

Finance and Resources Committee

10.00 a.m. Thursday, 9 June 2016

Refurbishment and Re-development at the City Observatory, Calton Hill Complex

Delegated Authority for Award of Contract

Item number	7.20
Report number	
Executive/routine	Executive
Wards	A11 - City Centre

Executive Summary

City of Edinburgh Council and the Collective Gallery are working in partnership to secure grant funding for the refurbishment and re-development of the City Observatory and associated buildings within the Playfair designed walled grounds of Calton Hill.

In order to accelerate delivery to meet an opening time for the 2017 Festival, this report seeks Committee approval to delegate authority to the Executive Director of Place, in consultation with the Convener and Vice Convener of the Finance and Resources Committee, to appoint the Contractor that submits the most economically advantageous tender.

Links

Coalition Pledges	P03
Council Priorities	C01 and C02
Single Outcome Agreement	S03

Refurbishment and Re-development at the City Observatory, Calton Hill Complex

Delegated Authority for Award of Contract

1. Recommendations

- 1.1 It is recommended that Committee:
- 1.1.1 Delegates authority to the Executive Director of Place, in consultation with the Convener and Vice Convener of the Finance and Resources Committee, to appoint the contractor with the most economically advantageous bid to deliver the refurbishment works & redevelopment of the City Observatory, Calton Hill Complex.
 - 1.1.2 Note that tenders have been received from four short listed building contractors. The Council has completed the quality assessment of the bids and is currently in the process of evaluating the commercial bids.

2. Background

- 2.1 The scope of this project is to conserve and redevelop the Calton Hill City Observatory site and create additional accommodation including a gallery space and café/restaurant to facilitate an economically sustainable future for Collective Gallery on the site.
- 2.2 The main objectives of the project include:
- 2.2.1 the development of a permanent home for Collective on the Calton Hill site to support them in their aim to 'Create new synergies and opportunities for collaboration around art, science, innovation, research, architecture, astronomy and time'; and
 - 2.2.2 Identify and implement a programme of repair works to allow the buildings to operate effectively for public use.
- 2.3 To date, £3.9m of project funding has been secured. It is anticipated that the total construction works, including development and professional fees will be £3.77m.
- 2.4 The key sources of funding secured to date are:
- 2.4.1 City of Edinburgh Council - £1.1m
 - 2.4.2 Creative Scotland - £905,000
 - 2.4.3 Heritage Lottery Funding - £1.3m

2.4.4 Edinburgh World Heritage - £327,000

- 2.5 The works are currently programmed, providing Delegated Authority to the Executive Director of Place is secured, for completion for the Festival in 2017, maximising income opportunities for the Council and the Collective.

3. Main report

- 3.1 An Investment Steering Group was established in April 2014 to progress the project, which is being designed, procured and delivered by a combination of internal and external professionals lead by the Corporate Property Building Programme Team (BPT) and Commercial and Procurement Services (CPS)
- 3.2 The scope of construction works includes a new restaurant and coffee bar, refurbishment of the City observatory, Transit House and City Dome. There will be a new Subterranean Gallery and repairs to the Playfair Monument. All Planning and Listed Building Consent applications have been granted and the main Building Warrant has been issued.
- 3.3 Commercial and Procurement Services, in conjunction with the Building Programmes Team, undertook a full tender exercise by placing a contract notice on the Public Contracts Scotland Portal as a two stage procedure on 30 July 2015.
- 3.4 Twenty four organisations noted their interest in the contract and were able to download the Pre Qualification Questionnaire (PQQ) documentation which was attached to the notice. Thirteen organisations submitted PQQs by the closing date of 27 August 2015.
- 3.5 The aim of the PQQ evaluation process was to allow the Council to identify suitably qualified and experienced bidders to be invited to tender by considering their financial stability, technical capability, capacity, experience and organisational processes and procedures evidenced by previous project examples. As a result of the PQQ process six bidders were selected to be invited to tender.
- 3.6 In the invitation to tender it was stated that the contract would be awarded on the basis of the Most Economically Advantageous Tender with 30% of the overall score being given to quality and 70% given to price. This ratio was determined as an emphasis on price was required to the requirement to secure any shortfall in the fee bid through further funding arrangements therefore a very competitive bid was important. The quality of community benefits and the appointment of a contractor with value engineering experience and strong processes and procedures will be crucial to the success of the refurbishment which is why this was allocated 30% weighting.
- 3.7 The six bidders were selected at the PQQ stage to be invited to tender on 29 March with a return date of 9 May 2016. Two bidders withdrew from the process after the tender documentation had been issued to them citing other project commitments and limited capacity to undertake these works.

- 3.8 The four tender submissions received were evaluated individually by the six members of the evaluation team to determine a score for quality. In accordance with the agreed ratio the weighted maximum score for quality was 30. Seven evaluation criteria areas were identified, each having different weightings and being scored between 0 and 10 in accordance with the Evaluation Criteria Scoring Definitions included in the tender instructions issued to the bidders. Four award criteria areas were assessed from the bidders' written tender submission and the bidders also attended an interview which sought responses to the remaining three award criteria areas. Further details of the procurement process, including the members of the evaluation team and the seven quality evaluation criteria and their respective weightings, are provided in Appendix 1.
- 3.9 On completion of the individual evaluation process a consensus meeting was held attended by the members of the evaluation team and the contract administrator from Commercial and Procurement Services. Individual evaluation criteria scores were reviewed and debated and a consensus score reached for each bidder. The appropriate weighting was then applied to each of the individual evaluation criteria to arrive at a final quality score.
- 3.10 A threshold of 50% of the total available marks for quality was set to ensure that any bidder failing to provide a satisfactory response to the published evaluation criteria requested within the tender documentation would not be considered further and would not have their pricing bid opened.
- 3.11 Following completion of the quality analysis as all bidders had achieved the minimum threshold score of 50% for quality their pricing bids were opened and subject to a cost analysis.
- 3.12 Due to the complexity and nature of the works, the cost analysis is not expected to be complete until week commencing 13 June 2016 therefore, under the Scheme of Delegation, the Project Team is seeking Delegated Authority to the Executive Director of Place to award the contract providing the cost analysis demonstrates a positive outcome in terms of value for money and is within the budget allocation.

4. Measures of success

- 4.1 Delivery of the refurbishment and redevelopment of the City Observatory Calton Hill Complex on time, within budget and to a design specification which meets all related requirements.

5. Financial impact

- 5.1 The costs associated with procuring this contract are estimated at £20,001 - £35,000.
- 5.2 The report outlines total capital expenditure plans of £3.9m of which £1.1m will be funded by the Council and the remainder through third party resources. If the Council's element of the expenditure were to be funded fully by borrowing, the overall loan charges associated with this expenditure over a 20 year period would be a principal amount of £1.1m and interest of £0.720m, resulting in a total cost of £1.820m based on a loans fund interest rate of 5.1%. The annual loan charges would be £0.091m.
- 5.3 It should be noted that the Council's Capital Investment Programme is funded through a combination of General Capital Grant from the Scottish Government, developers and third party contributions, capital receipts and borrowing. The borrowing required is carried out in line with the Council's approved Treasury Management Strategy and is provided for on an overall programme basis rather than for individual capital projects. Following instruction from Members, notional loan charge estimates have been provided above, which it should be noted are based on the assumption of borrowing in full for this capital project.
- 5.4 As the capital expenditure outlined in this report forms part of the approved capital investment programme, provision for funding it will be met from the revenue loan charges budget earmarked to meet overall capital investment programme borrowing costs.
- 5.5 Other sources of funding has been secured from: Creative Scotland (£905,000), Heritage Lottery Fund (£1.3m) and Edinburgh World Heritage (£327,000).

6. Risk, policy, compliance and governance impact

- 6.1 There are no negative risk, policy, compliance and governance impacts arising from this report.

7. Equalities impact

- 7.1 An equality and Rights Impact Assessment for the Calton Hill Collective Project has been carried out and the following positive impacts are noted:
- 7.1.1 creation of a public access to the existing Observatory complex in full, for the first time in over 200 years;
 - 7.1.2 the whole site will be fully accessible to people with limited mobility for the first time ever;
 - 7.1.3 engagement and consultation with stakeholders and the public has been carried out over several years, and this project is widely supported;

- 7.1.4 development for the city's cultural infrastructure, and for its residents and visitors;
- 7.1.5 range of fully accessible visitor facilities, including toilets, will be provided for the first time ever on Calton Hill; and
- 7.1.6 access to the historic complex and to the new art gallery will be free to all members of the general public.

8. Sustainability impact

- 8.1 There are no negative sustainability impacts arising from this report. The refurbishment of the building will provide for its sustainable future.

9. Consultation and engagement

- 9.1 Throughout the feasibility and design stages of the project, over and above the conventional Planning consultations, stakeholders and public have been invited to participate in workshop sessions and launch events. These stakeholders included Built Environment Forum/Architectural Heritage Society of Scotland, Edinburgh World heritage Trust, Cockburn Association, Friends of Hillside and Calton Area and Calton Residents Association

10. Background reading/external references

- 10.1 Not required.

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Executive Director of Place

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11. Links

Coalition pledges	P03
Council outcomes	C01 and C02
Single Outcome Agreement	S03

Appendix 1 - Summary of Tendering and Tender Evaluation Processes

Contract	Principal contractor for the refurbishment of Calton Hill
Contract period	Period of construction
Contract value	Not known at present
Standing Orders observed	2.4 Requirement to advertise 5.1.b Selection of the most economically advantageous tender
Portal used to advertise	www.publiccontractsscotland.co.uk
EU Procedure chosen	Restricted
Invitations to tender issued	Six
Tenders returned	Four
Tenders fully compliant	Not known at present

Recommended supplier	Not known at present
Primary criterion	Most economically advantageous tender to have met the qualitative and technical specification of the client department
Evaluation criteria and weightings	<p>Written responses were provided for the following award criteria areas:</p> <p>Delivery Team – 15%</p> <p>Approach – 20%</p> <p>Logistics Strategy – 15%</p> <p>Risk Assessment – 10%</p> <p>Bidders were invited to attend to present responses to the following award criteria areas at interview:</p> <p>Programme Key Milestones and Critical Path – 15%</p> <p>Value Engineering – 15%</p> <p>Community Benefits – 10%</p>
Evaluation Team	<p>Project Officer, Building Programme Team, Resources, CEC</p> <p>Design Team Manager, Building Programme Team, Resources, CEC</p> <p>Architect, Collective Architecture</p>