

<b>Committee/Meeting:</b> Overview and Scrutiny	<b>Date:</b> 5 <sup>th</sup> November 2013	<b>Classification:</b> Unrestricted	<b>Report No:</b>
<b>Report of:</b> Corporate Director's - Development and Renewal and; Resources  Originating officer(s) Ann Sutcliffe Service Head Corporate Property and Capital Delivery		<b>Title:</b> Watts Grove Depot project and financial mechanisms for Poplar Baths Dame Colet. <b>Wards Affected:</b> Bromley By Bow; Blackwall & Cubitt Town; Limehouse; East India & Lansbury; St Dunstan's & Stepney Green	

<b>Lead Member</b>	Cllr Rabina Khan ( Lead Member – Housing and Development) Cllr Choudhury (Lead Member – Resources)
<b>Community Plan Theme</b>	One Tower Hamlets
<b>Strategic Priority</b>	1.4 Provide effective local services and facilities

## 1. **SUMMARY**

1.1 On the 18<sup>th</sup> September 2013 full council resolved to:

1.1.1 Instruct the Overview and Scrutiny Committee to investigate the reasons for the collapse of the Watts Grove Depot project, and the sustainability and suitability of the financial mechanisms used to fund Dame Colet House and Poplar Baths and to report back to Council in November on its findings.

1.1.2 Call upon the Mayor to come clean about the state of the Council's finances and to put in place a plan to balance the Council's books.

1.1.3 Require the Section 151 officer to report to councillors within the week how much money including an estimate of officer time has been spent to date on the Watts Grove Project.

1.2 This report provides committee members with a review of the Watts Grove and Poplar Baths Dame Colet projects in relation to item 1.1.1 above, a separate report will be generated in response to 1.1.3.

## **2 WATTS GROVE PROJECT REVIEW**

- 2.1 The main principle being sort by officers for the Watts Grove project was to deliver the Mayoral priority around the realisation of additional affordable housing within the Borough.
- 2.2 The procurement was structured to allow open dialogue with private sector partners, allowing the project to deliver a design proposal which met the Council's housing needs, whilst aiming to be a cost effective delivery mechanism for additional new homes.
- 2.3 The release of the Watt's Grove site was based upon the principle of restructuring and investing in the reconfiguration of council depots. This rationalisation was targeting the release of valuable sites and will result in future schemes being financed on an invest to save basis arising from a reduction in depot running costs.
- 2.4 LBTH issued an OJEU Contract Notice (2012/S 44-071852) on 3<sup>rd</sup> March 2012 via the London Tenders Portal. The expressions of interest stage closed on 3<sup>rd</sup> April 2012. The Council proceeded to the next stage of the procurement process and issued a Pre-Qualification Questionnaire (PQQ) in relation to the Official Journal of the European Union (OJEU) Contract "DR 4186 – Watts Grove – Affordable Housing Development". A total of 16 compliant PQQ submissions were received by the deadline of 4<sup>th</sup> May 2012. The professional team recommended allowing 11 parties to proceed to the Outline Solutions stage of the Competitive Dialogue Development Partner Procurement Process which began 22<sup>nd</sup> June 2012.
- 2.5 On Conclusion of the Outline Solutions stage 6 complaint tenders were received from Bidders. A detailed evaluation of the base and variant bids was undertaken by Council officers. After careful consideration it was concluded that, in the light of the submissions, it would be preferable to invite all the parties to resubmit their outline solutions on the understanding that the Council wished to consider the base bid; a Lease – Lease Back model only. However, the lease length being offered would be extended from 25 to 35 years to enhance project viability.
- 2.6 The structure of lease – lease back was one which had been adopted by the Council for Poplar Baths Dame Colet. The lease length of 35 years for this project was aligned to that now provided for Watts Grove.
- 2.7 The alignment of the lease – lease back scheme would also allow the use of standardised Council requirements, specifications and legal documentation between the two projects.
- 2.8 On the 28th September 2012 the original parties were invited to participate in this additional Outline Solution stage to deliver 149 affordable housing units. The units were proposed to be managed by Tower Hamlets Homes (THH) who will be responsible for internal repairs.

- 2.9 Six consortia confirmed they would like to rebid, with invitations to resubmit being issued for Outline Solutions on the 26 October 2012. Five outline solutions were received following the withdrawal of one bidder during this process.
- 2.10 A detailed evaluation of the Outline Solutions was undertaken by Council officers. Four compliant bidders were recommended to be taken forward into the final stage of competitive dialogue. The Council issued bidders with the ITPCD – Detailed Solutions on the 14<sup>th</sup> December 2012.
- 2.11 In line with procurement processes the consortia participated in the Competitive Dialogue procurement process by attending technical, financial and legal meetings. The Design & Technical meetings comprised bidders presenting their designs as they evolved with the client and professional team providing feedback on these designs. Legal and financial dialogue involved discussion around the Council's proposed structure and legal agreement to ensure bidders were able to bring forward a sound financial bid.
- 2.12 During dialogue one bidder withdrew. The three remaining bidders were issued with invitations to submit final tenders on the 8<sup>th</sup> March 2013, with three compliant tenders received on the 22<sup>nd</sup> March 2013.
- 2.13 The final tenders comprised design submissions for the proposed schemes as well as financial offers and derogations against the proposed legal documents.
- 2.14 Following receipt of submissions, the professional team reviewed the tenders and provided the evaluation panel with an indication of the recommended score (fail, low, acceptable, good and exemplar) for each section (commercial proposition, planning strategy, quality, mix of uses, local issues and management) of the technical evaluation. The evaluation panel then scored the submissions, this scoring has been utilised to produce a final technical score for each bid.
- 2.15 In accordance with the evaluation criteria set out in the invitation to submit final tenders the financial element for the scheme being worth 60% of the overall marks with the technical element for the scheme was worth 40% of the overall marks. The financial and technical scores were then added together to give an overall score. This resulted in a preferred bidder being recommended.
- 2.16 The evaluation panel comprised both senior council officers and external technical and legal advisors. This evaluation process was then endorsed by the Project Board.
- 2.17 Officers produced an individual mayoral decision notice proforma (decision log no. 31). This gave an update on the procurement process; it also set out the cost impacts for the project and gave a recommendation for appointment of a preferred bidder.

- 2.18 The Executive Mayor rejected council officer's recommendations on the 17<sup>th</sup> July 2013 for reasons attached in his decision as attached as Appendix 3. As a result of this the Council has informed the three consortiums that the project is not going to proceed.

### **3 POPLAR BATHS DAME COLET**

- 3.1 The procurement of this project has progressed in advance of the Watts Grove project. The structure of the procurement is different in that it incorporates three defined objectives; Design build and operation of renewed Poplar Baths Leisure facilities; New build youth centre and; 100 new build social rented housing units.
- 3.2 The provision of the housing units was structured as a lease – lease back project. This is aligned with the Watts Grove model whereby the Council would take an internal repairing lease of the units to allow Tower Hamlets Homes to manage on a 100% socially rented basis.
- 3.3 The provision of the leisure aspect of this contract is different in that the Council has structured it to be designed, built and operationally managed by the developer. This structure allows for the council to set and monitor its key objectives for delivery by the private sector.
- 3.4 The new youth centre at Haileybury will be provided to the council under a lease – lease back structure. This lease will be based on a shell and core basis with the council's youth service providers fitting out the loose furniture and equipment to align with their service delivery requirements.
- 3.5 On the 6<sup>th</sup> July 2011 Cabinet resolved that officers should develop a proposal for Poplar Baths and Dame Colet House for procurement and implementation.
- 3.6 On the 4<sup>th</sup> July 2012 officers reported back to Cabinet detailing the procurement process which had been initiated. It was resolved that officer's should proceed with their recommended shortlist of two bidders through final dialogue and to invite submission of final tenders.
- 3.7 Final tenders were received by the Council allowing officer's to report their recommendation for a preferred bidder to Cabinet on the 9<sup>th</sup> January 2013. This cabinet resolved to adopt a capital estimate for the project, allow officers to appoint their preferred bidder and to further allow officer to enter into final contracts for project delivery following consultation with the Executive Mayor and the Lead Member for Resources.
- 3.8 On the 9<sup>th</sup> October 2013 Tower Hamlet's development committee resolved to approve the planning applications as recommended by planning officers. As a result of this approval Council officers are working with its appointed developer to reach a satisfactory financial close position which will allow works to start on site.

