PART 2 – CONFIDENTIAL FACTS AND ADVICE

MD2150
Title: Appointment of a Developer for the former Webbs Site

Information may have to be disclosed in the event of a request under the Freedom of Information Act 2000. In the event of a request for confidential facts and advice, please consult the Information Governance team for advice.

This information is not for publication until the stated date, because: Part 2 of this report contains commercially sensitive details of the commercial submissions made by bidding parties to GLAP that should not be in the public domain. Additionally, the report contains legal advice, to which GLAP wish to retain legal privilege.
Date at which Part 2 will cease to be confidential or when confidentiality should be reviewed: 21st *December 2021 (Expected date of completion of the scheme)*

Legal recommendation on the grounds of keeping the information confidential: The contents of Part 2 include privileged legal advice and sensitive information which related to the GLAP's commercial interests, the disclosure of which could prejudice those interests. For those reasons it is considered that the information contained in this report and appendices is exempt from publication in reliance upon the exclusions contained in sections 42(1) (legally Privileged Advice) and 43 (2) (Commercial Interests) of the FOI Act 2000 and because the public interest in withholding the information outweighs the public interest in releasing it.
Legal Adviser - I make the above recommendations that this information should be considered confidential at this time **Name**: Claire Mason **Date:** 01/08/17

Once this form is fully authorised, it should be circulated with Part 1.

Confidential decision and/or advice:

1. Market Value for the Site

1.1. In 2015, on considering purchase of the site GLAP commissioned DTZ (now Cushman Wakefield) to undertake a valuation of the site based on the delivery of 250 new homes at a then policy compliant 35% affordable mix – the London Plan and Local Plan policy compliant position, based on the reasonable expectation that the Local Authority would approve a scheme on this basis. This confirmed the site had a value of £12,000,000 (plus taxes and associated legal and ancillary costs). Acquisition at this value was agreed in MD1627 and this was funded through the Housing Zones budget, effectively setting the market value for the site based on a planning policy compliant mix of housing.

1.2. As noted in Part 1 of this report, the Borough are keen to encourage a more proactive stance on ownership in the area and encouraged the GLA to explore options for different tenure mixes within the site, noting the key driver to obtain a 100% affordable housing with a focus on ownership products to address local and Borough wide needs and reflect the Local and London Plans.

1.3. In 2016, following a competitive process using TfL's Property Framework, GL Hearn were appointed to undertake a series of residual valuations for the site (on the same basis as DTZ's original valuations) in order to determine the viability of increasing the level of affordable provision on the site when balanced against the purchase price of the site.

1.4. GL Hearn's team estimated the scheme could deliver the following values:

Scheme	Value at £165psft build cost	Value at £185psft build cost	Value at £200psft build cost
100% Shared Ownership	£8.69m (£8.25m)	£4.39m (£4.17m)	£1.16m (£1.10m)
70% Shared Ownership / 30% London Living Rent	-£2.61m (-£2.74m)	-£7.42m (-£7.79m)	-£11.07m (-£11.62m)

(Value in brackets reflects 5% planning risk discount)

1.5. Notably, this appraisal of potential value was undertaken early in the development and implementation of the London Living Rent product. As outlined in paragraph 2.5 subsequently Registered Providers have taken a much more positive approach to land value for both Shared Ownership and London Living Rent products.

2. Bidder Scoring

2.1. As noted in Part 1 of this report, 5 bidders were shortlisted and invited to tender for the development opportunity. These bidders were (with potential contracting parties marked in bold, and their suggested sub contractors marked in italics):

- **Wates Construction Ltd** (*with Newlon HA, Pollard Thomas Edwards Architects, JLL and BDP*) (Wates)
- **Catalyst Housing Limited** (*with Swan HA, CF Moller, ACME and Savills*) (Catalyst)
- **Family Mosaic Home Ownership (Also known as "Family Mosaic & Mulalley)** (*with Peabody, BPTW, East, GVA and CF Commercial*) (Family Mosaic / Mulalley)
- **Carillion-Igloo and Genesis** (with *HTA Design, Gerald Eve and Creative Space Management*) (Carillion-Igloo and Genesis)

- **Hadley Mace Holdings Limited** (with *Network Homes, Ardmore, The Trampery and the London Communications Agency*) (Hadley Mace)

2.2. All invited bidders submitted a tender for consideration, and all bids submitted were to a high standard. Bidders were required to provide confirmation that they met GLAP's minimum requirements in terms of insurance cover and health and safety standards. They were also expected to complete a certificate of non-collusion and provide evidence of an acceptable anti-competitive behaviour policy. All submissions met the mandatory requirements following clarification.

2.3. In line with the LDP evaluation methodology, mini-competition requirements and in accordance with guidance from TfL Procurement, assessment was undertaken independently by the identified scoring officers, followed by a consensus meeting to identify any outstanding areas of disagreement and to agree a consolidated single score for each section of each bid.

2.4. GL Hearn analysed each tender bid based on the set criteria issued to all bidders and provided recommendations on scoring to the GLA scoring team. That team then undertook their own review of both the information submitted and GL Hearn's submissions to the GLA before deciding on a final score for each category within the financial section. The scores for the Guaranteed Minimum Land Value (GMLV) and Overage Mechanism are based on a set calculation and appraisal of the Financial Assumptions in the document is based on a qualitative scoring.

2.5. In summary, the bidders proposed the following headline levels of development for the site, underpinned by the qualitative information on which they were subsequently assessed and scored. Notably there was some variation in the date of payment of the GMLV, and in accordance with the evaluation approach in the ITT document these offers were appraised at their Net Present Value, using Q3 2018 as the baseline date:

Bidder	Number of Units	Tenure Mix	Financial Offer	NPV Financial Offer	Build Programme
Wates	315	100% SHO	£17,284,317	£17,284,317	April 2019 to February 2022
Catalyst	330	100% SHO	£17,829,395	£16,548,585	July 2019 to December 2021
Family Mosaic / Mulalley	315	70% SHO / 30% LLR	£11,029,000	£10,934,553	October 2019 to March 2023
Carillion-Igloo and Genesis	334	100% SHO	£10,000,000	£10,000,000	November 2018 to May 2021
Hadley Mace	392	100% SHO	£11,400,000	£11,240,150	July 2019 to April 2022

3. Bidder Selection

3.1. The agreed consolidated scores for each bid are included in Appendix 2, 3 and 4. As set out in Appendix 4 Catalyst provided the most economically advantageous proposal. That is, they are the bidder that achieved the highest overall score, combining both quality and financial sections.

3.2. Catalyst's bid scored highest in Part A of the tender scoring, and second highest in Part B of the scoring, with the highest overall score across both sections, reflecting the most economically advantageous tender proposal.

3.3. Catalyst's bid overall was the strongest in terms of quality from all of the submissions, with particular strengths in its approach to innovative construction through use of offsite manufactured cross laminated timber (CLT) units and an emphasis on craftsmanship throughout the residential, commercial and open spaces. The proposal has a clear approach to delivering a well-planned and appropriately designed workspace.

3.4. The scheme took a bold and refreshing approach to maximising opportunities whilst taking regard of the site constraints such as building around and alongside the culvert. They have put together a strong delivery team that engenders confidence that the proposals are both visionary in the approach to creating a step change in the area, whilst still being realistic and deliverable formed of a partnership of two Registered Housing Providers. As a result this means that all profits from the scheme will be recycled to ultimately deliver more affordable housing for Londoners.

3.5. It was the scoring panels view that the proposals clearly set out, met and exceeded the GLA's aspirations as described in the ITT, Sifting Brief and Expression of Interest documents. The financial proposal was similarly strong, with notable consideration of substantial market data from multiple sources and a credible approach to sales, rental values and infrastructure provision alongside a substantive GMLV and overage offer for the scheme.

3.6. Wates provided the second most economically advantageous tender. Their scheme was strong in its vision for a green and open residential space coupled with a distinct workspace area and its approach to day to day management through provision of a managing concierge on site. However, there were some notable risks and issues with the scheme. A key issue for the selection panel was that whilst there were ambitious design proposals there was little substantive detail on these elements, particularly in terms of supporting financial and logistical evidence.

3.7. Subject to approval by the Mayor it is proposed that GLAP enters in to negotiations with Catalyst Housing Limited as the Preferred Development Partner for the delivery of the scheme.

3.8. On the basis that they submitted the second highest scoring proposal overall, it is proposed that Wates are identified as the proposed Under Bidder for the scheme should negotiations with Catalyst be unsuccessful or be unable to show substantive progress.

4. Best Consideration reasonably obtainable

4.1 As noted, the highest scoring bidder Catalyst's financial offer is for £16,548,585. This is not the highest financial offer overall - Wates's bid is, at £17,284,317. Therefore, on application of the scoring methodology which assessed on a 60% (Quality) and 40% (Financial) basis, the most economically advantageous bid to the GLA is Catalyst, despite it not being bid with the highest financial offer to the GLA.

4.2 Under section 333ZC of the GLA Act 1999 (as amended), the GLA is required to ensure that it disposes of land at no less than at best consideration reasonably obtainable. Circular 06/03: *Local Government Act 1972 General Disposal Consent (England) 2003* ("the Circular"), offers guidance to Local Authorities when assessing whether a disposal is for best consideration reasonably obtainable. The Circular provides that 'best consideration reasonably obtainable' is the unrestricted value of the land identified via a 'Red Book' valuation or, where higher, the highest financial offer made for the land in a bidding process. Applying this guidance, the Wates offer would be 'best consideration reasonably obtainable'.

4.3 The GLA is provided with some discretion to accept a lower consideration for a disposal of land, so far as the disposal meets the criteria set out in the GLA General Consent provided by DCLG on 11 December 2012 (see paragraph [1] (the General Consent). Such discretion can be applied to this disposal on the basis that:

4.3.1 The GLA considers that the criteria set at 1.1 of the General Consent is met as the disposal of the land to Catalyst on the terms proposed in their bid is in furtherance of one or more of the GLA's principal purposes outlined at 1.1(i) – (iii) of the General Consent in that it will be the most conducive to the furtherance of the GLA's principal purposes of promoting economic development and wealth and promoting social development in Greater London; and

4.3.2 The difference between the unrestricted value of the land (Wates's offer of £17,284,317) and the consideration offered for the land by Catalyst (£16,548,585) is £735,732 and therefore the criteria at 1.1 (2) and 1.1 (3) of the General Consent are met as the reduction in value accepted is less than 30% of the unrestricted value and does not exceed £10m; and

4.3.3 The GLA has observed all the guidance in the Circular, all applicable laws and rules of the UK and EU, including state aid requirements, and therefore the criteria at 1.4 and 1.5 of the General Consent are met.

5. Conflicts of Interest

5.1 As noted in Part 1 of this report, following a further competitive tender process, GL Hearn's Commercial Development Team were appointed to assist GLAP in appraising the financial submissions of the bidders to ensure a fair appraisal and detailed interrogation was undertaken based on live market intelligence. This appointment process commenced parallel with issuing the Expression of Interest document and appointment took place after the Sifting Brief had been issued to bidders.

5.2 Subsequently on receipt of the Sifting Brief documents, which outlined the proposed bidder teams, GL Hearn identified to the GLA their view that there could be the potential for the perception of a conflict of interest in their role.

5.3 GL Hearn Limited are a segregated part of Capita Real Estate & Infrastructure, a division of Capita plc. On receipt of the documents it was identified that Capita plc are providing advice on cost management and infrastructure provision to Hadley Mace as part of their submission.

5.4 Following identification of the issue relevant checks were undertaken and it was determined that this arrangement had no impact to date. GL Hearn were not responsible for scoring, selection or shortlisting of the list of bidders at Sifting Brief stage and checks confirmed that GL Hearn operates separate document management and governance systems and no relevant officer from either company had access to the others systems or documentation nor has any liaison (electronically or in person) taken place.

5.5 GLA officers discussed at length with Dentons UKMEA LLP as our legal advisors, TfL Legal and TfL Procurement about options going forward, including asking the bidder to change its advisor, GLAP changing its advisors or proceeding with both whilst ensuring additional measures were put in place.

5.6 On consideration, it was felt that with the addition of contractual obligations on GL Hearn to reinforce its independence, that this was the most effective and balanced route forward. On this basis, the GLA has retained GL Hearn for the remainder of the competition but with certain additional protections put in place, including:

- Additional personal confidentiality / integrity agreements between GL Hearn officers providing advice and the GLA;
- Enhanced confidentiality / integrity provisions in the services agreement between GL Hearn Limited and the GLA; and
- Enhanced verification of any GL Hearn evaluation input, through review of all tender scoring and accompanying advice by a suitably qualified internal GLA officer.

5.7 A tender broadcast was set to all bidders confirming the above, and no comments or observations were received.

6. Financial comments

6.1 The Decision is seeking approval to appoint Catalyst Housing Limited as the successful bidder and development partner, for the development of Webbs site, following a competitive procurement process. The development will be within London Borough of Waltham Forest Housing Zone, and will consist 100 per cent Shared Home Ownership (SHO).

6.2 The successful bidder has offered a guaranteed minimum land value of £17.8m as best consideration for the site. The evaluation of the financial offer and the valuation of the site was completed by a firm of independent property consultants, G L Hearn. GLAP will also earn overage from the development. The site will be initially disposed on a leasehold agreement and the freehold will be transferred to the development partner when the scheme has been completed.

6.3 Under current Corporation Tax proposals only 50% of the profit on disposal will be capable of being offset by brought forward losses, the remaining balance of 50% will be liable to tax charges. VAT will be chargeable in full when the land is transferred as usual.

6.4 A delegation has been given the Executive Director of Housing & Land to finalise and enter into the Development Agreement and any ancillary agreements. Approval will need to be given in consultation with the Executive Director of Resources and therefore Finance Officers will need to be involved in and review the terms of the agreements, including any financial risk posed to GLAP.

Appendix 2 – Consensus Part A (Quality) Scores

The below table reflects the agreed consensus scores between the GLA scoring panel members covering Part A of the ITT.

			Part A Evaluation - Consensus Scores									
Technical Module	Evaluation Weighting	Threshold Score	Carillion-Igloo Limited	Weighted Score	Catalyst Housing	Weighted Score	Family Mosaic Home Ownership	Weighted Score	Hadley Property Group	Weighted Score	Wates	Weighted Score
Placemaking, Design & Delivery	10%	2	3	6	5	10	3	6	3	6	4	8
New and Affordable Housing	10%	2	3	6	4	8	3	6	3	6	3	6
Commercial Development	10%	2	3	6	4	8	3	6	4	8	3	6
Project Team Approach and Project management	5%	2	3	3	3	3	3	3	4	4	4	4
Programme	10%	2	3	6	4	8	3	6	3	6	3	6
Approach to Gaining Planning Permission	5%	2	2	2	3	3	3	3	3	3	3	3
Approach to Long Term Management	5%	2	2	2	3	3	3	3	3	3	4	4
Project Risk Assessment and Management	5%	2	3	3	3	3	4	4	3	3	4	4
Total weighted score (Out of 60%)	-	2		**34**	-	**46**	-	**37**	-	**39**	-	**41**

Appendix 2.2 – Consensus Part B (Commercial) Scores

The below table reflects the agreed consensus scores between the GLA scoring panel members covering Part B of the ITT.

		Evaluation - Consensus Scores				
Commercial Module	Evaluation Weighting	Carillion-Igloo Limited	Catalyst Housing	Family Mosaic Home Ownership	Hadley Property Group	Wates
Guaranteed Minimum Land Payment	**25%**	8.75	16.25	10	10	17.5
Overage	**5%**	3.75	0	2.5	0.56	1.87
Financial Appraisal	**10%**	4	8	6	8	6
Total Financial Score	**40%**	**16.5**	**24.25**	**18.5**	**18.56**	**25.37**

Appendix 2.3 – Consensus Overall Scores

The below table reflects the consolidated scores between the GLA scoring panel members covering Part A and B of the ITT and on which basis the most economically advantageous proposal has been selected (the bidder that achieved the highest overall score, combining both quality and commercial sections):

Supplier	Technical Score	Commercial Score	Mandatory Requirements	Overall Score	Ranking
Catalyst	46	24.25	Pass	70.25	**1**
Wates	41	25.37	Pass	66.37	**2**
Hadley	39	18.56	Pass	57.56	**3**
Family Mosaic	37	18.5	Pass	55.5	**4**
Carillion-Igloo Limited & Genesis	34	16.5	Pass	50.5	**5**