

Item No. 9.	Classification: Open	Date: 28 January 2014	Meeting Name: Cabinet
Report title:		Selection of a Preferred Partner to Work with the Council to Deliver the Regeneration of the Aylesbury Estate	
Ward(s) or groups affected:		Faraday Ward	
Cabinet Member:		Councillor Fiona Colley, Regeneration and Corporate Strategy	

FOREWORD – COUNCILLOR FIONA COLLEY, CABINET MEMBER FOR REGENERATION AND CORPORATE STRATEGY

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.

Although there have been a number of notable successes to date, including investment in Burgess Park, local schools through Building Schools for the Future, and the completion of over 250 new homes, a new approach to the delivery of the overall programme was required. Together with residents, we took the time to look at possible models for the regeneration and concluded that to deliver this long-term programme, we needed to forge a new long-term partnership with a developer who would bring the experience, skills and financial capacity to work with us to unlock and drive forward the regeneration of the area.

Over the past 18 months, the council has carried out a detailed procurement exercise to secure such a partner. This is a major undertaking for the council and we have structured the procurement to find the very best partner to work with us in the long-term, inviting proposals that responded to our requirements in terms of design and technical implementation, partnering and financial and commercial matters.

Two applicants were shortlisted for the Best and Final offers stage of the procurement and this report recommends that Walworth Unlimited (Notting Hill Housing Trust) is selected as the council's preferred partner.

Walworth Unlimited's proposals include a master plan for the area delivering 3,500 mixed tenure homes within 20 years. 50% of these new homes would be affordable of which 75% would be social rented homes and 25% shared ownership. The proposals include the creation of 1,400 new local employment, apprenticeship and training opportunities, 350 of these within the first five years of the project. The first development area will include a new community building at peppercorn rent; new open spaces including children's play space and youth recreation space and 50 affordable Extra Care homes for residents with long term conditions or disabilities.

The proposals also include providing additional local homes on nearby Notting Hill Housing Trust developments to help tenants and leaseholders in the early phases to find a new affordable home. There will also be an extended shared equity offer to help more resident leaseholders to be able to afford to continue living in the area. The proposals also provide further new community spaces including new health and early years facilities and an enhanced community and economic well-being package including funding of £250,000 per annum for community development for 5 years.

Subject to the decision of cabinet, the next step in the process will be the finalisation of a Development Partnership Agreement with Walworth Unlimited, which is required in order for the council to be able to award the contract. Following which, we look forward to closely working with a partner who will work with the community and the council over the next 20 years to develop a strong neighbourhood where local people choose to stay, and new people choose to make their long-term home.

RECOMMENDATIONS

That the cabinet:

1. Approves the selection of Notting Hill Housing Trust (Walworth Unlimited) as the council's preferred development partner for the regeneration of the Aylesbury Estate on the terms set out within this report.
2. Delegates authority to the chief executive to agree the final terms of the development partnership agreement and all associated contract documents with Walworth Unlimited (in consultation with the cabinet member for regeneration and corporate strategy) and to approve the award of the contract (Gateway 2).
3. Approves the selection of the second placed bidder, the consortium of L&Q\Countryside\Peabody (WE) as reserved partner. In the event that it is not possible to agree the final terms of the development partnership agreement with Walworth Unlimited, that cabinet delegates authority to the chief executive (in consultation with the cabinet member for regeneration and corporate strategy), to exclude Walworth Unlimited and revert to WE to agree the terms of a development partnership agreement to reflect its BAFO submission provided that these terms conform with financial and commercial principles and the council's requirements set out in this report.
4. Notes the financial implications set out in paragraphs 137-146.
5. Notes that the proposed Development Partnership Agreement will deliver £1.25m of funding over the years 2015-2020 for community development services in the Aylesbury area plus a long term income stream from the ground rents payable on the new private and intermediate units.

BACKGROUND INFORMATION

6. On 28 February 2011 cabinet agreed a way forward to maintain the council's momentum in progressing the regeneration of the Aylesbury Estate, in line with the Aylesbury Area Action Plan (AAP). It agreed that officers should give further consideration to the possibility of establishing a longer-term development partnership that would deliver the regeneration of the whole area.

7. Development partnerships comprise a long-term partnership (typically 15 to 30 years), whereby an over-arching contractual agreement (a Development Partnership Agreement (DPA)) provides for the partner to draw down parcels of land for development from within a larger development area. The partner also has responsibilities for the development of master-planning and other strategic implementation activities such as delivering infrastructure.
8. In addition, the partner has a major role in ensuring that the development delivers social and economic benefits as part of the regeneration. They have a strong community role, working to make sure that the regeneration is not just about development, but also about people, supporting job creation and vulnerable residents. In the longer term, housing and area management responsibilities will also be led by the partner as more new housing is built to replace the existing blocks.
9. This approach was adopted as it was felt that it would:
 - Bring greater momentum to the regeneration, as a longer-term partner would have a stake in the future of the wider area
 - Bring a wider level of expertise to help with development roll-out
 - Help to ensure a more coherent housing and estate management approach.
10. On 15 May 2012 cabinet approved a Gateway 1 report setting out the procurement strategy for Aylesbury Regeneration Development Partnership. This was to use a 3-stage negotiated procedure under the Public Contracts Regulations 2006.
11. Through this procurement, the council was seeking a partner to support the delivery of the council's vision for the regeneration of the Aylesbury. This vision is to regenerate the area 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
 - High quality architecture and public realm.
12. The Gateway 1 report set out the procurement strategy that would provide the framework for the selection of a preferred development partner. These principles, established and agreed by cabinet in May 2012, have been followed throughout the procurement process and are set out within this report.
13. It is proposed that the DPA with the development partner for the Aylesbury will have an initial focus on Site 1b\1c within Phase 1 of the AAAP (Bradenham, Chartridge, Arklow House and Chiltern) with detailed agreements for the draw down of land and redevelopment of subsequent phases. Site 1b\1c and the total extent of the land included in the agreement is shown in the plan at Appendix 1.
14. Site 10, which is the planned community hub within phase 1 of the AAAP and is shown in the plan at Appendix 1, was included in this procurement but as a

separate element. Whilst the layout of this site was included in the master plan, no detailed design work was required and it was not included in the financial offer for the overall programme. However, it is proposed that it is bought forward as part of phase 1 and delivered by the development partner on the basis of the principles established through this procurement.

15. It is proposed that if the selection of the preferred partner is agreed in accordance with this report, demolition will start on Site 1b\1c early 2015 with construction taking 6 years and completing in 2021 delivering over 800 new homes. A detailed programme for the development of the whole area is set out in paragraph 105.

16. Procurement project plan

* provisional target dates
Completed stages shown shaded grey

Activity*	Complete by:
Approval of Gateway 1: Procurement strategy report	15 May 2012
Final evaluation criteria agreed by Director of Regeneration	10 Sep 2012
OJEU notice	12 Sep 2012
Stage 1: Combined Pre qualification questionnaire (PQQ) and outline proposal submission	Dec 2012
Stage 1 Evaluation and preparation for Stage 2	Jan 2013
Stage 2: Detailed proposals submission (max 3 applicants)	May 2013
Stage 2 Evaluation and preparation for Stage 3 (inc. forward plan for Cabinet decision).	Jul 2013
Stage 3: Best and Final offer submission (max 2 applicants)	1 Nov 2013
Stage 3 Evaluation and Cabinet decision to appoint preferred partner and to award contract within agreed commercial and financial parameters. Issue of preferred bidder letter.	28 Jan 2014
Contract finalisation period	3 Feb-14 March 2014*
DCRB/CCRB review	27 March 2014*
Approval of Gateway 2 Contract Award report	11 April 2014*
Standstill Period Scrutiny Call-in period and notification of implementation of Gateway 2 decision	25 April 2014*
Contract award and start	28 April 2014*
Contract completion date (20 year contract)	April 2034*

Procurement process to date

17. It was noted in the Gateway 1 that a further report would be submitted to cabinet to seek approval to appoint a preferred partner for the Aylesbury regeneration partnership at the end of stage 3 (BAFO) but that the short listing of applicants at the end of stage 1 (PQQ and ISOP) and stage 2 (ISDP) would be dealt with through the delegated approval of the director of regeneration.
18. The Gateway 1 set out that the maximum number of applicants shorted listed for each stage would be three for stage 2 and two for stage 3.
19. Stage 1 of the procurement combined a Pre-Qualification Questionnaire (PQQ) and Invitation to Submit Outline Proposals (ISOP). This stage started on 10 September 2012 with the publication of the OJEU notice and lasted 3 months.
20. Four proposals were submitted. The proposals were evaluated and all applicants passed. However, in accordance with the agreed procurement process which set out that a maximum of three applicants could be taken forward to the next stage, the lowest scoring applicant was not shortlisted.
21. The other three applicants were taken forward to stage 2 the Invitation to Submit Detailed Proposals (ISDP). This stage started on 25 January 2013 and lasted 4 months. Proposals were submitted by all three shortlisted parties at end of May.
22. These ISDP proposals were evaluated and all passed. However, in accordance with the agreed procurement process which set out that a maximum of two applicants could be taken forward to the next stage, the lowest scoring applicant was not short listed to go forward to the next stage 3, Best and Final Offers (BAFO).
23. The two applicants shortlisted to submit their BAFO proposals badged their bids and are referred to throughout this report by that name for ease of reference

Walworth East (WE) L&Q/Countryside/Peabody

Walworth Unlimited Notting Hill Housing Trust

24. The procurement has, in the main, been delivered according to the original timescales. Stages 1 and 2 were completed in line with the procurement plan set out in the Gateway 1 report. Stage 3 was completed on 1 November. There was an agreed 6 week extension to this stage to allow for further detailed development of the BAFO documentation to meet the council's requirements. Stage 4, contract finalisation, is due to start in February if cabinet decides to select a preferred partner.

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

25. As set out in the Gateway 1 report, the outcome of the procurement will be the appointment of a development partner that will work with the council to deliver the regeneration of the Aylesbury Estate over a period of 20 years with options to extend in particular circumstances.

26. The aim of the procurement has been to structure the council's requirements and invite proposals from applicants that would best deliver the council's vision for the regeneration of the area.
27. The conclusion of stage 3 of the procurement process is a recommendation for the selection of a preferred and reserved development partner.
28. The preferred development partner will be invited to agree a Development Partnership Agreement (DPA) and a business plan including an implementation master plan that will set out the framework for the delivery of the overall objectives of the project.
29. The business plan will be based on the preferred development partner's proposals and designed to meet the council's objectives. It will be governed by a number of key commercial and financial principles that set out both the partner's and the council's responsibilities.
30. In the event the council is unable to agree the contractualisation of the preferred development partners' tender, the council reserves the right to exclude the preferred development partner and revert to the reserved partner and to repeat the stage 4 process with the reserved development partner.
31. The following paragraphs set out the key principles of the proposed agreement.

Commercial principles

32. The council will enter into a long-term development partnership agreement of approximately 20 years with extension provisions for up to 10 years. This agreement will govern the relationship between the parties and establish the terms of land-transfer.
33. Appendix 1 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.
34. The agreement will 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 against milestones on previous phases. The land will be transferred on the basis of the grant of long leases (250 years). The development of plots will only proceed when all the conditions precedent (such as funding, planning, consents, and vacant possession) have been met.
35. The agreement will also require the partner to work with the council to address a range of strategic implementation issues including the provision of community spaces and public realm.
36. 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.
37. The development will be undertaken in phases with the first development site being Site 1b\1c as shown in Appendix 1. Subsequent phasing of development plots will be on the basis of an agreed implementation master plan taking into

account re-housing of existing residents of the estate, infrastructure constraints, and the remaining life/investment requirements of the existing blocks.

Financial principles

38. The proposed contract will include provisions for the payment of a fixed price for the first development site, payable in instalments as the site is developed.
39. The council has ensured that its "best consideration" obligations on the disposal of land have been covered through the procurement competition and the assessment of applicants' financial proposals on land value. This has also included a requirement for an overage mechanism which will enable the council to benefit from any increased revenue from sales.
40. There will be a commitment to deliver other elements of the proposals for example community space, employment and training places.
41. Land value for subsequent development sites will be established through an agreed financial model under which these and other key financial elements of the agreement will be regulated. The inputs to this model in respect of a fixed profit, investment from the registered provider in the affordable rented units and the council's share of overage have been set as part of the procurement and will form part of the contract.

Council's minimum requirements

42. In addition, the DPA will stipulate core minimum requirements that must be met by the partner. These are based on the key development principles established in the AAAP and other principles that support the council's vision.
43. The procurement documentation was developed to test applicants' response to these requirements. In summary, these minimum requirements included:
 - Minimum of 50% of the housing to be affordable (calculated by habitable room); of which, 75% to be social rent (at target rents); and 25% to be intermediate products (shared ownership or shared equity)
 - Minimum 30% of all units to have three bedrooms or more
 - All affordable units must meet the space standards of either Parker Morris +10% (+5% for intermediate) or the London Plan 2011 as a minimum and include outside space
 - Tenure blind: the development will need to adhere to tenure-blind principles – it should not be possible to distinguish visually between properties with different tenures externally and there should be a good mix of tenure types across dwelling types, for example there should be both affordable and private houses
 - The council will require 100% nominations rights on all target rented units and re-lets while there is still a need to re-house existing Aylesbury tenants
 - Funding of £1.25m for community benefit over the first 5 years and the provision of a new community building on the first development site at a peppercorn rent
 - The ring-fencing of ground rents from private and intermediate units for the maintenance of non-adopted shared spaces (for example, community gardens and play areas) or for other locally based programmes.

44. It should be noted that these requirements are very stringent 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.
45. The council's requirements set out in the agreement also included:
- Shared equity products for Aylesbury leaseholders structured to be affordable and attractive for them
 - Delivery of economic and community benefits for local residents from the regeneration including the delivery of programmes e.g. employment and training
 - A requirement for the partner to finalise key regeneration strategies, including marketing, communications and involvement, economic and community well being and area management (including approach to interim usages and the security of sites pending demolition/development)
 - Agreed marketing, communications and involvement protocols.
46. It is not envisaged that the partner will be responsible for the management and maintenance of the existing estate, however, at some time in the future, the council may wish to agree that the partner takes some responsibilities linked to the existing buildings subject to the scope of this procurement.

Council obligations under the proposed DPA

47. The council will have overall responsibility for land assembly and the delivery of vacant possession of the development sites throughout the agreement.
48. On the first development site (1b\1c) the council will be obliged to continue with the current programme of re-housing tenants and buying back leasehold interests until there is vacant possession of the whole site. This will include making a Compulsory Purchase Order if required.
49. The council will also be obliged to bear the cost of the demolition of the existing blocks to top of slab level. There will be an option in the DPA for the council to procure the demolition of the existing building through the partner. A separate gateway report will be brought for approval after signature of the DPA to either exercise this option or require approval of an alternative route. The financial implications of funding the demolition works and the re-housing commitment on phase 1 (shown edged with the dotted line on the plan at Appendix 1) and phase 2 (all the sites to the east of Thurlow Street including Wendover) are set out in paragraph 145.
50. Over the life of the programme, the council will be obliged to deliver vacant possession of phases and plots as set out within the agreed implementation master plan. 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, firstly, a pre-agreed level of units at target rent to re-house existing Aylesbury tenants and secondly, intermediate products that meet the needs of existing Aylesbury leaseholders. The agreed approach to vacant possession would be set out in a vacant possession strategy document within the business plan that will form part of the DPA.

51. 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 highways.
52. The key principles and the council obligations set out in paragraphs 32-51 above would remain the same whether contracts are finalised with Walworth Unlimited or WE.

Policy implications

53. The procurement of a development partner is intended to ensure continuity of construction in line with works already complete on Phase 1a and underway on Site 7, as well as completing the regeneration of the Aylesbury Estate in line with the principles set out in the Aylesbury Area Action Plan and the council's core strategy. Both the Aylesbury area action plan, approved by council assembly in January 2010, and the core strategy, approved by council assembly in April 2011, set out the council's detailed vision for the future of the Aylesbury and provide the planning policy framework for the area.
54. The regeneration of the Aylesbury Estate is a key priority for the council as identified in promise nine of the Leader's ten fairer future promises in the council Plan adopted by cabinet in July 2011: 'Bring the full benefits and opportunities of regeneration to all Southwark's residents and build new family homes on the Aylesbury Estate and at Elephant and Castle'. The proposed DPA will deliver this promise by providing new homes on the Aylesbury, as well bringing economic and employment opportunities for local residents and businesses.
55. The economic and community proposals developed in line with the council's requirements will also help support the delivery of the ambitions set out in the council's economic wellbeing strategy approved by cabinet November 2012.

Tender process

Development of documentation

56. As set out in the Gateway 1 the procurement documentation through the three stages was structured to test the key attributes of the potential partners and develop proposals that responded to the council's requirements for the delivery of this regeneration programme.
57. These attributes were as follows:
 - Development implementation – ability and capacity to manage the delivery of a major area redevelopment.
 - Design – skills to develop designs for the area and first development site that provided vibrant range of high quality tenure-blind urban design solutions.
 - Area management – ability to manage new housing ensuring a coherent service for residents.
 - Economic benefits – ability to provide tangible economic opportunities for residents through the regeneration and beyond and 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.

58. Overall the procurement was structured to find a partner who could demonstrate these attributes and deliver a development that meets the council's minimum requirements and addresses the council's expectations within a the set of clear financial and commercial constraints identified in paragraphs 32-41 above.
59. The development of the procurement documentation has closely followed this structure in developing the council's minimum requirements and expectations.
60. The cabinet delegated authority to the director of regeneration to agree the final evaluation criteria to be used to shortlist applicants at each stage. These were approved on 10 September 2012 and circulated to the cabinet for information.
61. The Aylesbury regeneration team worked with officers from legal, finance and procurement and the project's external advisors Eversheds, Grant Thornton and E C Harris to develop the procurement documentation for this project including the detailed evaluation criteria and weightings
62. This documentation was also discussed with officers from the GLA and the focus group of local residents and stakeholders, and their comments included.
63. At all three stages, the documentation was drafted in three parts and applicants proposals were evaluated using criteria designed to test their ability to meet the council's requirements as follows:

Quality elements of the proposals

- Part A – Design and implementation
- Part B – Partnering – including marketing, communications and involvement; economic and community well being; area management and partnership working

Financial and commercial elements of the proposals

- Part C – Financial and commercial robustness

64. The following principles were applied to the weighting of the evaluation criteria.
- 60% of the weighting given to quality as the quality of this contract will influence the physical, social and economic regeneration of this area. This is broken down as follows:

Part A Design and implementation 30%

Part B Partnering 30%

- 40% of the weighting given to Part C Financial and commercial considerations.

65. The weightings for each part have been followed through from stage 1 with some minor adjustments to topics within the parts. These adjustments were notified in advance to all applicants at each stage.

BAFO proposals

66. Within Parts A, B and C applicants were invited to submit proposals in response to requirements set out in various topic areas.

67. Part A consisted of plans, drawings and text describing their proposed design master plan and implementation proposals for the Aylesbury area with more details provided in respect of the first development site 1b\1c and details of their re-housing offer. In part B this consisted of proposals in respect of the partnering topic areas set out in the table at paragraph 69 below.

68. Part C was a financial offer for the first development site together with proposals in respect of their profit, investment in the affordable housing and sharing of overage with the council over the life of the programme.

Sub-weighting for topics

69. The weighting for each part, topic area and section is set below.

Part A: Design and Technical 30%			
Topic	Design - Area Master Plan and first development site	55	
	Master plan layout		20
	Site 1b/1c: site layout and organisation; dwelling layouts		20
	Energy and environmental sustainability strategy		5
	Accommodation mix: schedules area-wide; 1b/1c and plots 1-3		10
Topic	Implementation	45	
	Strategy statements (overall phasing, demolition and construction, infrastructure delivery, energy)		25
	Plans and diagrams		
	Implementation programme including 1b\1c		
	Decommissioning/diversion strategy		3
	Response to council VP strategy and re-housing offer		14
	Transition		3
TOTAL PART A		100	

Part B: Partnering 30%			
Topic	Marketing, communications and involvement	25	
	Strategic marketing		5
	Initial marketing, communications and involvement strategy		10
	Marketing, communications and involvement protocol		10
Topic	Community and economic wellbeing	25	
	Employment and training offer		12
	Economic development offer: brief headings		2
	Supply chain management / diversification		3

	Community well being offer- named staff posts and roles		5
	Community involvement - strategy for interim uses area wide-proposals for site 1b/1c		3
Topic	Area management	30	
	Affordability		14
	Accountability		7
	High quality management		5
	Business Plan for non adopted shared spaces		4
Topic	Partnership management	20	
	Staffing strategy		5
	Key job descriptions		5
	Co-location strategy		5
	Project plan - first 250 days		5
TOTAL PART B		100	

Part C: Financial Commercial 40%			
Topic	First development site 1b/1c financial offer	35	
	Fixed Land Value plus Overage [x%] – value based on applicant threshold and council assumption on sales values less Management Fee on demolition		35
Topic	Financial management of programme and inputs to the financial model	30	
	Profit fixed %		12
	RP equity investment		12
	Overage offer		6
Topic	Key Commercial Principles/Heads of Terms	35	
	Response to proposals		35
TOTAL PART C		100	

70. As at previous stages, a clear methodology for evaluation was set out and proposals assessed within a very prescriptive framework. The marking system responded to the council's minimum requirements and baseline requirements.
71. The overall evaluation criteria used at the BAFO stage was the same as at the earlier stages and it was not possible to change these although some small adjustments were made within topic areas.

Tender evaluation

72. The BAFO papers were issued on 2 September 2013 to the two applicants, WE and Walworth Unlimited. This stage has involved a schedule of negotiation meetings over 8 weeks to develop applicants' proposals submitted at the second stage and to enable the preparation of their final proposals.
73. Proposals were submitted by both applicants on 2 November 2013 prior to the stated deadline.
74. The evaluation of the relevant sections of the submissions was carried out by the following officers and advisors:
- Aylesbury regeneration team

- Finance and legal officers
- Aylesbury area housing manager and team
- Housing repairs and maintenance
- Planning and highways departments
- Strategy and partnerships
- Communications
- E C Harris (technical)
- Grant Thornton (financial)
- Eversheds (legal)

75. The GLA and the focus group, whilst not part of the formal evaluation, were also provided with copies of the design and partnering sections of the submissions and their views sought.

Scoring

76. The proposals in each section of the topics in Parts A, B and C were scored out of 5 with a 3 being a pass where the response met the minimum requirements and baseline requirements. A response was marked as a 4 or 5 only where the minimum requirements were exceeded and some or all of the council's expectations addressed and innovative and creative proposals included.

77. Applicants were required to achieve a minimum combined weighted score for each Part of 60%. The scoring system permitted an overall pass of each Part, even where one topic was failed, so long as sufficiently high scores were achieved in other topics within that Part.

78. A minimum aggregate weighted score of 60% overall across Parts A, B and C was also required to pass the BAFO stage.

79. The closed report sets out the scores for the two applicants.

80. Set out below is a brief commentary on the two submissions for Part A and Part B.

Summary of submissions

Part A Design and Technical

81. Walworth Unlimited was strongest overall in the design and technical implementation part.

82. Both applicants' master plans reflected the broad principles of the AAAP in terms of massing, densities and layout but Walworth Unlimited's master plan took the design further to bring character and variation at local level and to stitch effectively the new development into the existing urban context. WE's master plan was a sound proposal. It introduced some design development with well designed open spaces and major routes although their proposal would have benefitted from more character and variety at local level.

83. In respect of the first development site, both applicants presented good proposals with an accommodation mix that included tenures well distributed along the park frontage and across the dwelling types. The Walworth Unlimited scheme demonstrated a coherent massing along the park frontage and good

approach to the building design. WE's proposals were well considered overall with some innovative terrace houses, however the massing of buildings along the park frontage and the facade design of the tall buildings lacked sufficient definition as distinct buildings.

84. In terms of technical implementation, Walworth Unlimited's proposal was good, presenting a clear and considered approach supported by detailed drawing information. Their re-housing offer met the council's requirements. WE's implementation proposal set out a logical and viable approach that gave overall confidence to deliver but some of the information was limited. Their detailed proposals for the first development site included large areas of land for interim uses and their re-housing offer for tenants was good, as the two registered providers within the consortium have significant local stock.

Part B Partnering

85. Walworth Unlimited was also strongest overall in the partnering part, scoring highest in the Marketing, Communications and Involvement (MCI), Community and Economic Well-being and Area Management topics. Both applicants scored equally in Partnership Management.
86. The draft MCI strategy and protocol submitted by Walworth Unlimited demonstrated a clear commitment to involving the local community and set out a consistent and innovative approach. WE's proposals contained some good precedents for a Residents Charter, however some sections of both the strategy and protocol were limited.
87. Walworth Unlimited's economic and community wellbeing submission was strong and exceeded the council's stated requirements in terms of the number of employment and training opportunities offered for local residents, and the additional posts offered to support the council's aims of tackling worklessness, supporting re-housing and community involvement. WE's proposals were good and also exceeded the requirements. However the commitment to supply chain management lacked clarity.
88. Walworth Unlimited area management proposal was clearly and consistently set out, offering transparency to residents and a good approach to cross-tenure management. WE's proposals for area management were satisfactory although some aspects of the submission were not totally clear, in particular the approach setting out how the different landlords would work together to deliver services over the lifetime of the project.
89. Both applicants scored the same in Partnership Management. Walworth Unlimited's approach to staffing was good, with well defined job descriptions for the key project roles and a strong strategy for staff continuity and induction. Their co-location proposal, however, presented limited information only which impacted on their overall score. WE's staffing strategy was sound overall as was their co-location strategy.

Part C Financial and Commercial

90. Walworth Unlimited was also strongest overall in the financial and commercial section. Comments on both applicants' Part C proposals are set out in the closed report.

Overall outcome of evaluation

91. Walworth Unlimited were the strongest applicant. They scored highest both overall and for each part in accordance with the evaluation methodology described in this report. It is therefore recommended that Walworth Unlimited is appointed as the council's preferred development partner.
92. Although WE scored lower marks than Walworth Unlimited, they achieved a strong pass overall and it is recommended that that WE are appointed as the council's reserved partner.

Summary of offer from Walworth Unlimited

Design and implementation

93. Design:
 - Master plan for the area delivering 3500 mixed tenure homes (50% affordable with all rented units at target rents for 250 years) to meet the council's requirements.
 - Detailed proposals for first development site that form a sound basis for consultation and the early submission of a planning application.
94. New mixed tenure housing and community building to meet council requirements – first development site:
 - Proposals for over 800 new homes including over 50% affordable housing
 - tenure mix including affordable units overlooking park
 - mix of unit sizes in line with Aylesbury Area Action Plan
 - a new 250m² fully fitted community building at peppercorn rent
 - 50 extra care units; mixed tenure (additional to 50% affordable homes)
 - 6 learning disabled units.
95. Public realm improvements:
 - extensive works to the surrounding public realm; remodelling Albany Road providing a new Westmoreland Square with new re-designed highways throughout the area
 - new shared spaces including children's play space and youth recreation space
 - excellent tree retention and re-provision.
96. Clear implementation plan:
 - Completion of development of first site by 2021 – 6 years from start on site
 - Deliver of a total of 3500 new homes by 2032 – 17 years from start on site
 - Energy strategy that will provide a good level of energy efficiency.

Partnering

97. Support for council with re-housing:

- shared equity units; (no rent, affordable for Aylesbury leaseholders)
- target rented units off site in Notting Hill's own stock.

98. An enhanced community and economic wellbeing package:

- funding of £250,000 per annum for community development for 5 years as required by the council
- over 1,400 employment, apprenticeship and training opportunities in a range of jobs
- posts dedicated to support community and economic wellbeing in the area
- interim uses for vacant sites
- as required by the council, ring fenced ground rents for the delivery and ongoing maintenance of shared play areas; small parks and community gardens or other community initiatives
- detailed proposals for involving residents and ward members in area management.

Financial and commercial

- In addition to the offer for the land, a £9m payment to the council for infrastructure in accordance with the council's requirements
- Fixed profit over the life of the programme
- Council to receive a share of the overage
- Investment from Notting Hill in the phase 2 rented units.

Selection of a preferred development partner and contractualisation of tender

99. The next stage is contract finalisation and preparation for this is underway. Detailed contract documentation has been prepared including a draft Development Partnership Agreement annexing a draft Business Plan.
100. Following approval of the recommendations in this report, a preferred bidder letter will be issued and this will need to be agreed and signed by both parties. This will include the detailed points for agreement prior to contract award.
101. The draft contract documentation will be developed to incorporate Walworth Unlimited's specific proposals and sent to them along with a detailed timetable of contract finalisation meetings that will take place during February and March with a view to closing contracts in line with the procurement plan.
102. The meetings will be led by the Aylesbury Team with support from specialist council officers and external legal, financial and technical advisors as required. The meetings will be held over a planned period of 6 weeks and will be tightly managed with a legal protocol in place that ensures once agreed detailed points cannot be reopened.
103. A summary of the key points to be detailed in the agreement are set out in the closed report. Authority is sought for the CEO in consultation with the cabinet

member for regeneration and corporate strategy to agree the final details of the agreement and award the contract.

104. Whilst WE were the second placed applicant they scored a strong pass overall and in the event that the council are unable to reach agreement with Walworth Unlimited on completion of the DPA, the council is in a position where it could exclude Walworth Unlimited and revert to WE with a view to appointing them as the council's partner. This report therefore recommends that they are appointed as reserve partner.

Development programme

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

Delivery of regeneration of Aylesbury Area		
Phase 1	Vacant possession of first development site achieved	March 2015
	Demolition	March - Dec 2015
	Construction of 820 new homes and community space	Jan 2016 – Sept 2021
	Construction of community and health buildings and 100 new homes on Site 10	July 2016 – Dec 2018
Phase 2 AAAP Sites 4,5 and 6	Re-housing starting with Site 4 (most southerly site opposite Burgess Park)	April 2014 – end 2018
	Vacant possession and demolition	First sites 2018
	Construction of 885 new homes	2018- 2023
Phase 3	Re-housing starting with Site 4 (most southerly site opposite Burgess Park)	2018-2020
	Vacant possession and demolition	2021
	Construction of 278 new homes	2021-2024
Phase 4	Re-housing, demolition and construction of 1455 new homes	2020-2032

Plans for monitoring and management of the contract

106. A partnership steering group will be established, including senior representatives of the council and the partner. This steering group will act as the key forum for managing the contract and agreeing how to manage emerging challenges.
107. 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.

108. The contract will include clear deliverables and milestones in terms of the implementation of the development including obtaining planning consent and constructing the new buildings, public realm and open spaces
109. In terms of performance management the contract will include provisions in relation to Value for Money and Key Performance Indicators.
110. Value for Money (VfM): Costs for all services delivered through the partnership (both those linked to general obligations and site delivery, including costs for demolition and development costs) will be subject to benchmarking or market testing, in accordance with pre-agreed principles which will be clearly set out in the documentation.
111. Key Performance Indicators (KPIs): A KPI regime has been agreed in principle and the details will be agreed during contract finalisation. The overall objective is to encourage and incentivise the performance of the partner to deliver the contractual requirements and also go beyond these.
112. The KPIs will include target dates for all phases and plots. Other KPIs will cover aspects of the partner's performance, including for example resident involvement and satisfaction with housing management services and the delivery of economic and community benefits.

Identified risks for the new contract

113. The key procurement and contract risks are set out in Appendix 2. This identifies the scenarios that could possibly have an adverse impact on the completion of the DPA and the delivery of the programme and the steps that the council and the partner can take in terms of mitigation.

Community impact statement

114. An Equalities Impact Assessment was carried out as part of the AAAP. While this did not assess all of the groups with protected characteristics identified under the 2010 Equalities Act, the outcomes of that assessment are still valid and are not altered by this contract. The overwhelming impact on local people will be positive from this contract. The realisation of the regeneration vision for the area will bring quality new affordable homes and an improved environment. However, in order to realise this ambition it will require the existing residents (tenants and leaseholders) of Aylesbury to be re-housed. This is a difficult and often stressful process for residents, many of who have lived on the estate for many years. An updated equalities analysis will be produced as part of the process of preparing a planning application for the estate.
115. The housing department through the Aylesbury area housing office leads on the re-housing of the Aylesbury residents. The council is currently actively re-housing site 1b/1c. There are currently approximately 60 secure tenants remaining and it is planned that all tenants will have moved to new homes by the end of March. There are 30 leasehold interests still to buy back. The next phase for re-housing will be Sites 4, 5 and 6 within the AAAP with the details to be agreed with the partner.
116. 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 re-house the majority of tenants living in phase 1 and phase 2 off-site. The partner will also provide a pre-agreed supply of units over the next 10 years at target rent. Tenants are provided with home loss payments and are given support to move home.

117. The council seeks to negotiate voluntary agreements for lease surrender or repurchase with leaseholders. The council recognises that many of the council leaseholders are not able to easily afford alternative residential accommodation in the local area. To this end, the council offers an enhanced re-housing package for affected homeowners. Subject to certain qualification criteria, they may be re-housed as a council tenant, a housing association tenant, or offered a suitable alternative property from the council on full or shared ownership terms. The council also provides a payment to compensate for disturbance, covers reasonable fees and provides help with moving.
118. The council recognises that even with this enhanced re-housing 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 partner is offering shared equity units from within its own existing stock and in the new Aylesbury units to support the re-housing of Aylesbury leaseholders.
119. 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 uses its CPO powers where it is deemed that it will not be possible to negotiate voluntary agreements for lease surrender or repurchase. It is intended that a further report will come to Cabinet recommending that the resolution to make a CPO is renewed in respect of the first development site (Bradenham, Chartridge, Arklow House and Chiltern).
120. This contract will also deliver significant benefits for local residents in terms of economic benefits to the area, this will include commitment to maximising the use of local supply chains and labour, in addition to offering training and employment opportunities (such as apprenticeships).
121. The council has also secured the partner's commitment to London Living Wage.
122. This agreement will deliver significant community benefits including, dedicated staff for supporting community well-being over the next 20 years, a new community building at a peppercorn rent on the first development site and high quality outdoor spaces.
123. A legacy for long term community benefit will also be provided through the ring-fenced income stream from the ground rents on the private and shared ownership residential units.
124. No additional impacts from those previously recorded in the background papers are likely as a consequence of this decision.

Economic considerations

125. The partner will be providing a significant number of employment and training opportunities over the life of the partnership.
126. Local economic benefits will form a key part of the agreement. The partner will be required to:
- Advertise supply-chain opportunities in local press, and a range of publications to reach small businesses, ethnic minority owned business and social enterprises
 - Require their contractors/suppliers to engage with borough-wide employment programmes such as Southwark Works and Building London Creating Futures to support unemployed residents' access to training, skills and sustainable employment
 - Require their contractors/suppliers to engage with apprenticeship schemes, and commit to providing an agreed level of apprenticeship opportunities per annum
 - Fund and procure a study that will look at how the non-residential space within the new development will support existing businesses and employment and create new opportunities.

Social considerations

127. The scale of the council's requirements have meant that only large developers were able to respond to this procurement process. However, the successful partner will be required to ensure that their supply chain opportunities are accessible to a variety of suppliers including SMEs, BMEs, women and disabled-owned businesses and the voluntary and community sector.

Environmental considerations

128. The proposal sets out an approach to securing environmental benefits for the whole development area and covers energy, water, transport and use of natural resources, water and habitat and sustainable living initiatives. The proposal meets with planning policy requirements, standards set out in the London Plan and current building regulations.
129. As part of the initial planning application, the development partner will be required to submit a full Environmental Impact Assessment (EIA) for the development area, which will include a suite of detailed surveys and reports setting out how the new development will impact, mitigate and improve the existing environmental condition. This assessment will be renewed throughout the development period in relation to site-by-site planning consents.

Market considerations

130. The contract will include a detailed KPI performance management regime which will place the onus on the partner to report on cost-benchmarking and key performance indicators (including resident satisfaction and delivery against milestones).

131. 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 implications

132. The council is committed to funding the dedicated Aylesbury team required to manage the completion of this procurement and the contract going forward.
133. Significant input will also be required from housing, corporate finance, legal, procurement and economic development. These will be managed within existing resources.
134. A procurement project group has been established to oversee the completion of the procurement and includes officers from regeneration, procurement, housing, corporate finance, legal and economic development. External legal and finance advisors are also included in this group.
135. During the contract finalisation stage a core group will be established to tackle strategic multi-disciplinary issues. Each group will include senior representatives from the bidder, senior officers from the Aylesbury regeneration team, external advisors and other officers as appropriate to the agenda.

Financial implications

136. The Gateway 1 approved total procurement costs of up to £2.3m, spread over three financial years from 2012/13 through to 2014/15. Any release from earmarked reserves to meet these costs should be approved by the strategic director of finance and corporate services in consultation with the cabinet member for finance, resources and community safety.
137. The total costs of this procurement to date are £696,000. External advisors have fixed elements of their work from the outset, with other elements of work being fixed as the programme progresses. The budget will be monitored and re-profiled at each key programme milestone, and reported through council financial reporting mechanisms.
138. Current programme staffing costs will be covered by existing budgets for the next five years. Staffing costs of £250,000 per annum will be covered from 2019/20 onwards by the DPA as part of the development costs.
139. The council's financial advisors (Grant Thornton) have assessed the financial viability of the overall development, and concluded that if the sale value of the private housing increases by an average of 3% per annum in real terms, the scheme moves into surplus over its lifetime with no net public sector investment required. Based on historical trends since the second world war, there is a reasonable expectation that such increases will occur and may be exceeded, as the general market improves, the redevelopment progresses and the Elephant & Castle regeneration is completed.
140. It should be noted that the material financial assumptions in the financial model developed by Grant Thornton have been tested through the land transfer of site 7 (1-50 Wolverton) and Site 1a have been demonstrated to be prudent.

141. However, Grant Thornton have concluded that there will be the need for public sector investment in land assembly over the first ten to fifteen years, which subject to market conditions, may be expected to be recouped over the remainder of the development programme.
142. Land assembly is estimated to take 15 years and includes the re-housing of tenants, the buy-back of all non-council owned interests including residential leaseholders and the demolition of the existing blocks. The estimated cost of the land assembly for the whole estate is approximately £150m spread over 15 years. These costs are front loaded to some extent within this period as many of the larger blocks are in the early phases and the council wishes to buy back as many leasehold interests as possible by agreement at an early stage in the regeneration.
143. Land receipts in later years will generate significant income for the council that should offset the total land assembly costs.
144. The council has already made provision in its current 5 year housing investment programme of £76.7m. This means that the council has sufficient funds to for site assembly on phase 1 (including the first development site) and phase 2.
145. The council is in dialogue with the GLA regarding the investment needs of the programme. The GLA regard the project as a priority and are working with the council to look at options for investment in the programme.

Investment implications

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

Legal implications

149. Please see concurrent at paragraphs 158-168 from the Director of Legal Services.

Consultation

150. Consultation has taken place with the Creation Trust, which includes representatives of the four Tenant and Resident Associations on the estate. As part of this consultation exercise residents were given the opportunity to visit two other estate regeneration projects where long-term partnerships have been established (Woodberry Down, Hackney and Kidbrook, Greenwich).
151. 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.

152. Residents have been involved in the procurement process and their feedback has informed the development of the council's requirements at each stage. A focus group consisting of five local residents and the director of the Creation Trust were involved at all stages and they also met with applicants during the first and third stages and presented information to help applicants further understand community issues/perspectives.
153. The council will also require the partner 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 has formed 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, the partner will be required to deploy a range of mechanisms, including on-line mechanisms.
154. Consultation has taken place with representatives of the GLA throughout the process.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Head of Procurement

155. This report is seeking approval to appoint a preferred partner in the procurement of the Aylesbury Development Partner. This approval will allow officers to enter into the last stage of the process which finalises the final terms of the contract with the preferred partner. The award of the development partner contract will only take place once discussions regarding terms have been concluded and a satisfactory outcome for the council secured. The actual award decision will be covered by a further Gateway 2 report and this report is seeking approval to delegate the award decision to the Chief Executive. In the event that it is not possible to agree the final terms of the contract officers will wish to open discussions with the reserve partner. This report is also therefore seeking approval to appoint WE as a reserve partner.
156. This procurement has followed a 3 stage EU negotiated process, which started in September 2012 with the publishing of the OJEU notice. The procurement process is described in paragraphs 17 - 24 and 56 - 65. Early on in the process, the evaluation panel decided on the key attributes that would be required of a potential partner. This shaped the detailed evaluation criteria which the bids were assessed against at each stage. The process was designed to reduce the number of bidders at stages 1 and 2. Officers held negotiation meetings with two shortlisted bidders which led to their BAFO submissions. The report describes the approach that was taken with evaluation. Because of the complexity of the bid submissions the documentation was divided into sections and individual panels were set up to assess each section. These panels were made up of technical experts and other stakeholders. The scoring process has been well documented and provides a good audit trail of the decisions taken along the way.
157. Paragraphs 99 – 104 outline the next steps in this procurement process. A series of meetings will be held to agree the detailed terms of the contract. The report confirms that a summary of points for the detailed agreement has been compiled and will form the basis for the meetings.

Director of Legal Services

158. This report notes the outcome of the evaluation of the BAFO bids submitted for the regeneration of the Aylesbury Estate, and seeks approval to select both the preferred and reserve partner, and to delegate the process to reach contract award as noted in detail in paragraphs 1-3. At approval of the procurement strategy (Gateway 1 report) it was agreed that a report recommending preferred partner status would be brought back to the cabinet for approval.
159. The nature and value of this procurement is such that it is subject to the full application of the EU procurement regulations. The procurement has been tendered in accordance with the Public Contract Regulations 2006, using the negotiated procedure. The BAFO submissions have been evaluated in accordance with those Regulations and the evaluation criteria set out in the invitation, which were established to identify the BAFO submission which represents the most economically advantageous tender to the council. Walworth Unlimited have obtained the highest score and therefore having submitted the most economically advantageous best and final offer are recommended for selection as preferred partner. WE are the second placed tenderer, but passed all relevant sections and are therefore recommended for selection as reserve partner.
160. Following selection of the preferred partner, there will be a process of contract finalisation which will involve the incorporation of Walworth Unlimited's BAFO proposals into the contract documentation. At the conclusion of this process approval will be sought from the chief executive to award the contract. In the event that the council is unable to reach agreement on that contract documentation with Walworth Unlimited they are in a position where they are able to revert to the reserve partner, WE.
161. The cabinet will be aware of the Public Sector Equality Duty in section 149 of the Equality Act 2010. In exercising its functions (and in its decision making processes) the council must have due regard to the need to:
- a) eliminate discrimination, harassment, victimisation or other prohibited conduct
 - b) advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it
 - c) foster good relations between persons who share a relevant protected characteristic and persons who do not share it.

The relevant protected characteristics are age, disability, gender reassignment, pregnancy/maternity, race, religion/belief, sex, sexual orientation. The cabinet is referred to paragraphs 114-124 of this report which note the community impact statement, and they should consider the equalities impact and issues at each stage of the process.

162. All of the land on the Aylesbury Estate which will ultimately be transferred to the partner by way of a long lease pursuant to the DPA is held by the council in its housing revenue account. Accordingly the grant of leases will be subject to the provisions of the Housing Act 1932 which enables local authorities to dispose of land held for housing purposes by way of freehold sale or long lease. The Secretary of State's consent is required to any such land disposal.

163. A number of general consents have been issued in the General Housing Consents 2013.
164. General consent A3.1.1 provides that a local authority may, subject to paragraph 3.1.2, dispose of land for a consideration equal to its market value. Paragraph 3.1.2 of the consent sets out exceptions to this consent, none of which it is anticipated will apply to the leases granted pursuant to the DPA.
165. In addition, General consent A3.2 provides that a local authority may dispose of vacant land. For the purposes of this consent "vacant" means land on which a) no dwelling houses have been built, or b) where dwelling houses have been built, such dwelling houses have been demolished or are no longer capable of human habitation and are due to be demolished.
166. The council therefore has adequate powers to dispose of land by way of leases granted pursuant to the DPA, subject to the requirement in General consent A3.1.1 to ensure that such disposals are at market value. This report confirms that a procedure is in place to establish the value at which the land will be sold, and to recover overage should values increase.
167. The report notes that CPO powers may be used where it is necessary to comply with the council's obligations in the DPA to provide vacant possession of development sites and where it has not been possible to secure vacant possession by voluntary agreement. In those circumstances separate reports will be brought before cabinet to seek approval to the use of CPO powers in respect of those sites.
168. In terms of voluntary acquisitions of leasehold properties, the council has adequate powers under section 120(1) of the Local Government Act 1972 which provides that a local authority may acquire by agreement any land, whether inside or outside their area, for the purposes of a) any of their functions under this or any other enactment, or b) for the benefit, improvement or development of their area. Further, section 120(2) provides that a local authority may acquire land for any purpose authorised by this or any other enactment to acquire land, notwithstanding that the land is not immediately required for that purpose, and until it is required for the purpose for which it was acquired, any land acquired under this subsection may be used for the purpose of any of the council's functions.

Strategic Director of Finance and Corporate Services (FC13/087)

169. This report seeks cabinet approval to the selection of Notting Hill Housing Trust (Walworth Unlimited) as the council's preferred development partner for the regeneration of the Aylesbury Estate. The financial implications are contained within the body of this report.
170. The award of this contract is fundamental to moving forward with the regeneration of the Aylesbury Estate and is supported by provision within the council's capital programme for the first phases of this development. The clearance of these sites is a necessary prerequisite for the Aylesbury Area Action Plan.
171. Detailed financial and commercial points will need to be agreed as part of final terms of the development partnership agreement. The strategic director of finance and corporate services will advise the chief executive of the outcome of

these discussions, in consultation with the council's independent financial advisors to the project.

172. Given the scale and importance of this project the strategic director of finance and corporate services will continue to inform the council's external auditors of progress on a regular basis.

Strategic Director of Housing and Community Services

173. The strategic director of housing and community services supports the redevelopment of the Aylesbury Estate, and considers the procurement, establishment and implementation of a long term development partnership as being appropriate in achieving the next steps of this priority objective, and providing continued momentum to this initiative.
174. The development of the overall 'place' vision with the preferred partner, building on the existing Aylesbury Area Action Plan, has been vital in securing support from the local community. Ensuring a long term legacy for the community was an integral requirement and part of the submissions by each bidding partner. There is clarity in the vision for Aylesbury as part of the wider Walworth area, linking to Elephant and Castle, and enhancing the reputation of the area as a 'go to place', considering not just the physical elements of housing provision, but socio economic and transport facilities also. The strategic director of housing and community services also supports the idea of seeking a partner with niche or specialist development skills, particularly developments with associated employment opportunities.
175. The strategic director of housing and community services endorses the target rents commitment secured from the recommended partner, as the newer 'affordable rents' regime is not considered to be appropriate for this particular scheme, given the need to re-house existing tenants and create a sustainable community. It is noted that there will be sufficient number of target rent social housing units that will meet the needs of the existing tenants, and also other affordable housing options for both tenants and homeowners that are vital to meet the needs of the local population.
176. The strategic director of housing and community services supports the focus on ensuring that the local community and stakeholders are fully involved in the procurement and regeneration process. Their feedback has already been used to inform the submissions by prospective partners during the procurement process. 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 the mechanisms and expectations that have been embedded and evaluated as part of the procurement process.
177. The strategic director of housing and community services takes note of the commercial structure proposed in this report and is supportive of the proposed structure 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.

178. 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 is to be reflected in any contract/agreement.
179. This partnership provides an opportunity to implement an innovatory model of local management that is recognised for its excellence. The strategic director of housing and community services regards it as essential that the partner brings the necessary skills, to establish excellent housing, area and public realm management. An innovative co-ordinated approach is preferred. The housing representative on the procurement steering group has been particularly focused on this aspect of the procurement and its weighting in the evaluation process.
180. The strategic director recognises the importance of ensuring that the council is able to deliver on its vacant possession obligations within the partnership, and ensuring that the estate management services continue to be delivered effectively through the redevelopment process. The dedicated Aylesbury management team has been established to focus on these objectives and is developing management strategies to complement housing services delivery, vacant possession, transitional management and handover stages of the redevelopment.

BACKGROUND DOCUMENTS

Background Papers	Held At	Contact
Cabinet Report - Gateway 1 Procurement Strategy Approval Aylesbury Regeneration: Development Partnership	Southwark Website	Jane Seymour 020 7525 4907
Link http://modern.gov.southwark.gov.uk/ieDecisionDetails.aspx?ID=3061		

APPENDICES

No	Title
Appendix 1	Plan of development area including first development site
Appendix 2	Risk Log

AUDIT TRAIL

Cabinet Member	Councillor Fiona Colley, Regeneration and Corporate Strategy	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Jane Seymour, Development Partnership Broker	
Version	Final	
Dated	16 January 2014	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments Included
Head of Procurement	Yes	Yes
Director of Legal Services	Yes	Yes
Strategic Director of Finance and Corporate Services	Yes	Yes
Strategic Director of Housing and Community Services	Yes	Yes
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		16 January 2014