



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

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Item 2(b)

27th November 2024

UK Property Portfolio – Award of Development Contract

Purpose of Report:

To conclude a tendering exercise for the provision of development works (Bankside House) for the Strathclyde Pension Fund property portfolio.

Recommendations:

The Committee is asked to **APPROVE** the appointment of **Scott Osborn Limited** to carry out development works (Bankside House) for the Strathclyde Pension Fund Property Portfolio.

Ward No(s):

Citywide: ✓

Local member(s) advised: Yes ☐ No ☐ consulted: Yes ☐ No ☐

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1 Background

The Fund has invested in the UK property market for over 30 years, and its investment strategy currently allocates 9% of total assets to UK property.

DTZ was appointed to manage the Fund's UK property portfolio in 2010, when the portfolio was valued at c.£682million. Since DTZ's appointment, the value of the portfolio has risen to £2,330 million, largely as a result of positive investment performance, but also due to re-investment of rental income and new capital allocation. At 30th September 2024, the portfolio comprised 56 properties and 1 indirect investment, covering the spectrum of industrial, office, retail and other sectors. In line with the growth of the portfolio, the average property size has grown from £13.3m in 2010 to £40m today.

In recent years, DTZ has moved more of the portfolio into inflation linked leases and defensive assets. In addition, the manager has acquired a number of development assets on the Fund's behalf. DTZ has recommended that the Fund proceed with the redevelopment of one asset, Bankside House, an office building situated at 76-80 Southwark Street, London.

An initial tendering exercise was completed during 2022/2023, but due to a delay in planning permission being received and time elapsed, DTZ have followed legal advice to re-run the tender process.

Bankside House was valued at £18.9m as at 30th September 2024.

2 Tendering Process

Following initial consultation with GCC's legal and procurement teams, DTZ, acting as agent for the Fund, have followed a full public procurement process to re-tender the contract for the redevelopment of Bankside House. They have been advised on legal and procurement aspects of the tender process by the Fund's specialist legal advisors, CMS. Cogent Building Consultancy have acted as Project Manager within the procurement process.

The tendering exercise commenced on 2 July 2024 when a contract notice was published on Public Contracts Scotland and Find a Tender Service (FTS). The contract was procured under an open procedure.

The ITT included detailed drawings and scopes of work for all technical services required. Bidders were required to respond to questions covering 4 technical criteria designed to assess the quality of each of the supplier's proposals, fair work practices and detailed pricing information for commercial and value for money assessment. The tender award criteria were divided as follows:

Fair Work First Practices	5%
Scope of Requirements	10%
Implementation- programme	10%
Key Issues-understanding	10%
Resources and Key Personnel	5%
Price	60%

One bid was received and on the basis of the award criteria, **Scott Osborn Limited** achieved an overall score of 95%.

3 **Top scoring supplier: Scott Osborn Limited**

Scott Osborn Limited are a principal contractor based in Stansted, Essex. They have a track record in delivering development projects of a similar type and complexity. Scott Osborn have been trading for a period in excess of 35 years and are therefore an established business. They returned the lowest price and a high quality and thorough tender return in all other aspects.

4 **Implementation**

Appendix A sets out a summary scope of works required by the Fund.

Terms agreed, subject to award, will run from approximately March 2025 to May 2027.

5 **Policy and Resource Implications**

Resource Implications:

Financial: Total fixed price cost of the contract is **£23,752,365.15**.

Legal: The form of building contract to be used will be JCTDB2016 with amendments.

The Fund's specialist legal services provider to the property portfolio, CMS, have advised on contract terms for the works.

Personnel: No issues.

Procurement: The process was conducted in accordance with public procurement rules.

Council Strategic Plan: SPF supports all Missions within the Grand Challenge of: ***Enable staff to deliver essential services in a sustainable, innovative and efficient way for our communities***. The LGPS is one of the key benefits which enables the Council to recruit and retain staff.

Equality and Socio-Economic Impacts:

Does the proposal support the Council's Equality Outcomes 2021-25? Please specify.

Equalities issues are addressed in the Fair Work First assessment of bidders for this contract. In addition, equalities issues are addressed in the Fund's Responsible Investment Strategy, in

the scheme rules which are the responsibility of Scottish Government and in the Fund's Communications Policy which has been the subject of an Equalities Impact Assessment.

What are the potential equality impacts as a result of this report?

All appointed contractors are vetted using a third party provider. Checks are undertaken and policies and procedure documentation is required in relation to national living wage policy, underage labour and modern slavery.

Please highlight if the policy/proposal will help address socio-economic disadvantage.

n/a

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:

Yes.
Strathclyde Pension Fund's Climate Change strategy is being developed in line with Item 34 of the Council's Climate Action Plan.
SPF's stewardship activity addresses all of the SDGs to some degree. This is reported regularly to the SPF Committee in a quarterly Investment Update.
DTZ Investors have committed to achieving net-zero for SPF's direct property portfolio by 2040.

What are the potential climate impacts as a result of this proposal?

The embodied carbon emissions will be minimised through DTZ relying on criteria set out in its refurbishment guidelines and vetting procedures which the contractor is required to comply with. This includes policies around responsible sourcing of sustainable materials, recycling waste and re-using materials where possible and a conscious effort to exclude or reduce the use of toxic materials. DTZ has modelled the operational energy of the scheme. This notes that the estimated energy intensity use is 113.1kWh/m², which is 13% lower than the UKGBC's target for whole building energy use intensity for commercial offices of 130kWh/m². A Life Cycle Analysis has been undertaken and it is expected that the embodied carbon of the development will be below the best practice level for the LETI benchmark.

Carbon emissions will be generated as part of the proposed works, however the proposal will create a more efficient building with a reduced level of operational emissions post construction. The current EPC rating is a D rating and the building post refurbishment is predicted to obtain a B rating.

Mains natural gas will not be used as a fuel source post refurbishment with the building being run on electricity only.

BREEAM Excellent is being targeted.

Will the proposal contribute to Glasgow's net zero carbon target?

N/a.

Privacy and Data Protection Impacts:

Are there any potential data protection impacts as a result of this report
Y/N

No.

If Yes, please confirm that a Data Protection Impact Assessment (DPIA) has been carried out

N/a.

6 Recommendation

The Committee is asked to **APPROVE** the appointment of **Scott Osborn Limited** to carry out development works (Bankside House) for the Strathclyde Pension Fund Property Portfolio.

Scope of Works

Bankside House spans two sites which were formerly separate buildings and were redeveloped to form a single office building in 1971. The original Victorian warehouse structure remains to the eastern portion of the site while the western end was constructed in 1971. The property was substantially remodelled and clad in 2001.

The contract works comprise the design, construction, remodelling and refurbishment of the existing office and ancillary plant accommodation at basement, and ground to fourth floor levels. The existing fifth floor level is to be demolished and new fifth and sixth floors will be constructed with new plant and roof terrace above. The building will be substantially rebuilt or reclad to the west, south and part north elevations. New terraces will be formed at fifth and sixth floors to the rear. Internally, the cores are to be rebuilt to provide high quality office plates over basement to sixth floors. The entrance will remain on the corner of Great Guildford and Southwark Streets. New cycle store and plant areas will be provided at basement level, along with a new feature stair linking the office accommodation at ground and basement.

The works to be carried out on the property include but are not limited to the following:

- The main entrance will remain in its current location but be substantially remodelled and refurbished;
- The central core consisting of the main stair and two passenger lifts will be relocated to the northern boundary. This will require new structure to be built at the location of the current single storey area to the north;
- The existing eastern core will be replaced with a new fire fighting core;
- A stair will provide access from basement to ground floor serving the cycle and plant areas;
- A new feature stair will be provided between the ground and basement office suites;
- The existing rendered combustible polystyrene cladding will be removed and replaced with a new blue façade including new bay windows along Great Guildford and Southwark Streets;
- The existing balconies on the northern façade will be removed and new private terraces will be formed at fifth and sixth floors;
- The existing fifth floor level is to be demolished and a new fifth and sixth floors will be constructed with new plant and roof terrace above; and,
- Internal fabric and services will be replaced.

As part of the refurbishment works the proposed scheme includes the following sustainability credentials:

- Minimum B EPC rating;
- BREEAM Excellent;
- WELL Building Standard certification;
- Decarbonisation of the building through the removal of existing gas supply;
- Installation of air source heat pump to control air handling;
- Improved wall and roof insulation to reduce solar gain and heat loss;
- CO₂ sensors to improve efficiency of the ventilation system; and
- Floor by floor energy metering and daylight lighting dimming and movement sensors to improve lighting efficiency.