

Meeting Name:	Cabinet
Date:	22 July 2024
Report title:	177 Abbey Street, SE1, Key Worker Housing and Community Facility, Gateway 1 Development Partner procurement via Pagabo Framework
Cabinet Member:	Councillor Helen Dennis, New Homes and Sustainable Development
Ward(s) or groups affected:	London Bridge and West Bermondsey
Classification:	Open

FOREWORD - COUNCILLOR HELEN DENNIS, CABINET MEMBER FOR NEW HOMES AND SUSTAINABLE DEVELOPMENT

I'm delighted to be bringing forward this report, which proposes a way forward to deliver new Keyworker Homes alongside a new Community Centre on the much loved Beormund Community Centre site in Bermondsey. The council has a stated commitment to deliver new homes for keyworkers in our borough, conscious of how challenging it can be to find affordable accommodation for those working in our borough as nurses, teachers or social care staff, to name a few. These homes will be offered as short-hold tenancies with rents capped at equivalent levels to London Living rent, as set by the Mayor of London. These are an 'intermediate' affordable housing product and will remain as keyworker homes in perpetuity. 177 Abbey Street has been identified as an appropriate pilot site and, following initial conversations with the community, it is our intention to procure a development partner to deliver this scheme on our behalf. We have identified the Pagabo Framework as the best procurement route forward and following the process set out in this report, a prospective partner will be responsible for designing a scheme that meets the brief and delivers both a new community centre and new keyworker homes for Southwark residents.

RECOMMENDATIONS

Recommendations for the Cabinet

That the cabinet:

1. approve the strategy outlined in this report to procure a Development Partner (DP), via the Pagabo Framework, to deliver, via a Development Agreement (DA) for a development at 177 Abbey Street, comprising the delivery of circa 100 Keyworker Housing (KWH) units and a community facility, and to undertake the management and maintenance of the building and the administration of the KWH lettings for a lease period of 40 years
2. approve the council underwriting 50% of the preferred bidder's costs for the Pre-Development Agreement (PDA) period, to a capped maximum £750k, payable only in the event of unsuccessful PDA outcomes (failure to achieve

Planning) from the Regeneration and Development Fund reserves, General Fund, and not payable in the event of the preferred bidder choosing to withdraw

3. approve the gateway (GW2) decision to award of the PDA to the preferred bidder be under delegated authority to the Strategic Director of Finance in consultation with the Head of Property and the Cabinet Member for New Homes and Sustainable Development
4. note that the council will enter into a DA with the preferred DP, upon successful completion of the PDA outcomes, comprising planning consent and conclusion of the detailed negotiations and estimated to take a period of between nine and 12 months
5. approve the award of the DA, disposal of land and acquisition of land, and other appropriate documentation (including the granting of a lease over the council's land for a 40-year period, an agreement for lease, and scope to grant a new lease beyond the initial lease period), be under delegated authority to the Strategic Director of Finance in consultation with the Head of Property and the Cabinet Member for New Homes and Sustainable Development
6. approve the cost of the use of the Pagabo framework, payable upon successful conclusion of the DA, anticipated to be £95k (of which £75K at signing of the DA plus 1% of the PDA costs, circa £20k
7. approve the decision with regards to any changes in the funding strategy (currently grant funding) be delegated to the Strategic Director of Finance.

REASONS FOR RECOMMENDATIONS

8. The council has committed to deliver (or implement) 500 KWH by 2026. KWH is a housing product characterised by rolling short-let tenancies at sub-market levels for essential workers (further detail is set out later in this report, under Background). This development is the pilot project for the council, which will see the first, circa 100, units delivered against the overall target.
9. The site, at 177 Abbey Street SE1, in the London Bridge and West Bermondsey Ward, is the location of the former Beormund Community Centre (further detail is set out later in this report, under Background) and abuts the Arnold Estate. It is General Fund Land. The development will deliver a 100% Affordable Intermediate Rent housing scheme as KWH and a replacement community facility.
10. The site serves very well for KWH. It is located next to Zone 1, is near to good public transport links and is within walking distance to the location of some of the borough's primary services sectors. The site offers a developable area of 870m² within the indicative proposed boundary area of circa 1,400m² (ref Appendix 1). This is suitable for a single building development; in this case, a single-tenure (one residential entrance door) KWH accommodation over a replacement community facility on the ground and first floor. The proximity to the railway viaduct, and the noise impact of that, can be managed through careful design.

11. The delivery route via a DA is recommended to realise this KWH project. This is because council cannot grant Assured Short-hold tenancies without creating a secure tenancy, so the only mechanism available to the council to deliver its KWH target is either via a council-owned property company vehicle (which is not currently in place), a DA, or third-party commercial arrangements. The council does however intend to hold a list of people from the borough eligible for KWH (further detail is set out later in this report, under Background) and the DA shall provide for first-refusal nominations to be drawn from the council's list. In this way, via the DA, the council will be delivering KWH in the borough for its key workers in line with the council commitment.
12. The value of the site will be tested through a competitive process and will be subject to the viability of any approved scheme. Whilst it may yield a positive land receipt, external advice indicates it is not expected to do at present given the 100% KWH tenure and new community space to be provided. Based on the construction value of circa £35-40m, grant funding across all units, the low rent levels of KWH product, the on-going administration of the short-hold tenancies, and the provision of a new community facility, the project is anticipated to deliver a neutral land value, which is to be expected given the tenure aspirations of the site. It should be noted that the council will retain the freehold and that any units built will return in full to council ownership and control at the end of the lease.
13. Soft-market testing has been undertaken and, in line with external advice, the findings show there is market appetite for this project. This is on the basis of a sound development opportunity on council land at nil value and supported by grant, as well as a reliable revenue rental pipeline over a 40-year lease period.
14. The award of the PDA to the preferred bidder will provide for the design to Planning as well as the conclusion of the DA negotiations. Typically, with a PDA arrangement, the council might lead and fund the design to Planning; however, in this instance, the preferred bidder will lead on, and forward-fund, the design to Planning on the basis of the council underwriting 50% the preferred bidder's costs up to £750k. A developer-led approach provides for the developer to inform the design from inception, which is deemed valuable for this pilot project; it also reflects that there no council capital fund allocation for this project. Payment of the underwriting monies by the council will only apply in the event of unsuccessful PDA outcomes (failure to achieve Planning consent) and will be subject to demonstration of reasonable endeavours by the preferred bidder. No payment will apply in the event of the preferred bidder choosing to withdraw.
15. The delegated authority to enter into the DA, upon successful PDA outcomes (Planning consent and conclusion of the DA negotiations) includes the approval to grant a lease, over the council's land, for a lease period to be set out in the DA.
16. Of the procurement routes considered to secure a DP, the recommendation to proceed through a suitable framework is based on the key criteria sought, which are: an effective timeline to respond to the Council Delivery Plan commitments target 2026; best value for money; and minimising risk.

17. Of the suitable frameworks available to the council, the recommendation to proceed with the Pagabo framework is based on the best fit for this project, which requires contractor/developer functions as well as provision of the building operator/administration functions. The Pagabo framework comprises nine developer/contractor suppliers and all have capability statements regarding managing short-term tenancies in multi-occupancy buildings. The framework is free to access until signing of the DA, upon which a percentage value fee payment to Pagabo applies; this is dependent on the framework services required, and can include compilation of all procurement documentation, including the suite of DA documents. For this project the Pagabo fee is anticipated to be £95k, (of which £75k at signing of DA plus 1% of the PDA costs, circa £20k). The council's costs for this payment to Pagabo would be aside from the maximum £750k underwriting figure, which would fall away upon signing of the DA.

ALTERNATIVE OPTIONS CONSIDERED AND NOT RECOMMENDED

18. **Do nothing** – This is not an option as the council has a commitment to deliver (or implement) 500 KWH by 2026.
19. **Undertake a land disposal** - Due to the Planning stipulations regarding housing mix on public sector land (required to be 50% Affordable) and the reprovision of existing facilities (here, a community facility), this site is likely to return a negative land value as a disposal site on a planning compliant scheme. It is therefore not in the council's interest to proceed currently on this basis given other strategic housing need
20. **Deliver the development works in-house; provide the KWH Assured Short-hold tenancies directly** – The council does not have appropriate capacity to deliver the development works in-house; this would be cost prohibitive and the scheme would not be viable under such a delivery method. The council is not legally in a position to grant Assured Short-hold tenancies without creating a secure tenancy.
21. **Delivery via Land transaction route** – This route was considered and set aside in this instance. Whilst that route serves suitably for well-defined and standard sector developments, it serves less well for a pilot project such as this, where the council is seeking specific requirements for the physical scheme design, and for the operator obligations, and where relevant supplementary Planning guidance is still pending.
22. **Delivery via procurement route** - Due to the specific output requirements of this project, it is proposed to proceed through a procurement route. The procurement route enables the council to have substantial control and involvement in the project stipulations and in the design; this is particularly relevant for this KWH pilot scheme that will serve to fully test a number of council requirements. The council also retains the freehold ownership and the housing units will revert to council ownership and control at the end of the lease.
23. **The open-market procurement route** - This was considered and set aside;

whilst this procurement route would mean wide market engagement, it presents a more onerous timescale and, for this project, presents greater risk to the council. In line with Public Contracts Regulations (PCR) 2015 thresholds, the open-market process requires a full Invitation to Tender (ITT) (including the suite of draft legal documents) at Selection Questionnaire (SQ) stage, presenting a heavily front-loaded timeline and cost to the council. Whilst a two-stage process could reduce the timescales for the ITT stage (enabling analysis of fewer, shortlisted bids), the front-loaded time-bar would still apply. In summary, for this procurement, the open-market route exposes the council to greater delivery and cost risk than the framework route.

24. **Use of existing third party framework (developer)** - The framework structure is based on a pre-selected list of developer-led contractor entities who have been competitively procured through a PCR compliant tender process. The timescale is thereby shortened, requiring only expressions of interest from the framework developer entities, to move directly to the 'further competition' stage and selection of a preferred bidder. This option presents less delivery and cost risk to the council.

25. A number of developer-led frameworks exist to which the council has access; these are: the HCA DLP3; LHC; Procure Partnership; Fusion 21; Pagabo; Greater London Authority (GLA) London Developer Panel 2; Southern Construction Framework (SCF) Residential Developer Contractor Partners; Notting Hill Genesis (NHG) Developer Contractor framework. Of these eight potentially suitable frameworks, six were discounted due to not meeting one or other of the base key requirements including: developer-led input (not solely construction-led); capacity to undertake the management / administration function of short-let tenancies; flexibility to appoint a DP with a yet-to-be-developed scheme design. The two suitable shortlisted frameworks that did meet those base key requirements, Pagabo and NHG frameworks, were assessed and ranked, with the Developer-led Pagabo framework ranked higher on the basis that it already has a DA template and can offer support to the council; this framework has a specific lot for London (Southeast), which comprises six developer partner entities, with three on a reserve list. The NHG framework was ranked second due to the following points: that the compliance of the framework can only be checked upon signature of an access agreement; although it has more suppliers (21) it was unclear how many included a developer/operator arm; whilst the framework is free to access, it provides no support to users.

POST DECISION IMPLEMENTATION

26. Following the GW1 approval decision, the Invitation to Tender (ITT) will be implemented via the Pagabo framework and the bidding period will commence. Bid submissions will contain the initial design feasibility study and Project Details (equivalent to draft Heads of Terms), which will set out all the provisions of the bid proposal. Upon receipt of bids and conclusion of the evaluation process, a preferred bidder shall be selected. Subject to GW2 approval, the PDA shall be awarded to the preferred bidder, with provision for the council to underwrite the preferred bidder's legal and design costs to the capped figure for the period up to Planning consent and conclusion of the DA

27. The PDA period is anticipated to be a nine to 12-months timescale; this reflects the period of time for design development to Planning determination and also the finalisation of the detailed DA negotiations (based on the provisions set out in the Project Details of the original bid). The preferred bidder will lead on the management of the design process and enter into legal negotiations to finalise the details DA, lease arrangements and other relevant documentation. Upon a successful Planning outcome, and conclusion of the DA detailed negotiations, the DA and lease will be signed with immediate flow-through to the pre-construction design stage and site mobilisation preparations.

28. The timeline below sets out the target dates:

Key Activity	Target Completion Date
Enter Gateway 1 decision on the Forward Plan	12/03/2024
DCRB Review Gateway 1	01/05/2024
CCRB Review Gateway 1	16/05/2024
Brief relevant cabinet member (over £100k)	26/03/2024
CMT approval	16/05/2024
Notification of forthcoming decision - Cabinet	22/07/2024
Approval of Gateway 1: Procurement strategy report	22/07/2024
Scrutiny Call-in period and notification of implementation of Gateway 1 decision	29/07/2024
Completion of tender documentation and EoI	29/07/2024
EoI returned	09/08/2024
Further Competition (Invitation to tender (ITT)) issue	12/08/2024
Closing date for return of tenders	07/10/2024
Completion of any clarification meetings/presentations/evaluation interviews	18/10/2024
Completion of evaluation of tenders: selection of preferred bidder	04/11/2024
Forward Plan (if Strategic Procurement) Gateway 2	01/09/2024
DCRB Review Gateway 2:	14/11/2024
CCRB Review Gateway 2:	28/11/2024
Approval of Gateway 2: Contract Award Report	06/12/2024
Notification and publication of Gateway 2 decision	09/12/2024
Letter of Award and signed Pre Development Agreement (PDA)	16/12/2024
Planning timescale & finalisation of Development Agreement (DA): 9-12 months	06/01/2026
DA finalised	06/01/2026
Add to Contract Register	06/01/2026

Key Activity	Target Completion Date
Place award notice on Find a Tender Service	12/01/2026
Place award notice on Contracts Finder	12/01/2026
DA start	12/01/2026
Construction completion date (included in DA obligations)	12/01/2029

BACKGROUND INFORMATION

29. The KWH programme comes under the council's Delivery Plan 2022- 2026, 'Delivery of other genuinely affordable homes', and the commitment to start 500 homes for keyworkers. This project, at 177 Abbey Street, would be the council's pilot scheme for KWH and would serve to test a number of considerations to do with KWH delivery towards meeting that target commitment; a number of future pipeline KWH projects have also been identified. This project is programmed to start on site in early 2026.
30. KWH housing is a form of tenancy intended to meet the needs of lower income essential workers. The objective is to support key workers employed in a range of services in the borough, who are: not eligible for council tenancies; not able to rent or buy a home that meets their needs on the open market; and who need to live in the borough within reasonable distance to their place of work. The characteristics of KWH are summarised as: short-term tenancies of three to five years, renewable subject to eligibility; for people who are employed in identified occupations; where the maximum gross (combined) household income level threshold is capped; rent levels are capped at equivalent to London Living Rent (LLR) levels (inclusive of service charge).
31. As set out in a previous cabinet paper (Housing Intermediate Rent policy, March 2021; reference link in Background Papers table at the end of this report), there is a commitment for Housing to develop and maintain a list of people in the borough who would meet the eligibility criteria for KWH; it is not intended that the council would make direct nominations, rather that the list would be made available to landlords to draw upon for KWH lettings and that this would be the primary function of the list. Through the DP arrangement, and with the council's list in place, the council will be securing a KWH offer in the borough in line with the council commitments.
32. Planning policy is currently developing the Affordable Housing Supplementary Planning Guidance (SPD), which will include the council's definition of KWH. This will formalise the eligibility profile for KWH tenancies in Southwark, in terms of: income thresholds; recognised occupations; the short-let nature of these tenancies; the KWH product maintained in perpetuity; the rent levels equivalent to London Living Rent. The guidance also sets out provisions for 100% Intermediate scheme developments, subject to viability. The Affordable Housing SPD applies to all developments: council, partnership and private. Timescales for the formal adoption of the Affordable Housing SPD are running in parallel with this project timeline.

33. A design feasibility study has been undertaken to test the quantum and size (the massing) of accommodation possible on the site, with two possible options identified: a mid-rise massing option and a tall massing option, with up to circa 100 KWH above a replacement community centre. Both options exceed the height of the two-storey existing building on the site. Further detailed aspects of the design proposal, including the total quantum of units, the height, and the bed-size mix, will be progressed through the formal planning application process. Quantum is also important in respect of ensuring the service charge levels are supportable, as well as the delivery of housing numbers, and the proposed designs will reflect management efficiencies to support affordability.
34. A viability study has been undertaken to assess the position of a KWH scheme; based on a construction cost of circa £35-40m, grant applied to all the units in line with the guidance from the GLA Affordable Homes Programme (AHP) 2021-2026, and based on modelling over a 40-year period, the analysis indicates that the development could yield a neutral land value position. In terms of overall benefit, it is worth noting that, with the rolling three to five year short-term KWH tenancies, approximately 100 units delivered on this site, over the period of 40 years, could accommodate a throughput of up to 800 households.
35. The former Beormund Community centre has important local significance in the collective local memory as a grass-roots community-led venue. The new development shall provide a replacement facility, in line with council commitment to the community and based on previous consultation and identified need in the locality. The new proposed centre, which will be within the envelope of the KWH building but separately metered, is anticipated to deliver equivalent main spaces for community activities, though the overall area will be sized to present a manageable community premises, with the corresponding service charge, factored per square metre. It is anticipated the new centre will be run and managed by a council-appointed operator to deliver community-serving events and activities.
36. The former Beormund Community centre is currently under demolition. Following the initiative of local residents, a number of bespoke architect-designed elements – light fixings and handrails – have been salvaged from the former centre prior to demolition and it is hoped these can be re-used in the new community facility. In the interim period, between the completion of the demolition and before the start on site of the construction, in order to avoid fly-tipping or illegal occupation, the site will be let to a third party on a short term flexible basis, yet to be confirmed. Some of that interim period may also be required for archaeological excavation, given that the site is understood to be the location of potential archaeological significance. A full archaeological survey is currently being undertaken.

KEY ISSUES FOR CONSIDERATION

Summary of the business case / justification for the procurement

37. The model sought for the delivery of the mixed-use development, comprising residential units (100% KWH) and a community facility, is a DA and

subsequent lease, between the council and a DP, who would act as both investor/developer/contractor and, upon completion of the construction, as manager of the building as well as administrator of the rolling KWH short-let tenancies over the period of the lease.

38. The DA would provide for:

- the DP to provide the financing for the development over the lifespan of the lease period
- the DP to lease the land for a fixed lease period, anticipated to be 40-years; at the end of that lease period, subject to DA negotiations, the building and all the residential units would either return back to the council or be retained by the DP under a new long lease on terms to be agreed. No automatic right of renewal will be conferred; the initial lease would be outside the renewal provisions of the Landlord and Tenant Act 1954 which prevents automatic renewal and as such any arrangements will be via an option arrangement giving the council control.
- the DP to develop the scheme, providing the design and construction of the development;
- the DP to retain the KWH units, manage and maintain the building and to administer the short-let KWH tenancies for the duration of the lease period
- the DP to lease back the community facility to the council via a 40-year sublease to the council at a peppercorn, save as to a fair proportion of any relevant service charge. The level of fit-out to the space will form part of the DA negotiations and will be subject to viability. The council will select a community operator through a community panel-led selection process. The community operator would be responsible for delivering a community programme that would return sufficient revenue to cover service charges, utility bills and any rent, to be agreed. The arrangement would contain appropriate social value targets the council to put in the land
- the council to endeavour to secure GLA grant and invest in the scheme
- the council to have direct input into the DP-led design development, including: the selection of the architect
- the council to stipulate the eligibility criteria for the KWH tenancies. These would be based on those defined in the planning policy definitions and would have a priority cascade, with the council list of eligible tenants being the first priority tier.

39. Initial soft market testing indicates that there is interest in the market for this development and tenancy-management opportunity.

Identified risks for the procurement

40. Identified project risks are as set out in the table below:

Risk No	Identified Risk	Likelihood	Mitigation
1	Insufficient interest from framework providers in the tender which results in no bids	Low	The Pagabo framework features a reserve list of suppliers should the six suppliers on the framework not express interest. Soft market testing indicates there is interest from the framework providers

Risk No	Identified Risk	Likelihood	Mitigation
2	Challenges to the procurement process	Low	The use of a framework means that suppliers have met certain procurement conditions to date and there is a consistency applied by Pagabo to the tendering process. This will reduce the risk of challenge. The council will ensure compliance with the framework terms and with the procurement regulations
3	Does not achieve competitiveness and value for money	Low	The process of the framework 'further competition' bid submission ensures a competitive approach to securing a delivery partner
4	Developer becomes insolvent or no longer has the capacity to deliver scheme	Low	Robust financial assessments will be undertaken including independent financial and credit checks of businesses prior to award. Step in rights would form part of the arrangements
5	Planning permission not granted	Low	The project has already been discussed in principle with Planning, based on the Massing and Capacity Study
6	The DA and lease is not able to be finalised	Low	The DA and lease will set out the detailed provisions based on the terms already set out in the PDA

Development of the tender documentation

41. The Developer-Led Pagabo framework has a suite of ITT template documentation, including the draft DA template; these documents will be tailored and populated by the council to best fit the purpose, requirements and outcomes sought for this project.
42. The documents will be issued to the framework bidders in two stages:
- (i) Expression of Interest (Eoi) pack: high-level project description and scope; Eoi form;
 - (ii) Invitation to Tender (ITT) pack: Pagabo Further Competition documentation, comprising:
 - the Scheme Details (equivalent to Heads of Terms), setting out the technical, legal and commercial provisions required;
 - the structure of the procurement process, with a PDA to cover the Planning and legal agreement period;
 - the DA template;
 - the form of tender with weighted Quality, Social Value and Price questions; and the evaluation criteria.

Advertising the contract

43. Only those DP entities on the Pagabo framework would receive notification of this development opportunity.

Evaluation

44. Evaluation methodology shall be based on the council's procurement guidelines and shall take into account the guidelines set out in the Pagabo framework. Scoring weighting shall place emphasis on the Quality and Social Value.
45. The detail of the evaluation criteria and scoring methodology, shall be reviewed by the council's legal, property and procurement teams prior to issue of the launch of the ITT.

Expression of Interest (Eoi) stage

46. For this stage, the six Pagabo framework bidders will be asked to express their interest in the development opportunity, based on a high-level description of the project and the requirements. Should one or more of these indicate they do not wish to bid, then the invitation will be extended to one or more of the three reserve-list bidders.
47. Along with their Eoi submission, the bidders will be asked to set out high-level suitability for this project in terms confirming their ability to deliver both the developer/contractor function and the operator/administration function. This will serve to give better knowledge of the bidding entities but will not be scored. The bidders (up to six) will be issued with the ITT pack.

ITT Stage

48. For this stage, the bidders shall be asked to submit a bid proposal in response to the council's ITT pack, setting out: their Quality offer, including their approach to resident engagement design quality, construction, programme, added value, administration of short-let tenancies, and environmental sustainability; their Social Value offer; and their Price offer, including the cost of the PDA period, the overhead and profit (OHP) margin on construction, percentage fee on the Development Management, the Operator fee, and the finance fee. Bidders' submission proposals shall be sufficiently detailed to form a fixed offer back to the council; along with the Scheme Details, this shall form the basis of both the PDA and the DA.
49. Upon conclusion of the ITT evaluation, a preferred bidder (and a reserve bidder) shall be identified and the PDA shall be awarded, subject to approval of the GW2 report.

Key / Non Key decisions

50. This report deals with a key decision.

TUPE/Pensions implications

51. Not applicable.

Policy framework implications

52. The council has committed to delivering, or implementing, 500 KWH by 2026 as set out in the Council Delivery Plan in 2022.
53. The project supports the council's Fairer Futures Commitment: A place to belong to. The new homes will play a key role in assisting the council towards its target of 500 KWH homes – commenced or underway – by 2026.
54. The Southwark Plan 2022 sets out strategic policies which pertain to this project, including: Homes for All (P1); Southwark Stands Together (P13 to P18); a Green and inclusive economy (P34); Thriving neighbourhoods and tackling health inequalities (P47, P52, 53 and P54); and Climate Emergency. The Southwark plan also sets out vision principles for the wider Bermondsey area at AV.03.
55. Specific Planning policy definition regarding KWH is due to be published as part of the council's emerging Affordable Housing Supplementary Planning Document.

Community, equalities (including socio-economic) and health impacts

Community impact statement

56. The Equality Act 2010 and the Public Sector Equality Duty (PSED) requires public bodies to consider all individuals when carrying out their day-to-day work, in shaping policy, in delivering services and in relation to their own employees. It requires public bodies to have due regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations between different people when carrying out their activities. In line with these provisions, an equalities impact and needs assessment (EINA), was undertaken in May 2023 with regards to the demolition of the former Beormund Community Centre and the delivery of the development comprising KWH and a new community centre for the locality (ref Appendix 2).
57. Local residents shall continue to be consulted at each stage of the design development proposals, as outlined in the Charter of Principles agreed by cabinet.

Equalities (including socio-economic) impact statement

58. The successful DP entity shall be required to demonstrate adherence to equality and diversity in line with the council's policies. This will include the KWH letting policy as appendix to the DA.

Health impact statement

59. The provision of KWH in this location provides a positive impact on health inequalities, as the new homes will be designed to current quality and space standards that will contribute towards addressing health inequalities. All of the new homes will be allocated to essential workers in this central location, enabling all the benefits of greater proximity to their place of work, improved

travel distances and modes of transport, including cycling and walking. With this will also come shorter travel times, encouraging better work/life balance and the benefit this brings to health and mental well-being. Health and wellbeing are further addressed by providing residents with individual balconies for outdoor amenity space.

60. The re-provision of a community centre, embedded in the immediate local communities of the London Bridge and West Bermondsey area, will enable a range of community activities, events and classes aimed at addressing health, mental stimulation, thereby combatting loneliness and isolation.

Climate change implications

61. A carbon impact assessment (CIA) has been undertaken, regarding the demolition of the former Beormund Centre. This will be linked to a counterpart carbon impact assessment of the new construction, once the design of this has been completed.
62. The design of the new building will comply with Building Regulations Part L that addresses the conservation of fuel and power, and minimising carbon emissions, as part of a drive towards a greener future. The energy targets will work towards achieving carbon neutral and sustainability requirements in line with the council's 2030 carbon neutral policy.
63. The KWH agenda, which is to provide affordable dwellings in close proximity to the place of work of essential workers, directly addresses reduction in travel distances and the associated carbon emissions of vehicular transportation.

Social Value considerations

64. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well-being of the local area can be secured. Such analysis has informed this project.

Economic considerations

65. The KWH model is designed to address affordability for essential workers on a specific income bracket by ensuring rents remain equivalent to London Living Rent (LLR), regulated and defined by the GLA on a location-by-location basis. Through short-let tenancies, governed by clear eligibility criteria, the council is ensuring that this low-rent offer is secured in perpetuity (for the life of the project) for the person-profile it is intended to serve. As set out above, over the 40-year life of the lease, the circa 100 KWH short-let units could serve up to 800 eligible households.
66. In securing the community facility at peppercorn, as a key requirement of the DA, the council will be able to pass on the space to a community operator on very reasonable terms, with the operator only liable for covering service charge per square metre, business rates and the utilities costs. This, in turn, is expected to reflect in low-fee, or free classes, sessions and activities offered to the community.

67. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, contractors engaged by the council to provide works or services within Southwark pay their staff at a minimum rate equivalent to the LLW rate. The tendering DP entities will be expected to meet the LLW requirements and contract conditions requiring the payment of LLW to all operatives, which will be included in the tender documents. As part of the tender process, tenderers shall also be required to confirm how productivity will be improved by payment of LLW.
68. Following award, the successful DP shall be required to collect data on employment status of their staff and any sub-contracted operatives and confirm payment of LLW over the lease period. All quality improvements and any cost implications shall be monitored as part of the contract review process.

Social considerations

69. By investing in high quality, well designed homes for essential workers the council aims to achieve positive impacts which will benefit a recognised vital sector of the workforce, typically serving front-line service functions. In providing these homes in greater proximity to the place of work, the KWH model enables greater scope for KWH residents to embed in their community, taking part in local events and, with better work/life balance, and perhaps more disposable time as a consequence, to spend more time in the locality.
70. The provision of a replacement new community space on the site of the former Beormund Community centre enables the reinstatement of that social anchor for the local communities.

Environmental/Sustainability considerations

71. The addition of this new building will increase the stock of environmentally efficient homes within the borough, offering a new housing product to serve essential workers.
72. Prior to demolition of the former Beormund Centre, the council has successfully salvaged most of the bespoke architect-design metalwork (handrails, balustrades and light fixtures) with the intention of reusing these in the new building. The initiative was led by a resident representative and will serve to establish continuity and recognition for local people in the new facility as well as being in line with good-practice reuse of materials and circular economy in construction.

Consultation

73. An open engagement event was held on the 11 March 2024, with local community, residents and ward councillors attending; officers updated on the demolition of the former Beormund Centre a set out a high-level summary of the future delivery of KWH and new community facility on the site. A further open engagement event was held on the 29 May 2024, with attendees comprising representatives from the local community and residents, and a

ward councillor; the officer set out the characteristics of the KWH product, the likely height of the proposed building, and the likely size and position of the proposed new community facility; various considerations and observations from the attendees were discussed. Further update consultation events will be held leading into the design-phase proper.

74. In line with Planning requirements, the DP will carry out consultation with local people and residents as part of the design development process up to Planning submission.
75. In line with the requirements of the ITT information, the selected DP will be expected to conduct further engagement events with local people and residents, specifically to do with the layout and fit-out of the new community facility.

Resource implications

Plans for the monitoring and management of the contract

76. The project clienting, including the management and administration of the DP, will be run and resourced through the Sustainable Growth team in the Planning and Growth department. Performance of the DP will be subject to scrutiny and regular formal review.
77. Appropriate details of this procurement will be added to the contract register via the eProcurement System.

Staffing/procurement implications

78. The project will be resourced by existing staff, within existing budgets. Professional fees for legal services, lease costs and the Pagabo fee, shall be covered from an existing capital funding allocation.

Financial implications

79. The site has constrained land-value as a residential development site on the open market due to the 50% Affordable requirements on public-sector land and the obligation to re-provide the community facility.
80. Further to external advice, the expectation is that the KWH development, through the DA, will be realised at no capital cost to the council, with the council's contribution being: putting in the land for a 40-year lease term and securing the GLA grant funding across all units (on account of this being 100% Affordable scheme). In return, the DA will deliver circa 100 KWH for Southwark essential workers, which will contribute to the council Delivery Plan target of 500 new KWH; it will also deliver a community facility, leased back to the council at peppercorn. The DP will collect and retain the rentals, which will be set at equivalent to LLR levels.
81. Under the PDA, the council will underwrite 50% of the preferred bidder's costs for the period, to a capped maximum £750k, payable only in the event of unsuccessful PDA outcomes (failure to achieve Planning) this and subject to

demonstration of the preferred bidder's best endeavours to secure Planning consent. No payment will be due if the preferred bidder chooses to withdraw. The Regeneration and Development Reserves, General Fund has been identified as the funding source for the payment, in the event that payment were due.

82. The council's costs for legal fees to conclude the DA negotiations are expected to be met from existing capital budget allocation; similarly, the Pagabo percentage fee for the use of its framework, subject to successful conclusion of the contract award, is expected to be met from the existing capital budget allocation.
83. There is no additional cost to the council for the client monitoring of the DPA, due to this being covered by existing officer personnel resources within the Sustainable Growth team, in the Planning and Growth division.

Investment implications

84. Subject to the DA and lease negotiations, it is envisaged, in line with external advice given to the council, that the DA would provide for a 40-year lease to the DP entity; upon expiry of the lease period, the building would either be retained by the DP entity on a new long lease basis, terms to be agreed, or would return to the council. It is assumed that the building specification would be constructed to a minimum 60-year service-life.

Legal implications

85. Please refer to the concurrent of the Assistant Chief Executive – Governance and Assurance.

Other implications or issues

86. None identified.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

87. The report seeks the approval of cabinet for the procurement strategy outlined in the report to procure a Development Partner (DP), via the Pagabo Framework. The aim is to deliver via a Development Agreement (DA) a development at 177 Abbey Street. The development would comprise the delivery of circa 100 Key Worker Housing (KWH) units and a community facility, as well as to undertake the management and maintenance of the building and the administration of the KWH lettings for a lease period of 40 years
88. The report requests cabinet's approval for the council to underwrite 50% of the preferred bidder's costs in the PDA period, and subject to demonstration of best endeavours to achieve Planning consent. This sum is anticipated to be up to £750k, payable only in the event of unsuccessful PDA outcomes, and would be drawn from the Regeneration and Development reserves, General

Fund. It is clear that this is not payable in the event of the preferred bidder choosing to withdraw.

89. The report asked cabinet to approve the award of the DA, disposal of land and acquisition of land, and other appropriate documentation (including the granting of a lease over the council's land for a 40-year period, an agreement for lease, and scope to grant a new lease beyond the initial lease period), be under delegated authority to the Strategic Director of Finance in consultation with the Head of Property and the Head of Property and the Cabinet Member for New Homes and Sustainable Development.
90. The report seeks that cabinet approve the cost of the use of the Pagabo framework, payable upon successful conclusion of the DA, which is estimated at £95k, (of which £75k at signing of DA plus 1% of the PDA costs, circa £20k).
91. The background to this project is set out in paragraphs 29-36. The estimates for the financial basis of this project being cost neutral to the council is set out in paragraphs 79 to 83.
92. The considerations of the options considered for this procurement are in paragraphs 18-25. The risks are considered in the table at paragraph 40, whilst the timeline for this procurement project are under paragraph 28.
93. The evaluation criteria are set out at paragraph 44 and 49, with weightings being allocated to social value. The community, health, equalities and climate change impact statements are detailed at paragraphs 58-63, with social value considered at paragraphs 69-70.

Assistant Chief Executive, Governance and Assurance (Ref CD-AJ/CON/05062024)

94. This report seeks Cabinet's approval for the procurement strategy outlined in this report to procure a Development Partner (DP) via the Pagabo Framework, to deliver, via a Development Agreement (DA) for a development at 177 Abbey Street, comprising the delivery of circa 100 Key Worker Housing (KWH) units and a community facility, and to undertake the management and maintenance of the building and the administration of the KWH lettings for a lease period of 40 years
95. The council's Contract Standing Order (CSO) 5.1.2 provides that any procurement involving the use of a third party's framework agreement is subject to usual Gateway 1 procedures. This report therefore seeks approval to the use of the Pagabo Framework which is a developer led framework.
96. Cabinet's approval is sought for the cost of the use of the Pagabo Framework, payable upon successful conclusion of the DA, anticipated to be £95k (of which £75K at signing of the DA plus 1% of the PDA costs , circa £20k.
97. Cabinet is requested to approve the council underwriting 50% of the preferred bidder's costs for the Pre-Development Agreement (PDA) period, to a capped maximum of £750k, payable only in the event of unsuccessful PDA outcomes

(failure to achieve Planning) from the Regeneration and Development Fund reserves, and not payable in the event of the preferred bidder choosing to withdraw.

98. Cabinet is requested to approve the GW2 decision to award of the PDA to the preferred bidder be delegated to the Strategic Director of Finance in consultation with the Head of Property and the Cabinet Member for New Homes and Sustainable Development. Approval is also sought from cabinet to delegate the award of the DA, disposal of land and acquisition of land, and other appropriate documentation (including the granting of a lease over the council's land for a 40-year period, an agreement for lease, and scope to grant a new lease beyond the initial lease period), to the Strategic Director of Finance in consultation with the Head of Property and the Head of Property and the Cabinet Member for New Homes and Sustainable Development.
99. Cabinet is asked to note that the council will enter into a DA with the preferred DP, upon successful completion of the PDA outcomes, comprising planning consent and conclusion of the detailed negotiations and estimated to take a period of between 9 and 12 months.
100. Cabinet is also asked to approve the decision with regards to any changes in the funding strategy (currently grant funding) be delegated to the Strategic Director of Finance.
101. The reasons for the recommendations are highlighted in paragraphs 8 to 17 of this report and the alternative options considered by the council and the reasons why they have not been recommended are outlined in paragraphs 18 to 25 of this report.
102. Paragraphs 43 to 49 of this report outlines the tender process.
103. Cabinet's attention is drawn to the Public Sector Equality Duty under section 149 of the Equality Act 2010, which requires public bodies to have due regard, when making decisions, 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. Cabinet is specifically referred to the community, equalities (including socio-economic) and health impacts at paragraphs 56 to 60 of this report setting out the consideration that has been given to these issues, which should be considered when approving the recommendation in this report.
104. Section 1 of the Localism Act 2011 introduced a "general power of competence" for local authorities, defined in section 1(1) as "the power to do anything those individuals generally may do" and which expressly includes in section 1(4)(c) the "power to do it for, or otherwise than for, the benefit of the authority, its area or persons resident or present in its area".
105. Section 123(1) of the Local Government Act 1972 states that "Subject to the following provisions of this section, a principal council may dispose of land held by them in any manner they wish" and section 123(2), "Except with the consent of the Secretary of State, a council shall not dispose of land under

this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained”. Section 270(1), “In this Act, except where the context otherwise requires, the following expressions have the following meanings respectively, that is to say— “land” includes any interest in land and any easement or right in, to or over land”. Section 123(7)(a) states “For the purposes of this section a disposal of land is a disposal by way of a short tenancy if it consists— (a) of the grant of a term not exceeding seven years...”. This is a disposal of non-HRA land and is being made using the powers within section 123(1)-(2) of the Local Government Act 1972. If it is “...for a consideration less than the best that can reasonably be obtained...” then the council would need to rely on the Disposal of land for less than the best consideration that can reasonably be obtained: circular 06/2003 (“Non-HRA Consent”) or would need the consent of the Secretary of State (“SOS”).

106. The Non-HRA Consent removed the requirement to obtain the Secretary of State’s (“SOS”) specific consent for any disposal of non-HRA land in specified circumstances, i.e. the disposal of any interest in land which the authority considers will help it to secure the promotion or improvement of the economic, social or environmental well-being of its area” and the disposal is “at less than best consideration is subject to the condition that the undervalue does not exceed £2,000,000 (two million pounds)”. Legal Services are not qualified to give valuation advice – note the Non-HRA Consent refers to “...the authority should ensure that it complies with normal and prudent commercial practices, including obtaining the view of a professionally qualified valuer as to the likely amount of the undervalue” and complying with State aid rules.

Strategic Director, Finance (FC24/004)

107. This report is requesting the Cabinet to approve the strategy outlined in this report to procure a Development Partner (DP), via the Pagabo Framework, to deliver, via a Development Agreement (DA) for a development at 177 Abbey Street, comprising the delivery of circa 100 Key Worker Housing (KWH) units and a community facility, and to undertake the management and maintenance of the building and the administration of the KWH lettings for a lease period of 40 years and to approve and note other recommendations of this report.
108. The Strategic Director of Finance notes that KWH development will be realised through the DA at no capital cost to the council, with the council’s contribution being: putting in the land for a 40-year lease term and securing the GLA grant funding across all units. Any legal fees or contract framework fees relating to this project will be met from existing capital budgets, as detailed in the report above. The property reverts back to Council ownership after the 40 years at no additional cost to the council, and the property is expected to have at least an additional 20 year life at such time.
109. The Strategic Director of Finance also notes that council will underwrite 50% of the preferred bidder’s costs for the period, to a capped maximum £750k, payable only in the event of unsuccessful PDA outcomes and notes that no payment will be due if the preferred bidder chooses to withdraw, as detailed in the report above.

110. It is expected that in the event of this procurement failing and the Council needing to cover 50% of the costs of the DP, that the intellectual property up to the planning application etc. will form part of the handover documents expected from the DP, which will transfer all rights to use all such documents (where appropriate) in the event of pursuing subsequent planning approval.
111. The total expenditure for the scheme will be monitored and reported as part of the GW2 process.
112. Staffing and any other contract monitoring costs connected with this proposal will be contained within existing divisional revenue budgets.

Head of Property

113. The proposed arrangements in effect constitute a disposal and as such the implications of best consideration need to be considered.
114. The structure of a DA and subsequent lease, for a period of potentially 40 years, ensures the council retain the freehold of the site and the subsequent reversion of the land and all buildings at the end of the lease. The fact that the land will be injected into the project at nil consideration does not preclude that best value is being achieved.
115. As part of the final business case, testing viability, prior to the completion of the lease and commencement of construction, the values of the interests will be assessed and included to demonstrate and satisfy best consideration.
116. Given the planning requirements that would likely to be imposed if the site was to be disposed of to a developer in the market, which would negatively impact any receipt generated, the existing arrangements in property terms, create a potentially significant and valuable asset of some 100 residential units and community space for the council, constructed and funded from non-council resources save as the land, albeit deferred some 40 years.
117. On reversion and subject to planning, the council would hold a valuable building capable of being sold as market units, retained as KWH or repurposed as social housing.
118. Notwithstanding the potential significant property benefits, this arrangement delivers substantial important social value in supporting key workers in providing homes for this sector with the evident benefits to the wider community and those specific employment sectors.

BACKGROUND DOCUMENTS

Background Documents	Held At	Contact
Housing Intermediate Rent policy	Cabinet paper March 2021	C Brownell Catherine.brownell@southwark.gov.uk
Link: https://moderngov.southwark.gov.uk/ieDecisionDetails.aspx?Id=7323		
Appendix 1 (of the above)	Cabinet paper March 2021	C Brownell Catherine.brownell@southwark.gov.uk
Link: https://moderngov.southwark.gov.uk/documents/s94510/Appendix%20A.pdf		

APPENDICES

No	Title
Appendix 1	Indicative Site Plan
Appendix 2	Equalities and Needs Assessment EqINA

AUDIT TRAIL

Cabinet Member	Councillor Helen Dennis, New Homes and Sustainable Development	
Lead Officer	Director of Planning and Growth	
Report Author	Programme Manager, Sustainable Growth North	
Version	Final	
Dated	9 July 2024	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance	Yes	Yes
Head of Procurement	Yes	Yes
Head of Property	Yes	Yes
Assistant Chief Executive Governance and Assurance – Contract	Yes	Yes
Assistant Chief Executive Governance and Assurance – Property	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		9 July 2024