

To: All members of the

Cabinet

Please reply to:

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Date: 1 April 2020

### Supplementary Agenda

## Extraordinary Cabinet - Wednesday, 8 April 2020

#### Dear Councillor

I enclose the following item which was marked 'to follow' on the agenda for the Extraordinary Cabinet meeting to be held on Wednesday, 8 April 2020:

## 4. Exempt Item - Tender report on Staines Development - Key Decision

3 - 26

## **Councillor Helen Harvey**

To consider an exempt report on tenders for a development in Stainesupon-Thames.

#### **Reason for Exemption**

This report contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006:

Paragraph 3 – Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in a competitive procurement process by allowing other bidders to know the financial position of the Council and other bidders. This in turn prejudices the Council by (i) distorting the procurement process and (ii) prejudicing the opportunity for the Council to achieve a competitive price and good value for money and (iii) might dissuade organisations bidding for the Council's tenders if their commercial information was put into the public domain

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

## Yours sincerely

Gillian Scott Committee Services

To the members of the Cabinet

## Councillors:

I.T.E. Harvey (Leader)
A.C. Harman (Deputy Leader)
R.O. Barratt
I.J. Beardsmore
A. Brar
O. Rybinski
S. Buttar
J.R. Sexton

# **Extraordinary Cabinet**

## 08 April 2020



Title	Tender report for Staines Development			
Purpose of the report	To make a Key Decision			
Report Author	Richard Mortimer			
Cabinet Member	Councillor Helen Harvey	Confidential	Yes	
Corporate Priority	Economic Development & Financial	Sustainability		
Recommendations	To award the tender and grant a long lease of the Hanover House and Bridge Street Car Park to Bidder B for the development of a hotel and mixed use scheme.  To authorise the Group Head of Corporate Governance to finalise the terms and enter into all legal documents required for the transaction.			
Reason for Recommendation	The recommendation is based on the outcome of a full (Competitive Dialogue) procurement process to identify a Preferred Bidder for the development of the Hanover House and Bridge Street Car Park sites (the 'Waterfront' site).  The recommended Preferred Bidder proposes a high quality upscale hotel-led design, and attractive commercial (income) arrangements in accordance with the detailed brief and procurement process.			

This report contains exempt information within the meaning of Part 1 of Schedule 12A to the Local Government Act 1972, as amended by the Local Government (Access to Information) Act 1985 and by the Local Government (Access to information) (Variation) Order 2006 Paragraph 3 -Information relating to the financial or business affairs of any particular person (including the authority holding that information) and in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information because, disclosure to the public would prejudice the financial position of the authority in a competitive procurement process by allowing other bidders to know the financial position of the Council and other bidders. This in turn prejudices the Council by (i) distorting the procurement process and (ii) prejudicing the opportunity for the Council to achieve a competitive price and good value for money and (iii) might dissuade organisations bidding for the Council's tenders if their commercial information was put into the public domain

## 1. Background

- 1.1 Following a previous competitive procedure the Council entered into a Development Agreement for the freehold disposal of the Bridge Street Car Park site to Bellway Homes. The conditionality under the Development Agreement was not fulfilled and on the 21 December 2016 the transaction did not proceed
- 1.2 In September 2017Cabinet approved the purchase of Hanover House for redevelopment purposes. This provided the Council with a much larger site and with the benefit of this marriage value enabled the Council to consider a much more ambitious and place-making development.

#### 2. Vision

- 2.1 In summer 2018, the Council appointed CBRE Hotels to undertake an assessment of the hotel market and an appraisal of the financial opportunity for developing a hotel on the combined site.
- 2.2 It was established that the Borough does not have an upscale hotel with banqueting and conference facilities which meets the needs of the business community in the area.
- 2.3 The assessment identified the site as '...a prime strategic riverside location in the centre of Staines-upon-Thames, benefitting from good visibility and accessibility...the site and location present a strong opportunity for hotel development'.
- 2.4 Staines-upon-Thames has a high number of medium and large enterprises (British Gas, Bupa, Ricoh, Samsung) and the wider Borough of Spelthorne also benefits from BP, Wood Group and dnata. The planned expansion of Shepperton Studios recognises the Borough's commercial opportunity. The report states these thriving multinational corporations generate strong levels of midweek accommodation trade, reflecting the Borough's determined focus on business growth. Many such organisations use facilities in central London or around the airport due to a lack of a suitable offering in the Borough.

- 2.5 In addition to this business need the development of the site would not only create demand for its own high quality leisure attractions; it also offers accommodation for leisure-seekers visiting the many local attractions such as Windsor, Ascot racecourse, Thorpe Park and Legoland, all within easy commuting distance from the site.
- 2.6 Bringing this business into the Borough will help stimulate and grow the local economy and supports the corporate aim of Economic Development.
- 2.7 The Council has experience of developing residential properties, but the hotel industry is complex and after seeking advice from industry advisors including Colliers and Cushman & Wakefield it was clear that to bring forward this vision a hotel developer / operator was required. In order to develop and operate the site (be it through an owner/operator model or through a developer and licence arrangements) that the market would expect at least a long leasehold interest in the site so that they could put in place the relevant funding arrangements.

## 3. Objectives

- 3.1 The brief provided to bidders as part of the procurement process detailed the Council's objectives for the project based on the market intelligence of the commercial advisors:
  - (a) an upscale hotel with a minimum of 200 beds, The hotel brand of a good quality upscale standard offering as defined by Smith Travel Research (STR) or a 4-star hotel standard, as defined by the AA (or equivalent);
  - (b) the hotel is to provide Restaurant, Bar and Leisure facilities appropriate in size and quality with the standard of the hotel. In addition, the hotel will provide Meeting & Conference and Business Centre facilities capable of hosting corporate & leisure events with a minimum capacity of 200 persons;
  - (c) serviced apartments of a good quality upscale standard offering as defined by Smith Travel Research (STR) or a 4-star hotel standard, as defined by the AA (or equivalent);
  - (d) a minimum of 75 residential units (in line with the current Supplementary planning document (SPD) for the site);
  - takes into account the challenges posed by the site location, the surrounding built environment (e.g. the conservation area) and natural barriers (the river; height restrictions), and proposes suitable arrangements for access; and
  - (f) the proposed design and layout maximise the potential of the river frontage and enhance the river and presents a credible solution for managing this challenge.

#### 4. The Procurement Process

4.1 A project team was established to undertake a competitive tender exercise to bring forward a developer for the site in line with the Council's objectives.

- 4.2 Legal advice confirmed that this tender exercise had to be undertaken in accordance with the Public Contracts Regulations 2015 as under those regulations this is a works contract. In order that the Council obtains the best solution from the tender process, a Competitive Dialogue process has taken place.
- 4.3 To initiate interest in the site a soft-marketing event was held and invitation were issued to a range of organisations including developers, owners and operators within the hotel industry.
- 4.4 The formal process was initiated with the placing of an advert in the Official Journal of the European Union (OJEU) on the 29 July 2019.
- 4.5 Bidders were requested to express an interest in the opportunity and to respond to a selection questionnaire (pre-qualification). Nine bidders expressed an interest. Following the shortlisting process, four Qualified Bidders were selected, and were subsequently issued with the Invitation to Participate in Dialogue (ITPD).
- 4.6 Following the issue of the ITPD, dialogue sessions commenced in November 2019 and concluded in February 2020. During the dialogue process two of the four bidders de-selected themselves from the process, citing their own internal commercial reasons for doing so.
- 4.7 The Dialogue sessions were conducted by the project team, with support from external advisors for the sessions as necessary. The subject of each of the sessions reflected the qualitative and commercial questions outlined in the ITPD, to which Qualified Bidders would be required to respond in the Final Tenders.
- 4.8 The Qualitative element of the bid was weighted as 70% of the scores and each of the sub-sections carried its own weightings within each section. The qualitative elements reflected the objectives of the Council to ensure that the developments put forward would achieve the overall vision of a gateway development that generated economic growth. The Commercial Offer was weighted as 30% of the scores as it is imperative to also ensure that this development produced a sustainable income for the Council.
- 4.9 Cushman and Wakefield provided hotel and market intelligence throughout the process, and attended all dialogue sessions. Clyde & Co provided legal advice (both Property and Procurement) throughout the development of the competitive dialogue documents and led the third Dialogue session.
- 4.10 The two remaining Qualified Bidders were issued with Invitations to Submit Final Tender (ISFTs) on 4 March. The ISFTs required Qualified Bidders to submit their Final Tenders by 12 noon on 18 March 2020. One of the Qualified

Bidders requested an extension of time to submit and the tender return date was extended to 12 noon on 20 March.

4.11 Both Qualified Bidders submitted Final Tenders by the tender return deadline of 12 noon on 20 March 2020.

#### 5. Evaluation

- 5.1 The ITPD published at the start of the procurement, set out the evaluation criteria along with the scoring guide and evaluation methodology as required under the Public Contracts Regulations (2015).
- 5.2 There was a split of 70% quality and 30% commercial for the evaluation.
- 5.3 The qualitative element was divided into criteria and then sub-criteria. The main criteria and weightings were as follows:

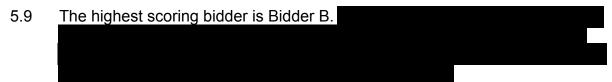
Qualitative Criteria	Section Weighting
Understanding the site and the requirement	30%
Funding and financial viability and commercial arrangements	25%
Structure of scheme delivery	25%
Planning and development of the public realm	10%
Working with the authority and delivering social value	10%

5.4 The bidders proposed the following mix of use on the site:

Use	Bidder A	Bidder B
Hotel rooms		
Serviced apartments		
Banqueting		
Residential units		

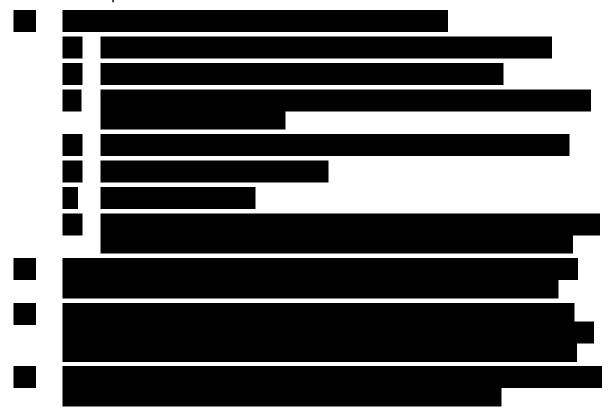
5.5 Bidder A proposed a mixed use scheme with ground floor conferencing facilities and a large publically accessible leisure centre. A bar/restaurant is included in the design which has a greater mass at the rear staggering downwards towards the river.

- 5.6 Bidder B has proposed a mixed use scheme with bars and restaurants looking out onto the river frontage, with the residential block being a separate building to the hotel. Spa and leisure facilities have also been included.
- 5.7 Both bidders fulfilled the Council's core requirements.
- 5.8 A detailed assessment of the financial offer of both bidders has been undertaken by the Council's consultants Cushman & Wakefield. The Council has requested an annual ground rent subject to a CPI increase. A profit share on any residential sales was also required from bidders. Cushman and Wakefield have also assessed the financial credentials of both bidders and both have good credentials in relation to the scale of their proposals.



## 6. Legal Structure

6.1 The development agreement is a complex legal document which will govern the relationship between the parties. A development agreement offers a well-know and understood structure with high level risks being passed to the developer.



#### 7. Options analysis and proposal

7.1 To proceed with the recommendation to award the tender and to grant a long lease of the Waterfront site to Bidder B in accordance with the procurement process. If the Cabinet were minded to agree the recommendation, each

- bidder will be notified of the decision and the mandatory 10 day standstill period will start in compliance with the Public Contracts Regulations 2015.
- 7.2 Subject to no objections, the development agreement and ancillary documents will be finalised.
- 7.3 Not to proceed with the tender process. The Council is able to stop this procurement and not to award the contract pursuant to this tender process. If this decision was taken, then the Council would need to undertake a similar tender process for the disposal and in uncertain times it is unlikely that the Council will receive a bid as commercial as that currently proposed. The site could for the foreseeable future remain in its current state as an underused car park and an empty office building and is a poor use of town centre brownfield land. It is also unlikely that the current bidders would undertake the procurement process again as it is a very expensive exercise for them. Furthermore, the proposed uses provide high quality facilities which are not currently available in the Borough. This kind of infrastructure would also make Staines-upon-Thames more attractive to businesses looking at relocating into the area thereby increasing local employment prospects. It would also pump prime the regeneration of the town centre.

## 8. Financial implications

8.1

#### 9. Other considerations

- 9.1 Specialist advice has been obtained throughout the process to ensure the robustness of the process and to enable the Council to obtain the most economically advantageous tender. The Council has used specialist external lawyers to assist with the procurement process and the finalisation of the development agreement.
- 9.2 Any procurement process is subject to a risk of challenge from an unsuccessful bidder. Any challenge under the Public Contracts Regulations 2015 must be brought within 30 days of the date on which the unsuccessful bidder knew or ought to know that there was a breach of the regulations or the date of the decision. The Council has conducted the procurement in line with the 2015 regulations in order to minimise this risk.

## 10. Sustainability/Climate Change Implications

10.1 One of the evaluation criteria for this project was social value including how local labour would be engaged in the construction and operational aspects. The development itself will be subject to all environmental provisions within the planning regime.

#### 11. Timetable for implementation

11.1 The Development Agreement and associated documents will be signed as soon as possible following the decision, following which a planning application will come forward.

### Background papers: There are none

Appendices:

**Waterfront Tender Evaluation report** 

Financial Analysis – TO FOLLOW



## **TENDER REPORT**

Project Title	WATERFRONT SITE DEVELOPER /OPERATOR APPOINTMENT			
Project Manager	Richard Mortimer			
Decision level	Cabinet			
Summary of Project	This report summarises the procurement of a Developer / Operator to build and operate a hotel-led development scheme, comprising an upscale, quality hotel; serviced apartments; and residential units on the Bridge Street car park and Hanover House sites, collectively offered as the Waterfront Site, Staines-upon-Thames.  The procurement was undertaken under the Competitive Dialogue (CD) process, in accordance and fully compliant with the Public Contracts Regulations 2015.  This report provides details regarding the CD process, the bidder proposals and the evaluations, and makes recommendations to award the contract in accordance with the outcome of the process.			

#### 1. BACKGROUND

- 1.1 In September 2017, Spelthorne Borough Council (SBC)'s Cabinet approved the purchase of Hanover House for redevelopment purposes, and in summer 2018, the Council appointed CBRE Hotels to undertake an assessment of the hotel market and an appraisal of the financial opportunity for developing a hotel on the combined site.
- 1.2 The assessment identified the site as '...a prime strategic riverside location in the centre of Staines-upon-Thames, benefitting from good visibility and accessibility...the site and location present a strong opportunity for hotel development'.
- 1.3 CBRE's report concluded that, having spoken to a number of hotel brands, they believe that the site presented a good opportunity to act as a catalyst for further development in the town, and that a hotel developed on the site would become 'placemaking', filling a gap in current hotel supply for a full-service hotel.

<sup>&</sup>lt;sup>1</sup> CBRE spoke with Hilton, Marriott and Village Hotels

- 1.4 A procurement exercise was undertaken for a hotel consultant and Colliers were duly appointed to advise SBC on the proposed approach to the market, and to assist in the procurement of the provider.
- 1.5 A soft market testing event was hosted by Colliers at their offices on 17 June 2019. Developers, operators, consultants and contractors from the industry were invited to attend, and there was attendance from these market sectors at the event.

1.6	
	it was agreed to replace Colliers as the project
	consultants. Cushman and Wakefield, who had also bid for the consultancy work, were
	then asked to provide a revised proposal, and were duly appointed. They have advised
	the project team throughout the full process.

1.7	The project team	consisted	of Richard	Mortimer,	Asset	Manageme	nt Contra	actor,
		Principal	Solicitor,		Proc	urement Co	nsultant,	with
	external advice pro	ovided by		(Cushm	an and	Wakefield),		
	and	(Clyde &	Co, as Lega	l Advisors)		'		

#### 2. PROCUREMENT PROCESS

- 2.1 Advice from SBC's Legal and Procurement team confirmed that this project needed to be conducted in accordance with the Public Contracts Regulations 2015, rather than by the direct of award of a development agreement (to a developer). The advice was issued in light of the decision of the Court of Appeal in the case of Faraday Development Ltd. vs. West Berkshire Council. This case demonstrated that where a contracting authority (a council) enters into a Development Agreement which contained controls over how that land was developed, that constituted a works contract under the regulations and is not regarded as a purely property transaction which would sit outside of the regulations.
- 2.2 The Competitive Dialogue (CD) process was deemed to be the most suitable procurement process for the project. The CD process is most suited to complex, high value procurements, where there is a demonstrable requirement to develop the proposal in line with the client's requirements, thereby increasing the project value throughout the dialogue phase.
- 2.3 SBC published an OJEU (Contract) Notice on 29 July 2019, calling for the market to express an interest.
- 2.4 Nine bidders expressed an interest in bidding for the project by submitting a standard Selection Questionnaire (SQ). Following the shortlisting process, four Qualified Bidders were selected, and were subsequently issued with the Invitation to Participate in Dialogue (ITPD).
- 2.5 The Dialogue sessions commenced in November 2019 and concluded in February 2020. Details of the Qualified Bidders and the structure of the Dialogue meetings are attached at Appendix 1.
- 2.6 The Dialogue sessions were conducted by the project team, with support from external advisors for the sessions as necessary. The subject of each of the sessions reflected the qualitative and commercial questions outlined in the ITPD, to which Qualified Bidders would be required to respond in the Final Tenders.

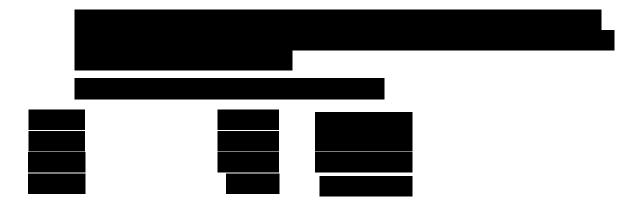
- 2.7 The qualitative criteria and sub-criteria questions are at Appendix 2. The Qualitative element of the bid was weighted as 70% of the scores and each of the sub-sections carried its own weightings within each section as detailed at Appendix 2. The Commercial Offer weighted as 30% of the scores, as also indicated within Appendix 2.
- 2.8 Cushman and Wakefield provided hotel and market intelligence throughout the process, and attended all CD sessions. Clyde & Co provided legal advice (Property and Procurement) throughout the development of the CD documents and led the third Dialogue session.
- 2.9 Two Qualified Bidders self-deselected during the Dialogue process (see Appendix 1). The two remaining Qualified Bidders were issued with Invitations to Submit Final Tender (ISFTs) on 4 March. The ISFTs required Qualified Bidders to submit their Final Tenders by 12 noon on 18 March 2020. One of the Qualified Bidders requested an extension of time to submit and the tender return date was extended to 12 noon on 20 March.
- 2.10 Both Qualified Bidders submitted tenders by the tender return deadline of 12 noon on 20 March 2020.

#### 3. EVALUATION & TENDER EVALUATION SCORES

- 3.1 Each of the Qualitative and Commercial responses were evaluated by the Evaluation Panels as outlined at Appendix 2.
- 3.2 Responses to question B (a Pass / Fail question whereby Bidders were required to accept the draft contract package without amendment to the non-negotiable provisions) were reviewed and evaluated by Clyde & Co. Clarifications were sought from both parties on some negotiated points. Both the Bidders scored a Pass on this requirement.
- 3.3 The Qualitative scores were marked in accordance with the scoring matrix below, which was also published in the ISFT:

Score	Description		
0	Completely fails to meet required standard or does not provide a proposal.		
1	Proposal significantly fails to meet the standards required, contains significant shortcomings or is inconsistent with other proposals.		
2	Proposal falls short of achieving expected standard in a number of identifiable respects.		
3	Proposal meets the required standard in most material respects, but is lacking or inconsistent in others.		
4	Proposal meets the required standard in all material respects.		
5	Proposal meets the required standard in all material respects and exceeds some or all of the major requirements.		

3.4 The Commercial Offers were evaluated by the Evaluators outlined at Appendix 2, and in accordance with the following calculation, and the worked example provided within the ISFT, as below:



#### 4. PREFERRED BIDDER

The Evaluation Process has identified Bidder B as the Preferred Bidder. In the opinion of the Evaluation Panel, this bidder has offered the most economically advantageous bid, i.e. the bid which offers the best combined qualitative and commercial proposal.

#### 5. **RECOMMENDATIONS**

Cabinet is therefore recommended to agree to award the tender to and grant a long lease to Bidder B of the Hanover House and Bridge Street Car Park sites for the development of a hotel and mixed use development.

## Appendix 1 – Competitive Dialogue Sessions and Process

Stage	Date	CD Session Topic	Qualified Bidder	Dialogue Leads (SBC and Advisors)
1	12/11/ 2019	Understanding the Site and the Requirement	Bidder A	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield; Cushman & Wakefield (notetaker)
1	21/11/2019	Understanding the Site and the Requirement	Bidder B	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; , Hotels sector, Cushman & Wakefield; Cushman & Wakefield (notetaker)
1	22/11/2019	Understanding the Site and the Requirement	Bidder C	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield; Cushman & Wakefield (notetaker)
1	22/11/2019	Understanding the Site and the Requirement	Bidder D	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield; Cushman & Wakefield (notetaker)
Site Visit	2/12/2019	London	Bidder A	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield;
Notification	3/12/2019	Notification from Bidder D of withdrawal from the process	Bidder D	

Site Visit	4/12/2019	South East	Bidder B	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Partner, Hotels sector, Cushman & Wakefield;
Site Visit	22/01/2020	Aberdeen	Bidder C	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant;
2	27/01/2020	Structure of the Scheme Delivery; Planning & Development of the Public Realm; Working with the Authority & Delivering Social Value	Bidder B	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield; Cushman & Wakefield (notetaker)
2	31/01/2020	Structure of the Scheme Delivery; Planning & Development of the Public Realm; Working with the Authority & Delivering Social Value	Bidder A	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield; Cushman & Wakefield (notetaker)
2	5/02/2020	Structure of the Scheme Delivery; Planning & Development of the Public Realm; Working with the Authority & Delivering Social Value	Bidder C	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; , Hotels sector, Cushman & Wakefield; , Cushman & Wakefield (notetaker)
Site Visit	7/02/2020	South East	Bidder C	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; , Hotels sector, Cushman & Wakefield;
Notification	20/02/2020	Notification from Bidder C of withdrawal from the process	Bidder C	
3	26/02/2020	Funding & Financial Viability and Commercial Arrangements	Bidder A	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant;

				Partner, Hotels sector, Cushman & Wakefield;  Clyde and Co; Clyde and Co; Clyde & Co (notetaker)
3	27/02/2020	Funding & Financial Viability and Commercial Arrangements	Bidder B	Richard Mortimer, Assets Manager, SBC; Principal Solicitor, SBC; Procurement Consultant; Hotels sector, Cushman & Wakefield; Clyde and Co; Clyde and Co; Clyde & Co (notetaker).
	4/03/2020	Invitation to Submit Final Tender	Remaining 2     Qualified     Bidders	
	12 noon 20/03/2020	Final Tenders submitted	Remaining 2     Qualified     Bidders	
	23/03/2020 – 27/03/2020	Evaluation of submitted Tenders	, Principal Procurement Procur	ity Leader Ifolio Holder, Economic Development, Customer
			Evaluation of Contract ( Clyde and Clyde and Evaluation of Sections I	I Co;

	Development of the Public Realm); <b>E</b> (Working with the Authority & Delivering Social Value); Richard Mortimer, Assets Manager, SBC; sector, Cushman & Wakefield;  Commercial Evaluations  Richard Mortimer
30/03/2020	Scores Evaluated and Preferred Bidder identified

Appendix 2 – Evaluation Criteria



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