

Item No.	Classification: Open	Date: April 2014	Decision Taker: Chief Executive
Report title:		Gateway 2 - Contract Award Approval Development partner for the regeneration of the Aylesbury Estate	
Ward(s) or groups affected:		Faraday Ward	
From:		Director of Regeneration	

RECOMMENDATION(S)

That the chief executive

1. Approves the award of the contract for the development partnership agreement and associated contract documents for the Aylesbury Estate to Notting Hill Housing Trust as set out in this report. The contract will start in April 2014 and be for 20 years (with an option to extend for up to a further 10 years) delivering 3,500 new mixed tenure homes and a range of community and economic well-being benefits for local residents.

BACKGROUND INFORMATION

2. In 2011 cabinet agreed a way forward to maintain the council's momentum in progressing the regeneration of the Aylesbury Estate, in line with the Aylesbury Area Action Plan (AAP) through the establishment of a long-term development partnership that would deliver the regeneration of the whole area.
3. This approach was adopted as it was felt that it would:
 - Bring greater momentum to the regeneration, as a longer-term partner would have a stake in the future of the wider area
 - Bring a wider level of expertise to help with development roll-out
 - Help to ensure a more coherent housing and estate management approach
 - Ensure that the development delivers social and economic benefits as part of the regeneration.
4. The physical regeneration is already under way under with two sites within the Aylesbury Area Action Plan being developed outside of this proposed contract. Over 400 new homes will have been completed by the end of 2015.
5. On 15 May 2012 cabinet approved a Gateway 1 report setting out the procurement strategy for Aylesbury Regeneration Development Partnership. This was to use a 3-stage negotiated procedure under the Public Contracts Regulations 2006.
6. The Gateway 1 report set out the procurement strategy that has provided the framework for the selection of a preferred development partner. These principles, established and agreed by cabinet in May 2012, have been followed throughout the procurement process.

7. The procurement of a development partner has progressed in line with the Procurement Project Plan set out in paragraph 15 below.

Procurement process to date

8. The OJEU Notice was despatched on 12 September 2012 inviting applicants to request a procurement pack for Stage 1.
9. The selection stage of the procurement process consisted of three stages. Details of the process followed and outcome of the three stages are set out in the open version of cabinet report dated 28 January 2014 paragraphs 17 to 23 and 80-92.
10. The conclusion of stage 3 of the procurement process was a recommendation to cabinet for the selection of Notting Hill Housing Trust (Walworth Unlimited) as the council's preferred development partner and WE as reserved development partner.
11. On 28 January 2014 cabinet then approved the selection of Notting Hill Housing Trust as the council's preferred development partner for the regeneration of the Aylesbury Estate on the terms set out within that report.
12. That cabinet report also delegated authority to the chief executive to agree the final terms of the development partnership agreement and all associated contract documents with Notting Hill Housing Trust (in consultation with the cabinet member for regeneration and corporate strategy) and to approve the award of the contract This is through approval of this Gateway 2 report.
13. This report focuses on stage 4 of the procurement, contract finalisation. Stage 4 has involved a detailed programme of meetings between council and Notting Hill Housing Trust officers and the lawyers advising both parties. More detail is set out within this report in paragraphs 47 to 55.
14. Consultation has taken place with the cabinet member for regeneration and corporate strategy throughout this process and in particular on the agreement of the final terms of the development partnership agreement.

Procurement project plan (Key Decision)

15. Procurement project plan

Completed stages shown shaded grey

Activity	Complete by:
Approval of Gateway 1: Procurement strategy report	15 May 2012
Final evaluation criteria agreed by Director of Regeneration	10 Sep 2012
OJEU notice	12 Sep 2012
Stage 1: Combined Pre qualification questionnaire (PQQ) and outline proposal submission	Dec 2012
Stage 1 Evaluation and preparation for Stage 2	Jan 2013

Activity	Complete by:
Stage 2: Detailed proposals submission (max 3 applicants)	May 2013
Stage 2 Evaluation and preparation for Stage 3 (inc. forward plan for Cabinet decision).	Jul 2013
Stage 3: Best and Final offer submission (max 2 applicants)	1 Nov 2013
Stage 3 Evaluation and Cabinet decision to appoint preferred partner and to award contract within agreed commercial and financial parameters. Issue of preferred bidder letter.	28 Jan 2014
Stage 4 Contract finalisation period	3 Feb-14 March 2014
DCRB/CCRB review	20 March 2014
Approval of Gateway 2 Contract Award report	4 April 2014
Standstill Period Scrutiny Call-in period and notification of implementation of Gateway 2 decision	14 April 2014
Contract award and start	18 April 2014
Contract completion date (20 year contract)	18 April 2034

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

16. As set out in the Gateway 1 report, the outcome of the procurement will be the appointment of a developer that will work with the council to deliver the regeneration of the Aylesbury Estate over a period of 20 years with options to extend in particular circumstances.
17. The aim of the procurement has been to structure the council's requirements and invite proposals from applicants that would best deliver the council's vision for the regeneration of the area.
18. Notting Hill Housing Trust was selected as the council's preferred partner to work with the council to finalise a Development Partnership Agreement (DPA) and a business plan based on their BAFO proposals. This includes an implementation master plan that will set out the framework for the delivery of the overall objectives of the project.
19. The business plan is based on the Notting Hill Housing Trust's BAFO proposals and designed to deliver the council's objectives. It is governed by a number of key commercial and financial principles that set out both the developer's and the council's responsibilities.
20. The following paragraphs set out the key principles included in the contract documentation.

Commercial principles

21. The DPA will be for 20 years with extension provisions for up to a further 10

years. The agreement will govern the relationship between the parties and establish the terms of land-transfer.

22. Appendix 1 provides a plan of the area to be covered by the DPA which includes the entire estate with the exception of sites 7 and 1a, as defined in the Aylesbury Area Action Plan (AAP), as these sites are already under development.
23. The DPA gives Notting Hill Housing Trust (the developer) the opportunity to draw-down parcels of land for development across the Aylesbury Estate, subject to pre-agreed conditions and satisfactory performance on previous parcels of land (plots). The land will be transferred on the basis of the grant of long leases (250 years). The development of plots will only proceed when all the conditions precedent (such as funding, planning, consents, and vacant possession) have been met.
24. Once the developer has drawn-down a plot they will also become responsible for long-term area and housing management within that plot.
25. The development will be undertaken in phases with the first development site being site 1b\1c as shown in appendix 1. Subsequent phasing of development plots will be on the basis of the agreed implementation master plan (part of the business plan) with the arrangements for re-housing of existing residents of the estate and the delivery of infrastructure including community buildings and public realm clearly identified.

Financial principles

26. The DPA includes provisions for the payment of a fixed price for the first development site, payable in instalments as the site is developed. The details are set out appendix 3 of the closed report. There are also provisions for the developer to share any increase in sales values over an agreed threshold with the council.
27. Land value for subsequent development plots will be established through the agreed financial model with agreed inputs for development costs and receipts. The inputs to this model in respect of the developer's fixed profit, investment in the affordable rented units and the council's share of development overage also form part of the DPA.
28. The business plan sets out the contractual commitments that Notting Hill Housing Trust has made including the provision of community space and employment and training opportunities. These will be delivered at their cost.

Council obligations under the proposed DPA

29. The council will have overall responsibility for land assembly and the delivery of vacant possession of the development sites throughout the agreement.
30. On the first development site the council will be obliged to continue with the current programme of re-housing tenants and buying back leasehold interests until there is vacant possession of the whole site. This will include making a Compulsory Purchase Order if required.
31. The council will also be obliged to bear the cost of the demolition of the existing blocks to top of slab level. The cabinet report set out that there would be an

option in the DPA for the council to procure the demolition of the existing building through the developer and that a separate gateway report will be brought for approval after signature of the DPA to either exercise this option or require approval of an alternative route.

32. It has now been agreed that for the first development site the council will procure the demolition of the existing building through the developer. There is also an option in the agreement for the council to procure the demolition in this way on subsequent plots.
33. A separate gateway 1 report will be brought forward for approval of this procurement route in respect of the First Development Site by the strategic director of finance and corporate services before signature of the DPA. A further gateway 1 report will be brought forward later in 2014 for cabinet to approve a procurement route for the demolition over the life of the programme.
34. The financial implications of funding the demolition works in phase 1 (shown edged with the dotted line on the plan at appendix 1) and phase 2 (all the sites to the east of Thurlow Street including Wendover) are set out in paragraph 101.
35. The council's obligation to deliver vacant possession of plots for development are linked within the DPA to the developer's obligation to deliver pre-agreed levels of units at target rent to re-house existing Aylesbury tenants and secondly, intermediate products that meet the needs of existing Aylesbury leaseholders.
36. Statutory consents: The council will be responsible for any necessary statutory consent which only it can obtain, including those relating to land disposal. Examples may include stopping up and adoption of highways.

Council's minimum requirements

37. In addition to these financial and commercial principles the DPA sets out core minimum requirements that must be met by the developer. These are based on the key development principles established in the AAAP and other principles that support the council's vision.
38. These minimum requirements include
 - Minimum of 50% of the housing to be affordable (calculated by habitable room); of which, 75% to be social rent (at target rents); and 25% to be intermediate products (shared ownership or shared equity)
 - The council will have 100% nominations rights on all target rented units and re-lets while there is still a need to re-house existing Aylesbury tenants
 - The developer will provide funding of £1.25m for community benefit over the first 5 years and the provision of a new community building on the first development site at a peppercorn rent
 - The ring-fencing of ground rents from private and intermediate units for the maintenance of non-adopted shared spaces (for example, community gardens and play areas)
 - The developer will provide agreed numbers of shared equity products for Aylesbury leaseholders structured to be affordable and attractive for them and off-site target rented units to provide alternative re-housing options for tenants.
 - The developer will provide agreed numbers of employment and training

opportunities for residents.

Key/Non Key decisions

39. This report deals with a key decision.

Policy implications

40. The procurement of a development partner should ensure continuity of construction in line with works already complete on Phase 1a and underway on Site 7, as well as completing the regeneration of the Aylesbury Estate in line with the principles set out in the Aylesbury Area Action Plan and the council's core strategy. Both the Aylesbury area action plan, approved by council assembly in January 2010, and the core strategy, approved by council assembly in April 2011, set out the council's detailed vision for the future of the Aylesbury and provide the planning policy framework for the area.

41. The regeneration of the Aylesbury Estate is a key priority for the council as identified in promise nine of the Leader's ten fairer future promises in the council Plan adopted by cabinet in July 2011: 'Bring the full benefits and opportunities of regeneration to all Southwark's residents and build new family homes on the Aylesbury Estate and at Elephant and Castle'. The proposed DPA will deliver this promise by providing new homes on the Aylesbury, as well bringing economic and employment opportunities for local residents and businesses.

42. The economic and community proposals developed in line with the council's requirements will also help support the delivery of the ambitions set out in the council's economic wellbeing strategy approved by cabinet November 2012.

Tender process

Development of procurement documentation

43. The details of how the procurement documentation was developed are set out in paragraphs 56 to 65 of the cabinet report dated 28 January 2014.

Tender evaluation

44. The full details of the evaluation methodology are set out in the 28 January 2014 cabinet report paragraphs 66 to 78.

Overall outcome of evaluation

45. Notting Hill Housing Trust was the strongest applicant. They scored highest both overall and for each part in accordance with the evaluation methodology described in the cabinet report and the recommendation to cabinet was therefore that they were appointed as the council's preferred partner to go forward to stage 4 Contract Finalisation.

46. The cabinet report identified a number of points that needed to be finalised prior to contract award. These points and the detail now finalised are set out below in paragraphs 56 to 70 with additional points in appendix 3 of the closed report.

Stage 4 Contract finalisation

47. The purpose of stage 4 of this procurement process has been the contractualisation of Notting Hill Housing Trust's BAFO tender. The summary of the BAFO offer from Notting Hill Housing Trust is set out in appendix 2.
48. In preparation for stage 4, detailed contract documentation was prepared including a draft Development Partnership Agreement (DPA) annexing a draft business plan and lease agreements relating to the proposed development.
49. A preferred bidder letter was issued and this was agreed and signed by both parties. This included the detailed points for agreement prior to contract award.
50. The contract documentation has been agreed through a schedule of contract finalisation meetings that have taken place during February and March 2014 with a view to closing contracts in line with the procurement plan.
51. The meetings were led by the Aylesbury Team with support from specialist council officers and external legal, financial and technical advisors as required. The meetings were tightly managed with a legal protocol in place that ensured once agreed detailed points could not be reopened.
52. The DPA and the business plan are large documents and extend to over 500 pages of text and several bound volumes of plans and drawings.
53. The council's lawyers have prepared a short summary of the DPA and this is attached as appendix 3 with additional detail provided in appendix 3 to the closed report.
54. The business plan extends to 14 sections as follows:

1	Introduction
2	Partnership working strategy
3	Mobilisation programme
4	Implementation strategy – Land Assembly
5	Implementation strategy – Development
6	Implementation – Interim Management
7	Design and technical strategy
8	Marketing, communications and involvement strategy
9	Community and economic wellbeing strategy
10	Area management strategy
11	Implementation Master Plan
12	Financial management and models
13	Risk Management
14	Key Performance Indicators

55. A summary setting out how the business plan will be used during the contract period and the contents of the initial business plan is attached as appendix 4 with additional details set out in appendix 4 to the closed report.

Detailed points confirmed during contract finalisation

56. The following points were finalised during stage 4. Additional detail on each of these points is set out in the closed report.

- *Programme for first development site:* Longstop dates and milestones for achieving vacant possession, planning, demolition and construction agreed are set out as Schedule 2 to the DPA and in the Implementation Master Plan within the Business Plan. This is set out in appendix 6 of the closed report.
- Overage payable on first development site:
- Valuation of affordable rented units throughout the life of the programme.
- Sale of private housing: contractual arrangements between Notting Hill Housing Trust and Barratts.
- Council's detailed funding and development structure for site 10 (referred to in the documentation at Plot 18): This plot will be treated in similar way to other plots with the grant of a building lease under which the developer will construct the new buildings and public realm and then the grant of a long lease of the site to the developer but with provisions for either the council to leaseback the community or commercial space at peppercorn or retain the freehold of those areas.
- Non-adopted Shared Spaces (e.g. playgrounds, community gardens); These areas will be subject to separate leases of clearly identified areas within the new development. The tenant will be Notting Hill Housing Trust or a wholly owned subsidiary unless the council agrees an alternative arrangement. The tenant will be required to maintain and renew these areas to standards agreed by the council. Notting Hill Housing Trust is required to collect the ground rents payable on the private sales and intermediate units and allocate this funding for the purpose of maintaining the non-adopted shared spaces returning the excess funds to council. There will be a separate business plan agreed by the council for these areas.
- Programme commitments: An agreed project programme is included in the business plan which covers the agreement of detailed phasing of development plots planned and committed dates for council and developer obligations including vacant possession and planning.
- The details of Notting Hill Housing Trusts re-housing offer in terms of size and location of units is set out in section 4 of the business plan and described in appendix 4 of this report.
- Details of community well being offer including job descriptions and reporting lines to have been agreed in consultation with Creation Trust and these are set out in section 9 of the business plan and described in appendix 4 of this report.
- The co-location arrangements are set out in section 2 of the business plan and include Notting Hill Housing Trust's commitment to provide a shared hub on the first development site.
- Detailed Key Performance Indicators (KPIs) have been agreed and are set out in section 14 of the business plan and described in appendix 4 of this report.

57. The templates to DPA are agreed and include the final form of building lease, plot lease and council lease of community buildings

Next steps

58. Authority is now sought for the chief executive, in consultation with the cabinet member for regeneration, and corporate strategy to agree the final details of the agreement and award the contract.

59. At the same time as approval is sought to award this contract, both Notting Hill Housing Trust's and Barratt's boards are in the process of taking decisions to proceed. The relevant approvals of these two boards will need to be in place before the council's decision is implemented.

Development programme

60. It is planned that development will proceed in line with the dates set out in the table below

Delivery of regeneration of Aylesbury Area		
Phase 1 AAAP Sites 1b\1c and Site 10	Vacant possession of first development site achieved	April 2015
	Demolition	May 2015 - March 2016
	Construction of 820 new homes and community space	April 2016 – December 2020
	Construction of community and health buildings and 100 new homes on Site 10	July 2016 – Dec 2018
Phase 2 AAAP Sites 4,5 and 6	Re-housing starting with Site 4 (most southerly site opposite Burgess Park)	May 2014 – end 2019
	Vacant possession and demolition	First sites 2018
	Construction of 885 new homes	2020 – 2025
Phase 3 AAAP Sites 8 and 9	Re-housing starting with Site 4 (most southerly site opposite Burgess Park)	2019-2021
	Vacant possession and demolition	2022
	Construction of 278 new homes	2024-2026
Phase 4 AAAP Site 10-14	Re-housing, demolition and construction of 1455 new homes	2025-2032

Plans for the transition from the old to the new contract

61. Not applicable.

Plans for monitoring and management of the contract

62. A steering group will be established under the terms of the DPA, including senior representatives of the council and the developer. This steering group will act as the key forum for managing the contract and emerging challenges.
63. On a day-to-day basis, the Aylesbury regeneration team will act as the main contract management interface with the developer though an implementation team that will be established under the terms of the DPA. Within the Aylesbury regeneration team there is the post of development partnership broker who will be the principal contract manager.
64. The DPA and business plan include clear longstop dates, milestones and deliverables in terms of the implementation of the development including obtaining planning consent and constructing the new buildings, public realm and

open spaces. The business plan includes a range of community and economic well-being deliverables. The steering group will monitor progress against this framework.

65. In terms of performance management the contract will include provisions in relation to Value for Money and Key Performance Indicators.
66. Value for Money (VfM): Costs for all services delivered through the partnership (both those linked to general obligations and site delivery, including costs for demolition and development costs) will be subject to market testing or benchmarking, in accordance with pre-agreed principles set out in the DPA.
67. Key Performance Indicators (KPIs): A KPI regime has been agreed and the details are set out in section 14 of the business plan. The overall objective is to encourage and incentivise the performance of the developer to deliver the contractual requirements and also to go beyond these with staged payments for achieving baseline, target and excellent standards. The KPIs include target dates for all plots and also cover aspects of the developer's performance including resident involvement and satisfaction with housing management services and the delivery of economic and community benefits.

Identified risks for the new contract

68. The key procurement and contract risks are set out in appendix 5. This identifies the scenarios that could possibly have an adverse impact on the delivery of the DPA and the programme and the steps that the council and the developer can take in terms of mitigation.

Community impact statement

69. An Equalities Impact Assessment was carried out as part of the AAAP. While this did not assess all of the groups with protected characteristics identified under the 2010 Equalities Act, the outcomes of that assessment are still valid and are not altered by this contract. The overwhelming impact on local people will be positive from this contract. The realisation of the regeneration vision for the area will bring quality new affordable homes and an improved environment. However, in order to realise this ambition it will require the existing residents (tenants and leaseholders) of Aylesbury to be re-housed. This is a difficult and often stressful process for residents, many of who have lived on the estate for many years. An updated equalities analysis will be produced as part of the process of preparing the detailed planning application for the first development site and the outline plan for the wider development area.
70. The housing department through the Aylesbury area housing office leads on the re-housing of the Aylesbury residents. The council is currently actively re-housing the first development site (1b/1c). There are currently approximately 22 secure tenants remaining and it is planned that all tenants will have moved to new homes by the end of July. There are 28 leasehold interests still to buy back. The next phase for re-housing will be Sites 4, 5 and 6 within the AAAP starting with Site 4 in 2014.
71. Tenants are currently re-housed through re-lets of the council's 38,000 properties in addition to properties at target rent from housing associations. It is anticipated that it will be possible to re-house the majority of tenants living on 1b\1c and phase 2 off-site. The developer will also provide 142 target rented units over the

next 10 years. It is expected that the majority of tenants currently living in phases 3 and 4 will be offered a home in new development.

72. Tenants are provided with home loss payments and are given support to move home.
73. The council seeks to negotiate voluntary agreements for lease surrender or repurchase with leaseholders. The council recognises that many of the council leaseholders are not able to easily afford alternative residential accommodation in the local area. To this end, the council offers an enhanced re-housing package for affected homeowners. Subject to certain qualification criteria, they may be re-housed as a council tenant, a housing association tenant, or offered a suitable alternative property from the council on shared ownership or shared equity terms. Shared equity arrangements differ from a standard shared ownership lease in that no rent is payable. The developer will also offer 115 shared equity units from within its own existing stock and in the new Aylesbury units to support the re-housing of resident Aylesbury leaseholders subject to qualification criteria.
74. The council also provides a payment to leaseholders to compensate for disturbance, covers reasonable fees and provides help with moving.
75. The council uses its CPO powers where it is deemed that it will not be possible to negotiate voluntary agreements for lease surrender or repurchase. On 18 March 2014, cabinet refreshed the resolution to use its CPO powers under section 13 of the Local Government (Miscellaneous Provisions) Act 1976 to acquire land and new rights within the first development site 1b\1c (Bradenham, Chartridge, Arklow House and Chiltern).
76. The DPA and business plan will also deliver significant benefits for local residents in terms of economic benefits to the area; this will include commitment to maximising the use of local supply chains and labour, in addition to offering training and employment opportunities. These are set out in detail in section 9 of the business plan.
77. The DPA also commits Notting Hill Housing Trust to payment of the London Living Wage and enforcing this through their supply chain.
78. This agreement will deliver significant community benefits including, dedicated staff for supporting community well-being over the next 20 years, a new community building at a peppercorn rent on the first development site and high quality outdoor spaces.
79. A legacy for long term community benefit will also be provided through the ring-fenced income stream from the ground rents on the private and shared ownership residential units.
80. No additional impacts from those previously recorded in the background papers are likely as a consequence of this decision.

Economic considerations

81. Notting Hill Housing Trust will be providing a significant number of employment and training opportunities during the contract period both in construction and within its own organisation. Approximately 1,400 opportunities will be provided over the life time of the project.

82. Local economic benefits form a key part of the agreement Notting Hill Housing Trust will be required to:

- Advertise supply-chain opportunities in local press, and a range of publications to reach small businesses, ethnic minority owned business and social enterprises
- Require their contractors/suppliers to engage with borough-wide employment programmes such as Southwark Works and Building London Creating Futures to support unemployed residents' access to training, skills and sustainable employment; and
- Require their contractors/suppliers to engage with apprenticeship schemes, and commit to providing 9 apprenticeship and traineeship opportunities and 21 employment opportunities per 10,000m² of development (approximately 18 and 42 per annum respectively)
- Fund and procure a study that will look at how the non-residential space within the new development will support existing businesses and employment and create new opportunities.

Social considerations

83. The scale of the council's requirements has meant that only large developers were able to respond to this procurement process. However, Notting Hill Housing Trust is required to ensure that their supply chain opportunities are accessible to a variety of suppliers including SME's, BME's, women and disabled owned businesses and the voluntary and community sector.

Environmental considerations

84. The business plan sets out an approach to securing environmental benefits for the whole development area and covers energy, water, transport and use of natural resources, water and habitat and sustainable living initiatives. The proposal meets with planning policy requirements, standards set out in the London Plan and current building regulations.

85. As part of the initial planning application, the developer will be required to submit a full Environmental Impact Assessment (EIA) for the development area, which will include a suite of detailed surveys and reports setting out how the new development will impact, mitigate and improve the existing environmental condition. This assessment will be renewed throughout the development period in relation to site-by-site planning consents.

Market considerations

86. The contract documentation includes provision for developer to report on cost-benchmarking and a detailed KPI performance management regime which rewards the developer for performance against key indicators (including resident satisfaction and delivery against milestones).

87. Where the council is making payments for the delivery of capital works (infrastructure and demolition primarily), these will be made according to a pre-agreed schedule of payments linked to agreed milestones, and will be benchmarked to ensure value for money.

Staffing implications

88. The council is committed to funding the dedicated Aylesbury team required to manage the completion of this procurement and the contract award and then the contract going forward.
89. Significant input will also be required from housing, corporate finance, legal, procurement and economic development. These will be managed within existing resources.

Financial implications

Procurement

90. The Gateway 1 approved total procurement costs of up to £2.3m, spread over three financial years from 2012/13 through to 2014/15. Any release from earmarked reserves to meet these costs should be approved by the strategic director of finance and corporate services in consultation with the cabinet member for finance, resources and community safety.
91. External advisors have fixed elements of their work from the outset, with other elements of work being fixed as the programme progresses. The budget has been monitored and re-profiled at each key programme milestone, and reported through council financial reporting mechanisms. The spend to date and predicted outcome is within the agreed budget

Contract

92. There is no total agreed contract value for this DPA with the exception of the fixed price and other payments relating to the transfer of the land on the first development site as set out in Appendix 3 of the closed report.
93. Future sites will be bought forward for development within an agreed framework and subject to agreed conditions having been met by both parties. The DPA sets out the mechanisms for agreeing both the council's future investment in the project through land assembly and the developer's commitment to finance and deliver the construction of new homes and the delivery of agreed community and economic benefits.
94. The DPA also sets out the provisions are also set out for setting the land value payable to the council as future sites are developed.
95. The council's financial advisors (Grant Thornton) have assessed the financial viability of the overall development, and concluded that if the sale value of the private housing increases by an average of 3% per annum in real terms, the scheme moves into surplus over its lifetime with no net public sector investment required. Based on historical trends since the second world war, there is a reasonable expectation that such increases will occur and may be exceeded, as the general market improves, the redevelopment progresses and the Elephant & Castle regeneration is completed.
96. It should be noted that the material financial assumptions in the financial model developed by Grant Thornton have been tested through the land transfer of site 7 (1-50 Wolverton) and Site 1a have been demonstrated to be prudent.

97. However, Grant Thornton have concluded that there will be the need for public sector investment in land assembly over the first ten to fifteen years, which subject to market conditions, may be expected to be recouped over the remainder of the development programme.
98. Land assembly is estimated to take 15 years and includes the re-housing of tenants, the buy back of all non-council owned interests including residential leaseholders and the demolition of the existing blocks. The estimated cost of the land assembly for the whole estate is approximately £150m spread over 15 years. These costs are front loaded to some extent within this period as many of the larger blocks are in the early phases and the council wishes to buy back as many leasehold interests as possible by agreement at an early stage in the regeneration.
99. Land receipts in later years will generate significant income for the council that should offset the total land assembly costs.
100. The council has ensured that its "best consideration" obligations on the disposal of land have been covered through the procurement competition and the assessment of applicants' financial proposals on land value.
101. The council has already made provision in its current 5 year housing investment programme of £76.7m. This means that the council has sufficient funds for site assembly on phase 1 (including the first development site) and phase 2. This includes demolition costs for phases 1 and 2 of £9.2 and £13m respectively.
102. The council is in dialogue with the GLA regarding the investment needs of the programme. The GLA regard the project as a priority and are working with the council to look at options for investment in the programme.
103. Current programme staffing costs will be covered by existing budgets for the next five years. Staffing costs of £250k p.a. will be covered from 2019/20 onwards by the DPA as part of the development costs.

Investment implications

104. This project will require significant up front investment from the council to deliver land assembly.
105. Investing at this stage should generate land receipts as well as ensure the provision of new affordable housing at target rents.
106. This project will bring significant investment to the area in terms of not only 3500 new homes but also new public realm and other community infrastructure improving the area as a whole.

Legal implications

107. Please see concurrent at paragraphs 119-121 from the director of legal services.

Consultation

108. The cabinet member for regeneration and corporate strategy has been consulted on the outcome of the contract finalisation stage and has reviewed this report.

109. Consultation has taken place with the Creation Trust, which includes representatives of the four Tenant and Resident Associations on the estate. As part of this consultation exercise residents were given the opportunity to visit two other estate regeneration projects where long-term partnerships have been established (Woodberry Down, Hackney and Kidbrook, Greenwich).
110. The Creation Trust formally agreed to support the procurement of a long-term development partner for the estate at its board meeting on 1 March 2012. As part of the consultation process, key concerns raised by the residents were discussed and the approach to their management agreed. This has been incorporated into the contract documentation.
111. Residents were involved in the whole procurement process and their feedback informed the development of the council's requirements and the documentation at each stage. A focus group consisting of 5 local residents and the director of the Creation Trust were involved at all stages and they also met with applicants during the first and third and fourth stages and presented information to help applicants further understand community issues/perspectives.
112. The MCI and Partnering strategies in the business plan require the developer to involve residents and stakeholders at every stage, from initial design through to area/housing management. The developer's performance in this area is a core part of the KPI performance management framework in the contract. To this end, the developer will be required to deploy a range of mechanisms, including on-line mechanisms.
113. Consultation has taken place with representatives of the GLA throughout the process.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

114. This report is seeking approval to award a development partnership contract for the Aylesbury Estate. The contract has an initial term of twenty years and has extension provision for a further 10 years. The selected provider will work with the council during this time to deliver regeneration on the Aylesbury Estate.
115. A previous cabinet report was approved in January 2014 covering the appointment of the preferred development partner. This report covers the activity that has been undertaken since the approval of that report.
116. The report outlines the points that have been confirmed during contract finalisation.
117. The monitoring and management arrangements for the contract are outlined in paragraphs 62 – 67. Day to day management of the contract will rest with the Aylesbury regeneration team. A steering group made up of senior representatives from both parties will oversee the Aylesbury regeneration programme.
118. The regeneration of the Aylesbury Estate represents a major project for the council and one that will span decades. The contract is based on a business plan which will need to be maintained and refreshed over time in line with the

council's requirements. The steering group will provide the necessary governance to ensure this happens.

Director of Legal Services

119. This report seeks approval to the award of the development partnership agreement for the Aylesbury estate to Notting Hill Housing Trust as further detailed in paragraph 1. Advice has previously been given to the cabinet by the director of legal services in relation to the procurement process and the property aspects of the regeneration which is detailed in the supplemental advice from other officers in the cabinet report dated 28 January 2014, and there are no changes to that advice.
120. As noted in paragraphs 47-57 since approval of Notting Hill Housing Trust as the preferred provider there has been a process of contract finalisation with them to enable the DPA and business plan to be concluded in its final form. External legal advisers and internal lawyers from legal services have been involved and have advised throughout that process. Appendices 3 and 4 set out the summary of both the DPA and business plan.
121. The decision to approve award of the DPA was delegated to the chief executive by the cabinet, with the award decision to be in consultation with the cabinet member for regeneration and corporate strategy. Paragraph 108 confirms the consultation undertaken.

Strategic Director of Finance and Corporate Services (FC13/112)

122. This report seeks approval to the award of a contract for the development partnership agreement for the Aylesbury Estate to Notting Hill Housing Trust. Some of the revenue and capital financial implications are contained within the body of this report.
123. The DPA gives Notting Hill Housing Trust (the developer) the opportunity to draw-down parcels of land for development across the Aylesbury Estate, subject to pre-agreed conditions and satisfactory performance on previous parcels of land (plots). The land will be transferred on the basis of the grant of long leases (250 years). The development of plots will only proceed when all the conditions precedent (such as funding, planning, consents, and vacant possession) have been met.
124. Land assembly is estimated to take 15 years the estimated cost of the land assembly for the whole estate is approximately £150m spread over 15 years, with some front loading. These costs are front loaded to some extent within this period as many of the larger blocks are in the early phases and the council wishes to buy back as many leasehold interests as possible by agreement at an early stage.
125. The council's capital programme as agreed by cabinet on 18 March 2014 includes some elements of the first phases of this development. Additional or alternative funding is also being sought from the GLA.
126. The report identifies that financial modelling indicates that over the life of the project shows that land receipts to the council in later years will generate significant income for the council that should offset the total land assembly costs.

127. The report authors also identifies that the contract meets the council's "best consideration" obligations on the disposal of land.
128. The 2014/15 budget is sufficient to cover staff costs. However as this contract extends into 2015/16 and for many years beyond, continued funding will need to be agreed as part of each year's budget setting process. From 2019/20 staff costs of £250k pa will be covered by the DPA as part of the development costs.
129. Given the scale and importance of this project the strategic director of finance and corporate services will continue to inform the council's external auditors of progress on a regular basis.

Strategic Director of Housing and Community Services

130. The strategic director of housing and community services supports the redevelopment of the Aylesbury Estate, and considers the implementation of a long term development partnership as being appropriate in achieving the next steps of this priority objective, and providing continued momentum to this initiative.
131. The development of the overall 'place' vision during the procurement, building on the existing Aylesbury Area Action Plan, has been vital in securing support from the local community. The ability to deliver a long term legacy for the community was an integral requirement and part of the submissions by each bidder.
132. There is clarity in the vision for Aylesbury as part of the wider Walworth area, linking to Elephant and Castle, and enhancing the reputation of the area as a 'go to place', considering not just the physical elements of housing provision, but also community and economic well-being. The strategic director of housing and community services recognises that the contract with Notting Hill Housing Trust will also deliver a range of benefits including employment opportunities.
133. The strategic director of housing and community services endorses the target rents commitment secured from Notting Hill Housing Trust, as the newer 'affordable rents' regime is not considered to be appropriate for this particular scheme, given the need to re-house existing tenants, build confidence and create a sustainable community. It is noted that there will be sufficient number of target rent social housing units that will meet the needs of the existing tenants, and also other affordable housing options for both tenants and homeowners that are vital to meet the needs of the local population and provide diversity of tenure within the new development.
134. The strategic director of housing and community services supports the focus on ensuring that the local community and stakeholders are fully involved in the procurement and regeneration process. Notting Hill Housing Trust will be required to keep the local community and stakeholders fully consulted and involved as the redevelopment progresses, using a range of mechanisms, such as an on-line facility. The strategic director of housing strongly supports the mechanisms and expectations that have been embedded in the contract documentation.
135. The strategic director of housing and community services takes note of the commercial structure proposed in this report and is supportive of the proposed structure. The governance and management structure should ensure that the council is able to manage and influence the partnership effectively. Furthermore,

the precise terms of the legal agreement which deal with poor performance have been adequately addressed.

136. A viable business plan for the estate has been agreed including the form of development account and the council has secured open book access to this to ensure that it is securing the best deal and terms for the authority and community.
137. This partnership provides an opportunity to implement an innovatory model of local management that is recognised for its excellence. The strategic director of housing and community services notes that Notting Hill Housing Trust brings the necessary skills, to establish excellent housing, area and public realm management in the co-ordinated approach that is preferred. The housing representative on the procurement steering group has focus on this aspect of the procurement and its weighting in the evaluation process.
138. The strategic director recognises the importance of ensuring that the council is able to deliver on its vacant possession obligations within the partnership, and ensuring that the estate management services continue to be delivered effectively through the redevelopment process. The dedicated Aylesbury management team has been established to focus on these objectives and is developing management strategies to complement housing services delivery, vacant possession, transitional management and handover stages of the redevelopment.

FOR DELEGATED APPROVAL

Under the powers delegated to me in accordance with the Council’s Contract Standing Orders, I authorise action in accordance with the recommendation(s) contained in the above report.

Signature Date.....

Designation

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Cabinet Report, 15 May 2012 Gateway 1: Procurement Strategy Approval Aylesbury Regeneration: Development Partnership	<a href="http://moderngov.southwar
k.gov.uk/ieDecisionDetails.
aspx?ID=3061">http://moderngov.southwar k.gov.uk/ieDecisionDetails. aspx?ID=3061	Jane Seymour 020 7525 4907
Cabinet Report, 28 January 2014 Selection of a Preferred Partner to Work with the Council to Deliver the Regeneration of the Aylesbury Estate	<a href="http://moderngov.southwar
k.gov.uk/ieDecisionDetails.
aspx?AllId=31068">http://moderngov.southwar k.gov.uk/ieDecisionDetails. aspx?AllId=31068	Jane Seymour 0207 525 4907

APPENDICES

No	Title
Appendix 1	Plan of development area including first development site
Appendix 2	Summary of Notting Hill Housing Trust offer
Appendix 3	Summary of Development Partnership Agreement
Appendix 4	Business Plan summary
Appendix 5	Risk Log

AUDIT TRAIL

Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Jane Seymour, Development Partnership Broker.	
Version	Final OPEN	
Dated	27 March 2014	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Strategic Director of Housing and Community Services	Yes	Yes
Cabinet Member	Yes	No
Contract Review Boards		
Departmental Contract Review Board	No	No
Corporate Contract Review Board	Yes	Yes
Cabinet	N/A	N/A
Date final report sent to Constitutional Team		