

ITEM No ...2.....

**REPORT TO: NEIGHBOURHOOD REGENERATION, HOUSING AND ESTATE
MANAGEMENT COMMITTEE – 2 SEPTEMBER 2024**

**REPORT ON: SOURCING STRATEGY FOR THE TENDER OF 24 FLATS AT BLACKNESS
ROAD**

REPORT BY: EXECUTIVE DIRECTOR OF NEIGHBOURHOOD SERVICES

REPORT NO: 224-2024

1. PURPOSE OF REPORT

- 1.1 The purpose of this report is to seek approval for a sourcing strategy for a tendering exercise for the site at Blackness Road, the results of which will be reported to a future meeting of this Committee.

2. RECOMMENDATIONS

- 2.1 It is recommended that the Committee:
- a) approves the commencement of a procurement exercise in respect of the project described (based on the sourcing strategy summarised in this report); and
 - b) delegates authority to the Executive Director of City Development in conjunction with the Executive Director of Corporate Services to undertake a two-stage invited competitive tender process carried out in compliance with the Public Contracts (Scotland) Regulations 2015. The results of the competitive tender will be reported to a future committee with a recommendation for the course of action.

3. FINANCIAL IMPLICATIONS

- 3.1 The total cost of the contract will be determined from the tender process and will be met from the Capital Plan 2024-2029. The approved Capital Plan includes provision of £33.7m over the period 2024-29 for Increased Supply of Council Housing – Housing HRA. Any amounts that have not already been incurred will require to be met from this budget.
- 3.2 An application will be submitted to the Scottish Government Housing and Regeneration Projects (HARP) grant funding for 2025/26. Previously, it has been stated by Scottish Government officers that £2,326,000 is the maximum grant payable for this project. The exact sum will be determined on submission of an application.
- 3.3 The balance of the expenditure will be met from borrowing.

4. POLICY IMPLICATIONS

- 4.1 This report has been subject to the pre-IIA Screening Tool and does not make any recommendations for change to strategy, policy, procedures, services or funding and so has not been subject to an Integrated Impact Assessment. An appropriate Senior Manager has reviewed and agreed with this assessment.

5. BACKGROUND

- 5.1 Report [379-2017](#) was presented to the Neighbourhood Services Committee on 30 October 2017 (Article VII of the Minute of Meeting of Neighbourhood Services Committee of 30 October 2017 refers). This detailed the extent of problems with degradation of the open stairwell towers to the rear of the existing tenement and water ingress at the roof.

Given the estimated budget cost to remedy these issues of up to £1.2m, the recommended, and approved, course of action was demolition of the existing tenement and re-build at an estimated cost of £4.5m.

- 5.2 Key Actions since October 2017

Following rehoming of tenants, buy-back and compulsory purchase of owned properties, City Development were appointed in 2019 to develop and manage the proposed construction of social housing on the site. The demolition of the existing building was completed in September 2021; and an application for planning permission for the construction of 6 wheelchair adapted ground floor flats and 18 mainstream flats was granted on 09/02/2022.

A contractor was appointed through the Procurement Hub, Major Projects Framework 2 (MPF2) Lot 1 in January 2022 and worked with Dundee City Council's design team to develop the scheme. In December of 2023, the latest cost plan was issued.

- 5.3 Assessment of Cost Plan and Options Appraisal

It is acknowledged that the project was developed during a period of unprecedented inflation, materials and labour shortages. The site also has significant challenges being constrained on all sides, has difficult to access services, and significant foundations required due to the slope from Blackness Road to Glenagnes Street. Given the level of costs above the original estimate of £4.5m, it was decided to undertake an options appraisal to assess the future direction of the project.

This exercise identified that the preferred initial option is that a further procurement exercise should be undertaken to demonstrate Best Value.

It is recommended that a two-stage competitive tender would be the most advantageous route to achieving a tender price. The Single Procurement Document (SPD) will be populated with standard questions and registered on Public Contracts Scotland (PCS) and PCS-Tender. The scoring of the SPD will determine the Contractors requested to submit a full tender.

Once the outcome of the tender process is known it will be brought back to this Committee for further consideration on the future of this development.

6. SOURCING STRATEGY SUMMARY

- 6.1 The route to market is proposed as: SPD registered on PCS and PCS-Tender. Those Contractors who achieve sufficiently high scoring from the SPD will be invited to take part in a competitive tender process. The result of the tender process is expected to be presented to the Neighbourhood Regeneration, Housing and Estate Management committee meeting of 2 December 2024.

7. RISK ANALYSIS

- 7.1 There are four standard risks in any procurement and for public sector regulated procurements, a fifth is added, that of the procurement exercise itself breaching the public contract regulations and leaving the Council open to a legal challenge.

Description of Risk	Actions to be taken to manage Risk
Commercial Risk – that either the price objectives are not achieved up front or there are other costs that arise during the contract and diminish the overall benefits.	The contract will be the subject of a competitive tender to demonstrate best value.
Technical Risk – this concerns the difficulty in being able to specify the desired outcome and on the market being unable to deliver to the specification.	The project is designed to meet the current technical standards. All dwellings will achieve an EPC B rating.
Performance Risk – this concerns the ability of suppliers to perform consistently over the life of the contract to deliver the planned benefits.	The ability of the supplier to perform as required will be scored at the SPD stage.
Contractual Risk – being able to remedy the shortcomings in the contractor's performance without severely damaging the contract and avoiding reliance on the contracted supplier as the contract develops.	The contract will be awarded based on a standard form of Scottish Building Contracts Committee building contract which includes remedy of shortcomings in performance. Due diligence prior to award will ensure that only Contractors with a track record of delivery are invited to participate in the tender process.
Procurement Risk – where a procurement is found unsound in law, through the public procurement rules.	A competitive tender process overseen by Corporate Procurement is a compliant route to award a contract.

8. CONCLUSION

- 8.1 It is recommended that approval is given to undertake a two-stage competition for the development of twenty-four flats at Blackness Road. By competitively tendering the project, the pursuit of best value will be demonstrated. The outcome of the tender process will determine the recommendation that is presented to a future committee.

9. CONSULTATIONS

- 9.1 The Council Leadership Team have been consulted in the preparation of this report and are in agreement with its contents.

10. BACKGROUND PAPERS

10.1 None

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31 July 2024