Item 3(a)

2nd March 2022

Glasgow City Council

Strathclyde Pension Fund Committee

Report by Director of Strathclyde Pension Fund

Contact: Jacqueline Gillies, Chief Investment Officer, Ext: 75186

Property Portfolio: Appointment of Contractor for Development Works King St. Manchester

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

Recommendations:

The Committee is asked to **APPROVE** the appointment of **Recom Solutions Limited** to carry out development works (King Street) for the Strathclyde Pension Fund Property Portfolio.

Ward No(s): Citywide: ✓

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

1 Background

The Fund has invested in the UK property market for over 30 years, and its investment strategy currently allocates 10% 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 £2,424million, largely as a result of positive investment performance, but also due to re-investment of rental income and new capital allocation. At 31st December 2021, 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 £13m in 2010 to £42m 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 conversion to residential accommodation of the upper levels of one of these assets, 58-60, 62 (Grade 2 Listed) and 64-66 King Street, Manchester (the buildings are interlinked to form a single property).

2 Tendering Process

Following initial consultation with GCC's legal and procurement teams, DTZ, acting as agent for the Fund, initiated a procurement process for residential works at King Street. They have been advised on legal and procurement aspects of the tender process by the Fund's specialist property legal advisors, CMS. Specialist property firms Cogent Building Consultancy, AEW and Gately Vinden have also assisted DTZ with the procurement process.

The tendering exercise commenced on 8th September 2021 when a contract notice was published on Public Contracts Scotland. The contract value was above the threshold for a regulated works contract under the Procurement Reform Scotland Act (2014) and was run as a dual stage process:

- Completion of an SPD (single procurement document). Seven responses were received by the deadline of 8 October 2021.
- Based on responses to the SPD, four bidders were invited to the second stage of the process, submission of a design and build tender for the works.

Three suppliers submitted a design and build tender by 4 January 2022, the deadline for submissions.

The tender award criteria were divided as follows:

- Quality 30%
- Price 70%

On the basis of the award criteria, **Recom Solutions Limited** tendered the most advantageous proposal for the Fund, achieving an overall score against the evaluation criteria of 87.5%.

3 Top scoring supplier: Recom Solutions Limited

Recom Solutions Limited is a Manchester based construction company. The company specialises in construction and project management undertaking projects from pre-construction through to final completion. Their projects are predominantly Manchester based for public and private sector clients across residential, commercial, retail & leisure, education and healthcare sectors. The company undertakes projects with values in the range of £450k to £10m and these have previously included refurbishment and listed building works, which is considered relevant experience.

4 Implementation

Appendix A sets out the scope of works required by the Fund. Works are expected to commence end Q2/ start Q3 2022.

Terms agreed, subject to award, will run for 50 weeks.

5 Policy and Resource Implications

Resource Implications:	
Financial:	Total cost of the contract is estimated as £4,776,502.69
Legal:	The form of building contract to be used will be the JCT DB2016. 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:	Strathclyde Pension Fund aligns with the theme of a well governed city.
Equality and Socio-Economic Impacts:	
Does the proposal support the Council's Equality Outcomes 2017-22	Review of equality, diversity, inclusion and non-discriminatory policies are included as part of the vetting process of the successful supplier.
What are the potential equality impacts as a result of this report?	No specific equalities impacts.

Please highlight if the policy/proposal will help address socio economic disadvantage.	The recommended supplier, Recom Solutions Ltd, has confirmed that it is a Living Wage employer.

Climate Impacts:

Does the proposal support any Climate Plan actions? Please specify:	N/A. Monitoring report. Strathclyde Pension Fund's Climate Change strategy is being developed in line with Item 34 of the Council's Climate Action Plan.
What are the potential climate impacts as a result of this proposal?	The specification has given consideration to the DTZ Investors Sustainability Guidelines for Fit Out & Redevelopment. The works will improve the buildings EPC score.
Will the proposal contribute to Glasgow's net zero carbon target?	N/A.
Privacy and Data Protection impacts:	None

6 Recommendations

The Committee is asked to **APPROVE** the appointment of **Recom Solutions Limited** to carry out development works (King Street) for the Strathclyde Pension Fund Property Portfolio.

Appendix A

Scope of Works

The contract location spans three addresses: 58-60, 62 (Grade 2 Listed) and 64-66 King Street, Manchester (these are interlinked to form a single property). The works are within the city centre retail, leisure and work areas and the St. Ann's Square Conservation Area.

The contract works comprise the design, construction, refurbishment and conversion of former office and retail areas at the upper levels (1st to 4th) into residential accommodation (24 apartments, some of which are duplex), with the provision of entrance and ancillary spaces at ground level and cycle store and plant areas at basement level.

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

- The historical former entrance fronting South King Street is to be brought back into use as the primary residential entrance, and the existing entrance at the corner of Four Yards and South King Street is to be altered to provide level access into the main lobby area;
- The existing external windows are to be refurbished;
- The existing internal circulation spaces across the three buildings and the primary and secondary staircases are to be retained and refurbished;
- The existing lift serving ground and upper floors is to be replaced;
- A new stair from the upper floor level to the existing roof is to be constructed to provide access to new Air Source Heat Pumps and PV cells;
- Openings through existing wall structures are to be cut with new stud partition party walls and internal walls constructed to form the apartments; the apartments are to be fully finished internally with plastered walls and ceilings, LVT / carpet / ceramic tiled flooring, new internal doors, period architraves and skirtings and fitted out with new kitchens, bathrooms and en-suites with retained existing feature fireplaces.