

Item No. 16.	Classification: Open	Date: 21 March 2017	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Southwark Regeneration in Partnership Programme Procurement Approval - Lot A	
Ward(s) or groups affected:		Grange, Newington, Rotherhithe, South Bermondsey, Surrey Docks and Walworth	
Cabinet Member:		Councillor Mark Williams, Regeneration and New Homes	

FOREWORD – COUNCILLOR MARK WILLIAMS, CABINET MEMBER FOR REGENERATION AND NEW HOMES

Southwark Council is tackling the housing crisis head on by building homes of all types to meet the needs of our residents. This report begins the procurement to make better use of land that the council owns to deliver new homes, business space, space for a GP's practice, a new boatyard, and a new special school. In total this procurement will provide 586 new homes, with 161 of those being council homes, and 83 intermediate homes – which will predominantly be new London Living Rent homes for key workers and people trying to save to get on the housing ladder. This represents 42% affordable housing across these 10 sites and demonstrates our very real commitment to providing homes for the people of Southwark.

This procurement involves three school sites at Bellenden, Cherry Garden, and Beormund. All of these schools would be entirely rebuilt and expanded so that more places will be available. In the case of Beormund and Cherry Garden these proposals would provide much needed additional places for children with special educational needs and disabilities, and would be rebuilt and expanded with state of the art new learning spaces on new sites. The existing sites are therefore no longer needed and we propose to use this public land to help tackle the housing crisis. Since 2010 we have carefully and strategically planned the school places that we need across the borough so that we have the places we need to meet demand. We are therefore reassured that we do not need these sites for educational purposes. We will continue to work with the three schools in close partnership throughout this process.

The Gateway 2 reports approval to award the contracts are set out below, due to their size the Beormund and South Dock Marina sites will come back to cabinet for contract award. When I last met with local residents around South Dock Marina I confirmed that this site would come back to cabinet and that their views will be taken into account, and that this redevelopment will secure the long term future of the boatyard and the vital services and jobs that it provides and supports.

RECOMMENDATIONS

That the cabinet:

1. Approves the procurement strategy outlined in this report to undertake an EU procurement to identify development partners for mixed tenure housing including commercial units and schools for Lot A of the Southwark Regeneration in

Partnership Programme at an estimated total Gross Development Value to those development partners of £278,300,000 for a period of up to five years.

2. Approves the composition and indicative housing tenure mix as outlined in paragraph 26 in the revised Lot A of the Southwark Regeneration in Partnership Programme.
3. Approves the packaging of nine sites into six distinct sub lots as outlined in paragraph 37.
4. Approves the delegation of the award decision in the Gateway 2 reports for lots A1 – A4 inclusive as detailed in paragraph 37 to the chief executive in consultation with the cabinet member for regeneration and homes for the reasons noted in paragraph 45.
5. Notes that the Gateway 2 reports for the more complex lots, A5 and A6, shall be presented to cabinet. Notes that every necessary Education Consent including section 77 will be obtained prior to entering into any contract.

BACKGROUND INFORMATION

6. In July 2013 the council pledged to build a total of 11,000 new homes over a 30-year period.
7. In July 2014, the council renewed its pledge to deliver a fairer future for all in Southwark in a set of 10 new fairer future promises as well as specific commitments, which include:
 - Deliver value for money across all services
 - Build more quality affordable homes of every kind across the borough
 - Become an age friendly borough
 - Revitalise neighbourhoods
 - Support local people into work
8. These promises are recognition of the need for new housing supply whilst improving existing housing, educational and health provision across the borough. In line with this the council also made a pledge in July 2014 to deliver 1,500 of the 11,000 new homes by 2018.
9. A move towards more efficient and higher quality provision must be considered against the financial constraints faced by the council as it prepares for further reduction in our funding from central government. Despite being one of the most deprived areas of the country, the council has faced some of the largest reductions in government funding for local authorities, and will need to make further savings. As such, the council is exploring ways it can continue to deliver value for money for residents and businesses by making even better use of its resources.
10. The council holds significant assets and sites and is exploring opportunities to work with developers to achieve the best possible outcome for our residents and to enhance their long term value. It is in this vein that officers have identified a number of council owned sites of varying size and development potential across the borough which could be developed for a range of mixed use housing-led schemes

11. The aim of the programme, known as the Southwark Regeneration in Partnership Programme (SRPP), is to leverage the investment and expertise of established developers through a joint partnership arrangement which would maximise the utility, value and quality of the development and consequently the council's assets and services.
12. On 27 January 2015 cabinet agreed to the development of the SRPP. The aim of the programme is to identify a number of council owned sites of varying size and development potential, which could be packaged into viable opportunities for development and regeneration. These sites could be developed for a range of mixed use schemes, including housing, which would maximise the utility and value of these assets by leveraging the investment and expertise of established developers through a joint partnership.
13. A report to cabinet on 20 October 2015 approved the use of the Greater London Authority (GLA) London Development Panel (LDP) framework for the procurement of the development partners to deliver 18 sites in two lots through the SRPP. The final blend of sites and tenure variations was then approved by the cabinet member for regeneration and new homes on 23 February 2016.
14. In March 2016 the council ran a tender for both Lot A and Lot B of the SRPP using the GLA Framework. Although the Gateway 2 approved by cabinet in September 2016 recommended a developer for Lot B it also reported that no development partner had been identified for Lot A. This was due to some developers believing that the sites needed further risk reduction, perceived market risks related to Brexit and an unwillingness to bid for larger packages of sites.
15. As a result the Gateway 2 to cabinet in September 2016 proposed that Lot A was reconfigured into smaller, more manageable packages, and retendered.
16. As part of the re-packaging exercise, it is proposed that Lot A's site mix is amended to that detailed in the following table:

Proposed Sites in Lot A for SRPP
Manor Place (60 units)
Kennington Enterprise Workshops (Braganza) SE17 (33 units)
Civic Centre, Albion Street, SE16 (26 units)
Land at Albion Primary School, Albion Street SE16 (50 units)
Southwark Park Road (43 units)
Cherry Garden School Site SE16 (50 units)
South Dock Marina, Boatyard, Plough Way SE16 (201 units)
Beormund School site at Long Lane (123 Units)
New Beormund School to be developed at the Former Bellenden School site on Reedham Street.

17. The new site composition is largely as originally approved for the original Lot A except for the following:
 - Seven Island Leisure Centre has been removed from the SRPP programme until a decision about the development of the leisure centre has been agreed.

- Beormund School site at Long Lane and a proposal to develop the new Beormund School on the former Bellenden School site on Reedham Street have been included as additional sites.
18. The existing Beormund site at Long Lane is currently occupied by Beormund Primary School which accommodates 35 full time primary pupils with Social, Emotional and Mental Health (SEMH), and the Porlock Hall Secondary Pupil Referral Unit (PRU). Both the existing Beormund Primary School and Porlock Hall PRU facilities suffer from significant capacity, condition and sufficiency issues. The regeneration strategy is for Beormund School to relocate to a new purpose-built school on the centrally located and more efficient Bellenden site in Reedham Street, London, SE15 4PF. Bellenden School is expanding to a new purpose-built 2 Form of Entry (FE) school in the nearby Dewar Street in 2018, so the site will become vacant and available for redevelopment whilst maintaining the educational function/use of the site.
 19. The 13 December 2016 cabinet report on the 2016 primary and secondary school place planning strategy update, highlighted the plans and proposals for the expansion of existing and new special schools, including Beormund Primary School. Beormund SEMH Primary School and the Porlock Hall PRU are both Special Education Needs schools located in the Grange Ward.
 20. The Bellenden site is in the Peckham Ward and is proposed for the re-provision and expansion of Beormund Primary School. The existing Beormund Primary site in Grange Ward is in school place Planning Area 1 – Borough, Bankside and Walworth. There are surplus primary places in this Planning area until at least 2023 and further capacity to expand existing schools. Peckham Ward is in Planning Area 3 – Peckham and Nunhead. Data and projections indicate a surplus until 2019, beyond which there will be a shortfall of 6 to 29 pupil places between 2019 and 2025. This equates to a single form of entry deficit over the period and can be contained within the scope to expand existing provision without the need for a further new school. There is therefore no requirement for additional primary school places in planning areas 1 and 3. In nearby planning Area 3, approved plans to expand existing schools are underway.
 21. Redevelopment of the Beormund School site would be subject to the outcome of council consultation and Secretary of State Consents under Section 77 and Schedule 1 of the Academies Act 2010.
 22. A lead consultant and design team have been commissioned to undertake the design to replace Beormund School at the new site on Reedham Street. An on-line consultation is scheduled for early April 2017 for the initial proposals to redevelop the site for Beormund Primary School, and public exhibitions and associated consultation will commence in Summer 2017. The public exhibitions and consultations for the existing Beormund Primary site in Long Lane would commence in April 2017.
 23. A bidders' day was held for the revised Lot A sites on the 15 November 2016 which over 100 developers attended. A number of subsequent one to one meetings were then held with most of these developers in order to have more in-depth discussions about the sites and the council's proposed procurement plan. A particular focus of this soft market testing exercise was to gauge the interest and capacity of the market to deliver these lots with specific focus on SMEs developers who cannot be accessed through existing frameworks. The findings of the bidders' day and subsequent interviews are summarised in paragraph 33.

24. The council is preparing to submit planning applications for the two Albion Sites, Manor Place and Braganza by March 2017; these sites will be seen as quick win sites as they will be expected to start on site by early 2018 with completion by 2019. The successful developer(s) will however be expected to obtain planning permission for the following sites:

- Southwark Park Road SE16
- Cherry Garden School Site, SE16
- South Dock Marina Boatyard
- Beormund School, Long Lane SE1; and
- Bellenden School Site

Summary of the business case/justification for the procurement

25. The main objective of the delivery of the SRPP programme is to appoint experienced, competent and proven developers who can work in partnership with the council to deliver high quality homes, on time and achieve value for money from the council’s development sites. Additional key deliverables are as follows:

- a) Maximise and enhance the utility, value and quality of council-owned land and buildings to deliver:
 - High quality homes of every kind
 - Improved schools where linked to development opportunities
 - New GP surgeries where supported and approved by NHS England and the CCG
 - New community facilities
 - Improved streetscapes and permeability
 - Employment and training opportunities
- b) Deliver as many affordable units as possible subject to planning compliance and viability with a minimum of 35% affordable units overall.
- c) Deliver high quality and fit-for purpose public buildings at good value.
- d) Capital returns from the residual land value on “profitable” sites.

26. There will be a total of approximately 586 units spread across the nine sites which form Lot A, which shall be delivered in one or more packages. It is expected that the programme will deliver 161 social rented units (SR), 83 intermediate rented (IR) and 342 market sales (MS). The full list of sites by indicative tenure mix is detailed in the following table:

Site Address	Ward	SR	IR	MS	Total
Manor Place	Newington	20	10	30	60
Kennington Enterprise Workshops (Braganza) SE17	Newington	0	5	28	33
Albion Civic site	Rotherhithe	14	12	0	26
Land at Albion School Site, Albion	Rotherhithe	25	12	13	50

Site Address	Ward	SR	IR	MS	Total
Street SE16					
Southwark Park Road	Riverside	11	4	28	43
Cherry Garden School Site SE16	South Bermondsey	12	6	32	50
South Dock Marina, Boatyard, Plough Way SE16	Surrey Docks	49	21	131	201
Beormund School Site, Long Lane	Grange	30	13	80	123
New Beormund School to be developed at the former Bellenden School site on Reedham Street.	Peckham	N/A	N/A	N/A	N/A
	TOTAL	161	83	342	586

27. Each of the nine confirmed sites has been appraised from a developer's perspective against the compliant scheme of 35% affordable. This is discussed in more detail in the closed report.

The council has decided to retain the commercial units across all the sites as this will provide the council with a higher revenue return over the long term than if the developer(s) were to keep this commercial space; further information on this provided in the closed report.

28. The lot structure proposed in paragraph 37 is aimed at ensuring that small and medium size developers have the best opportunity to be included in the process which should enable the council to obtain the best outcomes from a competitive procurement to developers who are suited to the characteristics of each package. This would also provide an opportunity for start on site to be achieved on all packages in 2018.
29. The two Albion sites, Manor Place and Braganza have been identified as 'quick win' sites where the council is intending to submit the planning application by March 2017. This could enable starts on site by early 2018 and completion by 2019.
30. The following sites in this procurement are already vacant: Southwark Park Road and Albion Civic Site. The proposed funding model for this programme is that the council are not expecting to provide any capital injection into this programme apart from putting forward the land. Housing Zone grant is available for the sites in the Canada Water Area and the council will be submitting bids for the social rented units. The council will also be bidding for the GLA grant for the intermediate units across all the sites.
31. The SSRP programme will also enable the council to secure new investment into education facilities, including areas which are not traditionally funded through capital grant. However, this will only be possible if the Council is allowed the means to reallocate land in a strategic manner to achieve the best long term use around the framework of applications, under the provisions of the Academies Act and Section 77 regulations.
32. The funding options for the new provision of the Beormund Primary School include the anticipated return on investment from developing the land, or a

financial contribution towards the new school from the housing delivery partner. It is intended that the PRU re-provision is also funded through the new housing development.

Market considerations

33. There are a large number of developers in the market of varying sizes which should provide a competitive environment in which to undertake this tender. Over 100 developers attended the bidders day held on 15 November 2016, the main intelligence of which was as follows:
- a. A significant number of SME developers have both the capacity with regards to raising finance and project management resources and experience to deliver the sites, however only a few were interested and/or sufficiently able to deliver the entire lot.
 - b. A significant number of the SME developers have their own construction arms.
 - c. A number of those interested in South Dock Marina suggested delivery via Joint Venture Agreements with the council.
 - d. Most were happy to operate on similar terms as offered on Lot B:
 - i. A majority preferred to construct on a building lease, rather than a licence; which allows them to raise development finance on the land.
 - ii. Most accepted the provision of sales and planning overage and profit share.
 - iii. A majority wanted to defer land payment but some wanted to make the payment up front (but they also didn't like the profit sharing/overage arrangements)
 - iv. They were flexible in terms of ownership of sites with commercial spaces.
 - v. They were, overall, happy with disposal on the basis of a 250 year lease
 - e. In terms of the level of de-risking required most developers wanted the council to provide pre planning advice and geotechnical surveys on all the sites as a minimum. Some developers also expressed a preference for the council to undertake feasibility studies up to Stage 2 (which the council has done for most sites), others stated a preference for sites to have planning permission, and the larger developers mostly preferred to be responsible for developing the sites and submit planning applications.

KEY ISSUES FOR CONSIDERATION

Options for procurement route including procurement approach

34. In choosing the preferred method of procurement, the following options have been considered:

- a) OJEU Procurement
- b) Existing Frameworks

A) OJEU Procurement: The estimated cost of £278,300,000 for the development of the nine sites means that the full tendering requirements of the Public Contract Regulations 2015 and Public Sector Directive 2014/24/EU would apply.

A common procurement route for a framework arrangement is to use the restricted procedure. This procedure is, however, primarily suitable if the council

is able to clearly define its required output as only minimal 'clarifications' are allowed. The competitive dialogue procedure was also considered but it was concluded that this may deter bids due to the associated costs and bidder perceptions. An alternative procurement route is to follow a competitive procedure with negotiation which would allow the council:

- to reserve the right to evaluate and award a contract based on initial tenders (as if it was a restricted procedure); or
- to have some negotiations to clarify aspects of the initial tender with a limited number of bidders.

B) Existing Frameworks: The previous Gateway 1 presented to Cabinet on 20 October 2015 approved the use of the Greater London Authority (GLA) London Development Panel (LDP) framework for the procurement of the development partners to deliver 18 sites in two lots for the SRPP. This was because the use of a framework was deemed to achieve speed and expediency, increase efficiency and reduce costs by pre qualifying suppliers under set terms and conditions. Whilst this option identified a provider for Lot B, the council were unable to identify a suitable development partner for Lot A.

There are alternative frameworks available for the council to use such as iESE/Haringey, SCAPE or Islington New Build however they all have the same or very similar developers on them. Using a framework would therefore mean that the council would be seeking tenders from a more limited number of providers and it would also be restricting access to small and medium size developers which usually struggle to access the existing frameworks.

Proposed procurement route

35. Although the council believed that the use of the GLA framework was the best route to market for the previous SRPP tender, it only identified a suitable development partner for Lot B. Having reassessed the market, the council now believes that although the full OJEU process was discounted for the previous procurement of Lots A and B due to the time constraints associated with it, this would now offer the best route to market. It will also produce greater market competition as it allows developers, especially SMEs, who are not on approved frameworks to tender.
36. Following the consultation with Southwark's in-house legal and procurement teams and advice from Trowers and Hamlins it is proposed that these sites should be tendered using the EU competitive procedure with negotiation. This procurement option was introduced in 2015. It offers flexibility to the council in that the council would have the option of selecting a bidder (based on its written tender) at an early stage or short listing a number of bidders if it wanted to negotiate any element of their bids. The main advantage of which is that the council, if it wanted to, will be able to undertake some negotiations with the bidders to clarify certain aspects of their initial bid and/or address elements which fall short of the council's objectives. Officers also considered adopting the restricted procedure which is based solely on the tenderers' paper based submission and the competitive dialogue procedure which mandates two stages to the procurement and dialogue/negotiations must be undertaken. Officers concluded that the restricted procedure was not flexible enough for this procurement and that the costs associated with and bidder perceptions of the competitive dialogue procedure could deter bids.

37. The council is proposing to create the following sub lots in line with the feedback from the soft market testing proximity, site size and planning:
- A1. Manor Place (60 units) and Kennington Enterprise Workshops (Braganza) SE17 (33 units)
 - A2. Civic Centre, Albion Street, SE16 (26 units) and the land at Albion Primary School, Albion Street SE16 (50 units)
 - A3. Southwark Park Road (35 units)
 - A4. Cherry Garden School SE16 (50 units)
 - A5. South Dock Marina, Boatyard, Plough Way SE16 (201 units)
 - A6. Beormund School site at Long Lane (123 Units and Pupil Referral Unit) and New Beormund School to be developed at the former Bellenden School site.
38. Aside from Lot A1 and A2 which are linked because of planning purposes, the council is proposing that all other sites are individually packaged. This should ensure that small and medium size developers are not excluded from the process and will provide the council greater flexibility in being able to select the developers which offer the council the best value for money for each site. By dividing the majority of these sites into individual lots the council is also more likely to split the award of these sites amongst multiple tenderers which should prevent any land-banking from occurring and allow developers to start work on multiple sites in 2018, as opposed to a more phased approach if only one developer were awarded all the lots.
39. It is proposed that the council use a Development Agreement for all the Lots. The advantages of using this form of contract are:
- Stamp Duty Land Tax (SDLT) at day one is charged only on the bare site rather than the land and the buildings.
 - Forward funding by the developer for the construction of the site. The council only puts forward the land as contribution to the development.
 - Risks - the developer should retain responsibility for dealing with third party issues such as rights of light and interference with rights of way even beyond the end of defects liability period. Caps on liability will be resisted.
 - The development/funding agreement will also have a practical completion (PC) approval mechanism in place to make sure the council is satisfied that practical completion has properly taken place and/or a third party has determined satisfaction.
40. The council shall publish one OJEU notice for this tender against which bidders will be asked to register their interest in the tender through the council's e-procurement portal, Procontract 3. Following this each bidder will need to complete a Standard Selection Questionnaire (SQ) and confirm which lots they would like to bid for. In order to attain the best outcome from this tender and explore different approaches with tenderers the council is intending to let tenderers bid for one or more lots. The SQ will be a standard document which tenderers will only need to complete once irrespective of the number of sites they want to tender. However for each lot there will be a requirement to respond to some additional site specific questions in the final section of the document. The council will allow a reasonable timeline for bidders to complete the SQ.
41. The SQ will be evaluated by the council based on agreed criteria and the council will shortlist the bidders against each lot as detailed in paragraph 58-59 of this report. Bidders will then be notified as to whether they have or have not been

successful and an Invitation to Tender (ITT) will be issued to each successful bidder for their relevant lot/s. The council is intending to issue the ITT simultaneously to all six confirmed sub-lots.

42. At the ITT stage the shortlisted bidders will be required to make a full tender submission (including a mark-up of the legal agreements) – following evaluation the council may at that stage decide to select a bidder (if their submission is sufficiently detailed and is acceptable) or opt to de-select bidders and invite the remaining bidders to participate in negotiations.
43. If negotiations are conducted (which is likely) then the selected bidders will be asked to sign and return a meeting protocol prior to the first meeting to manage the behaviour of those bidders and place the council in control of the process. Tenderers invited to negotiations shall then be provided with the opportunity to submit a final ITT submission, incorporating all the aspects discussed/raised at the negotiation meetings, from which the most economically advantageous tender(s) for each lot will be recommended for award.
44. In order to manage internal resources effectively the evaluation will be a phased process. For example the ITTs evaluation for each of the lots will be staggered over a number of months with a number of Gateway 2 reports being developed for approval as and when the evaluation for the lots are completed, as opposed to all lots being evaluated and awarded simultaneously. In order to achieve a start on site by 2018, it is likely that the first lots to be completed will be lots A1 and A2, the 'quick win' sites, which will have already attained planning permission. There are likely to be three subsequent initial tender return deadlines for the remaining lots which are likely to be as follows: A3, A4, A5 and A6.
45. Due to each lot being individually evaluated and the phased approach of the ITT evaluations the council is seeking to attain:
 - Cabinet approval for the larger more complex sites at South Dock and Long Lane, lots A5 and A6; and
 - Delegated approval for the contract award (Gateway 2) for lots A1 to A4 to the Chief Executive.

The delegation of these lots is required to ensure a quick transition process from contract recommendation to award which is necessary for the council to meet its objectives of start on site by 2019. If there was a requirement for a Gateway 2 to be presented to Cabinet for each lot, this would have a serious impact upon the delivery timescales.

Identified risks for the procurement

46. The following risks have been identified for this procurement:

Risk No.	Identified Risk	Likelihood	Risk Control
1.	An insufficient number of developers express an interest to tender	Low	Early engagement with developers to make them aware of the tender and to trigger their interest in the sites. Provide developers with sufficiently detailed and clear information to de-risk sites and enable developers to make an informed choice as to whether they wish to pursue this opportunity. Develop packages that provide developers with the flexibility to select the most attractive sites for them.
2.	Employer's Requirements inadequate or diluted by development partner	Medium	Ensure a comprehensive, high quality and deliverable specification is developed/issued – to this end, officers have commissioned a Southwark design and specification to inform the Employer's Requirements. Ensure the Development Partnership Agreement (DPA) enshrines robust governance agreements and conditions. Establish a multi-disciplinary Project Team who will be able to provide specialist guidance to cover all areas required from the specification and deliverables
3.	Packages not viable	Low	Procuring a competent financial and property adviser to carry out development appraisal exercise. Developers level of return enshrined within the DPA, secure overage on the title. Viability testing at agreed stages and confirmation that the sub lots are viable throughout the term of the development.
4.	Do not achieve competitiveness and value for money	Medium	Running an OJEU tender for these sites will maximise the market competition for these lots. Following a negotiated route will also enable the council to achieve best value for money for each site. Quantity surveyors and financial advisers shall be employed to scrutinise the content of packages and site proposals and profit sharing arrangements are managed in a way that responds to market changes.
5.	Inadequate cost control	Medium	Agree cost ceilings and developer's profit at onset; establish monitoring approach that enables transparent cost management on stage by stage basis.

Risk No.	Identified Risk	Likelihood	Risk Control
6.	Programme slippage due to inadequate project control	Low	<p>Enshrine regular and structure project/progress reporting mechanisms and communication protocols in the DPA.</p> <p>Attain planning permission for lots A1 and A2 and assist developers where possible in attaining planning consent for the remaining sites; this will be supported by early engagement with the planners and community.</p> <p>The council and developers shall hold early and ongoing engagement with community and internal stakeholders to identify and resolve concerns.</p>
7.	Vacant Possession	Medium	<p>Early engagement with stakeholders'. Use of Ground 10 and CPO's. Obtaining Section 77 (Secretary of State Consent)on Beormund School Site and Cherry Garden School Site)</p>

Key/non-key decisions

47. This is a key decision.

Policy implications

48. The SRPP has been shaped by the promises and commitments made in the council Plan, such as building more quality affordable homes of every kind and revitalising our neighbourhoods making them places in which we can all be proud to live and work.

49. The development plan for the borough consists of the Mayor's London Plan, the Core Strategy 2011, the Saved Southwark Plan policies, the Aylesbury Area Action Plan, the Canada Water Area Action Plan, the Peckham and Nunhead Area Action Plan and a revised Canada Water Area Action Plan.

50. The council is now reviewing the Southwark Plan and Core Strategy to prepare a local plan called the new Southwark Plan. This new plan will set out our regeneration strategy from 2017 to 2033 and will also be used to make decisions on planning applications. The New Southwark Plan will:

- Set policies to support the provision of new homes including 11,000 new council homes.
- Protect our existing Schools and community facilities in the borough and provide more where this needed.
- Protect local businesses and attract more businesses into the borough to increase job opportunities.
- Support our high streets and increase the range of shops to increase their vitality.
- Direct growth to certain areas of the borough, predominantly in Elephant and Castle, Canada Water, East Walworth, Blackfriars Road, Bankside and along the river Thames where there is greater public transport accessibility.
- Introduce policies to improve places by enhancing local distinctiveness and protecting our heritage assets.

- Set policies to provide greener infrastructure and to promote opportunities for healthy activities.
- Provide visions and policies for the many different areas within Southwark.

Indicative Procurement Project Plan

51. The following timeline is for the “quick win” sites A1 and A2 which the council will be submitting planning application on.

Activity	Complete by:
Enter Gateway 1 decision on the Forward Plan	20/01/2017
DCRB Review Gateway 1	10/02/2017
CCRB Review Gateway 1	23/02/2017
Briefing relevant Cabinet Member	20/02/2017
Notification of forthcoming decision - Cabinet	13/03/2017
Approval of Gateway 1: Procurement strategy report	21/03/2017
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	29/03/2017
Completion of tender documentation	29/03/2017
Publication of OJEU Notice	31/03/2017
Publication of Opportunity on Contracts Finder	03/04/2017
Closing date for receipt of expressions of interest	08/05/2017
Completion of short-listing of applicants	05/06/2017
Invitation to tender	08/06/2017
Closing date for return of tenders*	August 2017
Shortlist and/or completion of any clarification meetings/ presentations/evaluation interviews*	September/2017
Final tender submissions*	September/2017
Completion of evaluation of tenders*	October/2017
Forward Plan (if Strategic Procurement) Gateway 2*	August 2017
DCRB Review Gateway 2*	October/2017
CCRB Review Gateway 2*	November 2017
Notification of forthcoming decision*	November 2017
Approval of Gateway 2: Contract Award Report*	November/2017
End of scrutiny Call-in period and notification of implementation of Gateway 2 decision*	November 2017
Debrief Notice and Standstill Period (if applicable)*	November/2017
Contract award*	December 2017
Add to Contract Register*	December/2017
Place award notice in Official Journal of European (OJEU)*	December/2017

Activity	Complete by:
Place award notice on Contracts Finder*	December 2017
Contract start*	December 2017
Initial contract completion date*	June /2019
Contract completion date – (if extension(s) exercised)	June 2019

* All dates are indicative timescales as after the tenders have been issued all tenders will be evaluated on a phased process with approximately a two week delay in between lots detailed in paragraph 37 being returned.

TUPE/Pensions Implications

52. There are no TUPE/Pensions implications for this procurement exercise.

Development of the tender documentation

53. The Housing Regeneration and Delivery Team will be responsible for developing the tender documentation with assistance from Trowers and Hamlins which will be based upon the government's Standard Supplier Questionnaire with some additional sections included from PAS91.

54. The Housing Regeneration and Delivery Team will be responsible for developing the tender documentation with assistance from Trowers and Hamlins based on a set of Employers Requirements which will include the following:

- Development Partnership Agreement for with scheme and council specific amendments
- A location plan and site plan
- Confirmation of ownership of the site
- Outline role/expectation of the Tenderer
- Details of what is to be built, tenure and tenure mix
- What funding/finance is available
- Land sale/transfer arrangement
- Timescales
- Proposed management arrangement
- Building Services performance specification
- Southwark Design Guide

55. Technical design requirements and specifications have been developed based on Southwark's Design Standards and Technical Specification. Policy related requirements will be referenced using relevant appendices, links and insertions.

56. The contract will be a Development Partnership Agreement based on the specifics of the project being tendered.

Advertising the contract

57. The contract will be advertised through a contract notice published in the Official Journal of the European Union (OJEU). The council will also publish a contract notice on Contracts Finder and the Estates Gazette.

Evaluation

58. The council will configure the SQ so that bidders will only be asked to complete Parts 1 and 2 once. Part 3 will include some generic questions for all lots, however the council will also ask a number of additional site specific questions for each site in order to verify the bidders experience in delivering similar works.
59. Parts 1 and 2 of the SQ will be primarily evaluated on a Pass/Fail basis; however the project specific questions in Part 3 will have each question awarded a score out of a maximum of 5 marks.
60. The council intend to shortlist the bidders against each lot in accordance with the table in paragraph 72.
61. The ITT shall be evaluated by two evaluation panels, one reviewing price and the other quality. Both panels will have a minimum of three members.
62. It should be noted that developers are able to tender for one or more lots. As each lot will be assessed on a stand alone basis this could result in one tenderer being awarded multiple lots if they offer the most economically advantageous tender for those lots. Due to the phased approach of this tender there will be no opportunity for tenderers to submit a discounted offer for multiple lots.
63. The council shall apply overarching evaluation criteria of 70% financial and 30% quality for each of the sites, as detailed in paragraphs 62 to 72; however the sub-criteria for each lot may vary to some degree in line with each lots' individual characteristics/requirements. The final evaluation criteria shall be approved by the project board prior to the OJEU being published.
64. The financial response (70%) will focus on submitted costs, values, overheads, commercial returns (where applicable) and profits.
65. The overall financial implication for the council shall be determined as the financial submission which generates the highest surplus with other submissions being evaluated accordingly; at this point in time the indicative weighting for this is 55%.
66. The council shall also evaluate overage and social housing. This is likely to take the form of Planning Overage with an indicative weighting of approximately 5% and the tenderer's combined Sales Overage and Social Housing proposal with an indicative weighting of up to 10% through a sliding scale.
67. The council shall also evaluate the confidence they have in the tenderer's financial variables and the likelihood they have of receiving the stated overage. This will be done by an analysis of the tenderer's models, cost, income and assumptions for the site.

68. The quality response (30%) is expected to include an assessment of the following areas:

- Project Management/Methodology
- Design Approach
- Stakeholder Engagement
- Legal
- Delivery Timeline/Programme

69. Each question is likely to be scored from 0 – 5 as follows (or as may be adapted for the individual work streams and/or specific questions):

Assessment	Score	Basis of score
Cannot be scored	0 points	No information provided or incapable of being taken forward either because the Supplier does not demonstrate an understanding of our requirements or because the solution is incapable of meeting our requirements.
Unsatisfactory	1 point	Although the Supplier does demonstrate an understanding of our requirements there are some major risks or omissions in relation to the proposed solution to deliver the service and we would not be confident of our requirements being met.
Satisfactory	2 points	A response which is capable of meeting our requirements but is unlikely to go beyond this.
Good	3 points	A response which shows that the Supplier demonstrates an understanding of our requirements has a credible methodology to deliver the service and could evolve into additional benefits.
Very good	4 points	A response which shows that the Supplier demonstrates an understanding of our requirements, and has a credible methodology to deliver the service alongside a clear process and plan to deliver additional benefits and deliver value.
Excellent	5 points	A response which shows how the service can comprehensively be taken to the next level in terms of exceeding our requirements and/or offering significant added value to the Council's overall strategic requirements and objectives.

70. Tenderers will be required to provide information to support their quality submission that demonstrates their ability to fulfil the requirements that were outlined in the Employers Requirements.

71. The council is likely to reserve the right to include minimum threshold criteria for some quality and financial implications.

72. The council may decide to hold some brief clarification meetings prior to finalising the tenderers' price and quality scores which shall then be added together to produce a final score which will be used to shortlist the tenderers against each lot to determine who will be able to progress to the final ITT stage. The currently proposed shortlist for this is shown in the following table.

Lot	Sites	Number Bidders shortlisted from SQ to submit an initial ITT	Number Bidders to be shortlisted to progress to the final ITT
A1	Manor Place and Kennington Enterprise Workshops (Braganza) SE17	5	2/3*
A2	Civic Centre, Albion Street, SE16 and Albion Primary School, Albion Street SE16	5	2/3*
A3	Southwark Park Road	4	2
A4	Cherry Garden School SE16	5	2
A5	South Dock Marina, Boatyard, Plough Way SE16	6	3
A6	Beormund School site at Long Lane (123 Units and Pupil Referral Unit) and New Beormund School to be developed at the former Bellenden School site.	6	2/3*

*The evaluation criteria for the final number of tenderers to be taken through to the negotiation stage will be set out in the ITT documents.

73. The shortlisted developers for each lot (as detailed in the final column of the table above) will then each attend one or more negotiation meetings to seek further clarification and discuss any mark ups they have made to the proposed contract. The tenderers will then be able to incorporate any adjustments which are a result of this clarification stage into their final ITT submission.
74. The tenderers final ITT submission will then be evaluated based on the original evaluation split of 70% finance and 30% quality with the tender with the highest combined finance and quality score recommended as the developer for their chosen lot(s).

Community impact statement

75. A community impact statement will be collated to capture community priorities, issues and needs, in particular groups displaced or impacted by the development proposal. It is proposed that the community impact statement will focus on two distinctive communities:
- a) Geographical communities - people living, accessing or working close to the development.
 - b) Community of identity – groups that share characteristics such as the older people, minority ethnic groups, faith groups, people with disabilities and young people, etc.
76. Indicative groups the council will seek to consult and assess with will be service

users, internal stakeholders and affected businesses.

77. Officers will conduct an equalities impact assessment to ensure that there is no disproportionate or discriminatory impact on groups with protected characteristics. This assessment is done during the consultation period to ensure that all groups are fully engaged and consulted to ensure a fair development and delivery process. The views of various groups will be taken on board the design and delivery process.
78. Under the Equality Act 2010's Public Sector Equality Duty (PSED), as a public body we must have due regard to the need to:
 - a) Eliminate unlawful discrimination, harassment and victimisation
 - b) Advance equality of opportunity between different groups
 - c) Foster good relations between different groups

Social Value considerations

79. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The details of how social value will be incorporated within the tender are set out in the following paragraphs.

Economic considerations

80. The SRPP seeks to maximise the utility, value and quality of council buildings and services by leveraging in the investment and expertise of established developers through a joint partnership. In doing so it will deliver high quality homes and public buildings and improved life changes for current and future generations while minimising the cost burdens of regeneration to the council.
81. The bidders' day that was held was a form of market testing which was followed up by one to one meetings with developers. The aim of this exercise was to engage with SME's and understand what they usually find are the key restrictions for them in a normal procurement process and how the council could give them the opportunity to tender as well as to get feedback from all developers as to the best way the council can package the sites to obtain maximum interest from all types of developers.
82. The programme will be subject to Section 106 that will cover:
 - Employment & Training
 - Education
 - Health
 - Public realm
 - Open space
 - Childrens' play equipment
 - Sports development
 - Transport
 - Childcare
 - Community facilities

- Community safety
- Archaeology

83. As part of the Development Partnership Agreement, the council will seek commitment to promote and use local suppliers and businesses where applicable.

Social considerations

84. As the council explores ways it can continue to deliver value for money, it is essential that it make even better use of its resources to meet the needs of residents and businesses in the borough. Under promise 8 Education, employment and training of the Fairer Future Promises, the council has made a commitment to create 2,000 new apprenticeships by 2018. This programme will seek developers to employ one apprentice for every £1m spent.

85. Each site within the SRPP will deliver high quality affordable homes of all kinds to meet housing need, as well as improved health, education, social care and commercial facilities to ensure that residents are able to access the support and services they need within their community

86. The social rent homes delivered will be retained as council homes on the same terms as those delivered via the direct delivery programme. Developers will have the opportunity to make offers of additional social rented units and reduce their potential capital contributions or returns in their tender offers.

87. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, development partners engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. It is expected that payment of the LLW by the successful development partner for this contract will result in quality improvements for the council. These should include a high calibre of multi-skilled operatives that will contribute to the delivery of works on site and will provide best value for the council. It is therefore considered appropriate for the payment of LLW to be required. The successful development partner will be expected to meet the LLW requirements and contract conditions requiring the payment of LLW will be included in the tender documents. As part of the tender process, bidders will also be required to confirm how productivity will be improved by payment of LLW. Following award, these quality improvements and any cost implications will be monitored as part of the contract review process.

88. The council can exclude companies who break the law by blacklisting or have not put into place genuine actions concerning past black listing activities. The council can require “self cleaning” which enables a potential contractor to show that it has or will take measures to put right its earlier wrongdoing and to prevent them from re-occurring and to provide evidence that the measures taken by the economic operator are sufficient to demonstrate it has:

- “owned up”: clarified the facts and circumstances in a comprehensive manner by actively collaborating with the investigating authorities.
- “cleaned up”: taken concrete technical, organisational and personal measures that are appropriate to prevent further criminal offences or misconduct, and

- “paid up”: paid or undertaken to pay compensation in respect of any damage caused.

The council will request the necessary information from tenders (using the council’s standard documentation in relation to blacklisting.) The contract conditions will also include an express condition compliance with the blacklist regulations, and include a provision to allow the contract to be terminated for breach of these requirements.

Environmental/Sustainability considerations

89. The council’s approach to procurement of the design, development and construction processes will include a requirement to maintain and improve sustainability for each tendered project.
90. All homes will have to achieve the Code for Sustainable Homes Level 5 (CfSH5); measures will have to be taken at all stages of development to achieve this. This code has however been changed to the New National Technical Standards which comprise new additional optional building regulations regarding water and access as well as a new national space standard(this is in addition to the existing mandatory Building Regulations). For example, requirement G2 of the building regulations concerns water efficiency. The current regulations state that the potential water consumption by occupants of a new dwelling must not exceed 125 litres per person per day. This regulation remains in place but there is now also an optional higher standard which states that the potential water consumption by occupants of a new dwelling must not exceed 110 litres per person per day. This higher standard may be imposed by the planners. With regards to access, requirement M4 (sanitary convenience in dwellings) of the building regulations have added additional higher standards, M4 (1), M4 (2) and M4 (3) and one of these may be imposed by planners.
91. At design stage, requirements will be in place to meet sustainable specifications including the following:
 - Energy efficiency
 - Reduce carbon emissions
 - Conserve water & energy
 - Mitigate flooding risk
 - Safeguarding biodiversity
92. During construction the appointed contractor/developer will be required to adhere to guidelines outlined in the London Construction Guide which include and are not restricted to the following:
 - Procuring and using materials sustainably
 - Selecting materials with low lifecycle impacts
 - Using local materials
 - Use of materials with high recycled
 - Meet minimum standards set out in Building Regulations
93. In line with the Energy and Carbon Reduction Strategy, the development partnership will work towards the target reduction rate for new council build homes of 15% by 2022.
94. The development partnership will aspire to achieve Code for Sustainable Homes

Level 5 or its new equivalent based on the new national technical standards, and therefore has to reduce carbon omissions, conserve fuel and energy as set out in Building Regulations (Part L) Value the Environment.

95. Specifications outline that there should be an efficient approach to waste management. At design stage there is direction for designers to exercise reasonable skill care and diligence in the selection of materials. At construction stage contractors are required to minimise construction waste and maximise the use of recyclable /reusable products and materials.
96. Specifications stipulated within the Employers Requirements will ensure that development activity is controlled in a way that positively contributes to achieving sustainability.

Plans for the monitoring and management of the contract

97. At a strategic level the programme will be overseen by a Project Board. The Housing Regeneration and Delivery team will carry out contract administration, management and monitoring of this programme. Operationally, project coordinators will be responsible for day to day management and monitoring of the DPA contract, responsibilities will include seeking gateway approvals, main point of contact, budget control, administrative duties, etc

Staffing/procurement implications

98. The housing regeneration programme manager responsible for the delivery of the overall programme, under the management of the head of regeneration, capital works, will be responsible for ensuring that the programme is adequately resourced and coordinated to deliver its objectives and procured efficiently and effectively in accordance with best practice for major projects procurement.
99. The head of regeneration - capital works is currently carrying out a review of the staffing implications of all regeneration capital delivery programmes and any specific staffing implication from this and other programmes will be taken into account in this review.
100. In order to provide comprehensive tender documents for this procurement a number of additional support strands need to be procured prior to the tender starting. These support strands include architectural services to carry out feasibility studies and initial design development, financial and valuation consultants to undertake valuations and the development appraisals, legal consultants to provide procurement advice and draft the DPA and joint venture documentation.

Financial implications

101. The gross development value (GDV) of the programme will be established as part of the development appraisal process. Development appraisals were carried out by BNP Paribas and the assumptions used in the viability are relatively conservative and it is believed that the market may provide more competitive offers. These development appraisals indicated an overall positive net capital return for the council, in addition to providing 161 social rented council properties.
102. The net capital returns from the appraisals have not taken into account any grant

input or planning and sale overage. Any future grant input will improve the viability. GLA and Housing Zone Grant may be available to subsidise the scheme costs. The assumptions used in the appraisals have taken a prudential view of the market. The appraisals have not taken into account the possibility of sales/ planning overage which will contribute to the viability of the sites.

Investment implications

103. Please see strategic director of finance and governance commentary below.

Legal implications

104. Please see concurrent from the director of law and democracy.

Consultation

105. A robust consultation strategy to involve internal and external stakeholders will be central to the proposed SRPP; a range of consultative tools will be applied to maximise engagement, involve residents and key partners, including those that live or have an interest in the immediate vicinity of any new development.

106. A comprehensive and inclusive approach to promote, educate and engage stakeholders on the regeneration development proposal will be adopted, supplemented by a consultation timetable. The council's strategic and local consultative groups (area forums, community councils, tenant associations and resident steering groups and other interest groups) will be engaged using correspondence, public meetings, information packs and various social media formats.

107. The consultation programme will be delivered on a site specific and phased basis. Site specific consultation invitations and events will be extensively publicised and each site will have an allocated project co-ordinator lead to manage the development proposal consultation process. To maximise inclusiveness and participation project co-ordinators will provide sufficient meeting notice; and will minimise barriers of engagement by targeting all marginalised local groups.

108. The Beormund Primary site (off Long Lane) is subject to public consultation and seeking Section 77 Secretary of State Consent for the disposal of the school's playing field land. An online consultation will be held in April 2017 for the redevelopment of the Beormund School on the Bellenden educational site. Further consultation will commence in Spring 2017 when the school designs are developed with stakeholders.

109. Ward Councillors will be fully briefed prior to any public consultation and their comments/feedback incorporated into any initial proposals. Council offices will meet with T&RA groups following the Councillor briefings and again, prior to any public consultation.

Other implications or issues

110. None.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance

111. This report is seeking approval for a procurement strategy to appoint development partners for Lot A of the Southwark Regeneration in Partnership Programme.
112. The sites comprising Lot A are expected to deliver residential and commercial properties as well as a new school. The strategic director of finance and governance notes that development appraisals have been carried out by an external advisor and that officers anticipate there will be no net capital cost to the council on completion of the programme.
113. As set out within the financial implications this proposed procurement aims to provide positive financial case: delivering 161 social rented council housing units; a positive net capital return and potential reimbursement of predevelopment costs. The net capital return excludes the potential for planning overage or GLA affordable housing grant.
114. As the procurement progresses to award stage the financial implications will be clearer, including the net financial cost/income, affordable housing offer, land appropriation implications, cash flow and overall value for money. Following the GW2 stage, the financial outcome will subsequently be reflected within the council's capital programme.

Head of Procurement

115. This report seeks the cabinet's approval for the procurement strategy outlined in this report to undertake an EU procurement to identify development partners for mixed tenure housing including commercial units and schools for Lot A of the Southwark Regeneration in Partnership Programme at an estimated total Gross Development Value to those development partners of £278,300,000 for a period of up to five years dependent upon recommendations 2 and 3 being approved.
116. The value of the contract for the main works means that it is subject to the tendering requirements of the Public Contract Regulations 2015 (PCR15) and the council's Contract Standing Orders, namely 5.5. The council's proposed strategy of undertaking an EU competitive procedure with negotiation, for the reasons detailed in paragraph 36, will meet these requirements. This procurement route should maximise competition and ensure that the council achieves the best value for money.
117. Aside from Lots A1 and A2 which are linked because of planning purposes, the council is proposing that all other sites are individually packaged producing a total of six lots for the reasons detailed in paragraph 37.
118. This report details the proposed procurement route which will result in the council identifying one developer for each lot which based upon the most economically advantageous tender submitted following evaluation of the tenderer's cost and quality submissions.
119. The report notes that all necessary education consent including section 77 will be obtained prior to entering into any contract in order to meet the council's

statutory and common law duty to consult on certain areas of service delivery and the formulation of proposals or decisions.

120. Southwark Council's procurement officers will be advising on the tender documents to be used to ensure that all relevant statutory questions are included and due diligence to ensure the successful supplier is financially stable.

Director of Law and Democracy

121. This report seeks the cabinet's approval to the procurement strategy and other associated recommendations in relation to Lot A of the Southwark Regeneration in Partnership Programme (SRPP) , as further detailed in paragraphs 1-5. As this is a strategic procurement, the decision to approve the procurement strategy is reserved to the cabinet.
122. The scope and value of these developments means that this procurement is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). As noted in paragraph 35-36, it is intended that the developments are procured in accordance with the PCR 2015 using the competitive procedure with negotiation (as permitted under Regulation 29). This procedure is permitted to be used in certain circumstances, including where the works will require design/innovative solutions, or where negotiations might be needed due to the nature and complexity of the legal or financial make-up of the project. Advice has been sought from the council's external legal advisers who have confirmed that the competitive procedure with negotiation may be used.
123. The cabinet will be aware of the Public Sector Equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is referred to the community impact statement at paragraphs 75-79 setting out the consideration that has been given to equalities issues which the cabinet should be considered when agreeing this procurement strategy.
124. The cabinet will note the consultation that is intended to be undertaken in relation to this project, which is described in detail at paragraphs 105-109. The council has a statutory and common law duty to consult on certain areas of service delivery and the formulation of proposals or decisions. To meet legal requirements, consultation must be undertaken when proposals are still at a formative stage, it must be meaningful and include sufficient reasons for the proposal and allow adequate time for interested parties to consider and respond, and the outcome of the consultation must be conscientiously taken into account when the ultimate decision is taken. The Department for Education has issued non-statutory advice (May 2015) in which it has set out its expectation that a local authority proposing to dispose of playing field land will have consulted adequately on the proposals before making any application for consent. The advice contains guidelines that the department expects to be followed.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No	Title
None	

AUDIT TRAIL

Cabinet Member	Councillor Mark Williams, Regeneration and New Homes	
Lead Officer	Bruce Glockling, Head of Regeneration, Capital Works and Development	
Report Author	Prince Kamanda, Regeneration, Project Manager	
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Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Director of Exchequer (For Housing contracts only)	No	No
Contract Review Boards		
Departmental Contract Review Board	Yes	Yes
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		9 March 2017