
North City Operations Depot (NCOD)

The rationale for the NCOD is set out in Appendix 1 to this report and details of the proposed development are given in Appendix 2 and Appendix 3. Details of proposed social housing developments on nine of the existing depot sites, to be vacated once the NCOD is complete, are set out in Appendix 4.

The City Council at its June 2018 meeting noted the intention to proceed with the construction of the proposed North City Operations Depot (NCOD) in Ballymun (Report No. 161/2018) at an estimated construction cost of up to €35m (excl. vat).

In May 2020, the City Council considered a further report on the NCOD. The Council was advised that the external Design Team engaged on the NCOD project had prepared the €35m estimate in early 2018. Following a difficult tender process and a protracted value engineering negotiation process with the firms that submitted tenders, the construction cost had risen to approximately €51.5m (excl. vat). When allowance is made for vat, fit out costs, contingency provision, third party costs, statutory fees, utility fees etc. the total 'all in' cost of the NCOD was estimated at €74m.

The City Council approved a proposal to borrow €34m to part fund the NCOD with the balance of the required funding (€40m) to come from the disposal of depot sites on long leases to Approved Housing Bodies for social housing. It is expected that these sites will accommodate circa 750 new social housing units.

All borrowing by a local authority requires the sanction of the Minister for Housing, Local Government & Heritage. It was further agreed by the Council at its May 2020 meeting that a final decision to proceed or not to proceed with the NCOD project would be deferred to a full Council meeting, preferably when Ministerial sanction for the required borrowing has been obtained.

I expect to receive loan sanction within the next two weeks. I am asking the Council to agree to proceed with the project. In reaching a decision on this matter, Elected Members may wish to consider the following factors:

1. Financial and Economic Appraisals

Financial and economic appraisals of the project were undertaken, as required under the Public Spending Code, by EY-DKM in 2018. However, in light of the significant difference between the tender price and the pre-tender budget estimate on which the appraisals were based, a decision was made to ask EY-DKM to review and update the appraisals to take account of the following factors:

- the higher than expected tender price for the NCOD,
 - the requirements of the updated Public Spending Code, published in December 2019 and
 - the revised funding model for the NCOD, including updated depot site valuations.
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The updated EY-DKM report has now been completed. The Executive Summary of the EY-DKM report is reproduced in Appendix 5. The report strongly endorses the project as the following extracts show:

Exchequer Cash flow Analysis

'The analysis indicates that the NCOD project is highly financially viable, returning a Net Present Value (NPV) of €64.4m over a 25-year timeframe. The internal Rate of Return (IRR) is 10.9% compared to the Exchequer borrowing interest rate facing the project of 0.66%. Both the financial flows and the interest rates are 'real', i.e. net of inflation.' (P27)

DCC Cash flow Analysis

'The NPV generated by the DCC cash flow analysis is highly positive, albeit lower than that generated by the Exchequer cash flow analysis, because the former includes VAT and lower property valuations, albeit it also utilises a lower interest rate.' (p27)

Socio-Economic Cost Benefit Analysis

'These results indicate that, in socio economic terms, Do Project, is highly worthwhile, and returns an NPV of approximately €88m, or over €112m higher than the alternative option of Refurbish. The IRR is 17.8% compared to a social discount rate of 4%.'* (p34)

**Building the NCOD*

Scenario & Sensitivity Analysis

'In summary, based on the analysis in this report, the NCOD project exhibits strong financial viability, and is robust to significant downside risks.' (p37)

2. Retendering the NCOD Project

At the May Council meeting a number of Elected Members suggested retendering the project in the hope of securing a lower price given the less buoyant conditions that now prevail in the construction market. Mark Bourke, Chief Quantity Surveyor has considered the retender option. His report is reproduced in Appendix 6. His conclusion is set out below:

'The retendering of the NCOD project will result in significant delays and give rise to significant additional costs associated with the new design, detailed design and protracted procurement processes. It is most unlikely that these additional costs will be offset by lower construction tender costs due to the less buoyant state of the construction sector.

Considering the issues presented above my strong recommendation to the Chief Executive and the Elected Members is to proceed with the current preferred bidder as the most beneficial option to achieve the objectives of the Council in relation to the delivery of the NCOD.'

3. Implications of COVID-19 for the NCOD Project

The Project Team has given careful consideration to the practicality of the Depot Consolidation project in light of the current COVID-19 pandemic, and has concluded that the project will not have a negative impact on business continuity during pandemic events.

Whilst over 600 staff members will be attached to the NCOD only approximately one third of these will be depot-based full-time (i.e. Stores staff, Workshop staff and Depot management & administration staff). The majority of staff will be Direct Labour staff reporting directly to site (Painting crews & Roads Maintenance staff) or will shift-based (Surface Water Maintenance Unit, Waste Management, Housing Maintenance, Public Lighting & Electrical Services) reporting at different times to the NCOD, which will assist in facilitating physical distancing if necessary.

Current conditions in the depots due to relocate to the NCOD are poor. If these depots are to be retained they will have to be upgrading to improve facilities for Direct Labour staff, which will require substantial investment. Whilst the NCOD was designed before the emergence of COVID-19 the building complex is of a high quality design incorporating numerous separate, spacious and well ventilated workspaces for staff.

In advance of becoming operational NCOD management will complete a Business Continuity Plan for a range of hazards, including pandemic events, to ensure that safe working practices and appropriate resilience measures are in place in the NCOD.

Conclusions

Notwithstanding the increased cost, I remain of the view that there is a very strong case for proceeding with the NCOD development for the following reasons:

- it will release depot sites for more appropriate development including the provision of circa 750 social housing units, based on the first nine sites,
- the development will provide a major boost for the Ballymun area,
- it will provide improved facilities for operational staff,
- it will ensure better compliance with health and safety requirements,
- it will help the City Council to meet its climate action targets,
- it will yield savings from reduced duplication and increased efficiency,
- it will facilitate improved service delivery and
- it will eliminate the adverse impacts of existing depots on residential amenity.

The City Council has always supported the provision of services through direct labour. This commitment to direct labour must be matched by a willingness to provide quality facilities that will enable the Council's direct labour to operate efficiently and effectively.

It is also important to appreciate that existing depot sites will only become available for alternative uses, including the provision of circa 750 social housing units in phase 1, if the proposed NCOD project goes ahead.

I strongly recommend that the Council agree to proceed with the development of the NCOD, subject to Ministerial sanction for the required loan being confirmed.



Owen P Keegan
Chief Executive

Appendix 1 Proposed North City Operations Depot (NCOD)

1. Background to the Depot Consolidation Project

The City Council depot network comprises 33 depot sites spread across the city, providing operational facilities for 1,400 staff and over 600 vehicles for the following service areas¹:

Housing
Waste Management
Road Maintenance
Water & Drainage (SLA & Non SLA)
Traffic
Public Lighting & Electrical Services

The depot network has evolved over time, rather than being a strategically planned location of operations. As a result, a number of sites are inappropriately located in the context of surrounding development and the Council's strategic planning policies. Facilities for staff are of varying quality and operational efficiencies, which could be achieved through the provision of shared facilities and exploiting advances in transport and technology, cannot be realised.

Recognising the critical role played by Direct Labour operations in the delivery of City Council services, and the haphazard nature of the existing depot network, the Depot Consolidation Project was established with a remit to:

“....review DCC’s existing depot network with a view to improving the working conditions of the operational staff, while also achieving a major rationalisation with resulting operational efficiencies and savings”

The review of the existing depot network included background research; surveys of Departmental requirements; site visits and interviews with depot staff to understand day-to-day operational requirements; assessment of site zonings and an assessment of the potential for expansion/consolidation of operations on existing sites. Different models were explored through visits to consolidated depots in Fingal County Council, Dun Laoghaire Rathdown County Council and a private sector depot/logistics operation.

A Workshop with a wider group of stakeholders from each of the City Council's operational areas was held in 2014. The Workshop identified benefits and concerns in relation to a consolidated model and brainstormed how this model could be adapted to best respond to City Council operations.

The conclusions of the Review were as follows:

- Existing depot operations should be consolidated into 2 newly constructed, large scale centres of operations - one serving the North City at St Margaret's Road, Ballymun and one serving the South City/City Centre at Marrowbone Lane.
- 2 small waste management depots should be maintained in the City Centre to facilitate street cleaning in the core business district.
- The Joinery Workshop should be maintained at its current location in Ballyfermot, as this is a fabrication facility rather than a day-to-day operational depot.

¹ The Parks depot network was not included in this project due to the nature of parks operations, which have different operational requirements involving on-site facilities and storage within parklands.

- Subject to the agreement of the Elected Members, existing depot sites should be released for reuse and redevelopment consistent with their land use zonings and location in order to fund part of the cost of the new consolidated depots.

2 Project Drivers & Benefits

The project drivers and key benefits of the proposed depot consolidation are as follows:

2.1 Organisational & Staff Benefits

Improved Facilities for Outdoor Staff

Over 1,400 operational staff members use our depot facilities. Even allowing for the fact that the majority of these staff work outside depots, it is considered that the same quality of workplace should be provided for those staff as for staff based in the Civic Offices and in other Council work locations. A number of existing Council depots are in poor or very poor condition. To address the deficiencies in staff facilities and in building energy management, would require very significant investment.

New facilities designed specifically for our operations and requirements and that take the needs of staff into account, will create a working environment that is fit for purpose and that facilitates efficient work practices.

New facilities will provide a high quality training environment for existing and new staff. Training rooms, as well as purpose designed corporate workshops with the appropriate range of tools and equipment will facilitate trades and apprenticeship development.

Reduction in duplication and improved efficiency

Running operations from 33 individual locations does not achieve best value for money for the City Council. In the current arrangement there are multiple stores, multiple workshops providing similar services, additional administrative costs associated with record keeping etc. and increased building management costs. Consolidating our depots means that we can reduce duplication in these areas, become more effective and efficient and, as a result, more competitive in providing operational services. Savings can be used for additional front line services.

Improved compliance with health and safety requirements

Depot consolidation will facilitate improved health and safety management of facilities for staff. The existing depot network involves staff working in buildings of different types and age, with varying external layouts and associated risks. Purpose built facilities in a consolidated depot campus will enable comprehensive health and safety risk management, contributing to a safer working environment for our staff.

2.2 Service Improvement & Societal Benefits

Improved service delivery

The location and configuration of a number of our existing depots hampers efficient operations and use of the facilities. In some instances, where sites are located to the rear of other development, access and egress are constrained and sub-optimal from a safety perspective. In other locations, where depots are surrounded by and accessed through residential development, operating hours have been restricted. A purpose built depot campus will overcome these existing constraints.

Inter-Departmental co-operation and better co-ordination of services and staff, for instance in emergency situations, can be facilitated through depot consolidation. Where staff, fleet and materials are located together, they can be more easily shared and closer working relationships can develop.

The consolidation of depots means that the implementation of technology solutions is made easier through economies of scale and there will be less complexity in the roll out of new technology infrastructure.

All of these factors will combine to improve service delivery for the public and make our operational services more efficient, providing citizens with greater value for money.

Release of depot sites for more appropriate development

Many of our depots are located in residential areas and/or do not conform to the adopted planning policy in the City Development Plan and Local Area Plans. In terms of operations, this restricts the potential to expand or intensify activity on existing sites and, in some instances, restricts current depot activity. In planning terms, many existing depots are in inappropriate locations, in conflict with neighbouring uses and are not contributing to the best use of land.

The estimated total area of the sites to be vacated through the Depot Consolidation Project is 8ha². The release of these sites for more appropriate uses will make an important contribution to the proper planning and sustainable development of the City both in terms of consistency with our own adopted policy and in securing the appropriate use of scarce city lands, particularly for much needed housing in the City.

Boost for the Economy of Ballymun

The development of the NCOD will provide a significant boost for the economy of Ballymun,

Achievement of Climate Action Targets

Construction of the NCOD will help the City Council to meet its climate action targets,

The City Council has always supported the provision of services through direct labour. This commitment to direct labour must be matched by a willingness to provide quality facilities that will enable the Council's direct labour to operate efficiently and effectively.

3. Proposed Relocation of Depots

Operations from the following depot sites are to be consolidated at the proposed North City Operations Depot in Ballymun:

Operations	Existing Depot Location
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² This figure is to be confirmed as sites are surveyed as part of the development of proposals

Waste Management	Collins Avenue Cromcastle Court (closed & relocated to Collins Avenue) Slaney Road Aldborough Parade
Housing	Portland Row Unit 5 /E 1 Ballymun Industrial Estate Unit M5, North Ring Business Park Santry Unit M4, North Ring Business Park Santry Unit N4, North Ring Business Park Santry Unit F2 Eklad Close, Malahide Industrial Estate, Broombridge Road, Cabra Coleraine Street Kylemore Park South
Operations	Existing Depot Location
Surface Water Drainage & Flooding	Bannow Road
Road Maintenance	Orchard Road Collins Avenue
Traffic	Unit 29, Cherry Orchard Industrial Estate
Public Lighting & Electrical Services	Marrowbone Lane

Operations from the following depot sites are to be consolidated into the proposed South City/City Centre Operations Depot:

Operations	Existing Depot Location
Waste Management	Gulistan Terrace Sweeneys Terrace Kylemore Road North Davitt Road
Housing	Garryowen Road Marks Lane Sundrive Road
Surface Water Drainage & Flooding	Marrowbone Lane
Road Maintenance	Marrowbone Lane/Forbes St

4. Proposed North City Operations Depot (NCOD)

Following a review of potential sites, the City Council-owned site on St Margaret's Road Ballymun was selected as the ideal site for the proposed consolidated North City Operations Depot. This site (which is within Fingal County Council's administrative area) is an integral part of the Ballymun Regeneration Masterplan, is of sufficient size and capacity for consolidation of operations and has excellent accessibility with almost immediate access to the M50.

An Integrated Design Team was appointed in April 2017 and the design of the depot campus was developed with input from the operational staff as well as other stakeholders. Final planning permission was granted by Fingal County Council in February 2018.

The proposed NCOD campus will consist of the following:

- 4 storey staff welfare and office building,
- a central stores warehouse building,
- a series of corporate workshops, including workshops for welding, painting, electrical services, carpentry, signage and vehicle maintenance,

- a salt barn,
- a multi-storey car park with 132 spaces for fleet vehicles and 200 spaces for staff private vehicles plus 220 bicycle spaces,
- covered parking for 15 no. fleet vehicles,
- open areas for fleet parking of 189 vehicles of various types,
- waste collection and compaction facilities, fleet vehicle wash bays, external material and equipment storage and
- a new Ballymun Recycling Centre, replacing the bring centre at Collins Avenue, will be provided adjacent to the new depot campus. This Centre will consist of a purpose built office and facility for the collection, recycling and transfer of domestic waste.

The entire site area is 4.76 hectares. See Appendix 2 for the site layout plan and visual images of the proposed NCOD development.

Planning Policy Objectives

While the depot campus itself is outside of the City Council's administrative area it contributes to the achievement of a range of strategic policies of the City Development Plan. The development supports the Core Strategy by bringing economic activity to Ballymun (SDRA 2), developing a long-vacant site (policy SC29) and incorporating energy efficiency and sustainability features into the design (policies CC3 and CC4).

The development also delivers on the key principles and objectives of the Ballymun Local Area Plan. The consolidated depot is specifically referenced in the LAP. It will act as a catalyst for other economic activity on the City Council owned M50 lands (KP3), develop lands earmarked for employment generation (EO7) and develop vacant lands in Ballymun in line with the LAP (KP1/LU1).

The project will also deliver a new civic amenity centre to the area offering improved recycling facilities to the local residents.

Consultation with Stakeholders

Presentations on the depot consolidation strategy and on the proposed North City Operations Depot were given to the following groups prior to the planning application being submitted:

Corporate Policy Group	December 2015
North West Area Committee	July 2016 & July 2017
Environment SPC	November 2016
Ballymun Civic Alliance	December 2016
St. Margaret's Residents	March 2016
Carton Residents	March 2016
IKEA	August 2017
Ballymun Industrial Estate tenants	August 2017

Presentations have also been given to the Corporate Partnership Forum and the Trade Unions. A Sub-Group has been established between management and unions so that any concerns that staff may have can be dealt with appropriately.

Over 160 meetings and workshops have been held with operations staff in developing the design of the North City Operations Depot in order to ensure that it meets operational requirements.

Proposed North City Operations Depot – Elevations

[illegible]

Appendix 4 ***Proposed Social Housing Use of Existing Depot Sites***

Depot Site	Address	Committee Area	Zoning	Site size (ha)	Development proposals	Est. No of units
Cromcastle Court	Coolock, D5	North Central	Z4	0.117	Site and adjacent land to be incorporated into the DCC Cromcastle Court Regeneration Plan	50
Broombridge Road	Cabra, D7	North West	Z1	0.085	Social housing development of one bedroom units suited to Older Persons.	15
Portland Row	Dublin 1	Central	Z1	0.327	Social housing development to be integrated into plans for the Regeneration of Dunne Street Flats	35
Marrowbone Lane/Forbes Lane	Dublin 8	South Central	Z1	0.512	Social housing development of mainly one bedroom apartments suitable for single and some older persons.	120
Orchard Road	Ballybough, D3	Central	Z1	0.264	Social housing development for the accommodation of Older Persons and 20% of them will be ring-fenced for the DCC Financial Contribution Scheme (Down-sizing)	32
Collins Avenue (Opp. DCU)	Dublin 9	North West	Z1	1.546	Social housing development, this will consist of a mix of two and one bedroom units. Some of the one bedroom units will be ring-fenced for older persons including some under the DCC Financial Contribution Scheme (Down-sizing)	115
Sweeney's Terrace	Dublin 8	South Central	Z1	0.077	Small social housing development for Older Persons.	3
Stanley Street	Dublin 7	Central	Z5	1.154	Mixed tenure residential development, with mix to be determined. Commercial component to be provided in accordance with land use zoning.	275
Gulistan Terrace	Rathmines, D6	South East	Z4	1.17	Mixed use development including residential use. Residential component to be social housing and mainly one bedroom units suitable for Older persons and the Financial Contribution Scheme.	100
					Total number of potential units	745

Executive Summary

The existing Dublin City Council (DCC) depot network consists of 37 depots providing operations facilities for 1,400 staff and over 600 vehicles. The network has evolved over time, and today is spread across the city on disparate sites, some of which are inappropriately located. The facilities for staff are of varying quality and the existing depot network does not support the highest levels of operational efficiency.

Recognising the critical role played by operation depots and direct labour in the delivery of the City Council services, as well as the fragmented nature of the existing depot network, DCC established the Depot Consolidation Project. Following extensive analysis and consultation by DCC, a consensus emerged that all north city operations could be consolidated into a single North City Operations Depot (NCOD), situated on an existing Council-owned site in Ballymun (the NCOD Project). The consolidation of DCC's south city operations is also under review.

Consequent to the foregoing, the Council commissioned EY-DKM to prepare the Cost Benefit Analysis (CBA) for the project.

Based on DCC-supplied information, the following is a summary of the costs and benefits of the NCOD project, in 2020 money terms (summary spreadsheets are presented in the appendix):

- ▶ The estimated capital cost of the project is €74.4 million, including cost of fitout (VAT inclusive)
- ▶ The opportunity cost of the Ballymun site is €4.5 million
- ▶ Vacated depots owned by the Council have a market value of approximately €69 million, while Vacating leased premises will over time enable the avoidance of rental costs of €294,000 per annum
- ▶ Payroll savings will grow over time, from approximately €295,000 per annum to €1.4 million per annum (2020 payrates). Additional payroll costs will arise for a new depot manager and three other staff, amounting to approximately €360,000 per annum (2020 pay rates including overheads). The analysis includes 1% per annum growth in "real" wages over the evaluation period)
- ▶ Other savings (including energy and general depot costs) are estimated to amount to €867,000 per annum

Our analysis considered five options:

- ▶ Do Minimum (i.e. continue as is)
- ▶ Do NCOD Project
- ▶ Refurbish the existing network of depots
- ▶ Consolidate within the existing network of depots
- ▶ Relocate to leased premises elsewhere

A high level Multi-Criteria Analysis (MCA) reduced this down to 'Do NCOD Project' and 'Refurbish the existing network of depots' as being the most viable options, by reference to a range of criteria.

An Exchequer Cashflow Analysis and a Socio-economic Cost Benefit Analysis (CBA) were undertaken, in line with the Public Spending Code. These assess the project from the point of view of the public sector and of society as a whole, respectively. In addition, a DCC cashflow analysis has been undertaken, to assess the project from the perspective of DCC itself. This differs from the Exchequer cashflow analysis in terms of the cost of borrowing facing the project, the actual cash values realised and compensation for the vacated sites, and the fact that DCC cannot recover VAT.

Key evaluation outputs are:

- ▶ Net Present Value (NPV) - the value in today's money of the net monetary flows

- ▶ Internal Rate of Return (IRR) - the rate of return generated on the project
- ▶ Benefit Cost Ratio (BCR) - the ratio of the benefits to the costs (in today's money)

The most important indicator is NPV, as this gives the net value in monetary terms of the project. It can be considered the Profit & Loss account for the project. IRR and BCR effectively give the ratio between benefits and costs. For options where costs are low, this can result in a higher IRR and BCR, but what this does not capture is that the option with the highest NPV - the highest net benefits to society - is then foregone.

Results of Exchequer Cashflow Analysis

The results of the Exchequer Cashflow Analysis can be summarised as follows:

Option	NPV €'000	NPV Compared to refurbish €'000	IRR	BCR
Do Project	64,435	84,318	10.9%	2.06
Refurbish	-19,883		-8.2%	0.00

The analysis indicates that the NCOD project is highly financially viable, returning a Net Present Value (NPV) of over €64 million over a 25-year timeframe (€84 million higher than the Refurbish option). The Internal Rate of Return (IRR) meanwhile is 10.9%, compared to a cost of capital facing the project of 0.66%, and the BCR is 2.06.

Results of DCC Cashflow Analysis

The results of the DCC cashflow analysis are as follows:

Option	NPV €'000	NPV Compared to refurbish €'000	IRR	BCR
Do Project	53,378	75,368	4.9%	1.81
Refurbish	-21,991		-8.5%	0.00

The NPV generated by the DCC cashflow analysis is highly positive, albeit lower than that generated by the Exchequer cashflow analysis, because the former includes VAT and lower property valuations, albeit it also utilises a lower interest rate.

Results of Socio-economic Cost Benefit Analysis

The results were then subjected to socio-economic CBA, using a societal discount rate of 4%, the results of which were as follows:

Option	NPV €'000	NPV Compared to refurbish €'000	IRR	BCR
Do Project	87,889	112,306	17.8%	2.48
Refurbish	-24,417		-8.2%	0.00

These results indicate that, in socio-economic terms, Do Project is highly worthwhile, and returns an NPV of approximately €88 million or approximately €112 million higher than the alternative option of Refurbish.

The tables indicate that:

- ▶ A higher discount rate reduces the NPV significantly, but Do Project remains highly positive, from the Exchequer cashflow, DCC cashflow and socio-economic CBA perspectives
- ▶ Increasing the capital cost of the project by 50% likewise has a significant negative impact, from the Exchequer, DCC and socio-economic perspectives, but again Do Project remains highly positive
- ▶ A scenario was tested whereby the benefits (including the proceeds of sites sales) turn out to be half the expected value. This greatly reduces the viability of Do Project, to the point of turning the NPV negative from the DCC cashflow and socioeconomic perspectives. However, so long as the benefits are at least 51% of the expected level, the project returns a positive NPV from a socioeconomic perspective. More importantly, Do Project remains preferable (i.e. less negative) than the Refurbish option in this scenario, from all three perspectives
- ▶ Finally, excluding depots not to be relocated to NCOD has a substantial negative impact on the project's financial viability; however, the NPV remains positive however from all three perspectives

It is also worth bearing in mind that the analysis undertaken here has erred on the side of caution in that a number of benefits have not been valued, including:

- ▶ By virtue of the constrained conditions in many of the existing depots, there is a risk of health and safety management issues arising, for both staff and the public. Likewise, the Council operates under the ongoing risk of injunctions against the continuing operation of many of the depots, given that they are not compliant with zoning, and are in inappropriate, built-up locations. Relocation would generate amenity benefits in these locations
- ▶ Avoided costs in rented depots to be vacated include rent and management fees, but exclude other charges such as service charges, stamp duty, and indemnity. The risk that rents might increase from current levels, going forward, was also not taken into account
- ▶ One-off saving in stock-holding on consolidation has not been evaluated

In summary, based on the analysis in this report, the NCOD project exhibits strong financial and socioeconomic viability, and is robust to significant downside risks.

An important consideration is that, at the time of writing, Ireland remains acutely affected by the COVID-19 pandemic. The impact of the pandemic on the market values of the depot sites to be disposed of or repurposed has been taken into account in the updated valuations produced by DCC's Valuer's Office.

Appendix 6 Proposed North City Operations Depot (NCOD): Retendering Discussion Paper

1. Introduction

This discussion paper has been prepared with the objective of informing the Elected Members of Dublin City Council of the issues to be considered in the decision to either proceed with the engagement of the current preferred bidder or to retender for the proposed North City Operational Depot (NCOD) project.

This paper does not discuss the merits of the proposed NCOD project per say.

2. Requirements of EU Procurement

As the contracting authority, the Council must adhere to the European Directives governing public procurement. The interpretation of the EU procurement directives as it pertains to retendering indicates that a contracting authority is only permitted to retender a construction project if a significant change to the building design can be demonstrated. A decision to retender the NCOD project 'as is' would expose the City Council to legal challenge and reputational damage.

Thus while the City Council has the authority to collapse any tender competition and is not obligated to accept any tender, it is not permitted to rerun a tender competition in order to achieve a better result, if there are no significant changes in the tendered project or service.

3. Implications of Retender: Project Timescale

Any retender will delay the completion of the NCOD project. The extent of any delay will depend on whether or not a new Design Team is engaged. The following timeframes are indicative but based on empirical data and experience on projects of a similar nature and scale:

	Action	Option 1 Proceed with Preferred Bidder Months	Option 2 Retain Existing Design Team & Retender Months	Option 3 – New Design Team Competition and Retender Months
1	Procurement of a Design Team			12-18
	Design Review		1	8
2	Preparation of tender documents		6	6
	Planning approval		2	2
3	Tender period (including evaluation)		6	6-9
4	Tender award	1	1	1
5	Construction	19	19-24	19-24
6	Commissioning and handover	4	4	4
	Total	25	39-44	58-72

Delivery	Oct 2022	Dec 2023 - Apr 2024	Jul 2025 – Aug 2026
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Table 1 – Expected Project Timescale

Any retendering will result in considerable delay to the project ranging from 14 months (best case) to 47 months (worst case), which will add to the cost of the project.

4. Implications of Retender: Project Cost

Tender price inflation is continuing to soften with the Society of Chartered Surveyors forecasting a 1% increase in tender prices in the coming months. Pre-Covid the rate of increase was averaging between 6 to 7% year on year. However, it must be noted that a project of the scale and complexity of the NCOD is not guaranteed to follow the index and higher inflation percentages may be present if the project is retendered. The main influence on price inflation on a project of this size is the limited number of contractors with the expertise and ability to deliver same. The natural price driver of supply and demand is present with a reduced supplier base leading to increased pricing.

Current market commentary and anecdotal evidence within the industry is suggesting a sustained period of recession due to Covid-19. This would be initially beneficial if the project is retendered as price expectations would be lower. However, historical data demonstrates that projects tendered during recessionary periods experience 40% more contractual claims with some projects substantially exceeding the original contract sum. In addition, contractors are now obligated to include for Covid-19 protocols on their sites, which would increase the tender sum and extend the programme. Also, Covid-19 is now a known risk under health and safety legislation and this will have a knock on effect on insurance premiums and risk transfer premiums being included in tender returns.

The project 'on-costs' for retendering will vary depending on the route chosen (i.e. retain the existing Design Team or appoint a new Design Team). If it is decided to run a new Design Team competition then the cost of this coupled with the abortive work associated with the initial design, detailed design and protracted procurement process (costs to date of circa €2.1m) will add circa 6% to the overall cost of the project.

5. Conclusions

The retendering of the NCOD project will result in significant delays and give rise to significant additional costs associated with the new design, detailed design and protracted procurement process. It is most unlikely that these additional costs will be offset by lower construction tender costs due to the less buoyant state of the construction sector.

Considering the issues presented above my strong recommendation to the Chief Executive and the Elected Members is to proceed with the current preferred bidder as the most beneficial option to achieve the objectives of the Council in relation to the delivery of the NCOD.

Mark Bourke FRICS FSCSI
Chief Quantity surveyor

25 August 2020