



City of Westminster

Cabinet Member Report

Decision Maker: Cabinet Member for Finance and Council Reform

Date: 17 November 2022

Classification: General Release with Part B exemption:

Confidential/exempt

The Part B of this report is currently exempt from disclosure on the grounds that (i) it contains information relating to the financial or business affairs of a particular person (including the authority holding that information) under paragraph 3 of Schedule 12A of the Local Government Act 1972, (ii) it contains information in respect of which a claim to legal professional privilege could be maintained in legal proceedings under paragraph 5 of Schedule 12A of the Local Government Act 1972; (iii) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

Title: Refurbishment of 14-20 Orange Street
(incorporating 33/35 Whitcombe Street), London,
WC2 7EF

Wards Affected: St James

Key Decision: This is a Key Decision, and an entry has been included for 28 days on the list of forthcoming decisions

Financial Summary: The contract value submitted by the successful bidder is £2,201,927.20.

Report of: Executive Director for Finance & Resources –
Gerald Almeroth

1.0 Executive Summary

- 1.1** This report sets out the proposed contract award for the refurbishment works at 14-20 Orange Street (incorporating 33/35 Whitcombe Street), London, WC2 7EF. Following a competitive tender process, in which seven bids were evaluated, a contract is proposed to be awarded to Neilcott Construction Limited (Companies House registration no. 01151561) as their bid was the highest scoring.
- 1.2** This report sets out the recommendation to formally award a Joint Contracts Tribunal Intermediate Building Contract with Contractors Design (JCT IBC) contract to Neilcott Construction Limited for the works. The scope of these works and the rationale for carrying them out are set out in the body of the report.

2.0 Recommendation

- 2.1** To approve the contract award of a JCT IBC contract for refurbishment works at 14-20 Orange Street (incorporating 33/35 Whitcombe Street), London, WC2 7EF to Neilcott Construction Limited for £2,201,927.20.

3.0 Reasons for Decision

- 3.1** The subject property is a 6-storey office building, providing 13,209 sq ft of office accommodation over lower ground, ground and five upper floors. 14-20 Orange Street is owned freehold although the interconnected lower ground and ground floor of 33/35 Whitcombe Street are held on a 999-year peppercorn lease from January 2001. The property was acquired by WCC in January 2018 for £15,000,000. It was acquired for its investment income, but also to mitigate a right to light compensation liability, as the building is likely to be impacted by the redevelopment of WCC owned Huguenot House which is directly opposite.

3.2



3.3 The current tenancy and income status of the building is summarised in the table below: -

FLOOR	TENANT	AREA SQ FT	RENT	WCC 2022 SERVICE CHARGE LIABILITY	WCC 2022 BUSINESS RATES LIABILITY	NET INCOME	COMMENTS
Basement, ground and first	Vacant	5,857	£0	£110,762	£106,400	£-217,162	Media Campaign Ltd vacated these floors in September 2019
Second	Hong Kong Tourism Board	2,071	£115,551	£2,414.34	£0	£113,137	Lease expiring December 2024, no further breaks
Third	Broadcasters Audience Research Board	2,167	£129,840	£1,287.19	£0	£128,553	Lease expiring January 2024, no further breaks
Fourth	Kyodo News	1,793	£105,444	£0	£0	£105,444	Lease expiring June 2029, tenant only break in June 2024
Fifth	Vacant	1,321	£0	£27,577	£29,696	£-57,273	Comedy Store vacated in April 2021
TOTALS		13,209	£350,835	£142,041	£136,096	£72,698	

3.4 As indicated in the table above, since September 2019, 4 of the 7 floors have been vacated (via a lease expiry on the combined lower ground to first floors and a tenant break option on the 5th floor) and the net income after landlord shortfalls is currently £72,698 p.a. compared to circa £575,000 p.a. prior to vacation

3.5 The refurbishment works are required for two primary purposes. Firstly, there is a need to address various compliance issues that are the responsibility of the

landlord. These include a failed end of life heating and cooling system, a number of non-compliant fire lobbies and an EPC rating of low D that results in high carbon emissions from the building. Secondly, having not been materially refurbished since original construction in 1991, the standard of finishes and tenant services within the building are dated and an impediment to future letting of the vacant space.

3.6 The refurbishment works are therefore necessary to address outstanding compliance issues and to reposition the asset for future letting. The scope of works was drawn up by the appointed design team led by FT Architects and supported by Tuckers on the mechanical and electrical elements. There was also input from the leasing agents, Mallam Property Advisors. The tendered scope of works is summarised in the table below.

LOCATION	DESCRIPTION OF WORKS	COMMENTS
Common parts	Refurbishment of entrance/reception area, new disabled WC at ground floor, all other WCs refurbished, new cycle store and showers in basement, general redecoration throughout stairwell. A new air handling unit on roof to support new FCUs.	The finishes in the reception are dated with a 1990's feel. A contemporary 'corten steel' based design will be adopted within the common areas. The conversion of the ground floor WC to a disabled WC will address an Equality Act issue. The addition of a cycle store and showers in the basement will aid the marketing of the office space.
Lower Ground floor and ground floor east	Stripped back to shell condition	This space will be marketed in shell condition as demand is likely to come from a mix of users including health and beauty clinics that will want to fit out to bespoke requirements. The cost of fitting can either be subsidised by WCC through a capital contribution or via a rent-free period.
Ground floor west and 5 th floor	Fitted to Category A office standard including new fan coil units, new LED lighting, new suspended ceiling, carpeting, kitchenette	These two suites will be marketed on the basis of Cat A finish, with a budget held in reserve to upgrade to Cat A 'plus' (as with the first floor) dependant on demand
First floor	Fitted to Category A 'plus' standard, including new fan coil units, new LED lighting, new suspended ceiling, carpeting, kitchenette, meeting room, office furniture	The first floor will be finished as a 'show suite' to a fully fitted Cat A 'plus' standard (ready to occupy). This recognises the increased demand for fully fitted space in the post-Covid market and premium rental achievable.
Tenanted floors 2 to 4	New fan coil units and LED lighting. Modified fire lobbies to meet statutory requirements	This addressed the defective FCUs on all tenanted floors. The opportunity will be taken to also replace the lighting to LED to improve the overall EPC rating of the building.
External	Redecoration of painted areas.	

3.7 Prior to tender, the project was costed by the council's appointed quantity surveyor, Huntley Cartwright. In principle approval to the project was received from the Cabinet Member for Finance and Council Reform at a 7 June 2022 briefing and approval to proceed with the tender was received from the Director for Finance and Resources on 5 July 2022. Capital Review Group was briefed on 19 July 2022 and Property Investment Panel was briefed on 27 September 2022. Both bodies affirmed their support for the project.

4.0 Procurement Process

4.1 A comprehensive tender pack was compiled by Huntley Cartwright and the tender process commenced on 29 July 2022 with 9 companies invited to bid in a selective competitive tender. 7 bids were received, with 2 parties not responding to the tender invitation.

4.2 The tenders were evaluated on the following award criteria as stipulated in the ITT:

50% - Commercial Workbook

Bidders Total Tendered Price was evaluated based on the total of:

- Construction Cost (including Management & Fees) +
- Defined Prelim. costs

50% - Quality/Technical

Bidders were evaluated on the following question headings, based on a 0-5 scoring matrix:

- Project Delivery – Occupied Areas - 5%
- Stakeholder Management & Communication- 5%
- Programme - 10%
- Resource & Project Personnel - 10%
- Financial Control - 5%
- Supply chain Management – 5%
- Responsible Procurement - 10%

4.3 A detailed analysis of the bid scoring is included in Part B of the report. Neilcott Construction Limited were the successful bidder with a combined commercial and

quality score of 89.82% and a bid of **£2,201,927**. On 9 November 2022 the Commercial Gateway Review Board (CGRB) considered a paper outlining the procurement exercise and endorsed the recommendation to progress the appointment of Neilcott Construction Limited, subject to Cabinet Member approval.

5.0 Programme & Engagement

5.1 Neilcott's construction programme is 32 weeks (13 weeks pre-construction, and 19 weeks construction). At present, allowing for contract documentation, the anticipated start date is 5 December 2022.

6.0 Financial Implications

6.1 The capital costs of this contract are £2.367m. Costs have increased by £0.319m following the tender exercise. This is funded from the Improvements Vacant Investment Properties (WG13246) budget and there is sufficient budget to cover the increased cost of the contract. If necessary, budget can be drawn down from future years of this scheme.

7.0 Legal Implications

7.1 The recommendation under this report is to award a contract to Neilcott Construction Limited for the refurbishment works at 14-20 Orange Street. The value of the contract is £2,201,927.20 which is below the threshold for works under the Public Contract Regulations ("the PCR") and as such the full implications of the PCR will not apply.

7.2 The procurement process was carried out in accordance with the Council's Procurement Code ("the Code"). Following a competitive exercise, it is understood, based on the contents of this report that Neilcott Construction Limited provided the most economically advantageous tender.

7.3 For contracts with a value over £1.5 million, the Code requires the approval of a Cabinet Member.

7.4 It would be appropriate to use the JCT Intermediate Building Contract with Contractors Design, with Council amendments for the proposed contract.

7.5 All contracts with a value of over £175,000 must be signed by at least 2 authorised officers of the Council or made under the common seal attested by the Chief Executive, Director of Law or authorised Solicitors in accordance with Standing Orders 47 and 56 in the Council's Constitution. The contract terms will be those set out in the framework agreement and the council is not permitted to make substantial changes to those terms.

7.6 Details of the contract award must be published on Contracts Finder in accordance with the PCR.

8.0 Carbon Impact

8.1 The refurbishment will have a positive impact on the carbon footprint of the building. Tuckers estimate the planned works will improve the current EPC rating of low D to B. This will future proof the building against an anticipated 2030 mandatory requirement for buildings to have a minimum B rating before they can be leased or sold.

9.0 Consultation

All councillors in the St James ward have been consulted on the proposed works by email.

If you have any queries about this Report or wish to inspect any of the Background Papers, please contact:

Rupert Grass rgrass@westminster.gov.uk

APPENDICES

Part B Tender Analysis

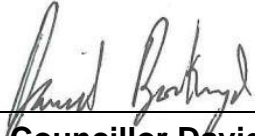
BACKGROUND PAPERS

None

For completion by the **Cabinet Member for Finance & Council Reform**

Declaration of Interest

I have no interest to declare in respect of this report

Signed:  Date: 17 November 2022
NAME: **Councillor David Boothroyd**

State nature of interest if any:

(N.B: If you have an interest, you should seek advice as to whether it is appropriate to make a decision in relation to this matter)

For the reasons set out above, I agree the recommendation(s) in the report entitled “Refurbishment of 14-20 Orange Street (incorporating 33/35 Whitcombe Street), London, WC2 7EF” and reject any alternative options which are referred to but not recommended.

Signed: 

Cabinet Member for Finance & Council Reform

Date: 17 November 2022

If you have any additional comment which you would want actioned in connection with your decision you should discuss this with the report author and then set out your comment below before the report and this pro-forma is returned to the Secretariat for processing.

Additional comment:

If you do not wish to approve the recommendations, or wish to make an alternative decision, it is important that you consult the report author, the Director of Law, City Treasurer and, if there are resources implications, the Director of People Services (or their representatives) so that (1) you can be made aware of any further relevant considerations that you should take into account before making the decision and (2) your reasons for the decision can be properly identified and recorded, as required by law.

Note to Cabinet Member: Your decision will now be published and copied to the Members of the relevant Policy & Scrutiny Committee. If the decision falls within the criteria for call-in, it will not be implemented until five working days have elapsed from publication to allow the Policy and Scrutiny Committee to decide whether it wishes to call the matter in.