

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD1620

Title: East+ Development Partner Selection

Executive Summary:

GLAP has undertaken a Competitive Dialogue procurement process to select a development partner for the Mayor's industrial land holdings in Newham, Barking and Dagenham and Havering (collectively known as East+). The procurement has been conducted in accordance with the OJEU Competitive Dialogue requirements; three compliant final tenders were received and evaluated. Segro Development Properties Ltd (Segro) presented the most economically advantageous tender and therefore was appointed as the GLA's preferred development partner.

Since the GLA announced the Segro as its preferred bidder, GLAP and Segro have been fine-tuning the Development Agreement for delivery of the scheme, the terms of which are highlighted in this paper.

Decision:

That the Mayor approves:

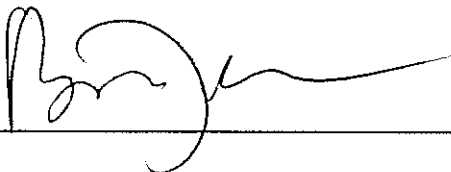
- The selection of Segro Development Properties Ltd as preferred development partner by entry into the Development Agreement which will signal the closure of the procurement process;
- GLA Land and Property Ltd's entry into the Development Agreement;
- Further expenditure of £137,000 for legal and commercial agent fees incurred in order to complete the transaction; and
- The incremental drawdown of plots of land as anticipated in the Development Agreement subject to the completion of the appended pro forma.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

3.3.2016

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The East+ project seeks to structure the disposal of a portfolio of land (see Appendix 1) to Segro to enable the strategic delivery of industrial land in East London. The procurement process sought to identify a partner that can bring a comprehensive approach to development that meets the Mayor's key objectives for the land, namely:
- Promote employment generating uses on the sites
 - Ensure that an agreed minimum land value is obtained for each site
 - Ensure that the costs of holding the land (maintenance, security etc.) are transferred, where appropriate, to a development partner
 - Ensure that a clear disposal timeframe is set for the sites in the portfolio
 - Ensure, where possible, that land is brought forward under a clear strategic vision for the London Riverside area.
 - Define an exit strategy for the industrial sites in East London by 2016
- 1.2 GLAP has expended fees on legal and commercial advice which would have been required in the course of any form of disposal.
- 1.3 An update was presented to HIG in March 2015 to outline the procedure for the Competitive Dialogue procurement process (CD). The programme has been followed as initially anticipated, although dialogue with bidders on the Development Agreement took slightly longer than was originally forecast. This allowed GLAP to quickly work up a Development Agreement with Segro as all the principal commercial terms had been agreed during 'dialogue'.

2. Objectives and expected outcomes

Procurement Approach:

- 2.1 The procurement was undertaken through the Competitive Dialogue route following a Prior Information Notice (PIN) that set out the scope of the project and GLAP's proposed objectives. As outlined in the paper presented to HIG on 9 December 2014, the CD route was a change to the originally proposed strategy of a Restricted Procedure. The limitations of the Restricted Procedure were felt to be a constraint on the development of proposals with the Bidders, with competitive dialogue offering more scope for commercial negotiation.

PQQ stage

- 2.2 The PQQ and Contract Notice were issued on 17 December 2014. GLAP received eight responses and these were reviewed against the stated evaluation criteria.
- 2.3 The PQQ reviewed the following areas:
- Financial Standing
 - Quality Assurance
 - Technical capability & experience
 - Insurance
 - Health & safety
 - Equal Opportunities
 - Eligibility
- 2.4 Of the eight bids received, five bidders were invited to present Outline Solutions: Goodman, Kier, Marick, Segro and St Modwen

Outline Solutions stage

- 2.5 Four bidders presented Outline Solutions to GLAP. Goodman withdrew from the competition during the Outline Solutions stage.
- 2.6 The Outline Solutions stage sought to focus on the detail of the delivery proposals of the bidders and to explore the opportunities that the portfolio presented. The criteria for evaluation were in two areas – Quality and Financial.

Evaluation	Component	Weighting	
Quality	Phasing and development programme	10%	60%
	Planning strategy	5%	
	Sustainability strategy	5%	
	Transport & infrastructure strategy	5%	
	Marketing strategy	5%	
	Employment strategy	5%	
	Estate management strategy	5%	
	Site 1 specific development plan	10%	
	Site 2 specific development plan	10%	
Financial	Portfolio & site level	5%	40%
	Valuation assumptions	20%	
	Baseline developer profit	5%	
	Overage	5%	
	Portfolio & site level	5%	

- 2.7 Three Bidders were selected to proceed to Detailed Solutions Stage (Kier, Segro & St Modwen).

Detailed Solutions stage

- 2.8 Detailed Solutions followed the same scoring matrix as set out in the Outline Solutions stage, but required a greater level of detail (full details of the evaluation scoring matrix are contained in Appendix 2).
- 2.9 The CD at Detailed Solutions stage was conducted in two work streams: Legal and Commercial. The Legal work stream focused on the Heads of Terms document issued with the Invitation to Submit Detailed Solutions. This was a detailed document that provides the basis for a Development Agreement. The Commercial work stream explored the Bidders' proposals for the development opportunities, specifically looking at the delivery strategy.
- 2.10 Each bidder was offered two Commercial Dialogue meetings and three Legal meetings with an additional Legal conference call option. During the Commercial Dialogue a number of clarifications were issued and the Legal meetings were recorded through the commentary matrix which was marked up by GLAP's legal advisors and reviewed by the Bidders after each meeting.
- 2.11 Competitive Dialogue was closed on Thursday 13 August and Final Tenders were submitted to GLAP on Wednesday 19 August.

Evaluation results

- 2.12 The detailed evaluation results are contained in Appendix 3 (confidential).

3. Segro's proposal

- 3.1. Segro's Final Tender set out the delivery strategy, planning approach and key employment initiatives which addressed the GLA's objectives which were stated in the launch documents and reiterated throughout the procurement.
- 3.2. The proposal commits Segro to a number of initiatives including a £300,000 fund to be administered by the London Community Fund for projects to help local people back into work and a

Gateway to Skills programme which will introduce and encourage 1,000 local students to consider STEM (Science Technology Engineering and Mathematics) subjects through a taster-day.

4. Equality comments

- 4.1. The procurement has been conducted in accordance with public procurement legislation and best practice to ensure that the opportunity was widely available.
- 4.2. All development on the Mayor's land will be subject to the planning process and therefore appropriate disability legislation.

5. Key risks and considerations

- 5.1. Procurement: GLAP could be subject to challenge if a participant or other organisation dispute that the proper process has been followed or suggest that one organisation has been given an unfair advantage during the procurement. This challenge period is limited to 30 days from the date of knowledge (usually this is based on information contained in the notification of the intention to award notice). Throughout the CD process GLAP has sought and followed specialist internal and external procurement and legal advice to mitigate the risk of challenge and to ensure that the process has been run to comply with the Procurement Regulations.
- 5.2. Financial: GLAP's financial return for the sites is protected through a Minimum Land Value (MLV) obligation. An average price per acre has been agreed through the bidding process and has been subject to review by GLAP's asset valuation specialists GL Hearn. The developer will pay the higher of MLV and market value for the sites. GLAP has also secured an overage arrangement for the sites which can either be reinvested into the portfolio or withdrawn by GLAP as a capital receipt.
- 5.3. Delivery: As part of the bidding process the partner was required to submit a detailed Delivery Strategy for all the sites in the portfolio with milestone dates for delivery as well as suggested uses and employment types. GLAP will incorporate milestones set out in the Delivery Strategy into the Contract documents to ensure that they are maintained throughout the development programme. The project will be managed at GLAP by a Senior Development Manager with oversight by a Principal Development Manager in the Strategic Projects and Property team in the Housing and Land directorate.
- 5.4. Governance: In order to progress the partnership effectively a drawdown template has been prepared (Appendix 4, Confidential) and it is proposed that the Executive Director for Housing and Land is given delegated powers to sign off the drawdown subject to Segro satisfying all the conditions precedent and presenting a Site Specific Development Plan that has been approved by the Steering Group.

6. Financial comments

- 6.1. Financial comments are contained in Part 2.

7. Legal comments

- 7.1. GLAP has and is being advised by Eversheds throughout this project including in relation to the fine tuning of the Development Agreement.

7.2 Section 30 of the Greater London Authority Act 1999 (as amended) (GLA Act) gives the Mayor a general power to do anything which he considers will further one or more of the principal purposes of the GLA as set out in section 30(2) which are:

- i. Promoting economic development and wealth creation in Greater London;
- ii. Promoting social development in Greater London; and
- iii. Promoting the improvement of the environment in Greater London

and, in formulating the proposals in respect of which a decision is sought, officers confirm they have complied with the GLA's related statutory duties to:

- pay due regard to the principle that there should be equality of opportunity for all people;
- consider how the proposals will promote the improvement of health of persons in Greater London, promote the reduction of health inequalities between persons living in Greater London, contribute towards the achievement of sustainable development in the United Kingdom and contribute towards the mitigation of or adaptation to climate change in the United Kingdom; and
- consult with appropriate bodies.

7.3 Sections 1 and 2 of this report indicate that the Mayor has the power to proceed to make the decisions as requested within this report.

8. Investment & Performance Board

8.1. The appointment of Segro as preferred bidder was endorsed at Housing Investment Group on 16 September 2015, since that time the agreed Heads of Terms have been fine-tuned to form a Development Agreement that is now ready to be entered into. The Development Agreement reflects the commercial principles that were endorsed by HIG.

9. Planned delivery approach and next steps

Activity	Timeline
Announcement of preferred partner status	September 2015
Completion of contract	February 2016
First Steering Group meeting	April 2016
First site drawdown	August 2016
Start on site	Q2 2016
Delivery End Date	Q3 2025
Project Closure	Q4 2025

Appendices and supporting papers:

APPENDIX 1: Site plan

APPENDIX 2: Evaluation criteria

APPENDIX 3: COMMERCIALLY CONFIDENTIAL – Evaluation summary

APPENDIX 4: COMMERCIALLY CONFIDENTIAL - Drawdown template

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:

Is the publication of Part 1 of this approval to be deferred? YES

If YES, for what reason:

Until what date: Contract completion; anticipated by 30 March 2016

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form – YES

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Philippa Bancroft has drafted this report in accordance with GLA procedures and confirms the following have been consulted on the final decision.

✓

Assistant Director/Head of Service:

Simon Powell has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval.

✓

Sponsoring Director:

David Lunts has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Richard Blakeway has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

Date

1.3.16

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

Date

3.03.2016