / consultancy team and set out the key objectives of the project, as follows
  - To contribute to the delivery of the Climate and Ecological Emergency Action Plan by creating a low carbon building.
  - To create a modern and efficient working environment for the organisation and
  - To support the Council's Economic Improvement Plan and Recovery Plan by providing opportunities for businesses to locate to Swale House.
- 2.2 A detailed feasibility study, proposals and costing for this extensive project concluded that the cost circa £6 million could not be afforded partly due to the fact that the anticipated grant funding under the Public Sector Decarbonisation Scheme awarded was substantially less than expected. In addition, the internal refurbishment proposals put forward were considered too expensive and due to the Covid pandemic and uncertainty as to post-Covid office needs it was decided to defer such proposals.
- 2.3 A further report was submitted to the Cabinet meeting on 17<sup>th</sup> March 2021 to consider a revised refurbishment and repair programme. The report proposed and requested Cabinet to agree and approve to:-

***Authorise the Chief Finance Officer to borrow either internally or externally up to £1.9 million and allocate the funding to installing double glazed windows, LED lighting, repairing and insulating the roof, insulating the under-croft and carrying out minor internal alterations.*** These works were considered necessary to bring the building up to a reasonable standard of repair and condition, as a priority over any decarbonisation benefits. As proposed the necessary wholesale re-roofing incorporates insulation to the roof, and the double-glazing as specified will provide significant improvements to the reduction of heating costs within the building.

## **2.4 Public Sector Decarbonisation Scheme**

- 2.5 In the previous report dated 9<sup>th</sup> December 2020 it was explained that the scope of the project and amount of funding to be recommended would be dependent upon whether the grant application had been successful. The very short timescales were also set out.
- 2.6 The amount of funding that the Council was able to apply for was considerably less than at first envisaged due to the cap that was placed on applications. The cap was based on the amount of carbon that would be saved each year and, in Swale's case, that resulted in a maximum grant of £1.1m.
- 2.7 The grant funding also had other criteria that proved impossible to meet with the amount of match funding available. The installation of an air source heat pump was an essential requirement of the grant and for this to be an effective method of heating Swale House, it would require high levels of thermal insulation to the fabric of the building. The level of the necessary work to meet the grant criteria has been estimated as £6m excluding fees. This is without consideration of the cost of the refurbishment programme originally proposed.
- 2.8 At the same time as submitting the grant bid for Swale House, a bid was submitted for the refurbishment of Master's House, Sheerness. The funding application for Master's House was successful. The grant funding bid for Swale House was subsequently withdrawn.

## **2.9 BREEAM accreditation**

- 2.10 In the previous report, it was recommended that the BREEAM accreditation be used to measure the success of the low carbon measures due to it being a widely recognised accreditation scheme which allows comparisons to be made against other buildings. The reduced scope of the proposed work now means that it will not be possible to meet the criteria required for the accreditation. Other options for measuring the success of the low carbon measures are being investigated.
- 2.11 The nature of the proposed work, which is primarily essential maintenance work, does not require a BREEAM accreditation.

## **2.12 Workplace planning**

- 2.13 In February 2021, the council commissioned a consultant called Spacelab who carried out an extensive engagement exercise to establish the needs of the organisation post-Covid. The work at the time demonstrated that around one third of the building could potentially be freed up for third party occupiers.
- 2.14 The extensive refurbishment works were quoted at approximately £5 million, in addition to the repair works. It was agreed in light of the reduced specification for

carbon reduction works and the uncertainty of the demands for space post Covid pandemic, both for the Council and third-party occupiers that a further review would take place. This is being conducted under the New Ways of Working project. (NWoW)

### **3 Proposals**

- 3.1 As set out in 2.3 above the Cabinet report dated 17<sup>th</sup> March 2021 authorised the Chief Finance Officer to borrow up to £1.9m and allocate funding accordingly. Due to variation of the proposed specification of works; substantial increases in construction and equipment costs, and uncertainty of successfully receiving positive responses to the tender exercise it was agreed to delay the project. In addition, due to key staff leaving, commencing a full UK procurement tender process could only be undertaken following allocation of appropriate resource and staff.
- 3.2 As a result of these factors plus the Covid pandemic, lockdown and economic uncertainty, it was considered, following advice from the project manager, Quartz Project Services Ltd that there may be substantially increased costs over those of the Preliminary Budget Estimate, and it was proposed to vary the specification further to only undertake those works deemed necessary to bring the building into a reasonable state of repair and acceptable working environment. This primarily relates to re-roofing the building to prevent current leaks, as well as to enhance the roof insulation performance, the provision of new double-glazed insulated windows and insulation to the under-croft.
- 3.3 A detailed specification of works was prepared, and a full UK procurement tender exercise undertaken based on dividing the three areas of work into individual lots giving tenderers the opportunity to bid for one or more lots. This was to help ensure that sufficient and acceptable bids would be obtained, especially from local SMEs, in a difficult commissioning environment. The three lots were as follows
  - Lot 1 – Reroofing and insulation
  - Lot 2 – New Double-Glazed Window Units
  - Lot 3- Insulation panels to the Under-croft.
- 3.4 The tenders have undergone detailed evaluation in accordance with full current procurement requirements and officers propose the following recommendation and award(s) for Cabinet approval. The full tender evaluation and recommendations are included as Appendix 1. As the tender has been conducted under the UK procurement regulations, full tender information remains confidential until Cabinet approval is given and as such the appendix is exempt.

- 3.5 The tenders were weighted on the basis of 80% price and 20% quality. As the tenderers were required to only submit against the detailed specification, the quality assessment was judged against financial standing and references,
- 3.6 Tenders have been received from 7 bidders and range in value for all three lots as follows:-
- **Lot 1** Roof insulation and replacement -----  
£314,774 - £755,907
  - **Lot 2** Window double-glazing -----  
£1,064,609 - £1,520,493
  - **Lot 3** Under-croft insulation-----  
£206,820 - £273,543
- 3.7 It is recommended that all three lots are awarded and that each Lot is awarded in accordance with the tender Evaluation Assessment set out in Appendix 1 and described below. As additional low carbon works including wall insulation have been excluded due to cost implications, further savings can be made in respect to 'U' Value rating of the double-glazed windows, but still providing 'U' value rating above current building regulations. (U value is used to measure the effectiveness of the various elements in buildings as insulators. In this case it means the U values determines the effectiveness of preventing heat from easily transmitting between the outside and the inside of the building).
- 3.8 Following analysis of stage 1, full evaluation for stage 2 was completed by three evaluators: two internal, and one external with the following results.

It is proposed to appoint two contractors.

Contractor A – LOT 1 Re-Roofing and Insulation with a tender proposal -----  
£314,774.00

Contractor G - LOT 2 & 3 Double -glazed windows & under-croft insulation with a tender proposal of:

- LOT 2 ----- £1,064,609.20
- LOT 3 ----- £206,820.40

Proposed works **Total £1,586,203.60**

In addition

Estimated fee schedule £194,133.50 (of which £143,199 paid to date)

Fee Contingency £20,000

Works Contingency of 5% - £75,000

**Estimated Total Project £1,875,337.10**

- 3.9 The proposed works will be undertaken to cause as little disturbance to occupiers as possible, but it may be necessary to vary office working during works. A full consultation will take place with Members, staff and third-party occupiers to allow for continuity of occupation. Subject to approval the roof works can be commenced immediately and take approximately three months to complete. The window replacement contract will have a longer lead-in time and would not be complete until late autumn. This contract is subject to delay in manufacture supply being bespoke specification. It is proposed that each contract will run subsequently.

## **4 Alternative Options**

- 4.1 Alternative options have been considered in previous reports and recommendations and following subsequent reviews it is proposed that the current proposals represent the best use of resource to achieve an outcome that will provide long term benefits without substantial cost.
- 4.2 The option to do nothing has been dismissed on the understanding that without these essential works the building will continue to deteriorate and be subject to expensive and recurring repairs
- 4.3 Consideration has been given to relocating to alternative property but that has been considered 1) too expensive 2) unsuitable due to lack of appropriate alternative accommodation and incompatible with the Council's Climate Emergency Agenda.
- 4.4 Undertaking these works will afford the Council the opportunity to review the space need options and to provide greatly improved working environment not only for staff but also provide opportunity for attracting third party occupiers on better rental terms.

## **5 Consultation Undertaken or Proposed**

- 5.1 Consultation has taken place with staff on several occasions particularly in relation to the internal refurbishment. Subject to the proposed works proceeding additional consultation will take place to ensure minimum disruption to working in the office. A detailed programme will be advised as part of the works.

## **6 Implications**

Issue	Implications
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Corporate Plan	The proposals align with the strategic objectives of the Corporate Plan to contribute towards the delivery of the Climate and Ecological Emergency Action Plan. To support the Council's Economic Improvement and Recovery plans. To award where practical local or Kent based companies utilising where possible local workers and apprentices.
Financial, Resource and Property	Allocation of financial resources has been confirmed through previous recommendations approved by Cabinet.. The project delivery phase will be managed by the appointed project management team in consultation with Property Officers.
Legal, Statutory and Procurement	The Council has statutory power under section 1 of the Localism Act 2011 to do anything that individuals generally may do. Support will be required from Legal Services in relation to completion of awarded contracts. A full procurement exercise has been conducted and the Procurement team have been fully engaged in the procurement activity
Crime and Disorder	There are no likely crime and disorder implications arising from the proposals in the report.
Environment and Climate/Ecological Emergency	The environmental implications are set out in the report
Health and Wellbeing	The exterior alterations being proposed, particularly the installation of double-glazing will have a positive impact on staff's health and wellbeing.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage
Risk Management and Health and Safety	All risk management, health and safety and construction management will be managed through the project management programme as initiated by the project team.
Equality and Diversity	None identified at this stage
Privacy and Data Protection	None identified at this stage

## 7 Appendices

- 7.1 The following documents are to be published with this report and form part of the report:

1.2 Appendix i: Exempt report on Tender specification, method of evaluation and recommendations

## **8 Background Documents**

- i) Refurbishment Budget Estimate
- ii) Cabinet Report 17<sup>th</sup> March 2021