

Item No.: 12	Classification: Open	Date: November 28 2006
To	Executive	
Report title	Gateway 1 - Procurement Strategy Approval Procurement of a Registered Social Landlord /developer for Phase 1a new housing and Aylesbury Resource Centre	
Ward(s) or groups affected	Faraday Ward Aylesbury NDC Area	
From	Strategic Director of Regeneration	

RECOMMENDATION (S)

1. That the Executive approves the commencement of a European procurement process for the selection of a Registered Social Landlord (RSL) / developer to deliver new housing and a resource centre to replace the existing Aylesbury Day Centre.
2. That the Executive agrees to delegate the award of the contract to the Strategic Director of Regeneration.

BACKGROUND INFORMATION

3. The strategy for the redevelopment of the Aylesbury Estate was agreed by the council's Executive Committee in September 2005. The strategy recognised that proposals for the development of the southwest corner would precede the wider area and requested that the proposals for early social housing and the redevelopment of the Boyson Road site be brought forward as an early win.
4. Outline planning permission was granted on January 11 2006 for the construction of 45 new dwellings, 10 new garages and the new resource centre on the Red Lion Row and Boyson Road site and the construction of 75 new units on the existing day centre site for the original proposed scheme. At its meeting of March 2006 the Executive agreed the gateway 1 report to commence procurement of RSLs for this scheme.
5. In May 2006 these plans were suspended prior to completion of the design process, because of health and safety concerns regarding the design of the day centre and a new design was commissioned for the provision of a resource centre within an enlarged scheme.
6. The new proposal is that the initial physical redevelopment in the southwest corner should be carried out at an increased scale in parallel with the masterplanning of the wider estate.

Increase in scale

7. The council proposes to extend the development within the southwest corner of the Aylesbury Estate to include a wider geographical area. The sites originally identified for early housing within this area are:
 - East of Red Lion Row and north of Boyson Road, and
 - On the site of the current Aylesbury Day Centre site at Bradenham Close

8. An extension of the scheme would require the inclusion of the sites at
 - 1 - 41 Bradenham
 - 1-12 Red Lion Close and the commercial units at 6-28 Westmoreland Road
9. The extension of the scheme would allow for an increase in the number of housing units being built by 150 to a total of approximately 270 units based on density calculations. The additional 150 will be a mix of RSL housing for rent and housing for sale, the precise split is yet to be determined.
10. The rationale for extending the geographical area for development is that this will allow a more comprehensive design and delivery of the housing and Aylesbury Resource Centre. The orientation of the resource centre can be optimised to contribute to its long term sustainability. An increased supply of new units will increase the rehousing potential and provide further choice to more residents. The early development of housing for sale also contributes to the subsidy of affordable housing and to the creation of a sustainable community. A more integrated development approach will also lessen the impact of demolition and construction on adjoining sites for residents of the first new homes, and the ARC service users. An enlarged scheme will also accelerate the development programme in the SW corner of the Aylesbury estate.

Procurement

11. It is proposed that a RSL/developer be procured under a Public Works Contract in line with EU directives. Internal and external legal advice is that this will allow the council to exercise more control over design quality matters for both the housing and the ARC and the subsequent service provision for the ARC. Legal advice is also that this procurement process provides an optimal balance of risk and benefits..
12. Any delay to the completion of the Resource Centre will delay the start of construction of 75 new housing units on the Day Centre site. This in turn will delay the vacating of the southwest corner for redevelopment. A single procurement arrangement is intended to minimise avoidable delay and disruption. It is anticipated that it will also increase the incentive for early completion of the Resource Centre build, since that completion will free up the land intended for the housing build, which can then be commenced without delay.
13. The provision of early replacement housing will enable the first phase of the overall redevelopment of the estate to proceed. The proposals outlined here sit within the overall framework for the redevelopment of the Aylesbury Estate.
14. Expressions of Interest will be sought by advertisements in the Official Journal of the European Union (OJEU). Shortlisting will follow and then an invitation to tender. Following evaluation, a preferred bidder will be selected at Chief Officer level.
15. The terms of disposal will be confirmed in a Development Agreement that sets out the council's requirements for design, build quality and sustainability. The council aspires to design excellence for the scheme as a whole, and this initial development will set the benchmark standard to be achieved or surpassed on subsequent new build developments at Aylesbury. The agreement will also deal with the council's initial nomination rights to decant Aylesbury residents and subsequent lettings, as well as management arrangements.

16. The resource centre will provide modernised day services for adults with physical, sensory and neurological disabilities. The funding and architectural brief will be provided by Health and Social Care supported by a RIBA-accredited client design advisor to ensure that the specialist requirements of the resource centre are thoroughly defined. The scheme will be project managed by Southwark Building Design Service (SBDS).
17. The Housing Corporation has a policy that grant funding through the National Affordable Homes Programme is targeted at schemes that provide additional new housing; therefore grant funding will not be available. Although the extension to the scheme being recommended allows some subsidy from sales, this will not be sufficient to fund all the rental units. It is proposed that the development will be funded by the appointed RSL, by commuted land value and by funding from the London Housing Board, previously agreed for the former South-West Corner scheme.
18. Outline planning permission was originally granted on January 11 2006. The extended scheme will require a new outline planning application to be submitted which is scheduled for February 2007.

Reason for this procurement

19. The provision of early social housing units on these and additional sites within the borough will facilitate the first rehousing phase of the Aylesbury redevelopment. Approximately 500 alternative homes will be required to enable the initial stage of the rehousing process; therefore the procurement of this site as an early housing development is pivotal to the success of the entire scheme.

Market considerations

20. The preferred appointee for this scheme will be a RSL/developer with considerable experience of producing similar affordable housing and special purpose developments and with a track record in high quality housing management and contributing to community cohesion.
21. Health and Social Care has obtained Gateway 1 approval for the procurement of an organisation to provide services to be delivered at (and including management of) the Aylesbury Day Centre, in line with Executive's 2002 decision to modernise and externalise all the council's in-house day services.

Identified risks and how they will be managed.

22. The identified risks are:
 - Adequate capital and revenue support (cash flow) during the lifetime of the programme
 - The inability of the RSL/developer to meet the design standards required
 - Limited experience or capacity of the RSL/developer to complete the development
 - Slippage in terms of completion or handover dates
 - Delays in rehousing individual households.
 - Delay in the acquisition of residential and business leasehold interests.
 - Inability of Health and Social Care to secure capital funding.
23. Risk management is in two halves; firstly the risks owned and managed by the RSL and secondly those owned and managed by the council.

24. The RSL/developer's risks will be managed via a rigorous evaluation process to ensure that the successful RSL/developer has the experience, capacity and approach required to achieve the desired outcomes, including the procurement of construction partners as a contracting authority. A Development Agreement will also ensure that all performance issues are linked to the land disposal terms.
25. The council risks will be managed via the existing risk management process ie; Rehousing process will be a carefully planned and will involve the identification of households with particular requirements or support needs at an early stage. A specific strategy will be developed to deal with the businesses. The design and sequencing will be developed flexibly so that no part of the development is dependent solely on the release of a specific part of the site as far as this is possible.

KEY ISSUES FOR CONSIDERATION

Policy implications

26. The Aylesbury Resource Centre is designed to effectively facilitate the modernisation of day services as approved by the Executive in 2002. Services will be delivered from the centre by a new, external provider to be selected by Health and Social Care in accordance with the procurement strategy approved by Executive in 2005. The modernisation of the services will be undertaken by the new provider in partnership with Southwark Council in line with the Department of Health's 2006 White Paper "Your Health, Your Care, Your Say".
27. The Aylesbury Day Centre is the only day centre in Southwark for adults with physical, neurological and sensory disabilities. Neither the service nor the building is fit for purpose. Therefore a new, state-of-the-art resource centre will have a substantial, positive impact on the quality of services and the number of people and hard to reach groups whose day care needs can be met.
28. The strategy for the overall redevelopment of the Aylesbury estate was agreed by the council's Executive Committee in September 2005.

Procurement project plan

29. The following indicative plan predicts the first phase completion for June – September 2010. This is 6 - 9 months later than the prediction contained in the original Gateway Report of March 2006. However within the programme opportunities exist to bring forward early starts for the little Bradenham and Red Lion Close housing sites. Any early starts would be facilitated by the availability of finance for capital acquisitions and rehousing opportunities for social housing tenants. Conversely unavailability of finance and rehousing opportunities could lead to delays in the programme.

Activity	Complete by:
Gateway 1: Procurement strategy for approval report (this report)	November 28 2006
Closing date for expressions of interest	December 2006
Closing date for expressions of interest	January 2007
Initiate competitive dialogue	March 2007
Completion of tender documentation/Invitation to tenders	July 2007
Closing date for return of tenders	August 2007
Completion of evaluation of tenders	September 2007
Gateway 2: Contract award for approval report	November 2007
Award Contract	December 2007
Project review by Client Board	Monthly
Review by Steering Group	At end of each project stage (approx quarterly intervals)
Phase 1 (Boyson Road site – 45 units):	
Commence construction	September 2008
Complete construction	September 2010
Phase 2a (Little Bradenham site):	
Commence construction at	June 2009
Complete construction	March 2011
Phase 2b (Red Lion Close site):	
Commence construction	June 2009
Complete construction	December 2010
Phase 3 (Day Care Centre site):	
Commence construction	September 2010
Complete construction	September 2012

TUPE implications

- 30. There are no TUPE implications. .

Development of the tender documentation

- 31. Southwark Procurement will be involved in the procurement process to ensure that Best Value is achieved and that a robust evaluation exercise conducted.
- 32. The tender documentation will be developed by the Project Management Team in conjunction with Housing, Health and Social Care, Legal Services, Southwark Procurement and Southwark Property.
- 33. Tender documentation will be developed in conjunction with Health and Social Care to ensure that the Aylesbury Resource Centre is appropriate to the needs of the service users and the modernised day services, and that property design and management issues such as health and safety, maintenance and repairs and lease arrangements for the Resource Centre are adequately addressed at the tender stage, and that the selection criteria reflect these requirements.

Advertising the contract

- 34. Advertisements inviting expressions of interest will be placed within national publications and the Official Journal of the European Union. It is intended that the procurement will be conducted in accordance with the competitive dialogue procedure which has been introduced under the new EU Procurement Regulations.
- 35. Market testing for the day services contract has already been undertaken by Health and Social Care, including the use of an advertisement in Inside Housing.

Evaluations

- 36. A tender evaluation panel comprising officers and residents will evaluate expressions of interest and conduct the competitive dialogue and evaluate subsequent tenders based on pre-agreed criteria. Tenders will be evaluated on quality and price. All tender will be invited to interview, which will feature a presentation of their design strategy and concepts. Further consideration will be given by the Client Board in relation to arrangements for a bidders day event.

Community Impact Statement

- 37. The development will impact the local community generally in terms of change within their social and physical environment. There will be a loss of the poorly used and maintained grassed areas between Red Lion Row and Boundary Lane, but due to the close proximity of Burgess Park this is not considered significant.
- 38. The revised approach will necessitate starting the rehousing of households in different parts of the southwest corner at different times. For instance, residents of 1-41 Bradenham may need to move first, and therefore have a more limited choice of housing choices at the initial stage. This will require the communications and liaison processes to be handled particularly effectively.

39. The council has an overarching commitment to maintaining the quality of life for residents and others in an area affected by major change. Officers will bring forward a further report setting out the principles for the management of area regeneration programmes including proposals for consultation and engagement.
40. The development will require the demolition of tertiary retail premises on the southern side of Westmoreland Road. These are part of the council's commercial property portfolio. The Council will therefore be able to act directly to consult with the businesses on all aspects of supporting them through the process of development. This will include the development of a programme of continuing consultation and support, the management of relocation for the businesses tailored to meet their individual needs and the payment of compensation where it is due. The proposed development scheme will provide replacement business units in the locality.
41. The demolition and subsequent development activities on the two sites will result in some disruption to residents within the southwest corner the estate particularly, in terms of noise or dust, though this will be controlled by relevant legislation and is unavoidable for the provision of high quality affordable homes. The impact of the scheme on all households including the elderly, young and other vulnerable households will be assessed and effectively managed to ensure that this is minimised.
42. The development has positive benefits for the entire community as it will signify the commencement of comprehensive improvement for the estate, by the provision of new homes, a resource centre, improved retail units and an improved environment.
43. The Aylesbury Resource Centre will have a significant, positive impact on the quality of services to adults with physical, neurological and sensory disabilities within Southwark. It is likely to reach groups of eligible service users whose needs are currently not adequately met by the current centre, including younger adults (18-40), black and ethnic minorities, and those with short-term, intensive rehabilitation needs as well as all levels and types of disability. It will also develop a stronger identity as a local community resource.
44. This development will have some effect on the stability of the existing community, but there will be good continuity because most residents of the new housing will be households moving from the Aylesbury estate.

Other implications or issues

45. The quality sought within this development will be secured by the application of build, design and sustainability standards to the procurement process and the Development Agreement.

Resource implications

46. There are no direct staffing implications arising from this early development.
47. The project management of the RSL/Developer procurement process will be resourced by Regeneration and Housing from existing resources and by Health and Social Care from their bid for capital funding of approximately £5.7 million for the new resource centre, which will be considered by the Executive in November 2006.
48. Additionally, the services of internal council officers and external consultants will be required to develop the existing designs to facilitate the procurement process. An allowance will need to be made for fees.

Legal Implications

49. See concurrent report of the Borough Solicitor below.

Investment Implications (inv/ii/1807/cmc18-10-06)

50. There are no anticipated implications for the Housing Investment Programme. Should it be necessary to forward fund the fees referred to in paragraph 47 above, there are sufficient identified capital receipts for this purpose.

Communication and Consultation

51. This site is a small component of a larger masterplan proposal for the Aylesbury Estate for which extensive consultation has been undertaken.
52. The first consultation was carried out when these sites were included in the Options Appraisal exercise carried out in the southwest corner of the estate by Levitt Bernstein and Pollard Thomas Edwards Architects, between January and April 2003. Reservations about the proposals were expressed from residents overlooking both sites particularly about the perceived loss of open space in Boyson Road.
53. The proposal to build on these sites was included in the extensive consultation carried out between October 2004 and February 2005 for all residents in the southwest corner on the proposals for refurbishment and improvements. The outline proposals were shown in illustrated newsletters, a mobile exhibition and on exhibition boards used at community consultation events held in BACC84 T&RA hall. The consultation was carried out by Levitt Bernstein assisted by officers from the Aylesbury NDC and the council's housing department. The proposal did not elicit much specific comment from residents except from those overlooking the sites who were unhappy about loss of open space in Boyson Road and possible increased traffic movement, but the overall scheme was approved of by approximately 80% of those who responded to the consultation which was itself 70% of the households of the area. Further statutory consultation with residents was carried out and documented as part of the outline planning application on the previous site development proposals.
54. The successful partner will be required to work within the involvement framework established for the Aylesbury scheme, and specifically with a design team comprising of officers and residents. The partner will also be required to undertake a series of wider public consultation exercises with Aylesbury Tenants and Residents and ward councillors, during the development of the scheme. When individual residents are pre-allocated to the new housing units, the consultation work will then be focussed more on a project group and the individuals concerned.
55. RSLs currently operating within Southwark have been briefed in relation to the earlier proposals via the Southwark Housing Association Group (SOUHAG) and will be consulted on the new scheme

56. Extensive consultation has been undertaken with adults with physical, neurological and sensory disabilities within Southwark who are eligible to use day services, carers, children with disabilities, voluntary organisations, day centre staff and other stakeholders with interests or potential future interests in the Aylesbury Resource Centre. Consultation has taken the form of meetings, focus groups, postal surveys and informal conversations in several stages since the decision to modernise and externalise services in 2002, focusing on developing an effective model of service delivery and subsequently on designing a building to facilitate the modernised services. Service users are represented on the project board for the modernisation and externalisation of services.
57. Residents are largely supportive of the new resource centre and the modernisation of services, particularly amongst the younger adults whose needs are largely not met by the current centre, although there is some understandable fear of change on this scale, particularly amongst long term day centre users. Service users have contributed a substantial number of positive suggestions and ideas that have been incorporated into the design of the building as well as the service model. Service users are represented on the Tender Evaluation Panel for procurement of a new provider for the day services.
58. The revised scheme has been discussed with the chairs of the four TRAs, the chair of the NDC, the Physical Environment Group, ward councillors and the Steering Group.
59. The benefits of the development and regular updates will be communicated through a variety of media, the most prominent of which will be via attractive hoardings which will surround the sites.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Borough Solicitor

60. The Borough Solicitor & Secretary (acting through the Contracts Section) notes the content of this report and confirms the legal position in respect of the application of the EU Procurement Regulations as set out within paragraphs 5 to 10. The Borough Solicitor also advises that it would be appropriate for the competitive dialogue process to be adopted for use in connection with the proposed procurement. The competitive dialogue is a procedure which has been introduced by the Public Contracts Regulations 2006 to meet the needs of complex procurements, particularly where the “open” or “restricted” procedures are not suitable. This is a more flexible procedure which preserves competition between interested providers whilst allowing the Council to discuss all aspects of the contract with each candidate. Further advice in this respect will be provided by the Borough Solicitor in conjunction with the appointed external legal advisers as required by the project management team.
61. The procurement process proposed in this report constitutes a strategic procurement within the definitions contained in the Council’s Constitution. Under the Council’s Contract Standing Orders (“CSOs”), the decision to approve a strategic procurement is one which must be referred to the Executive. CSO 8.4 provides that the decision maker may delegate decisions to another decision maker. Prior to the submission of the Gateway 2 report it is likely that decisions relating to key elements associated with this scheme (for example, the acquisition of business leasehold interests, road closure orders, etc) will have to be made, for which approval will be sought at the appropriate time via discrete reports to the person having the relevant authority to make the decision under CSOs.

Finance Director

- 62. This report seeks approval for the procurement strategy for the selection of a RSL / developer to provide approximately 260 housing units, the reprovion of retail units and a resource centre in the Aylesbury area.
- 63. It is proposed that the development will be funded by the appointed RSL/Developer by commuted land value together with funding to be agreed from the London Housing Board. The council's contribution comprises the disposal of the council land and its value, and capital funding for rehousing and for residential and retail acquisitions..
- 64. The cost of managing the procurement process will be met from the earmarked reserve for regeneration and development activities for those costs, which cannot be contained within existing departmental revenue base budgets.
- 65. The Medium Term Financial Strategy (approved in Sept 2006) sets out the purpose of the Regeneration and Development reserve of funding one-off expenditure and multi-year projects to facilitate the significant regeneration and developments taking place in the borough which includes the Aylesbury Estate amongst other projects.
- 66. The release of the reserves will require the prior approval of the Finance Director with a business case which needs to be consistent with the purpose of the reserve.

Head of Procurement

- 67. Southwark Procurement has been consulted on this strategy and as such the points raised have been referred to in the body of the report. Competitive Dialogue is an appropriate route for complex contracts such as this as it provides the opportunity to discuss aspects of the contract with interested parties before tenders are submitted. Although there are sound benefits to be realised in this approach it is still a relatively new method however, with robust risk management arrangements in place this recommendation would seem the best way forward. Southwark Procurement will provide advice to the project team throughout the process.

Director of Health and Social Care

- 68. The Aylesbury Day Centre is being reprovided and redesigned as the Aylesbury Resource Centre in partnership between Southwark Health and Social Care and Regeneration. The reprovion of the centre is working in parallel with the modernisation and externalisation of the day service, agreed by Executive in 2003. Health and Social Care have been consulted on and provided input into this report, and will continue to work closely with Regeneration and the Client Board throughout the procurement process.

CONCURRENT REPORT FROM DIRECTOR OF AYLESBURY NEW DEAL FOR COMMUNITIES

69. The provision of early decant housing for the tenants of the Aylesbury Estate is essential if the overall redevelopment scheme is to proceed to the timetable agreed by Members and residents. The housing schemes are a critical part of this provision. The original scheme was supported by the community during extensive consultation and by the NDC Partnership Board. The re-provision of the Day Centre service in the proposed Aylesbury Resource Centre was also supported by the community during extensive consultation and by the NDC Partnership Board. The revised scheme has been discussed as described above and was supported. Residents have expressed a desire to be actively and urgently involved in the procurement process and design discussions for the housing in particular which will be achieved through the evaluation panel and subsequent arrangements.

KEY POINT SUMMARY

- This procurement will follow a *strategic* protocol.
- This contract is for works and is a new provision

AUDIT TRAIL

Lead Officer	Paul Evans – Strategic Director of Regeneration		
Report Author	Martin Smith, Director of Aylesbury Regeneration;		
Version	Final		
Dated	November 20 2006		
Key Decision?	Yes	If yes, date appeared on forward plan	October 2006
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER			
Officer Title	Comments Sought	Comments included	
Legal: Borough Solicitor & Secretary	Yes	Yes	
Chief Finance Officer	Yes	Yes	
Head of Procurement	Yes	Yes	
Director of Health and Social Care	Yes	Yes	
Executive Member	Yes	Yes	
Date final report sent to Constitutional Support Services			20/11/06