

GREATER LONDON AUTHORITY

[REDACTED]
[REDACTED]
(By email)

Our reference: MGLA231121-8461

Date: 20 January 2022

Dear [REDACTED]

Thank you for your request for information which the Greater London Authority (GLA) received on 22 November 2021. Your request has been considered under the Environmental Information Regulations (EIR) 2004.

You requested:

I would like to request the following documents, all of which I am certain exist and should be held by the GLA. Note, for your convenience, that all of these documents relate to the procurement process for the Royal Albert Dock and to the oversight thereof:

1. *The business case for a visit to China by GLA/LDA officers. The visit took place in 2011. The case is referred to as follows in a "business case for the business engagement in PRC was reviewed and accepted by the LDA Chief Executive in July 2011" in a document published by the GLA in 2014, which is itself available here: https://www.london.gov.uk/sites/default/files/gla_migrate_files_destination/GLA%20Royal%20Albert%20Dock%20%20Audit%20Report.pdf*
2. *I would also like the full "comprehensive "Note of Conduct"" also mentioned in the PDF linked above.*
3. *I would also like the "detailed minutes [...] taken for all meetings" that took place on this trip. Those minutes are also mentioned in the PDF linked above.*
4. *Please provide the "legal advice... that informed our decision to make [...] small adjustments..." mentioned on page 24 of the meeting whose minutes are located here¹*
5. *The "private minute" mentioned on page 42 of this set of minutes²*
6. *The "further report [...] presented to HIG" also mentioned on page 42 of the set of minutes linked just above.*

Please find attached the information we hold within the scope of your request.

1. Two emails that evidenced the International trip and the sign-off (Audit workpaper system relating to our report that went to the GLA Audit Panel in December 2011)
2. Promotional Tour Guidance Note for LDA Officers and any Agents / Representatives.
3. China Trip Resume 19 September – 27 September

¹ [Minutes - Appendix 2 - Transcript of Item 12 Tuesday 24-Mar-2015 10.00 GLA Oversight Committee.pdf \(london.gov.uk\)](#)

² [Public reports pack Monday 18- Jun-2012 15.30 Homes for London.pdf](#)

GREATER LONDON AUTHORITY

4. Appendix 12C – Legal Risks & Mitigation Strategy
5. The private minute you are referring to on P42 does not relate to RAD (It relates to London Sustainable Industries Park in Dagenham). We believe the document you are seeking is the one referenced at P41. This is attached along with the appendices.

██████████ the report requested from HIG (13/07/12) isn't related to the procurement process at RAD so not relevant We have identified another report to HIG dated 14/09/12
██████████ attached.

Please note that some names of members of staff are exempt from disclosure under Regulation 13 (Personal information) of the EIR. Information that identifies specific employees constitutes as personal data which is defined by Article 4(1) of the General Data Protection Regulation (GDPR) to mean any information relating to an identified or identifiable living individual. It is considered that disclosure of this information would contravene the first data protection principle under Article 5(1) of GDPR which states that Personal data must be processed lawfully, fairly and in a transparent manner in relation to the data subject

Some of the content is exempt from disclosure under at Regulation 12(4)(e) (Internal communications) and Regulation 12(5)(e), which provides that an authority may refuse to disclose information to the extent that its disclosure would adversely affect the confidentiality of commercial or industrial information where such confidentiality is provided by law to protect a legitimate economic interest. Further, we have anonymised the names of the unsuccessful bidders and referenced them as Bidders A-E in the attachment (parts 4 - 6 of your request).

Regulation 12(4)(e) applies to communications explicitly whereby GLA officials have engaged in free and frank discussions on matters pertaining to the Royal Albert Docks. The exception is engaged in order to protect the necessary space for GLA officials to explore ideas in private against the backdrop of a project which is under great public, media and political scrutiny.

In relation to the application of Regulation 12 (5)(e), the four-stage test from *Bristol City Council v Information Commissioner and Portland and Brunswick Squares Association (EA/2010/0012, 24 May 2010)* is executed:

1. The information is commercial or industrial in nature.

The redacted information details:

- a) Deal structure
- b) Estimated Phase 1 and overall receipts
- c) Overage provisions
- d) Funding structure
- e) Profit on cost
- f) Contractual terms

The information can therefore be considered as commercial or industrial in nature

2. Confidentiality is provided by law.

The information is covered by the common law obligation of confidentiality, the information is not trivial in nature, nor is it in the public domain. The redacted information was provided during the tender process on the expectation and understanding that elements of the

GREATER LONDON AUTHORITY

information submitted would be held in confidence. The redacted Information is therefore to be protected by confidentiality provided by law.

3. The confidentiality is protecting a legitimate economic interest.

Disclosure would hinder third party ability to negotiate with landowners when looking to acquire new land, as well as putting them at a disadvantage in comparison to other bidders in a competitive bid scenario. The information could be used by those competitors to predict the likely value to be offered for land and could therefore ensure they offer more.

Identification could harm the commercial interests of a third-party organisations, particularly in relation to future procurement activity if the analysis and scrutiny undertaken by the GLA in relation to these bids is taken into consideration if the origin of the bid is known.

4. The confidentiality would be adversely affected by disclosure.

Disclosure of the information would inevitably harm the confidential nature of it and therefore the exemption at Regulation 12(5)(e) is engaged in respect of disclosure of the redacted information.

Regulation 12 (4)(e) and Regulation 12(5)(e) constitute as qualified exemptions from our duty to disclose information under the EIR, and consideration must be given as to whether the public interest favouring disclosure of the information covered by this exemption outweighs the public interest considerations favouring maintaining the exemption and withholding the information.

We have weighed up the benefits to the public of releasing the information against the factors for not releasing it. By anonymising the names of the bidders, we can release some of the analysis, we consider that the factors for not releasing further information and the names of unsuccessful bidders outweigh that for disclosure.

Effective decision making should be informed by engaging with the public and key stakeholders: however, this engagement needs to be structured to be effective. Release of this information at this time would divert attention and resources away from the task at hand and towards responding to enquiries whilst discussions are still ongoing. This in turn would also be likely to have an adverse effect on the GLA's ability to engage in free-flowing and honest exchanges of views in the future as it is likely that officials would become reluctant to explore all options.

The GLA acknowledges that there is a public interest in transparency in relation to planning and development matters, disclosure would enable the local community to understand more fully the decision-making process. The best interest of the public – i.e. the public interest – is best served by ensuring that public authorities continue to debate robustly and comprehensively, considering all options and their potential impacts, for the best possible decisions to be taken.

If you have any further questions relating to this matter, please contact me, quoting the reference MGLA231121-8461.

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Yours sincerely

Information Governance Officer

If you are unhappy with the way the GLA has handled your request, you may complain using the GLA's FOI complaints and internal review procedure, available at:

<https://www.london.gov.uk/about-us/governance-and-spending/sharing-our-information/freedom-information>

[Redacted]

[Redacted]

[Redacted]

[Reg 13 / Out of scope]

[Redacted]

From: [Redacted]
Sent: 25 August 2011 16:18
To: [Redacted]
Cc: [Redacted]
Subject: International Engagement Summary

Further to Tuesday's discussion, I attach the draft summary note for comment before sending to Peter Rogers.

The costs have now been reduced by £1000 with revised flight arrangements, therefore the estimate is £5,000 for [Redacted]

regards

[Redacted]

[Redacted]

London Development Agency
Palestra
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To: [REDACTED]
cc: [REDACTED]
From: [REDACTED]
Date: August 23rd 2011
Subject: Royal Docks – Proposed International engagement

Background

Further to my memorandum of the 12th August I now summarise the current proposal for the International Engagement in respect of the Royal Albert Dock.

1. The Expressions of Interest - soft market testing and other engagements by LDA's property consultants, Knight Frank (KF) and Drivers Jonas Deloitte (DJD) working with London & Partners, has to date generated encouraging levels of serious interest from a wide range of developers including several overseas investors. The formal launch of the process started on 22 July with the publication of the OJEU notice. We anticipate levels of interest to become firmer as we approach the deadline for PQQ submission for Royal Albert Dock on 7 October.
2. London and Partners [REDACTED] and team) have been actively engaged with our teams since launching in May and have been fully briefed on the programme and process.
3. The role of DJD is to work with the LDA to secure developer/investor partners, London and Partners principle role is to seek inward investment in London from overseas end user organisations. The opportunity is for London and Partners to promote the destination to end users as the property team focus on developers and investors with the intention of offering all selected partners the opportunity to team up with the end users so that the speed of delivery is optimised.

Market Response to date

As indicated above, the Expressions of Interest phase generated real interest in the Royal Albert Dock;:

4. 9 expressions of interest (EOI) responses received with greater international interest than Silvertown Quays, with 67% from UK developer market with the balance received from China, India and USA.

5. To date the following Chinese developers/investors have expressed interest in Royal Albert Dock;

- APB
- Beijing ZongLianYa Real Estate Company
- Chongqing Regional Government

These companies have responded either to the international publication of the EOI or efforts of the property consultants or London & Partners. London & Partners specifically directed the LDA to direct marketing in Asia, India and Australia and have visited each country in May promoting interest in the Royal Docks.

[Out of scope - unrelated to RAD]

Purpose of the proposed international engagement

7. Interest from India, Australia and the US (and certain other geographies) will be relatively familiar with the process of investment within the UK - culturally, legally (particularly from a procurement perspective), economically and in the context of the planning/political background to creating value from land here.
8. However, interest from within the People's Republic of China (PRC) - from where the greatest percentage of overseas interest is currently emanating - is on a steep learning curve with regard to investing in/buying land in the UK, particularly from the public sector via the OJEU process. They will need a greater degree of resource applied to engagement / hand-holding about the procurement process, but which on the flip side has the added benefit from a due diligence perspective of allowing us to gauge (a) ability and commitment to delivery, and (b) delivery of an acceptable product in an acceptable way.
9. The purpose of the proposed international engagement is to follow up on the leads identified to date and those likely to be generated between now and the commencement of the trip now the OJEU notice has been published. The LDA would expect to be in a position by the time of the trip to visit/meet 6/8 serious interested parties over a period of one week given ongoing intensive marketing.
10. In this context, the benefits of planning for and offering a structured engagement in the PRC during from 18th – 24th September are threefold:

- (1) it encourages interested parties to understand the procurement process requirements and better organise their response, allowing 2 weeks to the 7th October PQQ deadline,
- (2) it demonstrates a real commitment to meet these parties on their home territory understand their business and 'see for ourselves' their product. This is an important cultural consideration,
- (3) it is likely to significantly increase the chances of generating additional, serious interest and responses to the PQQ as a result, and subsequently increase the quality of the competitive stage and ultimately the final solutions from this important region.

Outcome/Output

11. Whilst difficult to quantify and confirm with certainty, the desired outcome is securing interest from Chinese investors/developers for this key site and the new inward investment to London, and to ensure that they are on an equal footing with the other organisations participating in the procurement process in terms of their familiarity with the procurement process.

Proposed Programme

12. The programme has been developed by DJD and Deloitte locally ensuring all those company's that have shown an interest will be met.
13. The LDA are liaising with [REDACTED] (LDA representative in China) on the visit.
14. Additionally the LDA is liaising with the GLA in respect of a GLA visit to Beijing September 19th/20th - further details are being sought from the GLA.
15. The LDA will take full advantage of the L&P team in China to support the warm up that they will be doing, and in the planning and execution of the trip with support from [REDACTED]
16. L & P have a trip scheduled to China commencing 5th September with planned visits to Hong Kong (5/6), Shenzhen (6/7), Xiamen (8/9) and Beijing. (12-14)

Budget

The current total estimated cost to the LDA for the targeted visit, resourced appropriately at senior level and with the necessary planning and audit trail

required will be in the region of £6,000 per person. This is based on a budget for flight and accommodation for one officer of the LDA and one representative of DJD for 1 working week (See Appendix A –DJD Draft itinerary and budget)

17. DJD will be arranging and facilitating the visit working closely with L&P and LDA representative in China. The LDA would make use of Deloitte offices in these locations and engage all local Deloitte staff including interpreters at no extra charge to above costs.
18. It is proposed to fund the trip cost from the Royal Docks Vision and Strategy budget (marketing and communications) and the DJD resource from the Royal Albert Dock procurement budget.

Risks and issues

19. A separate note has been prepared by Law and Governance to cover the protocols that will be required to be implemented during the visit.
20. Key risks and proposed mitigations have been documented.

Conclusion

21. Visiting these potential investors on their home territory will be seen by them as a very positive move that could create a fruitful and potentially profitable relationship with prospective investors. Should the LDA not lead this initiative, there is a risk that these developers will not engage seriously.
22. Whilst the property agents fulfil a key role in managing and administering the response from the property market it is not uncommon for the owner of a property development to be at the heart of a projects promotion - in this case of what is widely regarded as one of the most important regeneration projects in London. We believe there is also an expectation overseas, in business-culture terms, to meet with the 'principal' (vendor) direct - face to face - in order for the 'principal' (purchaser) to take a project/opportunity seriously. The role of 'an agent' is not as established or familiar in as many countries as it is here, hence purchaser/vendor contact direct is important in building and cementing trust/ commitment.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[Reg 13 / Out of scope]

[REDACTED]

[REDACTED]

From: [REDACTED]
Sent: 01 August 2011 07:18
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: Royal Docks - Proposed International engagement

Thx Noted

--- Sent from a Blackberry handheld ---

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: Tue Jul 26 11:35:53 2011
Subject: RE: Royal Docks - Proposed International engagement

[REDACTED]

When you bring the schedule, it must include the full costs and arrangements for the whole exercise (not just travel costs for LDA employees) as I anticipate that the costs for the Deloitte team in particular will be charged to us in their fees (not sure about London and Partners). It will also need to include any subsequent arrangements required in the UK, if necessary, to ensure a fair procurement and a range of ancillary costs arising.

In light of our OJEU position, we will need some strict guidelines in place to inform the marketing process, both abroad and on return to UK, to ensure the neutrality of the Agency and the integrity of the procurement process are protected at all times. Adherence to the new bribery act is also a critical consideration and while compliance with the Agency rules on gifts and hospitality will help, I suggest some additional guidelines to inform the conduct of the whole group will be essential.

I suggest you speak to [REDACTED] to consider the broader procurement issues and I'll ask [REDACTED] to work with Governance on conduct guidelines

Happy to discuss.

[REDACTED]

[REDACTED]

Group Director, Finance

[REDACTED] [@lda.gov.uk](mailto:[REDACTED]@lda.gov.uk)

London Development Agency

Palestra

197 Blackfriars Road

London

SE1 8AA

Switchboard: 020 7593 8000

From: [REDACTED]
Sent: 26 July 2011 03:12
To: [REDACTED]
Cc: [REDACTED]
Subject: Re: Royal Docks - Proposed International engagement

[REDACTED]

Given this more detailed information set...I'll sign off the visit. However the target budget should be reduced by 50 percent. The final schedule to be signed off by Angie notwithstanding my in principle agreement. [REDACTED] should consider media as far as possible. We should use the [REDACTED] and [REDACTED] contacts to expand your own.

Please progress on these lines once you have final sign off from [REDACTED]

Many thanks.

[REDACTED]

--- Sent from a Blackberry handheld ---

From: [REDACTED]
To: [REDACTED]
Cc: [REDACTED]
Sent: Mon Jul 25 16:50:21 2011
Subject: RE: Royal Docks - Proposed International engagement

[REDACTED]

Did you have any further thoughts on this?
I have this morning received than attached from the Chongqing Foreign and Trade Economic Relations Commission.
Thanks
[REDACTED]

From: [REDACTED]
Sent: 22 July 2011 15:16
To: [REDACTED]
Cc: [REDACTED]
Subject: Royal Docks - Proposed International engagement

Background

The soft market testing exercise and other engagements by LDA's property consultants, Knight Frank and DJD working with London & Partners, has generated encouraging levels of serious interest from overseas investors to date. The formal launch of the process will start on 22 July with the publication of the OJEU notice, after which we anticipate levels of interest/seriousness to materially increase.

Interest from India, Australia and the US (and certain other geographies) will be relatively familiar with the process of investment within the UK - culturally, legally (particularly from a procurement perspective), economically and in the context of the planning/political background to creating value from land here. However, interest from within the People's Republic of China (PRC) - from where the greatest percentage of overseas interest is currently emanating - is on a steep learning curve as regards investing in/buying land in the UK, particularly from the public sector via the

OJEU process. They will need a greater degree of resource applied to engagement/hand-holding, but which on the flip side has the added benefit from a due diligence perspective of allowing us to gauge a) ability and commitment to delivery, and b) delivery of an acceptable product in an acceptable way.

International Response

To date the following Chinese developers/investors have expressed interest.

- APB
- Zhong Lian Ya
- Tianzhen Group
- Chongqing Regional Government
- Regeneration Investments Limited

In addition the following have expressed interest in Silvertown Quays

- Shanghai Zhongrong Property Group Co. Limited
- Genting (UK presence)
- Hutchison Whampoa (UK presence)

These companies have responded either to the international publication of the EOI or efforts of the property consultants or London & Partners. London & Partners specifically directed the LDA to direct marketing in Asia, India and Australia and have visited each country already to promoting interest in the Royal Docks. The purpose of the proposed international engagement is to follow up on the leads identified to date and that are likely to be generated once the OJEU notice is published. We would expect to be in a position to visit/meet 6/8 serious interested parties over a period of a week.

In this context, the benefits of planning for and offering a structured engagement in the PRC during the w/c 12/9 are threefold:

- 1) it pushes/encourages interested parties allowing 3 weeks to the 7/10 PQQ deadline to tailor their response,
- 2) it demonstrates a real commitment to meet these parties on their home territory understand their business and 'see for ourselves' their product,
- 2) it is likely to significantly increase the chances of generating additional, serious interest and responses to the PQQ as a result.

Budget

We have estimated that the cost to the LDA for a trip resourced appropriately at senior level and with the necessary planning and audit trail required will be in the region of £10k. This is based on a budget for flight and accommodation for one officer of the LDA over a 7-10 day period.

Format

The itinerary would be set in the next 10 days but is likely to include structured sessions in Beijing, Shanghai and Chongqing. The LDA would make use of Deloitte offices in these locations and engage all local Deloitte staff including interpreters.

Conclusion

Visiting these potential investors on their home turf will be seen by them as a significant positive move that could create a fruitful and potentially profitable relationship with prospective investors. Should the LDA not lead this initiative, there is a risk that these developers will not engage seriously. Whilst the property agents fulfil a key role in managing and administering the response from the property market it is not uncommon for the owner of a property development to be at the heart of a project's promotion - in this case of what is widely regarded as one of the most important regeneration projects in London. We believe there is also an expectation overseas (in business-culture terms) to meet with the 'principal' (vendor) direct - face to face - in order for the 'principal' (purchaser) to take a project/opportunity seriously. The role of 'an agent' is not as established or familiar in as many countries as it is here, hence purchaser/vendor contact direct is important in building and cementing trust/ commitment.

Let me know if you need anything further

**Director of Land & Development
Design, Development and Environment**

ROYAL ALBERT DOCK – PROMOTIONAL TOUR

GUIDANCE NOTE FOR LDA OFFICERS AND ANY AGENTS / REPRESENTATIVES

1 BACKGROUND

1.1 LDA officers and agents/representatives are considering an international promotional tour [to Asia] in order to promote the Royal Albert Dock (“RAD”) scheme, and particularly to:

- (a) push /encourage interested parties allowing 3 weeks to October PQQ deadline to tailor their response;
- (b) demonstrate a real commitment to meet these parties on their home territory understand their business and 'see for ourselves' their product;
- (c) increase the chances of generating additional, serious interest and responses to the PQQ as a result.

(For further details of the reasons for the tour, please see Steve Kennard's email dated 22 July 2011 entitled “Royal Docks - Proposed International engagement”).

2 OVERVIEW

2.1 This note provides guidance on engagement with the market now that the contract notice has been issued and prior to short listing with bidders being selected from those submitting a PQQ response. This stage relates only to bidders' financial standing and technical capabilities; there is no consideration at this stage of bidders' proposals for the development of the RAD site and this must be made clear to any potential bidder during the tour.

2.2 The EC Treaty Principles of equal treatment and transparency guide how the LDA must engage with bidders. The key principle is that no bidder or potential bidder should be put at a disadvantage to another bidder or potential bidder. Information must be available equally to all bidders.

2.3 It has been decided that the LDA will undertake a foreign tour to market the RAD scheme. This tour will need very careful management to ensure that unacceptable procurement risks do not arise because bidders who do not have access to the tour feel that they have been disadvantaged.

2.4 Care must also be taken not to encourage 'proposals' for the RAD project at this stage, as implied obligations can arise where a bidder has cause to believe that a proposal has been invited.

2.5 The foreign tour also raises other governance and compliance issues which will also need careful management and which are dealt with in section 4 below.

3 PROCUREMENT ISSUES

3.1 The issue of the Contract Notice has given potential bidders selected information about the RAD project, sufficient to allow them to decide whether to express an interest in participating in the project. All bidders must be given the same information to ensure questions raised by bidders are channelled in the same way and to the contact referred to in the pre-qualification questionnaire, with responses provided to all bidders unless there are issues of confidentiality.

- 3.2 It is acceptable to hold meetings that explain the contract opportunity and in particular it is acceptable to explain the procurement process to a market unfamiliar with it in order to increase their understanding of the process to ensure that there is an equal playing field amongst all bidders.
- 3.3 Whilst meetings can be held during the procurement selection stage, care must be taken when organising the presentations and meetings with bidders, in particular in relation to one to one meetings. Holding one to one meetings gives rise to the risk that 'clarifications' are given or perceived as being given during the one to one meeting that have not been made available to the wider bidder group. This could result in claims of discriminatory treatment. To mitigate against this risk, all meetings should be scripted and a full note taken; it is essential that there is a scrupulous audit trail of the discussions at each meeting. No more information than is available to the wider market can be provided to any individual bidder. In addition, diaries should be kept of all contact made with bidders during the promotional tour to ensure that all contact can be fully accounted for.
- 3.4 The approach that should be taken when organising the promotional tour must be one of making the opportunity accessible to a development market not familiar with regulated procurement. Transparency is essential and all materials to be used during the promotional tour should also be available on the Project Website so that they can be accessed by all potential bidders.
- 3.5 Any offers of meetings to non EU bidders must be replicated for EU bidders, in order to avoid the risk of allegations of discriminatory treatment. It will be necessary to ensure that equivalent opportunities for one to one meetings and presentations are available to EU bidders; this could perhaps be achieved by offering surgery style appointments and/or video conference meetings to all interested parties during the PQQ period. Clearly there is a significant cost and resource demand in relation to offering the promotional tour.
- 3.6 Following the above guidelines, in particular ensuring that there is a detailed audit trail of all conversations with bidders, will help to control the procurement risks associated with the overseas tour. It is essential that care is taken to ensure that the procurement risks are minimised as far as possible as a dissatisfied bidder could seek to raise a challenge which, if credible, is very likely to de-rail the procurement programme in addition to the risk of reputational damage.
- 3.7 All material to be used for the promotional tour, and in particular the script for the meetings, must be approved in advance by the legal team.

4 OTHER GOVERNANCE ISSUES

Timing Issues

- 4.1 It should be noted that the timing of the foreign tour may add additional pressures to the ability to resource internally at the right level on both the Royal Albert Dock and Silvertown Quays projects at the same time. The Silvertown Quays project is currently progressing to a different, slightly faster, timetable to that of Royal Albert Dock and therefore the two procurements will be navigating different stages of the procurement at different times. It is anticipated that we will issue the ITPD (the opening of dialogue) for Silvertown Quays on 9 September – with a requirement for completed bids to be returned to the LDA by 3 October.
- 4.2 It is during this short intense period between 9 September and 3 October that we can expect significant interaction with the 8 bidders selected to proceed to the Dialogue stage on Silvertown Quays, which will need to be managed effectively and efficiently. These Bidders will want to have direct contact with someone at director level at least

once during this stage (this was a key finding of the market-testing stage). To accommodate this, it has been agreed to offer a "Bidder Briefing Day" to the Silvertown Quays bidders before the proposed foreign tour to, so as to facilitate 'face to face' time with the Bidders. This is due to take place on September 14.

- 4.3 We should also anticipate significant questions and clarifications being raised in respect of Silvertown Quays – both of strategic and technical nature during the dialogue period. In order to ensure officers are able to respond appropriately, clear senior level direction will need to be given on how to respond to such questions and clarifications, this guidance will need to be available in advance of the foreign tour for Royal Albert Dock.
- 4.4 It is during the same period (from September 9 to 3 October) that it is proposed that offer the "RAD surgery", the proposed date is 15 September, to EU (and any other) participants, hosted by people here in the UK in order to ensure the foreign trip does not run the risk of allegations of discriminatory treatment. It is currently proposed that the foreign tour takes place in the same time frame, from 18 to 24 September. Clearly this is going to put a considerable strain on internal resources during this time period.

Governance Issues

- 4.5 At all times, the conduct of LDA staff and representatives must stand independent scrutiny, including on adherence to the Principles of Public Life. In particular staff and representatives must not put themselves in a position, or allow themselves to be put in a position, where accusations of favourable treatment or receipt of an inducement has taken place. Any approach received relating to hospitality or gifts must be dealt with in accordance with the Agency's policy.
- 4.6 Staff should also be aware of the recently introduced Bribery Act which, amongst other matters, sets out the offence of both requesting and or receiving a bribe. The Agency's Counter Fraud Policy must always be followed in relation to reporting suspected fraud and/or bribery.

Costs Issues

- 4.7 The project team should ensure transparency around the full costs of the exercise – keeping a record of the full costs of the trip, ensuring that budget and approval are available. The team should provide a report on the final costs and benefits. In relation to costs incurred by the trip, the following principles must be followed/will apply:
- The LDA will reimburse reasonable expenditure incurred by staff in the performance of legitimate duties on behalf of the LDA, whilst reflecting its duties in respect of use of public funds. As a basic principle, any benefit where the individual is deemed to make a profit is taxable.
 - For travel overseas, prior authority to travel must be obtained from the relevant Group Director. The general expectation is that all travel should be economy class and the use of air travel is restricted.
 - If the LDA is paying for business partners to attend events, the same rules should apply. Business Partners will be offered the opportunity to upgrade at their own expense.
 - Hotel accommodation must only be arranged where it is clearly necessary as a direct result of a member of staff's business activities on behalf of the LDA. The requirement for hotel accommodation must normally be agreed in advance with the Authorising Officer (line manager). The expectation is that 3 star hotels should be used.

- There is a requirement to ensure that the LDA avoids circumstances that might expose it to allegations of misuse of public funds. The principle of securing value for money and best use of public funds should always be observed.
- No allowances will be paid in relation to undertaking any travel. However, officers will be reimbursed for legitimate expenses incurred in the course of travel e.g. restaurants, taxis.
- The LDA has in place adequate travel insurance arrangements.

5 SUMMARY OF ACTIONS

4.8 Prior to the tour:

- (a) DDE officers and DJD will prepare and submit for approval to LDA legal a script for meetings;
- (b) DDE officers and DJD prepare and circulate a full itinerary;
- (c) DDE officers and DJD provide contact details whilst on tour, in order to be able to deal with responses to other bidders;
- (d) DDE officers and DJD offer meetings to other bidders.

4.9 Whilst on tour, LDA officers and agents/representatives must:

- (a) use the agreed script for each meeting and also take a full note of each meeting, recording in full any questions asked and answers given;
- (b) keep a diary of all meetings, including duration.

4.10 Upon return from the tour, LDA officers and agents/representatives must:

- (c) provide copies of notes of meetings to LDA legal;
- (d) declare any gifts or hospitality received;
- (e) give any gifts received to LDA Governance, who will arrange a charity raffle;

[REDACTED]

From: [REDACTED]
Sent: 04 November 2014 07:58
To: [REDACTED]
Subject: FW: Royal Docks - China Trip
Attachments: RAD - China Trip 19 to 27 September 2011 Resume (WIP).DOC.DOC

I think these should be added to the audit

From: [REDACTED]
Sent: 12 October 2011 08:17
To: [REDACTED]
Cc: [REDACTED]
Subject: Royal Docks - China Trip

[REDACTED]

I attach the notes taken during the recent trip to China for your information. Let me know if you have any comments or you need any further information.

Thanks

[REDACTED]
Director of Land & Development
Design, Development and Environment
[REDACTED]

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Royal Albert Docks - China Trip Resume 19th September - 27th September All timings local

Monday 19th September - Beijing

Time: 1200 – 1430

Organisation: Shaanxi Tianhe Enterprise Group (STEG)

Location: Deloitte Beijing, 8/F Deloitte Tower, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing

Attendees:

██████████ - LDA ██████████
██████████ - DJD ██████████
██████████ - Deloitte ██████████
██████████ - Deloitte ██████████
██████████ - Deloitte (██████████)
██████████ - Shaanxi Tianhe Enterprise Group ██████████
██████████ - Beijing Tangru International Culture Communications Co., Ltd / KJ Express Multi-language & Cultural Training Centre ██████████
+ Headteacher (lady)
+ 1 (lady, translator)

██████████ introduced in Mandarin, STEG provided majority of translation throughout discussion.

██████████ primary business as booksellers and publishers.

██████████ visited London a few weeks ago.

International education is their major interest, including cultural exchange component. Parties present have been working in Chinese teaching and educational publishing industry for 20 years.

Their interest is both into and out of China, i.e. they have an initiative to establish an international school within China

They have identified "Mountbatten" as a partner in the UK.

(<http://www.mountbatten.hants.sch.uk/home/index.php> ?)

██████████ enquired:

- (i) what their plan was; what their relationship with Mountbatten was;
- (ii) are there established educational institutions within the UK that they can link up with?
- (iii) Answer was confirmation that the Mountbatten linkage is currently on an informal basis.

Their current private company offering was through two new companies, one in Xian, and one in Beijing.

■ confirmed he is also President of China Booksellers and Publishers Association as well as ■

In addition to their teaching book business, they are engaged in real estate and software development. Total assets amount to RMB1bn.

Businesses headquartered in Xian, and is Government backed/ helped, in that they tender for/are service provider to Government in the education sector.

The school is entitled “Quick Chinese”, and its offer is that it guarantees conversational Mandarin after 160 hours/four weeks of intense teaching. Offer is geared to all ages, including professionals, and “Quick Chinese” is the first registered teaching brand within China of this nature.

Business plan is to franchise this principle to other languages and roll out. Interest is in purchasing piece of land within the UK to establish the school.

■ then delivered the RAD presentation, specifically mentioning the Academy proposals, the Sir John Cass Foundation proposals and the UEL presence/incremental interest.

■ asked if we were sure that the land could be used for education; ■ confirmed that it was acceptable to house an educational use on the site.

■ enquired about the land purchase price.

■ advised that three options existed:

- (i) buy and build;
- (ii) take long – 125 year for example – lease and build
- (iii) take a 25 year rental lease from a developer who provides the building.

■ asked about land price for education relative to other uses. ■ answer given that normal basis of educational land purchase was at the marginal price of the legitimate alternative use value to which the land could otherwise be put. However, it was further explained that, as a public authority (as opposed to a private owner), the LDA is able to measure value on a wider variety of basis, for example including additional, education based social value outputs.

When pushed, ■ explained that the range of values for alternative uses range from circa £750,000 (commercial/industrial) to circa £1.5m+ (residential) per acre, but explained further that legislation exists for public authorities to receive lower up front capital receipts when educational and other social outputs are taken into account.

■ confirmed their requirement would be for the entire 35 acres.

■ then passed across the pre-prepared list of UK agents and RICS contacts.

The meeting ended.

Tuesday 20th September - Beijing

Time: 1530 - 1830

Organisation: Advanced Business Parks (ABP)

Location: ABP Beijing HQ + Site Tour + APB's Maya Palace Hotel, Beijing

Attendees:

■ - LDA ■
■ - DJD ■)
■ - GLA ■ - for ABP Beijing HQ meeting
■ - GLA ■ - for ABP Beijing HQ meeting
■ - GLA ■ - for ABP Beijing HQ meeting
■ - L&P ■ - for ABP Beijing HQ meeting
■ - L&P ■ - for ABP Beijing HQ meeting
■ - ABP ■
■ - ABP ■ - translator

Note majority of First and Second stage engagements with ABP filmed and photographed by ABP, ostensibly – and presumably – for PR purposes.

First Session – at ABP HQ

After introductions and seats being taken, ■ outlined:

- he had been talking to the LDA since late 2008 on RAD;
- through his proposals RAD will become the central location for emerging Chinese businesses investing in the UK - businesses/ABP clients with assets of at least £1bn each;
- ABP/L&P conference scheduled for 28/9 to market opportunity to such businesses;
- ownership an important component of Chinese entrepreneurial culture, and therefore sales to end user/occupiers (■ commented on similarities with the development of Mayfair in that fashion);

■ very fond of London culture, English language, London being more of a services/financial centre than Frankfurt (where manufacturing has a greater prominence);

■ stressed the importance of relative cultural tolerance between China and the UK, and vice-versa.

■ questioned any concerns ■ had in relation to barriers to entry. ■ responded that ABP is a new model so there may be people who do not understand how it will work. ■ had visited Chiswick Park, and in comparison his proposals on RAD would be smaller and in singular ownerships.

■ commented that we were looking to the market to deliver the solution/answer the challenge on RAD, and commented that ■ proposals were an interesting market response to the challenge/opportunity.

■ further commented:

- he has been developing the ABP concept for ten years now, having visited London in 1996, observed the Mayfair terraces in single ownership and returned to China and refined that concept for the Chinese market.
- 70% of the circa 500/600 existing ABP buildings/occupiers are businesses from outside.
- tomorrow [REDACTED] of Stanhope is coming to Beijing to visit ABP and [REDACTED], and ABP have an agreement with them that they will work as development managers
- masterplanning architects are being selected.

[REDACTED] enquired as to whether ABP have worked with Stanhope before. [REDACTED] responded that no, but they did their market research into operators and decided on Stanhope.

Masterplanners being considered were Make ([REDACTED]), Allies & Morrison & Terry Farrell.

[REDACTED] confirmed that he would like to ground break the RAD project with visiting Chinese dignitaries in London for the 2012 Olympics.

First Session then closed.

Second Session – site tour followed by sit down “London Delegation” meet at ABP’s Maya Palace Hotel

[REDACTED] outlined importance of end users to product - [REDACTED] stressing particularly the viability benefits guarantees from such users represent.

[REDACTED] agreed, and confirmed that he had built his success on understanding the needs of the businesses he builds for.

[REDACTED] confirmed that the most successful UK developers took a similar approach, and pointed out the increasing focus within the UK property market over the years on viewing/treating occupiers as “customers” rather than “tenants”.

[REDACTED] highlighted two key issues challenges:

- a. developing an understanding within the RAD decision making body as to what ABP offer; and
- b. finding a way of interpreting the ABP business model in a manner that LDA/London can readily understand.

[REDACTED] pointed out that it was positive that [REDACTED] had met key players, and the challenge now for [REDACTED] was to explain the concept with clarity and vision, using materials/concepts/visuals to validate the proposals.

(After discrete consultation and agreement with [REDACTED]) [REDACTED] outlined:

- the absolute obligation for the LDA and its advisers to treat all interested parties transparently and equally;
- when looking at capabilities and track records of parties for whom this would be their first venture in a new geography, due regard would need to be given to teams that demonstrate a full package of advisers and partners with credentials displaying their competency/ability of the full team to deliver the vision set out.

[REDACTED] responded that ABP had been careful in their selection of Stanhope, and questioned whether the LDA were happy with that selection, to which [REDACTED] responded that the LDA were aware of Stanhope’s track record of successful delivery of projects elsewhere.

[REDACTED] confirmed WT Partnership as quantity surveyors and Pinsent Mason as lawyers and questioned again whether the LDA were happy with these selections, to which [REDACTED] gave the same answer.

█ advised that they had also engaged a separate team within Drivers Jonas Deloitte, and had met with █ of DJD during her visit to Beijing the previous week.

(After discretely agreeing between them to mention) █ advised:

- likelihood of time extension to end October; and
- that we continue to receive serious interest from potential end users/occupiers, and that a database of those potential end users/occupiers will be made available in due course to shortlisted parties

Meeting ended, site tour continued and concluded after visiting ABP model and plaza at dusk.

Wednesday 21st September - Chongqing

Time: 1030 - 1230

Organisation: CSST International (China Security & Surveillance International (PRC), Inc.)

Location: Deloitte, 13/F International Trade Center, Chongqing, 38 Qing Nian Road, Yu Zhong District, Chongqing

Attendees:

█ LDA █
- DJD █)
- L&F █
- Deloitte █
- Deloitte █
- Chongqing Foreign Trade and Economic Relations Commission (█)
- CSST International █ - fluent English

Intros and Thank You's, particularly to █ for specifically coming to Chongqing to fit in with our schedule.

█ delivered presentation, concluding with the clear message to CSST that landing in UK property development is complex, and the prime endeavour of the London Government on the RAD Project has been to bring Clarity of Purpose, Simplicity of Process, and Certainty of Outcome.

█ further concluded with confirmation that we were looking for the development market for ideas/concepts and essentially asking the question "what do you want to do on the site"?

█ asked whether the RAD site was to be divided into projects?

█ advised ideally one developer, but if through the process the market says the site needs to be parcelled then that would be considered.

█ outlined the CSST Group as follows:

- Main business is Security and Surveillance
- right now it is the largest security and surveillance company in China, and achieved a stock market listing on the New York Stock Exchange in 2009.
- CSST 2010 revenue was \$1.1bn, the second largest security and surveillance provider registered \$0.75bn and the third \$0.1bn.

- Chinese Government encouraging a “Walk Out Policy”, encouraging each number 1 entrepreneur in each industry sector to tap into circa \$4bn of credit from the Chinese National Credit Bank to invest in international projects.
- If used successfully then the credit facility is likely to be increased year on year.
- Right now CSST is successfully investing in Sydney, Australia a \$30m five star hotel development complex project, including the opening of a Novotel in 2013. CSST role is purely in financing.

■ outlined CSST investment bases/return as follows:

A. 4 large scale, government backed projects:

8%*	+	8%	+	8%	= 24%
↓		↓		↓	
goes to bank on a monthly basis (guaranteed)		to CSST		long term return (shared)	

*(Note: last year this figure was 6/7%, next year likely to be 9%)

B. Smaller scale projects i.e. the Australia Project

8%*	+	16%	=	24%
↓		↓		
goes to bank on a monthly basis (guaranteed)		Quarterly return payable directly to CSST		

BL further advised that:

- Chinese economy “stuttering” - food, property and resource price inflation being experienced. CPI increasing so central banks restricting money supply - domestically becoming increasingly hard to secure credit. This is driving significant increases in the “Black Market” price of capital, currently running at +30%.

Following request, BL outlined more details on the Sydney project as follows:

- Landlord owns land worth circa \$5m (valued by bank), but he required circa \$30m of investment to deliver the project.
- Landlord deposited land as a \$5m phase 1 mortgage.

■ further advised that CSST has 13 segments, Security and Surveillance is the core business, amounting to circa 15% of total assets.

Included within the 12 remaining segments are new industry construction materials and environmental protection (i.e. recycling).

■ confirmed CSST increasingly looking at longer, 10-20 year return cycles, and the 8% + 8% + 8% is negotiable as a basis on which to move forward.

■ summarised additional opportunities outside the immediacy of the RAD project, including financing of chosen developer/developers on Silvertown Quays, other London (and UK) projects

requiring capital investments to unlock and, finally, acquisition of stakes in development companies (listed or private).

■ advised that very hard for one party to finance whole of the Silvertown Quays project, more likely a consortium of 2/3 parties.

■ advised that Chinese banks look and view London as a stable, secure and non corrupt investment environment/location, and are therefore able to accept relatively lower returns/more flexible returns relative to South Asian geographies for example.

■ advised of his previous working experience for H Vay – a pure Telecoms/IT company who provide hardware and software for the likes of British Telecom/Siemens etc. In terms of scale, this company posted \$30bn dollars of revenue in the most recent financial year, placing it second behind Ericsson on a world wide basis, and in front of Alcatel Plus Solutions, in third, Nokia/Siemens in fourth and Zety (a Chinese company) in fifth.

■ suggested that CSST may consider working actively as a financial intermediary, securing and organising the financing for developers on the Royal's projects.

■ outlined the process set out to capitalise on the 2012 Olympic Games programme, but that the LDA is considering the potential for generating more time for PQQ responses upfront, but with the backstop challenge/opportunity to make an announcement at the time of the opening of the Games.

Discussion then centred around the potential for partnerships with UK development companies and/or others involved within the Royal's project; as a Hong Kong based organisation, Hutchinson Whampoa and it's interest in Silvertown Quays was specifically discussed.

Following ■ request, and as a post meeting note, ■ forwarded again to ■ the Mandarin versions of the Memorandum of Information and Pre-Qualification Questionnaire.

Meeting ended.

Time: 1330 - 1500

Organisation: Zongshen Real Estate Group

Location: Deloitte, 13/F International Trade Center, Chongqing, 38 Qing Nian Road, Yu Zhong District, Chongqing

Attendees:

■ - LDA ■
■ - DJD ■
■ - L&P (■) - translator
■ - Deloitte (■) - translator
■ - Deloitte (■)
■ - Chongqing Foreign Trade and Economic Relations Commission ■
■ - Zongshen Real Estate Group ■
+ 1 (lady)

Intros, welcomes, and SK presentation.

■ advised the following:

- Main business is motorcycle production, property is a second priority.
- Strategic expansion – initially manufacturing, for example in Canada where they have established a listed company and purchased two tracks of land. Also considering Brazil, South East Asia and Germany.

- UK is quite new as far as their horizons are concerned, and [REDACTED] is using this opportunity to report to [REDACTED].
- Related to another opportunity, they are talking to [REDACTED] (of Mace) about industrial buildings.

[REDACTED] questioned planning status of RAD land?

[REDACTED] advised mainly commercial but with supporting ancillary uses – prime objective is creation of jobs.

[REDACTED] questioned the role of the government on the site?

[REDACTED] advised preference to sell the land on a conditional basis, but outlined the public sector's ability to take job creation into account when assessing best value return from the land.

[REDACTED] advised of similar circumstances within China when land belongs to government, but said that when they do so, they tend to give a reference/guide price, and do we have one?

[REDACTED] advised that if residential assumed then circa £1.5m+ per acre, industrial/commercial circa £750,000 per acre, and educational less.

[REDACTED] asked what the potential overall investment figure is likely to be?

[REDACTED] advised between circa £500m and £1bn.

[REDACTED] asked what bank loan rate likely to be?

[REDACTED] advised of the general difficulty in securing development debt finance at the present time, but that traditionally the figure assumed was circa 2% above Libor, and that, depending on the specific circumstances of the land/proposals and borrower(s) and terms, the rate assumed is in the order of 7%.

[REDACTED] advised such a figure not too dissimilar to the equivalent Chinese rate of circa 6%, and further advised that, as with the UK, accessing debt finance has its challenges.

[REDACTED] questioned over what timeframe do the LDA expect the project to emerge?

[REDACTED] advised ASAP, commenting that if a developer was selected in May 2012, it is conceivable that they could be on site by the end of 2012.

[REDACTED] asked that, for clarity, can he be sure that the two priorities from the RAD site are a) jobs and b) sustainable development?

[REDACTED] advised that was the case, and would add speed of delivery as a third priority.

[REDACTED] further outlined background as follows:

- Zongshen commenced real estate investment/development in 2004, primarily residential.
- Dream is to build up a national real estate business
- In terms of motorcycling manufacturer, the top three Chinese motorcycle manufacturers do have presence in London, but [REDACTED] of Zongshen is the most entrepreneurial and the most international.
- Specifically they collaborate with BMW as regards engine manufacturer

[REDACTED] has a meeting on the evening of 23 September with [REDACTED] after which he would revert.

[REDACTED] outlined the consideration being given to extending the PQQ deadline to 28 October 2011, and selecting a shortlist during November 2011.

■ advised ■ that his established relationship with ■ had the potential to shortcut their decision-making process/submission of PQQ document, if that was a route they decided to pursue.

Post Meeting Actions:

- ■ to follow up with ■
- ■ to follow up with ■ on feedback from subsequent meeting with ■

Time: 1530 - 1830

Organisation: Guangyun Han

Location: Deloitte, 13/F International Trade Center, Chongqing, 38 Qing Nian Road, Yu Zhong District, Chongqing + Site Tour

Attendees:

■ - LDA ■
■ - DJD ■
■ - L&P ■ - translator
■ - Deloitte (■) - translator - meeting only
■ - Deloitte (■) - meeting only
■ - Chongqing Foreign Trade and Economic Relations Commission (■) - meeting only
(■)

Intros and welcomes.

■ confirmed he had visited London four times and had met John Prescott, the Lord Mayor of London and others.

■ gave the majority of the presentation, specifically outlining the clarity, certainty and simplicity we are seeking to bring to the process.

■ agreed that this was all about the big idea, and went on to outline his big idea of a Chinese based tourist attraction for London:

His organisation has put a lot of work into this vision, which would effects cultural exchange between China and London/the UK.

Proposal to find a site to showcase the 5,000 year history of China.

Also in discussions to do same in America, France and Australia – but London is preferred initial location.

■ plans to retain ownership rather than sell.

Three parts to the concept – history, present day and future.

■ characterised as “an Expo with no end – the external building would remain permanent, but the inside regularly change.

■ would like to incorporate a marina adjacent, for visiting cruise ships to dock.

■ raised the possibility of re-creating Lijianja, the “Chinese Venice” in southern China.

Potential to create 10,000 plus jobs if the project proceeded.
Circa 1.5 million square foot space requirement.

■ advised that, as a concept of a global scale it would need global, world class architecture.

■ questioned the extent of ■ relationships in London?

■ advised he had been working with someone but couldn't remember his name, (post meeting note: confirmed as ■), who had identified and looked at a number of sites with him.

■ advised that Australia had said they would like to give him land for free to pursue this idea, and allow him to use Chinese labour to build; he appreciates this may not be so easy to do in the UK.

■ then tabled early conceptual ideas and outlined:

- important that the building is iconic;
- emulating the dragon Chinese analogy in the spatial arrangement;
- incorporation of a small Confucian Academy;
- "the gateway building to the New Chinese Economy for London";

He has banks behind him, and will want to list the venture in the future.

Goldman Sachs are one of his partners, as are one of Hong Kong's biggest construction companies on the financing side.

He hopes that London is the first stop for this project.

■ questioned the collaboration format?

■ advised no straightforward answer to that question, but an idea might be putting the land in as equity/a shareholding that benefits from returns from any subsequent profits/listing. The actual specifics of the vehicle that deals with the land remains some way down the line.

Meeting ended and site tour of ■'s new Sheraton Chongqing project undertaken.

Thursday 22nd September – Chongqing

Time: 0900 - 1045

Organisation: CFTEC (Chongqing Foreign Trade & Economic Co-operation (Group) Co., Ltd)

Location: Deloitte, 13/F International Trade Center, Chongqing, 38 Qing Nian Road, Yu Zhong District, Chongqing

Attendees:

■ - LDA (■)
■ - DJD (■)
■ - L&P (■) - translator
■ - Deloitte (■) - translator
■ - Deloitte (■)
■ - Chongqing Foreign Trade and Economic Relations Commission (■)
(■) - Chongqing International (HK) Ltd. (■)
■ - Chongqing Foreign Trade & Economic Co-operation (Group) Co., Ltd (■)

Welcomes and introductions.

CFTEC confirmed by [REDACTED] as a state owned company headquartered in Chongqing.

Its main business is overseas construction, import and export and overseas investment. Notably undertook a mining project in Australia last year.

[REDACTED] hails from the Department of Investment of CFTEC, and [REDACTED]

[REDACTED] delivered a presentation in English as both TC and ML spoke English.

Specifically [REDACTED] outlined dates and time lines, and that these may alter.

[REDACTED] confirmed:

- he recognised the big ambition for London on the site, but that the time line set was challenging;
- he fully appreciated the concept of setting out a rough idea now, and looking for potential developers to give their ideas, designs, and to do their calculations on cost and profit etc.;
- CFTEC have several subsidiaries that may be relevant, especially in Hong Kong;
- he thinks those companies may well have interest, but expressed concern about those developers in Hong Kong's ability to succeed in London, primarily because the success of these projects is rooted in the detail, and the developer needs to be fully familiar with development and the development process in London, and the culture of doing so, and in his view needs to work there, live there and enjoy the life there in order to do so.

SK advised that his comments were thoughtful and incisive, and that we were very conscious that developing the capability and ability to do this does take considerable time. If CFTEC's contacts in HK were interested, they would have the contacts through the local offices there of the likes of Drivers Jonas Deloitte to progress.

TC went on to further advise that:

- this is a good opportunity;
- During the past three decades CFTEC has developed its dream to invest in European companies.
- 10 or 15 years ago it only had an import and export rights based business, CFTEC acting as the agent between the importer and the exporter;
- Now it is opening up these networks and are keen to find an organisation to partner with/buy into that owns an import and distribution network in Europe;
- once those links have been established, it will find a site in London;

The mining deal in Australia undertaken through Hong Kong last year amounted to a total investment of 400m Australian dollars.

Meeting ended.

Time: 1100 - 1245

Organisation: Loncin (Chongqing Loncin Real Estate (Group) Co., Ltd)

Location: Deloitte, 13/F International Trade Center, Chongqing, 38 Qing Nian Road, Yu Zhong District, Chongqing

Attendees:

██████████ - LDA ██████████
██████████ - DJD ██████████
██████████ - L&P ██████████) - translator
██████████ - Deloitte ██████████) - translator
██████████ - Deloitte (██████████)
██████████ - Chongqing Foreign Trade and Economic Relations Commission (██████████)
██████████ - Loncin (██████████)

Introductions, greetings and ██████████ delivered presentation.

Loncin has been within the top 500 companies in China for ten consecutive years.

██████████ outlined its three main areas of business as follows:

- (i) real estate – started relatively late, focussed in the Cheng Du and Hang D regions, and in residential office, retail and tourism sectors;
- (ii) manufacturing – lots of international interest including for example a good relationship with BMW on engineering;
- (iii) financing – a shareholder of Chongqing Bank, listed on Hong Kong Stock Exchange, and a shareholder in the third largest Chinese Guarantee Company, currently undertaking two big projects in Chongqing;
- (iv) flexible in terms of partnerships with foreign companies;
- (v) have not been actively looking in London yet, primarily concentrating on the South East Asian tourist market opportunities – hotels and shopping centres.

The company has two schools of thought:

- (vi) the economic downturn in Europe represents a good opportunity for external investment there; and/or
- (vii) stay in China.

██████████ pointed out that a good many of his friends send their children to be educated in London.

██████████ advised that consideration being given to pushing PQQ time line back to the end of October.

██████████ further commented:

- RAD seems like a very good opportunity;
- Loncin not too familiar with London;
- docks projects are not new to Loncin; they have three dock related projects underway, recently securing the rights to a new island based project, but more marina/tourist focussed;
- another project is near the Three Dams area on the Yangtze River, but cruising/hotel based;

- another project underway in Dubai, but while the next stop may be London overseas development is not the absolute priority for their business currently.

■ confirmed the London Olympic 2012 time line a driver as regards announcements.

■ talked through the Memorandum of Information and the PQQ process, outlining the options to either

- (a) prepare now for the PQQ - a simple process focussing on financial standing and track record/capability (stressing the importance of local developer/agency/consultancy expertise in this regard, and that London & Partners can effect introductions in this respect); or
- (b) approaching short listed developers post PQQ selection.

Meeting ended.

Friday 23rd September – Cheng Du

Time: 0900 - 1230

Organisation: Chengdu Consortia

Location: Crowne Plaza, 31 Zong Fu Street, Chengdu, Sichuan

Attendees:

■ - LDA (■)
 ■ - DJD (■)
 ■ - L&P (■) - translator
 ■ - Deloitte (■)
 ■ - British Consulate-General Chongqing (■)
 ■ - British Chamber of Commerce (■)
 ■ - Cybernaut (Chengdu) Investment (■)
 + 1 (lady)
 ■ - consortia translator (■)
 ■ - Sichuan Grandspect Asset Management Company (■)
 ■ Tahota Law Firm (■)

Small talk/introductions and welcomes.

■ organising trip to London for consortia for end of October, ■ attending.

■ outlined serious interest in developing relationships within the UK, particularly on financing and sustainability, and in London.

■ had had prior meetings and engagements with FW, mentioning specific projects. ■ introduced RAD team here specifically to talk to you about the opportunity.

■ outlined the role for L&P, ■ delivered standard RAD presentation.

■ questioned what are the Government restrictions on percentage of housing etc.?

■ answer we are looking for the market to come up with big ideas etc., but yes of course in negotiations there will be controls to ensure residential developers don't just come in, build and

disappear. As a guide, the previous Silvertown Quays scheme was 70% residential, and of that the Local Authority's starting point was that 30% of that would be social housing.

A number of questions emanated from [REDACTED] as to the proximity now and in the future to

- Excel;
- Canary Wharf; and
- Bank/the City of London.

[REDACTED] specifically outlined the want by UEL to build new facilities.

[REDACTED] questioned the limitations on any residential interest given the amenity impact from the adjacency of London City Airport?

[REDACTED]: noise impact from City Airport limited by relative infrequency of use and type of aeroplanes using: residential developers not expressing any concerns in this regard, and that potentially a small percentage of residential may be permissible on RAD depending on the extent of the wider offer.

[REDACTED] questioned extent of any concerns relating to interference for occupiers from signals/communications at the airport?

[REDACTED] – not aware of any such issues, but can be considered further.

[REDACTED] questioned height restrictions related to airport?

[REDACTED] advised circa 30-35m, and that the potential existed for up to 11 storeys in places.

[REDACTED] questioned how many passengers a year use the City Airport?

[REDACTED] advised circa five million per year, to which [REDACTED] responded "OK, so not so many". [REDACTED] further advised that the airport closes on a Saturday from 17:00 hours.

[REDACTED] questioned the extent to which the developer can own the water/build over it?

[REDACTED] advised that was a distinct possibility.

[REDACTED] questioned approximate cost of construction?

[REDACTED] answered between £75 psf and £200 psf + depending on specification/use.

[REDACTED] questioned the percentage of project likely to relate to land value?

[REDACTED] outlined traditional split of a third land, a third construction, and a third profit, but outlined, in conjunction with SK, the ability for the LDA/public sector to measure social/job creating value outputs alongside land premium.

[REDACTED] questioned extent of land interest offered?

[REDACTED] advised that the Siemens deal was concluded on the basis of a 125 year lease, i.e. a virtual freehold.

[REDACTED] went on in response to questioning on the land that if residential assumed then the value would be likely to be in the order of £1.5m+ per acre p, if commercial office/industrial then likely to be in the order of £0.75m per acre.

[REDACTED] commented that the land pricing seemed remarkably cheap (later in the meeting [REDACTED] clarified that she thinks she may have made a mistake on calculating the land price component).

Interest in Chinese visitors to Bicester Village specifically mentioned.

■ then delivered presentation outlining Deloitte China capabilities.

■ highlighted likelihood of extension of PQQ deadline to 28/10/11, and that it would help interested Chinese parties to demonstrate UK adviser/developer expertise partnerships as part of PQQ submissions.

■ questioned whether London/UK Government would be interested in getting the financing from a Cheng Du consortium, with the UK Government building out the project?

■ responded that yes, the public sector can undertake joint ventures, but the direction of travel in the UK is for private sector rather than public sector delivery of projects of this nature.

■ handed ■ Royals Vision, Spatial Parameters and Parameters for Development documents.

Meeting ended.

Friday 23rd September - Shanghai

Time: 1930 – 2200

Organisation: Zhongrong Holdings Group

Location: Zhongrong Holdings Group Shanghai HQ, No 8 Middle Yincheng Road, Pudong New Area

Attendees:

■ - LDA ■
■ - DJD ■)
■ - GLA ■)
■ - GLA (■
■ - GLA (■)
■ - L&P (■)
■ (■)
■ - L&P (■)
■ - Zhongrong ■)
+ 3 ladies

No notes taken – a formal supper.

Most notable debates centred around ■ considerable disappointment at not being shortlisted on Silvertown Quays, and reluctance to accept that partnering with UK/London-based advisors/development partners was key to unlocking opportunities within the UK.

Tuesday 27th September - Beijing

Time: 1000 - 1130

Organisation: Beijing Zhonglianya Realty Development Co., Ltd

Location: Zhonglianya Building, No.58 Zuojiashuang Beili, Chaoyang, Beijing

Attendees:

■ - DJD (■)
■ - Deloitte ■
■ - Beijing Zhonglianya Realty Development Co., Ltd (■)
■ - Beijing Zhonglianya Realty Development Co., Ltd (■)

Introductions and welcomes.

■ delivered RAD presentation.

■ confirmed that ZLY are establishing a European presence/headquarters in Paris (prime reason being that she is married to a French Government diplomat, whom she met working for the UN in New York city).

There will be a holding company established in London.

Focus primarily on tourism and education.

■ has only been in position for a couple of weeks, and has the confidence of the President, particularly in respect of managing expectations internally and externally, and the importance of taking small measurable steps when investing internationally.

Projects in China include tourism based developments on Hainan Island, seven star hotels including one that recently hosted the Miss China competition.

Next projects includes a cruise liner service around Hainan Island, focussing on over 45 year olds and following the business dynamic set in the west.

Other options include student dormitories, possibly in London, where they are looking for co-operation with schools within the UK/Europe and China.

The particular project in France includes an identified Chateau to purchase and convert into a high level tourist offering, including being marketed to high net worth Chinese visitors.

For reasons set out above, ZLY interest in Royal Albert Docks is dormant at this stage.

■ delivered draft "Property issues to consider when landing in the UK" presentation.

Meeting ended.

PRIVATE MINUTES

Meeting: Housing Investment Group
Date: Friday 18 May 2012
Time: 9.00 am
Place: Committee Room 2, City Hall,
The Queen's Walk, London, SE1
2AA

Copies of the minutes may be found at: <http://www.london.gov.uk/who-runs-london/greater-london-authority/ipb/housing-investment-group>

Present:

Members:

Richard Blakeway - Deputy Mayor for Housing, Land and Property (chair)

David Lunts - Executive Director of Housing and Land

██████████ - Assistant Director, Land and Development

██████████ - Interim Projects Director (London Thames Gateway)

Officers:

██████████ - Head of Area North West

██████████ - Head of Area South

██████████ - Head of Area North East

██████████ - Strategy and Commissioning Manager (Rough Sleeping)

██████████ - Area Manager North West

██████████ - Senior Finance Manager

██████████ - Board Secretary

██████████ - Senior Performance Manager

12 Royal Albert Dock - RESERVED (Item 12)

DISCUSSION:

- 12.1 The Group received an update on progress with the procurement process to select a development partner for the Royal Albert Dock (RAD) site and the decision of the evaluation panel to shortlist bidders for the next stage of the procurement.
- 12.2 A discussion took place regarding the budget required to fund the completion of the procurement process. Whilst it was acknowledged that this was effectively a commitment inherited from the LDA, it was stated that every effort should be made to reduce the proposed £700,000 costs. It was therefore agreed that the £100,000 allocated for contingency should be removed on the basis that any unforeseen costs would be met from savings within the remaining £600,000 of funding.
- 12.3 The proposed funding of the costs from the Regeneration Team Programme budget was discussed and it was agreed that this should be considered by IPB following discussions with the Executive Director Development & Environment. A wider discussion also took place regarding how such available funding is allocated in order to avoid a 'first come, first served' approach.

DECISIONS:

- 12.4 **That the Evaluation Panel's recommendations to select Bidder A, Bidder C and Bidder B to be taken through to the next stage of the procurement process be noted;**
- 12.5 **That the proposed contingency funding of £100,000 be rejected;**
- 12.6 **That funding of £600,000 to support the completion of the procurement process be endorsed subject to:**
- (i) Approval by the Investment & Performance Board (IPB) for the funding to be sourced from the Regeneration Team Programme budget;**
- (ii) Savings being pursued with particular reference to maximising internal resources and minimising costs associated with external legal support and property/commercial advisers; and**
- (iii) Further analysis of costings by the Chair outside of the meeting prior to expenditure;**
- 12.7 **That the subsequent report to IPB identifies which costs are fixed (i.e. existing contracts that we cannot negotiate out of) and explains that the GLA is committed to undertake this activity, identifying the potential legal implications of not doing so;**
- 12.8 **That the wording regarding the type of procurement process being pursued be revised and applied consistently as agreed with GLA Finance Team; and**

- 12.9 **That a further report be presented to HIG following the interim stage of the process (i.e. July) together with additional consultation with the Deputy Mayor for Business and Growth on the project.**

Housing Investment Group

Date of IPB meeting: **18 May 2012**

Title of paper: **Royal Albert Dock: Update, Short-listing of developers & 2012-13 Budget**

To be presented by: [REDACTED]

Classification: **Reserved (Commercially confidential/legal privilege)**

1 Purpose of this paper

- 1.1 To update HIG on progress with the procurement process to select a development partner for the Royal Albert Dock (RAD) site and the decision of the evaluation panel to shortlist Bidders for the next stage of the procurement.
- 1.2 The report also seeks approval for a budget of £700,000 in 2012-13 to continue with the procurement process that is programmed to complete by January 2013.

2 Recommendations

- 2.1 To note the Evaluation Panel's recommendations to select Bidder A, Bidder C and Bidder B to be taken through to the next stage of the procurement process.
- 2.2 To approve the virement of the Regeneration Team Programme budget of £700,000 from Development & Environment to Housing & Land to fund the completion of the procurement process, as set out in the attached Investment Case.
- 2.3 To note that the next, and final, part of the RAD procurement process to select a Development Partner is the Detailed Dialogue stage followed by a Final Tender Stage. The Detailed Dialogue stage will include an Interim Down Selection of Bidders, which will allow down selection against stated evaluation criteria. It is anticipated that there will then be a Check Point stage prior to closure of the dialogue to ensure that the proposals meet the GLA's requirements for the project. The final stage will be the submission of Final Tenders.

3 Key Information/Issues Arising

Key Information

- 3.1 The LDA commenced an OJEU compliant procurement process in summer 2011 to select a development partner to develop the 34.5acre site known as Royal Albert Dock (RAD).
- 3.2 The procurement process is seeking to select a development partner to regenerate the whole of the RAD site with the market driving the intended uses without the public sector being overly prescriptive on the scheme coming forward. The Memorandum of Information (MOI - see Appendix 1) for the procurement process sets out the LDA's key ambitions for the site, which can be summarised as:

- Seeks to create a world-class business destination;
 - Is employment-led, mixed-use development capitalising on the presence of existing assets, such as City Airport, the University of East London ("UEL"), Excel, and the waterfront aspect, as well as the area's excellent highways and public transport access;
 - Is centred upon delivering high-tech, knowledge-driven, Research and Development activities, or similar, as opposed to traditional industrial/warehouse uses; and
 - Integrates complementary alternative uses which may include: education, transport, health, leisure, retail, ICT, etc. in order to provide convenient local amenities for residents and employees.
- 3.3 In December 2011 eight developers were selected to participate in the outline solutions stage of the procurement process. The developers were asked to provide an outline of their proposed scheme and an indicative financial method for a land offer, together with comments on the contractual terms proposed by the LDA. Six submissions were received by the LDA on 12th March 2012.
- 3.4 The bids were assessed against stated criteria by the Evaluation Panel made up of LDA/GLA officers, supported by external consultants. The panel's recommendation is that the following 3 Bidders be invited to the Detailed Dialogue stage:
- Bidder A.
 - Bidder B.
 - Bidder C.

Issues Arising

- 3.5 The LDA implemented the procurement process following a positive response to the expressions of interest stage of marketing the site in the spring of 2011 where 14 companies responded to the LDA's questionnaire.
- 3.6 The objective for the RAD project is to appoint a developer to deliver an employment-led, mixed-use development. However, the current UK market for business occupiers generating employment opportunities is weak. This is in contrast to Silvertown Quays (SQ) where the procurement was conducted with the prospect of a significant residential content alongside business uses. The residential market and better locational factors provides potentially strong values and market interest compared to the RAD.
- 3.7 As a consequence, the procurement process for RAD acknowledges its relative market weakness and is designed accordingly. This is described in the section on Procurement Options below.
- 3.8 It should be noted that one of the bidders, Bidder C, is proposing a 1st phase that creates a major leisure destination anchored by a snow dome. This is contrary to the GLA's required use type (which has been communicated to bidders since the

start of the procurement process) and to LB Newham's core planning strategy. There is a possibility, therefore, that when this bidder is given feedback on their proposals at the start of the next stage of the procurement process they may decide to withdraw from the process if they do not have alternative proposals that satisfy the key aims of the project.

4 Relevant background information

- 4.1 The regeneration of the Royal Docks is a key priority for the Mayor, and represents one of the largest development projects involving public land in London. Working closely with stakeholders, including LB Newham and the Royal Docks Management Authority (RoDMA), the LDA prepared, in March 2011, a vision for the Docks together with a delivery plan for their development.
- 4.2 The approach endorsed by the LDA Board (and supported by the GLA) was to bring forward the regeneration of the two beacon sites Silvertown Quays and Royal Albert Dock by seeking development partners to deliver the best outcome of a market led/commercially focused approach following a 'competitive dialogue' procurement process.
- 4.3 The brief for marketing RAD therefore was not prescriptive in terms of mix and quantum of land uses, albeit that there was a requirement for the development to be employment generating; the MOI set out key objectives of the project as summarised in paragraph 3.2 above.

Procurement Process to Date

- 4.4 The procurement process commenced in the summer of 2011 using the 'competitive dialogue' procurement process, which allows for the award of particularly complex contracts through a dialogue process where the technical, legal and financial details of a project can be defined with reference to the market. The process enables dialogue with each Bidder to determine a commercial solution that best meets the GLA's stated requirements for the site.
- 4.5 The bids were assessed against the criteria which were previously agreed by the LDA and communicated to the bidders at the outset of the process;
 - Criterion A – Vision & Content – 50%.
 - Criterion B – Financial Return & Delivery Programme – 30%.
 - Criterion C – Contractual Terms – 20%.
- 4.6 The summary of the criteria used to evaluate the Outline Solutions is attached in Appendix 2.
- 4.7 The six bids were evaluated by LDA/GLA officers supported by the London Borough of Newham, and legal advisors from Burges Salmon, property advisors from [REDACTED] with financial input from [REDACTED]. The final scoring from the Evaluation Panel and the short-listing recommendation is set out below:

Developer	Evaluated Score	Shortlist
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	(out of 100)	
Bidder A	57	Yes
Bidder B	51	Yes
Bidder C	48	Yes
Bidder D	43	No
Bidder E	33	No
Bidder F	32	No

4.8 Brief summaries of the six bids received are set out below:

- 4.8.1 **Bidder A**– Office-based scheme with education, cultural and ancillary uses. Potential commitment for a first phase of circa 600,000 sq ft primarily focused initially around attracting Chinese and Far Eastern business occupiers. Key issues to be clarified with this developer at the next stage include the financial offer, ability to attract occupiers and delivering certainty on the build-out of the scheme over 7-8 years.
- 4.8.2 **BIDDER B** – An initial master plan split into 4 zones: commercial district, knowledge campus, education village, leisure and incubator units. Whilst the proposal envisages some meanwhile uses to kick start the development process, there is a small first phase of development proposed, but the developer would mainly aim to respond to market demands. The financial proposals were well structured as a basis for setting land value, but key issues for clarification with this developer at the next stage include delivery and timing of a first phase of development.
- 4.8.3 **Bidder C**– A mixed-use master plan with a focus around a ski/leisure/retail offer as a first phase. Other uses include office/R&D and education. The bid also had a sound basis for assessing the land value. The potential scale of the leisure first phase will need to be clarified at the next stage together with how their proposals fit with the stated project objectives.

4.9 **The bids** which are not proposed to be shortlisted are:

- **Bidder D** – Bidder D is [REDACTED] The bid is likely to conflict with the planning policy requirements for the site as it contains a significant retail outlet component around the Bidder D facility, which is likely to rely upon this source of income for scheme viability. The master plan envisages other educational and office uses but there is uncertainty whether this will be delivered post-first phase.
- **Bidder E** – [REDACTED], proposed a master plan concept for a visitor attraction with ‘pods’ based on specific themes sponsored by companies and artists. Whilst Bidder E has a development track record, the concept is untested and the source of finance for the scheme is uncertain. The suggested visitor numbers of 1.75m in the first year rising to circa 3.75m in year 5 are on such a scale that it is considered large infrastructure improvements in the area would be necessary, these were not clearly identified at this stage.

- **Bidder F** – The master plan proposed a large logistics park with education, hydroponicum and ancillary development. The first phase is based on a trade-counter development. The proposal was vague in detail and financial offer was unclear. The key issue on the offer was the large logistics park which is contrary to planning policy and the requirements for the site set out by the LDA and supported by LB Newham.

Procurement Options

4.10 There are 4 main options that could be taken in respect of this procurement process.

- a) The procurement process is terminated now;
- b) The procurement process is continued with only the highest scoring bidder from the Outline Solution Stage;
- c) The procurement process is continued with the three top scoring bidders and a full Development Agreement is negotiated with each bidder; and
- d) The procurement process is continued with the three top scoring bidders with a further down selection of bidders after an initial period of dialogue. **This is the recommended option.**

4.11 The four options are considered in detail below. The legal issues in relation to each option are set out in Appendix 3.

4.12 Option A – Terminate the Procurement Process

Termination is an option but is not recommended. Based on the information available from the outline stage, it appears possible that one or more of the parties could satisfy the requirements set out in the procurement process. Furthermore, although the GLA has reserved its right to terminate the procurement process without any liability to the bidders for their costs, there is a risk that an aggrieved bidder could seek to challenge on the basis of bad faith if the GLA terminated the procurement process and then entered into an alternative arrangement for this site. Terminating the procurement process also carries with it the risk of damage to the GLA's reputation.

4.13 Option B – Continue the procurement process with only the highest scoring bidder

This option does have the advantage that it would minimise bid costs for both the GLA and the Bidder. However, a period of competition between the bidders is desirable in order to be able to reach a solution that best meets the GLA's requirements for this project. Reducing to one bidder at this stage would remove all competitive tension from the process and in addition there is the risk that once the detailed dialogue progresses it becomes apparent that the bidder cannot deliver a financially viable solution that meets the GLA's requirements. This would leave the GLA in the position of terminating the procurement process or accepting a solution that does not meet all of its requirements.

4.14 Option C – Continue the procurement process with the three top scoring bidders

and negotiate a full development agreement with each bidder.

Whilst this approach may appear to deliver maximum competitive tension between the bidders, negotiating a full development agreement with three bidders is the more costly approach for the GLA. In addition, this approach also requires the bidders to incur significant bid costs when they are still one of three bidders. This approach is only sustainable if the market for the project is sufficiently strong, as otherwise bidders are less likely to be prepared to commit the necessary time and costs to participate fully in the bidding process.

This approach was taken on Silvertown Quays. However, this was on the basis that there was a comparatively strong economic market for the SQ project and therefore the three shortlisted bidders were prepared to commit the necessary funds and resources required to participate in a detailed dialogue process requiring the negotiation of a full development agreement.

The weaker market in which the RAD is operating makes this approach inappropriate due to the risk that bidders would withdraw early in the detailed dialogue process hence losing competition too early.

4.15 Option D – Continue the procurement process with the three top scoring bidders with a further down selection after an initial dialogue period.

This is an adaption of Option 3. Under this option there would be an initial 8 week period of detailed dialogue – but without negotiating a full development agreement – with the three shortlisted bidders. In broad terms the issues to be covered with each bidder in the initial dialogue are highlighted in paragraph 4.8. At the end of this period there would be an Interim Down Selection gateway. This would allow only the Bidders with the most robust occupier delivery capability to go through to negotiate Development Agreements, this may result in 1, 2, 3 or none of the bidders being invited through to the next stage. The bids at this stage would be assessed by evaluation criteria that have been communicated to the bidders at the outset of the process and which are designed to test how they intend to meet the project aims. A summary of the evaluation criteria to be used to evaluate the submissions as the interim down selection stage are set out in Appendix 2, in the detailed dialogue stage. The criteria have been refined from the outline stage to ensure the key objectives for the site are achieved. The critical issues which bidders will be required to address during the detailed dialogue include:

- Providing a clear demonstration that their proposal will generate significant economic benefits and jobs;
- Demonstrating a clear understanding around the local impacts from the scheme; and
- Demonstrating how land value will be generated and acceptable contractual terms.

Those bidders that are not successful at the Interim Down Selection Stage will not continue any further in the procurement process.

Following the Interim Down Selection Stage, bidders meeting the relevant criteria will then negotiate a development agreement with the GLA over a three-month period. In order to control this period of dialogue clear parameters will

be set which detail the issues to be covered, together with the GLA's required outcome including in relation to planning, financial offer and phasing.

It is anticipated that, prior to closure of the dialogue and the invitation to submit Final Tenders, bidders will be asked to crystallise specific aspects of their proposals so that the GLA can assess whether there is a proposal that is acceptable to the GLA. This would be a pre-final tender stage. If it is clear from the pre-final tender stage that the bidders in the process at that point do not have proposals that are capable of acceptance by the GLA, then the dialogue would not close. At that point the GLA would have to decide whether to continue dialogue with the bidders for a further period or decide that the procurement process should be terminated.

This procurement route will have to be carefully structured and managed to ensure that it remains compliant from a legal and procurement perspective.

- 4.16 The legal and procurement risks associated with each of the above options are set out in Appendix 3. The key commercial risks associated with the recommended option are set out at Section 5 below.
- 4.17 Procurement programmes for Options C and D are attached at Appendix 4.
- 4.18 The procurement option D in 4.15 is recommended because it minimises the risk of losing the Bidders early on in the dialogue process, it is the most cost effective route for the Bidders and for the GLA and allows competitive tension to be retained during an initial period of detailed dialogue on the key issues.
- 4.19 The indicative timetable for the recommended procurement process is set out in the table below:

Procurement Process- Key Steps	Activity/Key Decision Point	Key Dates
Test the Market	Expressions of interest sought in the project	1 Jun 2011-30 Jun 11
Publish Notice in the OJEU	Official notice placed of the intention to procure a partner and invite parties to respond by completing a pre- qualification questionnaires (PQQ)	25 Jul 11
Key Decision Point: Shortlist Bidders selected to participate in dialogue process based on track record and standing		12 Dec 11
Competitive Dialogue	Shortlisted Bidders invited to submit	15 Dec 11
Stage 1	Outline Solutions for the development (ISOS)	12 Mar 12
Key Decision Point: 3 shortlisted Bidders selected based on evaluation of Outline Solutions.		14 May 12
Detailed Dialogue Stage 1	Continue dialogue in more detail with three shortlisted Bidders to evolve their outline solutions and refine commercial terms. Select Bidder(s) with whom to have Development Agreement dialogue.	1 June 12 - 27 Jul 12
Detailed Dialogue Development Agreement Stage	Dialogue with bidders on detailed documents including interim down selection and decision.	27 Jul 12 – 24 Aug 12 (Interim down selection) 24 Aug 12 – 16 Nov 12
Check point – can dialogue be closed?	Evaluation of Bidders position on DA	Oct 12
Key Decision Point: pre-Final Tender(s)		Oct 12
Final Tenders submitted	BAFO style final tender + agreed DA	Dec 12
Preferred Bidder chosen	Clarification and contact	Jan 13

Budget

- 4.20 Due to the specialist nature of the procurement a number of external advisors have been engaged to support the in-house team with the procurement process to date. These include property, legal and financial advisors as well as external project management and commercial support. It will be necessary to retain this level of external specialist support through the detailed dialogue process with the shortlisted Bidders; to assist in the evaluation and selection process; and to draft the necessary legal documents to form the development agreement.
- 4.21 The procurement process will be time intensive for the staff running the project between May and December. It will also require support from the TfL legal team to manage the process with external lawyers. The table below sets out the forecast costs for external advisors to support the internal resources within the Land and Development team to complete the procurement process and the initial stages of the planning process with the preferred developer:

Budget Cost	£
Property & Commercial Advisors	235,000
Legal	<u>175,000</u>
Finance	100,000
QS Advisors	15,000
Project Management, Planning/surveys	75,000
Contingency	100,000
Total Estimated Cost	700,000

- 4.22 It is recommended that, owing to the nature of procurement processes, in approving the budget, the Executive Director of Housing and Land will have flexibility to vary the allocation to budget heads as required. However, further approval would be required for use of the contingency.

Other Approaches for the Site

- 4.23 Outside of the procurement process for a development partner, two direct offers for the freehold purchase of parts of the RAD site have been received from educational institutions. These offers cannot be considered while this procurement process is ongoing. On that basis these interested parties will be referred to the shortlisted developers participating in the procurement as potential end-users for their schemes.

5 Risks arising / mitigation

- 5.1 As well as the specific procurement risks identified above, general risks associated with the project are reviewed regularly at project board meetings. The top ten risks identified, in addition to those above, are shown in an extract from the risk register at Appendix 5.
- 5.2 The key commercial project risks are set out below. The legal risks are set out in Appendix 3.

Key Commercial Risks

- GLA does not appoint a developer at the end of the procurement process having spent circa £700,000.
Mitigation: We will have a good sense check at the Interim Down Selection gateway and can review GLA's position at that time. However, there would still be no guarantee of the procurement outcome.
- Lack of commercial tension if only one Bidder goes through the Interim Down Selection gateway.
Mitigation: Have clearly defined parameters of the issues that would be dialogued following the down selection, a robust timescale for the dialogue process, together with providing, at the outset of this stage, the bidder with clear details of the issues that will be tested before the dialogue is closed.
- GLA enters into a development agreement with a bidder and it fails to deliver the promised phase 1 occupiers.
Mitigation: We will require a detailed Business Plan at the Interim Down Selection gateway. We will seek from the bidders within the second stage of the detailed dialogue additional comfort via a further developed Business Plan and evidence of occupier engagement and in principle commitment.
- Possible withdrawal from the procurement process by one or more bidders with consequent loss of competitive tension during the procurement process.
Mitigation: Procurement process that minimises bidder costs, until they are through the mid-detailed dialogue gateway (this description could be used throughout).
- The procurement may result in a Developer who is willing to work with the GLA but who has not got occupiers or doesn't want to build a speculative 1st phase.
Mitigation: The development agreement will have controls over what is delivered and when, to ensure performance, and provisions to ensure that GLA can get back the land in the event of non-performance.
- Bidders start to lose interest if the procurement process is perceived to be losing momentum.
Mitigation: GLA to commence the next stage of the procurement process on 21st May.

6 Financial comments of the Executive Director Resources

- 6.1 As this procurement is already in progress some level of funding will be required.
- 6.2 The recommended approach is considered to be likely to deliver the most acceptable outcome and the proposed virement would enable this approach to be

funded without creating a further budget pressure.

- 6.3 The Regeneration Team programme budget comprises £800k of revenue and £600k of capital funding. In March, IPB approved a bid of £230k for completion of the Silvertown Quays procurement against this budget, so £470k remains.
- 6.4 It is estimated that £65k of the proposed £175k legal budget would be spent in reaching the mid-detailed dialogue gateway.
- 6.5 Further IPB approval would be sought before any use was made of the £100k contingency.

7 Next steps / conclusion

- 7.1 Subject to the budget being approved, the next step is to commence the Detailed Dialogue Stage straightaway and progress the procurement through to December 2012, in order to select an acceptable development partner.

Appendices

- Appendix A - Memorandum of Information (MOI)
- Appendix B - Criteria used to evaluate the Outline Solutions
- Appendix C – Legal Issues Option Analysis
- Appendix D - Procurement programmes for Options C and D
- Appendix E - Top 10 risks from the project risk register
- Appendix F – Stage 2 Report



ROYAL DOCKS DEVELOPMENT PARTNER SELECTION

Memorandum of Information for Pre-Qualification Questionnaire



MAYOR OF LONDON

CONTENTS	Page
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Appendix A

<u>SECTION 1</u>	INTRODUCTION	
<u>1</u>	Forward	
<u>2</u>	The Opportunity	
<u>SECTION 2</u>	THE VISION	
<u>SECTION 3</u>	THE CONTEXT	
<u>1</u>	Introduction	
<u>2</u>	Planning	
<u>3</u>	Enterprise Zone	
<u>4</u>	Green Enterprise District	
<u>5</u>	Royal Docks Vision	
<u>6</u>	Royal Docks: Parameters for Development	
<u>7</u>	More Detailed Documentation	
<u>8</u>	Stakeholders	
<u>SECTION 4</u>	THE COMPETITION	
<u>1</u>	The Process	
<u>2</u>	Responses	
<u>3</u>	Project Team	
<u>SECTION 5</u>	LEGAL AND FINANCIAL FRAMEWORK	
<u>APPENDIX 1</u>	London Borough of Newham and Greater London Authority's planning policy requirements	

Section 1 – Introduction

1.1 Forward

“The regeneration of the Royal Docks is the most exciting development opportunity in London and an absolute priority for us both. We are determined to make this happen and to put our joint efforts into taking quick decisions, streamlining processes and working with private sector partners to enable delivery.”

Boris Johnson, Mayor of London and Sir Robin Wales, Mayor of Newham

“This is the last great opportunity of this scale in London. We are committed to finding world-class developers who can deliver our vision for the Royal Docks Enterprise Zone. As the London Development Agency closes, there is no better testimony to the value it has created over the years for London. The work started by the London Development Agency with Newham will seamlessly be taken forward by the Greater London Authority and its continuing relationship with the Borough, a new approach that has created speed and certainty for developers.”

Sir Peter Rogers, Mayoral Adviser for Regeneration, Growth and Enterprise

With 122 hectares of prime waterfront land, London's Royal Docks is one of the most exciting development opportunities in the world – a place for investors who share the vision of the London Development Agency and its partners to create a new and truly spectacular business, residential and leisure destination.

The London Development Agency is looking for partners and investors with whom it wishes to establish the Royal Docks as an exciting place to live and work. There has never been a better time to invest in the Royal Docks.

The 2012 Olympic and Paralympic Games has put East London in the international spotlight and is driving change at an unprecedented pace. The Mayor of London has established the Green Enterprise District stretching across East London making the Royal Docks an ideal base for high-tech industries/ manufacturing, research & development, and green enterprise.

The Royal Docks has also recently been awarded Enterprise Zone status by the UK Government, which will mean businesses locating to the area will benefit from business rates relief over five years as well as a simplified planning approach to development within the zone. Further details of this are provided at 3.3 below.

Appendix A

Decades of investment in transport infrastructure, including City Airport, have made the Docks one of the best connected destinations in Europe and the arrival of Crossrail, in 2018, will provide high speed links to central London and Heathrow.

The Royal Albert Dock site is one of the largest vacant sites in the centre of the Royal Docks, benefiting from a prime waterfront location by the Albert Dock. The LDA is seeking a development partner to lead on this exciting regeneration opportunity, where the aspiration is to bring forward development which will provide a range of employment and ancillary uses for the London and Royal Docks.

Recent and emerging development adjacent to the site includes the extension of the University of East London and the completion of Building 1000. The LDA is owner of land to the west of the site where it has contracts for sale agreed for 3 parcels of land for hotel proposals. The first of these agreements is due to commence on site in August 2011. The remaining two are progressing planning applications.

The London Development Agency is now starting the process to select a development partner. The first stage in this process is for Applicants to submit a completed Pre-Qualification Questionnaire ("PQQ"). This first stage concentrates on the capabilities experience and financial standing of Applicants. Shortlisted Applicants will be asked to come up with their proposals for the Royal Albert Dock site. Any developer who wishes to have the opportunity to submit proposals must submit a completed PQQ (the PQQ can be requested by emailing royalalbertdock@lda.gov.uk) More information on how the developer selection process will work is contained in Section 4.

A separate procurement exercise is also being undertaken in relation to the nearby LDA owned Silvertown Quays site. Applicants are entitled to bid separately for either or both of the Silvertown Quays and Royal Albert Dock sites. However, at the next stage of the procurement process the LDA may also decide to consider any submissions from bidders which encompass both sites within a single solution. Applicants who are interested in both sites should at this stage submit separate PQQ responses in respect of each site.

The Mayor of London and the Mayor of Newham are committed to working closely together with the London Development Agency to smooth the process of bringing forward development proposals in the Royal Docks.

The project will also continue seamlessly when the London Development Agency's land assets and its regeneration team transfer to the Greater London Authority (GLA) in March 2012 following the Agency's closure pursuant to the Localism Bill. Both organisations are fully supportive of the importance of this project for the economic development of London and the Royal Docks in particular, and have appropriate resources and processes in place to support the procurement and the timetable set out in the PQQ.

Appendix A

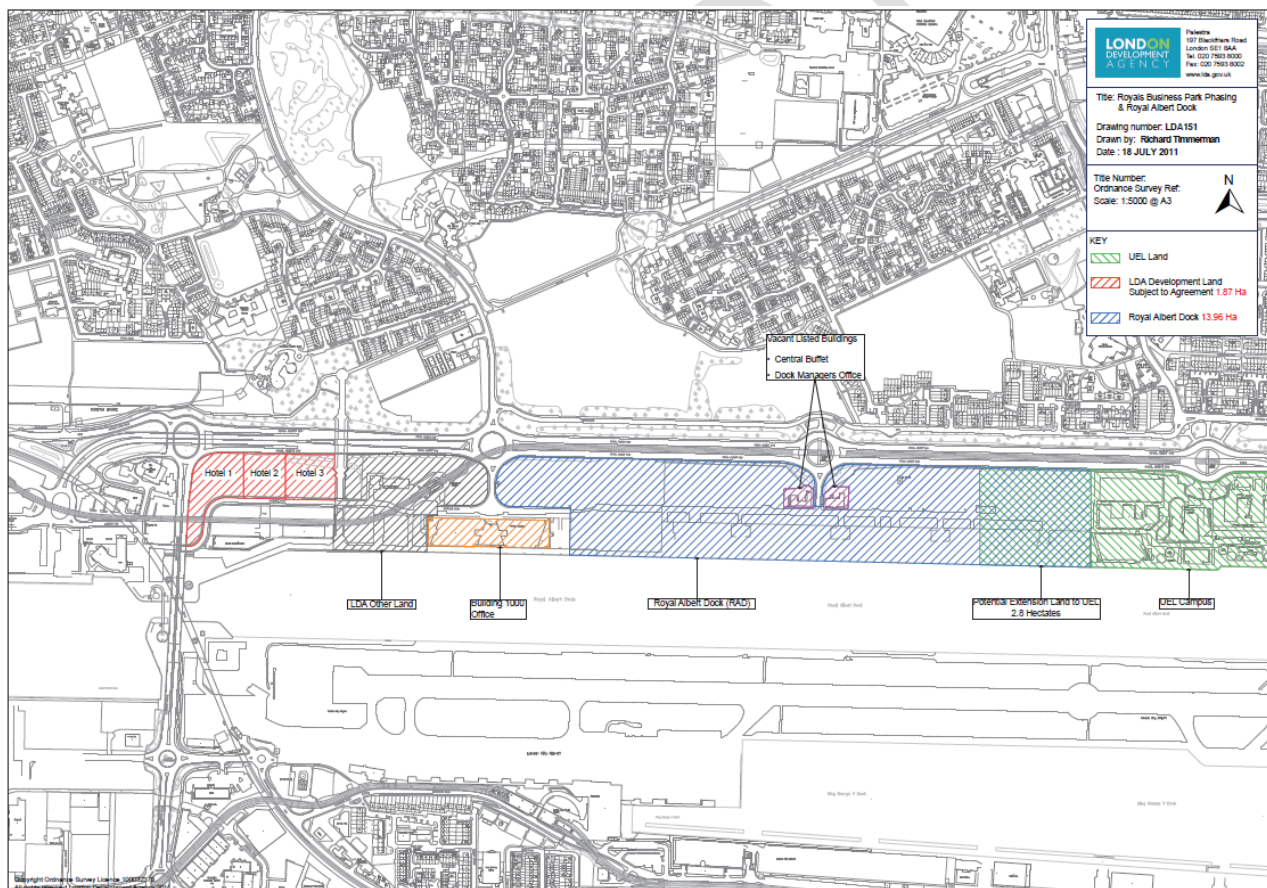
It is anticipated that the successful Applicant will be selected and that the completion of the legal agreements will take place after March 2012, and that therefore the GLA and not the LDA will be the contracting party.

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1.2 The Opportunity

Royal Albert Dock provides an unrivalled opportunity to create and invest in a world-class business destination whilst also playing a key role in shaping London's future.

Royal Albert Dock is approximately 13.9 hectares (34.5 acres) of mainly cleared land with 2 historic listed buildings which are currently vacant. The site adjoins the University of East London ("UEL") on its eastern boundary, with a modern office scheme on its western edge with London Borough of Newham as the principal tenant. The site occupies a high quality waterside location on the north side of the Royal Albert Dock, opposite London City Airport. The freehold of the site is owned by the LDA and is shown on the site plan.



The opportunity exists to bring forward a market led development solution for the site, taking into consideration the ambition of the LDA and its partners, the Greater London Authority ("GLA") and London Borough of Newham to see the creation of a world-class business location, at the cutting edge of high technology industry, green enterprise and/or research, and an international forum for the exchange of

Appendix A

knowledge and ideas. Such a development should include appropriate supporting uses, which could include leisure, retail, health, education etc. This is not a prescriptive or exhaustive list.

The site benefits from exceptional transport links including the Docklands Light Railway (DLR) via Royal Albert and Beckton Park stations, the Jubilee Line underground stations at Canning Town and North Greenwich, the Thames Cable Car Link which will open in 2012, City Airport, and Crossrail which will be delivered at Custom House (adjacent to ExCel) in 2018.

The site also benefits from its proximity to major business and tourism destinations including the O2 Arena, ExCel International Exhibition Centre, Canary Wharf, Westfield Stratford shopping centre and the Olympic Park, as well as the Siemens Urban Sustainability Centre, a £30million visitor attraction, research facility and showcase for sustainable technologies due for completion in 2012. The Royal Docks also forms part of the wider Green Enterprise District (GED).

Section 2 – The Development Brief

The LDA and London Borough of Newham have identified a 10 point vision for the future of the Royal Docks:

1. Develop the Royal Docks as a world class business destination within the knowledge economy
2. Promote the Royal Docks as a focus for investment on a world stage building on opportunities presented by the 2012 Olympic Games
3. Make the Royal Docks a place of choice to live
4. Champion green enterprise and environmental sustainability
5. Ensure that development positively benefits the local communities
6. Exploit the potential for a visitor and tourist economy
7. Create a unique and high quality waterfront urban quarter with a strong sense of place
8. Improve cross river and local connectivity
9. Communicate openly and clearly
10. Make it happen

Royal Albert Dock

The approximate 34.5 acres (13.9 ha) Royal Albert Dock site is one of the largest development opportunities in the Royal Docks and one of the largest across London as a whole. The LDA is seeking a development partner to deliver an employment generating scheme on the site which addresses some or all of the Key Principles below.

The LDA does not wish to be prescriptive regarding the overall mix and quantum of development on the Royal Albert Dock site. It does, however, wish to satisfy a number of key objectives via a development which:

Key Principles

- Seeks to create a world-class business destination
- Is employment-led mixed use development capitalising on the presence of existing assets, such as City Airport, the University of East London ("UEL"), Excel, and the waterfront aspect, as well as the area's excellent highways and public transport access
- Is centred upon delivering high-tech, knowledge-driven, Research and Development activities, or similar, as opposed to traditional industrial/ warehouse uses
- Integrates complimentary 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
- Generates a critical mass of development early on in the development scheme

Appendix A

- Is connected to, and integrated with the surrounding area
- Aspires to high quality design and environmental sustainability principles
- Maximises the use and public realm opportunities presented by the waterfront location whilst animating and facilitating public access and use of the Dock edge.
- Is sustainable and in keeping with the aspirations of the Green Enterprise District
- Delivers refurbishment, reuse and integration of existing historic (Grade II listed) buildings (Central Buffet and the former Dock Managers Office) within new development
- Creates a link from Beckton District Park to the Dock edge, enhancing access for local residents to new employment and training and leisure opportunities
- Achieves an appropriate financial return for the LDA, including the opportunity to share in the ongoing success and regeneration of the site, in addition to the potential to receive an initial upfront capital payment

UEL is located at the east end of the Royal Albert Dock site. The LDA is keen to explore with Applicants how the future expansion of the University can be secured in a way that integrates with and supports the overall development of the Royal Albert Dock site. It is possible that an area of the Royal Albert Dock site up to 7 acres (2.8 ha) may be withdrawn to facilitate this. If this happens Applicants will be notified by January 2012. It is possible that wider synergies with the University will assist development. Further information will be available to Applicants at Outline Solutions stage of the procurement process.

Section 3 – The Context

3.1 Introduction

Much work has been undertaken in order to understand the context for development at Royal Albert Dock and the wider regeneration of the Royal Docks and to create a positive opportunity for development. A brief summary of some of the key issues is provided below. Further information, including links to many of the key documents, are available on the project website www.royalalbertdock.com via the link to the associated data room. It is anticipated that the documentation available in the data room will be added to as the development partner procurement exercise progresses through successive stages. Adequate information will be made available for each stage of the selection process.

3.2 Planning

The Royal Docks benefits from an existing and emerging planning policy regime which actively promotes sustainable regeneration, growth and private sector investment. Planning policy is established by the Mayor of London and the London Borough of Newham. The policy context has evolved over the past decade to emphasise the regeneration potential of the Royal Docks with existing policies both at a strategic and local level currently being revised. Appendix 1 of this document contains the London Borough of Newham and Greater London Authority's planning policy requirements for the Royal Albert Dock site for guidance purposes.

The London Plan

As the Mayor's spatial development strategy, the London Plan provides a framework for development over the next 20 – 25 years. The Consolidated London Plan 2008 identifies the Royal Dock as one of London's strategic Opportunity Areas; major areas of regeneration potential with the capacity to accommodate substantial new homes and jobs. The Royal Docks is also located within a designated Area of Regeneration. This recognises the importance of ensuring that the physical transformation of the Royal Docks positively benefits local communities.

The London Plan is currently going through a process of replacement, with a 'Replacement London Plan' expected to be published in late 2011. The consultation draft retains the Royal Docks as a Strategic Opportunity Area within a wider Area of Regeneration and sets out revised housing and employment targets for Opportunity Areas, stating that the Royal Docks, together with Beckton Waterfront, should accommodate 6,000 new jobs and 11,000 new homes by 2031.

Newham Unitary Development Plan (UDP)

Until the adoption of the Core Strategy in 2012, the Newham UDP, adopted in 2001 remains the statutory development plan for the borough.

The UDP recognises that the Royal Docks are the largest development opportunity in the Borough, with its enormous potential based upon its proximity to central London, excellent local, national and international communications and its unique environmental quality. The overarching strategy for the Royal Docks includes the following key components:

- Major high quality employment generating mixed use developments;
- The creation of new residential communities that are integrated with the established settlements around them and incorporate a full range of social and community facilities; and
- The development of a spectacular built and natural environment focused on the landscape quality of the Docks and the River Thames.

Royal Albert Dock is designated as a Major Opportunity Zone (MOZ 9 - Royal Albert Docks, North Side) which identifies the area as a key opportunity for development of a high standard of landscape and building design which reflects its prominent location, excellent accessibility and quayside amenity. The following uses would be considered appropriate; B1 business use in the form of a science/business park with ancillary retail and leisure facilities and a high education institute with ancillary uses.

Newham Core Strategy

Newham's Unitary Development Plan is currently in the process of being replaced by the Borough's Local Development Framework (LDF). The Core Strategy Submission Draft has been submitted to the Secretary of State and will be subject to an Examination in Public in the autumn of 2011. Once adopted in 2012, it will provide the overarching local planning policy for the Royal Docks. The emerging policy is evolving to provide a framework which encourages sustainable development, investment and environmental improvement to achieve the regeneration vision for the area.

The Royal Docks is identified as one of the 3 main development foci within Newham's 'Arc of Opportunity', stretching from Stratford and the Olympic Park, down the Lower Lea Valley and east through the Royal Docks to Beckton. It is in this corridor that the majority of the Borough's growth will be located up to 2027.

The Core Strategy promotes the Royal Docks as a world class business destination within the knowledge economy, and a focus for investment on a world stage, building on opportunities presented by the Olympics. The objective is that the area will develop a nationally significant niche in low carbon and high technology industries and will have a significantly expanded visitor and tourist economy, becoming a thriving leisure destination.

The Core Strategy is seeking the designation of the Royal's Business Park as an Employment Hub promoting business and education uses, building on the strengths of the University of East London and

capitalising on land available for innovative high tech manufacturing and research and development. Linkages to Beckton Park will be sought bringing the park into the Dock and enhancing access for local residents to new development and training opportunities.

3.3 Enterprise Zone

The Royal Docks, of which Royal Albert Dock forms part, was awarded Enterprise Zone (EZ) status by the UK Government in March 2011.

The key benefits of EZ status include:

- 100% business rate discount up to £275,000 over five years for businesses moving into an EZ, provided occupancy commences by April 2015.
- All business rates growth in the zone for at least 25 years will be retained and shared by the London Enterprise Partnership.
- The UK Government and London Borough of Newham and GLA will help to develop radically simplified planning approaches in the Royal Docks EZ
- Government support for roll out of superfast broadband in the zone, and could include funding

The GLA (supported by LDA) and London Borough of Newham are in ongoing discussions with central Government regarding the detailed arrangements relating to EZ status, including the negotiation of potential additional benefits. The area to which the business rates discount will apply is yet to be agreed by central government.

Details of the final terms for the Enterprise Zone are expected later this year.

Further Government information regarding the Enterprise Zone is within the attached link.

<http://www.communities.gov.uk/documents/localgovernment/pdf/1872724.pdf>

3.4 Green Enterprise District

As London's most significant regeneration and growth opportunity, East London is pivotal to the city's transition to a low carbon economy.

Working with a range of partners including the London Boroughs of Havering, Barking and Dagenham, Newham and Tower Hamlets, the London Thames Gateway Development Corporation, the Homes and Communities Agency, the Institute for Sustainability and the Environment Agency, the LDA has developed

proposals for the Green Enterprise District (GED) which covers some 48 sq.km of land in East London. The work undertaken sets out a route map to create a thriving economic region, which could lead the world in developing and providing low carbon goods and services.

The district is already home to exemplar new projects such as the 2012 Olympic and Paralympic Games, and the Sustainable Industry Park. These add to existing strengths of the region such as Canary Wharf, ExCel, Rainham Marshes and the significant new development pipeline and land availability.

Attached is a link to the LDA web site with more information on the Green Enterprise District.

<http://www.lda.gov.uk/publications-and-media/publications/green-enterprise-district.aspx>

3.5 Royal Docks Vision

As highlighted in Section 2, above, the Mayor of London and the Mayor of Newham have prepared the Royal Docks Vision, outlining the history of the Royal Docks, the challenges and opportunities which lie ahead, and setting out a 10 point vision.

This document is available via the data room within the Royal Albert Dock project website.

3.6 Royal Docks: Parameters for Development

The Parameters for Development document builds upon the vision for the Royal Docks, and is intended to provide a baseline position for occupiers, developers, and investors. The document seeks to clarify the parameters for the sustainable regeneration and development of the Royal Docks, and to inform subsequent masterplanning work and planning applications.

The document covers a range of key development parameters including:

- Land ownership and use
- Planning policy
- Accessibility and movement
- Infrastructure
- Integrating communities
- Environmental parameters

Separate sections of the document concentrate on different locations within the Docks including the Royal Albert Dock area. This provides more detailed information on a range of relevant issues including:

- Access
- Heritage and Assets

- Flood risk
- Noise
- Infrastructure
- The London City Airport Public Safety Zone
- Communities and Facilities
- Existing and Proposed Development Projects

Again, this document can be found in the data room at www.royalalbertdock.com

3.7 More Detailed Documentation

The LDA will progressively make available more detailed legal and technical information appropriate to the stages of the developer selection process.

3.8 Stakeholders

In addition to the London Development Agency, there are a number of public sector stakeholders who have, in varying capacities, an interest in the Royal Albert Dock site. These include:

- London Borough of Newham, both from a regeneration perspective and as local planning authority
- The Greater London Authority (GLA), as the strategic planning and regeneration body for London and will take ownership of the LDA's land assets following the LDA's closure in March 2012 pursuant to the Localism Bill.
- From 1 April 2012 GLA will be responsible for all LDA land assets.
- The Royal Docks Management Authority Ltd (RoDMA) – RoDMA holds a 225 year lease of the entire water areas of the Royal Docks and is responsible for their management

Applicants are not to make contact with these stakeholders in relation to the Royal Albert Dock project. The LDA will provide an opportunity for Applicants to receive a briefing(s) from key stakeholders as the procurement process progresses. In particular, it is anticipated that LB Newham will be involved at key stages and that contact with LB Newham planners will be offered by the LDA as Applicants begin to formulate their proposals for the site in the next stage of the selection process.

Section 4 – The Competition

4.1 The Process

The process to select a development partner for the Royal Albert Dock site will take place in clearly defined stages. The LDA has structured the developer selection process in accordance with the regulated procurement regime¹.

The LDA is mindful of the time and cost implications for Applicants, and so has developed a developer selection process that is as efficient and streamlined as possible whilst working within the constraints of the regulated procurement regime.

Applicants who are familiar with the competitive dialogue process will find the process streamlined. Further information relevant to each stage of the developer selection process will be issued stage by stage.

The first stage of the Developer Selection process is the Selection Stage and is concerned only with the capability, experience and financial standing of Applicants and not with the proposals that Applicants may wish to bring forward for this project. Responses to the PQQ will be evaluated using the criteria set out in the PQQ and will be used to select up to eight Applicants (assuming that there are sufficient suitable Applicants) to be invited to take part in the next stage.

Only Applicants who have been shortlisted on the basis of their PQQ response will be invited to come forward with their proposals for the Royal Albert Dock site.

Shortlisted Applicants will be asked to engage in a structured discussion with the LDA known as a competitive dialogue. The first stage will be short. Applicants who have been shortlisted will be invited to prepare their Outline Proposals for the Royal Albert Dock project. As Applicants are preparing their proposals they will meet with the LDA team to discuss key aspects of the requirement so that Applicants have the best opportunity to establish that their Outline Solutions meet the LDA's requirement. Outline solutions will be evaluated using the criteria given to Applicants at the start of the stage. At the end of the first stage it is anticipated that the number of Applicants will be reduced to three or possibly four.

The selection process will then continue into a more intense stage of structured meetings with the LDA team whilst the three or possibly four Applicants develop Detailed Proposals. The competitive dialogue will

¹ By the regulated procurement regime we mean the legal regime consisting of various principles (including the principles of transparency; equal treatment; non-discrimination; mutual recognition and proportionality) flowing from the Treaty on the Functioning of the EU (TFEU); Directives 2004/18/EC and 2007/66/EC; the Public Contracts Regulations 2006 (as amended) ('the Regulations') and relevant case law of the European Court of Justice (ECJ) and the High Court.

Appendix A

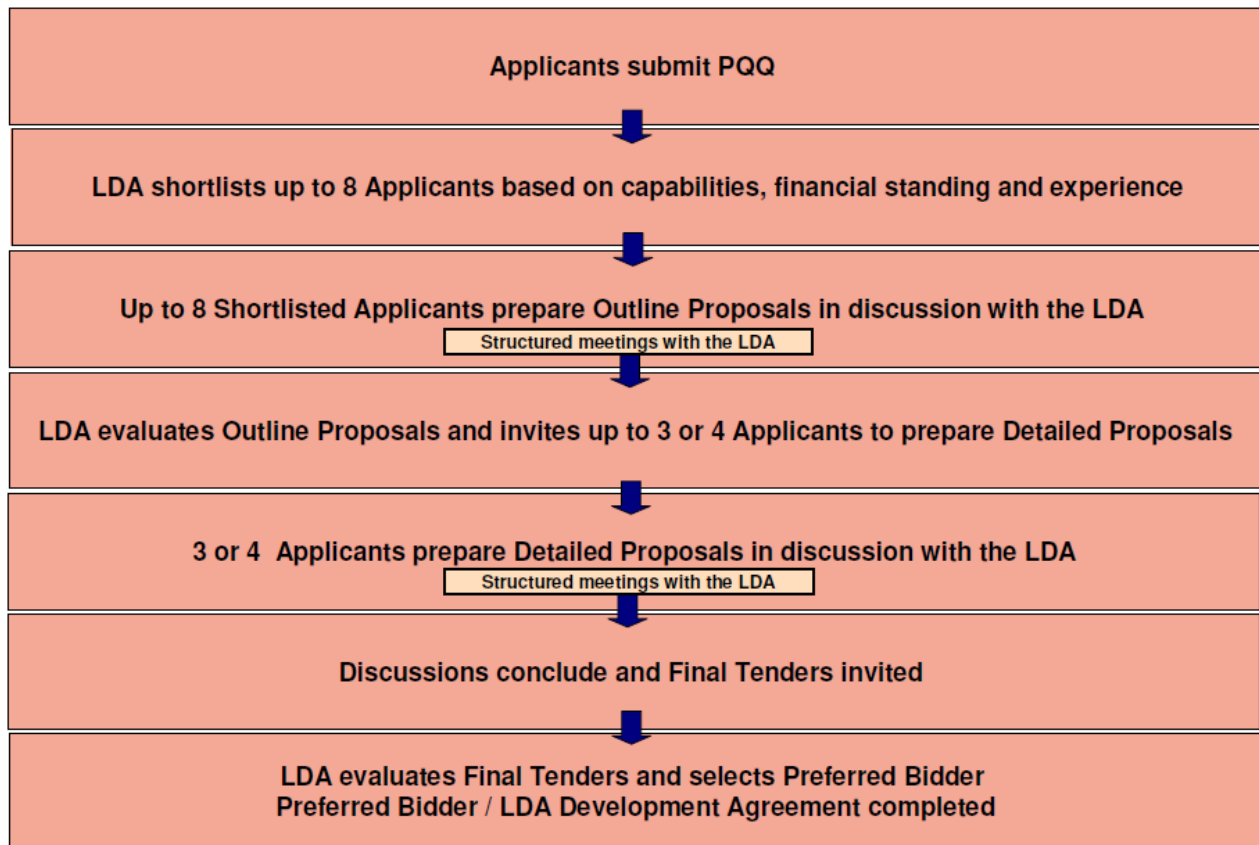
continue until the LDA can identify that its requirement can be met. Applicant will then be invited to submit a Final Tender response and detailed financial proposals which will be evaluated in accordance with the evaluation criteria set out at the beginning of that stage in order to select the successful Applicant.

Further details of the competitive dialogue phases, and what is required of the Applicants, will be provided in the Invitation to Submit Outline Solutions (ITSOS) to be issued in October.

At this stage, the timetable is subject to confirmation and the LDA reserves the right to amend the timetable as the project progresses.

OJEU/ PQQ Stage	Proposed Date
OJEU Notice published and MOI / PQQ made available	25 July 2011
Return of PQQ	7 October 2011
Notification of result of PQQ evaluation / Invitation to Submit Outline Solutions	24 October 2011
Competitive Dialogue Stage 1 – Up to eight bidders	
Invitation to Submit Outline Solutions	24 October 2011
Bidders return Outline Solutions	December 2011
Notification of shortlisted bidders / Invitation to Submit Detailed Solutions	January 2012
Competitive Dialogue Stage 2 – With three to four bidders	
Invitation to Submit Detailed Solutions	January 2012
Receive Detailed Solutions	March 2012
Call for Final Tenders	April 2012
Provisional selection of Developer	May 2012

The stages of the Developer selection process are shown in the diagram below



4.2 Responses

Bidders who wish to be considered for the next stage of this procurement process should request a PQQ from royalalbertdock@lda.gov.uk and submit a completed response together with all relevant information / attachments in accordance with the instructions in the PQQ, not later than **2.00pm on 7 October 2011**. All PQQ submissions must be made in accordance with the instructions in the PQQ

Should you experience any problems in submitting your completed PQQ, please contact:

royalalbertdock@lda.gov.uk

4.3 Project Team

The LDA's advisors are:

Property advisor

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

Legal advisor:

Burges Salmon LLP
Chancery Exchange
10 Furnival Street
City of London
EC4A 1AB

Burges Salmon LLP
One Glass Wharf
Bristol
BS2 0ZX

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Section 5 – Legal and Financial Framework

Once a developer has been selected, they will enter into a development agreement in accordance with the detailed heads of terms which will have been the subject of dialogue during the Detailed Proposals stage. Bidders are reminded that in accordance with the regulated procurement regime only clarification of this documentation will be permitted, following the close of the dialogue stage and the submission of Final Tenders.

Following signing of the Development Agreement, the appointed developer will be responsible for proceeding with, inter alia, the preparation of an appropriate planning application and the construction of the development.

In terms of land transfer, it is envisaged that a long leasehold interest in the site will be granted following practical completion of a phase (or achieving other milestones), but the LDA is willing to look at alternative proposals which ensures delivery of the proposals. Depending upon the precise nature of the agreed development and financial proposals which emerge from the Competitive Dialogue procedure, land maybe drawn down by the appointed developer in phases to reflect an agreed phasing programme for the project.

The LDA will be seeking fully transparent “open book” accounting during both the procurement and development stages, and will expect to receive an appropriate return, as and when land is drawn down. The LDA may be minded to defer payments for successive stages of development, until development is substantially complete, if this will assist in ensuring the overall viability of a development which meets the LDA’s key objectives while still achieving a reasonable developers return.

The LDA is keen to explore innovative financial arrangements relating to the delivery of the development. The LDA expects to receive its financial return from some or all of the following mechanisms:

- Initial upfront payment upon exchange of conditional development agreement
- Agreed capital payments as land is drawn down in tranches
- Deferred payment for specific tranches of development (please see above)
- Fixed or geared ground rent
- Ability to share in the financial success of specific elements of the development proposals
- Provision of specific income producing assets (or an SPV) to maintain an income stream

Appendix A

Further guidance on the LDA's detailed estates, financial and legal requirements will be provided, as appropriate, during later stages of the developer selection process.

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Appendix 1 – London Borough of Newham and Greater London Authority's planning policy requirements

Summary of planning requirements for Royal Albert Dock

London Borough of Newham and Greater London Authority, July 2011

This note presents a brief summary of the requirements for development on Royal Albert Dock as set out in planning policy.

Planning Policy Documents

The statutory development plan for the borough comprises the Unitary Development Plan (UDP), adopted in 2001, and the London Plan. However, policies in the Local Development Framework (LDF) Core Strategy are gaining 'weight' as the document progresses - currently the 'weight' accorded is assessed on a case-by-case basis.

The Core Strategy was submitted to the Secretary of State on March 31st 2011, at which point the Examination process commenced, and a Hearing has been provisionally arranged for September (to be confirmed shortly). Publication of the Inspector's report is expected in early 2012 and adoption anticipated in Spring 2012.

A new London Plan is due to be adopted in July 2011 and relevant policies will apply in Newham from that date.

Objectives for the Royal Docks

Existing and emerging planning policy supports the development of the Royal Docks into a world class business destination within the knowledge economy, and a focus for investment on a world stage, building on opportunities presented by the Olympics.

The area will develop a nationally significant niche in low-carbon and high technology industries, and will have a significantly expanded visitor and tourist economy, becoming a thriving leisure destination for Londoners and visitors alike. Cross River and local connectivity will be improved to enhance the links between the Royal Docks and the surrounding areas.

The Royal Docks will become a unique and high quality waterfront urban quarter; today's fragmented residential development will become consolidated into a number of distinct neighbourhoods. The predominantly industrial nature of the docks will shift over the next 10-20 years to a more balanced and higher value employment offer, well integrated with the existing and emerging neighbourhoods, which opens up the waterfront with increased access to the River Thames and dock water spaces.

General Principles for development across the Royal Docks

- Development of uses that maximise employment opportunities and ensure the deliverability of jobs;
- Development that makes the most of the unique water spaces of the Docks including creating activity on and near the water;
- High quality architecture and landscape architecture;



















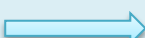
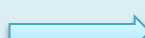
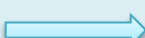
- Creation of readily identifiable, connected and integrated places where people will choose to live, work and stay;
- Development of a legible and permeable street grid to a walking scale;
- Public accessibility through the sites and along and to the waterfront;
- Taller buildings may be appropriate within the Royal Docks subject to proximity to high volume public transport links, impact on heritage assets and views and height restrictions related to London City Airport (generally the maximum permitted height is 50 metres subject to location but potential developers are recommended to have early discussions with the airport),
- Noise mediation to mitigate impacts from London City Airport and Crossrail;
- Improved pedestrian/cycle routes to surrounding areas and transport hubs;
- Major developments will need to meet requirements for sustainable design and construction (residential – Code for Sustainable Homes ‘Level 4’, commercial – BREEAM ‘Very Good’);
- Local energy generation and district heating to be encouraged throughout the area with major developments being required to link to existing networks or demonstrate how the design makes provision for future connection. Major development proposals should select energy systems in accordance with the following hierarchy:
 - connection to existing heating or cooling networks;
 - Site wide CHP network;
 - Communal heating and cooling

Royal Albert Dock







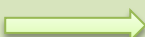
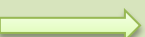
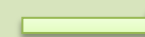
In a key location with significant dock frontage, good public transport (Docklands Light Railway) and excellent access to the Strategic Road Network, development on this site should drive employment growth in the Royal Docks.

- Promotion of business and education uses and the knowledge economy, building on the strengths of the adjacent University of East London campus and land availability for innovative high tech manufacturing and research and development;
- Avoidance of large footprint warehouse type buildings that do not contribute to place making or create street level activity;
- Refurbishment, reuse and integration of existing historic (Grade II listed) buildings (Central Buffet and the former Dock Managers Office) within new development;
- Creation of a link from Beckton District Park to the Dock edge, enhancing access for local residents to new employment and training and leisure opportunities;
- Activate the dock edge, with potential for waterside leisure uses;
- Continuation of dock edge public footpath from UEL to Newham Dockside.




Vision and Content: 50%

		OUTLINE STAGE ISOS		DETAILED STAGE ITCD		Reasons for refinement
Delivery of vision		15%		10% (- 5%)		We understand core vision; now need clarification on delivery
Animating the waterfront		2.5%		2.5%		No change
Design & development process		5%		2.5% (-2.5%)		Strong teams already put forward suggest they are reconfirmed
Employment opportunities		15%		15%		No change
Occupier strategy		5%		10% (+ 5%)		Important to understand how they will attract occupiers from the required sectors
Sustainable development		5%		2.5% (- 2.5)		Broad principals understood and planning system will require a high level of sustainability. Understand application to RAD.
Managing Town Planning & Design Risks		2.5%		7.5% (+ 5%)		Planning will become more important as it will dictate speed of delivery. Method statement required from Planning Consultant.

Financial Return & Delivery Programme: 30%

Land value strategy		10%		10%		No change
Development appraisal		10%		5% (- 5%)		Ask for updates based on any recent discussions.
Early delivery		10%		15% (+ 5%)		Greater emphasis placed on GLA requirement for early delivery of a (given) size phase at a known date.

Contractual Terms: 20%

Contractual risk		5%		20%		Will now integrate both of these headings into the Commercial Risk Matrix. A minimum threshold will be set at 50%, or 10 % of 20%.
Security package & development financing		15%		0%		

1 LEGAL RISKS AND MITIGATION STRATEGY

The competitive dialogue procurement adopted for the RAD project allows the GLA to maintain a level of flexibility during the process, but care is needed to make sure that unnecessary risks are avoided and risks that cannot be avoided are mitigated against in order to minimise the risk of challenge.

The Key EC Treaty principles of equality of dealing, and transparency guide the procurement and the judgements that have to be made during its process.

The Outline Solutions stage of the selection process has clearly signposted the GLA's requirements to bidders and the basis on which their Outline Solutions are to be evaluated. As the procurement progresses, the evaluation criteria can be refined as the GLA requirements for the site become clear so that a consistent and incremental process of evaluation takes place. This is done progressively to avoid grounds for a bidder being able to advance a case that they have been unfairly discriminated against.

In the development and regeneration sector bidders are often reluctant to commit the significant resources required to a selection process until the field narrows sufficiently to improve the odds of securing the award of a contract. This and the challenging nature of the RAD site, given the GLA and London Borough of Newham aspiration for a high tech knowledge driven employment use, have influenced the design of the procurement strategy from the start.

Care must be taken not to relax a requirement in the remaining stages of the procurement that might discriminate against a prequalified party who did not proceed to submit an Outline Solution or a party which did so, but who is not taken to the detailed solutions stage.

Under the terms of the ISOS, the RAD evaluation team proposed to down-select up to 3 bidders to proceed to detailed dialogue, exceptionally 4.

Outline Solutions have been evaluated and scored. The lead bidder after Outline Solutions is the only developer who has put forward a plan that includes credible occupier for a significant first phase development. Moreover, its solution is considered very innovative.

The evaluation team are of the view that there are two other bidders who have scored sufficiently highly overall to merit being taken further to the next stage. The solution offered by these two bidders is based on a more traditional type of development structure, with delivery being dependant on occupier interest. One bidder has achieved a score that is slightly less than the lowest of the 3 bidders, but it is not proposed to take this bidder forward to detailed solutions. Care is needed not to allow bidders to revise their schemes in a way that would give rise to a challenge on the basis of discriminatory treatment by the 4th placed bidder.

Two bidders have obtained unacceptably low scores with regard to the financial security and acceptance of commercial terms for their solutions which raise serious concerns about their viability.

The table set out below summarises the legal risks of the procurement choices under consideration and sets out appropriate mitigation strategies. A key feature of a competitive dialogue is the need to maintain competition for as long as possible. This requirement is reflected in the analysis of the options available set out below reflecting the options in the body of this Report.

Options	Dialogue	Procurement issues and risks	Risk mitigation
A. Withdraw the competition.	<p>Detailed Solutions stage is not started.</p>	<ul style="list-style-type: none"> Contracting authority has right to withdraw competition without any liability for costs etc. but risk of challenge on basis of bad faith if contracting authority subsequently enters into direct award with another developer or potentially with UEL in relation to part of the site. Reputational damage esp. with inward investment bidder 	<ul style="list-style-type: none"> Select another Option
B. Proceed with only the highest scoring bidder to detailed solutions	<ul style="list-style-type: none"> Shortlist only highest scoring bidder at the end of the ISOS stage. Proceed to detailed dialogue on development agreement and financial and commercial issues until a mature solution developed Close dialogue and evaluate final tenders, requiring bidder to achieve a minimum pass mark to be awarded the contract 	<ul style="list-style-type: none"> Potential breach of PCR on grounds of (a) lack of genuine competition; or (b) an argument that evaluation carried out did not reflect evaluation criteria and process set out in the ISOS; or (c) breach of fairness and equal treatment on the basis that evaluation carried out of outline solutions only and bidders not given the opportunity to improve bid by continuing dialogue which given the structure set out in the ISOS would be a reasonable expectation. A greater propensity for a bidder not selected to challenge. Process not designed in this way and bidders not expecting a single bidder to proceed More difficult to objectively justify this route without giving more than one bidder the opportunities to further develop their schemes in accordance with Option C or D. 	<ul style="list-style-type: none"> Safeguards can be included in the tender documentation requiring bidder to achieve a minimum pass mark or reserving the right for the RAD evaluation team to exclude the bidder if it seeks to make material changes to its final bid, but in practice these safeguards may have little effect in a single bidder situation Risk of challenge difficult to mitigate against – review all evaluation notes and ensure that evaluation robust This is not the recommended route given the higher risk of challenge.

<p>C.</p> <p>Detailed Dialogue with 3 bidders continuing development agreement negotiation with all 3 bidders</p>	<ul style="list-style-type: none"> Detailed dialogue commences with a short heads of terms stage and then moves to the issue of detailed development agreement to all 3 bidders. Detailed negotiation of development agreement with 3 bidders in parallel 	<ul style="list-style-type: none"> No material risk arising from design of dialogue. No formal down selection to remove a bidder who is not responding well to dialogue Risk of challenge from one of the down-selected bidders if evaluation criteria relaxed or Bidders 1 to 3 in effect asked to repeat the outline solution stage. The fourth bidder performed quite well in relation to having a potential occupier in place for phase 1 and is only 5 points behind the third placed bidder 	<ul style="list-style-type: none"> Robust debrief of 3rd placed bidder requiring justification of their ability to proceed within planning constraints and project objectives set in the Memorandum of Information. Do not permit 3rd placed bidder to change scheme. This is the recommended mitigation of the risk of challenge by the 4th places bidder. Alternatively, either, do not shortlist 3rd placed bidder – or also shortlist 4th placed bidder (removes risk of challenge by 4th places bidder.
<p>D.</p> <p>Proceed with three highest scoring bidders for an initial 8 week detailed dialogue stage.</p> <p>Mid detailed dialogue evaluation and down selection.</p> <p>Bidders who pass a gateway proceed to second stage of detailed dialogue to negotiate development agreement.</p> <p>Pre- final tender check on whether an acceptable development agreement likely to be agreed before dialogue is closed and final tenders invited</p>	<ul style="list-style-type: none"> Evaluation criteria at detailed solutions stage to be developed to focus on deliverability and risk in further detail. Bidders to be given 8 weeks to further develop their schemes with concentration on planning risk employment generation and meeting the requirements on type of use identified at the outset. Detailed Heads of Terms for development agreement prepared to test bidders rigorously in the initial 8 week period. Evaluation of solutions to be carried out part way through detailed solutions dialogue on the basis of scale and deliverability of phase one and acceptability of detailed heads of 	<ul style="list-style-type: none"> Potential breach of PCR¹ if there is a significant change in the evaluation criteria during dialogue that leads to discrimination. Risk of challenge from one of the down-selected bidders if evaluation criteria relaxed or Bidders 1 to 3 in effect asked to repeat the outline solution stage. The fourth bidder performed quite well in relation to having a potential occupier in place for phase 1 and is only 5 points behind the third placed bidder. The PCR require there to be genuine competition at the final tender stage. If only one bidder is taken forward to final tender as is proposed, the RAD evaluation team need to be able to defend this on the grounds that other bidders had withdrawn or other bidders' solutions were not capable of meeting the 	<ul style="list-style-type: none"> Commercial safeguards can be put in place to retain genuine competition for example, by ensuring that dialogue is not closed until all issues have been closed down and by requiring the successful bidder to enter into a formal contract within a very short period after a decision to award to limit the scope for late amendments. Evaluation criteria to be reviewed and structured appropriately to minimise any changes during dialogue phase Detailed solutions should further develop the Outline Solutions requiring bidders to justify their solutions. Robust debrief of 3rd placed bidder requiring justification of their ability to proceed within planning constraints and project objectives set in the Memorandum of Information. Do not permit 3rd placed bidder to change scheme. This is the recommended mitigation of the risk of

¹ Public Contracts Regulations 2006 ("PCR")

	<p>terms with a view to down-selecting one, possibly two bidders for further detailed dialogue and to negotiate development agreement.</p> <ul style="list-style-type: none"> • Pre – Final Tender check point- If RAD project team of the view that there is at least one sufficiently mature solution (including contract terms), close dialogue and invite final tenders. 	<p>RAD requirements. The alternative, which is more robust from a procurement angle, but may not be commercially acceptable, is to continue dialogue with all 3 bidders to include negotiation of 3 development agreements in parallel.</p>	<p>challenge by the 4th placed bidder. Likely to result in the 3rd placed bidder withdrawing before gateway evaluation point</p> <ul style="list-style-type: none"> • A concern over asking bidders to re-submit their outline solutions could be met by including the 4th placed bidder in the dialogue. This is not desirable as the field would remain too large to prompt serious bidder dialogue and will increase the resource requirement. • With care a robust solution can be achieved that maintains competition for as long as possible, yet identifies bidders with a genuine ability to deliver..
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[illegible]

Royal Albert Dock - Risk Register - Top 10 Risks

[Reg 13]

Appendix 5

Title*	Description*	Assigned To	Mitigation / Proposed resolution	Progress Description	RAG Status
Programme Risk - Legal Challenge	Legal challenge to procurement process ie a judicial review of decision to shortlist or select a preferred bidder		Liaise with legal to determine what processes need to be in place and complied with to minimise the risk of procurement challenge	A legal challenge workshop was held with staff working on the project to explain the risks and potential areas of challenge and mitigation strategies, and no major, potential challenges were identified. Legal advice is being taken by the project team on an ongoing basis.	Amber
Delivery Risk - No Contract with Developer	Risk that the selected developer does not enter into contract		Ensure dialogue process allows for development of terms which will be suitable for both GLA/developer	Review when DA's are due to be signed by each bidder at the end of Sept 2012.	Amber
Programme Risk - Competitive Dialogue changes	There may be changes in structure and programme for Competitive Dialogue: (a) additional resource and cost implications of intensive outline solution stage, and to provide support if bidders offer different structured solutions (b) cost/resource not available to take Detailed Solutions bidders to full agreed Development Agreements (procurement risk)		(a) decision to be made re continuing procurement in mid-November (b) review resource plans and costs for 2012/13 ongoing liaison with GLA	Resource requirements assessed based on experience from STQ. Budget submission made to GLA to secure resources to conduct detailed dialogue process in 2012/13. In the process of finalising the ITPD with the GLA.	Amber
Financial Risk - Dialogue and Tender Assessment Not Robust	Lack of robust dialogue and tender assessment leads to an eventual poor partnership with the developer and creates exposure to potential liabilities (procurement risk)		Wide range of internal and external expertise being applied to the dialogue and wider procurement process designed to identify potential issues.	To be reviewed as dialogue progresses	Amber
Delivery Risk - Economic Instability	Uncertainty around the medium term economic stability may effect interest in the site (external risk)		Continue monitoring, and review whether to enter into a DA.	Initial interest at PQQ was good. Continue to monitor during the initial stages of dialogue to ensure this is maintained.	Amber
Programme Risk - Timetable Slippage	Procurement timetable slips impacting on required outcomes/outputs/capital receipts (procurement risk)		Review programme taking into consideration potential delays		Amber
Financial Risk - Site Wide Management Liabilities	GLA may be left with Site wide management liabilities (land risk)		Work with estates to minimise/eliminate liabilities	An estates approach is being developed with GVA advice and a proposal is expected for early March (and will need to be complete by the time the ITPD is launched.	Amber
Delivery Risk - Excel Restriction	Excel restriction may conflict with the developer proposals (land risk)		Restrictions provided to all bidders	Restrictions provided to all bidders. As at 13/1/12, legal have sought counsel on restrictions (which will run out in 2018). Review after outline dialogue stage.	Amber
Delivery Risk - Undeveloped Site Post DA	Site remains undeveloped post-signature of development agreement - developer does not perform		Introduce robust build obligations into contract. Press for large initial payment on exchange.	Review once closer to a DA.	Amber
Programme Risk - OJEU Process Invalidated	Actions by GLA staff or consultants invalidates the OJEU process.		Ensure appropriate legal advice is given around process for OJEU to ensure the team (or other senior staff not directly involved) do not breach rules.	Legal team briefed project team in December. Project team to follow legal advice.	Amber

PROJECT APPRAISAL FORM

STAGE 2: INVESTMENT DECISION

Title: Royal Albert Dock.

MD number: *[Same as the concept proposal form reference]*

Date: Investment and Performance Board ~ 14th May 2012

RESTRICTED

PART 1: NON CONFIDENTIAL FACTS AND INFORMATION

1. What has changed since the Stage 1 Concept Proposal was completed?

Not applicable as project initiated at the LDA.

2. Key financial facts and issues

The £700,000 for 2012-13 to continue with the marketing process is broken down between respective external advisors to manage the marketing of the site. This includes:

- Commercial Director and Property Agent Drivers Jonas Deloitte to assist with and provide market input to the procurement process. These will be managed through the Housing & Land Team;
- Legal advice from internal legal team and Burges Salmon for procurement, development and property advice. The external solicitors will report through the internal legal team.
- Financial advisors Grant Thornton to provide modelling, tax, corporate structures and other financial analysis; and
- Quantity surveyors to provide advice on construction costs.
- Planning and surveys

Costs have been reviewed alongside the costs of the procurement for Silvertown Quays as this is a similar development.

3. Practicalities of project delivery

Timetable and Milestones

Appendix F

Current Milestones, deliverables and promotional activity	Forecast date
Bidders' submission of outline solutions	12 th March 2012
Decision on and notification of three shortlisted bidders	21 st April 201221 st May 201227 th July 2012
Issue detailed Heads of Terms and Invitation to Submit Detailed Solutions to three shortlisted bidders	19 th October 2012
Receive submissions of detailed solutions for development	2 nd November 2012
Call for final tenders	16 th November 2012
Receive final tenders	December 2012
Notification of intention to award	
Developer Agreement exchanged	January 2013
Project closure	Post completion of DA
Construction start date	Subject to terms of DA
Construction end date	Subject to terms of DA

It is intended that the Development Agreement for this project will provide for the developer to submit a planning application within 9 months of signing and to start on site within 2 years.

b) Project Resources and Delivery

The project team is to comprise of members of Housing and Land Directorate. The project team consists of a Project Sponsor () and a Development Manager (), supported by an internal team and external consultants. The team reports into the Executive Director of Housing & Land.

The project team will be supported as required by internal and external commercial, financial, legal, project management and property advisors.

c) Cost benefit analysis

At this stage of the procurement process, it is not possible to assess the cost/benefit ratio. This will become clearer once final bids from developers are received in summer 2012.

The total spend on this project is expected to be £1.305m which will seek to conclude the ongoing procurement process further funding is required. The figure is broken down as follows:

2012-13 £700,000

Future years £150,000

This investment in 2012-13 is set out below. Whilst these are budget headings, there may need to be some allowance for variations but keeping within the total figure of £600,000 (excluding contingency of £100k). Further approval will be sought if the contingency is required. The budget has also had regard to and factored against the ongoing Silvertown Quays procurement:

Area of Spend in 2012/13		Rationale
	£	
Legal (TfL and Burges Salmon LLP)	175,000	Budget reviewed for procurement based in current strategy, plus allowance for managing the development agreement (in the £50k pa in 13/14 ,14/14 & 15/16).
Commercial Advisor	160,000	Based on existing appointment to continue the project until procurement has completed and development agreement signed.
Financial Advisors	100,000	Grant Thornton appointment who have also advised on Silvertown Quays.
Property/Quantity Surveyor QS	90,000	Property agents already appointed and will continue with procurement. QS to be appointed.
Planning/site surveys	25,000	Further work to support the procurement process including site due diligence.
Project management	50,000	Work providing programme, and risk management reporting.
Contingency	100,000	
Total	700,000	

Commissioned outcomes

The investment to complete the procurement process will result in the selection of a development partner, who will seek to:

- Redevelop 13.9 hectares of brownfield land;
- Provide new employment space (to be quantified)
- Refurbish 2 listed buildings;
- Facilitate the creation of new jobs (to be quantified as the procurement process progresses); and
- Generate capital receipts for the GLA.

Non-quantifiable benefits

To be determined through site marketing, but likely to include a greater certainty around the wider development of the Royals by generating confidence in the area by having a development partner in place. It is hoped other development partners and investors will follow to the Royals. Specific to the site, the development will create a new public realm, access to the dockside, local infrastructure improvements and links to the wider area, notably Beckton Park.

Cost benefit outline:

Costs	
GLA Group	The Net GLA costs proposed for 2012-13 to 2015-16 to manage the

cost/funding	development through the planning process is £850,000. The annual profile of this investment is as follows: 2012-13: £700,000 (Net of developer contribution) 2013-14: £50,000 (Net of developer contribution) 2014-15: £50,000 (Net of developer contribution) 2015-16: £50,000 (Net of developer contribution). In addition to the above £455,000 was incurred by the LDA in 2011-12 giving a total cost of £1.305m.
Benefits	
Financial benefits (which and how many)	The marketing of the site may provide for a different land value to the current book value. This value can be found in Part 2.
Other benefits (provide details below)	The procurement process will establish other benefits through the submission by developers of their proposed schemes. There is a potential range of benefits which could include improved public realm, public dockside walkway, re-use of 2 listed buildings, and support for local training and job opportunities for local people through planning agreements. The project is likely to generate new business rates from which the LEP may benefit.
Cost-Benefit Ratio (GLA Group)	Definitive cost benefit ratio is unavailable at the current stage of the procurement process. However, a ratio of 19 is calculated based on the GLA's investment and the net book value of the asset.

c) Legal and procurement

The procurement of a development partner began in July 2011 and has been conducted through a Competitive Dialogue under an OJEU compliant procurement process.

The procurement of a development partner is a complex legal process that has been delivered to date with specialist external legal support and internal legal support. It is also anticipated that there will be a need for ongoing specialist legal support as the Development Agreement is negotiated (and possibly following implementation) with the selected development partner(s).

The Development Agreement will be negotiated during the competitive dialogue process having been developed through heads of terms with bidders.

The TfL Legal team, together with the external advisors, shall continue to advise as the procurement process moves into the next stage.

d) Impact assessments; Consultation

The regeneration of the Royal Docks is a joint enterprise with the London Borough of Newham (LBN).

Extensive consultation has been carried out with LBN officers, and this feedback reflected the procurement process, to ensure that the project delivered is in line with their strategic objectives.

Newham will continue to be a key stakeholder as the project moves through the procurement stages and onwards to planning applications.

There will also be an impact assessment as part of the planning submission from the eventual development partner.

e) Risk

A comprehensive project risks register is currently being maintained and monitored by the project team. There are currently no urgent or 'RED' rated risks; three key risks are outlined below:

- Delivery and reputational risk - Risk that the quality of outline solutions is low and/or does not meet GLA objectives. This would result in the inability to continue the procurement process and deliver the project. This is currently rated 'amber' – having both a medium level of likelihood and level of impact.
- Programme risk – Risk of a legal challenge to the procurement process including a judicial review of a decision to shortlist or select a preferred bidder. This would potentially delay the programme and have financial and reputational implications. This is currently rated 'amber' – having a low level of likelihood but a medium level of impact should it materialise
- Programme and reputational risk – the risk that actions by the GLA or its consultants invalidates the OJEU process. This is currently rated 'amber', having a low level of likelihood and medium level impact.
- A suitable development partner is not selected as GLA requirements from the process are not met. A detailed dialogue stage will need to be clear in GLA requirements with robust response to bidders failing to address GLA requirements.

f) Evaluation and reporting

The returns on investment will be monitored through the delivery of agreed development outputs as well as the generation of the capital receipts. These are likely to come through a series of appraisals for phases of development which will be defined within the development agreement.

g) Exit strategy

The development agreement will allow the GLA to retain full control as land will be drawn down on a phased development basis by granting long leasehold interests, with the right to take the land back if the developer defaults. It is envisaged through the development agreement that the site will be disposed of via long lease with the GLA retaining the freehold.

4. Background/supporting papers

Appendix 1: Financial Table – n/a as all financial information contained within this business case and the IPB report.

5. GLA assessments and comments:

<p>Legal and procurement advice: Public Law team/ Commercial Law and Projects team comments on this proposal.</p>	<p>Section 30 of the Greater London Authority Act 1999 (the 'Act') allows the Mayor, acting on behalf of the GLA, and after appropriate consultation, to do anything which the Mayor considers will further the promotion of the economic and social development of Greater London and the improvement of the environment within Greater London. The proposed project appears to be within these powers.</p> <p>Legal support has been provided by LDA/TfL legal team as well as external advisers to date, and the procurement process outlined above has been conducted in accordance with legal advice given in relation to the Procurement Regulations. Legal advice</p>
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	<p>should continue to be taken on further steps.</p> <p>Detailed legal advice is contained in the IPB Report.</p>
<p>Financial and budget advice: Finance team comments on this proposal on behalf of the Assistant Director of GLA Finance.</p>	<p>Contained within the IPB report.</p>
<p>Project impact and value for money: GLA Economics comments on this proposal including considerations as to whether it addresses the cause of a market failure and whether social or economic benefits outweigh the costs of the investment</p>	<p>This proposal is for the continuation of a process, begun in July 2011, to identify, and conclude a contract with, a developer to regenerate the Royal Albert Dock.</p> <p>The funding request provides for necessary external advisory and legal costs to conclude the procurement and resulting Development Agreement and to support the subsequent working with the developer, and progress the planning application for the chosen scheme.</p> <p>The output is a concluded agreement for a specific scheme. The benefits are largely expressed in the form of costs and/or risks avoided. Those specifically mentioned are: claims from short-listed developers for abortive costs, a danger of a less well informed decision on choice of developer, or of no capacity to fund management obligations placed on the GLA in the Development Agreement. However, other broader consequences are suggested: delay to the regeneration process, and adverse media coverage contributing to reputational damage to the GLA. None of these (cost-avoiding) benefits is estimated in money or other metrics. However, there would be scope to quantify and monetise at least some of the benefits of the regeneration itself.</p> <p>The absence of any information on the scale of benefits means that no net present value or benefit cost ratio has been calculated. (A value of 19 is put forward in the paper for the benefit-cost ratio but it is unclear how this has been calculated and should not be considered as an accurate measurement of the benefit-cost ratio). Given the lack of information, it is not possible to conclude definitively whether the proposal offers value for money.</p>

Public access to information

Information in this form is subject to the Freedom of Information Act 2000 (FOI Act) and other legislation. Part 1 of this form will be made available on the GLA website within 1 working day of approval. Any facts and advice that should not be made automatically available on request should not be included in Part 1 but instead on the separate Part 2 form. Deferment is only applicable where release before that date would compromise the implementation of the decision being approved.

Is the publication of this approval to be deferred? YES

If yes, for what reason: The process / dates set out in this paper have not been disclosed to the bidders. Once the bidders have been notified then the paper can be disclosed.

Until what date: 1st June 2012

Is there a part 2 form - YES

Appendix F

The information below is not for publication until the stated date because:

The current book value of the site should not be disclosed as it is commercially sensitive information that could prejudice negotiations.

Information will cease to be confidential: *TBC*

The confidentiality should be reviewed: *01/01/13*

Legal Advisor - I agree with the above recommendations that this information should be considered confidential at this time

Name: [REDACTED]

Date: 09/05/12

[Regulation 12(5)(e)]

Housing Investment Group

Date of HIG meeting: **14 September 2012**

Title of paper: **Royal Albert Dock: Update, Shortlisting of Developers**

To be presented by: 

Cleared by (Advisor & Director): **Richard Blakeway & David Lunts**

Classification: **Reserved (Commercially confidential)**

1 Purpose of this paper

- 1.1 To update HIG on the procurement of a development partner for the Royal Albert Dock (RAD) site.
- 1.2 To update HIG of the evaluation panel's scoring of bidders' interim gateway submissions.
- 1.3 To update on the current budget position.
- 1.4 To inform HIG on discussions with University of East London (UEL).

2 Recommendations

- 2.1 To NOTE that interim gateway submissions were received from two of the three shortlisted bidders on 17 August 2012 and that it is intended to agree detailed terms will be agreed with one bidder through the continued detailed dialogue stage. A report will be brought back to HIG for approval before close of the dialogue stage.
- 2.2 To NOTE the evaluation panel's scoring of the bidders' interim gateway submissions and APPROVE the recommendation that Dauphin/ABP and Stanhope be taken through to the final stage of the procurement process..
- 2.3 To NOTE that the current budget commitment on the project is approximately £175,000.
- 2.4 To NOTE ongoing discussions with UEL regarding the land immediately to the west of their campus, which is adjacent to the RAD site.

Key Information & Background

- 2.5 The LDA commenced a regulated procurement process in summer 2011 to select a development partner to develop the 34.5-acre Royal Albert Dock (RAD) site. (See Appendix 1 – Site Plan & Appendix 2 – Aerial Photo)

- 2.6 The aim was to select a development partner to deliver the regeneration of the whole site to achieve key GLA/LB Newham objectives, but without being overly prescriptive as to uses. Those key objectives were:
- To create a world-class business destination;
 - To deliver employment-led, mixed-use development capitalising on the presence of existing assets, such as City Airport, the University of East London (UEL), ExCeL, and the waterfront aspect, as well as the area's excellent highways and public transport access;
 - To focus on delivering high-tech, knowledge-driven, research and development activities, or similar, as opposed to traditional industrial/warehouse uses; and
 - To integrate complementary alternative uses which may include education, transport, health, leisure, retail, ICT, and others in order to provide convenient local amenities for residents and employees.
- 2.7 On 31 March 2012 the RAD site was transferred from the LDA to GLA Land & Property Ltd (GLAP) under the Localism Act 2011.
- 2.8 Following the successful earlier stages of dialogue and given the nature of the submissions from the bidders, the 'detailed dialogue' stage was split into two stages: an 'Interim Gateway' was introduced to require bidders to update their masterplans and refine their commercial offers. This approach was adopted specifically to allow the GLAP to deselect a bidder or bidders if it considered they were not able to meet the key project objectives. Two interim submissions were received on 17 August and have been reviewed and evaluated by the project team and its consultants.

3 Procurement Process to Date

- 3.1 The procurement process was commenced by the LDA in summer 2011 using the competitive dialogue procurement process, which allows for the award of particularly complex contracts through a dialogue process where the technical, legal and financial details of a project can be defined with reference to the market. The process enables dialogue with each bidder to determine a commercial solution that best meets the GLAP's stated requirements for the site.
- 3.2 Outline Solutions were received from six parties on 12 March. They were assessed by LDA/GLA officers supported by the London Borough of Newham, and external legal, property and financial advisors, against the following agreed criteria:
- Vision & Content (50%).
 - Financial Return & Delivery Programme (30%).
 - Contractual Terms (20%).
- 3.3 The evaluation panel recommended that three bidders should be taken forward to the Detailed Dialogue stage. This recommendation was noted by both HIG and IPB in May and was followed by a Mayor's Decision to accept the recommendation. The three shortlisted bidders were:

- Dauphin Holdings Group Ltd./Advanced Business Park (ABP) with Stanhope
- [REDACTED] Bidder B
- [REDACTED] Bidder C

Bidder C 3.4 A series of detailed dialogue meetings were held with the three bidders between June and August to refine their bids and to work up the contractual terms in the form of heads of terms. While ABP and [REDACTED] have engaged positively in the dialogue, [REDACTED] withdrew from the process in August, citing their inability to respond to GLAP's requirement for an early delivery commitment.

Bidder B

Bidder C 3.5 Interim submissions were invited from the two remaining bidders, to allow GLAP the ability to further reduce the shortlist. Submissions were received from [REDACTED] and ABP on 17 August.

4 Evaluation of Bids

4.1 The headline criteria for the evaluation of the Interim Submissions are the same as those applied to the Outline Solutions as set out above. A summary of the Interim Submissions evaluation criteria is attached in Appendix 3. The evaluation criteria were communicated to the bidders at the outset of the Interim Gateway stage and designed to test how the bidders intend to meet the project objectives. In order to successfully move to the next stage bidders needed to score an overall mark of at least 50% as well as scoring at least 50% for each of three key questions on Employment Opportunities, Early Delivery and Contractual Terms. Failure to score above 50% in any one of these questions would automatically disqualify a bidder.

4.2 The two bids were evaluated against the agreed evaluation criteria by GLA officers with bids being reviewed by LB Newham. Legal, Property, Cost and financial advice on the bids was provided by Burges Salmon, Drivers Jonas Deloitte, Cyril Sweett and Grant Thornton respectively.

4.3 The two bids received are very different in terms of masterplan and content and are summarised below.

[Reg 12 (4)(e) / Reg 12 (5)(e)]

[Bidder C]

Commercial Input / Element	ABP	[REDACTED]
Summary of the Financial Deal		
Deal Structure	[REDACTED]	[REDACTED]
Estimated Phase One Receipts	[REDACTED]	[REDACTED]
Estimated Overall Receipt	[REDACTED]	[REDACTED]
Overage Provisions	[REDACTED]	[REDACTED]

Peak funding requirement		
Funding structure		
Profit on Cost		
Proposed Development		
Phase One (Figures show are Gross Internal Area)	<p>Office – 451,000 sq ft Retail – 22,000 sq ft Listed Buildings – 27,000 sq ft Serviced / Rental Apartments – 83,000 sq ft Energy Centre – 14,000 Car Parking – 350 spaces</p> <p>Total Phase One Area = 597,000 sq ft</p> <p>Total Phase One Land Area = 8.5 acres</p>	<p>A) Built by</p> <p>Phase 1(a) Leisure Use – 82,758 sq ft Destination Retail & Food – 74,714 sq ft Car Park – 74,711 sq ft (380 spaces)</p> <p>Phase 1(b) UCL Hub – 11,494 sq ft R&D – 51,282 sq ft R&D/Manufacturing – 86,205 sq ft</p> <p>b) Via sale of land: UEL / Sahara Centre- 328,000 sq ft Free School – 98,700 sq ft</p> <p>Total area built by = 381,164 sq ft</p> <p>Total area to be built by 3rd parties = 426,700 sq ft</p> <p>Total Phase One Area = 807,864 sq ft</p> <p>Total Phase One Land Area = 17 acres (Land sale to UEL & Free School - 5.5 acres approx)</p>
Overall Development (GIA)	<p>Office – 2,655,000 sqft Retail (inc Listed buildings) – 141,000 sqft Education / Culture Centre – 154,000 sqft Energy Centre – 27,000 sqft Serviced / Rental Apartments – 233,000 sq ft Car Parking – 1800 spaces (234,00 sq ft)</p> <p>Total Scheme Area (GIA) = 3,444,000 sq ft</p>	<p>Office (inc UCL Hub) – 114,943 sqft R&D / Manufacturing– 438,174 sqft Education – 576,700 sq ft Leisure & Retail - 157,471 Car Parking – 760 spaces (149,422 sq ft)</p> <p>Total Scheme Area (GIA) = 1,436, 710 sq ft</p>
Jobs / Value generated		
NPV Gross Value Added from ongoing employment created (Scheme Total) (GT	£6,365,000,000	£1,532,000,000

figures)		
Estimated FTE from Employment of completed development (GT figures)	21,512 (of which ABP estimate that 20%-40% will be Chinese/Asian nationals).	5,410
Business Rates generated from Phase 1 p.a.	██████	██████
Business Rates generated from Total development p.a.	██████	██████
Gross Development Value (GT figures)	██████████	██████████
Development Programme		
Start on site longstop	3 years from exchange of Development Agreement	3 years from exchange of Development Agreement
Project Timescale	Estimated Completion 2020 (7 years)	Estimated Completion 2026 (14 Years)
Phasing	Site Developed in 2 Year Phases	Phase One is Completed in 18 months from start on site

4.4 ABP's bid focuses on providing accommodation for mainly Chinese and pan Asian businesses seeking to establish a headquarters presence in London as well as other ancillary uses such as retail, ancillary residential and education. The offer centres on the bidder's understanding of strong demand from China for companies seeking to locate in London within a piece of city catering for their needs.

4.5 ████████ proposal is for a range of uses including research and development, office space, education (including a Free School), and a significant leisure component featuring a cinema, leisure box/cube to include extreme sports (climbing walls, abseiling, plus beach volleyball handball and other sports) and ancillary retail and food and drink use.

4.6 Three of the key areas of evaluation in which bidders are required to achieve a score of at least 50% are Employment Opportunities, Early Delivery and Contractual terms. Commentary on each bidder's response to these areas is set out below.

Employment Opportunities

4.6.1 ████████████████████ proposes circa 1.4 million square feet of by 2026, and the creation of approximately 3,675 jobs. However, using standard floorspace multipliers, Grant Thornton estimates that the total number of jobs created could in fact be up to 5,410. Grant Thornton also estimates that the present value of the Gross Value Added (GVA) from the scheme (over 25 years, discounted at 3.5%) is approximately £1,532 million if delivered as forecast. The LEP could receive business rates of approximately £10.8m per annum from the scheme should it be built out as forecast.

4.6.2 ABP propose 2.7 million square feet by 2020, being more ambitious than ████████ in scale and delivery. The estimated number of jobs created is 20,400, approximately 60%-80% of which are expected to be recruited locally. Grant Thornton estimates a slightly higher figure of 21,512 jobs. The present value of the GVA (over 25 years, discounted at 3.5%) is

approximately £6,365m if delivered as forecast. The LEP could receive business rates approximately £26.1m per annum if the scheme is built out as currently proposed.

Early Delivery

- 4.6.3 [REDACTED] forecast a start on site in June 2015, provided, importantly, that the majority of floorspace is pre-sold or pre-let. Phase 1 completion is estimated in November 2016 and is envisaged to consist of leisure, destination retail and food retail totalling 232,000 sqft. The UEL/Sahara Centre (100,000 sqft) would form a Phase 1a, while R&D (149,000sqft) and education uses (326,700 sqft) would form a Phase 1b, providing a combined size of 808,000sq ft. This offer is seen by Drivers Jonas Deloitte to be reasonable in the context of the current UK market. Significantly, it does not provide for speculative development, relying on pre-lets or pre-sales before construction can commence. Also whilst it may look like a larger first phase, the delivery of the education & UEL-related uses are outside the control of the developer – so the timing of these elements cannot be guaranteed.
- 4.6.4 ABP propose a start on site by April 2015 with Phase 1 being completed in February 2017. Unlike [REDACTED] this date would not be conditional on pre-lets or pre-sales, although the extent to which ABP would be able to delay as a result of adverse market conditions needs to be clarified through more detailed negotiation. The whole scheme is proposed to be completed in the ambitious timeframe of approximately seven years.
- 4.6.5 The first phase commitment of circa 600,000 sqft in ABP's bid comfortably exceeds GLAP's minimum requirement of 250,000 sqft. Their submission includes 47 expressions of interest from businesses based in China, and whilst it is not possible to fully verify the extent of this interest at this stage, an initial review was conducted by London & Partners. The review provided a mixed response, which was explained by ABP to relate to the nature of their relationship with a number of the businesses and various cultural differences. However it is clear there is interest from Chinese companies in locating to the UK and working with ABP together with a commitment to building 600,000sq ft of first phase of development.

Contractual Terms

[Reg 12 (4)(e) / Reg 12 (5)(e)]

- 4.6.6 [REDACTED]
- 4.6.7 [REDACTED]

[REDACTED]

4.6.8 [REDACTED]

Evaluation

- 4.7 The GLA's evaluation panel met on 6 September and following a review of the advice received from the consultant team arrived at the following scores:

Developer	Evaluated Score (out of 100)
Dauphin/ABP	53.75
[REDACTED]	48.25

- 4.8 The recommendation from the Evaluation Panel is therefore that Dauphin/ABP are taken forward to the next stage of the procurement process.
- 4.9 [REDACTED] scored less than 50% overall and also failed to meet one of the three key evaluation criteria (Early Delivery) and has therefore failed to meet the required threshold. For this reason it is not possible for [REDACTED] to be retained as reserve bidder, and their involvement in the procurement process will be terminated.
- 4.10 Extracts of reports by GLA consultants Grant Thornton (on financials) and Cyril Sweett (on construction cost advice) are attached as Appendices 4a & 4b.

5 Procurement Process Next Steps

- 5.1 It is proposed that ABP are invited to participate in a further series of detailed dialogue sessions over a three-month period, to further develop their vision, masterplan and financial offer and to negotiate the detailed terms of the development agreement (based on the agreed Heads of Terms submitted with the Interim Submission). The progress of the detailed dialogue will be reported to HIG for approval ahead of any invitation to the bidder to submit a Final Tender.
- 5.2 The risks of continuing with only one bidder are clearly understood. However, the Evaluation Panel concluded that these risks could be managed and that there was not sufficient credibility in the [REDACTED] scheme to warrant continuing to negotiate Development Agreements with both bidders. The panel concluded that the ABP proposals represented a powerful and deliverable vision albeit that there are key issues and risks that will need to be addressed in the final stage of dialogue.
- 5.3 It is anticipated that, prior to closure of dialogue (and the invitation to submit a final tender), the bidder will be asked to crystallise specific aspects of their proposals so that GLAP can assess, at a pre-final tender stage, whether there is a proposal that is acceptable. If it is clear at this stage that the bidder does not have an acceptable proposal, then the dialogue would not close, and GLAP would

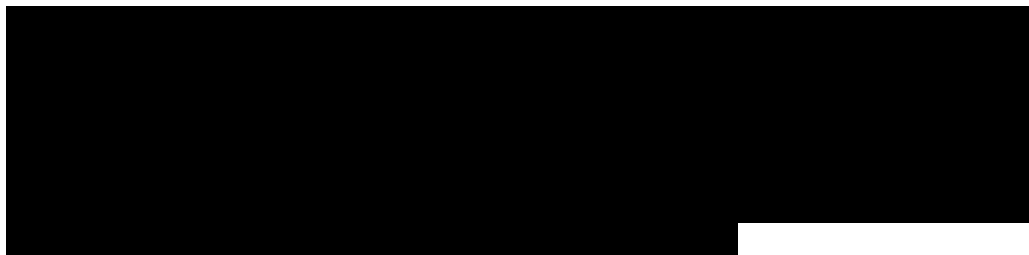
have to decide whether to continue dialogue for a further period or terminate the procurement process. Clear and objectively justifiable reasons would be required to support a decision to terminate the procurement process.

- 5.4 Dauphin/ABP have indicated that they will commence a global marketing campaign in September for the project focussed on the BRIC countries and have indicated that they would be willing to work with London and Partners on this.
- 5.5 They have also indicated that they will commence a bidding process in September to secure the appointment of a Development Manger prior to the completion of the development agreement negotiations.
- 5.6 If HIG does not approve the recommendation to take ABP through to the next stage, the only other option available would be to terminate the procurement process, given that [REDACTED] has failed to meet the criteria required to be taken forward. If GLAP were to stop the current procurement process both reputational risk and potential for claims from the affected bids would need to be considered before making such a decision.
- 5.7 The final tender will be evaluated against the same headline evaluation criteria set out above and will be a short 'best and final offer' stage.
- 5.8 The procurement process will continue to need to be carefully structured and managed to ensure that it remains compliant from a legal and procurement perspective. Both GLA group internal legal advisors and Burges Salmon are advising GLAP on procurement issues.
- 5.9 The indicative timeline for the next steps is below out below.

HIG report	14 September 2012
IBP report	25 September 2012
Seek Mayoral Direction	26 September 2012.
Feedback to bidders on Interim Selection	28 September 2012
Continue Detailed dialogue stage	1 October 2012.
Expected close of dialogue and report back to HIG/IBP	30 November 2012
Call for final Tender	7 December 2012
Final submission	14 December 2012
Evaluate	January 2013
Expected exchange of contracts	January 2013

5.10 **Secretary of State Consent [Regulation 12 (4)(e)]**

5.11



5.12 Key Issues to address in detailed stage.

- Further negotiations to improve the land price and overage will be key for GLAP as part of the final stage negotiations.
- Clarity around the guarantor as the Chinese offer proposes a British Virgin Island-based company. There are alternative options with which legal advisers can assist. It should be noted that details of a UK bank account containing an available \$25m USD were made available during the negotiations to demonstrate availability of finance.
- Whilst there is a commitment to a first phase of 600,000 sqft, further certainty on the occupiers will be required.
- Ensuring ABP/Dauphin commit to a suitable development manager. The current offer includes Stanhope, a well known UK-based developer, but Dauphin/ABP have indicated that they wish to tender this role through the next stage of negotiations.

■ [Additional information - out of scope of the request]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

[Redacted text block]

7.2 Spend is being monitored on a regular basis by the project team. Two external consultants have been released from the project. The major expenditure going forward will be legal costs together with property advisors.

- 7.3 It is currently anticipated that the conclusion of the procurement process will be delivered within budget subject to negotiations of the next stage of the procurement process being conclude by December.

8 Risks arising

- 8.1 The general risks associated with the project are reviewed regularly at project board meetings.
- 8.2 The key commercial project risks are set out below;.

Key Commercial Risks

- **Risk:** GLA does not appoint a developer at the end of the procurement process having spent a considerable amount on the process.

Mitigation: The interim stage suggests that there is at least one bidder capable of meeting GLAP's requirements, but there is clearly no guarantee of the procurement outcome. The position will be monitored and negotiated through the next stage.

- **Risk:** Lack of commercial tension if only one bidder goes through the Interim Selection gateway.

Mitigation: Have clearly defined parameters of the issues that will be negotiated through detailed dialogue and a robust timescale for the process. Provide the bidder at the outset with clear details of the issues that will be tested before the dialogue is closed.

- **Risk:** GLAP enters into a development agreement with a bidder and it fails to deliver the promised Phase 1 occupiers.

Mitigation: Require a detailed Business Plan as part of the detailed stage of the process and evidence of occupier engagement and in-principle commitment.

- **Risk:** Possible withdrawal from the procurement process by selected bidder for the detailed stage.

Mitigation: Ensure clarity around key issues for GLAP for the detailed stage.

- **Risk:** The procurement may result in a Developer who is willing to work with GLAP but who does not have occupiers and will not build a speculative first phase.

Mitigation: The development agreement will have controls over what is delivered and when, to ensure performance, and provisions to ensure that GLAP can recover the land in the event of non-performance.

9 Financial comments of the Executive Director Resources

- 9.1 The land value being offered by ABP is significantly below the market valuation and even further below the value modelled by [REDACTED]. On the latter point, the [REDACTED] land value is not guaranteed and could be significantly eroded, particularly as the cost consultants advise that some of the costs included in the model appeared low.
- 9.2 As it is considered unlikely that the ABP offer will be increased to the extent that it would exceed market valuation, it is likely that Secretary of State approval will be required in order to conclude the procurement at less than best consideration.
- 9.3 If ABP's projections are realised, a large number of jobs will be created and significant business rates income (of the order of £26.1m per annum) will accrue to the GLA through the LEP. This is not taken into account when determining best consideration.
- 9.4 ABP estimates that 20%-40% of the jobs created will be filled by non-UK nationals. The viability of ABP's proposals may be put at risk if suitable visas cannot be obtained (up to 8,000 jobs).
- 9.5 With only one bidder going forward, it should be possible to come in significantly below the budget of £600k.

10 Next steps / Conclusion

- 10.1 On approval of the selection of the bidder to successfully pass the interim gateway, the development agreement will be negotiated in detail. It is anticipated that a final report will be brought to HIG and IPB following final submissions in December with full details of the final legal position with recommendations prior to signature of a development agreement.

Appendices

- A. Site Plan
- B. Aerial image
- C. Summary of Evaluation Criteria
- D. Consultants Summary Reports (BS/CS/GT)
- E. RAD Site indicating adjusted red line

Title: Royal Albert Dock
Drawing number: RT-GLA022
Drawn by: XXXXXXXXXX
Date : 15 JUNE 2012

Title Number:
Ordnance Survey Ref:
Scale: 1:2500 @ A3

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Land Concerned



RAD Aerial Photo



Grant Thornton Executive Summary – Review of Interim Financial Submissions

Evaluation matrix summary

- 1.1 The GLA has asked us to summarise our review in line with the evaluation matrix headings set out in the ITCD issued by the GLA to the bidders.

Category	Grant Thornton Comment	
		ABP/Stanhope
Delivery of Vision	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]
	[REDACTED]	[REDACTED]

Grant Thornton Executive Summary – Review of Interim Financial Submissions

	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>	<p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p>
Animating the Waterfront	This category is beyond the scope of the Grant Thornton review. We offer no comment other than to highlight that the risks to delivery of the project over all will impact on all elements of delivery.	

Grant Thornton Executive Summary – Review of Interim Financial Submissions

Design and Development Process	This category is beyond the scope of the Grant Thornton review. We offer no comment other than to highlight that the risks to delivery of the project over all will impact on all elements of delivery.	
Employment Opportunities	<p>██████████ forecast their project will generate 360 estimated person years of employment during construction, and create 3,675 permanent jobs. Our estimates, based on applying standard multipliers to construction spend and floor space created, suggest the ██████████ analysis may be conservative; we estimate the construction employment at 1289 person years, and on-going employment of 5,410 FTE.</p> <p>We estimate that the GVA from the ██████████ scheme (based on 25 years, discounted at ██████████) will be approximately ██████████</p> <p>To deliver the economic and employment outputs we have estimated, the project needs to be delivered as forecast. Hence any risk to delivery is also a risk to generating the outputs.</p>	<p>Compared to the ██████████ proposals, the ABP/Stanhope proposed development would appear to be stronger in terms of the potential to generate socio-economic outputs.</p> <p>ABP/Stanhope forecast 6,000 estimated person years of construction employment, and 20,400 FTE on-going permanent jobs. Our estimates, applying standard multipliers to construction spend and floor space created, are broadly in line with ABP/Stanhope; we estimate the construction employment at 5,277 person years, and on-going employment of 21,512 FTE.</p> <p>The ABP/Stanhope proposed project is of a significantly larger scale than the ██████████ proposals and generates approximately four times the employment opportunities (using our like-for-like estimates). As such, even if the ABP/Stanhope project delivered only half the forecast employment, it is forecast to generate significantly greater opportunities than the ██████████ scheme.</p> <p>We note that ABP/Stanhope estimate that 20-40% of employees will come from overseas. We have not sought to verify this estimate, but do highlight that the availability of the necessary visas/ work permits may present a risk.</p>

Grant Thornton Executive Summary – Review of Interim Financial Submissions

		<p>We estimate that the GVA from the ABP/Stanhope scheme (based on 25 years, discounted at [REDACTED]) will be approximately [REDACTED].</p> <p>The ABP/Stanhope bid is forecast to provide approximately four times the on-going economic impact in terms of GVA, of the [REDACTED] scheme.</p> <p>To deliver the economic and employment outputs we have estimated, the project needs to be delivered as forecast. Hence any risk to delivery is also a risk to generating these outputs.</p>
Occupier Strategy	This category is beyond the scope of the Grant Thornton review. We offer no comment other than to highlight that the risks to delivery of the project over all will impact on all elements of delivery.	
Sustainable Development	This category is beyond the scope of the Grant Thornton review. We offer no comment other than to highlight that the risks to delivery of the project over all will impact on all elements of delivery.	
Managing the Town Planning and Design Risks	This category is beyond the scope of the Grant Thornton review. We offer no comment other than to highlight that the risks to delivery of the project over all will impact on all elements of delivery.	

Extract from:

Appendix C

Grant Thornton Executive Summary – Review of Interim Financial Submissions

[Reg 12 (4)(e) / Reg 12 (5)(e)]

Land Value Strategy	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>
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Grant Thornton Executive Summary – Review of Interim Financial Submissions

	<p>[REDACTED]</p>	<p>[REDACTED]</p>
Development Appraisal	<p>[REDACTED]</p>	<p>[REDACTED]</p>
Early Delivery	<p>[REDACTED] forecast a start to construction in June 2015, with Phase 1 completing in November 2016, with the whole development completed in June 2025.</p>	<p>ABP/Stanhope forecast a start to construction work in April 2015, with Phase 1 completing in February 2017, and the whole development being complete in Feb 2022.</p>

Grant Thornton Executive Summary – Review of Interim Financial Submissions

		Although [REDACTED] forecast completion of their first phase marginally before ABP/Stanhope, taking the project as a whole it is clear that the ABP/Stanhope proposals generate more development over a shorter timescale than the [REDACTED] proposals.
Contractual Risk	This category is beyond the scope of the Grant Thornton review. We offer no comment other than to highlight again that the risks arising from the covenant of the proposed contract parties and the structure and enforceability of guarantees.	

- 1.2 The bids both carry a number of delivery risks. However, on the face of it the [REDACTED] bid would appear to potentially offer a better financial return to the GLA, but the ABP/Stanhope bid offers substantially better socio-economic returns.
- 1.3 Further, although we understand that business rates generated cannot form part of a 'best consideration' test, we highlight that the completed ABP/Stanhope scheme could generate an estimated further [REDACTED] of business rates when compared to the completed [REDACTED] scheme. As such, the financial benefit to the GLA scheme would be quickly surpassed by the financial benefit to the LEP of the ABP/Stanhope scheme due to the retention of business rates in the enterprise zone.

Points to consider going forwards

- 1.4 At this stage of the procurement process, the GLA may choose to take two, one or indeed neither of the bidders through to the final phase of dialogue.
- 1.5 On the assumption that at least one of the two remaining bidders progresses, we highlight the following points that the GLA may wish to consider for the next stage of the process:
- 1.6

Grant Thornton Executive Summary – Review of Interim Financial Submissions

	ABP/Stanhope
Establish a protocol to ensure that the financial model is update to reflect changes arising from the dialogue, and to monitor those changes so that the financial implications are properly understood throughout the dialogue process.	Establish a protocol to ensure that the financial model is update to reflect changes arising from the dialogue, and to monitor those changes so that the financial implications are properly understood throughout the dialogue process.
Determine the terms and conditions of the proposed L&G funding.	Undertake an up to date due diligence review of the development SPV and the wider group, focussing on the availability of equity and the overall stability of the group in the context of their proposals. THE GLA may want to consider undertaking this before committing to the next stage with ABP/Stanhope.
Clarify and assess the acceptability of the L&G guarantee.	Consider mechanisms to mitigate against the risk of enforceability of a contract or guarantee against an off shore company (such mitigation measures could include: funds in escrow, an insurance backed bond, a secured bank deposit, introduction of non-repayable share capital, use of a trustee sweep account for proceeds).
Review the progress towards securing firm commitments for the phase 1 occupiers.	Review the progress towards securing the necessary debt finance.
Review the progress towards generating interest from potential occupiers for the phases beyond phase 1.	Request the bidder to model a number of downside scenarios (or adapt their financial models to make this possible). GLA to arrive at a baseline position.
Ensure that land value calculations are reworked, and the business plan and cashflows remodelled to reflect the advice of the GLA's commercial and cost consultants.	Consider the tax points raised by the GT tax team (in the context of the GLA's own tax position where appropriate).
Request the bidder to model a number of downside scenarios (or adapt their financial models to make this possible). GLA to arrive at a baseline position.	
Consider the tax points raised by the GT tax team (in the context of the GLA's own tax position where appropriate).	
Consider adopting a mechanism to provide a commercial motivation to [REDACTED] to maximise the land value (eg. a return linked to GDV rather than costs).	

1.0 Executive Summary

1.1 Findings to date

1.1.1 Introduction to Report

This document is the draft issue no. 1 of Sweett Group's Report on the tender submissions received in respect of the Royal Albert Dock developer procurement process being carried out by GLA.

The report evaluates the costs contained within the tenders received on 17 August 2012 from [REDACTED] and ABP/Stanhope.

This report is issued as a draft:

- o to enable review by GLA prior to completion of formal report, and
- o pending receipt of further and better particulars, responses to queries etc. expected from both tendering parties

A full Executive Summary will be incorporated in the final version of this report. In the meantime, we set out below, our initial high-level findings based upon the analysis carried out to date, and as described herein.

1.1.2 [REDACTED]

- a) Generally the costs used in the [REDACTED] appraisals are at the lower end of the ranges advised to them by their cost consultants
- b) [REDACTED] seem to have made some quite generous assumptions in terms of the net areas that can be achieved within the buildings proposed. This could cause the income side of the appraisal to be overstated
- c) The Arcadis cost plan included in the submission provides the only supporting documentation setting out the basis for the numbers used. This provides minimal information only
- d) The limited analysis that we have been able to do so far has suggested that some costings could be low
- e) The [REDACTED] figures have a number of exclusions; including many 'site abnormal' items which ABP/Stanhope appear to be able to price

Appendix D

Extract from Cyril Sweett Report on Construction Costs at Interim Tender Submission Stage



ROYAL ALBERT DOCK DEVELOPER PROCUREMENT: DRAFT ISSUE No. 1

- f) The most significant exclusion is possibly in respect of the incoming utilities for which no allowance appears to have been made. Further, no site wide energy strategy has been priced for on the basis that one would only be considered if it proved to be 'cost neutral'
- g) It is not clear what provisions [REDACTED] are making to meet the proposed zero carbon construction targets for non-domestic buildings by 2019

1.1.3 ABP/Stanhope

- a) The costing provided so far contain little detail or substantiation. Indeed, there is a strong impression that the appraisals provided to date are 'indicative' only
- b) No commentary or list of assumptions, caveats or exclusions has been provided
- c) The most significant assumption that the costs appear to have been based upon is that the development will link into the London Thames Gateway Heating Network. It is not clear yet if this is a sustainable assumption to make
- d) Generally, the build rates and infrastructure allowances used in the appraisal do appear to be reasonable, and particularly in comparison to the Wrenbridge figures
- e) ABP's appraisal has fewer exclusions than [REDACTED]
- f) The ABP figures include inflation at 2.5% per annum, whereas the Wrenbridge tender is at current costs. It is not clear, however, whether inflation has been similarly allowed on the income side of the appraisal

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London SE1 2AA
Tel: 020 7983 4000
Fax: 020 7983 4057
www.london.gov.uk

Title: Royal Albert Dock
Drawing number: RT-GLA029
Drawn by: [REDACTED]
Date : 22 JUNE 2012

Title Number:
Ordnance Survey Ref:
Scale: 1:3500 @ A3



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