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| Item No. | Classification: Open | Date: October 20 2009 | Meeting Name: Executive |
| Report title: | | Aylesbury Regeneration – Phase 1 | |
| Ward(s) or groups affected: | | Faraday | |
| From: | | Strategic Director Regeneration and Neighbourhoods | |

RECOMMENDATIONS

That the Executive:

1. Approves in principle the joint procurement of development and housing association partners with the Homes and Communities Agency using their developer panel and to agree that the approval of the gateway 1 report (procurement strategy) is delegated to the Executive Member for Regeneration.
2. Approves the phased commencement of the re-housing of Phase 1 residents.
3. Requests officers to continue to explore all possible external funding sources to assist with the delivery of the project.
4. Request the continuation of strategic dialogue with the Homes and Communities Agency to ensure commitment to the future availability of Social Housing Grant (SHG) funding and associated risks.

BACKGROUND INFORMATION

5. In September 2005 the council agreed to a redevelopment strategy for Aylesbury, since then:
 - An Area Action Plan (AAP) has been prepared which will guide the redevelopment of the Aylesbury Estate to create a mixed tenure, family friendly area with supporting social and strategic infrastructure in 4 phases over the next 15-20 years (see site plan Figure 1) and phasing timetable (Figure 2). The Examination in Public of the AAP was held on September 2 and 3 2009. The Planning Inspector's report is expected to be issued in late October 2009 and it is anticipated that the AAP will be adopted by Council Assembly in January 2010.
 - London & Quadrant Group has been appointed as the registered social landlord (RSL) for Phase 1a to build and maintain 260 units of mixed tenure housing and a new Aylesbury Resource Centre for adults with physical, neurological and sensory disabilities and manage the homes. Construction started in March 2009 and works are well underway.
 - Southwark submitted an Expression of Interest for Housing Private Finance Initiative (PFI) credits to support the costs of delivering Phases 2 and 3 of the Aylesbury programme. This application has been successful and the council was the only London Authority to be admitted to the 6th round of Housing PFI schemes. In July 2009 Southwark Council was invited to submit an outline business case (OBC). This scheme is considered in more detail in a separate report to the October 20 Executive.
 - Council officers have been working extensively with the Homes and Communities Agency (HCA) to develop the 'single conversation' with specific reference to affordable housing. The new relationship has had a positive

impact on the Aylesbury regeneration. HCA funding of £13m has already effectively unlocked Phase 1a.

6. This report seeks approval to the council and HCA jointly procuring RSLs/developers for Phase 1 sites with the intention of making Social Housing Grant available to support these schemes.
7. The location of the Phase 1 sites and anticipated key delivery dates within the regeneration are indicated in Figure 1 and 2 respectively.

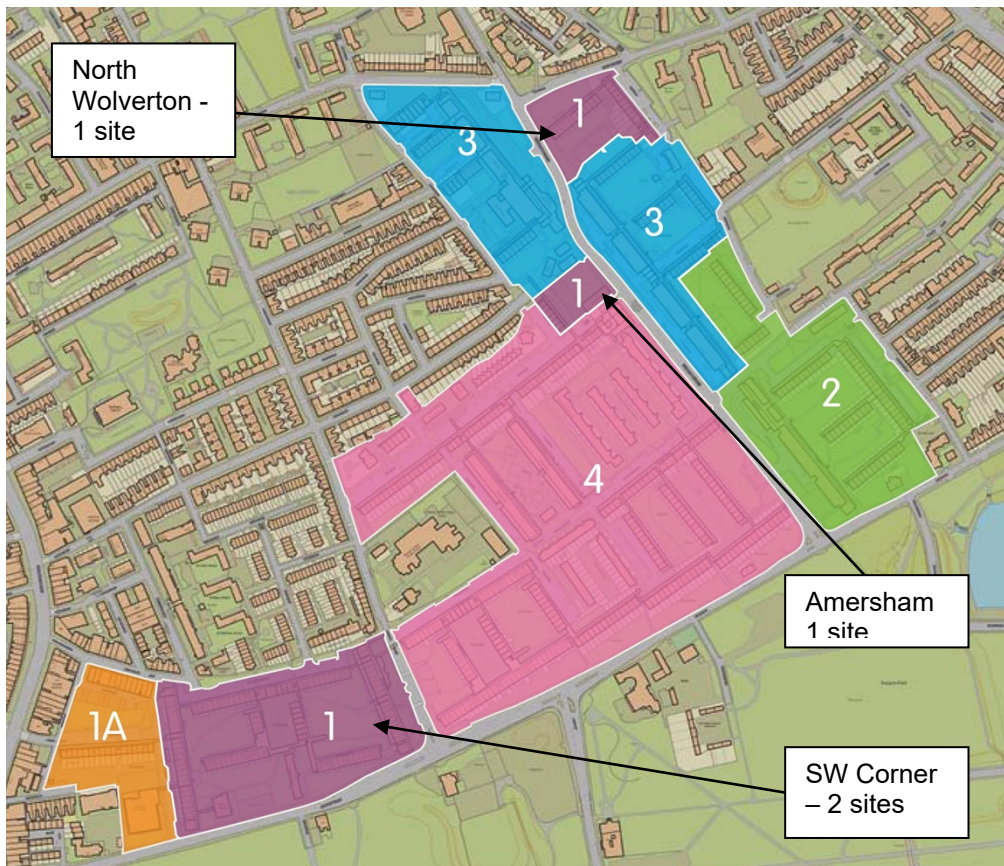


Figure 1 – Phasing Plan

| Phase | 1a | 1 | 2 | 3 | 4 | Total |
|----------------------------|------------------|------------------|------------------|-----------------|------------------|--------------|
| Private units | 126 | 456 | 322 | 224 | 986 | 2,114 |
| Social for rent units | 101 | 491 | 241 | 169 | 565 | 1,568 |
| Intermediate units | 33 | 212 | 81 | 57 | 144 | 527 |
| Total units | 260 | 1,159 | 645 | 450 | 1,695 | 4,209 |
| | 6% | 28% | 15% | 11% | 40% | 100% |
| Re-housing Phase | 2008 – 09 | 2010 - 12 | 2012 - 14 | 2014 - 18 | 2018 - 23 | |
| Redevelopment Phase | 2009 – 13 | 2011 - 16 | 2013 - 18 | 2017- 20 | 2020 - 27 | |

Figure 2 – Phasing Timetable

KEY ISSUES FOR CONSIDERATION

Overall delivery strategy for the Aylesbury regeneration programme

8. The aim is to achieve the redevelopment programme through a combination of grant support and partnerships with both the public and private sector.

9. The regeneration of Aylesbury will take place in 4 phases as shown in figure 1 and its associated table. The approach to delivery is for the council to take a major development lead role - securing vacant possession, clearing sites, and putting in place a strong planning framework for redevelopment that maintains the council's place-making role creating a series of neighbourhoods within the Aylesbury area with their own distinctiveness, character and uniqueness.
10. The programme will be controlled by the council, supported by public sector partnership and sites will be offered to the developer market in a series of phases or sub-phases over time.
11. Vitally, this approach will also enable the council to respond to the various property-market, economic, financial risk and other factors that change over time and that will affect how and when sites are taken to the market. It will also be necessary to both promote and respond to changing trends and lifestyles during the delivery period and embrace the opportunity for new developers, architects, building forms and styles to come to the fore during the regeneration of the estate.
12. In order to minimize abortive expenditure on high levels of maintenance, it is proposed to demolish the worst blocks first. Furthermore, following extensive consultation throughout the AAP and in response to a clear desire to maximize the pace of change a phasing plan has been devised to achieve regeneration of the estate in the fastest possible time i.e.:
 - Re-house existing tenants (1400) and acquire leasehold properties and demolish properties from the first three high phases within 11 years of commencing re-housing
 - Demolish five high-rise and surrounding blocks by 2021 (1700 households). Re-housing the tenants of the remaining large mixed area comprising some older red brick properties in the heart of the estate by no later than 2024, as the last phase of the private units begin to be released onto the market.
 - Complete the redevelopment of the estate and re-house the remaining residents. The speed of redevelopment is determined by the ability of the private market to absorb new stock (i.e. around 100 units p.a.).
13. The currently anticipated timetable for re-housing existing residents is set out in Figure 2.

Securing Vacant Possession

14. The land required for the programme is in the council's freehold ownership subject to long leases granted as a result of the Right to Buy (RTB) and a number of business leases. In addition, many dwellings are subject to secure tenancies granted under the Housing Act 1985. Agreed policies are in place for rehousing tenants in regeneration schemes and a range of options for leaseholders whose interests are being bought out.
15. The strategy for vacant possession accommodates the following key aspects:
 - The desire to demolish the worst blocks early in the process
 - The need to accommodate households on site and off site
 - The need to acquire the properties of existing leaseholders
 - The desires of residents who wish to remain on the estate
 - The opportunity for tenants in housing need to move on an interim basis to the Phase 4 blocks in the heart of the estate. This will help manage the need for off-site rehousing.

Re-housing

16. A re-housing team is being established which will operate on an integrated basis to support each household both tenant and leaseholder throughout the process of re-housing. This model has been successfully deployed on the Heygate Estate. The team will use this model, incorporating lessons learned, in their work with Aylesbury residents. It is intended that the council will transfer this resource to the Aylesbury estate in January 2010 to focus on re-housing Phase 1 residents. Lettings have already been stopped on the blocks in the Phase 1 area and plans are underway to suspend lettings on Phase 2 sites.
17. Registration will be undertaken on a phase by phase basis and is scheduled to commence with Phase 1 in late 2009. Initial demolition notices have already been served in the SW corner suspending progress of Right to Buy applications. Future Demolition Notices will be served in accordance with legislative timescales to prevent further RTB completions.
18. Rehousing capacity will be provided by borough-wide housing both new housing via developers and RSLs, together with council and RSL re-let properties. Tenants will be re-housed through 'Homesearch'. Following registration, tenants will receive band 1 status (top priority), when rehousing actively starts in the particular block or area.
19. The re-housing timetable has been developed with reference to the council's borough-wide supply and demand model, which will enable the rehousing processes across a number of schemes to be planned and managed. The model will be reviewed at regular intervals to enable any necessary programme adjustments to be made. It assumes an off-site housing supply of approximately 220 per annum up to 2014 at which point the new homes re-developed on the former Aylesbury footprint would fully meet the re-housing need.

Interim Investment

20. An interim investment programme has been developed for blocks prior to decant. Aylesbury has been the subject of a number of condition surveys, and there have also been stock condition surveys to generate the council's borough-wide housing investment programme and support the Decent Homes strategy. On the basis of the close proximity of Phase 1, no further planned preventative maintenance works will be undertaken. Limited works are planned for Phases 2 and 3 commensurate with their condition and the remaining life and known priorities e.g. heating, lifts and security. The main focus for interim investment will be Phase 4 blocks.

Delivery approach

21. Due to the duration of the Aylesbury regeneration programme it is clear that its objectives will need to be realised through a portfolio of delivery vehicles and funding sources, which will work in partnership with both public and private sectors. The following approaches are proposed:
 - Phase 1 – Communities Agency/LBS partnership approach using a HCA developer panel procured via OJEU procurement – the recommendation of this report, see further section for details.
 - Phases 2 and 3 - Housing Revenue Account (HRA) Private Finance Initiative (PFI) credits from the HCA, supported by the Department for Communities and Local Government and the Treasury, in partial support of delivering Aylesbury phases 2 and 3.

- Phase 4 - Phase 4 is approximately 10 years away, hence there are no proposals at present. The approach taken will seek to achieve the optimal balance of funding opportunities, benefits and risk.

Infrastructure

22. The creation of a successful and sustainable neighbourhood will depend not only on the provision of new homes, but also on the creation of shared infrastructure from which all future residents will benefit. This includes the following key components:
- Provision of a new energy centre to provide heat, hot water and power
 - Provision of a new energy centre to provide heat, hot water and power as part of an integrated approach which serves both the Elephant & Castle and Aylesbury developments.
 - Roads
 - Utilities
 - Areas of public realm
 - Social and community buildings and services
23. The council will be responsible for the delivery of the infrastructure. The works will be undertaken either by appointed contractors or as part of the procurement of a developer partner using either the tariff or S106 contributions.

Public and Private Sector Partnerships

24. It is acknowledged that successful delivery of the Aylesbury project depends on collaborative working with other public sector organisations to share aims, objectives, priorities, responsibilities and provide public sector leadership. This view harmonises with a range of agencies e.g. Homes and Communities Agency, Greater London Authority, Government Office for London, London Development Agency
25. The public sector partnerships will allow us to optimise public sector expertise and financial support. In turn, this approach will enhance private sector developer confidence as the early formative phases are brought forward by:
- sharing risk and delivering confidence to the community and private sector
 - securing political and financial commitment
 - sharing resources and expertise
 - driving value growth through managed regeneration

PHASE 1

26. Phase 1 comprises the following sites:
- Phase 1a (works underway and therefore not included within the recommendations of this report)
 - South West corner of the estate
 - Amersham site *
 - North Wolverton *

* Demolition notices will be required for 300-313 Missenden located within the Amersham site, and North Wolverton sites.

Scope of Phase 1

27. The remaining four sites that comprise Phase 1 will be key to the Aylesbury regeneration for the following reasons:

- Incorporates areas of current low density that, following development will provide new homes that can contribute to re-house capacity to facilitate achieving vacant possession on Phase 2 and 3
- Are located in key areas as identified with the AAP that will provide important infrastructure components early

28. The main elements that will be provided at each of the Phase 1 sites are summarised in Figure 3. These sites are also referred to in figure 1 and 2.

| Site | Key Elements |
|-------------------|--|
| SW corner Site 1b | <ul style="list-style-type: none"> • 409 new homes • Westmoreland Square • A range of retail units • A pre-school facility • A section of the community spine and of Albany Road • Ellison House |
| SW corner Site 1c | <ul style="list-style-type: none"> • 471 new homes • William IV green finger • A section of the community spine and of Albany Road |
| North Wolverton | <ul style="list-style-type: none"> • 166 new homes |
| Amersham | <ul style="list-style-type: none"> • 113 new homes • The new energy centre • A pre school facility • A community facility • The Amersham Square |

Figure 3 – key elements of each phase 1 site (excluding phase 1a)

Options for Delivery

Stock retention

29. The comprehensive redevelopment of Phase 1 is integral to the regeneration of the area as set out in the AAP. Fundamental to the AAP is the options appraisal process which assessed the cost of delivering decent homes in the s w corner and across the estate as a whole. It was concluded that the costs were prohibitive and the structural failings in some of the buildings alongside design deficiencies meant that the investment would not alleviate many of the problems inherent in the estate.

Land sale

30. The Aylesbury estate is densely populated with significant costs associated with achieving vacant possession i.e. large numbers of leaseholders and challenging re-housing requirements. Furthermore, the requirement of the AAP to provide 50% affordable homes would create enormous challenges for any prospective developer. Recent valuations of the vacant Amersham site have produced negative residual land values. Whilst the AAP has identified value generators which will ultimately lead to an uplift in residential values, it is likely to be some time before values return to levels prevailing before the property market downturn. This has been evidenced by the recent leasehold buy-back scheme which excluding phase 1a has achieved 10% in phase 1.

31. An unassisted market disposal is unlikely to attract the levels of social housing grant required to achieve viability on this programme whereas the proposed procurement enhances significantly the opportunity for SHG and therefore promotes the viability of

the scheme. Additionally, the council is less able to specify scheme requirements without giving rise to increased risk of legal challenge.

Council run procurement

32. In this option the council would manage a procurement process in compliance with the EU procurement regulations. This process enables the council to be specific about scheme requirements without giving rise to increased risk of legal challenge. However it would necessitate longer timescales and greater costs associated with management of an EU compliant process.

Use of an existing EU compliant Framework

33. This option would seek to make use of an existing EU compliant process as the starting point for the competitive selection of RSLs and/or developers.
34. This is the preferred delivery vehicle and is described in more detail in paragraphs 38 – 40.

Private Finance Initiative

35. The AAP anticipates an early start on Phase 1 to meet the overall agreed timescales for delivering the entire regeneration programme. The PFI funding vehicle requires a lead-in period of approximately four years and therefore presents a barrier to the council achieving its objectives. For this reason, it is considered more appropriate that PFI funds be sought for Phases 2 and 3.

Proposed Delivery Vehicle

36. The proposed delivery vehicle for the remainder of Phase 1 is to select RSLs or developers from a pre-procured HCA panel to design, demolish, build and manage new mixed tenure homes and supporting infrastructure.
37. The HCA's national consultancy team is currently managing a procurement process to arrive at panels of RSLs and developers in each region of the UK, procured specifically for the purposes of providing the HCA, Local Authorities and Regional Development Agencies with a range of pre-qualified developer that can be called upon to deliver schemes. Subsequent to the conclusion of the HCA southern region panel, it is proposed that Southwark Council and the HCA will jointly manage a mini competition for each of the Aylesbury Phase 1 sites.
38. The proposed approach:
 - ensures compliance with EU legislation on procurement
 - is expedient
 - will enable the council to be prescriptive about its requirements for these sites without risk of legal challenge (unlike option 2, the land sale route)
 - Additionally and importantly, since this is a joint commission with the HCA, it secures their buy in to the need for significant public investment and hence will facilitate access to the HCA National Affordable Homes Programme (NAHP) grant which will provide the necessary funding to bring forward this phase to ensure it is affordable.
39. Although in principle this is the preferred route, further details of the procurement content and the names of those on the southern region panel are awaited and may not be fully available until December 2009, hence the recommendation that the gateway 1 approval be delegated to the Executive Member for Regeneration.

Proposed Procurement process

40. A Public Works Procurement conducted in accordance with the European procurement directives will allow the council to be prescriptive over design quality matters for both the housing and the infrastructure and subsequent housing management. This approach has been informed by detailed discussions with legal advisors.
41. The HCA has already invited Expressions of interest for its developer panel via an advertisement in the Official Journal of the European Union (OJEU) and is now in the process of shortlisting applicants that will be invited to tender by the end of January 2010. Following evaluation, a panel of between 6-12 RSLs/developers will be selected by the HCA to enter into a framework agreement with them which provides the basis for Southwark to then select developers from this panel for the Aylesbury sites through a mini competition. It is anticipated that the appointments will be in or around June next year.
42. The terms of disposal will be confirmed in a Development Agreement that sets out the council's requirements for tenure, housing type, design, build quality and sustainability as set out in the Area Action Plan. The agreement will also deal with the council's initial nomination rights to decant Aylesbury residents and subsequent lettings, as well as management arrangements.

Figure 4 - Estimated Costs and Funding Sources

| Cost heading | £m | Funding source | £m |
|---|--------|--|--------|
| Homeloss and disturbance payment to tenants | 2.611 | In year Savings within Homeloss budgets once established for Aylesbury and/or savings/draw on other HRA resources once efficiency savings can be delivered | 2.611 |
| HRA impact – other | 10.113 | Cumulative figure for the phase. In Year savings and draw on HRA Resources once efficiency savings can be delivered | 10.113 |

Figure 6 - HRA related costs and funding sources

Proposed Funding strategy

- A. The development of the sites will be incentivised through access to Social Housing Grant.
- B. It is assumed that any land value deficit will be met by the provision of Social Housing Grant. See also paragraph 54 below.
- C. Capital costs of site preparation i.e. for leasehold acquisitions, re-housing and infrastructure can be funded through London Housing Board, NDC allocation, recycled Social Housing Grant and LBS capital allocation.
- D. Project team costs to provide the necessary internal resources and external consultants to deliver the project are estimated at £2.3m can be funded through the Aylesbury reserve. The estimated cost of the project team has been based upon the experience of phase 1a. The funding required to enable the management of a procurement process to proceed to the next stage i.e. gateway 2 i.e. October 2009 – June 2010 is estimated at £700, 000 which is available from the Aylesbury Reserve as indicated in figure 5.
- E. Affordability will be a key tender evaluation criterion and hence will incentivise tenders.
- F. The impact of the Phase 1 redevelopment on the HRA will be assessed in detail as will the ability of the council to accommodate this impact.
- G. A rigorous assessment of costs and risks will be undertaken during the procurement process and will be included in the June report.

- H. Opportunities to secure additional funding to support Phase 1 and/or subsequent phases will be pursued on an on-going basis.

Phase 1 timescale

43. The indicative milestone dates for the delivery of Phase 1 are:

| Milestone | Indicative date |
|---|-----------------|
| Executive approval to approach (this report) | Oct 2009 |
| HCA Developer Panel for South East selected | Dec 2009 |
| Approval of procurement strategy (gateway 1) | Dec 09/Jan 10 |
| LBS offer sites in Mini competitions using HCA developer panel | January 2010 |
| Developer(s)/RSL(s) selected | May 2010 |
| Approval to proceed with selected developers (gateway 2) | June 2010 |
| Design works commence with selected developers | July 2010 |
| Re-housing commences in line with agreed phasing | Jan 2010 |
| Start of phased demolition and construction in line with agreed phasing | 2011 |

Figure 7 – Milestone events

POLICY IMPLICATIONS

Planning Policy

44. The council is preparing an area action plan (AAP) for the Aylesbury estate and surrounding area. Preparation of the AAP is at an advanced stage and the council is aiming to adopt the plan in January 2010. Together with the Core Strategy, the AAP will replace the Southwark Plan and all future planning applications will be assessed against these documents. The phasing plan, quantum of units and split between social rented and private homes set out in Figure 2 is consistent with policy in the emerging AAP and Core Strategy. The phasing and quantum of new homes have been tested rigorously through the preparation of the AAP and they are considered to be robust.

Housing Strategy

45. The regeneration of the Aylesbury Estate is a key strategic housing priority both in terms of the new high quality housing to be delivered, and the reduced long term impact on the Housing Investment Programme. The commencement and successful delivery of Phase 1 is key to providing the rehousing capacity which enables the further phases to be unlocked.

Rehousing requirements

46. The planned timescales for each Aylesbury rehousing phase will take into careful consideration the council's capacity within the overall social housing supply. The overall supply of homes available for letting is mapped against demand in the Housing Supply and Demand model - as anticipated up to 2030. The model shows that up to 2014 the proportion of homes needed for regeneration rehousing schemes equates to approximately 10% of the total supply available. Although this may seem a modest proportion of the overall available supply, it is recognised by officers that tenants on regeneration schemes have high aspirations and tend to limit their choices to the most desirable properties, often only in the immediate neighbourhood of their current home. The council's lettings policy is based on choice, i.e. tenants bidding (with the highest priority and in date order of their priority) under the Homesearch scheme, until contractual requirements mean the council needs to instigate court proceedings. This tenant/customer led approach naturally limits the

proportion of properties that can be deemed suitable for rehousing on regeneration schemes. On the other hand it does mean that a reasonable number of properties remain available for other groups of applicants on the council's housing list - the main effect of falls on the desirability of the remaining properties. The Housing Supply and Demand model is up-dated half-yearly against performance and any additional demand from newly identified regeneration schemes, emergency measures etc is re-assessed at these times.

Property

47. To move forward with regeneration it is necessary for the site to be vacant ahead of any disposal. This requires the following stages that give rise to expenditure:
 - a. Acquiring leasehold interests
 - b. Obtaining a Compulsory Purchase Order
 - c. Securing vacant properties
 - d. Paying Home Loss and other costs in relocating tenants
 - e. Net loss of rental income during vacation process
 - f. Management/project costs
48. It has been previously mentioned that ultimately the regeneration will enhance values over this Estate. This is considered a reasonable assumption. The transformation of the sites in Phase 1 from how they are at present to modern, high quality, well designed housing areas will change perceptions and increase demand to reside in them. This increased demand will result in higher property values in the area and enhance the value of later Aylesbury sites.
49. The Phases are all held by the council for housing purposes. The council is enabled by s32 of the Housing Act 1985 to dispose of land held for this purpose. This authority is however subject to restrictions that are set out in the concurrent of the Director of Communities, Law and Governance.
50. As mentioned elsewhere in the report, it is anticipated that a Compulsory Purchase Order will be needed to achieve vacant possession. Section 226 of the Town & Country Planning Act 1990 appears to be the most appropriate enabling legislation. This provision enables land to be assembled for redevelopment. To achieve an Order there is a prescribed process to be followed. The initial step is for Executive to pass a resolution to make an Order. A report in pursuance of this will be made at the appropriate time setting out the full rationale for the Order. Generally speaking, this should be made once a development partner has been selected and can demonstrate funding to achieve the purpose of the Order. In the meantime however negotiations are taking place with leaseholders with compulsory powers in the background; this means they are offered the same terms that they would receive if there was an operative Order.
51. Reference has been made in this report to land values and costs of acquiring leasehold interests. These valuations and costings are all based on current values. As has been well documented, there has been a substantial fall in property market activity and values in the past eighteen months. The regeneration of these Phases is a long term project and it is likely that property market activity and values will change considerably over the duration of the project. This could result in substantial changes to the cost of acquiring leasehold interests and indeed the value of the sites that are transferred.
52. Conversely, there may in future years be a significant rise in the values of new homes for sale. It is intended to include overage provisions (whereby the Council share in the rise in values by way of a capital receipt) in the Development Agreements that will cover all the sites. At the present time, such payments, if any,

are extremely speculative and cannot be relied upon so are not included in the financial profiling of the project.

TUPE implications

53. There are no TUPE implications arising from the proposed development.

Resource implications

54. There are no direct staffing implications arising from this early development.
55. The cost of the project team has been allowed for within the cost plan set out in Figure 5.

Legal Implications

56. All legal implications are included in comments from the Strategic Director of Communities, Law & Governance.

Consultation

57. Prior to starting work on the AAP, the council prepared an overarching consultation strategy to guide the overall approach to consultation on the AAP. All consultation carried out on the AAP has been consistent with this strategy and also with the requirements of the Statement of Community Involvement (SCI). Details of consultation undertaken are summarised in Aylesbury AAP Consultation Report.
58. The successful partners will be required to work within the Aylesbury consultation strategy including working with a design team comprising of officers and residents. The partners will also be required to undertake a series of wider public consultation exercises with Aylesbury Tenants and Residents during the development of the scheme.

Community Impact Statement

59. The development will impact on the local community generally in terms of change within their social and physical environment. The proposed approach will necessitate starting the rehousing of households in different parts of the estate at different times. These residents will need to move early and therefore have a more limited choice of housing at the initial stage. This will require the communications and liaison processes to be handled particularly effectively.
60. The demolition and subsequent development activities on the sites will result in some disruption to residents in neighbouring areas in particularly, in terms of noise or dust, though this will be controlled by relevant legislation and is unavoidable for the provision of high quality affordable homes. The impact of the scheme on the elderly and other vulnerable households will be assessed and effectively managed to ensure that this is minimised.
61. The development has positive benefits for the entire community as it will signify the continuation of comprehensive improvement for the estate, by the provision of new homes, mixed use/landmark building and infrastructure.
62. This development will have some effect on the stability of the existing community, but there will be good continuity because most residents of the new housing will be households moving from the Aylesbury estate.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director Communities, Law & Governance

63. The Executive is asked to consider and approve a number of issues relating to the Aylesbury Phase 1 regeneration. As noted in paragraph 1, an approval in principle is required to the use of the HCA developer panel, with approval of the Gateway 1 to be delegated to the Strategic Director of Regeneration and Neighbourhoods. The value of the agreements which the council will enter into with those developers is such that these procurements will be considered Strategic Procurements. Any approval of the procurement strategy is reserved to the Executive, unless delegated by them.
64. The contracts to be let to regenerate the 4 sites will be subject to the EU tendering regulations, and therefore the procurement must be conducted in accordance with those regulations. Paragraphs 39 and 40 confirm that the HCA framework is being procured in accordance with the EU Regulations, and as noted in the concurrent report from the Head of Procurement, if the council uses the framework in accordance with any guidance set by the HCA, this will then be considered EU compliant. The HCA has not yet completed the tendering process for this panel, so the identity of those organisations on the panel and conditions for use of the framework are not yet known. Whilst in principle it is therefore recommended that the HCA framework is used for the reasons noted in paragraph 40, the Gateway 1 report cannot be approved until all details relating to the framework are known. It is anticipated that the Gateway 1 report will be presented for approval in December/January 2010.
65. With regard to recommendation 2, the council's lettings policy makes provision for the rehousing of its secure tenants (and for those who qualify for council assistance, its long leaseholders) on regeneration estates. On the basis the council intends to demolish the dwellings 'within a reasonable time of obtaining possession the council may seek a possession order against any secure tenant who fails to accept an offer of suitable alternative accommodation under Ground 10 of Schedule 2 to the Housing Act 1985.
66. In the event of the council not intending to demolish the dwellings it may seek an order for possession against secure tenants failing to accept an offer of suitable alternative accommodation under Ground 10A of Schedule 2 to the Housing Act 1985, provided the dwelling house is in an area which is the subject of a redevelopment scheme approved by the Secretary of State and the council intends within a reasonable time of obtaining possession to dispose of the dwelling house in accordance with the scheme. Approval of schemes is governed by Pt V of Sch. 2 to the Housing Act 1985. Prior to any approval the landlord must consult with the tenants as to both application for approval and the details of the proposed scheme.
67. Under the Land Compensation Act 1973, homelessness and disturbance payment may (and in certain circumstances, must) be paid to qualifying displaced residents.
68. Regarding disposal of the Phases to the selected developers, consideration must be given to any conditions imposed by the relevant statutory disposal power. Paragraph 55 notes that the Phases are held by the council for housing purposes under Part II of the Housing Act 1985 and may therefore be disposed of pursuant to the disposal power contained at section 32 of that Act. However, section 32 disposals require the express consent of the Secretary of State (unless they fall within a general consent e.g. are for the best consideration that can reasonably be obtained) and the council's constitution requires applications to the Secretary of State for the disposal of housing land be approved by Council Assembly. An alternative would be to appropriate the land for planning purposes and use the disposal power contained in section 233 of the Town and Country Planning Act 1990, which provides that disposals may be made in such a manner and subject to such conditions as appear to be expedient in order to secure the best use of that land or to secure the carrying out of works

needed for the proper planning of that area. Should the disposal consideration be less than the best consideration for that particular type of development, Secretary of State consent to the disposal will still be required, but an application for Secretary of State consent can be made without Council Assembly approval. A further advantage of appropriating the land for planning purposes is that any private rights affecting the development (e.g. rights of way, rights of light) will be overridden (section 237 Town and Country Planning Act). However, appropriation of housing land may have an adverse impact on the Housing Revenue Account and General Fund and this will need to be quantified before the disposal strategy is fixed.

69. A team of lawyers from Communities, Law and Governance are advising on this regeneration and will continue to assist during the procurement process.

Strategic Director Environment and Housing

70. It is proposed to establish a model for the delivery of all housing management services from a single point. Further details of these proposals will be brought forward at a later stage.

Finance Director

71. The Finance Director notes the preparation of the Area Action Plan (AAP) as the guide to creating a mixed tenure, family friendly area with supporting social and strategic infrastructure. The Finance Director notes the expected date of the planning inspector's report on the AAP and the intended adoption date.
72. The importance of the council taking a major development lead role, being able to respond to property market, economic, financial risks and controlling when sites are released to the market is acknowledged, along with the importance of minimising abortive expenditure.
73. The strategy for securing vacant possession is noted in paragraph 16 and it will be vital for the financial and timing implications of this to be fully explored and understood.
74. The proposals for leaseholder acquisitions are noted. It is also acknowledged this exercise presents a significant financial challenge to the council. Evaluation and monitoring of leaseholder acquisitions will be necessary to maintain the resourcing and timely delivery of the programme.
75. It is seen that the intention is for interim investment works to be profiled toward the later phases of the development over Phase 1, in order to avoid abortive expenditure.
76. The Finance Director notes the delivery approaches proposed in paragraph 23 for each phase, being Phase 1, A Homes and Communities Agency and Council partnership using a developer panel procured by the Homes and Communities Agency and Phases 2 and 3 Partial development via a Housing HRA PFI mechanism. There are no proposals at present for Phase 4 owing to the length of time before it is due to commence.
77. It is noted in regard to the approach to infrastructure, that a range of key components are proposed and that the Council will be responsible for the delivery of infrastructure with funding provided via tariff or Section 106 contributions. It will be necessary to undertake a robust assessment of the contributions required for the proposed infrastructure as the plans for construction crystallise in order to assess both the levels of contribution required and the timing that need to be made. This is to avoid placing the Council in a financially onerous position regarding the cash flowing of the

items, and the taking of risk on funding items which are due to be recouped via sales values for which a significant risk may exist.

78. The Finance Director notes the intended collaborative working proposals detailed in paragraph 26. Continuing efforts will need to be made to ensure that the outlined benefits to the council: sharing risk and delivering confidence to the community and private sector; securing political and financial commitment; sharing resources and expertise do materialise and that the council does benefit financially, in terms of risk and expertise as an equal partner from working with the Public Bodies named.
79. It is noted in relation to the proposed options for delivery that the proposed procurement route is chosen on the basis of accelerating the procurement process and significantly enhancing the opportunity for SHG and promoting the viability of the regeneration in the current economic climate. It should be noted that this route is heavily reliant on HCA commitment to provide liquidity and that any alterations in levels of proposed grant funding for the phase should be carefully scrutinised in order to avoid placing the council in a financially onerous position, for example half-way through a build out of a site.
80. It is noted in paragraph 37 that the PFI vehicle was proposed for phases 2 and 3 rather than phase 1 on the basis that the lengthy lead-in time would present a barrier to the council achieving its objectives, due to the early start anticipated in the Area Action Plan for phase 1. It should also be noted that the successful implementation and completion of the PFI element may be reliant on the successful completion of the phase 1 sites and that failure to develop these could jeopardise the implementation of Phases 2 and 3 in its proposed form.
81. The Finance Director notes the delivery vehicle proposed in paragraphs and recognises the proposed benefits of the method outlined in these paragraphs. It is recognised that the approach is contingent upon the HCA completing its own procurement process in order to establish a Southern region panel and also upon the HCA committing to provision of National Affordable Housing Programme grant in order to facilitate the development. Negative fluctuations in the level of grant provided could place the council under further financial pressure regarding the development of these sites and close involvement with the HCA and other funding bodies will need to be maintained by the project team in order to flag potential issues as early as possible.
82. It is recognised in that Southwark intends to use a developer panel established by the Homes and Communities Agency as the basis for selecting developers to regenerate the Phase 1 Aylesbury sites. It is noted that the successful establishment of this panel by the HCA directly influences the capacity of the council to develop the phase via the method intended.
83. It is noted from paragraph 44 that the terms of disposal will be set out in a Development Agreement.
 - The Finance Director acknowledges the proposed funding strategy as laid out in paragraph 44.
84. The Finance Director supports the proposed rigorous assessment of costs and risks to be undertaken during the procurement process. The conclusions of this will be used to inform the viability and progression of Phase 1, in conjunction with identification of funding sources, since the assumptions underlying the cost assumptions may well need revisiting as the procurement progresses and subject to market changes.

85. The timetable proposed at paragraph 45 is noted and that subject to successful establishment of a developer panel by the HCA the capacity of the Council to speed up the procurement process via a Mini-competition could be enhanced.
86. The Finance Director notes in the re-housing section that the stages outlined in paragraph 48 also have financial implications. Of the stages, costs relating to securing vacant properties, statutory homeless payments and net loss of rental fall on the HRA, it is acknowledged in paragraph 61 that resources will need to be made available from the HRA to resource this.
87. Within paragraph 49, the proposed relocation of Ellison House is noted, and work will be needed with the relevant Crown Body as this progresses to ensure that the council does not suffer in financial terms to make or as a result of this re-provision.
88. The potential financial implications, as provided by Colliers CRE, of pursuing a scheme in accordance with Area Action Plan requirements are noted, with the expectation being that the opportunity cost arising in relation to Phase 1 as a result of Social Housing provision, be removed by the provision of Social Housing Grant through the Homes and Communities Agency.

Head of Procurement

89. This report is seeking approval in principle to procure a development and RSL partner with the HCA through a framework arrangement set up by the HCA.
90. The HCA is currently following an EU procurement process to set up a framework that will contain several developers and housing associations. It is generally recognised that the use of frameworks can save considerable time and costs compared with undertaking full tender exercises. Normally frameworks set up, carry their own specific rules for operation that need to be followed when in use. These rules ensure that the framework remains EU compliant. Such rules will vary from framework to framework and may involve constraints on what can be evaluated etc.
91. With the HCA procurement underway it is still to be confirmed how the framework will operate and what constraints there may be put in place. As this will be a national framework, the council will need to ensure that the local requirements of the Aylesbury project can be met. Once the details of the framework are published, the council will need to satisfy itself that the framework will not compromise any standards in relation to health and safety, equalities and quality. The gateway 1 report will confirm the suitability of the HCA framework.

BACKGROUND DOCUMENTS

| Background Papers | Held By | Contact |
|--|----------------------|---------------------------|
| Aylesbury Area Action Plan | Planning Policy Team | Tim Cutts - 020 7525 5380 |
| Aylesbury Area Action Plan Consultation Report | Planning Policy Team | Tim Cutts - 020 7525 5380 |

APPENDICES

| No. | Title |
|------------|------------------------|
| 1 | Block/tenure breakdown |

AUDIT TRAIL

| | | | |
|---|---|--|--------------------|
| Lead Officer | Richard Rawes, Strategic Director for Regeneration and Neighbourhoods | | |
| Report Author | Adeola Dada, Aylesbury Assistant Project Director | | |
| Version | Final | | |
| Dated | October 12 2009 | | |
| Key Decision? | Yes | If yes, date appeared on forward plan | May 2009 |
| CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / EXECUTIVE MEMBER | | | |
| Officer Title | Comments Sought | Comments included | |
| Strategic Director of Communities, Law & Governance | Yes | Yes | |
| Finance Director | Yes | Yes | |
| Head of Procurement | Yes | Yes | |
| Strategic Director of Environment and Housing | Yes | Yes | |
| Executive Member for Regeneration | Yes | Yes | |
| Executive Member for Housing | Yes | Yes | |
| Executive Member for Resources | Yes | Yes | |
| Date final report sent to Constitutional Support Services | | | 12. 10. 2009 |

Appendix 1 Existing blocks details

| Site 1b | Tenanted | L/H | Void | Total |
|--------------------|----------|-----|------|-------|
| Chartridge 1-68 | 51 | 10 | 7 | 68 |
| Chartridge 69-76 | 8 | 0 | 0 | 8 |
| Chartridge 77-105 | 20 | 7 | 2 | 29 |
| Bradenham 42-256 | 206 | 19 | 63 | 215 |
| Site 1c | | | | |
| Arklow 1-28 | 19 | 9 | 2 | 30 |
| Chartridge 106-119 | 12 | 2 | 0 | 14 |
| Chartridge 120-149 | 20 | 10 | 0 | 30 |
| Chiltern 1-172 | 159 | 8 | 5 | 172 |
| Site 7 | | | | |
| Wolverton 1-27 | 15 | 12 | 0 | 27 |
| Wolverton 28-59 | 25 | 6 | 1 | 32 |
| Site 10 | | | | |
| Missenden 300-313 | 12 | 2 | 0 | 14 |
| Grand total | | | | |

September 2009 figures

The development proposals are summarised in the following table. Properties will be developed in a range of sizes and housing types to meet the needs of later phase tenants and the housing market. Associated infrastructure including parking, although at reduced levels, is included. Infrastructure quality is a high priority for the council and residents.

| | Rental | Intermediate | Sale | Approximate Total |
|--------------|------------|--------------|------------|-------------------|
| Site 1b | 153 | 51 | 205 | 409 |
| Site 1c | 175 | 79 | 236 | 471 |
| Site 7 | 104 | 63 | 0 | 167 |
| Site 10 | 70 | 43 | 0 | 113 |
| Total | 502 | 216 | 441 | 1159 |

September 2009 figures