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**REPORT FOR: CABINET**

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**Date of Meeting:** 10<sup>th</sup> September 2020

**Subject:** Harrow Strategic Development Partnership –  
Appointment of Preferred Bidder

**Key Decision:** Yes  
This is a key decision because:

- i. It will result in the Council incurring expenditure in excess of £1m capital
- ii. It will be significant in terms of its effects on communities in all wards of the Borough

**Responsible Officer:** Paul Walker  
Corporate Director Community

**Portfolio Holder:** Councillor Keith Ferry  
Deputy Leader and Portfolio Holder for  
Regeneration, Planning and Employment

Councillor Adam Swersky  
Portfolio Holder- Finance and Resources

**Exempt:** Appendix 'E', 'F', 'G': Yes  
Exempt Appendices are not for publication by virtue of paragraphs 3 and 5 of Part 1 of Schedule 12 A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person (including the authority holding that information) and information in respect of which a claim to legal professional privilege could be maintained in legal proceedings.

Specifically, it contains information about the scores and relative merits of the proposals made by each of the two bidders which is considered to relate to their financial and business affairs.

**Decision subject to Call-in:**

Yes

**Wards affected:**

All

**Enclosures:**

Appendix 'A' Plans of the Council's Core Sites

Appendix 'B' Information Memorandum for the Procurement Process

Appendix 'C' Extract from Invitation to Submit Final Tender detailing requirements for Bidder's submission

Appendix 'D' Extract from Invitation to Submit Final Tender detailing scoring methodology in full.

Appendix 'E' Assessment of Bidders submissions - **Exempt**

Appendix 'F' Financial Implications – **Exempt**

Appendix 'G' Risk Register – **Exempt**

Appendix 'H' – Minutes of the Overview and Scrutiny (Special) meeting held on 1 September 2020 – **circulated separately**

## **Section 1 – Summary and Recommendations**

The purpose of the report is to advise Cabinet of the outcome of the Competitive Dialogue stage of the procurement process under the Public Contracts Regulations 2015. Delegated authority to commence the procurement process was given by Cabinet in May 2019, confirmed again in June 2019 following a Call-In, to procure a partner with which to establish the Harrow Strategic Development Partnership ('HSDP').

**Recommendations:**

Cabinet is requested to:

- i. Note the outcome of the Competitive Dialogue stage of the procurement process under the Public Contracts Regulations 2015 as outlined in this report.
- ii. Approve the appointment of Bidder B as Preferred Bidder with whom the Council will seek to establish the HSDP.

- iii. Agree that the procurement process proceeds to the Preferred Bidder Stage ('PB Stage') so the Preferred Bidder's proposal can be clarified, specified and optimised in accordance with the procurement regulations, in particular to formalise the structure of the vehicle, finalise legal documents and conclude the HSDP Business Plan.
- iv. Note there will be a further report to Cabinet, anticipated in the early part of 2021, which will seek authority to approve the HSDP Business Plan, make the procurement award, enter into the contractual documents and formally incorporate the Harrow Strategic Development Partnership.

**Reason: (For recommendations)**

In order to appoint a Preferred Bidder to establish the Harrow Strategic Development Partnership, enabling the development of the Council's three Core Sites and delivery of the Council's regeneration objectives.

## **Section 2 – Report**

### **2.1 Introductory paragraph**

At its meeting of 30th May 2019 Cabinet resolved that a Strategic Development Partnership, established through a joint venture was the preferred delivery approach for the development of Poets Corner, Peel Road and Byron Quarter Phase 1 (the Core Sites) in the Regeneration Programme. Cabinet approved the commencement of a procurement process under the Public Contracts Regulations 2015 and agreed a proposition to be put to the market as part of the procurement process, as set out in the Information Memorandum attached at Appendix 'B'.

The Cabinet decision of 30th May was subject to a Call-In. The decision was taken back to Cabinet in June 2019, where Cabinet resolved to confirm the decision of 30th May.

This report deals with the outcome of the Competitive Dialogue process and recommends Cabinet takes the decisions as set out in Section 1. It brings to members the request to appoint a Preferred Bidder in order that the Council can conclude a business plan and finalise contractual documents. At this stage, the Council is not agreeing the schemes proposed, including that for the Civic Centre, which will of course be subject to appropriate due diligence, public consultation and the planning process.

The Council is adopting a three -stage approach to determining the way forward.

**Stage One:** This report deals with the procurement process and seeks to appoint a Preferred Bidder which will allow the Council to engage with its proposed partner and to prepare for the development of its' core sites.

**Stage Two:** Members will have further opportunities to consider the Council's accommodation strategy in the Autumn; which will confirm the Council's future ways of working and finalise the requirements for the new Civic Centre.

**Stage Three:** This will inform the final business plan, and there will be a further report to conclude the business plan, close contractual documents and establish the HSDP in the New Year. This report will contain further detail on scheme proposals and indicative designs including the Civic Centre. Each of these stages will be the subject of member briefings and consideration by the Overview and Scrutiny Committee.

## **2.2 Alternative Options**

At the meeting of 30th May 2019, Cabinet considered a range of options for delivering the Council's key objectives and taking forward the development of the Core Sites.

The Council's agreed objectives were:

- To deliver wider regeneration across the Borough via new and improved mixed tenure housing, civic and community facilities, new employment space and the enhanced use of property assets within the Borough.
- To accelerate the pace of housing delivery across the portfolio of sites.
- To secure wider economic and social benefits for local residents, including skills and training, health improvement and new employment opportunities.
- Use existing and new property assets to optimise value for the Council.
- To contribute to the delivery of well designed, high quality places that make a difference for communities, businesses, residents and families both now and in the long term.

The Council's key priorities in the Core Sites are to:

1. Re provide the Civic Centre
2. Provide the Civic Centre at no cost to the Councils General Fund over the period of the partnership
3. Maximise Affordable Housing across the 3 sites

To deliver these objectives and priorities the Cabinet looked at the following options:

- Straightforward site disposal to a developer or builder
- Direct delivery by the Council
- Entering a development agreement with a developer or builder
- Formation of a strategic development partnership

The Council resolved to establish a Strategic Development Partnership and delegated authority to commence a procurement process to appoint a private sector partner to do this with. This report brings the competitive dialogue stage of the procurement process to a close. There has been a positive outcome to this part of the procurement process as a result of significant market interest. The Council now has a committed potential partner and the Council's selected route has many advantages as set out in this report. There have been no changes to the Council's objectives, which are entrenched within the procurement and legal documentation, and this remains the recommended option.

However, alternative available options are:

### **2.2.1 Do nothing**

The Council has reserved its position and is not obliged to appoint any of the bidders in the event of bids not being satisfactory, or otherwise not wishing to proceed.

Pursuing this option would mean that there would be no development on any of the Core Sites, yielding no regeneration benefit and no housing development, either market or affordable, through this procurement process.

A new solution to the Council's Regeneration Objectives would need to be agreed and actioned, which could include an alternative route to the delivery of a new Civic Centre or simply a continuation of the occupation of the current site. The Council currently occupies a Civic Centre that is both outdated and requires significant resources to merely keep it operational. If this option is chosen and the Council remained in occupation, it would mean that significant expenditure would need to be incurred to keep the building operational and COVID 19 safe, and no new Civic Centre would be provided. In addition, no land would be freed up to deliver housing across the currently underutilised Poet's Corner site.

### **2.2.2 Review the delivery option**

The consideration and reasons for pursuing a Strategic Development Partnership as outlined in the Cabinet report in May 2019, remain sound. To develop these Core Sites and meet the Council's overall objectives, a Strategic Development Partnership remains the best development option.

These are because:

- The option gave the greatest chance of achieving regeneration and development on a scale consistent with the Council's ambitions and objectives, enabling the wider economic and social benefits the Council requires.
- The flexibility of the partnership approach works best for multi-site and complex developments.
- The partnership will give the Council greater influence and control, as landowner, over the detail of the development including timescales and design quality.
- The opportunities to access skills, finance, supply chain and other benefits through the life of the partnership can support the Council's wider Regeneration Programme and community works.
- Strategic Development Partnership will offer the Council the potential of optimising the return to be invested in order to achieve the Council's objectives as identified above.

### **2.2.3 Pause the process and re-procure in due course**

Given the uncertainty in market conditions as a result of the COVID 19 disruption, Cabinet has the option to pause and await more certainty in the market as to the best options for housing, commercial and office development.

However, this would almost certainly necessitate a re-procurement, involving considerable further cost, and there is no guarantee that at the end of such a process there would actually be clear market certainty. Over the life-time of a long-term

partnership such as this, market conditions can be expected to change on a number of occasions, and one of the advantages of a partnership approach is to enable the flexibility to respond to this.

The strong advantage of appointing a Preferred Bidder at this point is that the Council will have a partner with whom the market, and the best response to market conditions, can be discussed. While the procurement process does impose certain constraints on what can be developed on the site, over the lifetime of a partnership such as this, it is inevitable that business plans will evolve and having a partner in place to enable that is a significant advantage.

Accordingly, the proposed option is to appoint a Preferred Bidder and progress into the next stage.

Notwithstanding the recommendations in this report, appointing a Preferred Bidder does not at this stage commit the Council to enter into any legal agreement, or indeed to the establishment of the HSDP at all. That decision can only be taken by Cabinet after the close of the Preferred Bidder Stage and will be the subject of a further report.

### **2.3 Background**

Some years ago, the Council set its ambitions to progress Harrow's regeneration, growth and development under the brand of 'Building a Better Harrow'.

This Regeneration Strategy covers the period from 2015 to 2026 and it outlines three core themes:

**Place** - Providing the homes, schools and infrastructure needed to meet the demands of our growing population and business base, with high quality town and district centres that attract business investment and foster community engagement.

**Communities** - Creating new jobs, breaking down barriers to employment, tackling overcrowding and fuel poverty in our homes and working alongside other services to address health and welfare issues.

**Business** - Reinforcing our commercial centres, promoting Harrow as an investment location, addressing skills shortages, and supporting new business start-ups and developing local supply chains through procurement.

The Council's aim is to continue to promote sustainable communities by encouraging the right type of Development and Growth throughout Harrow. This is key to the success of the Regeneration Programme, building in sufficient infrastructure across the borough that will invigorate our local economy, attract new businesses and employers to the borough improving employment, education, and work opportunities for our residents. This is intended to provide a sense of place, well-being and welcome community for all. Harrow already has a wide ranging and diverse set of communities and the regeneration programme will build on this success by encouraging new families and people who want to come to live, work and relax in Harrow.

At the heart of this was a determination to build good quality homes for Harrow's people, partly through the use of the Council's own assets. At the same time, the

Council set out its' need to develop a new Civic Centre to replace the aging and no longer fit for purpose building located on the site known as Poets Corner.

The Council then reviewed its options, in May 2019, for delivering these ambitions, considering the following:

- Straightforward Site disposal
- Direct Delivery
- Development Agreement
- Strategic Development Partnership

It concluded that the Council should seek to establish a Strategic Development Partnership, because:

- The option gave the greatest chance of achieving regeneration and development on a scale consistent with the Council's ambitions and objectives, enabling the wider economic and social benefits the Council requires.
- The flexibility of the partnership approach works best for multi-site and complex developments.
- The partnership will give the Council greater influence and control, as landowner, over the detail of the development including timescales and design quality.
- The opportunities to access skills, finance, supply chain and other benefits through the life of the partnership can support the Council's wider Regeneration Programme and community works.
- The Strategic Development Partnership will offer the Council the potential of optimising the return to be invested in order to achieve the Council's objectives as identified above.

In summary this option was the best route to delivering the ambitions of the Regeneration Strategy, 'Building a Better Harrow.'

The Council reviewed which of its sites should initially be placed into the partnership and concluded that the three sites should be those at Poets Corner, Peel Road and Phase 1 of Byron Quarter.

Poets Corner is situated to the south of Harrow and Wealdstone Station, bounded by Marlborough Hill, Railway Approach and Milton Road. The site currently comprises the existing Civic Centre complex and is approximately 11.4 acres.

Peel Road is situated to the north of Harrow and Wealdstone station and is bounded by Canning Road, George Gange Way and Gladstone Way. It extends to approximately 1.4 acres and currently comprises Peel House Car Park and the existing Ashram Temple, which is being relocated to an adjacent site.

Phase 1 of Byron Quarter is a 3.7acre site in the south eastern corner of the Byron Quarter Masterplan area, bounded by Stuart Road, The Byron Recreation Ground, the Belmont Trail and Christchurch Avenue.

Plans of all the sites are appended at Appendix 'A'.

There is potential to add further sites to the partnership at a later date where they accord with the objectives of the HSDP. The Council's strategic partner is likely to be keen to explore such options should this be the case. The clear benefit is that the Council will have a ready-made development partner with relevant expertise and without a need for further procurement.

Following that review, Cabinet resolved to commence a procurement process under the Public Contracts Regulations 2015 to procure a development partner whom it would work alongside to deliver regeneration, new homes, social and economic benefits and a sense of place, across the Core Sites, in accordance with the objectives outlined above.

## **2.4 The Procurement Process**

The procurement process follows the Competitive Dialogue process under the Public Contracts Regulations 2015. The stages of the Competitive Dialogue process in this procurement are:

- Publication of an OJEU Notice
- Selection Questionnaire (SQ)
- Invitation to Submit Outline Solutions (ISOS)
- Invitation to Submit Detailed Solution (ISDS)
- Invitation to Submit Final Tender (ISFT)
- Preferred Bidder (PB)
- Contract Award

### **2.4.1 OJEU Notice**

The procurement process was launched on 21st June 2019 with the publication of a notice in the Official Journal of the European Union and the issue of a Selection Questionnaire (SQ) to the market on the 25th June 2019. A formal launch took place at Peel Road car park on 27th June 2019.

### **2.4.2 SQ Stage**

The Selection Questionnaire is the first stage of the Competitive Dialogue process which examines the prospective bidders existing track record, looking at their technical capacity, professional ability and economic and financial standing. A range of questions were asked and assessed on the following:

- Mandatory and discretionary grounds for exclusion for a range of civil and criminal offences
- Economic and financial standing
- Ability to provide guarantees
- Technical and Professional Ability
- Modern Slavery
- Insurance
- Skills and Apprentices
- Grave Professional Misconduct
- Equalities



Thirteen (13) organisations completed and submitted a response to the SQ. These responses were evaluated and moderated, resulting in five (5) organisations successfully proceeding to the ISOS Stage.

### **2.4.3 ISOS Stage**

The Invitation to Submit Outline Solutions (ISOS) was issued to the five bidders on the 12th August 2019. Dialogue sessions at ISOS stage started on 19th August.

The Dialogue sessions covered bidders' submissions with regard to their proposals for:

- partnership and governance
- strategic vision
- design and placemaking
- project delivery
- social value
- finance and business planning and legal

During the course of the ISOS dialogue phase one bidder withdrew from the process on the basis, principally, that the opportunity did not fit their business model at that time.

After the conclusion of the dialogue, Outline Solutions were submitted by the bidders on 11th October. These included:

- Outline design proposals for all three core sites
- Financial model demonstrating viability across the core sites and cost neutrality in relation to the new Civic Centre
- Social Value Proposals
- Updated legal Heads of Terms

The Outline Solutions were subsequently evaluated and moderated, with the three highest scoring bidders identified and invited to the next stage, being the ISDS Stage, with one bidder being deselected.

At this point, formal draft legal documents were produced and on 18th November these formed part of the Invitation to Submit Detailed Solutions that was issued to the remaining three bidders.

Dialogue recommenced on 21st November, considering in greater detail, the same key themes:

- partnership and governance,
- strategic vision,
- design and placemaking,
- project delivery,
- social value,
- finance and business planning and legal

In accordance with the Competitive Dialogue procedure, there was no formal evaluation at the ISDS stage.

The Invitation to Submit Final tenders was issued to all three bidders on the 5th March 2020 and the closing date for submission was the 16th March 2020.

Three submissions were received, and the evaluation process commenced but as a result of the COVID 19 emergency, and the need to deploy staff to help with this, the procurement process was paused between the 3rd April 2020 and the 11th May 2020. It restarted on that date and the evaluation completed with the final moderation process carried out on the 17th, 18th and 19th June 2020.

During the ISFT evaluation period, one further bidder withdrew from the procurement process after the evaluation had restarted due to a change in the direction of their business.

At all stages of the procurement process, the submissions were scored by relevant advisers and Council officers followed by a moderation process facilitated by the Head of Procurement, to ensure fairness, equity and robustness in the scoring and tender evaluation process

## **2.5 Requirements of Bidders**

At the final tender stage bidders were required to submit answers to the final tender questions and submit final mark ups of the draft legal documents, together with a commentary on all legal issues and answers to the legal questionnaire. Critically, also the bidders submitted their proposed financial model.

The detailed requirements of the final tender documents are set out in the appendices to this report.

In summary, bidders were asked to submit proposals for their approach in the following areas:

### **2.5.1 Partnership and Governance**

#### *Strategic Leadership, Partnering and Accountability*

The Council is seeking a strategic development partner who is able to work collaboratively and will put in place structures to deal with issues in a proactive and responsive manner. Bidders were asked to incorporate strategic leadership and partnering approaches as well as operational and management resourcing and show how these combine, and integrate effectively.

Bidders were particularly asked to show an understanding of the Council as a public body, including the Council's fiduciary duty to ensure the Council utilises funds in a careful and prudent manner.

The approach is to demonstrably lead to successful delivery, describe management and governance structures including the Partnership Board and show lines of escalation for problematic issues.

#### *Operational Management Resourcing*

In this area bidders were expected to demonstrate capacity across the partner organisation and sustainable support and buy – in, including from senior management.

Competency of skills and expertise, continuity, role clarity and effective management structures are required together with a demonstrable ability to adapt to fluctuating project demands.

Bidders were required to show how they would engage with the Council in terms of management and governance structures, including engaging with elected members and existing governance structures. The resource plan also needed to ensure quality of service, reliability and value for money for the HSDP for both services delivered by the partner directly and through third party procured advisers and partners.

## **2.5.2 Strategic Vision, Design and Placemaking**

### *Overall Vision and Aspiration*

Bidders were expected to understand the historic and existing context, the demographics and aspirations of residents, uses, demand and change affecting town centres, local services and infrastructure.

The response was to include an overall vision and aspiration for the development of the Core Sites, the creation of places people will want to live in and which will be sustainable, the role of open space, play space and public realm and an approach to ensuring high quality design. Bidders were asked to provide a high quality HNC building, a response to the provision of the potential school and to have regard to the Council's Climate Change Strategy and Declaration of Climate Emergency.

An important component of this question was to maximise affordable housing within the constraints of cost neutrality, and to outline density, type and tenure including specifically how it meets local demand and provides genuinely affordable housing for Harrow residents.

The masterplan should demonstrate that the Council's objectives will be met.

### *Phasing Strategy and Project Programme*

The sequencing and relationship between the three sites is critical to ensure the delivery of the Council's objectives, to deliver step change in the quality of the environments and contribute to the wider regeneration of Harrow and Wealdstone.

The contribution of phasing to enhance placemaking, generate asset value and maintain development momentum are all critical, as is the sequencing of the delivery of HNC and affordable housing to minimise the Council's borrowing requirements and help to achieve cost neutrality.

A strategy for interim and meanwhile uses was required, as in particular was a detailed phasing plan.

### *Community and Stakeholder Engagement*

Engagement with the community and key stakeholders is critical to the success of this project and bidders were asked to provide a detailed strategy for this, demonstrating an understanding that engagement must be appropriate and tailored to the needs of the Borough's diverse community groups.

The strategy was to identify key community groups including third party landowners and leaseholders, residents, Council staff and the broader voluntary and community

sector and establish how engagement will be carried out and feedback incorporated into proposals. Obtaining of views on a continued basis from those who are less likely to contribute so that all opinions are understood was a key requirement. Bidders were also requested to specify how any concerns will be addressed and mitigated.

An approach to national and regional government engagement was also requested.

Responses were to include details of specific initiatives to be undertaken as part of stakeholder engagement, both formal and informal, and of the key aims of each engagement.

### **2.5.3 Project Delivery**

#### *Overall delivery strategy*

Bidders were asked to submit a detailed and resilient overarching delivery strategy explaining how they will organise and manage the delivery process to achieve the project objectives within an optimal timeframe. This included an appropriate programme, tools and techniques for delivery, approaches to the HNC and affordable housing and the approach to long term asset management.

A sales and marketing strategy was requested, together with coverage of meanwhile uses and a detailed project risk register.

#### *Planning Strategy*

Given that planning consent across the Core Sites is critical to the overall success of the HSDP, bidders were asked for a planning strategy to include the type of consent and their understanding of the policy context.

The strategy was to include key planning risks, approaches to successful engagement with the Council and the GLA, a detailed programme and clarity on the approach to tall buildings where proposed.

### **2.5.4 Social Value**

The ISFT stresses the importance to the Council of the Social Value Agenda and references the Council's policy decisions on Social Value, its' key objectives and the intention that Harrow's community and businesses should benefit from the regeneration of the Borough.

Bidders were asked to provide a detailed 'Social Value Method Statement which sets out a plan to meet the Council's Social Value Objectives across the full development cycle. This was expected to provide SMART targets for achievements in skills and employment, developing local supply chains, environmental considerations, and capacity building support for voluntary and community organisations.

Detail on the provision of expertise by third parties and sub-contractors, working with voluntary organisations, funding of the approach and the wider economic impact of the developments was all expected.

### **2.5.5 Finance**

Bidders were required to submit a financial model demonstrating returns to the Council and confirming the bidders required financial metrics.

Part of the Council's objectives is to generate sufficient returns to achieve a cost neutral position with respect to their funding of the HNC and to ultimately generate surplus receipts to fund Council services. Cost neutrality was a minimum expectation and was assessed on a pass / fail basis.

The Council's key requirements in assessing the question are:

- Cost neutrality and the ability to minimise the requirement of any impact on the Council's General Fund in relation to funding and financing the HNC.
- Deliverability of the financial and commercial propositions.
- Ability to deliver early capital and sustainable long - term revenue receipts.
- Ability of the proposals to maximise the Council's land value and surplus receipts after funding of the HNC.
- Sensitivity and robustness of the returns proposed in the submission to changes in market conditions.
- How the submission minimises the likelihood of viability issues; and minimisation of the Council's peak exposure.
- How proposals will maximise returns while minimising overall risk exposure.

In order to evaluate proposals against the Council's requirements bidders were required to submit the following:

- a) Target return metric
- b) Loan note coupon rates
- c) Main contractor's profit margin
- d) Development Management Fee
- e) Total Capital returns (Capital and Revenue)
- f) Net Present Value of the Council's position
- g) HSDP Internal Rate of Return
- h) Council Peak Equity Exposure

All of the bidders' financial proposals are submitted to a robustness test, ensuring that they are aligned with quality proposals, are market facing and where applicable are justified by evidence.

Bidders were also asked to set out their approach to land valuation where schemes are to be developed in phases, and the proportion of such uplift that would be available to the Council.

A clear funding strategy was also required to show how bidders would go about funding the core sites in the most efficient manner, describing how it will be secured, risk managed and third -party grant obtained if applicable. The cost of finance, of operating the HSDP and managing and minimising these costs was also required.

## **2.5.6 Legal**

Bidders were required to review the draft documents produced by the Council and its' external legal advisers. As part of their Final Tender Submission, bidders must have

confirmed that they either accepted the terms of the legal documents without amendment, or otherwise that they required changes. Where amendments were proposed, the Council and its advisers would assess these to determine whether the proposed amendments materially alter the balance of risk between the bidder and the Council. The assessments determined an overall score that took into account the aggregate effect of all suggested amendments to the legal documents.

Bidders were also required to submit a questionnaire to demonstrate the commercial offer of the bidder, and where these commercial proposals were included in the legal documents to demonstrate consistency of approach across the tender submission.

## **2.6 Evaluation Methodology and Criteria**

### **2.6.1 Panel evaluation**

The evaluation panel was made up of Council Officers from the Service Area, Legal and Finance, Economic Development Team and external evaluators from our legal advisors Pinsent Masons and our commercial advisors Avison Young

A core set of the panel evaluated the whole bid and then subject matter experts evaluated key sections. The evaluation period was between 17th March 2020 and 15th June 2020 (taking into account the pause between 3rd April 2020 and the 11th May 2020 as outlined above).

Evaluators strictly scored the submissions in accordance with the instructions in the ISFT; there were different scoring methodologies for each section due the complexities.

The Evaluation Criteria are set out in detail in Appendix 'D' of this report.

In summary the marks available for assessment are split between Price (Financial and Business Planning) 40% and Quality 60%.

The quality marks are allocated as follows:

- Partnership and Governance 10%
- Strategic Vision, Design and Placemaking 20%
- Project Delivery 10%
- Social Value 10%
- Legal 10%

Both Price and Quality are further sub-divided by the component questions.

For each of the questions these are measured against scoring methodology and a set of criteria determining the score. These vary depending on the nature and complexity of the subject matter.

- Quality – this was scored against a scoring methodology of 0 – 10
- Social Value – was scored against a scoring methodology of 0 -5
- Legal – this was scored against a scoring methodology of 0 -10
- Finance – This was a much more complex scoring methodology due to the nature of the requirements; different methodologies were applied to the sub-criteria.

As has been remarked elsewhere, achieving cost neutrality was a pass / fail criteria in the financial scoring.

## **2.6.2 Scoring of Bids**

All bids were scored according to the evaluation criteria set out above. The preferred bidder scored 61.5% overall and 55.5% with the robustness score applied to the financial score.

The exempt appendix of this report sets out the detailed scoring of bids, and therefore provides the reasons for choosing the preferred bidder over the other bidders.

Performance of the two bidders is explained against the technical and quality questions, the financial model, and the response to the draft legal documents. The winning score represents a good and market comparable score which will give the Council a good and effective partner.

The reasons for this being in the exempt part of this report are set out below.

## **2.7 The Preferred Bidder**

The recommended preferred bidder is Bidder B on the basis that this bidder received the highest overall score across all the criteria from the Evaluation panel and passed the requirement for cost neutrality.

The critical elements of the preferred bidders' proposal are:

- Strong track record in the delivery of homes and of civic buildings and offices
- Commitment to a positive response to the climate emergency and bold targets for eliminating harm to the environment
- Commitment to partnership ethos and shared and aligned vision
- Skilled and experienced team with clear resources and roles
- Proposal to deliver over 1,500 homes of mixed tenures in accordance with Council planning policy
- Flexible Civic Centre with efficient and sustainable design
- Commitment to social value with innovative ideas and a record of achievement
- Clear and effective strategy for delivery of projects
- Good financial and commercial proposition with balanced risk profile for the Council and good projected land values
- Competitive margins and market facing fees
- Clear funding strategy

## **2.8 Recommendations of the Council's Advisers**

The recommendations of the Council's professional advisers are set out below:

### **2.8.1 Pinsent Masons**

*Pinsent Masons LLP, the Council's external Legal Advisor endorse, from a legal perspective, the decision to proceed with the selection of Bidder B to proceed through to preferred bidder stage.*

*The procurement exercise undertaken through the competitive dialogue procedure under the Public Contracts Regulations 2015 has ensured that a transparent, thorough and comprehensive process has been undertaken to arrive at the decision to select the preferred bidder.*

*The process followed has ensured that Bidder B is appropriate to be selected as the Council's partner and the legal form of joint venture and documentation largely concluded (including the framework for agreeing the proposed schemes). At this stage the Council is not agreeing the schemes proposed, (including that for the Civic Centre) which will be subject to further approvals by the Council following appropriate due diligence, public consultation and the planning process as well as additional legal pre-conditions.*

### **2.8.2 Avison Young**

*Avison Young, the Council's Commercial Advisor endorse the decision to proceed with the selection of Bidder B to proceed through to preferred bidder stage.*

*Their final submission responded well to the needs of the Council and their approach and ethos through the process has been one of collaboration, transparency and joint working.*

*We consider they bring a wealth of skills and experience within both public and private ventures and also in the town centre regeneration sphere and are well placed to work with the Council to deliver your ambitions for Wealdstone and the surrounding area.*

*The evaluation process has been set up so that a score of '6' indicates that the bidder has met all the requirements of the questions and exceeds expectations in some areas. As such we consider a score of 60-65% overall to be strong and typical for a winning bid through this type of procurement process. This is consistent with where we have run these processes elsewhere. With the robustness score applied as a check and balance this remains a good bid.*

*The financial proposition put forward by the preferred bidder provides the Council with a balanced risk/reward profile while delivering significant affordable housing and achieving the minimum requirement of cost neutrality in relation to the HNC.*

*The proposal submitted helps to minimise the Council's exposure to any borrowing taken out in relation to the HNC which reduces the on-going risk to the Council's general fund budget. The submission provides confidence that the financial solution is deliverable and market facing and has been subjected to robustness testing of the underlying assumptions. The financial strategy underpinning the quantitative outputs included in the final bid demonstrate the preferred bidder's strong understanding of delivering projects of this nature with a key focus on driving value for the Council through the success of the HSDP.*

### **2.8.3 Governance and Relationship Management**

It is proposed that the HSDP will be a Limited Liability Partnership (LLP), owned equally on a 50% share by the Council and its partner. The LLP will therefore be a separate legal entity. In summary, the Council puts in land and some financial



investment, and the partner brings finance and technical expertise. The Council and its partner bear equal shares of equity, risk and reward. The Partnership is run by a board of directors with three representatives each from the Council and partner, and equal voting rights. The directors will have statutory duties to act in the best interests of the LLP.

The arrangements for the governance of the Harrow Strategic Development Partnership, covering matters such as the constitution of the Board, the decisions reserved to members of the partnership and the arrangements for resolving deadlocks are set out in the Member's Agreement and other legal documents which have been negotiated during procurement dialogue and which will be finalised with the preferred bidder, before being presented to Cabinet for approval as part of the report for the establishment of the HSDP anticipated in early 2021.

While not subject to the Council's own specific audit regime, the HSDP as an independent legal entity, will appoint its own auditors and be subject to its own duties for reporting.

The Council will need to make its own internal arrangements including nominating members of the HSDP Board, agreeing any delegation of decision making for those decisions reserved to the Council in its capacity as a member of the HSDP, and establishing working arrangements.

It is intended that shadow board arrangements will be put in place with the preferred bidder ahead of the formal establishment of the LLP, to enable the Board to form, and start functioning informally. However, the Board cannot take any formal decisions until the HSDP is formally incorporated following the approval of Cabinet.

The Council will be putting in place 'client' arrangements within the organisation in order to best support the engagement that will be necessary with the HSDP and its work. A range of officers from across the Council will be closely involved in the Council's collaborative working relationship with the HSDP.

Decisions taken by the Council in relation to the HSDP, and all internal processes associated with the vehicle (especially in relation to risk management) will be subject both to the Council's formal audit procedures and to the Council's scrutiny arrangements. Typically, the partnerships' activities on the Council's behalf would be subject to Scrutiny on an annual basis, but this could be more frequently if required, and can be built into the constitutional documents.

## **2.9 Next Steps**

The next stage of the procurement process is the Preferred Bidder stage 'PB' during which the legal documentation will be finalised in preparation for contract close.

The principal activities within this stage will include the finalisation of the contract documents, and the completion of the HSDP Business Plan, with an audit of the final financial model, and appropriate tax advice.

The Business Plan will be based on the bidders submissions as discussed in this report, but as they were produced before the main effects of the COVID 19 Emergency

took effect, they will be 'clarified, specified and optimised' as permitted by the Procurement Regulations.

To enable the conclusion of the Business Plan the Council will separately need to fix and finalise its requirements for the Harrow New Civic Centre, and Cabinet will receive a report on this in the Autumn.

The strategy for engagement with the community and voluntary sector will also be further developed. As the council has a clear commitment to engage residents, businesses and the voluntary, faith and community sector in all its major activity, the opportunity to develop ambitious and sustainable plans for each of the major schemes will be enhanced through engaging with these stakeholders and groups. This engagement will also support the development of our Equalities approach as a number of local groups will be able to represent the views of our diverse Harrow community.

The intention is that a further report will then be brought to Cabinet early in the New Year 2021, most likely in February 2021, seeking authority to award a contract and conclude the procurement process, agree the legal documentation and establish the HSDP.

This approach will allow the Council to carefully and robustly establish its' position going forward and allow appropriate scrutiny by members at each stage.

### **Ward Councillors' comments**

The Ward Members for the Ward in which the Core Sites are located have been consulted and have made no comments to date.

### **2.10 Risk Management Implications**

Separate risk register in place? Yes

A comprehensive risk register for the procurement process is attached at Appendix 'G' in the private part of this report.
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### **2.11 Procurement Implications**

<p>The Head of Procurement along with external procurement advisors have compliantly conducted a competitive dialogue procedure and can confirm that this procurement has not only strictly adhered to the Public Contract Regulations 2015 but has also demonstrated first class procurement practice.</p>
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<p>This report, amongst other recommendations, is requesting approval to enter into the preferred bidder stage of the procurement. In early 2021 a further report will be presented to Cabinet seeking approval to award the contract following the closure of the preferred bidder stage.</p>
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<p>The step by step detail of the procurement process including evaluation criteria and methodology is in the main body of this report.</p>
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### **2.12 Legal Implic ations**

The Council has a range of statutory powers to permit it to participate in the proposed Limited Liability Partnership (LLP) and associated joint venture arrangements.

Section 1 of the Localism Act 2011, known as the general power of competence (GPC) permits local authorities to do anything that individuals can do subject to any specific restrictions contained in legislation. The Localism Act additionally provides where, in exercise of the general power, a local authority does things for a commercial purpose, the authority must do them through a company. The law provides that the use of an LLP is lawful where the local authority's primary or dominant purpose is not a commercial purpose. This report has made the Council's objectives (paragraph 2.2) clear and therefore the Council's primary or dominant purpose in entering into the LLP are not commercial.

The Council is able to establish and participate in an LLP pursuant to the general power of competence above and where it is established to facilitate or is conducive or incidental to the discharge of any of its functions, the power set out in section 111(1) of the Local Government Act 1972.

The Council has statutory authority to hold property for a variety of purposes including those mentioned in section 120(1) of the Local Government Act 1972 which include for the benefit, improvement and development of their area. The Council also has the power to invest for any purpose relevant to its functions under any enactment; or for the purposes of the prudent management of its financial affairs (s.12 Local Government Act 2003).

The Council may dispose of land by agreement in accordance with Sections 123 of the Local Government Act 1972 and consequently, transfer land into the chosen corporate vehicle, provided that disposal is made having received the best consideration reasonably obtainable.

The title to each of the Core Sites has been reviewed. Whilst all are burdened by various covenants and legal impediments, it is envisaged that the Council will use its statutory powers of appropriation pursuant to the Housing and Planning Act 2016. Such powers extinguish title encumbrances insofar as they could impede development and instead allow any party whose rights have been infringed to claim compensation.

In July 2019, at its Governance, Audit, Risk Management and Standards Committee, the Council adopted the best practice recommendations as laid down by the Committee on Standards in Public Life (CSPL) for local authorities following CSPL's review of local government ethical standards. The LLP will, by definition, not be a wholly owned vehicle, but will be a partnership. However, it will be encouraged to adopt these best practice recommendations wherever applicable.

## **2.13 Financial Implications**

The financial implications for the Council of Bidder B's submission are detailed in Appendix F (exempt) and summarised in this section of the report. These implications are as a result of the procurement process detailed in this report and will be revised as the business case is developed.

When years are referred to in this section, year 1 covers the period 01/07/20 to 31/03/21. From year 2 onwards, the full financial year is covered starting 01 April.

### **Staff and external advice and support**

The Council has already created capacity to fund the revenue implications of staff employed to support the HSDP and external advice and support. The capacity created is £3.750m allocated equally over the three years 2020/21 to 2022/23.

### **Council Capital Investment**

The Council is required to invest 2 streams of capital into the HDSP:

#### **Stream 1 – Investment of £40.674m into the three core sites (excluding Harrow new Civic Centre)**

Bidder B's model assumes a total investment of £40.674m into the three core sites (excluding Harrow new Civic Centre). This investment will be funded by the value of the Council land transferred into the HSDP and capital investment funded by external borrowing (£23.813m).

The capital investment of £23.813m required from the Council will be repaid by capital receipts from the HDSP as the core sites are completed. The timing of capital investment and capital receipts will not balance themselves out evenly and for this reason there will be periods where the Council will incur interest charges if the investment is funded by external borrowing.

Over the 12 year development period, the Council will incur interest payments of £1.690m, based on an interest rate of 2.5%. Over the same period, the Council will receive a total of £7.490m which is the interest return from the HSDP from the Council's £23.810m investment. The Council has flexibility on how it deploys this interest return but a first call would be to fund the interest costs of borrowing the £23.810m.

Based on the model, there is only likely to be an annual interest charge in years 3 and 4 in the region of £283k net. From year 5 there are sufficient returns from the HSDP interest return to fund interest charges until the end of the development in 2032. In years 3 and 4 all efforts will be made to further reduce the interest charges by considering:

- The application of internal capital receipts (if available)
- The use of short -term temporary borrowing

It is important to note that the Council is not required to invest the £23.810m in one single tranche. The investment is required over years 3 to 10 and peak debt exposure is in year 9 at £7.4m.

In terms of the impact in the Council's 3 Year Medium Term Financial Strategy (MTFS) and Capital Programme 2021/22 to 2023/24, based on the model there is a requirement to include capital investment of £8.525m into the Capital Programme to reflect the investment required in years 3 and 4.

### **Stream 2 – Investment of £27.061m for the Harrow New Civic Centre (HNC)**

Bidder B's model shows the gross cost of the HNC at £45.016m. This is reduced to £27.061m after applying capital and revenue receipts from the HSDP, during the construction period, from developments on the three core sites running alongside the HNC.

The construction period for the HNC is modelled over years 1 to 5, 01/07/20 to 31/03/25. For the Local Authority, capital charges are made up of two elements:

- Interest Charges – The Council will not incur any interest charges during the construction period. After taking advice from the Council's commercial advisors, the industry norm is to capitalise interest charges during the construction period. This totals £1.645m and is included as part of the £45.016m gross cost
- Minimum Revenue Provision – The Council is required to make a minimum revenue provision (MRP) for all assets purchased by debt which reflects an annual charge to the revenue account over the useful life of the asset. An MRP charge is not applied to assets under construction hence will also not be a cost during the construction period.

The net residual cost of the HNC of £27.061m is the value of debt that the Council will be left with at the end of the construction period which will be subject to an MRP charge (£1.614m) which is included as part of the £27.061m. This £27.061m cost will be fully funded from capital and revenue receipts received from the HSDP.

Within the net residual cost of £27.061m, the Council has two periods when it will have to fund a proportion of the MRP charge from the general fund. This is purely a timing issue until enough additional receipts are available from the HSDP to refund the Council:

- In years 6 & 7 £1.764m (£1.213m and £551k respectively) from the general fund which will be repaid in full in year 8.
- In year 9, £486k from the general fund which will be repaid in year 10.

Dependent upon timings the Council could opt to use some of the £7.490m interest benefit (as previously mentioned) rather than calling on the general fund.

In terms of the impact in the Council's 3 Year Medium Term Financial Strategy (MTFS) and Capital Programme 2021/22 to 2023/24, the construction of the HNC has no impact on either.

## 2.14 Equalities implications / Public Sector Equality Duty

When taking decisions, local authorities must have due regard to the Public Sector Equality duty contained in section 149 of the Equality Act 2010.

The Harrow Strategic Development Partnership is being formed to deliver the Council's regeneration ambitions on the three core sites. These objectives, particularly in terms of the acceleration of the pace of housing delivery are specifically targeted at creating benefit for all of Harrow's diverse communities. Therefore, in order to ensure that the impacts on communities, and particular groups are understood, and how the Harrow Strategic Development Partnership can maximise benefits to Harrow residents Equalities Impact Assessments (EQIAs) will be carried out accordingly on a project by project basis on all scheme business plans and proposals.

In terms of this decision, i.e. the appointment of a preferred bidder, an EQIA was carried out as part of the Cabinet report recommending the setting up of a Development Partnership in May 2019. On the basis that the appointment of a preferred bidder is being carried out in accordance with the approved and published procurement criteria this report has no further Equalities Implications at this time, as the bidder being recommended has objectively best met the procurement criteria.

It is currently proposed that the Harrow Strategic Development Partnership will formerly be set up in the early 2021, which will be a decision brought back to Cabinet. As part of this decision, business plans will be developed for the three initial sites, and accordingly full EQIAs for these sites will be carried out as part of the evidence base for the Cabinet decision to establish the vehicle. Therefore, on approval of the preferred bidder, the EQIAs will be commenced for each site to ensure the Council maximises the benefit of the Partnership for all residents and also avoids where possible, any disproportionate impact on any groups or communities.

There will also be further oversight through the Council's Scrutiny processes in the development of these business plans. As part of this process the evidence base being developed through the EQIAs will be considered as well.

The LLP documentation will require the Harrow Strategic Development Partnership to comply in all respects with legislation and good practice, and this too will be the subject of scrutiny at contract close in the New Year.

Discussions will take place with the Preferred Bidder when appointed to ensure that the HSDP policies and structures best reflect the requirements of the Council resolutions of 16th July 2020 concerning equality and the public sector equality duty.

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p, which is being set up to develop the Council's prime sites and to deliver the Council's regeneration objectives. This contributes to the Council's strategic objectives in the following respects:

### Building homes and infra-structure

- Create a thriving modern, inclusive and vibrant Harrow that people can be proud to call home
- Increase the supply of genuinely affordable and quality housing for Harrow residents
- Support every Harrow child having a school place
- A strong and resourceful community sector, able to come together to deal with local issues

### **Tackling poverty and inequality**

- Reduce levels of homelessness in the borough
- Empower residents to maintain their well-being and independence

### **Thriving economy**

- A strong, vibrant local economy where local businesses thrive and grow
- Harrow is a place where people and businesses invest

### **Improving the environment and addressing climate change**

- Reduce the borough's carbon footprint

The Borough Plan also has an overriding theme to tackle inequality and disadvantage. Through the creation of the HSDP this will enable opportunities for local residents through the regeneration activity itself, such as apprenticeships, but also through the construction of new commercial space and the regeneration of the broader Wealdstone area, which will support future inward investment and sustainable growth to the benefit of local people.

### Section 3 - Statutory Officer Clearance

Name: Dawn Calvert	<input checked="" type="checkbox"/>	Chief Financial Officer
Date: 21 August 2020		
Name: Matthew Dineen	<input checked="" type="checkbox"/>	on behalf of the * Monitoring Officer
Date: 21 August 2020		
Name: Nimesh Mehta	<input checked="" type="checkbox"/>	Head of Procurement
Date: 21 August 2020		
Name: Paul Walker	<input checked="" type="checkbox"/>	Corporate Director
Date: 21 August 2020		
<b>MANDATORY</b>		
<b>Ward Councillors notified:</b>		YES
<b>EqIA carried out:</b>		NO
<b>EqIA cleared by:</b>		Explained in implications above



## Section 4 - Contact Details and Background Papers

**Contact:** Julian Wain, Interim Director Commercial Development  
Community Directorate, Julian.Wain@harrow.gov.uk

**Background Papers:**

[Cabinet May 2019](#)

[Cabinet June 2019](#)

**Call-In Waived by the  
Chair of Overview and  
Scrutiny Committee**

*(for completion by Democratic  
Services staff only)*

**YES/ NO / NOT APPLICABLE\***

*\* Delete as appropriate  
If Yes, set out why the decision is  
urgent with reference to 4b - Rule 47 of  
the Constitution.*