

Len Duvall AM, Chair of the GLA Oversight Committee

David Lunts

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Ref: 64/2015

17 April 2015

Dear David

GLA Oversight Committee – 24 March 2015, Royal Albert Dock

Following my letter of 31 March, I have written to Sir Edward Lister to ask for additional information from London & Partners with respect to our discussions on 24 March. The Committee would also appreciate your team's contribution in respect of further questions relating to due diligence and the procurement process. Therefore, I would be grateful if you could provide the following additional information arising from the discussion:

Due diligence

- What factors were looked at when undertaking due diligence and did these go beyond just financial issues? What were the procedures that were followed and how did they differ from the due diligence that is undertaken for a British-based firm?
- The Head of Financial Services told us that the GLA received advice on due diligence from Grant Thornton and Burges Salmon. Specifically, what did this advice cover?
- The Head of Financial Services told us that \$25 million was placed by ABP in a UK bank as an escrow account. Can you confirm that this is the right amount. How was that figure arrived at?
- Can you provide clarification on the level of access London & Partners had to ABP's accounts in order to undertake effective due diligence: which financial records were secured and translated?

Procurement process

- What references, if any, were made to housing in the original brief as set out in the OJEU notice to redevelop Royal Albert Dock?
- Did ABP's first proposal include a housing element? If not, when was housing first mooted?
- The Assistant Director, Strategic Projects and Property told the Committee that "the discussions with us and the local authority during the pre-planning process led to incorporation of an element of housing within the overall scheme, particularly in relation to place-making and making it more of an active place 24/7 rather than what was being led

through the employment-led brief". When did these discussions take place? Was it before or after ABP submitted its proposal? Was it before or after the other bidders dropped out?

- Were other bidders made aware the discussions between the GLA and LB Newham that led to the incorporation of a housing element in ABP's tender?
- How did inclusion of a housing element affect ABP's evaluation criteria scores?
- Confirmation on whether the GLA/LDA asked London & Partners to specifically seek a Chinese developer and/or Asian occupiers, and if so, what the benefits of this strategy would be.

The Committee is of course very keen to resolve its outstanding concerns on this matter as quickly as possible and I therefore look forward to receiving your response at the first opportunity. I would be grateful if, in your formal response to the Committee, you copied in the committee officer, whose details are at the bottom of this letter.

Yours sincerely



Len Duvall AM
Chair of the GLA Oversight Committee

CC – Sir Edward Lister, Board Chairman, London & Partners

GREATER LONDON AUTHORITY

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Our ref: duvall1105

Date: 11 May 2015

Dear Len

RAD Oversight Committee Questions

Further to the meeting of the Oversight Committee on 24 March 2015 I am pleased to clarify the outstanding points in your letter of 17 April 2015.

Due diligence

- What factors were looked at when undertaking due diligence and did these go beyond just financial issues? What were the procedures that were followed and how did they differ from the due diligence that is undertaken for a British-based firm?

Initial due diligence questions were asked as part of the standard Pre-Qualification Questionnaire (PQQ) process by the LDA on all bidders – PQQ attached. These went beyond financial matters.

In a procurement of this complexity, due diligence is integral to the entire process and covers a range of issues including:

- Legal and financial status of any contracting parties;
- Ultimate holding companies and associated companies;
- Integrity of the submissions;
- Reasonableness of the assumptions;
- Viability of the scheme;
- Identities of key individuals;
- Sources of finance;
- Compliance with Money Laundering regulations
- Security.

The due diligence undertaken with respect to a foreign corporation does not differ substantially from that undertaken on a UK entity. The degree of difficulty experienced in performing satisfactory financial due diligence checks will vary greatly, e.g. audited accounts for companies registered in the UK are readily available from Companies House but similar arrangements do not exist in other countries. This means that the aid of lawyers, independent accountants and other local firms may be enlisted to assist in the process.

Where the greatest difference exists is in terms of the security that may be sought to protect the GLA's interests as a result of the findings of the due diligence process. There is no 'perfect' outcome and there will always be risk regardless of the standing of the development partner and the objective is to mitigate that risk to an acceptable degree.

As explained to the Committee, this has been achieved in this instance by incorporating terms into the development agreement that ensure that the GLA has security over assets in the UK at appropriate levels throughout the development of the site that will mitigate any risk to the GLA in relation to its asset, i.e. the land at Royal Albert Dock.

- The Head of Financial Services told us that the GLA received advice on due diligence from Grant Thornton and Burges Salmon. Specifically, what did this advice cover?

This related to reviews of submissions by bidders to support the OJEU decision making process. Specifically, Grant Thornton reviewed all financial aspects of the submissions while Burges Salmon undertook legal due diligence. In addition, Burges Salmon, by virtue of their presence in Hong Kong, established the credentials of the independent firm of accountants that had provided a translation of accounts drawn up in Chinese.

- The Head of Financial Services told us that \$25 million was placed by ABP in a UK bank as an escrow account. Can you confirm that this is the right amount. How was that figure arrived at?

During negotiations, ABP advised that they would be seeking external sources of finance for the project. While there was no requirement for ABP to demonstrate that they had access to finance for the whole project at this stage, it was considered expedient to ensure that we were dealing with an entity of some substance, i.e. that they could demonstrate an ability to access sufficient funds to take them through the planning stage. Various options were discussed including letters of support from Bankers (2 of which were obtained). During these discussions, ABP advised us that they had placed US\$25m in their bank account to demonstrate good faith and evidence of this was also provided.

- Can you provide clarification on the level of access London & Partners had to ABP's accounts in order to undertake effective due diligence: which financial records were secured and translated?

London & Partners had no access to ABP accounts and were not asked to provide any due diligence relating to the accounts.

Procurement process

- What references, if any, were made to housing in the original brief as set out in the OJEU notice to redevelop Royal Albert Dock?

No direct reference was made to housing in the OJEU notice, however it references:

"Integrates complementary alternative uses which may include (but not limited to): education, transport, health, leisure, retail, ICT, etc, in order to provide convenient local amenities for residents and employees."

- Did ABP's first proposal include a housing element? If not, when was housing first mooted?

Yes, as business residential (serviced apartments) amongst other ancillary uses.

- The Assistant Director, Strategic Projects and Property told the Committee that "the discussions with us and the local authority during the pre-planning process led to incorporation of an element

of housing within the overall scheme, particularly in relation to place-making and making it more of an active place 24/7 rather than what was being led through the employment-led brief". When did these discussions take place? Was it before or after ABP submitted its proposal? Was it before or after the other bidders dropped out?

As part of the bidding process the bidders had meetings with the London Borough of Newham as the local planning authority, during the Outline Solution stage. At this point ABP's proposal already included serviced apartments.

Pre application discussions with the planning department of the London Borough of Newham and the GLA took place post contract award as ABP worked up their masterplan and design for the scheme, prior to the submission of the planning application.

- Were other bidders made aware of the discussions between the GLA and LB Newham that led to the incorporation of a housing element in ABP's tender?

As the initial discussion with the London Borough of Newham was mid procurement, it would not have been appropriate to pass details of another's bid to other bidders.

The further discussions took place post contract award as part of the pre-application planning process and therefore other bidders were not notified.

- How did inclusion of a housing element affect ABP's evaluation criteria scores?

As it represented quite a low proportion of the total floorspace it would not have had a material impact on the scoring.

- Confirmation on whether the GLA/LDA asked London & Partners to specifically seek a Chinese developer and/or Asian occupiers, and if so, what the benefits of this strategy would be.

The GLA / LDA did not ask London & Partners to specifically seek a Chinese developer and / or Asian occupiers.

Yours sincerely,



David Lunts

Executive Director – Housing and Land