

QUEENS HALL TENDER UPDATE

1. EXECUTIVE SUMMARY

- 1.1. At the Bute and Cowal Area Committee meeting on the 4 August 2015, members took the decision to proceed to tender stage to establish the actual cost of the works and thereby the magnitude of any funding gap.
- 1.2. The purpose of this report is to provide members with an update following the evaluation of the three submitted Tenders. This report was presented to the Bute & Cowal Area Committee on the 2 August 2016, where its contents were noted and supported by members.
- 1.3. The Pre-Tender estimate as advised in August 2015 identified a potential budget shortfall. The Pre-Tender estimate is included at Appendix A.
- 1.4. We have completed the evaluation of the three submitted Tenders in respect of the Technical Envelope i.e. how the works would be delivered and the Commercial Envelope i.e. the Tendered Price to deliver the works.
- 1.5. The purpose of the paper is to provide members with an update on the Tender evaluation process, including information on the Tendered Prices and the variation between the Approved Budget and the Anticipated Final Cost (AFC).

2. RECOMMENDATION

- 2.1. Policy and Resources Committee is asked to recommend that the Council:
 - 2.1.1. Note that the Queens Hall Refurbishment and Public Realm Works Contract has been the subject of a competitive procurement exercise involving three Tenderers. This exercise identified the Most Economically Advantageous Tender and the detail of the tender evaluation process and determination of the project's Anticipated Final Cost is at Appendix A.
 - 2.1.2. Note that the Most Economically Advantageous Tender results in an Anticipated Final Cost for the project at variance with the Approved Budget.
 - 2.1.3. Approve the recommendation to award the Contract as shown at Section 5.5, with the balance of funding to be met from available Capital Reserves.

QUEENS HALL TENDER UPDATE

3.0 INTRODUCTION

- 3.1. The Queens Hall refurbishment and public realm enhancements are a key component of the Council's ambitious and forward-looking programme to assist regeneration and economic development in five of its waterfront towns - Campbeltown, Helensburgh, Oban, Rothesay and Dunoon.
- 3.2. The proposed CHORD investment addresses the material state of the town centre waterfront and the Queens Hall, not only improving the local infrastructure, but also ensuring that the area "works" as the marine gateway into Dunoon, Cowal and the National Park beyond. The Queens Hall will provide an "anchor point", for visitors and the local community alike, taking a building that was no longer fit for purpose and transforming it into a venue and facility fit for the 21st century
- 3.3. The project is made up of three constituent parts:
- The refurbishment and redevelopment the Queens Hall buildings
 - The realignment of the Pier Esplanade, Argyll Street and Alexandra Parade road junction; and
 - Environmental improvements
- 3.4. The Strategic objectives for the project are to:
- Make most of Dunoon Waterfront in terms of economic development and regeneration.
 - Deliver waterfront infrastructure that contributes to an attractive, vibrant and contemporary town centre.
 - Create a safe, comfortable, accessible public realm that attracts residents and visitors to the area.
 - Promote improved connectivity and public transport gateway.
 - Act as an enabler for private sector investment in the waterfront area and town centre
- 3.5. The project will:
- revitalise the Queen's Hall, giving people exciting gathering places both inside and outside the building
 - provide a purpose built fitness & training suite which will enable us to offer our customers a bespoke multi use fitness environment that not only

serves our fitness class programme but can be offered as a sports specific fitness area for the myriad of sports clubs in the area

- provide new home for the Public Library
 - co-locate the offices of Skills Development Scotland
 - provide a completely refurbished main auditorium including: retractable bleacher seating, new lighting and audio visual facilities; and the ability to sub-divide the area to cater for different sized functions
 - provide a Children's Soft play area for children from early years up to age ten
 - provide a new Cafeteria and catering facilities capable of servicing the various uses envisaged for the building e.g. meetings, weddings, exhibitions etc.
 - provide a new road layout, public realm with paving and soft landscaping to revitalise and enhance marine access to Dunoon town centre, Cowal and the National Park beyond
- 3.6. The Bute and Cowal Area Committee, at its' meeting on 4 August 2015 confirmed that it was content for the project to proceed to tender stage to establish the actual cost of the works to refurbish the Queens Hall and the associated Public Realm improvements.
- 3.7. The purpose of this report is to provide members with an update on the cost to deliver the Queens Hall project following the evaluation of the three submitted Tenders and to seek their approval to award the Contract as set out at Section 5.5 with the balance of funding being met from available Capital Reserves.
- 3.8. Members will note that there has been an increase in the estimated construction costs of some 6.8% between the Pre Tender Estimate (prepared in June 2015) and the Tender Price Submissions (April 2016). There are several contributing factors, including:
- Construction Industry Inflation – currently running at 10% per annum for Scotland. There has been some slippage in the overall programme, when the Pre Tender Estimate was prepared the mid-point of the construction period was proposed as 2Qtr 2016 whereas when the tender documents were issued, the mid-point was programmed for 1Qtr 2017. The principal cause of this was the length of time that it took to acquire the property at 15 Argyll Street. The property was bought at the end of January 2016 and while it was hoped that this could be agreed through negotiation it became necessary to embark upon a Compulsory Purchase process, with the previous owner withdrawing their objection at the last minute.
 - The additional cost of items included in the tender documents following on from the issue of the Pre Tender Estimate. These included items such as: new Provisional Sums e.g. an allowance for the lift shaft / pit; additional Insurance requirements due to the form of contract and the fact that it is a building refurbishment as opposed to new build project; and the potential for works around the area of Dunoon's War Memorial

- 3.9. This report was presented to the Bute & Cowal Area Committee on the 2 August 2016, where its contents were noted and supported by members.
- 3.10. We have also benchmarked the Tendered Prices with colleagues in other Local Authority procurement teams who have commented that:
- the market has become more buoyant with contractors being selective in the contracts that they are Tendering for; and
 - they are all experiencing an upward trend in Tendered Prices. This has been put down to commercial drivers such as an increase in the cost of construction related materials, increased cost of waste to landfill, the cost of meeting requirements of Employers Requirements with respect of Community Benefits and the payment of the national living wage.
- 3.11. Another contributing factor may be the impact of Dunoon's location and the additional costs to the Contractor of getting materials, plant, equipment and personnel to Dunoon

4.0 RECOMMENDATION

- 4.1. Policy and Resources Committee is asked to recommend that the Council:
- 4.1.1. Note that the Queens Hall Refurbishment and Public Realm Works Contract has been the subject of a competitive procurement exercise involving three Tenderers. This exercise identified the Most Economically Advantageous Tender and the detail of the tender evaluation process and determination of the project's Anticipated Final Cost is at Appendix A.
- 4.1.2. Note that the Most Economically Advantageous Tender results in an Anticipated Final Cost for the project at variance with the Approved Budget.
- 4.1.3. Approve the recommendation to award the Contract as shown at Section 5.5, with the balance of funding to be met from available Capital Reserves.

5.0 DETAIL

- 5.1. The Pre-Tender estimate, as advised in August 2015, identified a potential budget shortfall and Members of the Bute and Cowal Area Committee took the decision to proceed to tender stage to establish the actual cost of the works.
- 5.2. Following the assessment of the Pre-Qualification submissions three contractors were invited to submit tenders for the works contract.
- 5.3. We have completed the process of evaluating the three submitted Tenders in respect of the Technical Envelope i.e. how the works would be delivered and the Commercial Envelope i.e. the Tendered Price. Members should note that in accordance with the Public Contracts (Scotland) Regulations 2015, Regulation 67 (1) (a), the Award Criteria for the Contract is on the basis of the Most Economically Advantageous Tender (MEAT) and which considers Quality and Price as follows:
- Technical 60%
 - Commercial 40%

- 5.4. The Award Criteria require that any contract award must be to the Tenderer who has achieved the highest combined Technical / Commercial Score.

Tenderer	Technical Score	Commercial Score	Combined Score	Ranking
A	43.88	40.00	83.88	2nd
B	54.16	37.41	91.57	1st
C	36.41	37.50	73.91	3rd

- 5.5. Based on the above ranking, we recommend that: the contract for the Queens Hall Refurbishment and Public Realm Works should be awarded to **Tenderer B**; and that the balance of funding should be met from available Capital Reserves.
- 5.6. The detail of the Tendered Price, Anticipated Final Cost and variance to the Approved Budget is at Appendix A.

6.0 CONCLUSION

- 6.1. The Queens Hall Refurbishment and Public Realm Works Contract has been the subject of a competitive procurement exercise, through which Tenderer B has been evaluated as having submitted the Most Economically Advantageous Tender.
- 6.2. The Most Economically Advantageous Tender results in an Anticipated Final Cost at variance to the Approved Budget.
- 6.3. The Policy and Resource Committee is asked to recommend to the Council that the Contract should be awarded to Tenderer B, with the balance of funding to be met from available Capital Reserves.

7.0 IMPLICATIONS

- 7.1. Policy To allow continued delivery of the Council's Corporate Plan and to assist in making our towns places of economic vibrancy that creates employment and prosperity for the residents of Argyll and Bute.
- The redevelopment of the Queens Hall will contribute towards the outcomes set out in the Single Outcome Agreement.
- 7.2. Financial The Anticipated Final Cost for the project is at variance with the Approved Budget as set out at Appendix B. Balance of funding to be met from available Capital Reserves.
- 7.3. Legal None
- 7.4. HR None

- 7.5. Equalities None
- 7.6. Risk 1.Construction Industry Inflation and Project
Affordability
- 7.7. Customer None

Executive Director of Development and Infrastructure Services, Pippa Milne
Policy Lead – Cllr Ellen Morton

For further information on Queens Hall Refurbishment and Public Realm works
contact: John Gordon, Regeneration Project Manager, Tel: 01369 708457 or Mobile:
07901 516 106