

Cabinet

Tuesday 15 May 2012
4.00 pm

Ground Floor Meeting Room GO1A, 160 Tooley Street, London
SE1 2QH

Membership

Councillor Peter John
Councillor Ian Wingfield
Councillor Fiona Colley*
Councillor Dora Dixon-Fyle
Councillor Barrie Hargrove
Councillor Richard Livingstone
Councillor Catherine McDonald
Councillor Abdul Mohamed
Councillor Veronica Ward

Portfolio

Leader of the Council
Deputy Leader and Housing Management
Regeneration and Corporate Strategy
Health and Adult Social Care
Transport, Environment and Recycling
Finance, Resources and Community Safety
Children's Services
Equalities and Community Engagement
Culture, Leisure, Sport and the Olympics

*Currently on Maternity Leave

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Webpage: <http://www.southwark.gov.uk>

Members of the committee are summoned to attend this meeting

Councillor Peter John

Leader of the Council

Date: 4 May 2012



Cabinet

Tuesday 15 May 2012

4.00 pm

Ground Floor Meeting Room GO1A, 160 Tooley Street, London SE1 2QH

Order of Business

Item No.	Title	Page No.
	PART A - OPEN BUSINESS	
	MOBILE PHONES	
	Mobile phones should be turned off or put on silent during the course of the meeting.	
1.	APOLOGIES	
	To receive any apologies for absence.	
2.	NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT	
	In special circumstances, an item of business may be added to an agenda within five clear working days of the meeting.	
3.	DISCLOSURE OF INTERESTS AND DISPENSATIONS	
	Members to declare any personal interests and dispensation in respect of any item of business to be considered at this meeting.	
4.	PUBLIC QUESTION TIME (15 MINUTES)	
	To receive any questions from members of the public which have been submitted in advance of the meeting in accordance with the cabinet procedure rules.	
5.	MINUTES	1 - 6
	To approve as a correct record the minutes of the open section of the meeting held on 17 April 2012.	

Item No.	Title	Page No.
6.	DEPUTATION REQUESTS	
	To consider any deputation requests.	
7.	AMENDMENT TO STRATEGIC MANAGEMENT ARRANGEMENTS	7 - 16
	To consider a proposed new strategic management structure.	
8.	GATEWAY 1: PROCUREMENT STRATEGY APPROVAL AYLESBURY REGENERATION: DEVELOPMENT PARTNERSHIP	17 - 43
	To approve the procurement strategy to use a 3-stage EU negotiated procedure for the Aylesbury regeneration partnership.	
9.	HOME CARE CONTRACT MONITORING REPORT	44 - 63
	To note the delivery of the home care contracts over the first six months and the summary of how the transition from previous to new contracting arrangements was approached.	
10.	GATEWAY 1: PROCUREMENT STRATEGY APPROVAL - COMMUNAL LIGHTING AND LIGHTNING PROTECTION CONTRACT	64 - 75
	To approve the procurement strategy for the communal lighting and lightening protection contract.	
11.	LEATHERMARKET JOINT MANAGEMENT BOARD (JMB) - PARTIAL SELF FINANCING OF THE HOUSING REVENUE ACCOUNT	76 - 88
	To consider a proposal for the 'self financing' of the Leathermarket Joint Management Board (JMB).	
12.	GATEWAY 2: CONTRACT AWARD APPROVAL - SOUTHWARK HEAT NETWORK FROM SOUTH EAST LONDON COMBINED HEAT AND POWER PLAN (SELCHP) - ADDITIONAL SERVICES CONTRACT	89 - 105
	To approve in principle the award of the Southwark Heat Network Contract.	

Item No.	Title	Page No.
13.	MOTIONS REFERRED FROM COUNCIL ASSEMBLY	106 - 116

To consider motions referred from council assembly on the following:

- Motion on the theme – Older people
- Universal Credit
- Post Offices for Southwark
- South London Line Replacement
- Gay marriage

OTHER REPORTS

The following item is also scheduled for consideration at this meeting:

14. CUSTOMER SERVICES CENTRE (CSC) CONTRACT WITH VANGENT LTD

To follow.

DISCUSSION OF ANY OTHER OPEN ITEMS AS NOTIFIED AT THE START OF THE MEETING

EXCLUSION OF PRESS AND PUBLIC

The following items are included on the closed section of the agenda. The Proper Officer has decided that the papers should not be circulated to the press and public since they reveal confidential or exempt information as specified in paragraphs 1-7, Access to Information Procedure Rules of the Constitution. The specific paragraph is indicated in the case of exempt information.

The following motion should be moved, seconded and approved if the cabinet wishes to exclude the press and public to deal with reports revealing exempt information:

“That the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in paragraphs 1-7, Access to Information Procedure Rules of the Constitution.”

PART B - CLOSED BUSINESS

15. MINUTES

To approve as a correct record the minutes of the closed section of the meeting held on 17 April 2012.

Item No.	Title	Page No.
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16.	GATEWAY 2: CONTRACT AWARD APPROVAL - SOUTHWARK HEAT NETWORK FROM SOUTH EAST LONDON COMBINED HEAT AND POWER PLAN (SELCHP) - ADDITIONAL SERVICES CONTRACT	
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17.	CUSTOMER SERVICES CENTRE (CSC) CONTRACT WITH VANGENT LTD	
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To follow.

DISCUSSION OF ANY OTHER CLOSED ITEMS AS NOTIFIED AT THE START OF THE MEETING AND ACCEPTED BY THE CHAIR AS URGENT

Date: 4 May 2012



Cabinet

MINUTES of the OPEN section of the Cabinet held on Tuesday 17 April 2012 at 4.00 pm at 160 Tooley Street, London SE1 2QH

PRESENT: Councillor Peter John (Chair)
Councillor Ian Wingfield
Councillor Fiona Colley
Councillor Dora Dixon-Fyle
Councillor Barrie Hargrove
Councillor Richard Livingstone
Councillor Catherine McDonald
Councillor Abdul Mohamed
Councillor Veronica Ward

1. APOLOGIES

All members were present.

2. NOTIFICATION OF ANY ITEMS OF BUSINESS WHICH THE CHAIR DEEMS URGENT

There were no urgent items.

3. DISCLOSURE OF INTERESTS AND DISPENSATIONS

There were no disclosures of interests or dispensations.

4. PUBLIC QUESTION TIME (15 MINUTES)

The following public question was asked by Mr Jeff Kelland:

Does the council think the cleaning of windows at the front of it's offices at 160 Tooley Street at 0130am on a weekday using a cherrypicker and supervised by security staff is reasonable and neighbourly behaviour as occurred in the early hours of Thursday, 29 March ?

Response by Councillor Richard Livingstone

“The actions of the contractor on behalf of the council were clearly not reasonable or neighbourly. Good relationships with our residential neighbours are of paramount importance and the council can only apologise for this very unfortunate incident and the disturbance that it caused.

As part of the buildings periodic external window clean the windows on the front elevation had been previously cleaned by a 'reach and wash' system during working hours but at high level this failed to clean to the required standard primarily due to the trees at the front of the building on Tooley Street. The window cleaning contractors were instructed to return to meet the required quality standard. Over the night of Wednesday 28 March and the early hours of Thursday 29 March the contractor was undertaking work to other non council buildings in the vicinity of Tooley Street using a cherry picker and unfortunately, without prior arrangement or agreement from the council, they returned at 00.30hrs on Thursday morning to the front elevation at Tooley Street to clean the windows again.

All window cleaning operations at Tooley Street are normally carried out during the working day and had we received prior notification of their intention to return at this time this would not have been approved in any circumstances. The contractors concerned have been dealt with very strongly and we can assure our neighbours that this will not be repeated.”

5. MINUTES

RESOLVED:

That the minutes of the meeting held on 20 March 2012 be approved as a correct record and signed by the chair.

6. DEPUTATION REQUESTS

There were no deputation requests.

7. REVIEW OF CHILDHOOD OBESITY AND SPORTS PROVISION FOR SECONDARY AND PRIMARY CHILDREN - REPORT OF THE EDUCATION AND CHILDREN'S SERVICES SCRUTINY SUB-COMMITTEE

Councillor David Hubber, chair of the education and children's services scrutiny sub-committee presented the report to cabinet.

RESOLVED:

That the recommendations of the review of childhood obesity and sports provision for secondary and primary children undertaken by the education and children's services scrutiny sub-committee (attached as appendix A to the report) be noted, and that Councillor Catherine McDonald, cabinet member for children's services bring back a report to cabinet, in order to respond to the overview and scrutiny

committee by June 2012.

8. REVIEW OF LEASEHOLDER CHARGING IN SOUTHWARK - REPORT OF THE HOUSING AND COMMUNITY SAFETY SCRUTINY SUB-COMMITTEE

Councillor Gavin Edwards, chair of the housing and community safety scrutiny sub-committee presented the report to cabinet.

RESOLVED:

That the recommendations of the review of leaseholder charging in Southwark, undertaken by the housing & community safety scrutiny sub-committee (attached as Appendix 1 to the report) be noted and that Councillor Ian Wingfield, the cabinet member for housing management, bring back a report to cabinet, in order to respond to the overview and scrutiny committee by June 2012.

9. GATEWAY 1 - PROCUREMENT STRATEGY APPROVAL - LEASEHOLD AND ANCILLARY PROPERTIES BUILDINGS INSURANCE

RESOLVED:

Decisions of the Cabinet

1. That the procurement strategy outlined in the report for the leasehold and ancillary properties buildings insurance contract for a period of 3 years, with an option to extend for 2 twelve month extensions, making an estimated contract value of £17m be approved.
2. That it be noted that in the event that tender bids are significantly higher than the current contract price, the option to extend the current contract may be exercised and would form the subject of a separate Gateway 3 report.

Decision of the Leader

3. That authority be delegated to the cabinet member for housing management to award the contract for the reasons set out in paragraph 10 of the report.

10. GATEWAY 1 - PROCUREMENT STRATEGY APPROVAL - LIFT MAINTENANCE AND REPAIRS CONTRACT

RESOLVED:

1. That the procurement strategy outlined in the report for the lift maintenance and repairs contracts – Contract A – north of the borough at an estimated annual cost of £696,803.40 and Contract B – south of the borough at an estimated annual cost of £464,535.60, for a period of 5 years from 1 October 2013, with the potential for 2 twelve month extensions, subject to performance, making an estimated contract value of £8,129,373.00 be approved.

2. That it be noted that the rationale behind the geographical division of contract areas is based on the need to ensure efficient delivery of the service.

11. SOUTHWARK COUNCIL'S EQUALITY OBJECTIVES

RESOLVED:

That the addition of the proposed equality objectives to those already in the council plan (see Appendix A of the report) be agreed.

12. APPROVAL TO ENTER GRANT AGREEMENT WITH THE GLA FOR THE GATEWAY TO PECKHAM PROJECT

RESOLVED:

That it be agreed in principle to enter into a grant agreement with the Greater London Authority for the Gateway to Peckham project and the strategic director of communities, law & governance be authorised in consultation with the deputy chief executive to approve the detailed terms and conditions of the grant agreement.

13. ACQUISITION OF FREEHOLD INTEREST IN 66 & 68 AMBERGATE STREET, SE17

RESOLVED:

1. That the terms outlined in the report for the acquisition of the freehold interest in 66 & 68 Ambergate Street, SE17 ("the Property") plus the payment of compensation to the existing secure tenants for home loss and disturbance, along with statutory costs be approved.
2. That once acquired and full vacant possession has been achieved, the head of property be authorised to market for sale the council's unencumbered freehold interest in the property. The results of this marketing exercise to be brought to cabinet for approval and further recommendation.

14. SELECTION OF PREFERRED DEVELOPER FOR LAND TRANSFER AYLESBURY SITE 7 (1-50 WOLVERTON)

RESOLVED:

1. That the disposal of Site 7 Aylesbury Estate on the principal terms set out in the closed version of the report be agreed.
2. That delegated authority be given to the director of regeneration to agree any variations to these terms that may be necessary to achieve the disposal in the light of further negotiations and securing full planning consent.

3. That in the event that the proposed disposal does not proceed to exchange, that delegated authority be given to the director of regeneration to agree the terms of a sale with any one of the under bidders set out in the report provided that these terms conform with the council's legal obligation to achieve the best consideration reasonably obtainable.

15. ESTABLISHMENT OF A SHADOW HEALTH AND WELLBEING BOARD

RESOLVED:

Decision of the Cabinet

1. That the establishment of a shadow Health and Wellbeing Board be agreed.

Decision of the Leader of the Council

2. That the non-statutory membership for the shadow Health and Wellbeing Board be appointed (in line with Appendix A of the report) for a fixed-term until 31 March 2013, that is for the period prior to the Board becoming a statutory committee of the Council.

EXCLUSION OF PRESS AND PUBLIC

That the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in category 3 of paragraph 10.4 of the Access to Information Procedure Rules of the Southwark Constitution.

The following is a summary of the decisions taken in the closed session of the meeting.

16. MINUTES

The minutes of the closed section of the meeting held on 20 March 2012 were approved as a correct record and signed by the chair.

17. ACQUISITION OF FREEHOLD INTEREST IN 66 & 68 AMBERGATE STREET, SE17

The cabinet considered the closed information relating to this report. See item 13 for decision.

18. SELECTION OF PREFERRED DEVELOPER FOR LAND TRANSFER AYLESBURY SITE 7 (1-50 WOLVERTON)

The cabinet considered the closed information relating to this report. See item 14 for decision.

The meeting ended at 5.45pm

CHAIR:

DATED:

DEADLINE FOR NOTIFICATION OF CALL-IN UNDER SECTION 21 OF THE OVERVIEW AND SCRUTINY PROCEDURE RULES IS MIDNIGHT, 24 APRIL 2012.

THE ABOVE DECISIONS WILL NOT BE IMPLEMENTABLE UNTIL AFTER THAT DATE. SHOULD A DECISION OF THE CABINET BE CALLED-IN FOR SCRUTINY, THEN THE RELEVANT DECISION WILL BE HELD IN ABEYANCE PENDING THE OUTCOME OF SCRUTINY CONSIDERATION.

Item No. 7.	Classification: Open	Date: 15 May 2012	Meeting Name: Cabinet
Report title:		Amendment to Strategic Management Arrangements	
Ward(s) or groups affected:		All	
From:		Acting Chief Executive	

FOREWORD - COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL

In times of financial austerity and consequential reductions in services and staff numbers, there is naturally increased scrutiny of the value and efficacy of existing structures, especially at the top level. At the same time, the Council is pursuing an ambitious programme of service transformation, which requires strong and dynamic leadership to deliver cultural change both within the organisation and in the way we engage with our residents and stakeholders. To deliver the Council's vision of a fairer future for all in Southwark through this period of austerity and major change, elected members and senior officers will need to work in closer collaboration. This includes the need to work in a much more crossing cutting and collegiate way across portfolios and departments to be more than the sum of our parts and achieve more with less. This evolving dynamic and the refocusing of managerial demands, as well as broad opinion about top pay, helps to form the basis of how new arrangements will take shape which are affordable, focused and relevant to contemporary demands.

The new structure proposed is aimed at placing the Council in the best position to deal with the diversity of emerging challenges whilst releasing savings already earmarked under the budget decisions. We recognise that the severe financial constraints imposed on the Council require senior officers to take on those challenges and absorb more responsibilities, and we also recognise that the need for fewer posts means that we will be losing members of staff who have given long and valuable service to the Council.

RECOMMENDATIONS

1. As at 1 October 2012, the posts of Strategic Director, Health & Community Services, Strategic Director of Communities, Law and Governance and Deputy Chief Executive are deleted.
2. The existing posts of Strategic Director, Children's Services and Finance Director are renamed Strategic Director, Children's & Adults' Services and Strategic Director Corporate Services respectively. These posts (along with the Chief Executive) will subsume the majority of services from those departments in recommendation 1 and subsume the relevant statutory roles, other than the monitoring officer.
3. As at 1st October 2012, 2 x posts of Assistant Director of Finance are deleted and a new post of head of service for Resources is created.

4. The Appointments Committee is formed to make recommendations to Council Assembly on new appointments to Head of Paid Service and Monitoring Officer in accordance with the constitution. Council Assembly will be asked to approve the redesignation of the section 151 officer (Strategic Director Corporate Services) and monitoring officer (Head of Legal Services).
5. To note that all Chief Officer posts are contractually inter-changeable, therefore placement of function and post-holders otherwise is delegated to the Head of Paid Service in accordance with the Council's policy and procedures. Similarly, the statutory function of the Electoral Registration Officer will be subsumed within one of the Chief Officer posts, to be determined by the Head of Paid Service.

BACKGROUND INFORMATION

6. The budget setting report was agreed by Council on 29th February 2012. This included proposals to save £0.5M for 2012/13 (£1M over 2 years 2012/14) through a review of departmental and corporate management structures.
7. As a result the Leader instigated consultation on a broad review of the top structure of the Council, including the relationship with Cabinet, to cover the period 2012/15. A discussion paper was circulated in early January 2012, and consultation continued into March. This Cabinet report presents the proposed new structure taking into account the need for financial savings and the consultation feedback received by the acting Chief Executive.
8. Following a previous Cabinet report on rationalisation of Senior Management, the amalgamation of DCE and Regeneration departments has been implemented. As a result one Strategic Director and three senior management posts have been deleted, namely:
 - a. Strategic Director of Regeneration & Neighbourhoods
 - b. Head of Economic Development
 - c. Head of Strategy
 - d. Head of Transport Planning

The budget savings from these posts contribute significantly to the savings target for 2012/13, as outlined in paragraph 23 below.

KEY ISSUES FOR CONSIDERATION

9. Rationalising senior management structures is a key element to any efficiency programme; this will include reducing staff numbers and drawing functions together targeted to Council aims. This process needs to be dynamic and responsive to changing needs and circumstances and therefore structures and reporting lines need to be similarly fluid. The current financial climate provides an important backdrop where money is tight and protection of the front line is a key priority. As indicated in paragraph 8 above the Deputy Chief Executive's department has already been rationalised to absorb the previous regeneration department and contribute significant savings towards the corporate target. A feature of the consultation paper presented in February was the principle that the Chief Executive should have some departmental responsibilities alongside the Head of Paid Service role. This report proposes the deletion of the Deputy Chief

Executive post and that the departmental responsibilities of that post should be subsumed within the post of Chief Executive.

10. As a consequence of the changes in the Health Service the Council has had to review the management arrangements for adult social care, the resultant costs and therefore the sustainability of a separate department (with senior management and support infrastructure). The conclusion is that the services and functions would be best served by reporting to a single Strategic Director of Children's and Adults' and incorporation with the Children's Services Department. The period up to 1st October 2012 will allow proper planning and transition and maximise opportunities for efficient organisation of common functions.
11. As a result the statutory role of Director of Adult Services (DAS) needs to be formally re-assigned; the options being to subsume within the Chief Officer functions or assign to the 2nd tier. This has become an issue for a number of Local Authorities who have similarly linked up these services. This report proposes that the Strategic Director of Children's & Adults' Services should take on both statutory roles as at 1st October 2012 as this offers the best solution in terms of surety of competence and least risk.
12. In looking to combine the role of the Director of Children's Services (DCS) with other functions across the Council, local authorities are required to undertake a local test of assurance. Children's Services has shown a good track record of outcomes, compliance and management processes as demonstrated through inspection and regulation, performance and financial management. A robust governance infrastructure exists including policies and procedures, self assessment and planning, quality assurance and partnership working arrangements and an independently chaired Local Safeguarding Board.
13. A local test of assurance has concluded that sufficient safeguards are in place in order that outcomes for children and young people are not at risk of being weakened or diluted by the statutory Director of Children's Services acquiring additional responsibilities. The test confirms that children's services has sufficient organisational and structural arrangements in place, alongside robust systems for testing their compliance and effectiveness. The proposal does not impact on the key requirement of guidance to ensure a single line of accountability for children in the borough and the ability to deliver the transformation required by the Munro review. The structure in Southwark is further reinforced by a very senior second tier position specialising in the delivery of children protection services and a recently designated principal social worker post which together hold responsibility for comprehensively developing the social work workforce and ensuring good recruitment and retention. The assurance test reviewed that changes will enable statutory functions of Director of Adult Social Services to be carried out effectively and the joining of the departments has potential to add value to responsibilities of both roles. Following the merger a senior management and service delivery structure with clear lines of accountability will remain, with a direct reporting line for DCS and DAS functions into the Chief Executive. Lead Member responsibilities for adults' and children will remain distinct to support challenge and accountability of respective functions.
14. The combining of departments offers additional benefits including opportunities for joint working and commissioning around vulnerable families and common interest areas such as personalisation and transition of young people to adult

services. Other opportunities include efficiencies of back office functions, streamlining of area such as needs assessment, workforce planning, equalities and community engagement; and a single point of contact for health and other agencies. Once new arrangements are in place, a regular process of review through business planning will ensure these arrangements continue to be effective and provide the right safeguards to the discharge of statutory functions.

15. A further element of consolidation concerns the Finance and Resources and CLG departments and the aim to create a single Corporate Services department with a single chief officer. Already reorganisations of services are underway, in both departments, to achieve approved departmental budget reductions, and one consequence is to reduce the senior management level in Finance and Resources and refocus of responsibilities.

The resulting changes in detail are:

- The post of Strategic Director Communities, Law and Governance will be deleted and the Finance Director post will be renamed Strategic Director, Corporate Services
- The creation of a new Head of Resources post and the consequential reduction of 2 Assistant Finance Director posts during 2012/13, resulting in the net reduction of one post.
- The Legal Services Division will transfer under the authority of the Strategic Director, Corporate Services.
- Community engagement and democratic services will be split. The former will transfer to the Strategic Director of Housing, enabling consolidation of tenant, resident and community engagement. The latter, including the scrutiny function, will transfer to the Chief Executive's department under the auspices of the director of corporate strategy.
- Responsibility for registrars, coroners, electoral & registration services will be allocated to Chief Officers by the Head of Paid Service based on best fit and capacity.

16. A particular issue of concern arising from the consultation process related to the corporate governance responsibilities and the monitoring officer role. The proposal is to retain the Monitoring Officer role within Legal Services and recommending that the Head of Legal Services has this responsibility added, becoming the service director of legal services. This step means a marginal reduction of savings in order to recognise those additional duties appropriately.

17. Appendix A includes the current structure chart and the structure chart which would arise as a result of the implementation of these proposals. At present the post of Director of Public Health is shown as reporting directly to the Chief Executive, this will be subject to a further report as the advice from government departments becomes clearer.

Policy implications

18. Southwark's Constitution (Part 3c 4) includes amongst those matters reserved for Cabinet:
- Decisions regarding the strategic management of the council including decisions on major reorganisations and major reallocations of functions between departments or chief officers.

19. This report details the proposed major re-allocations of functions between departments. Any more minor operational or structural decisions as a consequence of these additional functions will be the subject of delegated decision making of either the Head of Paid Service or the relevant Strategic Director as appropriate.
20. Further reports, for example on the position of the Director of Public Health, will be reported back to Cabinet as necessary.
21. The designation of the statutory roles within the Council as a result of the proposals above is as follows:

Chief Executive	Head of Paid Service <i>A new appointment to this role needs to be approved by Council Assembly on recommendation of the Appointments Committee</i>
Strategic Director of Corporate Services	Section 151 Officer <i>New designation of this role needs to be approved by Council Assembly</i>
Head of Legal Services	Monitoring Officer <i>A new appointment to this role needs to be approved by the Appointments Committee</i> <i>New designation of this role need to be approved by Council Assembly</i>
To be determined by Head of Paid Service	Electoral Registration Officer
Strategic Director of Children's & Adults' Services	Director of Children's Services and Director of Adult Services

The test of assurance for the DCS and DAS statutory roles is explained in paragraphs 12 to 14.

Community impact statement

22. This rationalisation of management structures is designed to improve efficiency and simplify how our communities deal with us. As an example, bringing together the currently separate functions of tenant / resident involvement and community engagement. What is important is that in implementing these changes, front line services are protected whilst ensuring the necessary business of running the Council remains effective and efficient. Proposals are specifically geared to improvements in service delivery through better alignment of function and encouragement of integration of activity whilst achieving necessary savings through efficiency in management and support functions.

Resource implications

23. The budget for 2012/13 includes target savings of £500k for this review, with further £500k savings earmarked for 2013/14. As outlined in paragraph 8 above, savings have already been achieved from the amalgamation of DCE and Regeneration departments as indicated in Table 1.

Table 1

	2012/13 £000	2013/14 Full year £000
Strategic Director of Regeneration & Neighbourhoods	180	180
Head of Economic Development	90	90
Head of Strategy	60	60
Head of Transport Planning	80	80
Total	410	410

The additional savings arising from this report result in the financial impact outlined in Table 2.

Table 2

	2012/13 £000	2013/14 Full year £000
3 x Chief Officers and associated costs (PA etc) (net) wef 1 st October 2012	230	510
1x Head of Service Finance (net) wef 1 st October 2012	50	100
Total	280	610

24. The full year savings total £1.02M, therefore the two year 2012/2014 target would be exceeded. One-off costs of implementation are unquantifiable at present, but will be met from short-term savings arising from early implementation or via the contingency set up for this purpose.

Consultation

25. As noted above the Leader and acting Chief Executive have undertaken an extensive consultation process with key players, including OSC, Cabinet, officers and Trade Unions about the overall structural arrangements for top management of the Council. These recommendations reflect the result of that process.
26. Further consultation with the Trade Unions is necessary to progress the detail of the changed organisational structure insofar as it affects individuals, in accordance with the Council's reorganisation procedures.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

27. Under section 4 of the Local Government and Housing Act 1989 the authority has to designate one of its officers as head of paid service and provide that officer with sufficient staff, accommodation and resources to allow their duties to be performed. The head of paid service is responsible for reporting to the authority on, among other things, the number and grades of staff required by the authority and the organisation of the staff. The head of paid service has been designated under the constitution as the Chief Executive.

28. Under Part 3C of the constitution, the Cabinet is responsible for making any decisions regarding the strategic management of the council including decisions on major reorganisations and major reallocations of functions between departments of chief officers. The Cabinet also needs to approve the creation of posts at grade 17 and above. The recommendations in this report are therefore properly matters for the Cabinet to decide.
29. The Appointments Committee has a role in appointing chief officers and the monitoring officer and in making recommendations to council assembly on the appointment of the chief executive. As set out in the recommendations, to the extent that serving chief officers are allocated other chief officer duties, this is a matter for the Head of Paid Service. A new monitoring officer will however need to be appointed by the Appointments Committee.
30. Council Assembly has the role of appointing the chief executive and of designating the posts within the management structure which carry the functions of the four designated statutory officers. The proposal to change the designations of the monitoring officer and the chief finance officer will therefore require council assembly approval.
31. The recommendations affect officers whose roles are defined by statute. There are therefore some legal constraints which apply.
32. The Children Act 2004 requires every authority to appoint a Director of Children's Services. The statutory guidance relating to this role has just been reissued by the Department for Education. This is statutory guidance, which means that the authority must take it into account and have clear reasons if it departs from it. Under this guidance the Director of Children's Services should report directly to the Chief Executive, in order to provide a top line of accountability. The recommendations provide for the expanded role of the Director of Children's Services to remain at chief officer level, which is consistent with the statutory guidance.
33. The statutory guidance provides that it is legally permissible for the DCS role to be combined with other operational functions of the local authority, but says that local authorities should give due consideration to protecting the discrete role and responsibility of the DCS. In particular a local test of assurance should be undertaken to ensure that the focus on outcomes for children and young people will not be diluted as a result of adding other responsibilities. The report author has set out how this has been done within Southwark.
34. The report deletes the post which covers the current monitoring officer functions. These functions cannot be carried out by the section 151 officer, the scrutiny officer or the head of paid service. However, it is permissible for the monitoring officer to report to the section 151 officer and the proposed structure therefore fits with the legal position. There is no statutory guidance on the operational level within the authority at which the monitoring officer role has to be done.
35. The report also deletes the post which covers the current electoral registration officer function. The authority has an obligation to appoint an electoral registration officer who will have the personal responsibility for carrying out this function and the function of the returning officer, and the head of paid service will

therefore need to ensure that this statutory function is allocated to an officer before the deletion of the post.

Finance Director

36. The Finance Director concurs that the implementation of the proposals contained within this report will achieve the planned annual budget savings of £1million for 2012/14 arising from review of departmental and corporate structures.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Consultation documents	Human Resources 160 Tooley Street, London SE1 2QH	Bernard Nawrat 020 7525 7185

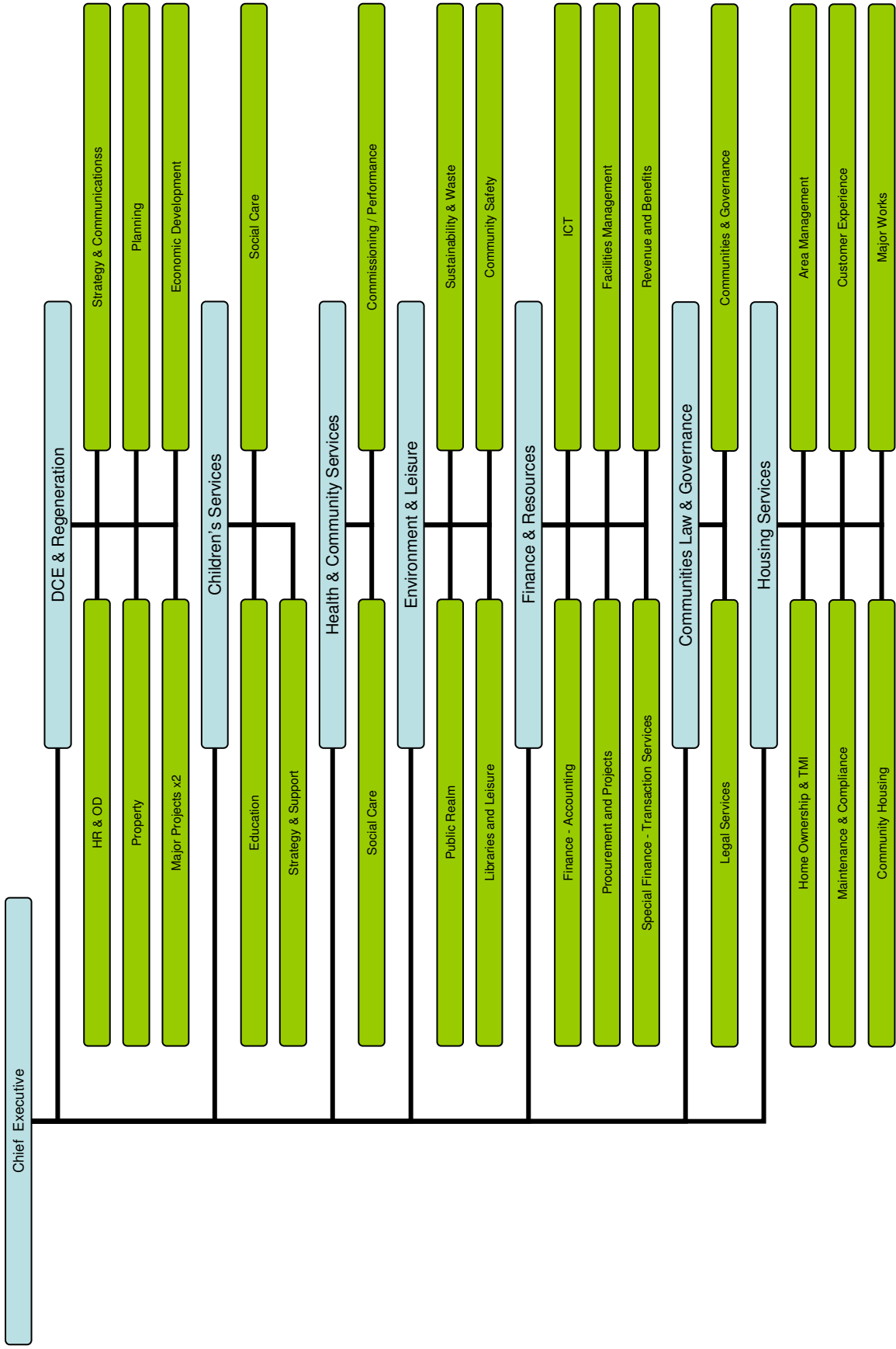
APPENDICES

No.	Title
Appendix A	Structure Charts

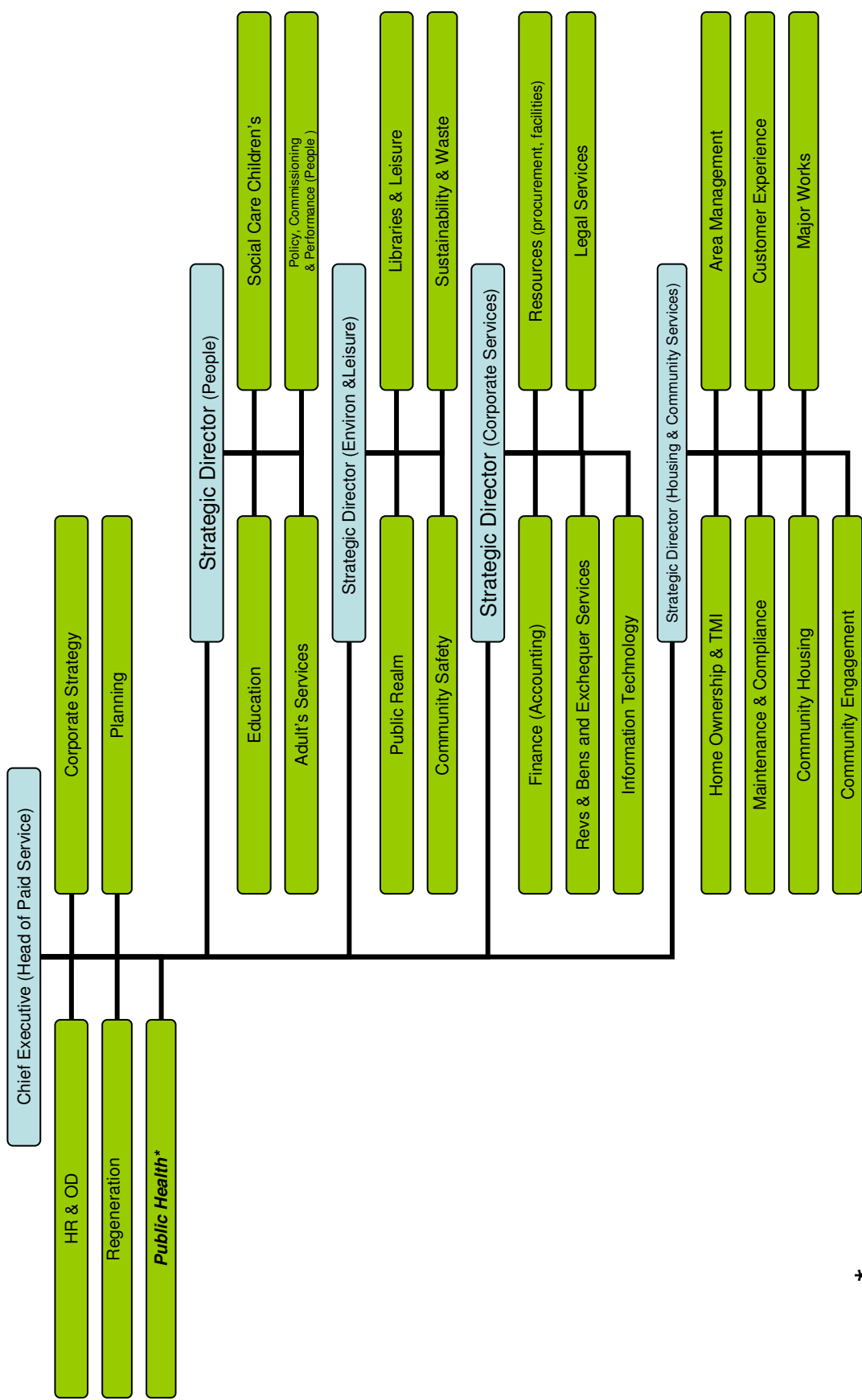
AUDIT TRAIL

Cabinet Member	Councillor Peter John, Leader of the Council	
Lead Officer	Eleanor Kelly, Acting Chief Executive	
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Top Manager Structure 2011



Top Manager Structure 2012



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Item No. 8.	Classification: Open	Date: 15 May 2012	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Aylesbury Regeneration: development partnership	
Ward(s) or groups affected:		Faraday Ward	
Cabinet Member:		Councillor Peter John, Leader of the Council	

FOREWORD – COUNCILLOR PETER JOHN, LEADER OF THE COUNCIL

The Aylesbury Estate is unique. There is no other neighbourhood of a comparable size, located so close to the heart of the city, in need of regeneration and with such a committed, active community.

Southwark Council is committed to the regeneration of the Aylesbury and to the vision expressed through our Aylesbury Area Action Plan. This commitment transcends political divisions.

There have been a number of notable successes to date, including investment in Burgess Park, local schools through Building Schools for the Future, and some new housing.

However, over the last couple of years, the project has been through a challenging period. In November 2010 the Government withdrew PFI funding, grant funding for social housing has since also reduced significantly, and the general economic situation has been gloomy.

In spite of this the council has been determined to ensure that these challenges are overcome. Together with our residents, we have taken the time to look at our delivery model for the regeneration, learning lessons from other similar projects across London and beyond. We have concluded that to deliver this long-term programme, we need to forge a new long-term delivery partnership with a partner who brings the experience, skills and financial capacity to work with us to unlock and drive forward the regeneration of the area.

This report sets out our procurement strategy to secure such a partner. This is a major undertaking for the council, and we will be seeking to find the very best partner to work with us in the long-term. We know that we are looking for a consortium and supply chain, that brings drive and vision, and will share our commitment to delivering this important regeneration programme.

I would like to encourage all potential bidders to look at this opportunity, while there are other business opportunities coming to market, the regeneration possibilities that the Aylesbury has, are not mirrored elsewhere. Nor will you find elsewhere such a committed local community and an experienced council determined to succeed. Put simply, against the current economic backdrop, there are few other opportunities on this scale with so much potential and in which bidders can have so much confidence.

RECOMMENDATIONS

That the cabinet:

1. Approve the procurement strategy to use a 3-stage EU negotiated procedure as outlined in Section 3 of this report for the Aylesbury regeneration partnership, seeking a partner with the key attributes outlined in Section 1 of this report and in accordance with the commercial and financial principles outlined in Section 2 of this report.
2. Note that a further report will be submitted to cabinet to seek approval to appoint a preferred bidder for the Aylesbury regeneration partnership.
3. Agree that any release from earmarked reserves to meet costs of procurement should be approved by the Finance Director in consultation with the cabinet member for Finance, Resources and Community Safety, as set out in paragraph 79.
4. Delegate authority to the director of regeneration to agree the final evaluation criteria, as set out in paragraph 57.

BACKGROUND INFORMATION

5. On 14 December 2010 the cabinet received a report on the consequences of the government's decision to cutting the proposed £181m funding for the Aylesbury PFI housing project (one of 13 housing PFI pipeline projects nationally). At this stage, the cabinet reaffirmed its commitment to regenerating the Aylesbury Estate and requested officers to complete and submit the outline business case (OBC) for the PFI project and to review possible alternative funding sources, reporting back to cabinet in February 2011.
6. On 28 February 2011 the cabinet received a report making recommendations on 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 (AAAP). As part of this way-forward, it was agreed by cabinet that further consideration be given to the possibility of establishing a longer-term development partnership.
7. At that stage, it was felt that such an approach could (a) bring greater momentum to the regeneration, as a longer-term partner would have a stake in the future of the wider area; (b) bring a wider level of expertise to help with development roll-out; (c) help ensure a more coherent housing and estate management approach; and (d) allow the council to initiate compulsory purchase orders by providing greater delivery certainty.
8. As a result, the cabinet requested that officers consider an appropriate route for seeking a development partner for the Aylesbury, with an initial focus on phase 1b and 1c (Bradenham, Chartridge, Arklow House and Chiltern), taking into account lessons learned on Aylesbury Phase 1a and other similar projects within Southwark.
9. Since that time, officers have undertaken a lessons learned exercise looking at other comparable regeneration projects and the council's portfolio of similar projects. This work informed an options appraisal evaluating the relative

advantages and risks of the development partner approach, in comparison with the alternative site-by-site approach. In considering the development partner approach, two potential commercial structures were examined (a) partnership by contract; and (b) partnership via a corporate structure (i.e. where the council would form a corporate entity with a private sector partner). The options appraisal is summarised in Appendix 1. This options appraisal was also informed by soft market testing of the options with key developers and housing associations working in Southwark.

10. It is now recommended that cabinet approve the procurement of the Aylesbury development partner by contract, seeking a partner to support the council's vision for the regeneration of the Aylesbury. This vision is to regenerate the Area (see paragraph 19) so it becomes a vibrant part of the Walworth neighbourhood with:
 - Homes that have a range of tenure and ownership options that are attractive and affordable for local residents and new people moving to the Area ;
 - A mixed community including families, elderly and vulnerable people;
 - Excellent schools, improved transport, community facilities and new businesses;
 - A high quality public realm, including well designed streets, squares and parks; and an environment that is safe and sustainable.

11. Such development partnerships are a tried and tested approach to tackling large estate redevelopment projects with similar regeneration visions and are well understood by the property development market. In summary, these agreements comprise a long-term contractual partnership (typically 15 to 30 years), whereby an over-arching contractual agreement (a development agreement) provides for the partner to draw down parcels of land for development from within a larger development area, subject to clearly agreed conditions and in accordance with a pre-determined form of land-transfer. In addition to the actual development obligations within individual sites, the partner typically has responsibilities for the development of master-planning and other strategic implementation activities that will enable the development of the wider area, and securing planning consents. The partner also undertakes long-term housing and area management responsibilities.

Market considerations

12. It is anticipated that the interested parties in bidding for this opportunity will include developers, house-builder developers, contractor developers and housing associations (registered providers "RPs"). In addition, the expectation is that interested parties will also bring (a) a number of more niche developers, perhaps including leisure and other specialist development skills, in order to deliver non-residential elements of the development; (b) a range of architects to ensure that a vibrant design solution can be delivered; and (c) a range of other professional skills to ensure that the technical, financial and marketing challenges of the development can be met.

13. Although the overall size of the opportunity is large, the development programme is lengthy due to the constraints of achieving vacant possession and the limitations of the market to absorb very high numbers of private for sale homes in the area (it is anticipated based on market feedback that a maximum of 100 units

per annum is realistic). As such, it is therefore an opportunity that is within the capacity of an individual large developer, or a consortium of smaller developers.

14. A soft market testing exercise has been undertaken to understand the perspective of a cross section of the development market towards the prospect of an Aylesbury development partnership. This exercise has concluded that there is market appetite for this opportunity, and that there is greater market appetite for this type of opportunity than the alternative site-by-site approach. The soft market testing exercise did identify a number of issues, principally around the costs of the procurement and pre-development obligations. The strategy outlined in this report has been structured to respond to this feedback.

KEY ISSUES FOR CONSIDERATION

15. The key issues for consideration have been structured into three sections:

- Section 1: Key attributes of the partner
- Section 2: Commercial and financial principles
- Section 3: Procurement strategy

Section 1: Key Attributes of the Partner

16. In order to ensure that the selected partner has the capacity to drive forward the successful delivery of the council's regeneration vision for the Aylesbury estate, it is recommended that the council seeks a partner with strengths in the following areas:
 - **Development implementation** – ability and capacity to manage the delivery of a major area redevelopment, ensuring viability and technical feasibility, managing the area through the redevelopment transition, facilitating re-housing, and bringing forward tangible local benefit wherever possible. .
 - **Design** – skills to deliver a vibrant range of high quality tenure-blind urban design solutions, in addition to individual homes and other spaces with quality detail design, which meet or exceed the environmental requirements to secure planning consents.
 - **Area management** – ability to manage new housing, other facilities and the public realm effectively across the Area, ensuring a coherent service for residents.
 - **Economic benefits** – ability to realise tangible economic opportunities, through the construction process and beyond, to provide stimulus to the local economy.
 - **Strategic marketing** – ability to improve the profile and reputation of the Walworth area, attracting new residents and people interested in the economic opportunities that the newly developed area presents.
 - **Partnership working** – commitment to working in close partnership with the council and residents, involving residents at each stage, from design through construction, to housing management; and working in partnership to respond to changing circumstances and challenges over the lifetime of the partnership.
 - **Commercial and financial robustness** – willingness and ability to accept a proportional level of commercial risk associated with the redevelopment, and the financial capacity to invest upfront for returns released as a result of successful area redevelopment, delivering housing products that are

affordable for Aylesbury residents.

Section 2: Commercial and Financial Principles for the Proposed Aylesbury Development Partnership

17. The proposed Aylesbury development partnership would be based on the model set out in paragraph 11. The council would enter into a long-term agreement (c. 20 years), which would require the partner to work with the council to tackle a range of strategic implementation issues and give the partner the opportunity to draw-down parcels of land for development across the Aylesbury estate, subject to pre-agreed conditions and satisfactory performance. This agreement will govern the relationship between the parties and establish the terms of land-transfer. Once the partner has drawn-down a parcel of land, they will also become responsible for long-term area and housing management within that parcel. There is no standard form for such agreements, and the agreement will need to be developed in response to the particular circumstances of the Aylesbury development. Following consideration of these circumstances, it is recommended that the Aylesbury development agreement be structured in accordance with the commercial and financial principles outlined in this Section. These principles have been prepared by regeneration, corporate finance and legal officers, together with advice from the council's external financial advisors (Grant Thornton) and legal advisors (Nabarro). These commercial principles have been finalised taking into account feedback from the market through the soft market testing exercise.

Scope, phasing and structure

18. **Contract term:** The contract term would be structured so as to ensure that there is sufficient time to deliver the redevelopment of the entire estate, it is anticipated that this will be c. 20 years with extension provisions for up to 10 years.
19. **The Area:** Appendix 2 provides a plan of the area to be covered by the partnership, 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.
20. **Phased development:** The development will be undertaken in a phased manner:
- Phase 1 will include sites 1b and 1c.
 - Subsequent phasing of development sites will be on the basis of a Master Programme to be developed as part of the procurement process and agreed with the partner taking into account re-housing, infrastructure constraints, and the remaining life / investment requirements of the existing blocks.
 - The intention is for each phase (or site) to proceed when agreed and only when financially viable having also taken into account the partner's performance and delivery against milestones on previous phases (see paragraph 35). Phases (or sites) will be subject to separate conditions precedent (such as funding, planning, consents, and vacant possession).
21. **Property approach:** The approach to the transfer of property would be that as each site comes forward for redevelopment, once all the conditions precedent have been met and the site is vacant with a planning consent in place for a viable

scheme, at that point the council would grant a long lease of that site.

22. The length of term of this long-term lease will be subject to discussion during the procurement process, however, it is envisaged that it will be for a minimum of 250 years. It will contain short term construction obligations for the partner to develop the site in accordance with the approved consent and long term post construction obligations in terms of the ongoing use and management of the site (for example the use of the site to provide an agreed number of social rent homes and to keep the buildings and grounds in good condition).
23. A lease on these terms would enable developers to provide security to prospective funders, and draw on external finance which is essential for the delivery of this regeneration programme.
24. The long lease would offer the council suitable protections and enforcement rights (including recovery of possession in the construction phase where there is a failure by the developer to start or complete works). In relation to affordable housing, the agreed housing association (registered provider "RP") would take an underlease from the developer.
25. The council will ensure that its "best consideration" obligations on the disposal of land are covered through the procurement competition and the assessment of bidders' financial proposals on land value, including an agreed overage mechanism which would enable the council to benefit from future profits on sales.
26. **Requirements for developments:** The agreement will stipulate core requirements that must be met by the partner, these are the key development principles established in the AAAP. However, their inclusion in the development agreement will give them further weight, and strengthen the council's ability to ensure that the core aspirations established in the AAAP are delivered:
 - Tenure mix:
 - Phase 1: minimum 50% units to be affordable units; of which, 75% to be social rent units (at target rents); and 25% to be intermediate products; minimum 30% of all units (whether private or affordable) to have three bedrooms or more.
 - Subsequent phases: minimum 41% units in each phase to be affordable units, but such that at any time, cumulatively across whole development there is a commitment to build out a minimum of 50% of affordable units; of which, 75% to be social rent units (at target rents); and 25% to be intermediate products; minimum 30% of all units (whether private or affordable) to have three bedrooms or more.
 - Unit sizes: all affordable units must meet Parker Morris +10% as a minimum and include outside space.
 - Tenure blind: the development will need to adhere to tenure-blind principles i.e. it should not be possible to distinguish visually between properties with different tenures externally.

It should be noted that these requirements will make the Aylesbury redevelopment exceptional in the overall context of the development of affordable housing in London with the adherence to target rents and the high percentage of these social rented units in the overall development mix. However, they are a logistical necessity to ensure that the council is able to re-house the

existing Aylesbury residents, and ensure that the council can deliver its vacant possession obligations.

27. In addition, two other core requirements will be established:

- Nominations rights for affordable housing: to be in line with the overarching Southwark Housing Association group (“SOUHAG”) agreement prevalent at the time of lettings, unless agreed otherwise between the parties. This will secure 100% nominations rights on all social rent units, the council will also seek to ensure that there is a first refusal nomination right for relets while there is still a need to rehouse existing Aylesbury tenants. It should be noted that the council has agreed with the South-East London Housing Partnership (“SELHP”) that the Aylesbury is excluded from the sub regional nominations process on the grounds of regeneration (this is consistent with other estate regeneration schemes in the partnership area, and is in recognition of the need to ensure rehousing of existing residents).
- Tailored intermediate product: the council will seek to ensure that any intermediate products are offered initially to Aylesbury leaseholders, and that the range of products are structured to be affordable and attractive for them. The council will also seek to ensure that such products are available for as long as there is a need to support Aylesbury leaseholders to find new homes.

Partner obligations

28. **Pre-development obligations (prior to phase 1):** The partner will be required to meet certain pre-development obligations before they can commence development of any site within phase 1. The key pre-development obligation will be to secure a planning consent for the whole of phase 1. It is envisaged that this will be a hybrid application, with detailed consent for the initial development site and the tall building envisaged on this site, and outline consent for the remainder of the site. In addition, the partner will be required to finalise key regeneration strategies, including marketing/communications strategy, economic strategy and area transition strategy (including approach to interim usages, security of sites pending demolition/development), based on detailed proposals submitted as part of their bid during procurement. It is not envisaged that the partner will be responsible for the management and maintenance of the existing estate, however, depending on the area transition strategy agreed, the council may wish to agree that the partner takes some responsibilities linked to the existing estate at some point during the lifetime of the partnership.

29. **Obligations linked to phase 1:** The partner will be required to meet certain milestones relating to the development of the remainder of the estate, in parallel with the implementation of phase 1, for example, the partner may need to meet these obligations before being able to drawdown certain development sites within phase 1. The obligations will include (a) preparing an Implementation Master Plan (which will set out how the development will be implemented, including phasing / site batching, infrastructure/ utilities delivery, sustainability/energy and transport (public transport and parking) and Master Programme; and (b) submitting an application and then securing outline planning consent on at least 50% of the remaining estate. During the procurement process, the selected partner will have had to prepare an Implementation Strategy, which will include sufficient information to satisfy the council that the selected partner has the right approach to develop out the detail at this stage. Their Implementation Master Plan and Master Programme will be required to be developed in accordance with

their submitted Implementation Strategy.

30. **On-going partnership obligations:** Following the completion of phase 1 and the linked obligations set out above, it is envisaged that the partner will continue to meet the following obligations:
- Annual review and update to the Implementation Master-Plan and Programme
 - Preparation and delivery of annual updates to the regeneration strategies outlined above; and
 - Obtaining planning consents for subsequent phases
31. **Ongoing development:** Subject to the partner fulfilling its obligations it will have the right to draw-down further development sites. The partner's right to bring forward each site/phase, will be linked to long-stop dates in the Master Programme, as well as to partner performance (see below). If a site is deemed not to be viable, the parties may consider options to improve viability. Ultimately the council will have the right to market or undertake development outside the partnership in cases where the partner is unable to satisfy the agreed viability criteria or is otherwise unable or unwilling to fund or deliver the site/phase.

Council obligations

32. **Vacant possession:** The council will be obliged to deliver vacant possession of sites. However, this obligation will be structured in such a way that the council's obligations will be linked to the partner's obligation to deliver as a minimum (a) a pre-agreed level of units at target rent to re-house existing Aylesbury tenants; (b) a range of housing products that meet the needs of existing Aylesbury leaseholders. The approach of the partner to meet these reciprocal obligations, in addition to providing additional support for re-housing, for example, providing additional off-site supply suitable for tenants or leaseholders, will form part of the procurement process. The agreed approach to vacant possession would be captured in a decant protocol as part of the development agreement.
33. **Statutory consents:** The council will be responsible for any necessary statutory consents which only it can obtain, including those relating to land disposal. Examples may include stopping up and adoption of the roads. Responsibility for planning consents, however, will rest with the partner.

Performance management

34. **Value for Money (VfM):** Obtaining VfM will be a key requirement. Costs for all services delivered through the partnership (both those linked to general obligations and site delivery, including costs for obtaining vacant possession and development costs) will be subject to benchmarking or market testing, in accordance with pre-agreed principles.
35. **Key Performance Indicators (KPIs):** A KPI regime will be developed with the objective of encouraging and incentivising the performance of the partner. This will include target milestones and long-stop dates for all phases and sites in its contractual arrangements with the partner. Other KPIs will cover other aspects of the partner's performance, including for example resident involvement and cost control. The council would envisage that non-achievement of KPIs could lead to the partner not being able to recover elements of their costs incurred and

not being permitted to draw down further phases of land. Ultimately, it could also lead to termination.

Step-in rights and assignment

36. It is envisaged that the council's partner will comprise a developer and a housing association (registered provider "RP") and possibly additional developer or housing RP parties. The consortium may form a new legal entity (either a company or more likely a limited liability partnership) to act as the council's partner. The agreement will be structured so that there is flexibility within the consortium arrangements so that in the event one party defaults, the other party can step-in to enable the project to be successfully delivered. In the event that the partner proposes such a change to the consortium the council would want to reserve the right to approve, for example, a new RP partner where the existing RP has not been successful in their bid for HCA funding.

Parent company support

37. Parent company guarantees which guarantee the entity's performance will be required for any special purpose vehicle or any joint venture company set up for the purposes of delivering the project or where a partner is part of a corporate group. Alternative forms of security may also be sought, such as performance bonds, as appropriate to the structure of the successful partner.

Financial principles / implications of contract

38. There will be no contract price for this agreement. Instead, the agreement will establish the means by which the council satisfies its obligation to obtain best consideration for the disposal of land (even if such value is zero), and how development costs and returns are to be calculated. The agreement will incorporate both commercial terms and a base financial model, under which these and other key financial elements of the agreement will be regulated.
39. The partner is constrained by what they can develop as set out in paragraphs 26-27 and will be required to expend significant financial resources in meeting their obligations, prior to receiving any returns through the sale of property. For example, the partner will need to carry the costs of funding planning consents, design development, construction costs and marketing units. This will be in addition to the costs of bidding for the opportunity, which will be significant. The partner will receive all sales proceeds up to a level which generates a pre agreed profit. Any additional profit will be shared between the council and the partner on a basis to be agreed; this profit sharing mechanism is termed overage.
40. 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 excess of the cost of developing them, 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.
41. However, the council's financial advisors (Grant Thornton) have concluded that there will be the need for public sector investment over the first ten years, which would then be expected to be recouped over the remainder of the development

programme. The financial analysis indicates that public sector investment of c. £25k per affordable unit and upfront investment in site assembly, demolition and infrastructure totalling c. £10 m / annum over 10 years will be needed. 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 have been demonstrated to be prudent.

42. The council is in dialogue with the HCA/GLA regarding the investment needs of the programme. The HCA/GLA regard the project as a priority and are working with the council to find a viable solution. The council has already made provision in its current 5 year housing investment programme of c. £5m / annum (i.e. a commitment of £25m over 5 years). This means that in the event that the negotiations with the HCA/GLA are unsuccessful, the council has sufficient funds to provide the necessary additional investment required to make phase 1 viable, assuming that social housing grant would be available to meet the £25k per unit, but that no further work could be carried out on site assembly for any other phase, which would lead to a significant delay in the delivery of those future phases.
43. The extent to which that the bidders can develop a funding strategy which reduces the need for public sector investment, while still meeting the council's requirements will form a key part of the procurement. Given current market conditions early phases are likely to have a low or nil residual land value. In the event that viability testing determines positive a residual land-value for individual phases, it is proposed that this will be used to contribute to the upfront costs of future phases, as long as this is necessary.
44. If any additional profit is generated by the scheme (i.e. overage on sales values), it is proposed that the council will commit to using its own sales overage to contribute to the upfront costs of future phases, with a mechanism to be agreed on overage release if and when the overall project moves into surplus. The council would try to secure that the successful partner agreed to a mechanism for a proportion of its overage to also be used to facilitate further development.
45. The council expects that the partner will spread the cost of meetings its obligations and its bidding costs against future development. It is expected that cost recovery will be calculated on a phased schedule to be pre-agreed with the council and not be fully recoverable against phase 1. The council will be seeking that such costs are recovered through the partner's profit and not as a direct cost, to eliminate the need for complex validation process for these costs.

Section 3: Procurement Strategy

Options for procurement route including procurement approach

46. As set out in Appendix 1, the proposed development partnership approach is being recommended as preferable to the alternative site-by-site approach.

Proposed procurement route

47. External legal advice has been taken from Nabarro with regard to the most appropriate procurement route for this contract. On this basis, it is proposed that this opportunity be procured using the EU negotiated procedure. Under the Public Contracts Regulations 2006, the use of this route is permitted where it can be demonstrated that the nature of the works or the risks attaching to them, do

not permit prior overall pricing and that this is exceptional.

48. The proposed Aylesbury development partnership does not permit prior overall pricing for various inter-related factors, including:
- The uncertain scale of the contract: The overall extent of the contract to be awarded will require negotiation with bidders, since whilst the council is able to identify a need for redevelopment of the area of the estate to be covered in this contract, it will be advantageous to consider proposals for phasing, mechanisms for agreeing potential up-scaling or down-scaling of the development, as well as the extent to which e.g. community and other facilities are in scope;
 - The nature of the contract: It will not be fully clear what form of contract would best meet the council's requirements since this will depend on market responses to the council's regeneration and financial objectives. This includes the length of the contract;
 - Market conditions: The fragile nature of the developer and funder market, makes it impossible to judge likely overall pricing. The council needs to be able to seek proposals on the basis of the scheme being financially viable in overall terms but the means by which that is achieved cannot be established with any precision at the outset;
 - Choice of partner: The council's choice of partner may be a developer, a registered provider, or combination of these. Since the council will not wish to close down the opportunity for this to be established through negotiation, and since the ultimate decision will be a factor in determining price, no overall pricing model is capable of being established in advance; and
 - Risks in the contract: The approach to pricing will depend on significant factors such as planning consents, viability, and general economic factors. Equally, the council will need to determine, through negotiation, the balance to be struck between developer return, land value, and overage. All of these factors will go to matters of pricing which cannot be established in advance.
49. The proposed Aylesbury development partnership is an exceptional case insofar as there are no readily identifiable comparison projects, from which overall contract pricing may be established. Whilst other large scale housing regeneration schemes have been pursued in London, the Aylesbury Estate has exceptional characteristics, both as to its size and having regard to the complexity of site assembly. This exceptional complexity stems from the extremely unusual (if not unique) configuration of the estate as a series of large longitudinal blocks which results in there being no vacant land for a first phase development and produces a requirement to fund higher site assembly costs clearing larger plots at any one time than seen elsewhere. Site assembly is therefore likely to be uniquely out of step with market re-provision generating a particular need for development stability and partnership working.

Identified risks for the procurement

50. Appendix 3 sets out the key risks and proposed mitigation with regard to both procurement and service delivery. As set out above in Section 2, it is likely that a parent company guarantee will be required for this contract.

Policy implications

51. The regeneration of the Aylesbury estate is a key priority, identified in the Leader's ten fairer future promises and the corporate plan. The council adopted the Aylesbury Area Action Plan in 2010, which is the key document that sets out the detailed vision for the area and provides the planning policy framework.

Procurement Project Plan (Key Decisions)

Activity*	Complete by:
DCRB review	April 2012
CCRB review	April 2012
Approval of Gateway 1: Procurement strategy report (this report)	May 2012
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	May 2012
Issue Prior Information Notice in OJEU	July 2012
Hold a bidder information day	Sep 2012
Final evaluation criteria agreed by Director of Regeneration	Sep 2012
OJEU notice	Sep 2012
Stage 1: Combined Pre qualification questionnaire (PQQ) and outline proposal submission	Nov2012
Stage 1 evaluation and preparation for Stage 2	Jan 2013
Stage 2: Detailed proposals submission (max 3 bidders)	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 bidders)	Sep 2013
CCRB review	Oct 2013
Stage 3 evaluation and Cabinet decision to appoint preferred partner and to award contract within agreed commercial and financial parameters.	Oct 2013
Contract negotiation	Feb 2014**
Approval of Gateway 2: Contract Award report	Mar 2014
Alcatel Standstill Period (if applicable)	Mar 2014
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	Mar 2014
Contract award and start	Apr 2014

Activity*	Complete by:
Contract completion date	Apr 2034
Contract completion date – (if extension(s) exercised)	Apr 2044

* This plan has been developed to be robust, efficient and deliverable. The time period allowed for each stage will be reviewed on an on-going basis by the council, and where appropriate with shortlisted bidders. Any opportunities for shortening the time period allowed, whilst still ensuring a robust, efficient and deliverable programme will be taken.

** It should be noted that the risk of an extended contract negotiation period is identified as a major risk, see Appendix 3.

TUPE/Pensions implications

52. At this stage, due to the nature of the project, no TUPE/Pensions implications have been identified, legal advice will be taken as necessary should any implications be identified subsequently.

Development of the tender documentation

53. Tender documentation will be developed by the Aylesbury regeneration team with input from housing, legal, corporate finance, procurement and economic development. Advice regarding the strategy for provision of early years, medical facilities and community facilities will be taken from children's services, the PCT, the Creation Trust and other groups as appropriate. Due to the size and complexity of this procurement, extensive input will also be required from external financial/commercial, legal and technical advisors. The procurement timeline above has been structured to allow sufficient time for the preparation of documentation and the gathering of background documentation. The key document will be the invitation to submit detailed proposals, which will be issued in January 2013, giving 7-8 months preparation time.

Advertising the contract

54. The contract will be formally advertised in the Official Journal of the European Union. However, in addition adverts will also be placed in the Estates Gazette and key regeneration publications in order to give the market as much notice as possible of this opportunity. A bidders day will be held in September 2012. This event will give additional information to interested parties on the council's requirements, priorities and intended process.

55. The nature of this opportunity is such that local small businesses and social enterprises will not have the necessary skills, experience and capacity to tender. However, it is expected that there will be significant local opportunities generated in the supply chain after appointment of the partner. To this end, the partner's proposed approach for ensuring that opportunities to tender for this business are maximised amongst small businesses, ethnic minority businesses and social enterprises based in Southwark, will be assessed during the procurement.

Evaluation

56. The pre-qualification questionnaire will focus on financial and technical capacity and will include an assessment of:

- The financial strength of each of the entities in the bid including where relevant the strength of the parent company. This will be undertaken using standard ratio analysis plus thresholds in terms of turnover and scale relative to the proposed development. There will be a pass/fail evaluation in relation to the latter to ensure that the developer is of an appropriate size.
 - Technical capacity and track record and in particular experience of the delivery major mixed tenure high density housing schemes.
 - Capacity to manage affordable housing of the scale and type envisaged. It will be a pass/fail criteria that the bidder must include one or more housing associations with appropriate management capacity.
57. A draft set of evaluation criteria are provided in Table 2. It is recommended that the Leader authorises delegates authority to the director of regeneration to agree the final evaluation criteria. The final evaluation criteria is likely to be adjusted for the outline and full submissions. Some elements are also likely to attract pass/fail assessments, and others are likely to have a minimum threshold. The final criteria will be published with the OJEU notice.
58. The council's standard weightings for evaluation are 70:30 price-quality. However, as described in paragraph 38, the nature of this contract is that there will be no overall price. It is currently envisaged that 60% of the weighting will be given to quality in this instance, as the quality of this contract will influence the physical, social and economic regeneration of this area. There are two key aspects of quality: design/technical quality and partnering quality (i.e. the ability of the partner to work with the council and the community to manage the redevelopment effectively and contribute to the socio-economic regeneration of the area). It is currently envisaged that 40% of the weighting be given to a combination of financial and commercial considerations. This will include the consideration that the bidder is offering for phase 1, their funding strategy for subsequent phase and their commercial offer.
59. The tender evaluations will be undertaken by officers with advisors. It is intended that meetings will be held with representatives of the Creation Trust (the resident led charity which leads on socio-economic regeneration activities on the estate and includes representatives of the four Aylesbury Tenants and Resident Associations) during the preparation of tenders to provide bidders with the opportunity to seek feedback on their proposals and to further understand community issues/perspectives. In addition, it is expected that open public community consultation will be held with regard to design proposals. However, these sessions will not be evaluated, and the evaluation will be solely on the basis of written submission. It may also be the case that resident representatives from the Creation Trust are involved in the detailed meetings with the bidders together with officers and advisors, but this will be subject of further dialogue with the Creation Trust prior to the commencement of procurement.

Table 2: draft evaluation criteria (outline and detailed proposals)

Criteria	Weighting	Indicative sub-criteria
Design & technical	30%	<ul style="list-style-type: none"> • Phase 1: detailed design • Phase 2-4: implementation strategy (inc. energy and other sustainability issues)
Partnering	30%	<ul style="list-style-type: none"> • Regeneration strategy (considering the fit within the wider context and links to other regeneration projects, particularly Elephant & Castle).

Criteria	Weighting	Indicative sub-criteria
		<ul style="list-style-type: none"> • Area/ housing management • Transition strategy • Economic benefits • Resident involvement and stakeholder consultation • Strategic marketing • Leaseholder offer • Partnership management
Finance & commercial	40%	<ul style="list-style-type: none"> • Phase 1: consideration • Phase 2 – 4: funding strategy and consequential public sector investment required. • Legal • Commercial robustness

Consortium additions during process

60. The procurement process will be structured to enable bidders to adjust the make-up of their consortium during the procurement process. This will recognise, for example, the possibility of a housing association (registered provider “RP”) attached to a consortium eliminated at an early stage in the process joining one of the remaining consortia. However, this will be subject to compliance with procurement law and will be subject to (i) re-submission of the consortium's pre-qualification questionnaire, and (ii) the council's discretion, having regard to the duty not to discriminate or act in an anti-competitive way in the procurement. Overall, the approach will balance the council's aim to secure the best possible partner against its duty to conduct a fair and transparent procurement. In cases where a bidding consortium seeks to introduce a new supply chain member, including for example an architect, a similar approach will apply (although compliance with procurement law will be less of an issue).

Community impact statement

61. An Equalities Impact Assessment was carried out as part of the AAAP, the nature of this contract does not alter the outcomes of that assessment, which is still valid. 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 rehoused. This is a difficult and often stressful process for residents, many of who have lived on the estate for many years.
62. The housing department through the Aylesbury area housing office leads on the rehousing of the Aylesbury residents. The council is currently actively re-housing site 1b/1c. To date, 260 secure tenants have been re-housed and 34 leaseholders have voluntarily agreed to the council repurchasing their properties. The next phase for re-housing would be agreed with the Partner, as part of the procurement process.
63. Tenants are currently re-housed through re-lets of the council's 38,000 properties currently under secure tenancies, in addition to properties at target rent from housing associations. The availability of housing association properties at target

rents will diminish in the future due to the introduction of the new affordable rent regime. The impact of this has been modelled and it is anticipated that it will be possible to rehouse the tenants living in phases 1 off-site, but that for subsequent phases the partner will need to commit to providing a pre-agreed supply of units per annum at target rent in order that the Aylesbury becomes partly-self-supplying. Tenants are provided with homeloss payments and are given support to move home.

64. 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 rehousing package for affected homeowners. Subject to certain qualification criteria, they may be rehoused as a council tenant, a housing association tenant, or offered a suitable alternative property from the council on full or shared ownership terms. The council also provides a payment to compensate for disturbance, covers reasonable fees and provides help with moving.
65. The council recognises that even with this enhanced rehousing offer, many leaseholders are still highly reticent about agreeing to voluntary repurchase, to move to a shared-ownership property. To this end, the council has more recently sought to facilitate shared-equity type products that do not have a rental component, with levels of equity investment that are affordable. The council is of the view that it will be critical to securing as many voluntary repurchases as possible, that the partner tailors its intermediate product to the needs of the existing leaseholders. The ability of the partner to do this will form part of the evaluation.
66. On 9 February 2010, the council's then executive resolved to use its CPO powers under section 13 of the Local Government (Miscellaneous Provisions) Act 1976 to acquire land and new rights within the identified phase 1 of the Aylesbury regeneration project. The council will use its CPO powers for phase 1 of the development partnership, where it is deemed that it will not be possible to negotiate voluntary agreements for lease surrender or repurchase with all of the leaseholders in Phase 1b/1c (Bradenham, Chartridge, Arklow House and Chiltern).
67. As set out above, a key part of the procurement will be to assess the partner's ability to provide economic benefits to the area, this will include use of local supply chains and labour, in addition to training (such as apprenticeships).
68. The council will also seek the partner's commitment to London Living Wage.

Economic considerations

69. Local economic benefits will form a key part of the procurement. It would be expected that the successful bidder would as a minimum:
 - 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 a level of apprenticeship opportunities per annum.

Social considerations

70. As set out above, only large developers will be able to respond to this procurement process, however, through the evaluation of economic benefits it is expected that the successful partner will 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

71. The delivery of environmental standards required to secure planning consents will be tested through the design and technical part of the evaluation. It is expected that this will include elements such as: energy, water, transport, use of natural resources and waste. It is anticipated that the partner will have much greater opportunity to deliver environmental benefits through this long-term contract, than could be expected from partners secured through the alternative site-by-site implementation approach.

Plans for the monitoring and management of the contract

72. It is intended that a partnership steering group would be established, including senior representatives of the council, the partner and the Creation Trust. This steering group would act as the key forum for managing the contract and agreeing how to manage emerging challenges. On a day-to-day basis the Aylesbury regeneration team would act as the main contract management interface with the partner. The team includes a post of development partnership broker who would be the principal contract manager.
73. The contract will include a detailed performance management regime (see Section 1 for more details), which will place the onus on the partner to report on cost-benchmarking and key performance indicators (including resident satisfaction and delivery against milestones).
74. 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 milestones, and will be benchmarked to ensure value for money.

Staffing/procurement implications

75. The Aylesbury regeneration team has recently been reorganised and has 7 FTE posts. It is envisaged that during this procurement, approximately 80% of this resource will need to be focused on this procurement to ensure delivery.
76. Additional significant input will be required from housing, corporate finance, legal, procurement and economic development. These will be managed within existing resources. An allocation for the costs of internal legal has been included in the procurement budget.
77. A procurement project group will be established to oversee the procurement, this will be chaired by the Aylesbury project director, and include officers from

regeneration, procurement, housing, corporate finance, legal and economic development. External legal and finance advisors will be included in this group.

78. During the detailed proposal and BAFO stages of procurement a core negotiation group will be established with each of the shortlisted bidders to ensure that there is coordination across the various elements of the procurement and to tackle strategic multi-disciplinary issues. Each group will include senior representatives from the bidder, the Aylesbury project director, senior officers from the Aylesbury regeneration team, external advisors and other officers as appropriate to the agenda.

Financial implications of procurement

79. The costs of this procurement will be met from within existing budgets, through a combination of HRA and general fund sources. The total additional procurement costs are estimated to be up to £2.3m, spread over three financial years from 2012/13 through to 2014/15. These costs will be met through a combination of existing budgets and earmarked reserves, from HRA and general fund sources. It is recommended that any release from earmarked reserves to meet these additional costs of procurement should be approved by the finance director in consultation with the cabinet member for finance, resources and community safety.
80. Officers will manage the budget tightly: external advisors will be asked to fix elements of their work from the outset, with other elements of work being fixed as the programme progresses. The budget will be reconciled and re-cast at each key programme milestone, and reported through council financial reporting mechanisms.

Legal implications

81. Please see concurrent from the strategic director of communities, law & governance

Consultation

82. 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 partnership have been established (Woodberry Down, Hackney and Kidbrook, Greenwich). 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 procurement strategy outlined in this report.
83. In addition, consultation has taken place with representatives of the HCA/GLA regarding this approach.
84. As set out in paragraph 59, residents will be involved in the procurement process and their feedback will inform the evaluation at each stage. The council will also ensure that the selected partner continues to involve residents and stakeholders at every stage, from initial design through to area/housing management. The partner's approach to resident involvement and consultation will form a key part

of the evaluation process, and their performance in this area will be a core part of the performance management framework in the contract. To this end, bidders will be encouraged to be innovative in this area and to deploy a range of mechanisms, including on-line mechanisms.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Housing Services

85. The strategic director of housing supports the redevelopment of the Aylesbury estate and considers the establishment of a longer term development partnership as being appropriate in achieving this priority objective and providing momentum to this initiative.
86. The development of an overall 'place' vision with the partner, building on the existing Aylesbury Area Action Plan, will be vital in securing support from the local community and ensuring a long term legacy. Enhancing the reputation of the area as a 'go to place' is important too. Improved transport should be a key focus within this, within the context of planned improved transport at Elephant and Castle. The strategic director of housing also supports the idea of seeking a partner with some more niche or specialist development skills, particularly developments with associated employment opportunities.
87. The strategic director of housing supports the proposed property structure with a long lease of the site rather than disposal of the freehold. The strategic director of housing recognises that the term of this lease will need to be considered carefully, ensuring that the partner is able to raise the necessary finance and achieve the necessary private sales, but this should be considered carefully to ensure that the most favourable term is secured for the council..
88. Securing sufficient number of affordable units is vital to meet the need of the local population. The strategic director of housing endorses target rents as the new 'affordable rents' are not considered to be appropriate for this circumstance, given the need to re-house existing tenants.
89. The strategic director of housing supports the focus on ensuring that the local community and stakeholders are fully involved in the procurement and regeneration process. It will be important to ensure that feedback is used to inform the evaluation process during procurement. It is also critical that the selected partner continues 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 this as being a key part of the evaluation process.
90. The strategic director of housing takes note of the commercial structure proposed in this report and is supportive of the proposed structure as opposed to the other options considered. The governance and management structure will be important to 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 will need particular focus.
91. The production of a viable business plan for the estate is necessary and the council should secure open book access to this to ensure that it is securing the best deal and terms for the authority and community. The opportunity for re-investment of additional surplus with potential increasing asset values should be

reflected in any contract/agreement.

92. This partnership provides an opportunity to implement an innovatory model of local management that is recognised for its excellence. This regeneration provides the council with a unique opportunity to implement an innovatory approach to the management of area services, including housing, in the Aylesbury area. The strategic director of housing regards it as essential that the partner brings the necessary skills, as part of their consortium, to establish excellent housing, area and public realm management. An innovative co-ordinated approach is preferred. To this end, the housing representative on the procurement steering group will be focused particularly on this aspect of the procurement.
93. 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 are delivered effectively through the redevelopment process. A dedicated Aylesbury management team has been established focused on these objectives.

Strategic Director of Communities, Law & Governance

94. This report seeks the Cabinet's approval of the procurement strategy to procure a partner for the Aylesbury Regeneration Development. Whilst there will be no contract price for the agreement, the nature of this project and public investment needed will result in the project being treated as a Strategic Procurement. The decision on the procurement of this partner is therefore reserved to the Cabinet.
95. As noted in paragraph 1, it is intended that the EU negotiated route be used to procure this partner. Whilst the draw down leases noted in paragraph 17 could be considered as land transactions (and thereby exempt from the EU tendering requirements), the overarching agreement is likely to be subject to those tendering requirements. It is therefore proposed that the council advertise this opportunity by way of a public procurement process through the Official Journal of the European Union (OJEU) in accordance with the Public Contracts Regulations 2006 (the "Regulations").
96. In usual circumstances either the open or restricted procedures would be used for procurements subject to the Regulations. Both are formal tendering procedures, but do not permit the council to enter into significant negotiations with interested parties. The Regulations also permit the use of the competitive dialogue process in certain circumstances, which allows discussions with bidders before tenders are submitted, but for the reasons noted below it is considered that the open, restricted or competitive dialogue routes are not appropriate for this project.
97. The Regulations also provide for use of the negotiated procedure which can be used only in limited cases, and specifically (and in exceptional circumstances) where the nature of the works or services to be carried out, or the risks attaching to them, do not permit prior overall pricing. In deciding to use the negotiated route, the Council must therefore be satisfied that this justification exists.
98. External legal advice has been sought to determine the circumstances under which the council might use the negotiated procedure, and it is considered justifiable due to following factors:

- **The uncertain scale of the contract.** The overall extent of the contract to be awarded will require negotiation with bidders, since whilst the council is able to identify a need for redevelopment of the area of the estate to be covered in this contract, it will be advantageous to consider proposals for phasing, mechanisms for agreeing potential up-scaling or down-scaling of the development, as well as the extent to which e.g. community and other facilities are in scope;
 - **The nature of the contract.** It will not be fully clear what form of contract would best meet the council's requirements since this will depend on market responses to the council's regeneration and financial objectives. This includes the length of the contract
 - **Market conditions.** The fragile nature of the developer and funder market, makes it impossible to judge likely overall pricing. The council needs to be able to seek proposals on the basis of the scheme being financially viable in overall terms but the means by which that is achieved cannot be established with any precision at the outset;
 - **Choice of partner.** The council's choice of partner may be a developer, a registered provider, or combination of these. Since the council will not wish to close down the opportunity for this to be established through negotiation, and since the ultimate decision will be a factor in determining price, no overall pricing model is capable of being established in advance.
 - **Risks in the contract.** The approach to pricing will depend on significant factors such as planning consents, viability, and general economic factors. Equally, the council will need to determine, through negotiation, the balance to be struck between developer return, land value, and overage. All of these factors will go to matters of pricing which cannot be established in advance.
99. The project is exceptional, insofar as there are no readily identifiable comparison projects, from which overall contract pricing may be established. Whilst other large scale housing regeneration schemes have been pursued in London, the Aylesbury Estate has exceptional characteristics, both as to its size and having regard to the complexity of site assembly. This exceptional complexity stems from the extremely unusual (if not unique) configuration of the estate as a series of large longitudinal blocks which results in there being no vacant land for a first phase development and produces a requirement to fund higher site assembly costs clearing larger plots at any one time than seen elsewhere. Site assembly is therefore likely to be uniquely out of step with market re-provision generating a particular need for development stability and partnership working.
100. The negotiated procedure will allow shortlisted bidders to put forward outline and then detailed proposals to the council for consideration. Bidders' proposals will be evaluated by the council at each stage against pre-published evaluation criteria and the successful bidders will then proceed to a final "best and final offer" stage. One of the key advantages of this route is that it enables flexibility throughout the selection process.
101. Given the size and complexity of this procurement, the council will be procuring external legal advisors to assist the council's in-house legal team.

Finance Director

102. This report is recommending the approval of the procurement strategy seeking a development partner for the Aylesbury Regeneration programme, noting that a further report will be submitted seeking approval for the appointment of the

preferred developer. It is also recommending that any releases from earmarked reserves to fund the costs of the procurement should be approved by the Finance Director in consultation with the Cabinet Member for Finance, Resources and Community Safety.

103. The financial implications of the report are noted. The financial risks and implications of the development contract are major and the council has committed resources in its housing investment programme to contribute to the land assembly cost of the first development stage. Additional financial commitments will be needed from other public sector organisations (the GLA and HCA) to progress the scheme. This commitment will be sought during the procurement to reassure the market that the scheme will be viable within the anticipated timescale.
104. The cost of the procurement will be significant but not disproportionate to a scheme of this scale and risk. It is acknowledged that by properly resourcing the programme team a successful procurement is far more likely with council risk exposure being mitigated. The cost of officer and advisor time will be met from identified budgets and where required through planned releases from reserves. Fixed pre-agreed quotations for external advisor services will be used wherever possible.

Head of Procurement

105. This report is seeking approval to procure a development partner for the Aylesbury Estate programme. This procurement will follow an EU negotiated route. Paragraph 11 describes what the partner will be required to deliver which will include both construction and housing management services.
106. With a contract of this nature EU regulations are deemed to apply. The report outlines the procurement options that have been considered and provides justification for the proposed negotiated route.
107. The approach to evaluation is outlined in paragraphs 56 - 59 with paragraph 58 confirming the high level weightings for evaluation being set at 60/40% in favour of quality which varies from the council's current guidance of 70/30% in favour of price. The report provides justification for this approach. Table 2 contains the draft evaluation criteria. The report is seeking the Leaders authority to delegate the approval of final evaluation criteria to the Director of Regeneration.
108. The procurement project plan contained in the report is both realistic and achievable. Paragraph 77 describes the governance arrangements that will be in place to support this procurement and the wider project and track progress overall.
109. An EU negotiated procurement process will require skilled and experienced resources. Paragraph 78 confirms a core negotiation group will be established which will include senior officers and external advisors.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
None		

APPENDICES

No	Title
Appendix 1	Options appraisal
Appendix 2	Plan of Area to be included in partnership
Appendix 3	Risk Log

AUDIT TRAIL

Cabinet Member	Councillor Peter John, Leader of the Council	
Lead Officer	Eleanor Kelly, Deputy Chief Executive	
Report Author	Sara Waller, Aylesbury project director	
Version	Final	
Dated	3 May 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Housing	Yes	Yes
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Head of Procurement	Yes	Yes
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		3 May 2012

Options appraisal summary

The following two options were considered and the characteristics of each set out below:

Option 1: land-disposal either on a site-by-site basis or using developer panel

(a) site-by-site (e.g. Bermondsey Spa)

- limited defined land area
- relatively short development timescale (c. 3 years)
- land drawn down by developer, subject to conditions precedent (funding, planning vacant possession)
- developer has no rights to draw down other sites

(b) developer panel (e.g. Canning Town, Newham)

- series of defined sites for development
- relatively short development timescales per site
- speeds up disposal by pre-selection of panel

Option 2: long-term partnership using either contract or corporate structure

- use of council land to bring forward a 10 year plus development programme.
- an overall vision to change an existing area.

(a) contract structure (e.g. Kidbrook / Ferrier Estate, Greenwich)

- an over-arching agreement dictates how parties will set out responsibilities for development of master-plan, site assembly, securing planning etc.
- developer draws-down sites on a phased basis, in accordance with a pre-determined form of land-transfer.
- contract documentation protects council's position through robust drafting with change control provisions giving future flexibility.

(b) corporate structure (e.g. Bournemouth Town Centre)

- a Local Asset Backed Vehicle or Local Housing company corporate structure
- land is developed and property interests retained or transferred in line with commercial agreement
- changes to the programme are dealt with through corporate governance.

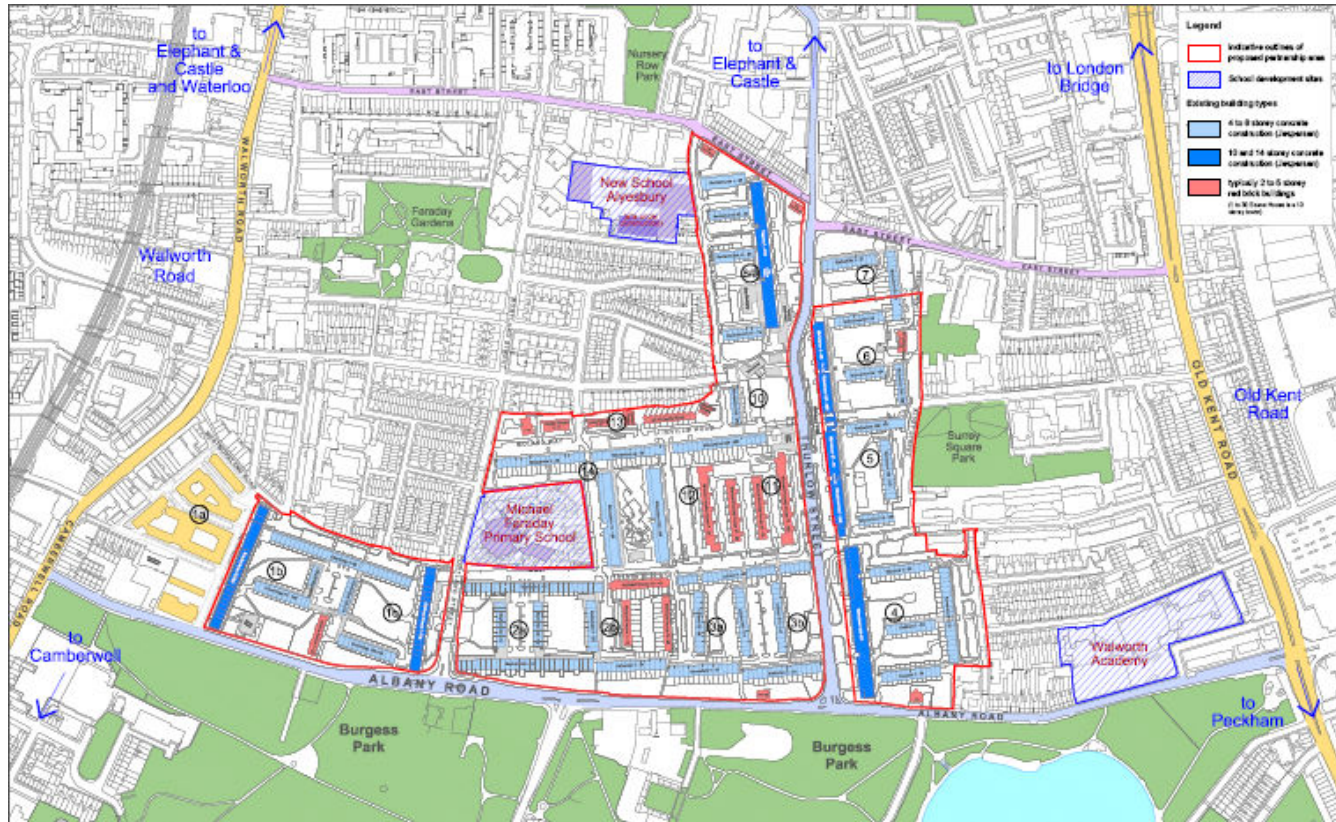
Conclusion

It was concluded that a long-term partnership using a contract structure was preferred option on the following basis:

1. this approach would ensure greater delivery certainty and momentum
2. there would be improved economic benefits and a greater focus on area regeneration
3. it would result in more coherent area /housing management with input from housing associations from the start
4. the partner would provide additional financial capacity to tackle the difficult development cash-flow
5. this arrangement would generate greater market interest and private sector commitment
6. the partner would provide the additional technical capacity needed to tackle the infrastructure and other technical delivery challenges

Appendix 2

Plan of area to be included in partnership



Appendix 3

Risk Log

Risk	Mitigation
Procurement risks	
1. Extended time periods are required to reach BAFO and to complete contract negotiations.	<ul style="list-style-type: none"> • Protocols to be agreed with two final shortlisted bidders, and with preferred partner to ensure process is managed as effectively and efficiently as possible. • Additional contingency budgeted.
2. Additional external advice is required to tackle unforeseen issues, unlock or structure negotiations.	<ul style="list-style-type: none"> • Structured approach to development of commercial documentation, combined with technical and property due-diligence, with intention of identifying issues early. • Additional contingency budgeted.
3. Insufficient staff capacity to manage the procurement process effectively and efficiently.	<ul style="list-style-type: none"> • Recruitment of full Aylesbury team taking place. • Profile of input from finance, legal, housing and planning teams being agreed ahead of time to allow for effective resource management. • Additional contingency budgeted.
4. Limited market appetite for the opportunity due to high bidding costs and risks relating to need for public sector investment.	<ul style="list-style-type: none"> • Profile of bidding requirements, pre-development obligations and obligations linked to phase 1, have been structured to lower the upfront costs for interested parties. • Commitment from the GLA to providing match-funding is being sought. • Bidders days to be held to demonstrate corporate commitment to the project. • The council has set aside sufficient funds through the housing investment programme to meet the envisaged investment needs of phase 1.
Contract / service delivery risks	
5. Developer does not meet agreed development milestones, due to insufficient funding and/or is unable or unwilling to fund or deliver the site/phase.	<ul style="list-style-type: none"> • Council will have the right to market or undertake development outside of the partnership. • Consistent delays for these reasons would also lead to the council being able to the partner being unable to recover costs and could ultimately lead to termination of the agreement, through the Key Performance Indicator regime.
6. Development agreement is insufficiently robust for the council to hold the partner to account in the case of non-performance, and exercise the remedies outlined above in risk 1.	<ul style="list-style-type: none"> • External legal and commercial advisors to be used to ensure that documentation is robust. • The elements of the agreement linked to performance management will be agreed as part of the competition and will subsequently be non-negotiable.
7. Council's requirements are unviable, even with anticipated public sector investment.	<ul style="list-style-type: none"> • The agreement will establish mechanisms for the parties to work together to resolve viability issues. As part of this process, the council will have the ability to consider varying its requirements, but cannot be obliged to do so. If an individual phase cannot be made viable, then it will not proceed.
8. Partner offers poor value for money after contracts on subsequent phases.	<ul style="list-style-type: none"> • Partner's maximum profit levels would form part of the competitive bid process and then be fixed for the term of the agreement. Any payments made, for example, for design services or the construction of new public spaces would be agreed through a benchmarking regime with all costs subject to independent review.

Risk	Mitigation
9. Council is unable to deliver its vacant possession obligations.	<ul style="list-style-type: none">• Dedicated Aylesbury area housing management team leading the vacant possession process.• Partner's ability to support rehousing, by providing off-site stock through its own relets and offering a range of affordable options for existing leaseholders, will form part of the procurement.• The council's vacant possession obligation, will have a reciprocal obligation for the partner to deliver a pre-agreed pipeline of new affordable homes.

Item No. 9.	Classification: Open	Date: 15 May 2012	Meeting Name Cabinet
Report title:		Home Care Contract Monitoring Report	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Dora Dixon-Fyle, Health and Adult Social Care	

FOREWORD - COUNCILLOR DIXON FYLE, CABINET MEMBER FOR HEALTH AND ADULT SOCIAL CARE

This report details the delivery, quality and performance monitoring record of homecare provision under the contracts that were approved by Cabinet from June 2011.

Our home care services provide essential support to vulnerable people with social care needs in order to help them live independently and safely in their own homes. As an administration this is one of our most important duties.

The people who actually carry out the work which can include tasks such as personal care, practical domestic duties and emotional support are vital to the service users and their carers, and they are also important to us. That is why I am proud that we are looking at how London Living Wage can, in the future, be applied to all our new contracts.

Following the re-tendering of the homecare contract I have held regular and robust meetings with the senior management of both agencies which we now work with. In addition I have made personal visits to their offices, engaged directly with service users, their family/carers and also the employees, i.e. home carers themselves. The contracts will continue to be monitored to ensure that high standards remain.

RECOMMENDATIONS

1. That Cabinet Members note the delivery of the contracts has met all the quality and performance standards under the contract over the first six months of operation.
2. That Cabinet Members note the summary of how the transition from previous to new contracting arrangements was approached; that through the support of the dedicated transition team service users were given the choice to remain with their current providers on a personal budget and that far greater numbers than anticipated chose to take up a personal budget.
3. That Cabinet Members note that while there were challenges that arose during the transfer process that had some impact on the quality and consistency of service delivery, there have also been examples of good practice over the past six months that has ensured the most vulnerable residents in the borough received care with real dignity and sensitivity.

EXECUTIVE SUMMARY

4. Ensuring the delivery of good quality and cost effective Home Care services is an important part of adult social care provision in Southwark. With over 1,000 adults receiving some form of home care service in Southwark these services can support the delivery of the Adult Social Care Vision, allowing residents of Southwark to remain as independent as possible, in their own homes for as long as possible.
5. The re-tendering of Home Care services in Southwark, which concluded in January 2011, introduced new contracting arrangements that created two, borough wide, cost and volume contracts for universal home care and one contract for specialist home care. The new arrangements commenced incrementally from June 2011 to allow as smooth a transition as possible from the existing arrangements, which involved 18 different cost and volume contracts with 18 different providers, to the new contracting arrangements.
6. In line with councils commitment to support greater choice and control and increase the use of personal budgets, users were given the choice to remain with their existing provider by taking up a personal budget and over 400 users out of just over 1000 users chose to remain with their existing provider.
7. The process of transition from the previous contracting arrangements to the new arrangements was complex and challenging for the two main providers and scaling up to deliver a much greater volume of hours proved more challenging than anticipated. This was in part due to fewer staff TUPE transferring from existing providers than was anticipated as a result of many more users opting to stay with their existing provider under a personal budget arrangement.
8. Overall, the delivery of home care services under the two home care contracts has met all the quality and performance standards under the contract over the first six months of operation. Both providers have had regulatory inspections by the Care Quality Commission during this period. Early challenges arising from transition have been addressed and this report provides a summary of the delivery of contracted home care services in Southwark during its first six months of operation between June 2011 and December 2011.

BACKGROUND INFORMATION

9. In 2007 the Government announced the introduction of Personal Budgets for everyone eligible to receive publicly funded Adult Social Care Services. The commitment to this policy was confirmed by the Coalition Government with a further drive to ensure that those eligible for Adult Social Care services should be supported to self manage their personal budgets through direct payment.
10. Within this wider national policy context and because the current Home Care Contracts were due to end in April 2011 a retendering was carried out to secure new contracting arrangements.
11. The tendering for Home Care services concluded in January 2011 with the award of contracts for two Universal Contracts and one Specialist Contract for Continuing Drinkers and Acquired Brain Injury. Contracts were awarded for an initial three-year period with a start date of 16th May 2011.

12. Taking account of the national policy context contracts were awarded with reducing guaranteed minimum hours of 200,000 hours in Year 1, 150,000 hours in Year 2 and 100,000 hours in Year 3 for universal home care to reflect the anticipated increase in personal budgets over the lifetime of the contracts and the impact of a greater focus on re-ablement focused services.
13. The tender also set out to deliver a number of other outcomes including:
- Address issues of variable cost with hourly rates ranging from around £12 per hour to £19 per hour, aligning costs more robustly with quality.
 - To obtain better value for money for the Council by simplifying the contracting arrangements and introduce a flatter pricing structure based on standard hourly rates, hours supplied, antisocial hours enhancements.
 - To reduce the number of guaranteed hours enabling Home Care provision to respond to policy developments and reshape services in line with the Personalisation Agenda.
 - To provide borough wide services enabling effective matching of service users and suitable care staff.
 - To increase levels of expertise and integrated working to meet needs of service users requiring specialist care (people with acquired brain injury and continuing drinkers).
 - To manage contracts in partnership with providers and maintain service quality and a focus on meeting service users' outcomes.
14. Following the award of these contracts the process of transitioning from the existing arrangements to the new arrangements commenced in June 2011 and concluded at the end of August 2011. Under the existing arrangements there were 18 different providers delivering home care services to over 1,000 service users. The process to transfer care packages to new providers was complex and presented all stakeholders with a number of challenges and these are summarised in the next section.

KEY ISSUES FOR CONSIDERATION

Implementation of the new contracts

15. The process of transition from the existing arrangements to the new contracting arrangements commenced in June 2011. The transfer process was managed through a dedicated team to ensure a co-ordinated approach between operational staff, project managers within commissioning, providers, users and their carers and family members.
16. In line with the national priorities and the Council's Vision for Adult Social Care, a key part of the transition process to the new contracting arrangements was to ensure that all service users were offered a personal budget and the choice, on a level playing field of price, to remain with their existing provider under a 'Managed Account Provider' arrangement (MAP) or to take a direct payment and plan and arrange their own care and support.
17. This involved consulting with just over 1,000 service users, their families and carers to establish users' preferences and whether they wished to transfer to the

new providers on a council managed personal budget, whether they wished to remain with their existing provider through a MAP personal budget or whether they wished to opt for a direct payment for their personal budget and plan and arrange their own care and support..

18. Where service users chose not to take up a direct payment or a MAP personal budget, arrangements were put in place to transfer their package of care to one of the two new contracts. This was approached in a way that sought to ensure an even geographic spread of service delivery for both contracts across the whole borough and that the level of care hours transferring to each provider was broadly similar. Below is a summary of the timetable that was followed for the transfer of care packages from existing providers where users opted for the Council to continue to manage their personal budgets.

- Monday 27th June: Home from Hospital, Age Concern
- Monday 11th July: Plan Personnel, First Choice and SDA
- Monday 18th July: Care UK
- Monday 25th July: SAFSS, Goldsborough, Elibariki and Somali Carers
- Monday 8th August: Allied Healthcare
- Monday 22nd August AG Care, Brook Street Homecare, Carewatch Lewisham and Chrysalis (Medacs)

19. Nationally among older people in particular, the take up of personal budgets has been relatively low compared to other care groups such as learning disabilities and physical disabilities. In this context the transfer process represented an opportunity for the Council to encourage and promote personal budgets and direct payments as a means of enabling them to have greater choice and control of their care and, in the context of the home care tender have the option of remaining with their existing provider under a MAP personal budget.
20. Over 400 users chose to remain with their existing providers opting to take personal budgets under a MAP arrangement. Based on national trends a far greater number than anticipated chose to remain with their current provider. This should be noted as a positive outcome that has allowed individuals to choose their care provider and table 1 in appendix A summarises the providers who are delivering home care under the MAP arrangements. The table also details the number of clients as at January 2012 and the hours of care delivered.
21. While this was very much a positive outcome for individual users it gave rise to a number of challenges in relation to the transfer of care for those people who opted for the council to manage their budgets.
22. As the process progressed and increasing numbers of users chose to remain with their existing provider, far fewer care staff transferred to the two new contracts than had been anticipated.
23. Under the TUPE regulations where there is an organised grouping of employees associated with the delivery of a contracted service, those employees have a right to be consulted on whether or not they wish to transfer to the new organisation taking over a contracted service. Typically many, if not all staff would transfer to the providers of the new home care contracts. However in the context of significant numbers of service users opting to stay with their existing

care provider, existing providers were able to give a realistic alternative offer to care staff to stay with their existing employer and not transfer.

24. Under TUPE staff have a right to choose to remain with their current organisation where alternative ongoing work can be offered, in this case, to continue delivering care to users who opted to stay with their existing provider. This meant that while some care packages and service users were transferred to the new contracts the workers associated with these packages did not always transfer. The two new contractors faced significant challenges around scaling up the staffing levels during and immediately after the final transfers in August.
25. Table 2 and 3 in appendix one illustrates the increase in the number of clients and number of hours of care being delivered for both contractors and how this rose dramatically during the transfer period from June to August. As noted above due to lower numbers of staff transferring than was anticipated, this led to some service delivery pressures and an increase in the level of service alerts during and immediately after the transfer periods.
26. By way of illustration of the scaling up needed in relation to staffing, as at April 2011 London Care employed 80 care workers and by end of December this has increased to 172 care workers. For Enara as at April 2011 they also employed 80 care workers and by the end of December employed 221.
27. The following sections of the report provide a summary of the monitoring of the contracts between the end of June 2011 and December 2011. Key data for the first 6 months of full operation referred to in these sections is presented in Appendix A and examined in relation to delivery, performance and quality in paragraphs 39 to 68.
28. A range of mechanisms have been put in place for monitoring the contract which include the following:
 - Weekly contact between contract monitoring officers and the branch managers. This sometimes involves face to face meetings as required.
 - Designated contacts within operational teams have been established to act as the primary liaison point between the council and the providers' branch managers for day to day delivery of care
 - Monthly senior managers meeting chaired by the Head of Commissioning with providers' regional directors to allow issues to be raised and addressed and any improvement plans to be reviewed
 - Monthly reporting of service alerts and safeguarding data to adult social care SMT and the senior managers' quality and safeguarding information exchange meeting involving stakeholders from Southwark BSU
29. In addition to the above, periodic director level meetings are held with the providers led by the Deputy Director for Adult Social Care.

Contract activity summary

30. Appendix A provides the key contract activity data in summary form. Table 2 and Table 3 shows the monthly numbers of services users and the monthly hours of care delivered. Both of the two main providers already delivered home care services in Southwark. This table shows how the client numbers and hours of care delivered increased rapidly from June through to the end of September as

the process of transferring users who opted for a council managed personal budget took place.

31. As noted in paragraphs 17-25 the transfer process was complex and there were a number of challenges for providers and other stakeholders in managing this as smoothly as possible. For both providers the number of users almost doubled; for London Care user numbers increased from around 150 to just over 300 during this period with a corresponding increase in the number of hours of care being delivered from a monthly total of 5,200 in June to 12,300 in September. For Enara the number of users increased from just over 200 in June to almost 400 in September and the hours of care delivered increased from just over 8,200 to just over 13,600.
32. The two main contracts deliver home care to around 60% of the total number of service users receiving home care and these users account for around 50% of the hours delivered. The providers delivering home care under a MAP personal budget deliver to around 40% of the total number of users and these users account for around 50% of the hours.
33. The Council also spot purchases some home care packages – some relate to more specialist and complex home care packages, many of which have been in place for some time and fell outside of the transfer process. Some spot purchased packages have been put in place at times when the two main providers had experienced challenges around scaling up their activity or did not have sufficient care staff availability in specific geographic areas.
34. As noted in paragraph 13, the two home care contracts are subject to minimum guaranteed hours that decrease over the lifetime of the contract. The first year guarantee is 200,000 hours and based on current projections averaging the monthly care hours delivered between October 2011 and December 2011 both agencies are projected to deliver just under the guaranteed minimum at present. However, through the review of spot purchase arrangements over the coming months and the transfer of these care packages to the two main providers, combined with ongoing prioritisation of referrals of council managed home care packages to the two main contracts, minimum hours guarantees should be met.
35. From April 2012 a new centralised team will be launched with simplified business processes which will ensure that utilisation of the main home care contracts is maximised where users choose a council managed budget. The centralised approach will ensure consistency of ordering and use of contracts as this team will “gatekeep” the setting up of home care packages working closely with the two providers.
36. When the contracts were awarded the specification included a requirement to work towards implementing electronic home care monitoring. At this stage both providers have electronic monitoring systems set up. It remains that the Council is in the process of undertaking a full business case analysis to establish what the implementation options are and whether pursuing this requirement would in fact be cost effective given wider process improvements that have helped reduce transaction costs and improve monitoring accuracy.

PERFORMANCE AND QUALITY

37. There are a number of key measures the Council considers when assessing the performance and quality of home care services. The previous section summarised contract activity which allows the Council to monitor and understand delivery and responsiveness to presenting need, that is its ability to provide packages of care for users opting for a Council managed personal budget.
38. The following is a summary of the main quality measures the Council examines in relation to home care services and these include Safeguarding alerts, service delivery alerts, complaints and compliments and external regulatory assessment of home care services by the Care Quality Commission (CQC).

Safeguarding

39. Summary data in relation to safeguarding alerts for the main home care contracts is provided in table 5 of appendix A. Safeguarding alerts can cover a range of issues from physical abuse and mental abuse to financial abuse and neglect. The most common form of Safeguarding alert relates to financial abuse; however in relation to home care services safeguarding alerts that have been raised have primarily related to neglect due to care tasks not being delivered.
40. Safeguarding alerts and safeguarding investigations linked to Home Care services make up a small proportion of the overall number of safeguarding alerts received on an annual basis. In the first 3 quarters of 2011/12 there were 387 safeguarding alerts across all Adult Social Care service areas. For the same period there were 19 safeguarding alerts linked to the two home care contracts held with Enara and London Care. Safeguarding alerts for the two home care contracts therefore represent only 5% of all safeguarding alerts.
41. In September and October there was a slight increase in safeguarding alerts for London Care and this was during the period where they were experiencing some challenges associated with the final transfers of users and care packages.

Service delivery alerts

42. The Council has a well established system for routinely collecting day to day service delivery concerns. These are referred to in this report as 'Service Delivery Alerts'. It is important to contextualise this aspect of quality monitoring and distinguish between this and formal Safeguarding alerts and investigations which are also covered in this section.
43. Service Delivery Alerts can be raised by a wide range of individuals including the service user, carers, family members and other stakeholders involved in a person's care such as social workers, hospital staff and care workers. All alerts are logged and followed up by contract monitoring officers in conjunction with social workers and other relevant stakeholders.
44. Alerts range from minor concerns to more substantial concerns. Minor concerns would include issues such as whether users' preferences are being taken into account in relation to how they would like their care delivered and poor communication between care worker and the service users or their family/carers. More substantial concerns would include issues such as the timeliness of the

care worker attendance, missed visits and quality issues such as ensuring dignity and respect at all times during the delivery of care.

45. Service alerts across the spectrum are seen as a good way of identifying issues at an early stage way that can inform service improvement. They serve as a helpful mechanism to ensure that the delivery of care is personalised to individual needs and wishes and the Council encourages users, carers and family members and other stakeholders to raise service delivery.
46. In some instances more substantial concerns raised through the service delivery alerts are also recorded and reported as formal Safeguarding investigations. This should be noted in relation to the figures in table 4 and 5 as some service alerts will also be recorded as safeguarding alerts. Contract monitoring staff work closely with the Safeguarding team and operational teams to ensure a proportionate and appropriate response in every instance.
47. Table 4 in appendix A provides a summary of service delivery alerts for the period April 2011 to December 2011. In total to the end of December 2011 there have been 63 alerts with 22 relating to London Care and 41 relating to Enara. Table 6 presents this data as a figure per 100,000 care hours delivered. Overall there has been an average of 35 alerts per 100,000 care hours delivered with Enara and London Care having an average of 40 and 28 respectively. When comparing this to other providers delivering care under MAP arrangements the average per 100,000 hours of care delivered for MAP providers is 42 which is broadly comparable with Enara and slightly higher than London Care.
48. During the process of transition and transfer of care packages from existing providers to the two new contracts there was an increase in service delivery concerns. This was most noticeable for the period August 2011 to October 2011. As noted earlier there were challenges around scaling up during the final transfers. Fewer staff transferred under TUPE than was expected and this led to some pressure on delivering the hours of care that transferred with service alerts being raised mainly being around the timeliness of care workers attendance. As can also be seen from the monthly alerts data the number of alerts reduced back to longer term trend levels after this period.

Complaints and compliments

49. Formal complaints regarding home care services can be received directly by the Council but are also received by the home care providers themselves. Generally but not exclusively in the first instance complaints would be raised with the provider for them to resolve and respond to and this is reflected in the complaints data reported under the contract.
50. During the period covered by this report there were four formal complaints raised with the council's complaints team; two for Enara and two for London Care.
51. All four of the complaints were upheld and the following is a summary of the issues raised in each individual complaint
 - Missed visit and poor communication from branch office to user to keep them informed
 - General complaint about care workers demeanour and record keeping around tasks / hours provided
 - Double handed package delivered single handed

- Late arrival of care worker

52. This compares to the data recorded by providers that is summarised in table 7 of appendix A. Overall the two providers have received 27 complaints with Enara and London Care receiving 21 and 6 respectively. Both providers have a system of recording, tracking and responding to complaints and examine complaints for themes that can help improve service delivery. For example Enara has put in place a training and development plan to address and improve communication with users, their family and carers and skills training around continuity of care and person centred approaches to delivering care in people's homes.
53. The themes noted within both providers' complaints data are similar to those raised within formal complaints that the Council has investigated. The focus therefore of contract monitoring input is to ensure that these themes are addressed through training and development of staff. The service delivery alert system also allows the tracking of early signs of concerns about the delivery of care and is used to pick up on and address issues before they become an issue of formal complaint.
54. In contrast to complaints both providers have a proactive approach to understanding what has worked well. Table 7 in appendix A also provides data on compliments received. A total of 28 compliments have been received by the two providers, with London Care reporting 3 compliments and Enara 25. Table 8 provides a sample of the compliments received from Enara and further feedback from wider stakeholders has been received, for example the community health team working with people at the end of their life commented "I was really impressed with the homecare worker from Enara. He was very compassionate and sensitive and both the service user and family spoke very highly of the help and support that he was providing".

Regulatory Compliance

55. The Care Quality Commission (CQC) undertakes regulatory inspections of registered services including domiciliary home care services. CQC no longer provide star ratings; rather, they inspect service delivery against a number of broad headings within which there are groupings of 28 Outcome measures. The following is a summary of the main headings under which the outcomes are grouped and full details of the CQC regulatory, outcomes and judgement framework are available as a background document or at

http://www.cqc.org.uk/sites/default/files/media/documents/guidance_about_compliance_summary.pdf

- Personalised Care, treatment and Support
 - Safeguarding and safety
 - Suitability of staffing
 - Quality and management
 - Suitability of management
56. The CQC then makes an assessment against a selection of the outcome domains and report these as either Compliant, having Minor concerns, Moderate concerns or Major concern.

57. Both Enara and London Care have been inspected since the award of the new contract and the following is a summary of the CQC findings.
58. Enara was compliant with the all outcome domains with the exception of minor concerns noted in relation to outcome domain 7 Safeguarding. The inspection took place in December 2011 and the full report is available publicly on the CQC website.
59. London Care was compliant in most of the domains inspected however moderate concerns were noted in relation to Care and Welfare of people using the services, Safeguarding and Supporting Staff. The inspection took place in September 2011 and the full report is available publicly on the CQC website. With reference to earlier sections of this report, the CQC inspection took place at a time when London Care were under greatest pressure resulting from the final transfers. As noted there were challenges around the scaling up of their operation to deliver more care hours to a larger number of users and this had some impact on the quality of care delivered.
60. Many of the issues that CQC identified had already been identified through the service delivery alert process. Drawing on this information and in response to the issues identified by CQC action plans were agreed to address concerns. Through the monthly senior managers contract meetings progress against these action plans has been monitored and service improvements have occurred and are reflected in the lower number of service delivery alerts in November and December.
61. Overall the assessment of contract delivery, performance and quality taking account of the key measures summarised in this report is that all quality and performance indicators have been met over the period covered.
62. In relation to the specified outcomes sought through the retendering process the new arrangements have delivered:
 - A simplified and more streamlined approach to council managed and commissioned home care services
 - Efficiency savings of £633k
 - Choice for users on a level playing field of price, that enabled over 400 users to take a personal budget and choose their care agency / remain with their existing provider
 - Through a simplified and more streamlined approach the ability to more closely track service delivery, issues of quality and performance

Community impact statement

63. The services provided under these contracts are provided to people affected by all six strands of the Council's equality agenda as care is provided to members of the community according to need. The diverse nature of Southwark population is reflected in those people needing care and receiving home care services under these contracts.
64. Under CQC registration all Home Care providers are required to proactively demonstrate their commitment to equal opportunities, and have been assessed to ensure that they have a satisfactory record in relation to diversity.
65. The universal services and the specialist service are able to meet a wide range of needs sensitivity.

Resource implications

66. There are no specific resource implications arising from this report.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance

67. This report provides an explanation and analysis of the way in which the recently procured home care services have been delivered during the first six months of the contract term, following the management and monitoring of those services by officers in line with the contract conditions.
68. Section 3 of the Local Government Act 1999 places a duty on a Best Value authority to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The report explains (i) the measures which have been put in place, both during the procurement process and following the award of the contracts to ensure compliance with that statutory duty, both now and in the future, and (ii) the nature and extent of the efficiencies which have been achieved to date as a result of their implementation. Those measures form part of the monitoring and management functions and powers which are conferred upon the Council under the terms of the service contracts.

Finance Director (F/I:988)

69. This contract award has delivered savings of £663k through reduced hourly rates for care. In addition, the transfer of many service users to personal budget has contributed to this saving.
70. Although the target minimum hours have not been achieved for Year 1, the Council has negotiated with the service provider to avoid any financial penalties for this. It is anticipated that minimum hours will be achieved in Year 2.
71. Budget provision has been made in 2012/13 to ensure the Council has resources to fund the increase in hourly rates in Year 2 of the contracts.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Gateway 1 Procurement Strategy	160 Tooley Street London SE1 2QH	Jonathan Lillistone 020 7525 2940
Gateway 2 Contract Award	160 Tooley Street London SE1 2QH	Jonathan Lillistone 020 7525 2940
Care Quality Commission – Compliance standards	160 Tooley Street London SE1 2QH	Jonathan Lillistone 020 7525 2940

APPENDICES

No.	Title
Appendix 1	Home Care Contracts data

AUDIT TRAIL

Cabinet Member	Councillor Dora Dixon-Fyle, Health and Adult Social Care	
Lead Officers	Susanna White, Strategic Director of Health and Community Services	
Report Author	Jonathan Lillistone – Head of Commissioning Health and Community Services	
Version	Final	
Dated	3 May 2012	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Director of Adult Social Care	Yes	Yes
Date final report sent to Constitutional Team	3 May 2012	

Appendix 1: Home Care Contracts data

Table 1: Summary of Managed Account Provider activity (client numbers and hours)

Provider	No of clients	Weekly hours	Annual Hours (projected)
AG Care	28	515	26,854
Age Concern	7	69	3,572
Allied Healthcare	67	793	41,323
Brook Street Homecare	34	283	14,756
Care UK	12	77	4,015
Carewatch	21	257	13,375
Chrysalis (Medacs)	36	547	28,522
Elibariki	6	161	8,408
First Choice	19	277	14,418
Goldsborough (Nestor)	18	274	14,287
HfH	22	232	12,110
Plan Personnel	62	877	45,742
SAFSS	14	220	11,445
SDA	45	647	33,710
Somali Carers	28	666	34,701
TOTALS	419	5892	307,240

Table 2: Main Contract Activity – Number of users at month end from April 2011 to December 2011

Month	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Enara	208	213	219	284	367	395	377	372	339
London Care	157	148	156	246	300	306	300	307	294
Total	365	361	375	530	667	701	667	679	633

Table 3: Main Contract Activity – Number of hours of care delivered at month end from April 2011 to December 2011

Month	April	May	June	July	Aug	Sept	Oct	Nov	Dec
Enara	7,367	7,916	8,257	10,122	10,843	13,627	15,110	14,757	14,350
London Care	5,239	5,203	5,195	5,583	10,412	12,368	11,903	12,021	11,720
Total	12,606	13,119	13,452	15,705	21,225	25,995	27,013	26,778	26,070

Table 4: Service alerts

Month	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Enara	3	1	5	2	9	4	9	5	3	41
London Care	0	0	0	0	0	9	10	3	0	22
Total	3	1	5	2	9	13	19	8	3	63

Table 5: Safeguarding Alerts

Month	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Enara	1	0	1	2	0	0	1	3	1	9
London Care	0	0	0	1	0	3	3	3	0	10
Total	1	0	1	3	0	3	4	6	1	19

Table 6: Service Alerts Expressed per 100,000 care hours

Month	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Enara monthly care hours delivered	7,367	7,916	8,257	10,122	10,843	13,627	15,110	14,757	14,350	102,349
Monthly Service Alerts	3	1	5	2	9	4	9	5	3	41
Alerts Per 100,000 Care Hours delivered	41	13	61	20	83	29	60	34	21	40
London Care monthly care hours delivered	5,239	5,203	5,195	5,583	10,412	12,368	11,903	12,021	11,720	79,644
Monthly service alerts	0	0	0	0	0	9	10	3	0	22
Alerts per 100,000 care hours delivered	0	0	0	0	0	73	84	25	0	28
Total Monthly care hours delivered	12,606	13,119	13,452	15,705	21,255	25,995	27,013	26,778	26,070	181,993
Total Monthly Alerts	3	1	5	2	9	13	19	8	3	63
Overall Alerts Per 100,000 care hours	24	8	37	13	42	50	70	30	12	35

The overall average of 35 alerts per 100,000 care hours when set against a total of 633 users at a December 2011 gives a figure of 0.05 alerts per user or alternatively as percentage – for 5% of the care delivered there was some form of service deliver alert, therefore for 95% of the care hours delivered are delivered to a good standard and no service delivery concerns were raised.

Table 8 – Comparative service delivery alert data for MAP providers for April 2011 to December 2011

Provider	No of service users	Weekly hours	Number of service delivery alerts	Hours of care over a 6 month period	Alerts per 100,000 hours of care
AG Care	28	515	4	13,427	30
Age Concern	7	69	1	1786	56
Allied Healthcare	67	793	26	20,662	126
BS Homecare	34	283	7	7378	95
Care UK	12	77	3	2008	149*
Carewatch	21	257	1	6687	15
Chrysalis (Medacs)	36	547	10	14,261	70
Elibariki	6	161	1	4204	24
First Choice	19	277	7	7209	97*
Goldsborough (Nestor)	18	274	0	7144	0
HfH	22	232	0	6055	0
Plan Personnel	62	877	3	22,871	13
SAFSS	14	220	2	5723	35
SDA	45	647	0	16,855	0
Somali Carers	28	666	0	17,351	0
TOTALS	419	5,892	65	153620	42

The overall average of 42 alerts per 100,000 care hours when set against a total of 419 users as at December 2011 gives a figure of 0.10 alerts per user or alternatively as percentage – for 10% of the care delivered there was some form of service deliver alert, therefore for 90% of the care hours delivered are delivered to a good standard and no service delivery concerns were raised.

* Some caution is needed given the lower number of hours for some of the MAP providers and the number of service users receiving care. Where there are particularly low levels of hours delivers even a small number of service alerts can distort the ratio of alters per 100,000.

Table 7: Compliments and Complaints – reported to provider

	April	May	June	July	Aug	Sept	Oct	Nov	Dec	Total
Enara Complaints	0	0	0	0	4	8	3	2	4	21
Enara Compliments	0	0	0	3	4	4	4	6	4	25
London Care Complaints	1	0	0	0	0	0	1	2	2	6
London Care Compliments	0	1	2	0	0	0	0	0	0	3
Total Complaints	1	0	0	0	4	8	4	4	6	27
Total Compliments	0	1	2	3	4	4	4	6	4	28

Table 8: Sample of Enara Compliments received in June - December 2011

Compliment
Enara have a lovely bunch of ladies and said ___ is a good worker and a very nice young lady.
User called to compliment care worker for service provided
Compliment was given for excellent service that c/w delivers always.
Complimented her care works during a telephone review she is extremely happy with services and all work being carried out, Care workers are always willing to go the extra mile

Compliment
Compliment to say that ____ is a great care worker and that she would like her to be her permanent carer
User reported they are very happy with care worker and sent a compliment for her.
User reported being very pleased with the support and assistance that has been given to his wife from Enara Office. He can majorly see the difference since there has been a review of the care package, and the difference in the care workers attitude and he would like to thank us for the good work.
Compliment received - described ____ as a treasure and they really like her care and support
Compliment from users son he told me his mum and himself are very happy with the new care worker
User reported being very happy with care worker and the service provided
Compliment from user who is very happy with _____
Compliment about care delivery and is very happy about the care received
Compliment received from husband regarding the caring and gentle way the care workers look after his wife
Compliment received about the handover service between care workers - inspires confidence and he is very relaxed about this
Compliment received the user is very happy with the service and the care workers
Compliment received happy about Enara and the care provided
Compliment received about the difference in service that can be seen - keep up the good work
Compliment received about the vast improvements in care and support

Compliment
Compliment from Son- very happy with the difference in care and the service and care workers
Compliment for Enara staff about the services delivered in the unit
Compliment received - Delighted in the support provided - there is a true difference
Compliment from Scheme Manager - the care workers all work hard and are efficient and caring, she would like to say that if she ever needs care she would like it to be like this
Compliment from palliative care nurse on how highly she spoke about care worker and their sensitivity and concern in working with people who are reaching the end of their life.

Item No. 10.	Classification: Open	Date: 15 May 2012	Meeting Name: Cabinet
Report title:		Gateway 1 - Procurement Strategy Approval Communal Lighting and Lightning Protection Contract	
Ward(s) or groups affected:		All Wards	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT

Good estate lighting plays an important role in deterring crime and making residents feel safe and secure in their neighbourhoods. When lights fail it is clearly important that they are repaired quickly to avoid the inconvenience outages cause for residents.

I have taken a personal interest in the performance of our estate lighting contractor and recently chaired a meeting of the communal repairs working party. The meeting took evidence on the performance of the service and crucially the lessons that can be learnt. Chief amongst these were responding to outages quickly, undertaken proactive inspections to identify problems early, particularly in the autumn and winter months, and keeping residents informing of repair work at all times. It was pleasing to note that repairs costs for estate lighting have reduced consistently over the last four years and the feedback from residents is on the whole the service is a good one. That said, there is always room for improvement. The proposed new contract will bring together estate lighting and lighting protection which should not only provide better value for money but also mean service delivery is more efficient and responsive. The new contract will also allow the council to fully explore the use of LED lighting. This will offer lights that last longer, provide better lighting and reduce CO2 emissions.

It is my expectation that this procurement will build on much of the good work achieved to date and deliver the excellent service residents deserve.

RECOMMENDATION

1. That the Cabinet approves the procurement strategy outlined in this report for the Communal Lighting and Lightning Protection Contract at an estimated cost of £2,542,293 for a period of 3 years from 1 October 2013 to 30 September 2016 with the potential for two 12 month extensions to 30 September 2018, subject to performance, making an estimated contract value of £4,237,155.

BACKGROUND INFORMATION

2. The Communal Lighting Contract is a borough wide service to provide external communal lighting on council estates. The lighting includes all essential lighting in all communal areas on estates including (but not limited to) lamp posts, bulk head lighting, emergency lighting, security lighting, electrical power supply systems and wiring associated with these appliances.

3. The service is currently being provided to the council by Spokemead Maintenance Ltd (Spokemead) at an estimated annual cost of £731,540. This contract will expire on 30th September 2013.
4. The intention is to competitively tender the communal lighting service, as set out in this report for a period of 3 years (with the potential for two 12 month extensions) to ensure competitive costing of the contract, and long term stability of the service delivery.
5. In considering the tender process to be followed, the Engineering & Compliance team consider it prudent to package the council's lightning protection service with the communal lighting service, providing a single point of responsibility for both. This strategy is consistent with the recommendations set out in the Engineering Contracts Strategy which identified that such an arrangement would benefit from technical and operational synergies. It is envisaged that there will also be potential cost benefits by combining the engineering disciplines.
6. Like the communal lighting service, the lightning protection service is also a borough wide requirement. The service is currently provided by Central High Rise Ltd, on an ad-hoc, basis without any annual maintenance planning. This is not an efficient or cost effective way of maintaining the equipment.
7. It should be noted that the council has no budget provision for the lighting protection service, but the annual cost for 2011/12, based on 'actual spend' to-date, stands at £115,891. For the purpose of this report, this cost has been used as the estimated annual budget for the service, going forward. It has therefore been included in the costs cited in paragraph 1 above.
8. Based on the annual expenditure for both services detailed in paragraphs 3 and 7 above, the total estimated value of the proposed contract stands at £4,237,155 broken down as follows
 - (i) Total cost for 3 year term = £ 2,542,293
 - (ii) Total cost for additional 2 year term = £1,694,862
9. The intention is to award a contract for the whole service to one individual contractor, subject to a rigorous OJEU tender process, as set out in paragraphs 15 and 16 below. A single contractor is considered sufficient to cover the whole service. In the event of any failure on the part of the contractor, to undertake any aspect of the service, or should there be any insufficiencies in the performance of the contractor, the council shall have the right to invoke an agreed interim back-up arrangement and instruct an alternative approved contractor from the approved list of contractors and consultants, to undertake the service as required. Such instruction shall be subject to the contractor being issued with a Default Notice by the council, and all costs for the service carried out by the alternative contractor, shall be borne by the contractor.
10. Alternative contractors shall be selected from the approved list, and the works for which they are selected will not exceed the EU threshold. Such work will be subject to a mini competitive tender exercise, with a minimum of three approved contractors. Where time is of the essence, or in the event of emergency works being required, the council's in-house contract (Public Realm Asset Management) shall be instructed to carry out the works.

Summary of the business case/justification for the procurement

11. The work proposed under the proposed new contract will form an essential service to council residents of all wards.
12. Residents rely on the council to ensure that all communal areas are properly lit to ensure a safer environment and ease of access. The council also needs to ensure that appropriate levels of lightening protection is maintained on all buildings in accordance with BS EN 62305 2006 and the councils standard building risk assessment methodology. The provision of these services is considered to be essential to the health, safety and quality of life of council residents.
13. By tendering these services, the council will avail itself of the current market forces within the relevant electrical contracting sector, and any commercial and technical benefits that may be available to promote a regime of continual improvement and cost reduction.

Market considerations

14. There will be significant benefit in opening up these services to the market, to explore the options that are currently available. This does not only refer to costs, but includes better working methodologies and efficiencies, such as LED lights for instance, that could benefit the council and users of the service.
15. With the contraction in the economy over the last three years and current knowledge of the market for this type of work, it is anticipated that proposals will be highly competitive.

Proposed procurement route

16. Procurement will be carried out in accordance with an EU Restricted Procedure. In response to the notices, contractors interested in tendering will be required to formally express an interest in order to receive a Pre-Qualification Questionnaire (PQQ).
17. In accordance with the requirements of an EU Restricted Procedure, a minimum of 5 contractors will be invited to tender following the short listing process.

Options for procurement including procurement approach

18. The Engineering and Compliance team considered the following options before determining the procurement strategy set out in this Gateway 1 Report:
 - Do nothing – This is not an option open to the council. As a landlord and an employer the council have a statutory obligation to provide communal lighting and lightening protection across its housing stock. The council must therefore provide this essential service at all times.
 - Use an existing framework agreement – The council has no existing framework agreements in place for this type of work and there are no external arrangements that meet the council's requirements. This has been precluded as an option.

- Shared Services – there are no other neighbouring local authority currently seeking a shared service arrangement for this type of work. Their contracts are in general ring fenced arrangements with their internal workforce or external contractors. This has therefore been precluded as an option.
- The council provides these services in-house – Consideration was given to a single source transfer of the service, to the council's in-house contractor, PRAM. However, this was not taken further due to the Leaseholder Valuation Tribunal (LVT) implications, as advised by HOU. Also, in the absence of any up to date cost/rates comparison data from the market, there is no current evidence to support that such a transfer would achieve best value.

PRAMS are currently engaged on the street lighting contract for the council and it is recognised that there are synergies between these works, and the communal lighting works. So, whilst the latter may not be transferred to PRAM directly (on a single source basis), there has been dialogue with them concerning their participation in the competitive tender, process for the proposed new contract. PRAM has confirmed that they will tender for the service.

- Go out to tender - This is the recommended option see paragraphs 15 and 16 above
19. The 'Go out to Tender' option above, is considered to be the best option as it is anticipated to attract considerable interest and achieve best value for the council. In precluding the other options from further consideration, the council is obliged to use an EU compliant process to procure a new contract for the service. It is proposed that the service is tendered under an EU Restricted Procedure.

Identified risks and how they will be managed

20. The table below identifies a number of risks associated with this procurement, the likelihood of occurrence and the control in place to mitigate the risks.

R/N	Risk Identification	Likelihood	Risk Control
R1	Gateway 1 approval delayed	Low	Ensure report submitted on time with all concurrents in place
R2	Procurement process becomes delayed	Medium	Continual review of the procurement process. In the event of a possible delay, re-visit /re-evaluate the process and escalate as necessary within the Engineering and Compliance team
R3	Deadline for advertising delayed	Low	Re-evaluate and adjust the programme for procurement
R4	Challenges to procurement outcome	Low	Ensure procurement process is transparent and conducted in accordance with CSO governance and OJEU. Continually monitor throughout the procurement process.
R5	Contract award delayed	Medium	Engineering and Compliance to liaise with Legal. If necessary, approach incumbent contractor to provide interim arrangements and extend contract.
R6	Security for insufficiencies in Performance	Medium	Contractors will be required to provide Performance Bonds and/or Parent Guarantees (subject to ownership by a parent company)

KEY ISSUES FOR CONSIDERATION

Key decisions

21. This report is a strategic procurement and is therefore a key decision.

Policy implications

22. The provision of a communal lighting and lightning protection service is required in order that the council fulfils its duties and obligations as a landlord and employer. The maintenance of communal lighting is also important in contributing to community safety objectives, reducing the fear of crime and deterring vandalism of property.

Procurement project plan (Key decision)

Activity	Complete by:
Forward Plan (if Strategic Procurement)	May 2012
DCRB/CCRB/CMT Review Gateway 1: Procurement strategy approval report (this report)	12 Mar 2012 15 Mar 2012
Notification of forthcoming decision - Five clear working days (if Strategic Procurement)	12 Apr 2012
Approval of Gateway 1: Procurement strategy report (this report)	15 May 2012
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	25 May 2012
Issue Notice of Intention	28 May 2012
Completion of tender documentation	20 Jul 2012
Advertise the contract	23 Jul 2012
Closing date for expressions of interest	11 Sept 2012

Completion of short-listing of applicants	20 Sept 2012
Invitation to tender	21 Sept 2012
Closing date for return of tenders	22 Nov 2012
Completion of evaluation of tenders	13 Dec 2013
Completion of any interviews	20 Dec 2013
Issue Notice of Proposal	21 Dec 2013
DCRB/CCRB/CMT Review Gateway 2: Contract award report	25 Feb 2013 28 Feb 2013
Notification of forthcoming decision (five clear working days)	25 Mar 2013
Approval of Gateway 2: Contract Award Report	12 Apr 2013
Scrutiny Call-in period and notification of implementation of Gateway 2 decision	24 Apr 2013
Alcatel Standstill Period (if applicable)	11 May 2013
Contract award	13 May 2013
OJEU Award Notice	20 May 2013
Contract start	1 Oct 2013
Contract completion date	30 Sept 2018

TUPE implications

23. The appointment of a new contractor in this proposed retender of these services will amount to a Service Provision Change and therefore it is possible TUPE will apply. Due diligence will need to be carried out in respect of both Spokemead and Central High Rise before definitive advice on TUPE can be provided. This due diligence work needs to be carried out before the tender process commences as its results need to be included in the tender pack.

Development of the tender documentation

24. The specification and contract documentation will be prepared by the Engineering & Compliance team in conjunction with the council's legal department.
25. The form of contract to be used will be JCT Measured Term Contract 2011 which will be subject to amendment as directed by the council's legal department.

Advertising the contract

26. The contract will be advertised by way of an official notice that will be published in Official Journal of the European Union.
27. Subsequent to publication of the OJEU Notice, the contract will also be placed on the council's website

Evaluation

28. The PQQ's returned will be evaluated by the Engineering and Compliance team. The selection process will be an evaluation of each contractor's economic and financial standing and their technical knowledge, experience, ability and capacity to provide the service. Those who successfully pass the short listing stage will be invited to tender. The threshold score percentage, for a successful prequalification will be 50%.
29. The tender evaluation criterion will follow the Most Economical Advantageous Tender (MEAT) protocol. The assessment of the tender will be based on price/quality ratio of 70:30.
30. Price evaluation will be undertaken by members of the Engineering and Compliance team. Method statements will be used in assessing the quality and appropriateness of working practices. Tenderers will be required to provide information on their organisation, which will include (but not be limited to) experience, organisation structure, number of personnel and their relevant qualifications, transport / logistics infrastructure, out of hours working and 24 hour helpdesk support etc., that demonstrates their ability to fulfil the requirements of the contract. The full evaluation methodology will be agreed by the Engineering and Compliance team.

Community impact statement

31. The service will affect all communities/groups in the borough and will in turn improve the security and quality of life for the residents, deter anti-social behaviour and criminal activity. Direct benefit to tenants will include limiting the incidence of defective communal lighting and defective lightning protection equipment.

Sustainability considerations

32. The contracts will adhere to the council's Sustainability Policy. Where possible, materials purchased will be from sustainable sources. However, the overriding decision on material selection will be the materials conformity to BS and IS standards to ensure maximum safety and suitability
33. Sustainability goals will be set for the contracts and where possible the communal lighting and lightning protection contractors will be required to carry out (and evidence) the following
 - Re-use of materials that can be recycled or reclaimed on site
 - Avoidance of environmentally damaging materials
 - Avoidance of materials that are potentially harmful to humans
34. The contractor shall be required to identify and submit recommendations for new low energy technologies as part of the on-going continual improvement ethos for the project.

Economic considerations

35. It is envisaged that expressions of interest will be submitted by interested parties within the EU in response to the OJEU advertisement for the contract. As the contract will also be put on the Southwark website, it is anticipated that this will also attract the interest of more local electrical contractors and afford them the opportunity to register their interest in competing for the work.

Social considerations

36. Contractors will be required to demonstrate that they operate an Equal Opportunity Policy and that they are fully aware and compliant with council's own Equal Opportunity Policy.

Environmental Considerations

37. The use of low emission vehicles and planning of journeys will be encouraged within the contracts.

Plans for the monitoring and management of the contract

38. The contracts will be managed by the Engineering and Compliance team, who will also monitor both the value and quality of the work carried out.

Resource implications

Staffing/procurement implications

39. There will be no impact on council staff caused by re-tendering these contracts. Consultants have been appointed and will be used, where required, to assist and support specific elements of the procurement process.

Financial implications (JP – FIN0685)

40. The communal lighting contract is a borough-wide contract covering responsive repairs and maintenance of all light fittings on housing estates which is necessary to provide a safer environment for residents to live and work.
41. The budget for the communal lighting contract is planned to remain at £731,540 each year totalling £2,194,620 for the three years and £1,463,080 for the following two years.
42. The costs for the lightning protection program are currently covered by the Other R&M budget, which will cover the projected costs for the next 3 years. It is projected that the costs will be £165,000 annually for the next 3 years. In the past there have been problems with metal theft; however, any future costs arising from metal theft will need to be met from another budget or come off the total £165,000 allowance for Lightning Protection works.

Legal implications

43. These are contained in the supplementary advice from the Strategic Director of Communities, Law and Governance.

Consultation

44. None

Other implications or issues

45. None

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS**Strategic Director of Communities, Law & Governance**

46. This report seeks the approval of the cabinet to the procurement strategy for the communal lighting and lightning protection contract at an estimated cost of £2,542,293.00 for a period of 3 years from 1 October 2013 to 30 September 2016, with the potential for two 12 month extensions to 30 September 2018, subject to performance, making an estimated contract value of £4,237,155.00 as outlined in this report.
47. At this value this will be a strategic procurement and therefore the decision to approve the procurement strategy is reserved to the cabinet.
48. Contract Standing Orders 5.4 requires all reasonable steps to be taken to obtain at least 5 tenders following a publicly advertised competitive tendering process for services over the EU threshold.
49. It is considered that these services are Part A services under the Public Contracts Regulations 2006. As the estimated value of this contract exceeds the relevant EU threshold it must also be tendered in accordance those Regulations.
50. Paragraphs 16 & 17 of this report confirm that a restricted stage tendering procedure is proposed which will comply with EU regulations and CSO tendering requirements

Finance Director (NR/F&R/27/4/12)

51. This report recommends that the cabinet approves the procurement strategy outlined in this report for the communal lighting and lightning protection contract with the potential for two 12 month extensions to 30th September 2018, subject to performance.
52. The finance director notes the financial implications contained within the report, establishing that the costs of the proposal can be contained within existing budgeted revenue resources. Officer time to effect the recommendations can be contained within existing budgeted revenue resources.

Head of Procurement

53. This report seeks approval from the cabinet for the procurement strategy of a communal lighting and lightning protection contract for an initial period of 3 years with the option, at the discretion of the council, to extend for a further two, 12 month periods.

54. The proposed strategy is for the council to carry out a competitive tender process. The process described in the report is in line with the Council's contract standing orders (CSO's) and EU regulations.
55. The project timetable included within the report is achievable for the proposed procurement strategy, provided that appropriate resources are allocated to the process.
56. The report confirms that the evaluation shall be carried out on the basis of the most economically advantageous tender and in determining this shall use a price/quality ratio of 70:30 which is in line with the council's preferred ratio.
57. The report confirms that the full evaluation model is still to be agreed by the Council. The finalised evaluation model needs to be issued to interested parties during the tender process to ensure a fair and transparent process.
58. This procurement is one of a number which the engineering and compliance team has scheduled for delivery this year. It is important that good governance arrangements are put in place to ensure the successful delivery of these procurements.

Head of Home Ownership Unit

59. This contract has previously attracted service charges that are in the majority under £100. However in order to ensure that the full service charge is protected, and to enable high cost work to be carried out if necessary the contract will be treated as a qualifying long term agreement within the terms of the Commonhold and Leasehold Reform Act 2002. Consultation is required under schedule 2 of the regulations. Notice of Intention will be required before tenders are sought and Notice of Proposal will be required before a contract is placed.
60. The procuring officer should ensure that costs can be presented in such a way that they can be attributed to the relevant block and estate cost centres.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Engineering Contracts Strategy	Engineering and Compliance, 160 Tooley Street, SE1 2TZ	Gavin Duncumb, Tel: 020 7525 0685

APPENDICES

No.	Title
None	

AUDIT TRAIL

Cabinet Member	Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management		
Lead Officer	Gerri Scott, Strategic Director of Housing Services		
Report Author	David Lewis, Head of Maintenance and Compliance		
Version	Final		
Dated	3 May 2012		
Key Decision?	Yes	If yes, date appeared on forward plan	16/03/2012
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Finance Director	Yes	Yes	
Head of Procurement	Yes	Yes	
Contract Review Boards			
Departmental Contracts Review Board	Yes	Yes	
Corporate Contracts Review Board	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Team			3 May 2012

Item No. 11.	Classification: Open	Date: 15 May 2012	Meeting Name: Cabinet
Report title:		Leathermarket JMB – Partial self-financing of the Housing Revenue Account	
Ward(s) or groups affected:		All wards	
Cabinet Member:		Councillor Ian Wingfield, Deputy Leader of the Council and Cabinet Member for Housing Management	

FOREWORD – COUNCILLOR IAN WINGFIELD, DEPUTY LEADER AND CABINET MEMBER FOR HOUSING MANAGEMENT

The Leathermarket TMO was established on 19 August 1996. It is the largest TMO in Southwark, one of the largest in the country and has been an exemplar in terms of both resident satisfaction and high standards of governance. The proposal to reverse the methodology used to calculate their management allowance is innovative: in place of the council calculating an allowance to reflect the services they provide; the TMO will keep the rent it collects and pay the council for servicing housing debt and the central services it provides. The scheme is in line with the government's localism agenda but more importantly it shows the commitment this council has to ensuring resident control over services and that high quality management of our housing estates is rewarded. These proposals will need the specific consent of the Secretary of State and whilst we are confident that such consent will be forthcoming, we are using the 2012/13 financial year to 'shadow' what will happen from next April. Current indications are that, at least in the first few years, the TMO will be a little worse off than under the current methodology for calculating allowances. However these proposals will give them the ability to deliver their 30 year plan, to meet the Decent Homes target and invest in the estates under their control.

RECOMMENDATIONS

That Cabinet

1. Note the progress made towards the proposal for 'self financing' of the Leathermarket JMB.
2. Agree to the development of this proposal through shadowing the financial impact of this initiative during 2012/13 as outlined in paragraphs 55 of this report and to agree the future work to be undertaken as outlined in paragraph 43.
3. Agree to officers developing a variation of the current Modular Management Agreement (MMA). Specifically to draw up terms to enable the delegation of control of part of the HRA to the JMB and to agree robust monitoring mechanisms to ensure that public funds are protected. Such agreement to be approved by Cabinet, the JMB Board of Directors and the Secretary of State.

BACKGROUND INFORMATION

4. The Leathermarket Joint Management Board (JMB) is a tenant managed organisation which currently provides a housing management service to 1451 tenanted, leasehold and freehold properties on behalf of the Council. They do so under the Right to Manage regulations 1994 and a management agreement dated 9th October 1996 (varied in May 2008 to allow direct employment of staff). The JMB is a company limited by guarantee controlled through a Board of Directors. The Directors are nominated by the five Tenant & Residents' Associations within the area covered by the management agreement, and are endorsed at the Company's Annual General Meeting.
5. In September 2010 the JMB approached the Council with a proposal to 'ring-fence' the rental income generated from the area managed by the JMB in order that they may better manage and maintain the stock designated to them under the terms of the management agreement and to allow the full implementation of a 30 year asset management strategy. Such a development will enhance the co-operative principles under which the JMB were founded, by allowing residents to take greater control over their future.
6. An interim report was made in February 2011 and the following recommendation was agreed – *“That a detailed financial appraisal be undertaken of the implications (both to the council and the JMB) of ring fencing Leathermarket's income stream to the TMO. This appraisal to be completed within the next six months so that, if agreed, the ring fencing would be implemented in 2011/12.”*
7. The JMB undertook a continuation ballot in October 2011, as required under the terms of their management agreement, whereby all residents are given the opportunity to state whether or not they wish for the JMB to continue managing their homes. The results of the ballot were extremely positive with the JMB achieving an overall vote in favour from 90.9% of residents on a 67.8% turnout. All recommendations within this report were subject to a successful vote in favour of the JMBs continued management. The level of support shown for the JMB gives them a very strong mandate to continue delivering housing services.

Current Environment

8. This proposal should be viewed as part of the current political context both within Southwark and nationally. The current coalition government has introduced a range of new rights for communities and groups of residents in its legislative programme, including the Localism Act 2011, Health and Social Care Bill 2011 and Academies Act 2010. The overall aim is to reduce the role of the public sector as direct service providers and to increase the diversity of provision through the increased use of private, voluntary and community sectors.
9. Specifically, within the Localism Act there are a range of 'rights' intended to enable local resident organisations to;
 - Take over delivery of public services they think they could run better (Community right to Challenge)
 - Take on responsibility for assets (through existing arrangements for asset transfer, and the Community Right to Bid for assets of community value)

- Form Neighbourhood Forums with some rights to say what is built in their area (Neighbourhood Planning and Community Right to Build)
10. At the same time the Open Services White Paper states the desire to see more public services run by autonomous and semi-autonomous public bodies (e.g. ALMOs).
 11. Specifically within the social housing sector proposals for new regulations on 'community led' stock transfer were published for consultation on 15th March 2012 with the aim of reducing the ability of local authorities to prevent transfer of its housing stock to community owned companies. Leathermarket JMB have stated that they do not feel that there is currently the appetite for a stock transfer within the stock they manage but there is no doubt that they have sufficient resources and are of sufficient size to undertake such a transfer should this view change. A ballot of three TMO managed estates¹ within the neighbouring borough of Lambeth resulted in a positive result last year and the resulting community owned organisation may prove to be an attractive vehicle to deliver the aims and objectives of the JMB in the future. As is expanded upon later in this report, the JMB feel that they are not able to manage the stock adequately without the ability to take a longer term approach to the investment needs of the housing stock.
 12. Additionally, from April 2012 a specific regulation committee within the Homes and Communities Agency (HCA) will assume the regulatory powers of the Tenants Services Authority (TSA). The TSA was established under the Housing and Regeneration Act 2008 and has operated under the basis of co-regulation whereby tenants are empowered to help shape the housing service. With the transfer of the function to the HCA it is intended that greater empowerment is given to residents to scrutinise the performance of social housing providers against nationally agreed standards. The Chartered Institute of Housing (CIH) has stated that the changes will mean *"landlords will need to develop an approach to service delivery which positively engages with tenants, formally incorporates tenants views, and is transparently accountable to tenants."*²
 13. The Department of Communities and Local Government (DCLG) have become aware of the work being undertaken in Southwark and have stated that they are keen to monitor the progress of this project as it meets the stated aims of Localism being promoted by government.
 14. At a local level a Standardised Tenant satisfaction Survey (STATUS) conducted for TMO residents in 2010³ showed that TMOs deliver satisfaction levels far in excess of those being achieved by Southwark managed stock. This survey showed that satisfaction with the TMOs as a manager satisfaction levels were 23% (14 percentage points) higher than the comparable Southwark performance in 2008 (76% compared to 62%). This has been achieved at no additional expense to the council as a review of TMO allowances completed in late 2011 showed that TMO allowances were approximately 2% less than that being spent by area teams in providing a similar range of services.

¹ Lambeth Alliance of Tenant Management Organisations (LATMOS)

² How to... Prepare for Regulatory reform: Tenant Engagement and Scrutiny (CIH) February 2012

³ STATUS TMO Tenant Satisfaction Survey Report 2010 (Ipsos MORI)

15. A TMO delegation to the full council assembly in November 2011 generated cross party support for the work of TMOs in Southwark. There is therefore a shared approach at local and national level in increasing the role of local communities in delivering services to meet their needs.
16. One of the concerns expressed by the JMB has been the failure of the council to deliver the decent homes programme within the stock it manages. Overall the JMB managed stock in recent years had a lower level of 'decency' than that managed by the council. In order to address this deficiency the JMB committed additional resources from the surpluses generated through efficient management of the stock and have increased the level of 'decency' to approximately 72%. Whilst the recently approved five year investment programme guarantees an average annual investment in the JMB stock of £1.1m, this remains a contentious point locally and the JMB see moving towards a greater control of the revenues raised from the stock they manage as enabling them to ensuring levels of decency on a par with the council's target of warm, safe and dry.
17. The re-financing of the Housing Revenue Account (HRA) comes at an opportune time and allows the council additional freedoms to explore the possibilities of achieving the delivery of a housing service in a different way.

KEYS ISSUES FOR CONSIDERATION

18. The current proposal is to increase the allowances paid to the JMB to equate to the income generated through rent and service charge within its area less the cost of retained services and the debt apportioned to these properties. As is highlighted in paragraph 44 of this report, the original proposal, to create a ring fenced element of the HRA relating to the income stream generated within the stock managed by the JMB, could impact adversely on the Council. This current proposal will still have the effect of making the JMB financially self-contained and not wholly reliant on allowances paid to it under the terms of the current management agreement. Similar to the council the JMB will need to fund its management, major repair costs and debt repayment from the income generated.
19. There are potentially significant advantages to the Council in agreeing to this proposal.
 - It will give a major boost to the cause of resident control and enable the JMB to implement its Asset Management Strategy, the objective of which is to maintain and improve the stock in the JMB area over a 30-year period. The strands of the strategy are:
 - i. Deliver the decent homes programme
 - ii. The JMB estimates the level of decency on its estates at between 72%: with the Lawson Estate (some 450 properties) having had no works carried out and the Kipling (270) and Lockyer (180) estates having benefited only from electrical rewiring.
 - iii. Address health and safety issues, especially with regard to the risk of fire
 - iv. Progress from reactive to planned replacement of building components

- v. Address residents' aspirations for a modern and secure home and environment.
 - Responsibility for the achievement of the Decent homes standard (and the maintenance thereof for 30 years) will be passed to the JMB
 - Current debts on the property will be paid by the JMB. These are estimated to be £15.68m from April 2012.
 - Retention of the housing stock by the Council. There are no proposals for any transfer of assets to the JMB at present.
20. The JMB currently estimates that approximately £16m needs to be invested in the housing stock under its control in order bring it up to an acceptable standard. This figure does not include any future investment needs arising as components require replacement over the life of the business plan and work is being undertaken to profile these investment needs.
21. The JMB has worked effectively with the Council over a number of years to strengthen its management of finances, and the delivery of major and responsive repairs. Officers are satisfied that the JMB now has the directors, management and staff capability to take on greater financial responsibility. The proposed JMB self financing will have the added bonus of simplifying the financial interface between the Council and JMB, which has proved contentious in the past. As part of the agreement the JMB and Council a rigorous audit process will be specified.
22. This is an innovative model which gives residents greater control and has already attracted interest on a national level in its potential to deliver a far greater level of tenant empowerment without the contentious issue of stock transfer. It should be noted that;
- Tenants remain secure tenants of the Council.
 - Tenancy conditions and rent levels will be the same as other Council tenants.
 - No money has to be diverted from asset management to pay for tenant advisors, financiers, lawyers and consultants.
 - As tenants are not losing their security of tenure or legal relationship with the Council there is no requirement for a ballot.
 - The Council retains its nomination rights to new tenancies.
23. Officers of the JMB, Tenant Management Initiative team and the Finance & Resources Department have worked closely with officers of the JMB over the period April – September 2011 to ascertain the potential impact on the Housing Revenue Account (HRA) should the proposals proceed. This work has incorporated the following elements;
- Detailed calculations into the separation of the JMB account from the Council's HRA
 - The JMB to put additional financial structures and contractual arrangements in place to manage this level of financial independence
 - A planned change to the HRA to take place
 - Parallel work with the Council regarding the HRA review proposed by government.

JMB Income Under Self-Financing

Rent income

24. In terms of the annual income to the JMB this assumes a rent collection rate of 98% of rent due in the current year and allowing a loss due to voids/bad debts of only 2%. This may be an ambitious target given the forthcoming (2013/14) introduction of direct payment to housing benefit recipients. Similarly, the 100% collection targets for garage rents and store sheds may also not be achieved. This represents a risk for the JMB to consider in their financial planning.

Service charge income

25. The leasehold service charge collection element is included as this currently contributes towards the services provided in the JMB area for both JMB and retained service provision.

Water rates commission

26. At present, a 10% collection incentive is paid to TMOs for the collection of the weekly water rate charge included in the tenanted rent. This is currently deducted from the quarterly rent invoice sent to the JMB for rent collected.

Additional revenue income

27. The Council receives revenue income from various advertising and communications sites across the borough and has previously operated an agreement whereby such income is targeted at the estates which generate the income for the benefit of local residents. The JMB currently benefits from this agreement due to various communication installations. There will need to be a side agreement identifying how such income is treated in the future.
28. In predicting the future income of the JMB over 30 years an inflation rate of 2.7% has been used being the anticipated rate determined by HM Treasury for 2012 and 2013. A methodology of the current rent plus inflation (Retail Price Index) plus half of one percent plus two pounds per week has been assumed for the first ten years. For the remaining period the same calculation less the additional two pounds per week was used. This calculation was used on the basis of the rent convergence methodology currently in place. It is not possible to say at this point how the restructuring of the Housing Revenue Account (HRA), and any ensuing freedoms in rent setting, will impact on this assumption.
29. A consistent stock profile in regard to tenanted numbers has also been used. Given the decline in Right to Buy applications over recent years this was felt to be appropriate but will now need to be reconsidered in light of government announcements regarding the reinstatement of a discount level of up to £75,000.
30. The leasehold service charge element also uses a straight line inflationary increase but the JMB would be looking to reduce this income element through efficiency savings and better project management. With regard to the retained service provision, savings in a number of these areas would also see a reduction in the service charge element.

EXPENDITURE

Office rental

31. No charge is currently levied against the JMB for the rental cost of their offices. Under the formula used to calculate the allowances paid to TMOs such costs are met in full and therefore the net benefit to the Council is nil. Under the proposed change office costs would form part of the re-chargeable services to be met from the JMB income and the office has therefore been assessed as to the likely sum the Council could expect to receive if it were let commercially.

Water rates

32. Water rate charges are included in the weekly rent sum to tenanted properties and are payable to the water authority. Under the proposal the JMB would become liable for these charges.

Retained Council services

33. It is this cost which has proved to be the most problematic to calculate during this project. Officers have considered the range of services provided by the Council to the JMB both directly and indirectly. The apportionment is broken down into three main areas;
- Compulsory (e.g. rent setting, housing options etc)
 - Discretionary (e.g. tenants fund, etc.)
 - Overheads (e.g. SLAs, complaints service etc)

Debt repayment

34. The impact of reforms of the HRA with regard to housing debt levels from April 2012 will see the debt per tenanted property in Southwark fall to an estimated £14,901. This will result in a total debt for the JMB managed area of approximately £15.68m. An annual repayment figure has been calculated using a consolidated interest rate of 6.9% per annum and assuming a 30 year capital repayment period. No provision has been made within the figures for the JMB to access future council borrowing for investment purposes. Given the level of debt to be serviced by the HRA it is currently estimated that the Council will not be able to take on any significant level of additional debt for the first few years following the reform.

Community impact statement

35. The introduction of this initiative will impact on all residents within the area of benefit of the Leathermarket JMB. Through the reversal of the way in which the financing of the JMB is undertaken much greater control and accountability will be devolved to a local level.
36. The JMB is a not for profit company which was established explicitly to promote the involvement of local people in the delivery of services. Through their governance structure they actively involve local people in the decision making process. They engage widely within the local community and bring together residents of Southwark's housing stock on housing and other issues of shared or mutual interest.

Financial implications

37. The current allowance, paid quarterly by the Council, is calculated to fund the cost of revenue services provided by the JMB, who submit rent income back to the Council, also quarterly.
38. The current allowance would be replaced by an elemental allowance, comprising the value of JMB rent and service charge proceeds
- less b) the cost of central services provided by LBS for JMB residents
 - less c) notional loan repayment and interest on share of self-financing debt
 - less d) depreciation charge on JMB dwellings.
39. The settlement of the elemental allowance would be
- i. rent and service charges fully retained by JMB
 - ii. LBS bills the JMB to cover central services costs
 - iii. LBS bills the JMB to recover loan contribution
 - iv. JMB pays for capital expenditure
 - v. Depreciation less capital expenditure is owed to LBS
40. In terms of budgeting changes, comparing future years to the current year, 2011/12, the following are expected (provisional sums only at this stage).

	2012/13 £m	2013/14 £m @ 2.5% RPI	2014/15
<u>Deletion</u>			
JMB allowance budget	(2.3)	(2.4)	(2.5)
<u>New</u>			
a) Rent and leasehold element	6.3	6.6	6.9
Less b) Central services element	(1.8)	(1.8)	(1.9)
Less c) Loan element	(1.2)	(1.2)	(1.2)
Less d) Depreciation element	<u>(1.2)</u>	<u>(1.2)</u>	<u>(1.2)</u>
New basis elemental allowance	2.1	2.4	2.6
Net possible LBS (gain)/loss	(0.2)	-	0.1

41. Thus, because rent income rises faster than costs, the comparative position gradually worsens for Southwark and improves for the JMB each year. This should be affordable as Southwark's remaining HRA income will be increasing.
42. Additional financial arrangements would be needed, including the accounting entries in a)-d) below plus annual loan element calculation.
- a) The Council remains the landlord and needs to account for rent income. This can be accomplished by adapting the current quarterly arrangements, to replace billing of the JMB by an accounting charge to the TMO allowance budget.
 - b) The Council would need to bill the JMB for the central services element, crediting the income from this to the TMO allowance budget.
 - c) The Council would need to bill the JMB for the loan contribution element, crediting the income from this to the TMO allowance budget.

- d) The Council continues to make a depreciation charge on its stock managed by the JMB, transferring a credit to Major Repairs Reserve. The JMB would need to notify of capital expenditure each year, to be reflected in the Council's accounts and with a corresponding credit to the allowance budget. Financing of this would be by transfer from Major Repairs Reserve. Provisionally any unspent Major Repairs Reserve balance (cumulative depreciation related to JMB stock less capital spend) would be earmarked and would also require the JMB to hold an equal reserve.

Next steps

43. In order to progress this proposals, and to ensure that there are adequate safeguards in place for the Council, it is proposed that the following steps be taken;
- Discussions are held with Department of Communities and Local Government (DCLG) to obtain their views regarding this innovative approach
 - Work is undertaken to develop a draft agreement based on the structure of the modular management agreement (MMA) used under the Right to manage regulations
 - Agreement is reached with the JMB around the use of any surpluses arising from this regime.
 - Agree procedures with the JMB over the allocation of any income generated from advertising, communication/telecomm equipment installations etc.
 - Undertake consultation with the wider resident's body through Tenants Council and Home Owners Council. The JMB need to ensure full consultation with their residents.
 - Undertake a full risk assessment and draft a Community Impact Assessment
 - Establish a shadow accounting system in consultation with the JMB from 1 April 2012
 - Provide a 6 month review to Scrutiny to coincide with Housing Commission's report October 2012
 - Report to Cabinet to approve the agreed model in February 2013 for implementation from April 2013

Conclusion

44. The proposal to allow a TMO to have an income equating to the rent and service charges generated from the stock and, in return, to undertake debt repayment as well as all stock maintenance and investment is without precedent. Initial discussions with CLG have been encouraging and it is envisaged that government will be supportive of this project.
45. The development of this proposal is in accordance with the Housing Department Business Plan (objective 7 - Involve tenants and leaseholders in the improvement of service delivery) and the Six Corporate Strategic Principles (Transforming public services through the sharing of service delivery with local organisations).

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Finance Director

46. Ring-fencing to its greatest extent might involve the Council losing ownership of rent and service charge proceeds to the JMB, reducing headline income. In the medium term the Council has a need to refinance expiring loans as well as it being possible that additional borrowing could be undertaken for capital expenditure. Loans can be provided by the Public Works Loan Board or from the bonds market. For the latter the Council would need a credit rating and the security of the HRA's rent income stream will be an important influence in that.
47. In order to avoid the Council seeming to lose some of its rent proceeds, it is proposed that the JMB in future receive an allowance according to a calculation starting with a rent element, with deductions relating to central services and loan contribution elements. The JMB would also be responsible for financing capital expenditure at the level of the depreciation charge to revenue – a notification arrangement would be required to record expenditure as authority capital in order to access the depreciation financing from its interim resting place in Major Repairs Reserve. We await final regulations from CIPFA on calculation and accounting for depreciation from 2012/13.
48. Any agreement would probably need to be for a time-limited period, e.g. three years, with either side also able to give notice each year. There may need to be a separate section of the agreement to cover other sources of capital funding, e.g. access to Decent Homes backlog grant and responsibility to raise capital receipts.
49. The timing of the request coincides with the start of whole HRA self-financing in April 2012. Authorities will no longer receive subsidy and will be settled with a debt level considered to be affordable over 30 years, taking into account the annual surplus of income over expenditure for the dwelling stock. The debt level for Southwark has been calculated at £14,901 per property. However, debt charges on this may be difficult to afford in early years as rents are well below target and hence below the level they will be towards the middle and end of the 30 year calculation period.
50. The overall HRA position settled on the authority at the start of self-financing is a loss before savings measures, turning round to a gain in subsequent years due to increasing rent income. As the proposal ring-fences part of the HRA, the situation for the JMB would be similar to that of Southwark's HRA overall, i.e. effectively part of the HRA's initial loss and eventual gain transfers to the JMB, who would find difficulty in breaking even without cost reductions in early years. This might limit initially the amount of investment funding able to be provided via depreciation charges to revenue. Subsequently, as the position improves the wider HRA would not benefit from future rent surpluses on the Leathermarket stock.
51. Before deciding on the changes proposed, the following effects need consideration;
 - a) transfer of control over rent proceeds and likely long-term annual surpluses relating to the Leathermarket stock to the JMB and effect on control over these as investment resources;

- the council needs to be satisfied that it is extending financial arrangements and responsibilities to a viable body that will act responsibly.
 - the Council needs to be satisfied that JMB control of their part of the HRA and any future surpluses does not disadvantage the remaining HRA.
- b) Transfer of long –term investment responsibilities
- the Council needs to be satisfied that the JMB is able to plan and manage large-scale contracts.
- c) Complex arrangements involved in a new management agreement, including loan repayment and capital financing conditions and the need for the Council to continue to account for Leathermarket rent and capital expenditure.
- the Council needs to be satisfied that any complexities arising from the new arrangements are able to be managed and are justified by other benefits.
52. In terms of viability, the JMB has few assets and is largely dependent on allowance income. However, the proposed allowance arrangements should provide adequate cash flow and enable it to keep costs within its income.
53. In terms of acting responsibly, the JMB operates with full-time staff overseen by a Board dependent on local voluntary input. There is a risk of the Board becoming inquorate and of misappropriation, mitigated by the Council's Tenant Management Initiatives Team undertaking monitoring and the JMB being subject to external annual accounts audit and the Council's internal audit. It still remains that there is little financial sanction that could be applied by the Council in the short-term if the JMB delayed settling billing transactions.
54. The partial self-financing proposal is expected to result in increasing surpluses being generated for the JMB as rents rise and in initial years there should be enough investment need in the JMB stock to take up the surpluses. Subsequently surpluses which would otherwise be available to the HRA for borough-wide use would be under the control of the JMB. The JMB might have a number of options for using surpluses, e.g. replacing or improving stock, new build or additional debt repayment. However, options for the JMB might be narrower than if the Council had control, e.g. it has far fewer housing powers and local land for new build might be limited or expensive, and may follow different priorities. The JMB might wish to further add to surpluses by reducing payments to the Council for central services, creating difficulties for the Council as it may have fixed costs or staffing responsibilities.
55. These arrangements require additional work for final accounts, with additional risk of delay or error, and subsequent audit. The loan and central services elements also potentially create workload in future years if change is requested. It is therefore proposed that a 'shadow' financial system be established for the 2012/13 year in order to ascertain how best this arrangement might work before any decision is made to go live in 2013/14. This will involve, provisionally exchange of quarterly financial information to compare the old and new bases for the JMB's allowance.

Strategic Director of Communities, Law & Governance

56. Section 21 of the Housing Act 1985 provides that the general management, regulation and control of a local authority's houses is vested in and shall be exercised by the local housing authority. However, Section 27 of the 1985 Act enables a local housing authority, with the approval of the Secretary of State to enter into a management agreement delegating its management responsibilities and regulations made under Section 27A require local housing authorities to co-operate and enter into management agreements with tenant management organisations.
57. As indicated in the report, the council's housing management responsibilities in respect of 1451 tenanted, leasehold and freehold properties have been delegated to the Leathermarket Joint Management Board under a management agreement dated 9th October 1996. The agreement currently in place follows the Modular Management Agreement for Tenant Management Organisations that received general approval from the Secretary of State. Where a management agreement is entered into with a TMO, the council remains the landlord of the tenants of the dwellings concerned and the council's legal obligations as a local housing authority and as landlord are unaffected.
58. The report seeks cabinet agreement to officers developing a variation of the management agreement with Leathermarket JMB. Any variation of the council's management agreement with Leathermarket that departs from Modular Management Agreement options will require the specific approval of the Secretary of State.
59. The proposal to move towards self financing of the JMB that is the driver for the development of a variation of the management agreement may have an affect on the council's secure tenants as whole or as a group that, if considered substantial, will engage the statutory consultation requirement in Section 105 of the Housing Act 1985. Section 105 of the Housing Act 1985 requires local housing authorities to consult with their secure tenants on matters of housing management that are likely to substantially affect them. The report confirms that consultation is planned with residents of the JMB and wider residents through the council's resident consultation structure. The council must ensure that proper consultation is carried with all those likely to be affected. To meet legal requirements consultation must be undertaken when proposals are still at a formative stage; it must include sufficient reasons for the proposals to allow interested parties the opportunity to consider the proposal and formulate a response; it must allow adequate time for interested parties to consider proposals and formulate their response and the outcome of consultation must be conscientiously taken into account when the ultimate decision is taken.
60. In developing the proposal officers will need to keep in mind the public sector Equality Duty in section 149 of the Equality Act 2010 that requires the council to consider all individuals when carrying out any of their functions. The duty requires public bodies to have due regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct; 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 or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of

discrimination strand. Officers will need to keep the duty in mind throughout the consultation process and when formulating recommendations to cabinet for final decision making; members must have due regard to the duty when the matter is referred back to cabinet for decision.

BACKGROUND DOCUMENT

Background Papers	Held At	Contact
Report to Cabinet 2 February 2011	Home Ownership Team 160 Tooley Street London SE1 2QH	Martin Green 020 7525 1418

APPENDICES

Appendix	Title:
None	

AUDIT TRAIL

Cabinet Member	Councillor Ian Wingfield, Deputy Leader and Cabinet Member for Housing Management	
Lead Officer	Gerri Scott, Strategic Director of Housing Services	
Report Authors	Martin Green, Head of Home Ownership	
Version	Final	
Dated	3 May 2012	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Communities, Law & Governance	Yes	Yes
Finance Director	Yes	Yes
Departmental Contracts Review Board	Yes	Yes
Corporate Contracts Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	3 May 2012	

Item No. 12.	Classification: Open	Date: 15 May 2012	Meeting Name: Cabinet
Report title:		Gateway 2 – Contract Award Approval Southwark Heat Network from South East London Combined Heat and Power plant (SELCHP) Additional Services Contract	
Ward(s) or groups affected:		Rotherhithe, Riverside, Grange, South Bermondsey, Livesey.	
Cabinet Member:		Councillor Barrie Hargrove, Transport, Environment and Recycling	

FOREWORD – COUNCILLOR BARRIE HARGROVE, CABINET MEMBER FOR TRANSPORT, ENVIRONMENT AND RECYCLING

This project offers an exciting opportunity for Southwark to take a lead in using low carbon, renewable energy to provide lower cost heat to residents in almost 3000 homes on Southwark estates. It is the biggest single carbon saving project that the Council currently plans to undertake.

Almost 25 years ago the South East London Combined Heat and Power (SELCHP) plant was built and commissioned just outside our borders in Lewisham. Built to burn waste and convert it into useful heat and power, it can only operate efficiently when the heat can be used as well as the electricity. Unfortunately, until now, SELCHP has only generated electricity, and despite a number of earlier attempts, no project to make use of the heat has been brought into reality.

Finally, this project means that Southwark is in a position to make use of the wasted energy and take the lead in making the SELCHP plant realise its full potential. This project will be of local, regional and national importance, and will open up opportunities for significant expansion of district heat networks in London, by demonstrating that they can be made to happen.

The project will take heat that is produced from the incineration of waste that cannot be recycled, at the SELCHP energy from waste plant. This heat is currently wasted and this contract will instead enable some of it to be delivered through a network of underground hot water pipes to the boiler houses on several Southwark Council estates. The heat will provide heating and hot water, and will replace gas which is currently burned in the boilers, saving an estimated 6,000 to 10,000 tonnes per annum of Carbon Dioxide (a 70% reduction) and 2 tonnes per annum of Nitrous Oxides (a 90% reduction).

The project has been developed so that all costs relating to the installation of the pipe work and associated equipment will be met entirely by the contractor. In return, Southwark will agree to buy heat until 2033 and the price will be set at a level lower than the cost of providing heat using the current gas boilers.

Not only will Southwark residents benefit from a secure, renewable energy supply, they will also have lower heating costs and will see a major reduction in local pollution and CO₂ emissions. In addition, as the network of pipes can be extended, opportunities will be opened up to use significantly more of the low carbon energy generated at SELCHP to heat other residential and commercial premises in the area.

Cabinet approved a Gateway 1 report in January 2011, and the key principles of the project are set out in this report.

This project represents an important development in the provision of low carbon, renewable decentralised energy in district heating schemes. The project supports and contributes to policies outlined in the Council Plan, to policies on energy and carbon reduction and the provision of warmer homes and reduction in fuel poverty. Remarkably, all of this will be achieved whilst at the same time reducing the cost of energy to the Council and our tenants and leaseholders. I am delighted to be able to recommend the approval of this report to take it forward.

RECOMMENDATIONS

Recommendations for the Cabinet

1. That Cabinet approves in principle the award of the Southwark Heat Network Contract to Veolia Environmental Services Southwark Ltd (VESS) on the basis of the Heads of Terms set out in paragraph 11 of this report and paragraph 9 of the closed report. There is no additional cost to the Council but the contract is for the long-term purchase of heat from VESS (replacing the cost of purchase of gas and boiler maintenance). There is no capital cost to the Council. The financial value of the contract is contained in the closed version of this report.
2. That the Cabinet agree that the contract commence in September 2012 and expire in 2033.
3. That the Cabinet agree that the supply of heat commence in late 2013.

Recommendation for the Leader of the Council

4. That the Leader of the Council delegates authority to finalise the outstanding points on the Heads of Terms to the Cabinet member for transport, environment and recycling, on the advice of the Finance Director and the Strategic Director for Environment and Leisure.
5. That the Leader of the Council delegates authority to agree the contract to the Cabinet member for transport, environment and recycling, on the advice of the Finance Director and the Strategic Director for Environment and Leisure.

BACKGROUND INFORMATION

6. Southwark Council signed a contract with Veolia Environmental Services Southwark Ltd (VESS) in February 2008 to build a new waste facility on the Old Kent Road (OKR) and deliver an integrated waste management contract. Greater London Authority (GLA) and Southwark planning policies dictate that this facility should have 20% of its energy consumption supplied from renewable sources. Because this was not considered to be feasible at the OKR site itself, a section 106 agreement required VESS to 'offset' the renewable energy

requirement, using low carbon renewable heat generated from waste. The OKR facility will send “solid recovered fuel” (SRF) generated from waste to the South East London Combined Heat and Power (SELCHP) plant.

7. At Cabinet on 25 January 2011, approval was given to a Gateway 1 report that sought to open negotiations with VESS for a contract to develop the heat supply network. The contract will be a contract for additional services as part of the waste PFI Contract, as noted in the Gateway 1 report, and to satisfy planning conditions imposed as part of a s106 agreement.
8. Further background and information about the project is contained in the Gateway 1 report.
9. The project is based on the development of a district heating network, essentially a pair of highly insulated underground pipes that take hot water from the SELCHP plant, deliver it to heat exchangers in boilerhouses on the Southwark estates, where the heat is extracted to provide heating and hot water, and the cooler water returns to the SELCHP plant for recirculation.
10. The district heating system consists of heat exchangers at the SELCHP plant where steam is produced through the burning of waste that cannot be recycled. The steam is used to heat water that is pumped through pre-insulated pipes, buried about 1.5 meters underground. The pipes deliver the hot water to a second set of heat exchangers, located in boilerhouses on the Southwark estates, where the heat in the water provides central heating and hot water to the Southwark homes.
11. Prior to negotiating the Heads of Terms (HOTs) for the contract, details of which are set out in paragraphs 21-27 of this report, officers set out a number of key principles that summarised our minimum requirements and which had to be met by Veolia before the project could progress. These key principles included:
 - a. The cost of heat could be no more than the cost of heating using the current gas boilers. This has been agreed.
 - b. A price indexation mechanism should ensure that the cost of the heat rises less than the expected rise in energy prices. This has been agreed.
 - c. There could be no capital investment required from the Council. This has been agreed.
 - d. The full operational risk of the system should be taken by the contractor. This has been agreed.
 - e. There should be significant environmental benefits including a reduction in CO₂ emissions and local pollution. This has been agreed.
 - f. The project should meet the requirements of the s106 agreement in connection with the waste treatment facility on the Old Kent Road. It is designed to do that.
 - g. The Council should share in the benefits of any expansion of the heat network. This has been agreed.
 - h. There should be a cap on the level of profitability for the contractor. This has been agreed.
 - i. The project can only go ahead if it satisfies the requirements of the Leasehold Valuation Tribunal (LVT) to dispense with the need for a s20 consultation. The project has been designed to do this and an application is being made to the LVT.

Agreement to these key principles has been reached through extensive negotiation with Veolia and is reflected in the HoTs. This agreement ensures

- that as a minimum the Council saves money, avoids financial outlay and achieves its environmental objectives.
12. The HoTs set out the basis on which the Council will agree a contract to purchase heat, through the connection of almost three thousand Southwark Council properties to the SELCHP plant in north Lewisham, providing a more energy efficient method of heating to these dwellings. The properties that will be included in the scheme are situated on a number of Southwark Council estates: Rouel Road, Keetons, Four Squares, Pedworth, Abbeyfield, Silverlock and Tissington.
 13. In 2005 a feasibility study commissioned by the Greater London Authority (GLA) indicated the potential viability of the project.
 14. To build on the 2005 study, the Council has now commissioned the development of an initial financial model to assess the viability of the project, and VESS independently developed its own initial and final financial models which have been shared with the Council. The Council has also commissioned a technical review of the feasibility of the project, which confirms that the project is technically deliverable. Technical advisers to the Council have reviewed the VESS technical model and are satisfied that it meets the requirements of the Council.
 15. Officers have engaged in a process of presentations and consultation with a wide range of stakeholders in the project. Presentations have been made to meetings of the Home Owners' Council, Rotherhithe and Bermondsey Community Councils, the Rotherhithe and Bermondsey Area Housing Forums and the Friends of Southwark Park (FoSP). Because of its ability to deliver cheaper, low carbon heating, and to reduce local pollution, the project is widely supported by all the groups that officers have presented to. The Friends of Southwark Park initially supported the project but not a route that would have run through a part of the park. Now that an alternative route has been found the FoSP are also supporting the project.
 16. The estimated annual cost of contract is included in the closed version of this report.
 17. The Project Board comprises the Finance Director and the strategic directors of Communities, Law and Governance; Housing; and Environment and Leisure. Day-to-day management of the project and negotiations is led by the Project Manager and a Project Team comprised of Officers from a number of Council departments. The Project Team and Board are supported by external professional legal, financial and technical advisers. The Cabinet Member for Transport, Environment and Recycling, and the Cabinet Member for Housing are, and will continue to be regularly briefed on the progress of the project.
 18. The Council wishes to contract with VESS to enable VESS to meet the Section 106 planning obligations that it has, as described above. The SELCHP plant is the sole potential supplier of renewable CHP heat for distribution to the Council's properties in this area. Both of these considerations mean that the Council has been negotiating with a sole supplier, which means that the Council has been especially vigilant in ensuring that it, and its leaseholders and tenants, achieve value for money.

Procurement project plan (Key decisions)

Activity	Comment	Completed
Approval of Gateway 1	Cabinet	25/01/2011
Agreement to key principles	Delegated to IDM	May 2012
Submit application the LVT for s20 dispensation	Managed by HOU	May 2012
Gateway 2: Agree HoTs subject to final amendments and contract award in principle	Cabinet	May 2012
Call-in period	Min 5 days plus x if called in	May 2012
Final Clarifications		01/08/2012
LVT dispensation from s20 requirement		Aug 2012
Gateway 2: Contract award approval	Delegated to IDM	Aug 2012
Alcatel standstill period	Ten days	
Mobilisation	Up to 12 months	Sept 2013
Transitional arrangements	8 weeks	Oct 2013
Service operational		Autumn 2013

19. As described in the concurrent report from the Head of Home Ownership Unit, the Council needs to apply to the Leasehold Valuation Tribunal for dispensation from the requirement to consult under s.20 of the Landlord and Tenant Act. Officers estimate that this process may take three months, but the duration is uncertain and it could take longer. If the process takes longer than the three months allowed in the plan above, subsequent dates will also move back.

Description of procurement outcomes

20. The Heads of Terms (HoTs), which will form the basis of the contract, are summarised below.
21. Background
- a. The SELCHP plant was designed and constructed to operate as a combined heat and power (CHP) plant which since its construction in 1993 has only exported electricity to the national grid, but it has always been the ambition of those who own and operate the plant (Veolia, CNIM and the London Boroughs of Greenwich and Lewisham) to realise its original purpose.
 - b. The HoTs do not create any legally binding obligations but set out the framework for negotiations for the contract.
22. Principal Heat Services Obligations
- a. The carbon dioxide emissions from the provision of heat will be less than the current emissions.
 - b. The design of the system will meet the s106 obligations in connection with the waste management facility at the Old Kent Road.
 - c. The system will meet 100% of the Council's heat demand for the estates that are connected to the network. There will be contingency arrangement for top-up and back-up heat supply.
 - d. VESS will own the pipe network and be responsible for its maintenance.

- e. If third parties connect to the network in future, a mechanism will be agreed by which the Council shares the financial benefit through a reduction in the price of heat.
 - f. If the project becomes eligible for any government subsidy the Council will share the benefit (in a proportion to be agreed).
23. Duration of the contract
- g. The anticipated start date for the supply of heat is autumn 2013.
 - h. The contract will expire in 2033 at the same time as the waste PFI contract.
 - i. On expiry of the contract, the Council will have the option to take ownership of the network.
24. Consents
- j. VESS is responsible for obtaining all necessary consents and the Council (in its capacity as a waste disposal authority and as a housing authority) will assist a discussion between Council departments and VESS to obtain the consents.
25. Repairs and maintenance
- k. VESS will repair and maintain all aspects of the network.
 - l. VESS will be responsible for the maintenance of gas boilers required for back-up provision of heat in case of failure or interruption to the heat network.
26. Heat service charges
- m. The charges will consist of a fixed charge element, designed to cover the capital costs of the network, and a variable charge element designed to cover the cost of heat from SELCHP and any back-up gas supply.
 - n. Some of the fixed charges will be indexed annually at RPI or similar, other fixed charges will not be indexed. The variable charges will be indexed using gas and electricity price indices.
 - o. Negotiations are continuing to agree a price cap at a level below the cost the council would incur if providing heat through gas boilers.
 - p. A cap has been agreed on the IRR (level of profitability) of the project to VESS.
 - q. The heat pricing mechanism is described in more detail in the closed version of this report.
27. Parent company guarantee
- r. VESS will provide a parent company guarantee.

KEY ISSUES FOR CONSIDERATION

Key/Non Key decisions

28. Award of this contract in principle is a Key Decision as a result of the value of the contract and because it has a significant impact on a large number of Southwark residents.

Policy implications

29. This project will be seen as a significant and important project on a national scale in relation to a number of policy objectives. Combined Heat and Power

(CHP) is an efficient means of energy generation and use, reducing environmental impacts, in particular carbon and nitrogen emissions. It supports policies on sustainability and climate change.

30. Recent UK policy (“Strategy for Household Energy Management”) has recommended policy options for existing public sector buildings to connect to district heating schemes and/or provide “anchor” heat loads from which to develop new district heat networks. Current local and regional planning policy is strongly supportive of district heating as a carbon reduction approach.
31. The reduction in emissions and the use of renewable heat has the potential to contribute significantly to the achievement of the Council’s policies set out in the Council Plan. Schedule H in the Council Plan states that the Council will “Reduce carbon emissions and NOx pollution from five Southwark housing estates by connecting to new heat network from SELCHP”. In addition the project will contribute to the provision of energy security and warm homes, and to reducing CO₂ emissions and improving air quality in the borough.

Tender process

32. Regulation 14 of the Public Contracts Regulations 2006 permits the Council to procure this service as a contract for additional services to the waste PFI contract which does not require advertising.
33. Because the project is associated with the waste PFI contract, the Council was unable to run a competitive procurement process. This means that the Council will have to apply to the Leasehold Valuation Tribunal (LVT) for dispensation from the section 20 requirement to obtain competitive quotations. In order to do this, the Council has begun a process of consultation with Leaseholders on the proposed change in energy supply. The Council will obtain the necessary dispensation from the LVT before signing the contract.
34. The first draft of the contract has been developed by the Council’s legal and procurement teams, supported by Eversheds as legal advisers to the project. Final drafting will be agreed by the Council’s legal and procurement teams.

Community impact statement

35. This project will contribute to a reduction in energy costs and a reduction in fuel poverty, as well as a greater energy security, and will help to assure warmer homes in the affected properties. Concerns about running the pipework through Southwark Park, have been eliminated by finding an alternative route for the pipework. Officers now believe that all the community groups consulted and presented to, are supportive of the project.

Sustainability considerations

36. The project makes a significant contribution to the sustainability of housing and energy use in Southwark. Under the PFI contract 28,500 tonnes (rising to 60,000 tonnes per annum from 2017) of waste that cannot be recycled from Southwark is sent to the SELCHP energy from waste plant. Heat energy that is currently wasted at the plant will be used to provide heat and hot water back into Southwark properties. The project will also meet a key goal within Southwark’s Energy and Carbon Reduction Strategy, approved by cabinet in September 2011 and will reduce carbon emissions produced by the Council’s housing stock by

3.9%.

37. Officers are also working with the GLA to identify potential opportunities for other decentralised energy and district heating projects in the borough. The work will result in a 'heat map' that will plot potential heat loads in the borough alongside existing and planned district heating schemes.

Economic considerations

38. The project will have a positive economic impact for Southwark and its leaseholders and tenants. First, heat energy that is currently wasted will be used productively. Second, there may be 'spin off' opportunities to use heat energy based on Southwark as an 'anchor customer' for a major heat load. Finally, all of this can be achieved whilst ensuring that the cost of heat energy supplied to the Council, its tenants and leaseholders is lower than the alternative cost of heating using gas.

Social considerations

39. The project will contribute to a reduction in fuel poverty and energy security in an area that suffers from deprivation.

Environmental considerations

40. The project will have significant environmental benefits as described in the Foreword and in the sections on Policy Implications, Community Impact, and Sustainability above. The contractor will be required to manage the construction phase and deliver the project in an environmentally sensitive manner.

Market considerations

41. The contractor is a private organisation with more than 500 employees and has a national area of activity. The contractor is the same legal entity as for the Waste PFI contract previously awarded.

Plans for transition from the old to the new contract

42. This project will involve civil engineering and renewable energy technology. The Sustainable Services' management team have knowledge and experience in both these areas as a result of managing the construction of the Integrated Waste Management Facility at the Old Kent Road. The team will therefore manage the project throughout the construction and commissioning phase, calling on industry expertise as needed through relationships built during the construction of the waste facility.
43. Once the project is complete and functioning correctly, management of the contractual relationship with VES will transfer to the Housing Engineering team as Housing will be the consumer of the heat produced.

Plans for monitoring and management of this contract

44. When the heat network is successfully commissioned and becomes operational, contract management will be taken over by the Housing Engineering team, so that performance of the contract (the quality and continuity of supply) can be monitored.

45. Engineering & Compliance comprises of a number of specific disciplines including a commercial team and a dedicated technical resource for heating. We anticipate that the SELCHP contract will fit neatly into current contract management processes. The existing team have the necessary experience to closely monitor this type of contract to ensure that value for money and high performance is achieved at all times. The SELCHP contract will be added to the heating team portfolio and regular formal meetings will be set-up, this process will also develop appropriate KPI's to ensure that performance is accurately measured inline with the contract provisions.

Identified risks in awarding this contract

46. The project is being managed through a Project Board (consisting of senior Directors and Officers) and a Project Team with day to day responsibility for managing the project and the procurement. The Project Board reports to Corporate Management Team and to Members. A comprehensive Risk Register has been developed and has been reviewed and updated through the life of the project. A named Council Officer is assigned as the appropriate 'risk owner', and is required to report on steps being taken to mitigate the risk.
47. The Project Team is managing the mitigation of these risks and they are considered by the Project Board as a standing item on the Board agenda. Key risks identified include the following:

Risk	Mitigation
The risk to obtaining value for money when negotiating with a single supplier	Negotiations with VESS have been based on establishing transparency of pricing. The Council has developed its own pricing model to enable it to evaluate the VESS proposal. External professional advisors have been engaged and consulted throughout the negotiation process. A pricing mechanism indexed to conventional energy costs has been agreed.
Risk that the heat network is not delivered, resulting in the loss of an opportunity of saving approximately 10,000 tonnes of CO2 emissions per annum, and reducing local pollution by turning off the gas boilers that heat 3,000 properties. Failure to deliver the project will also result in the loss of an opportunity to reduce fuel poverty.	The project is being actively driven by Council officers, using PRINCE2 project management methodology and aiming at a solution that delivers the benefits of the scheme for the council whilst allowing Veolia to make an appropriate return on their investment.
Risk that the heat network is not delivered, resulting in Veolia being required to pay £500k into a green fund under the s106 agreement related to the Old Kent Road waste facility. Under the PFI	The project is being actively driven by Council officers, using PRINCE2 project management methodology and aiming at a solution that delivers the benefits of the scheme for the council whilst allowing Veolia to make an appropriate return on their investment.

Risk	Mitigation
contract terms this cost would be passed back to the Council	
Failure or delays in obtaining permissions to carry out the infrastructure works required	Council officers are working to ensure that Veolia are engaged with TfL and Network Rail. Consent/planning milestones and monitoring are being/will be required. Risk of obtaining easements is with VESS.
Potential conflicts with other Council priority projects	The Board structure, with updates to CMT, enables links with other projects. The Board ensures that the project has a high profile in the Council and all departments are aware of interfaces.
Uncertainty over the life of the estates to be heated through the project	The HoTs set out which costs will be recovered through fixed charges and which through variable charges, to balance demand risk against pricing level.
Risk that the heat network fails to operate, breaks down or fails to perform adequately.	During the period of the heat supply contract Veolia will be required to maintain Southwark's gas fired boilers so that they can be used for back-up or top-up heat as required, and also to hand the system back at the end of the contract in a state which allows Southwark to revert to using its gas fired boilers to provide heat to the network. Therefore it may be considered that if the system fails or Veolia is in breach of the contract, Southwark can simply return to using the gas boilers.
Risk that agreement cannot be reached on items delegated to Cabinet member for transport, environment and recycling.	Agreement on Heads of Terms minimises the substantive matters to be agreed in the final contract and detailed negotiations with VESS planned for prior to contract close.
Risk that the LVT process takes more time than anticipated, or that the LVT refuses to grant s.20 dispensation.	Officers have engaged in extensive consultation with leaseholders and tenants, and a comprehensive file of information supporting the application will be submitted. This information will demonstrate, as set out in the HoTs, that the price of heat purchased through the contract will be lower than the cost of providing heat using gas boilers.

48. Cabinet may take the view that the downside risks associated with this project are minimal and that there are appropriate mitigations in place, whilst the potential benefits, in environmental and financial terms, are significant.

Performance bond/Parent company guarantee

49. A parent company guarantee will be provided by VESS.

Staffing/procurement implications

50. There are staff resource implications which are noted, along with mitigating measures, in the Board's Project Plan and Risk Register. More broadly, the Project Board, chaired by the Strategic Director for Environment and Leisure, is responsible for taking the decisions which manage the procurement process. A Project Team (including Officers from Sustainable Services, Finance, Legal, Housing, Planning, Procurement and other staff as well as contracted in technical specialists and external professionals as required) manage the project on a day-to-day basis. A Project Manager leads the Project Team and reports to the Project Board.
51. On the basis that before the contract there are no council or contractor employees dedicated to the management, operation or maintenance of the boiler houses and the rest of the procurement exercise does not involve the transfer of any other activity or assets, there are no TUPE implications arising from this procurement.

Financial and charging implications

52. A financial analysis has been undertaken to ensure that the proposal represents good value for the council. The financial assumptions presented by Veolia have been challenged and as a result the scheme financial model has been revised to the council's satisfaction for this stage of the procurement, and will continue to be revised during the negotiations.
53. The capital cost of the scheme is set out in the Closed version of this report and will be funded by Veolia. The council is not making any capital contributions to the proposed scheme and will reimburse Veolia for its capital investment through the heat charge payable for the service, which will also include an element for the scheme lifecycle and repairs requirements.
54. The Veolia financial model produces a charge to the council at a level set out in the Closed version of this report. This is based on a mutually agreed anticipated heat consumption level. It is recognised that the final agreed charge will contain an element of demand risk to the council, however the extent of this will be mitigated through Veolia's provision of substitute heat during any necessary maintenance periods and through advance notification of changes in stock numbers by the council.
55. The council anticipates revenue savings arising from the new contract when compared to the current total cost of providing heat to the four estates. In the case of leaseholders any savings arising will be passed directly to individual leasehold units at the end of each financial year; in the case of tenants, savings will be pooled and redistributed within the HRA heating account on a borough-wide basis in accordance with council policy.
56. Financial, legal, technical and project management advice has been sought to support council officers in progressing the procurement and is budgeted at a cost of £0.5m for the full procurement. Advisors have been procured via competitive tender to generate the best value for the council and the cost of this advice, along with officer time will be resourced from existing budget allocations.

57. The former Executive received a detailed report on 14 February 2006 regarding the operation of the Heating Account, and charging policies therein. In short, the budgeted costs for the forthcoming year are identified (principally under the gas supply contract noted above), a contribution from relevant leaseholders is evaluated, and alongside the balance remaining on the ring-fenced account the resultant total cost required to be recovered is applied to a matrix of charges dependent on both bed-size and the particular type of district heating received.
58. There is no disaggregation of these charges on a geographic basis – a tenant liable for a district heating charge will pay the same no matter their location within the borough. Leaseholders are charged on an actual costs incurred basis, in common with other aspects of their variable service charges in line with their lease, as opposed to the budgeted basis outlined above. The difference between the anticipated contribution from leaseholders and the actual sum identified after the financial year-end is applied as an adjustment to the following year's budget.
59. It is felt that since the original policy perspective behind establishing a ring-fenced approach to heating charges was to ensure both fairness and transparency across borough, that this should be preserved. However this would only be possible if SELCHP are able to provide differential costing information in order to identify utility costs (for inclusion within the heating account) and other costs (for exclusion).
60. With regard to leaseholder charges, since these are actualised, and calculated on a block or estate basis, it is likely that leaseholders residing within the areas directly supplied by SELCHP will see a reduction in their charges over time. Other leaseholders in the borough will not see these benefits.

Legal implications

61. Please see paragraphs 67 to 69 below.

Consultation

62. A communications plan forms an important part of the Project Plan. There has been extensive consultation with a wide range of stakeholders including residents and tenants and home owner councils, and commercial occupiers of the estates, third parties such as TfL, GLA and the Mayor's Office, Defra, DECC, Southwark housing associations and private developers, and Lewisham Council.
63. Officers have made presentations for meetings of local tenants and leaseholders through the relevant Area Housing Forums, Home Owners Council and Community Councils. Ten meetings with local residents have been held in total. Residents of the estates that will be connected to the scheme have been supportive of the project, recognising the benefits in terms of the environment and potential cost savings. Residents of estates that are not scheduled for connection to the scheme have asked why and/or when connection will become feasible.
64. The Friends of Southwark Park have always supported the project, but objected to the original proposed route which passed through the park, raising concerns about potential disruption and long-term damage to trees and planting. Officers have now agreed a route that avoids Southwark Park altogether.

65. Other stakeholders are supportive of the project which is consistent with local, regional and national policies on reducing CO₂ emissions, developing low carbon heat networks and decentralised energy.
66. As part of the process of applying to the LVT for dispensation from the s.20 requirement to consult (see the concurrent from the Head of Home Ownership Unit below) a letter has been sent to approximately 3000 homes on the estates that will be connected to the heat network, inviting them to a public meeting on 08 May 2012 to discuss the project and its implications for them as leaseholders and tenants. Comments from this meeting will be fed back to Cabinet.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Communities, Law & Governance (KM0412)

67. This report seeks the Cabinet's approval to the award in principle of the Heat Network Contract to VESS, subject to agreement of those matters noted in paragraph 3, and asks the Leader to delegate agreement to the award of the contract to the cabinet member for transport, environment and recycling following finalisation of those outstanding issues.
68. The nature and value of these services are such that they are subject to the full application of the EU procurement Regulations. The report however explains the preferred option to entering into an additional services contract with VESS to provide these services. Regulation 14 of the Public Contract Regulations 2006 permits the council to negotiate with a current provider to provide additional services in certain circumstances. The cabinet is advised that the council has sought external legal advice from Leading Counsel whose advice supports the use of the negotiated procedure.
69. External legal advisors are appointed and will assist the council in the final negotiations and agreement of the final form of contract with VESS.

Finance Director (AV0412)

70. This report is recommending the approval of the award of the Southwark Heat Network contract to Veolia Environmental Services Southwark Ltd, and that the Cabinet delegates authority to sign the contract to the Cabinet Member for Transport, Environment and Recycling following finalisation of the agreement on price and indexation by officers.
71. The financial implications of the report are noted. Areas of financial and technical risk and complexity remain which should be fully resolved before a final contract can be agreed. The assets in this proposal will be used solely by the Council and there are accounting issues relating to their accounting treatment, which will need to be addressed. The council will need to be confident that the solution proposed by Veolia represents good value for Southwark residents in the context of its charging regime for residents, and housing investment programme. To ensure this confidence officers and advisors will continue to challenge and scrutinise Veolia's proposals in depth.
72. The cost of specialised advisors supporting officers with the procurement is significant, but required for a scheme of such complexity. It is acknowledged that by properly resourcing the project a successful procurement is more likely,

with council risk exposure being mitigated during the process. The cost of officer and advisor time will be met from existing budget allocations.

Procurement Issues

73. A Gateway 1 report approved by Cabinet in January 2011 gave authority for the Council to enter into negotiations with VESS for a contract for a Southwark Heat Network. This Gateway 2 report now seeks approval for the Council to enter into the contract subject to final agreement on price and indexation.
74. As set out in the report, the heat services agreement will take the form of an additional services contract as part of the waste PFI contract as well as satisfying the planning conditions imposed as part of the s106 agreement.
75. The report confirms that Regulation 14 of the Public Contracts Regulations 2006 allows the Council to procure this service as a contract for additional services to the waste PFI contract and did not require advertising.
76. The contract provides that the capital cost of installing the heat mains will be met entirely by VESS, and the Council will agree to buy heat until 2033. The price of the heat will be set at a level lower than the alternative cost of heating using the existing gas boilers. Agreement has yet to be reached on the final price and indexation and delegated authority is therefore sought for contract approval once this is achieved.
77. Expert advisers have been engaged to work with Council officers to deliver the project and appropriate advice has been received to confirm that the proposals meet the Council's requirements and is cost effective. The report confirms that detailed governance and risk management protocols were established to manage the project.
78. The report confirms that plans will be developed for the monitoring and management of the contract so that management processes are in place when the project becomes operational.
79. The report confirms that extensive consultation with a wide range of stakeholders has been undertaken and that the proposed scheme is supported with recognition of the benefits to be derived from it in terms of the environment and potential cost savings.

Head of Asset Management and Investment Planning (DM0412)

80. Housing management recognises district heating schemes as an effective means of delivering emissions reductions at least cost and in turn fully supports this project. Housing management also recognises the benefits this project will bring to residents in terms of a reduction in fuel costs and enhanced security of supply.
81. The contract as drafted means that VES will be responsible for the provision of heat to heat exchangers to the primary boiler houses. This will result in split responsibilities for the management and maintenance of the network. As a result the interface between the new heat network and Southwark's existing secondary network will require effective management. Engineering & Compliance comprises of a number of specific disciplines including a commercial team and a dedicated technical resource for heating. We anticipate that the SELCHP

contract will fit neatly into current contract management processes. The existing team have the necessary experience to closely monitor this type of contract to ensure that value for money and high performance is achieved at all times. The SELCHP contract will be added to the heating team portfolio and regular formal meetings will be set up, this process will also develop appropriate KPIs to ensure that performance is accurately measured inline with the contract provisions.

82. Technical analysis has considered, amongst other things, the compatibility of the heat exchangers and pipework infrastructure with the temperature outputs of the SELCHP generators as they are designed for specific flow and return temperatures.
83. As with all long-term schemes, there is an element of uncertainty as to what the future may hold with regards to investment, regeneration, or other initiatives which may impact upon the council's housing stock. This uncertainty will be reflected and the council's position protected for the term of the contract.

Head of Home Ownership Unit (LT0412)

84. The leaseholders on these estates are currently receiving a communal heating service, for which they are service charged. Where the Council proposes to enter into a long term agreement that is for a period of more than 12 months and which will result in a service charge of more than £100 per annum to any one leaseholder statutory consultation under section 20 of the Landlord and Tenant Act 1985 (as amended) is required, or the Council is unable to recharge in excess of the £100 per annum. However, due to the nature of the proposed contract the statutory consultation it is not possible so the Council is applying to the Leasehold Valuation Tribunal for a complete dispensation of its obligations under section 20, with the proviso that an alternative consultation process with leaseholders is being undertaken. It is anticipated that there will be no insurmountable objections provided that the cost of energy to tenants and leaseholders can be demonstrated to be below the alternative cost (of gas heating currently provided).
85. Whilst the outcome can never be guaranteed, the fact that the project will lead to lower energy costs for the duration of the contract than would otherwise be the case if gas were to continue to be used, a favourable outcome at LVT is anticipated.
86. In addition because the contractor will take over responsibility for boiler maintenance as part of the agreed heat price, leaseholders will no longer be recharged for this work, which can be expected to be seen as a significant benefit.
87. The costs of providing heating and hot water to each estate must be accurately identified and easily obtained for service charge purposes.

BACKGROUND DOCUMENTS

Background papers	Held At	Contact
Contract Register Update Form	160 Tooley Street, London SE1 2QH	Ian Smith, Head of Sustainable Services, 020 7525 2484
Southwark Combined Heat & Power Project, Project Initiation Document	As above	As above
SELCHP Community Heating Scheme – Options Appraisal	As above	As above
Gateway 1 report to Cabinet	As above	As above
Council Plan	As above	As above
Carbon Reduction Strategy	As above	As above
Waste PFI s.106 agreement	As above	As above

APPENDICES

No.	Title of appendix
Appendix 1	Map of proposed route

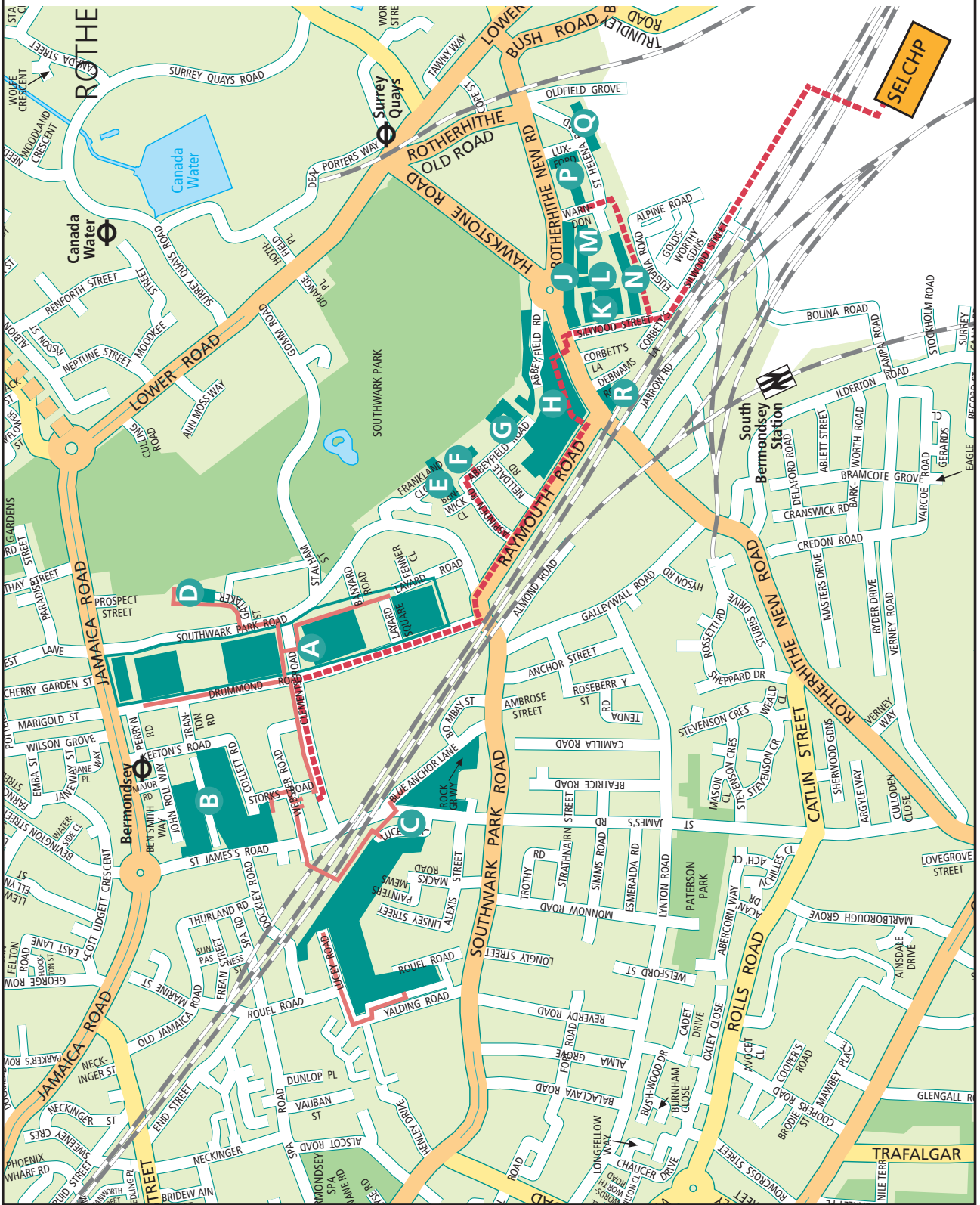
AUDIT TRAIL

Cabinet Member	Councillor Barrie Hargrove, Transport, Environment & Recycling		
Lead Officer	Gill Davies, Strategic Director Environment and Leisure		
Report Author	Ian Smith, Head of Sustainable Services, E&L		
Version	Final		
Dated	3 May 2012		
Key Decision?	Yes	If yes, date appeared on forward plan	January 2012
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER			
Officer Title	Comments Sought	Comments included	
Strategic Director of Communities, Law & Governance	Yes	Yes	
Finance Director	Yes	Yes	
Head of AMIP	Yes	Yes	
Head of Home Ownership Unit	Yes	Yes	
Contract Review Boards			
Departmental Contracts Review Board	Yes	Yes	
Corporate Contracts Review Board	Yes	Yes	
Cabinet Member	Yes	Yes	
Date final report sent to Constitutional Team			3 May 2012

Southwark low carbon heat network

- A** Four Squares Estate
- B** Keetons Estate
- C** Rouel Road Estate
- D** Slippers Place Estate - Arica House
- E** Abbeyfield Estate - Damory House
- F** Abbeyfield Estate - Maydew House
- G** Abbeyfield Estate - Thaxted House
- H** Pedworth Estate
- J** Silverlock Estate - Westlake
- K** Silverlock Estate - George Walter House
- L** Silverlock Estate - Adron House
- M** Silverlock Estate - McIntosh House
- N** Silverlock Estate - Millender Walk
- P** Tissington Court
- O** Silwood Estate - Silwood No 1. St Helena Road
- R** Silwood Estate - Silwood No. 2

New mains - - - - -
 Existing mains —



Item No. 13.	Classification: Open	Date: 15 May 2012	Meeting Name: Cabinet
Report title:		Motions Referred from Council Assembly	
Ward(s) or groups affected:		All	
From:		Strategic Director of Law, Communities & Governance	

RECOMMENDATION

1. That the cabinet considers the motions set out in the appendices attached to the report.

BACKGROUND INFORMATION

2. Council assembly at its meeting on Wednesday 28 March 2012 agreed a number of motions and these stand referred to the cabinet for consideration.
3. The cabinet is requested to consider the motions referred to it. Any proposals in a motion are treated as a recommendation only. The final decisions of the cabinet will be reported back to the next meeting of council assembly. When considering a motion, cabinet can decide to:
 - Note the motion; *or*
 - Agree the motion in its entirety, *or*
 - Amend the motion; *or*
 - Reject the motion.

KEY ISSUES FOR CONSIDERATION

4. In accordance with council assembly procedure rule 2.10(6), the attached motions were referred to the cabinet. The cabinet will report on the outcome of its deliberations upon the motions to a subsequent meeting of council assembly.
5. The constitution allocates responsibility for particular functions to council assembly, including approving the budget and policy framework, and to the cabinet for developing and implementing the budget and policy framework and overseeing the running of council services on a day-to-day basis.
6. Any key issues, such as policy, community impact or funding implications are included in the advice from the relevant chief officer.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Motions submitted in accordance with council assembly procedure rule 2.10 (6).	160 Tooley Street London SE1 2QH	Lesley John Constitutional Team 020 7525 7228

LIST OF APPENDICES

No.	Title
Appendix 1	Motion on the theme – Older People
Appendix 2	Universal Credit
Appendix 3	Post Offices for Southwark
Appendix 4	South London Line Replacement
Appendix 5	Gay marriage

AUDIT TRAIL

Lead Officer	Ian Millichap, Constitutional Manager	
Report Author	Lesley John, Constitutional Officer	
Version	Final	
Dated	4 May 2012	
Key Decision?	No	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Acting Chief Executive	Yes	Yes
Strategic Director of Health and Community Services	Yes	Yes
Strategic Director of Communities, Law and Governance	No	No
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team	4 May 2012	

APPENDIX 1**MOTION ON THEMED DEBATE - OLDER PEOPLE**

At council assembly on Wednesday 28 March 2012 a motion on the theme 'older people' was moved by Councillor Michael Situ and seconded by Councillor Kevin Ahern. The motion was agreed and stands referred to the cabinet as a recommendation.

Recommendation

- (1) That council assembly acknowledges that:
 - 10 million people in the UK are over the age of 65 and this will rise to 15.5 million by 2035
 - 3 million are over the age of 80 and this is set to double in 20 years time.
- (2) That council assembly welcomes and celebrates the fact that we are all living longer and pays tribute to the amazing contribution older people make to Southwark's diverse communities, economy and society as a whole.
- (3) That council assembly calls on members to recognise this contribution and discuss how more can be made of the opportunities that longer lives bring with particular focus on:
 - How the council can recognise the role that people in later life often play in their communities, through volunteering, caring and by playing an active role in neighbourhood life
 - How people in Southwark can take advantage of the wide variety of sporting, educational and social activities available as they get older
 - How the council can promote the greater role that more active grandparents play in their families' lives
 - How the council can work with the NHS and other partners to give older people more choice in the services they receive, enabling them to live healthy lives and stay in their own homes and communities for longer.
- (4) That council assembly also recognises the council's important role in caring for older people who require care and support.
- (5) That council assembly notes that £1.3 billion has already been cut from local council budgets for older people's social care and believes the council should strive to create an adult care system that helps older people to find the support they need, enabling them to live healthy, independent lives in their own communities and homes, rather than retaining a long-term dependency on council services, whilst also protecting our most vulnerable older residents.
- (6) That council assembly also recognises that many of the groups in Southwark that provide services to older people have lost their funding through government cuts and so welcomes the council's "innovation fund" which is enabling local organisations to become more self-sustaining going forward.

Comments of the Strategic Director of Health & Community Services

1. A number of initiatives have been developed in line with this motion, including:
 - “My Support Choices” has been launched, providing an online guide that enables people to easily explore the options available for obtaining support from a range of providers
 - 1,383 older people benefitted from some form of a personal budget during 2012/13
 - 1 local organisation have benefitted from the Innovation Fund to develop new models of support.
2. The Joint Strategic Needs Assessment for older people is at a draft stage and will shortly be published. It will inform the development of the Health and Well-Being Strategy with respect to older people. Key themes emerging include levels of deprivation, housing issues, projected growth in the population of older people, especially those aged over 90, and the need for improvements in prevention and managing long term health conditions.

UNIVERSAL CREDIT

At council assembly on Wednesday 28 March 2012 a motion on universal credit was moved by Councillor Richard Livingstone and seconded by Councillor Chris Brown. The motion was subsequently amended and the amended motions stands referred to the cabinet as a recommendation.

Recommendation

- (1) That council assembly notes that, starting in October 2013, universal credit will begin to replace income support, job seekers allowance, employment and support allowance, housing benefit, working tax credit, child tax credit and support for mortgage interest.
- (2) That council assembly recognises that universal credit is a household benefit and that the income from universal credit will therefore be critical to the household incomes of thousands of its residents who are both in and out of work.
- (3) That council assembly therefore believes that the quality of the universal credit 'service' will be important to the lives of its citizens and that the planned reliance on a web based delivery model backed up by remote call centres without the inclusion of a local, easily accessible, face to face service element puts the successful introduction of universal credit at significant risk.
- (4) That council assembly therefore calls on the cabinet:
 - 1) To approach Department for Work and Pensions (DWP) and raise its concerns.
 - 2) To develop jointly with DWP local arrangements for the delivery of universal credit and to report back on progress to the cabinet member for finance, resources and community safety, specifically addressing the resources required and responses to the following basic questions:
 - How will someone apply locally?
 - Where will they apply locally?
 - Where will they take required documents locally?
 - Where will the local 'universal credit' office be and what office accommodation will be required?
 - How will the skills and experience of existing benefits staff be utilised and how many staff will be needed?
 - How does an individual citizen get face to face advice and help if they have a problem?
 - 3) To support the Local Government Association in pressing for universal credit to be administered by local authorities.

Comments of the Acting Chief Executive

1. The council is actively engaged in working towards influencing government strategy on models of delivery for Universal Credit. As a pilot authority for demonstrating 'direct payment' to claimants the authority will be at the forefront of understanding the potential impact on the community. Southwark revenues & benefits service has seconded a manager (at no cost to the council) to the Universal Credit programme who works to raise the profile of local governments' role in the future development of the operational model.
2. Whilst Universal Credit is a large-scale change the council is actively looking at the proposed additional changes including the replacement of the Council Tax Benefit Scheme & localisation of the Social Fund both of which have shorter term implications for both the community & the council.
3. The Local Government Association (LGA) in partnership with the Department for Work and Pensions (DWP) issued a prospectus for Universal Credit pilots on the 26 April. The council is currently reviewing the information to see if it would be in the council's interest to put in an application. Pilots are expected to be picked in the summer and operational from September 2012.

POST OFFICES FOR SOUTHWARK

At council assembly on Wednesday 28 March 2012 a motion on post offices for Southwark was moved by Councillor Catherine Bowman and seconded by Councillor Anood Al-Samerai. The motion was subsequently amended and the amended motion stands referred to the cabinet as a recommendation.

Recommendation

- (1) That council assembly notes the importance of local post office branches in Southwark for local people, small businesses and the community as a whole.
- (2) That council assembly regrets the closure of post offices in Southwark in 2002 and 2008. It notes that Essex Council acted to save the post offices in Essex that were under threat in 2008. It further notes that Labour in Southwark campaigned for the Liberal Democrat/Tory council in Southwark to take similar action at the time, but that it chose not to.
- (3) That council assembly notes that 48% of the £1.34 billion of 'new money' announced by the government for investment in the post office to aid the privatisation of Royal Mail is existing subsidy and that the four year package of funding is £360m less than the last Labour government's funding package of £1.7bn in 2006.
- (4) That council assembly notes that under the government's network transformation plans thousands of post offices will be closed and replaced with counters in shops, off licences and petrol stations – known as 'Post Office Locals'. Locals will not provide:
 - international parcels and parcels weighing over 5kg and 6kg respectively
 - Parcel Force Express Services parcels
 - manual cash deposits and withdrawals
 - change giving service to small businesses
 - post office financial services and insurance products
 - manual bill payment services
 - passport, car tax and DVLA services
 - on-demand foreign currency
 - payment by cheque.
- (5) That council assembly notes the widespread concern about the effects of network transformation has led to 75 MPs, including five Liberal Democrats, to call for a moratorium on the plans, and the Business, Innovation and Skills select committee will be holding an inquiry in May.
- (6) That council assembly notes the comments of the cabinet member for finance, resources and community safety in 5 January's Southwark News, welcoming the Southwark Liberal Democrats' "Damascene conversion" and committing the council to working "with the post office to look into whether it is possible to combine post office services with other facilities".
- (7) That council assembly calls on the cabinet to follow through with this commitment and report back on progress in not more than six months.

- (8) That council assembly notes the previous Liberal Democrat and Tory administration's decision to relocate Bermondsey One Stop Shop and welcomes the decision to locate alternative facilities at 11 Market Place in The Blue.
- (9) That council assembly condemns Southwark Liberal Democrats' proposal to delay the introduction of these facilities at The Blue which could potentially result in a period where those services would be unavailable in the north-east of the borough.

Comments of the Acting Chief Executive / Strategic Director of Housing Services

1. There are 21 post offices in Southwark, 5 of which are known as Crown Post Offices (the traditional larger dedicated post offices). The Post Office have made a commitment to maintain the size of the network, so if a Post Office closes down the expectation is that a new Post Office will be opened in the vicinity.
2. Further, the Post Office is in talks with the central government about delivering "government on the high street". With the advent of universal credit later this year, the Post Office hopes to deliver customer services for universal credit customers who need it.
3. The Post Office are currently undertaking pilot work with some councils (such as Westminster) where they believe they can deliver services which fall in the category of paying bills, check and verify, apply for licences, and other similar transactions, predominantly on a cost per transaction basis. Within Southwark, tenants with a LBS swipe card are currently able to pay their rent at a Post Office and Southwark's forthcoming Customer Access Strategy will further outline 'working with others' to improve service delivery and where the business case makes sense to do so. Any proposals will, of course, be subject to procurement processes.
4. With regards Bermondsey One Stop Shop (BOSS), 17 Spa Road has been disposed of for development to facilitate the further regeneration of that area and provide for a capital receipt, in line with the decisions taken by the previous executive. The council now needs to provide vacant possession of the site by the end of the year. As noted in the motion, alternative premises to replace BOSS have been identified at 11 Market Place in The Blue. If approved, and subject to any planning constraints, this will provide excellent modern facilities for local people at a central Bermondsey location. The site is well served by local buses in a pedestrian area easily accessible by all residents. The new facility will open towards the end of 2012 to enable services at 17 Spa Road to transfer directly across without a break in the provision of service in Bermondsey.

SOUTH LONDON LINE REPLACEMENT

At council assembly on Wednesday 28 March 2012 a motion on the South London line replacement was moved by Councillor Renata Hamvas and seconded by Councillor Mark Glover. The motion was agreed and stands referred to the cabinet as a recommendation.

Recommendation

- (1) That council assembly notes that the South London Line is a well-used regular train service linking Victoria and London Bridge. Thousands of Southwark residents use it on a daily basis, as it serves Denmark Hill, Peckham Rye, Queens Road, Peckham Station, South Bermondsey and London Bridge from early morning until late evening seven days a week.
- (2) That council assembly regrets that this service is due to be cancelled later this year when the East London Line spur from Surrey Quays to Clapham Junction is opened. There will be a reduced service from Peckham Rye, Queens Road and South Bermondsey to London Bridge. As a consequence of the cancellation of the South London Line, Southwark residents will no longer have a train connection to Victoria in the evenings and early mornings and half the current service at other times.
- (3) That council assembly notes that the service that will remain if no replacement is offered is the Victoria to Dartford service that starts at rush hour and finishes in the early evening. The Victoria to Dartford service is already unfit for purpose. Southwark residents are walking to New Cross to get southbound trains in the morning as the service starts too late. Also, residents cannot access by train, a key connection with the Docklands Light Railway/train hub at Lewisham outside Monday to Saturday peak hours. For two years, the First Capital Connect service has been diverted to Victoria in the evenings. The level of use of this service and the soon to be axed South London Line has shown there is great demand for an evening service to Victoria from the Southwark stations.
- (4) That council assembly believes the new East London Line is a welcome addition to transport links for Southwark residents. It is however, very much a supplement rather than a substitute to existing routes, as Clapham Junction is geographically a very different destination to Victoria. It is understood that due to routing challenges, with the increased line use that changes to the current service may be necessary. However, suitable substitutes need to be in place.
- (5) That council assembly supports the proposal for the Victoria to Dartford service to become a full, early morning until midnight seven-day a week service (two trains per hour in each direction), complementing a full First Capital Connect Sevenoaks to Bedford service via Blackfriars. Additional service would be provided during peak hours (similar to the current Victoria to Dartford service) with two trains per hour between Victoria and Bellingham. This would result in maintenance of the current train frequency at Denmark Hill and Peckham Rye to and from Victoria and an increase of two trains per hour at Nunhead. Two trains per hour would still be lost from Queen's Road Station; however, Nunhead Station is 10 minutes walk from Queen's Road.

Comments of the Cabinet Member for Transport, Environment and Recycling

1. While we are wholeheartedly in support of the introduction of the East London Line Extension 2, we feel the loss of the South London Line will leave a severe gap in transport for many of our train travelling public. We have extensively lobbied and will continue to lobby as we believe that Network Rail and the Government should mitigate this loss of service.

GAY MARRIAGE

At council assembly on Wednesday 28 March 2012 a motion on gay marriage was moved by Councillor David Noakes and seconded by Councillor Abdul Mohamed. The motion was agreed and stands referred to the cabinet as a recommendation.

Recommendation

- (1) That this council acknowledges the role of individual parliamentarians, of all parties and no parties, and successive governments since the early 1990's to introduce legislation to provide equal rights for lesbian, gay, bisexual and transgender people in the UK.
- (2) That this council notes and welcomed the introduction of civil partnerships for same-sex couples by the last government.
- (3) That this council supports the current government's proposals to consult on how to enable same-sex couples to have a civil marriage and the subsequent introduction of legislation in this parliament to make this a reality.

Comments of the Acting Chief Executive

1. In October 2010 the majority of the new Equality Act came into force. This consolidates the numerous acts and regulations that form the basis of anti-discrimination law, all in one Act. The Act introduces nine protected characteristics – including marriage and civil partnership.
2. The Council's Approach to Equality, which was agreed by cabinet in December 2011, confirms the council's commitment to place equality at the heart of the fairer future vision as set out in the council plan. This includes a commitment to promoting people's rights and responsibilities and to protecting the rights of those who live in Southwark by ensuring that abuse; mistreatment or discrimination is identified and dealt with.

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Southwark News	1	Total:	65
South London Press	1	Dated: 30 April 2012 (PT/CT)	
Members of Parliament			
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Tessa Jowell, MP	1		
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