

Committee/Meeting: Cabinet	Date: 4th July 2012	Classification: Exempt	Report No:
Report of: Corporate Director Community, Localities and Culture and Corporate Director Development and Renewal Originating officer(s) Ann Sutcliffe Service Head Corporate Property and Capital Delivery		Title: Part 2 - Poplar Baths and Dame Colet House – tender process update Wards Affected: Blackwall & Cubitt Town Limehouse East India & Lansbury St Dunstan's & Stepney Green	

Lead Member	Cllr Rabina Khan (Lead Member – Regeneration and Housing) Cllr Choudhury [Lead Member – Resources]
Community Plan Theme	Building one Tower Hamlets
Strategic Priority	1.4 Provide effective local services and facilities

NOT FOR PUBLICATION

Pursuant to regulation 21(1)(b) of the Local Authorities (Executive Arrangements) (Access to Information) (England) Regulations 2000, Cabinet may by resolution exclude the public from a meeting during an item of business whenever it is likely, in view of the nature of the business to be transacted, that if members of the public were present during that item there would be disclosure of exempt information.

Exempt information is defined in section 100I and, by reference, Schedule 12A of the Local Government Act 1972 (“the 1972 Act”). To be exempt, information must fall within one of the categories listed in paragraphs 1 to 7 of Schedule 12A, must not fall within one of the excluded categories in paragraphs 8 and 9 and the public interest in maintaining the exemption must outweigh the public interest in disclosing the information.

This report contains information falling within paragraph 3 of Schedule 12A to the 1972 Act, namely: “Information relating to the financial or business affairs of any particular person (including the authority holding that information)”. There is information in the report relating to the financial affairs of the Council. This information is not information falling within paragraph 8 (information required to be reported by companies) or paragraph 9 (development for which the Council may give itself planning permission) of Schedule 12A.

There is a public interest favouring public access to local authority meetings reflected in the provisions of Part VA of the 1972 Act. Public access promotes accountability, transparency and public involvement.

In this case, however, the report is concerned with one of the Council's major investment proposals which is at a critical stage. Publication of the details of any proposals could prejudice the Council achieving its obligation to obtain best consideration from the use of its resources and best value from the procurement process.. There is undoubtedly a public interest in the completion of this arrangement to be achieved in the most favourable way to the Council and Cabinet may take the view that this may best be achieved by consideration of the information the subject of the report in private. It is open, in the circumstances, for Cabinet to conclude that the public interest in maintaining the exemption on the information outweighs the public interest in disclosing it.

1. SUMMARY

- 1.1 This report provides Members with an update on the procurement process for the refurbishment of Poplar Baths, provision of new homes and a new Haileybury Youth Centre.

2. DECISIONS REQUIRED

Council is recommended to:-

- 2.1 Note the progress made on the procurement process;
- 2.2 Authorise officers to proceed the competitive dialogue to final tenders with bidders 2 and 3 and with the variant bids as set out in the exempt report;
- 2.3 Instruct officers to bring back to Cabinet the final report recommending the final bidder and contract sum prior to contract award; and;
- 2.4 Confirm that funding will be available to meet the potential contract costs subject always to satisfactory tenders and final sum.

3. REASONS FOR THE DECISIONS

- 3.1 See Part 1 report.

4. ALTERNATIVE OPTIONS

- 4.1 See Part 1 report.

5. BACKGROUND

- 5.1 The evaluation of the 3 submissions were against the agreed criteria of price and quality for each submission, which was as follows: Poplar Baths Base and Variant Bid (2 returns) and Dame Colet House Base and Variant Bid (2 Returns).
- 5.2 The highest score from each of the submissions was then combined to provide an overall weighted score.
- 5.3 There are two bidders recommended to go forward who had the highest scores. At this stage it is not necessary to reproduce the scoring matrix as there will be further evaluations at the final bid stage.

6. COMMENTS OF THE CHIEF FINANCIAL OFFICER

- 6.1 The comments set out below need to be considered in conjunction with those set out in the Part 1 report "Poplar Baths and Dame Colet House – Tender Process Update."
- 6.2 An initial financial assessment has been undertaken on the outline base and variant development proposals submitted by the three bidders and those assessments are reflected in the evaluations and resultant recommendation to proceed competitive dialogue to final tenders with two of those three bidders. In conjunction with this, officers now require Mayor and Cabinet financial approval of the scheme, in order to progress to the next stage of the feasibility and procurement process to provide assurance to bidders of the Council's intent, as set out in the part 1 report referred to above. This means budget provision is identified for the net revenue costs that relate to the General Fund and (potential) Housing Revenue Account elements of both the capital development and associated running costs.
- 6.3 Provision in the capital programme and adoption of a capital estimate is also required because, irrespective of the financial model adopted, the notional cost of development will be reflected on the Council's balance sheet. It is therefore recommended to adopt a capital estimate not exceeding £40million (£30 from the General Fund and £10m in the HRA). This is a notional sum in order to facilitate flexibility during the next stage of the competitive dialogue process. It does not mean that the Council intends to commit £40 m of General Fund and HRA resources. Capital estimates will be adjusted accordingly when the final scheme is brought back to Cabinet for final sign-off.
- 6.4 The revenue budget provision recommended by officers equates to that provided through the appropriate mix of base and variant bids relating to the two bidders which provided the highest scores set out in paragraph 5.1 above. The table below sets out the annual financial provision officers recommend is required for each element of the project:

	General Fund £000	HRA £000
Poplar baths leisure facility development	1,348	
Poplar baths leisure provision contract	330	
Poplar baths housing net of rents receivable		400
Dame Colet youth facility development	240	
Dame Colet housing net of rents receivable		300

Revenue provision for these costs is available within the capital financing budgets agreed in February.

- 6.5 The variant scheme proposal of two of the bidders included the landlord functions of the housing, and consequent assets, be transferred to a Registered Provider. If this were the preferred way forward there would be no adverse financial impact on the Housing Revenue Account, and would not count as notional borrowing against the Council's statutory HRA debt cap.
- 6.6 An initial NPV assessment has been undertaken of the Leisure element of the scheme and results show a broadly comparative overall net cost over the 25 year period. This is because of the financial risk issues associated with operating the facility.
- 6.7 Cabinet has previously set aside resources to finance the preparation costs associated with this scheme. In March 2010 £517k of available S106 leisure contributions were approved and a further £500k of capital reserves approved in July 2011. It is anticipated that all costs associated with progressing the scheme to final sign-off by Cabinet can be contained within this overall sum.

7. CONCURRENT REPORT OF THE ASSISTANT CHIEF EXECUTIVE (LEGAL SERVICES)

- 7.1 The final stage of the Competitive Dialogue process is the most complex stage as it involves the testing of the proposals put forward by the remaining bidders. All of the issues relating to the final version of the contract have to be resolved before the close of dialogue as the Public Contracts Regulation 2006 only permit refining and clarification to take place after close of dialogue.
- 7.2 Each bidder's proposals are strictly commercially confidential and are particular to their bid so the Council cannot use bidder A's proposal but ask bidder B to provide it. Failure to adhere to this would open the Council to risk of challenge through the courts and could affect the award of the contract. Procedures have been put in place to ensure the commercial confidentiality is maintained throughout the process and this will be reflected in the final

report to be submitted for contract award when bidder's names and proposals will be anonymised.

8. ONE TOWER HAMLETS CONSIDERATIONS

- 8.1 This project provides the improved opportunities for access to community leisure and youth facility along with affordable rented homes. At the next stage of dialogue, where there is more certainty around the proposed schemes, a detailed EQIA will be undertaken.

9. SUSTAINABLE ACTION FOR A GREENER ENVIRONMENT

- 9.1 The schemes will comply with the Council's requirements on the reduction of carbon emissions, energy consumption along with green and sustainable construction delivery.

10. RISK MANAGEMENT IMPLICATIONS

- 10.1 The main risk that exists for the project are as follows:
- A. The project over-runs its programme incurring additional costs for the Authority, including bid costs
 - B. Lack of resources to maintain the programme
- 10.2 The above will be managed through strong project governance arrangements on the project, building on good practice on complex commercial negotiations undertaken by the borough over recent years.

11. CRIME AND DISORDER REDUCTION IMPLICATIONS

- 11.1 The project will provide homes that are of a better design in terms of orientation to maximise passive supervision of common and external areas, with safe pedestrian routes to and from the homes. The community leisure and youth facilities will promote positive activities for young people to engage with.

12. EFFICIENCY STATEMENT

- 12.1 Provision of additional new homes will contribute to the Council's Overcrowding Strategy, through rehousing those tenants most in need. The homes, along with the refurbished properties and the Youth Centre will be built to sustainable design standards, therefore reducing the financial impact for residents and users. The procurement process will identify the most efficient means of delivering this key Mayoral priority.

13. APPENDICES

N/A

**Local Government Act, 1972 Section 100D (As amended)
List of “Background Papers” used in the preparation of this report**

Brief description of “background papers”	Name and telephone number of holder and address where open to inspection.
Cabinet Report 6 July 2011	
Cabinet Report 14 th March 2010	Ann Sutcliffe Service Head, Strategic Property & Capital Delivery