



Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Jacqueline Gillies, Ext: 75186

Item 6(b)

26th June 2024

UK Property Portfolio – Award of Development Contract

Purpose of Report:

To conclude a tendering exercise for the provision of development works (Unit B Railway Triangle, Portsmouth) for the Strathclyde Pension Fund property portfolio.

Recommendations:

The Committee is asked to **APPROVE** the appointment of **Wilten Construction Ltd** to carry out development works (Unit B Railway Triangle, Portsmouth) 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.£682 million. Since DTZ's appointment, the value of the portfolio has risen to £2,339 million, largely as a result of positive investment performance, but also due to re-investment of rental income and new capital allocation. At 31st March 2024, the portfolio comprised 57 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. In 2022, DTZ recommended that the Fund proceed with the redevelopment of a unit at one asset, Railway Triangle, an industrial park in Portsmouth.

A tendering exercise was completed during 2022/2023, but prior to commencement of works and final contract signature the successful bidder, Brymor Group Southern Ltd, went into liquidation. DTZ recommend that the re-development still proceeds and have therefore conducted a second tendering exercise to appoint a replacement supplier.

Railway Triangle was valued at £41.5m as at 31st March 2024.

2 Tendering Process

Following consultation with GCC's legal team, DTZ, acting as agent for the Fund, have followed a full public procurement process to re-tender a contract for the redevelopment of Unit B at the Railway Triangle industrial park. They have been advised on legal and procurement aspects of the tender process by the Fund's specialist property legal advisors, CMS. Quartz Project Services have assisted DTZ in the capacity of Project Manager within the procurement process.

The tendering exercise commenced on 7th February 2024 when a contract notice was published on Public Contracts Scotland. The contract was procured under a restricted procedure. Bidders were required to complete an SPD (single procurement document), with those meeting selection criteria invited to complete a full Invitation to Tender (ITT).

Five suppliers completed an SPD by 8th March 2024, the deadline for submissions. Five bidders were invited to complete an ITT by 13 May 2024.

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 suppliers' proposals, fair work practices and detailed pricing information for commercial and value for money assessment. The tender award criteria were divided as follows:

- Price 80%
- Fair Work First Practices 2.5%
- Scope of Requirements 5%
- Implementation Programme 5%
- Key Issues Understanding 5%
- Resources and Key Personnel 2.5%

On the basis of the award criteria, **Wilten Construction Ltd** tendered the most advantageous proposal for the Fund, achieving an overall score against the evaluation criteria of 94.5%.

3 Top scoring supplier: Wilten Construction Ltd

Wilten Construction Ltd are a principal contractor based at 8 The Point, Rockingham Road, Market Harborough, Leicestershire, LE16 7QU. They have a track record in delivering development projects of a similar type and complexity. Wilten Construction have been trading three years, but their directors and senior members of staff have all come from other major specialist industrial contractors. They returned the lowest tender price and their submission was a thorough tender return in all aspects.

5 Implementation

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

6 Policy and Resource Implications

Resource Implications:

Financial: Total cost of the contract is **£8,944,850.90** (excluding but not limited to S278 fees, ground contamination, planning conditions, service diversions and sewer build over agreements).

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

appointed Stantec as sustainability advisers and a Life Cycle Analysis has been undertaken.

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 proposed EPC is an A rating (against a current EPC C).

The source of power for the proposed building will be electricity only (compared to mains natural gas at present).

BREEAM Excellent and Fitwel enabled are 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.

5 Recommendation

The Committee is asked to **APPROVE** the appointment of **Wilten Construction Ltd** to carry out development works (Unit B, Railway Triangle, Portsmouth) for the Strathclyde Pension Fund Property Portfolio.

Scope of Works

The contract is for the design and construction of Unit B, Railway Triangle, Portsmouth.

The works are to be carried out under the JCT Design and Build Contract 2016 with bespoke client's amendments. The contractor is to procure and design all elements of the works in accordance with technical requirements specified at tender.

The successful contractor will be responsible for the management of sub-contractors to ensure the successful delivery of the project. The architect and structural engineer contracts are to be novated to the contractor, while the remainder of the client team will remain on the client side.

The works comprise the design and construction of an industrial / logistics facility with ancillary office space at Railway Triangle, Walton Road, Portsmouth, PO6 1TS. The Works include the construction of a single storey warehouse unit 12m to underside of haunch, approximately 102,752 ft² gross internal area incorporating internal two storey office accommodation together with external works to include hard standings, car parking, landscaping, drainage, main service connections and offsite Section 278 Works. As the works are adjacent to a railway line, the contractor will be required to comply with the requirements of a BAPA agreement and provide 24/7 access to a Network Rail substation at the rear of the site.

As part of the Works the proposed scheme includes the following sustainability credentials:

- Minimum A EPC rating;
- BRE AAM Excellent;
- Fitwel enabled Building Standard certification;
- Decarbonisation of the building through capping the existing gas supply;
- Installation of air source heat pumps to the offices;
- 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.