

Item No. 17.	Classification: Open	Date: 20 September 2016	Meeting Name: Cabinet
Report title:		Gateway 2 – Contract Award Approval Southwark Regeneration in Partnership Programme Development Partners	
Ward(s) or groups affected:		All	
Cabinet Member:		Councillor Mark Williams, Regeneration and New Homes	

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

Southwark Council is tackling the housing crisis head-on by building new homes of all kinds, including our ground-breaking commitment to build 11,000 new council homes by 2043 with the first 1,500 by the end of 2018. Our new council homes are being delivered through a variety of programmes including Direct Delivery on infill sites on our existing housing land, our Hidden Homes programme in old washrooms and void spaces in housing blocks, and through buying homes directly from developers. The final method of delivering new council homes is the Southwark Regeneration In Partnership Programme (SRPP), whereby we have packaged together a number of sites and sought a development partner to build out new homes for us, these are predominantly on non-housing land and also include delivering wider regeneration benefits and non-residential facilities such as community centres, GP practices, workspace, and retail space.

Following a rigorous tender process this report awards the contract for Lot B to Affinity Sutton who will deliver 606 new homes, including 284 new council homes, 94 intermediate homes for local key workers, 4,132m² of commercial space and community facilities including a new church, a community gallery, workspace, and new community hall. Affinity Sutton have committed that 148 of the new council homes will be well under construction by the end of 2018 with 41 complete by then, all of which will be built to the high standards set out in our Southwark Council Housing Design Guide. In line with all other new build council homes these will be let at council rents on secure council tenancies, and will be subject to our Local Lettings Policy where half of all new council homes are reserved for local residents who are in housing need.

This report also sets out how the council will invest GLA Housing Zone and s106 Affordable Housing funds as part of the contract award. This contract award will deliver 63% affordable housing across all of the sites, and taking all costs into account this will deliver the new council homes for around £155,000 per unit of which approximately £53,000 is direct financial support from the council through the use of Section 106 funds which represents incredible value for money.

We tendered for two “Lots” of sites, unfortunately there were no bidders for Lot A which covers the sites in the north of the borough, as set out in the report this is due to changes in the property market and the uncertainty caused by Brexit. These sites will be repackaged and we will go back out to tender this autumn. South Dock Marina,

which was in Lot A, will be taken forward as a standalone development and a separate report will come back to cabinet on the procurement route for this crucial site which includes a new modern boatyard to secure its long term future.

In addition to securing new council and intermediate homes, we have also used the procurement process to put our Fairer Future Promises and values into practice and Affinity Sutton will pay at least the London Living Wage, take on at least one local apprentice for every £1m of contract spend, recognise trades unions, and meet our Blacklisting requirements.

RECOMMENDATIONS

Recommendations for the Cabinet

That the cabinet

1. Subject to securing the funding requirement noted in paragraph 4 of the recommendations, approve the award of the Southwark Regeneration in Partnership Programme (SRPP) Lot B to Affinity Sutton Homes Ltd to deliver 606 new homes (of which 284 will be council owned), 4,132m² of commercial space/community facilities that will be retained by the council and associated infrastructure through the Greater London Authority's London Development Panel Development Agreement, The contract shall be for a period of 10 years commencing on 31 October 2016 and completing on 30 October 2026, at a total development cost around £153m with a subsidy by the council of £11.507m along with land and ancillary costs detailed in the closed report.
2. Note that the procurement for Lot A will be repackaged and re-procured as detailed in paragraphs 32-34 of the report which will be approved in separate gateway reports.
3. Approve the allocation of £7.84m of Housing Zone grant to the SRPP sites within the Old Kent Road/Peckham and the Canada Water housing zones.
4. Note that the SRPP will be seeking additional funding of £11.507m from the S106 affordable housing fund to meet the contract investment requirement.
5. Subject to securing the funding requirement noted in paragraph 4 of the recommendations and subject to any further negotiations considered necessary by the Director of Regeneration, approve the disposal of the council's land as listed in Table 2 in this report (Lot B sites) on the terms of the development agreement to be entered into pursuant to the contract being awarded.

Recommendation for the Leader of the Council

That the Leader

6. Delegates authority to the Cabinet Member for Regeneration and New Homes to identify sites with appropriate use and tenure requirements for the re-packaging and to approve the re-procurement of Lot A from the Southwark Regeneration in Partnership Programme [Gateway 1 - Procurement Strategy]; with the exception of the South Dock Marina Boatyard site.

BACKGROUND INFORMATION

7. In July 2014, the council renewed its pledge to deliver a fairer future for all in Southwark in a set of 10 new fairer future promises as well as specific commitments, some of which include:
 1. Deliver value for money across all services
 2. Build more quality affordable homes of every kind across the borough
 3. Become an age friendly borough
 4. Improve standards across schools
 5. Provide enough places to offer young people and families, including those who are vulnerable, the right support
 6. Revitalise neighbourhoods
 7. Support local people into work.
8. These promises are recognition of the need for new housing supply whilst improving existing housing, educational and health provision across the borough. The Southwark Regeneration in Partnership Programme (SRPP) has the potential to make a significant contribution to that objective.
9. The New Southwark Plan is being prepared in consultation with residents, land owners, developers, employers, local organisations and other groups over the next two to three years. It will set out the strategy to bring the full benefits and opportunities of regeneration to all Southwark's residents.
10. The overall objective is to develop a range of regeneration programmes in line with the Plan to revitalise our neighbourhoods, making them places in which we can all be proud to live and work and to build more quality affordable homes of every kind.
11. A move towards more efficient and higher quality provision must be considered against the financial constraints faced by the council as it prepares for further reduction in our funding from central government. As reported to cabinet on 9 February, since 2010 Southwark Council has had to make £156m of budget savings, equivalent to a third of our budget. Despite being one of the most deprived areas of the country, the council has faced some of the largest reductions in government funding for local authorities, and further indicative savings of £69m over the next three years. As such, the council is exploring ways it can continue to deliver value for money for residents and businesses by making even better use of its resources.
12. The council holds significant assets and sites and there will be opportunities to work with developers to achieve the best possible outcome for our residents and to enhance their long term value. This is already occurring on individual sites and regeneration areas and the council has a strong track record of attracting private sector investment to secure better outcomes for the local community.
13. The programme will enable more efficient use of assets, deliver more quality homes of every kind and create new opportunities to enhance the quality of service provision and maximise value of council buildings across the borough, through partnership working with developers and registered providers.
14. A report to Cabinet on 27 January 2015 set out the aims and objectives for the SRPP to identify a number of council owned sites of varying size and development potential, which would be packaged to create viable opportunities

for development and regeneration. These sites could be developed for a range of mixed use schemes, including housing that would maximise the utility and value of these assets by leveraging in the investment and expertise of established developers through a joint partnership.

15. A further report to Cabinet on 20 October 2015, approved the use of the Greater London Authority (GLA) London Development Panel (LDP) framework for the procurement of the development partners to deliver 18 sites in two lots through the SRPP and the procurement process undertaken followed the requirements of the approved framework
16. On 23 February 2016, a report to the Cabinet Member for Regeneration and New Homes approved the recommendation by the Director of Regeneration for the final blend of sites and tenure variations as detailed in Tables 1 and 2 (8 sites in Lot A and 10 sites in Lot B). An asterisk next to a site name indicates a 'quick win' site, where the council will submit the planning application to expedite delivery. This process is now under way.

Table 1: Lot A sites

Lot A	Site Name
1	345 Southwark Park Road, SE16
2	Former Albion Civic Centre, Albion Street, SE16*
3	Former council offices & retail premises, Manor Place/Stopford Road, SE17*
4	Land at Calypso Way/South Dock, SE16
5	Braganza Workshops, 42 Braganza Street, SE17*
6	Land at Cherry Gardens School, Macks Road SE16
7	Land at Albion Primary School, Albion Street SE16
8	Seven Islands Leisure Centre, Lower Road SE16**

*Quick win site

**Subject to the development of a new leisure centre

Table 2: Lot B Sites

Lot B	Site Name
1	The Flaxyard site, Sumner Road SE15*
2	Sumner House, Sumner Road SE15
3	Fred Francis Day Centre, Lordship Lane SE22
4	Land at Angel Oak School, Longhope Close SE15
5	Wickway Community Centre, St George's Way SE15
6	Car Park, Copeland Road SE15*
7	Land at Library Square, Peckham High Street SE15*
8	Land at Wyndham Road/Redcar Street SE5*
9	233/247 Old Kent Road SE1*
10	21/23 Parkhouse Street SE5*

Procurement project plan (Key Decision)

Activity	Completed by/Complete by:
Forward Plan (If Strategic Procurement) Gateway 2	25/07/2016

Activity	Completed by/Complete by:
Approval of Gateway 1: Procurement Strategy Report	29/10/2015
Expression of Interest	11/11/2015
Sifting Brief	16/11/2015
Bidders' Day	17/11/2015
Short Listing	29/01/2016
Invitation to tender	01/04/2016
Closing date for return of tenders	26/05/2016
Completion of evaluation of tenders	17/08/2016
HIB/HDPB Review Gateway 2:	09/08/2016
CCRB Review Gateway 2:	25/08/2016
Cabinet Approval of Contract Award	20/09/2016
End of Scrutiny Call-in period and notification of implementation of Gateway 2 decision	05/10/2016
Contract award	06/10/2016
Add to Contract Register	07/10/2016
Contract start	31/10/2016
Contract completion date	30/10/2026

KEY ISSUES FOR CONSIDERATION

Description of procurement outcomes

17. This contract will provide the following development services for the sites within the Southwark Regeneration Partnership Programme Lot B over a 10 year period:
- Demolition, remediation and enabling works to prepare the site for development
 - Design and construction of new homes, commercial space/community facilities and associated infrastructure including:
 - a) 284 new council homes, of which up to 150 will be in progress by 2018
 - b) 94 intermediate tenure homes, prioritised for local key workers to enable them to live near their place of work
 - c) At least 228 market sale homes
 - d) 4,132m² of new commercial space comprising of
 - i. A new church at Wyndham Road and Redcar Street
 - ii. New Gallery spaces at Peckham High Street
 - iii. Two new halls (a community hall and a school hall) at Angel Oak Academy
 - iv. Retail/work spaces at the Flaxyard, Petrol Station and Parkhouse Street sites

- e) Public realm improvements as required; including significant public realm works at Flaxyards and the Angel Oak Academy site
 - f) Employment and training opportunities across the Lot
 - g) London Living Wage paid across supply chain
 - h) At least 1 apprentice for every £1 million spent (on total spend).
- Raising of development finance
 - Obtaining planning permission where the council has not already done so and/or discharge associated planning conditions
 - Site and supply chain management
 - Sales and marketing of private and intermediate homes
 - Aftercare and maintenance of private and intermediate homes
 - Arrangements for communal and external space where appropriate.

Key decision

18. This report deals with a key decision.

Policy implications

19. The SRPP programme has been shaped by the promises and commitments made in the Council Plan, such as building more quality affordable homes of every kind and revitalising our neighbourhoods making them places in which we can all be proud to live and work. Development of sites in this programme will reflect the planning policy in force at the time applications are considered, and given the projected timescales, this is likely to encompass both existing and future Southwark Plans.
20. The Development Plan for the borough consists of the Mayor's London Plan, the Core Strategy 2011, the Saved Southwark Plan policies, the Aylesbury Area Action Plan, the Canada Water Area Action Plan, the Peckham and Nunhead Area Action Plan and a revised Canada Water Area Action Plan.
21. The New Southwark Plan, which forms part of the Development Plan, is being prepared in consultation with residents, land owners, developers, employers, local organisations and other groups, with a further stage of consultation in September 2016. This New Southwark Plan will set out the strategy to bring the full benefits and opportunities of regeneration to all Southwark's residents.
22. Initial intent was that the intermediate units developed through SRPP would be rented homes discounted to between 60-70% of market rent to meet the housing needs of modest income households, particularly key workers currently living or working in the borough. However, the policy on, and the availability of grant funding for, intermediate rent is still not fully established. Therefore, the invitation to tender noted that the council would accept bids in which the intermediate products were either rented properties discounted to 60% of market rent or below, "intermediate" as defined by the GLA or a mixture of the two and targeted at key workers currently working in the borough. As new affordable products (such as discounted PRS, starter homes and London Living Rent) arise, their treatment in planning policy, in the government's funding settlement for London and in the GLA's funding prospectus will determine the programme's intermediate offer.

Tender process

23. The GLA LDP Framework ensures bidders have undergone pre-qualification for technical competence and general capability and sets out the following three stage competitive tender process:
 - a) Expression of interest
 - b) Sifting
 - c) Mini-competition.
24. The GLA LDP Framework allowed for soft market testing and early stage advice to be undertaken. All 25 GLA LDP members were invited to a bidder's day on 17 November 2015, where members and officers presented proposals.
25. Separate expressions of interest for Lots A and B were sent out to all 25 GLA LDP members on 9 November 2015, using the framework's template requesting panel members to confirm their interest in bidding for either Lot A or Lot B, or both. Bidders were able to bid for both Lots but were informed that a selected bidder could only win one Lot.
26. Of the twenty five GLA LDP members, twenty two expressed their interest to tender by the deadline of 16 November 2015.
27. A sifting brief, as provided for within the GLA LDP framework, was sent to all 22 interested parties on 12 November 2015, with a closing date of 21 December 2015. The sifting brief focused on the specifics of the project and tested the capabilities and experience of each panel member in delivering the things that are critical to the success of the project. Per framework terms, panel members were asked to provide method statements (500 word limit) in response to 10 sifting questions, a copy of which is included in Appendix 1.
28. In addition to the sifting questions, bidders responded to a set of questions relating to the "Blacklists Regulations" concerning employment and subcontracting.
29. Eleven contractors submitted sifting responses by the submission deadline; nine provided a response for both Lots and two provided a response for Lot B alone.
30. The sifting responses were analysed and scored between 1 and 5 as per the prescribed sifting methodology. The bidders that scored 2 or less on any of the questions were eliminated and those bidders who had been unsuccessful were notified in writing. A short list of 6 bidders for Lot A and 7 bidders for Lot B, as detailed in the closed report, were selected on 25 January 2016 to receive the final tender information.
31. Tenders were issued to the shortlisted bidders from each Lot via the ProContract Version 3 e-procurement portal on 1st April 2016. The closing date and time was 1.00pm on 26 May 2016.
32. By the submission deadline, two satisfactory tenders were received for Lot B but no tenders had been received for Lot A. However given the current market activity, as detailed in paragraphs 76-79, it was considered that sufficient competition remained for this procurement and a decision was taken to proceed with evaluation of the bids received for Lot B.

33. All shortlisted bidders for Lot A were contacted as part of a follow up quality assurance exercise and feedback was that some felt Lot A was too demanding in technical complexity and risk through the number and variety of sites.
34. It is recommended that Lot A is reconfigured into smaller, more manageable packages, and retendered. A Gateway 1 seeking approval for this re-procurement is to be presented to the Cabinet Member for Regeneration and New Homes – with the exception of South Dock Marina Boatyard, which given its significance and value will be presented to Cabinet. A recommendation has also been made to delegate authority to the Cabinet Member for Regeneration and New Homes to approve the Gateway 1 procurement strategy, including the mix of sites with the appropriate uses and tenures for the re-packaging and re-procurement of Lot A from the SRPP.

Tender evaluation

Lot B

35. The price submission was evaluated by:
 1. Head of Regeneration-Capital Works and Development
 2. Principal Surveyor
 3. Divisional Accountant
 4. Departmental Finance Manager
36. The quality submission was evaluated by:
 1. Housing Regeneration Programme Manager
 2. Senior Planner and Planning Advisor
 3. Architect and Project Manager
 4. Principal Surveyor
37. Both panels were advised by Trowers and Hamlin, with Specialist Lawyers for Contracts and Property & Regeneration from Southwark Council.
38. As detailed in the Gateway 1 report all tenders were evaluated on a 70:30 price to quality ratio.
39. Pricing was evaluated using the criteria detailed in Table 3.

Table 3

	Evaluation Criteria	Weighting	Method of Evaluation
1.	Overall financial implication for the council determined as the financial submission which generates the highest surplus or, failing that, the lowest deficit with other submissions being evaluated accordingly.	50%	Scored on a ranking system with the best value financial offer in each criterion receiving a maximum score and the remaining bidders receiving a proportion relative to the best value offer.
2.	Confidence in financial variables	10%	Scored on the evaluation of the robustness/credibility of all cost, income, borrowing and profit assumptions.

	Evaluation Criteria	Weighting	Method of Evaluation												
3.	<p>Overage and likelihood of receiving it which was considered in two stages:</p> <p>(i) Amount of additional revenue for the council considered likely to be generated; and</p> <p>(ii) Likelihood of achieving this level of overage based on developer's assumptions.</p>	10%	<p>(i) Scoring was based on ranking, with the highest return getting the maximum score of 10 and the remaining bidder receiving a proportion relative to the best value offer. This ranking was translated to a proportion of 100%.</p> <p>(ii) A discount factor was applied to the ranking, taking the scores 0-5 derived from the "Confidence in Financial Variables" criterion and applied to the score of up to 100%, as follows:</p> <table border="1" data-bbox="890 622 1374 1032"> <tbody> <tr> <td>0 points</td> <td>100% (i.e. ranking is nil)</td> </tr> <tr> <td>1 point</td> <td>80%</td> </tr> <tr> <td>2 points</td> <td>60%</td> </tr> <tr> <td>3 points</td> <td>40%</td> </tr> <tr> <td>4 points</td> <td>20%</td> </tr> <tr> <td>5 points</td> <td>0% (i.e. ranking not discounted)</td> </tr> </tbody> </table> <p>The resulting score was adjusted to equate to a maximum of 10% of the total.</p>	0 points	100% (i.e. ranking is nil)	1 point	80%	2 points	60%	3 points	40%	4 points	20%	5 points	0% (i.e. ranking not discounted)
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4 points	20%														
5 points	0% (i.e. ranking not discounted)														
	Total Price	70%													

40. Base price returns were evaluated using Section 1 of Table 3 in order to identify the bidder with the best price or lowest subsidy. In the original tender documents bidders were informed that a Housing Zone grant would be available.
41. Bidders initially departed somewhat from the original schedule of unit numbers as the original tender documents had encouraged bidders to maximise the returns while using realistic planning assumptions and delivering the housing required by the council. Although this produced some innovative responses, with their corresponding pricing, bidders introduced different changes and it was difficult to evaluate the bids' comparative pricing submissions.
42. As a result of this, from a planning perspective greater certainty about acceptable dwelling numbers for some of the sites and following the advice from our external solicitors, clarification was issued to bidders on 14 July 2016 asking them to resubmit their financial bid against a new schedule which set out a specific tenure mix for each site by 22 July 2016. The council was therefore able to ensure that 'new' compliant, like-for-like bids were received from all bidders enabling a consistent approach to be taken in evaluation. These 'new' compliant bids are also the proposals the bidders would intend to build for the council if appointed, and following legal advice, were henceforth the only proposals evaluated for both price and quality for Lot B.
43. Further clarification was then sought on 2 August 2016 as bidders had not adopted the correct figures in their compliant bid for built space to be used for

commercial or community purposes. The responses were returned on 5 August 2016.

44. As Affinity Sutton offered the best value financial offer they were awarded 100% equating to a weighted score of 50%, and the remaining bidder received a percentage relative to this best value offer as detailed in the closed report.
45. Stage 2 of the pricing criteria, confidence in financial variables, was evaluated using Table 4.

Table 4

No submission	0 Points	No response was made
Very Poor	1 Point	Few or no appraisal variables felt to be realistic or generating confidence
Poor	2 Points	Some variables considered realistic but overall a low level of confidence in the information submitted
Acceptable	3 Points	Many variables considered realistic or within bounds of probability with overall a fair level of confidence generated
Good	4 Points	Most variables considered realistic/achievable with a good level of confidence
Excellent	5 Points	All or very nearly all variables considered realistic/achievable with an excellent level of confidence generated in the proposals

46. Development appraisals submitted by bidders for each site were scrutinised in detail to check basic assumptions as well as variables adopted including sale values, costs and profit. These were compared with those adopted in the externally sourced valuation advice commissioned by the council. There was some disparity between variables adopted but none sufficient to give concern that schemes could not be delivered and both were deemed acceptable and scored 3 out of a possible 5 points equating to 6%.
47. Overage, stage 3 of the pricing criteria, was evaluated using Section 3 of Table 3 for the categories of planning overage (for built space exceeding a defined size threshold), sales overage (for private sales exceeding a defined value threshold), and profit overage (a share of overall scheme profits to be passed over once a priority return has been met).
48. Sales projections and thresholds set for overage mostly did not exceed those estimated by and for the council. At current value levels it is unlikely that significant overage (in relative terms) would result from this scheme, however a lengthy delivery period may bring changed market conditions and if those result in improvements to the overall financial position the council should expect to share in that. A detailed evaluation of overage is provided in the closed report with Affinity Sutton awarded the maximum score of 10 equating to 6% in line with tender provisions adjusted by reference to the confidence in financial variables score.
49. Bidders were also advised that notwithstanding the price evaluation methodology detailed in Table 3, the council would scrutinise all tenders that contained costs which appeared or abnormally low as provided for under regulation 69 of the Public Contract Regulations 2015. This would be done by benchmarking

tendered pricing against the council's own valuations. However, neither bid was considered abnormally low. A full breakdown of the financial scoring is reported in the closed report.

50. Value for money overall in comparison with alternative means of procuring new council homes is considered in the Financial Implications section (paragraph 84 onwards).
51. Quality was evaluated on the compliant bid using the criteria detailed in Table 5.

Table 5

Evaluation Criteria		Sub Weighting	Weighting
1. Response to Employer's requirements and design approach	a. Development Proposal in response to the requirements for each site by using a combination of text, site plans, artist sketches, photographs or other techniques, which is derived from, and responds to, the requirements set out in the site specific briefs and Stage 2 reports (including the pre-application advice). To include, but not be limited to, the bidders tenure mix approach to gaining planning and how they would add value and/or minimise costs/risks, including levels of insurance	6%	15%
	b. Method Statement based on Sumner House and Flaxyard Design Submission Brief in Appendix 4.3	5%	
	c. Branding/marketing proposal demonstrating the bidders understanding and ability to meet or surpass the council's requirement as specified in Schedule 13 of the Development Agreement	2%	
	d. Apprenticeship & local labour proposal demonstrating the bidders understanding and ability to meet or surpass the council's requirement as specified in Schedule 13 of the Development Agreement	2%	
2. Project management & resources	a. CVs and structure of project team which should include, as a minimum, the name and credentials of the project manager, registered provider partner (if applicable), lead architect and any other advisers or consultants you intend to use pre and post contract.	2.5%	5%
	b. Project management proposal including evidence of sufficient capacity to run multiple phases in tandem	2.5%	
3. Project delivery programme demonstrating how bidders can meet or improve upon the indicative delivery		n/a	5%

Evaluation Criteria	Sub Weighting	Weighting
programme to maximise the number of council homes delivered by 2018 and ensure delivery through changing economic cycles.		
4. Construction approach and technical proposal by providing a method statement detailing the bidders construction approach and technical proposal for each site; giving due consideration to the constraints and opportunities they present. Responses should, as a minimum, cover contractor procurement and mobilisation, approach to health & safety and risk management, methods of construction and information management and technical proposals including details of inconsistencies between them and the requirements in Technical Specifications in the Southwark Design Guide.	n/a	2.5%
5. Approach to securing scheme finance – Please outline how you intend to secure finance for the life of project.	n/a	2.5%
Total Quality		30%

52. The response to each question was scored from 0 to 5 according to the criteria set out in Table 6. The scores were then divided by the maximum score available (5) and then multiplied by the weightings/sub weightings shown in quality criteria table for each element. The maximum score that could have been achieved for responses to the quality was 55 equating to a weighting of 30% with Affinity Sutton being awarded 39 with a corresponding weighting of 21.05.

Table 6

No submission	0 Points	No response was made
Very Poor	1 Point	Unacceptable, an unsatisfactory response – shows extremely limited understanding of and/or extremely inappropriate approach to the matter in question.
Poor	2 Points	Only some of the requirements met – shows limited understanding of and/or inappropriate approach to the matter in question.
Acceptable	3 Points	A satisfactory response, which meets the basic requirements – gives some confidence, shows reasonable understanding of and/or acceptable approach to the matter in question.
Good	4 Points	Good response, which meets all requirements and gives good confidence – shows extremely sound understanding of and highly appropriate approach to the matter in question.
Excellent	5 Points	Outstanding response, exceeds expectations, adds value, full confidence and includes innovation – shows an excellent understanding of and exemplary approach to the matter in question.

53. The council reserved the right to eliminate any tender submission which did not score a minimum of 3 points in all of the quality criteria and at least 4 points in Quality Criteria 1a (Development Proposal), 1b (Design Method Statements) and 3 (Project Delivery Programme). However, it was not necessary to exercise this right as both bidders scored 3 points or more against all elements of the Threshold Criteria. Scores against quality criteria are reported in more detail in the closed report.
54. The Affinity Sutton scored as follows:
- Quality 21.05/30
 - Price 62/70
55. Overall, in accordance with the council's stated evaluation methodology Affinity Sutton, with a total score for price and quality of 83.05 submitted the most economically advantageous tender, and are therefore recommended for award.

Plans for monitoring and management of the contract

56. A chief benefit of procuring the contract through a framework is that the developer's capabilities have been vetted and their performance and capacity are regularly monitored.
57. The Development Agreement sets out monitoring and management arrangements for the contract, including mechanisms for addressing non compliance.
58. The Head of Regeneration - Capital Works and Development, Housing Regeneration Programme Manager and Housing Regeneration Manager will be the authorised representatives for the council. Other key personnel for the council are Principal Surveyor and Project Coordinators. The Head of Regeneration will also reserve the right to employ a clerk of works type role to monitor quality for the council.

59. The 'appointed development partner' would be required to attend monthly project board meetings and other stakeholder and work stream meetings with the internal project team.
60. The council will monitor performance through KPIs as set out in the Development Agreement.

Identified risks for the new contract

61. The top five risks for this contract are detailed in Table 7 below, with the remaining risks attached as Appendix 2.

Table 7

Risk No.	Identified Risk	Likelihood	Risk Control
1.	Gap funding – unable to secure the required intervention to make the programme viable	Medium	Dual submissions will be made for affordable housing grant and a capital bid for forward funding.
2	Failure to achieve planning consent or post-consent revisions results in delay to start on site	Medium	Minimise planning risk through adherence to policy, continuous engagement with planners and resident consultation.
3	Additional funding required due to viability or lack of proper cost control during the 10 year life of the contract	Medium	There is provision in the DA for cost monitoring including use of independent cost consultants.
4	Reduction in number of council home completions by 2018 due to programme delays and/or scheme viability	Medium	Effective management of the pre construction phase to ensure necessary consents are in place, cost planning and market evaluations are robust.
5.	Housing Zone grant not achieved	Low	Ensure grant submissions are made on time and regular liaison with the GLA.

Community impact statement

62. Under the Equality Act 2010's Public Sector Equality Duty (PSED), as a public body we must have due regard to the need to:
- a. Eliminate unlawful discrimination, harassment and victimisation
 - b. Advance equality of opportunity between different groups
 - c. Foster good relations between different group

63. A community impact statement has been undertaken for two of the quick win sites, which are appended as Appendix 3, in preparation for planning submission and a similar exercise will be undertaken for the remaining Lot B sites prior to planning submission. The statements capture community priorities, issues and needs, in particular groups displaced or impacted by the development proposal. The community impact statement focused on two distinctive communities:
- a. Geographical communities - people living, accessing or working close to the development
 - b. Community of identity – groups that share characteristics such as the older people, minority ethnic groups, faith groups, people with disabilities and young people, etc. Indicative groups we seek to consult and assess with will be service users, internal stakeholders and affected businesses.
64. Officers will undertake a full equalities impact assessment with the development partner once they are in place and to be completed prior to commencement of works on the first site. This is to ensure that there is no disproportionate or discriminatory impact on groups with protected characteristics.

Social value considerations

65. The Public Services (Social Value) Act 2012 requires that the council considers, before commencing a procurement process, how wider social, economic and environmental benefits that may improve the well being of the local area can be secured. The social value considerations included in the tender (as outlined in the Gateway 1 report) are set out in the following paragraphs in relation to the tender responses, evaluation and commitments to be delivered under the proposed contract.

Economic considerations

66. Delivery of the Southwark Regeneration in Partnership programme will be subject to Section 106 that will include initiatives for the development and support of many areas which include Employment, Training, Education, Open Space, Transport, etc.
67. The Development Agreement requires commitment to promote and use local suppliers and businesses where applicable and to meet the council's requirement of one apprenticeship per £1m spend.

Social considerations

68. The SRPP will provide high quality new developments that will meet differing housing needs together with ancillary newly-built space which will include health, education, community and employment-supporting uses.
69. Establishing a robust and effective development partnership will enable the council to maximise the utility, value and quality of buildings being delivered, which will impact greatly on improved social environments for current and future generations, while minimising the long term revenue costs to the council.
70. The new social rent homes will be retained by the council and let on the same basis as existing council homes.

71. As part of the mini-competition process, bidders were required to complete and return the council's standard Offences Certificate confirming that they are not in breach of any of the requirements, including the requirements under Regulation 3(1) of the Employment Relations Act 1999 (Blacklisting) Regulations 2010. Bidders confirmed that they were not in breach of those blacklisting requirements.
72. In addition the council has included its usual provision in the development agreement which requires the contractor to comply with the Employment Relations Act 1999 (Blacklisting) Regulations 2010 during the contract term.
73. The council is an officially accredited London Living Wage (LLW) Employer and is committed to ensuring that, where appropriate, our contractors and subcontractors pay staff at a minimum rate equivalent to the LLW rate. The Gateway 1 report dated 20 October 2015 confirmed, for the reasons stated in that report; payment of LLW was an appropriate and best value requirement for this contract. Affinity Sutton has confirmed that it meets the LLW requirements. Following award, quality improvements and costs implications linked to the payment of LLW will be monitored as part of the contract review process.
74. Prior to entering into the contract, officers will seek to stipulate in the Development Agreement that Affinity Sutton ask their sub-contractors and suppliers to consider, (if they do not already do so), entering into trade union agreements as minimum protection for the workforce that will deliver the programme on behalf of the council, as set out in the Fairer Future Procurement Strategy 2016.

Environmental/sustainability considerations

75. By investing in high quality and well designed buildings and estates the council aim to achieve positive impacts which will benefit the environment and increase the stock of environmentally friendly buildings within the borough.
76. The terms of the development agreement requires that the development partner complies with the Southwark New Homes Design Guide. Their compliance with the design guide will benefit the environment through contributing to the following:
 - a. Increasing the quality of the housing being delivered in the borough as per the Southwark New Homes Design Guide.
 - b. Ensuring commercial space will achieve BREEAM "very good" standard
 - c. Endorsing flood risk management policy
 - d. Creation of public open space which will benefit surface water management objectives
 - e. Improving public transport connectivity

Market considerations

77. In October 2015, Cabinet was advised that successful delivery of the programme in a partnership venture depended on the continued good health of the property market in Southwark. Growth in the residential market had been strong until that point. Many factors contribute to this success including the borough's good

communications and improvements in transport infrastructure, with more proposed including the Bakerloo extension.

78. Since October 2015, the overall economic outlook has deteriorated somewhat with a slowdown in both the volume of residential sales and the speed of price rises. In particular demand for the more expensive sector of the residential market has dwindled. Wider economic uncertainty has been caused by the vote to leave the European Union and the impact of this decision has yet to be fully understood or felt. Volume house builders were the hardest-hit sector of the FTSE100 index immediately following the EU referendum result, although some recovery has followed.
79. The recent reduction in the Bank of England's base interest rate and other precautionary measures should help mitigate the risks. After a period of steeply rising construction costs, a drop in activity is emerging and if sustained will have an effect on the industry. It is too early to understand whether a swift recovery will follow and the wider uncertainty may play out in a number of ways. There is scope for movement in either direction for both build costs and sale values. Significant movement however seems unlikely.
80. Early marketing activity coincided with a very busy period for developers with multiple opportunities on offer. It was felt that a number of bidders consequently concluded that their capacity for delivery and exposure was fully stretched, and therefore resulted in no bids for Lot A. However, at present, the demographic indicators suggest continued demand for housing of all tenure types in Southwark. Even with current political and economic uncertainty, it is unlikely that London would lose its status as an attractive location in which to live and work.

Resource implications

81. The Housing Regeneration Programme Manager will be responsible for the delivery of the overall programme, under the management of the Head of Regeneration, Capital Works and Development. Their role is to ensure that the programme is adequately resourced and coordinated to deliver its objectives and procured efficiently and effectively in accordance with best practice for major projects procurement. The Regeneration Team which has recently been restructured and now includes some new appointments is able to manage this additional workload.
82. The project required the procurement of additional support services such as architects to carry out feasibility studies and initial design development, financial and valuation consultants to undertake valuations and the development appraisals and legal consultants to provide procurement advice and draft the Development Partnership Agreement. A contribution to the cost of this work will be recovered through the proposed arrangement.

Financial implications

83. Analysis of potential outcomes prior to marketing showed that financial intervention would probably be needed in order to make this scheme viable. At that stage it was hoped that Housing Zone grant would be available but the quantum was not known. Bidders were encouraged to keep the level of intervention to a minimum if a positive result could not be produced.

84. In order to assess the value for money of this proposal it is necessary to compare its costs and returns against other means of delivering new council homes. Comparisons should take account of alternative delivery models and their specific risks and benefits. Direct delivery is entirely within the council's control but susceptible to movements in build cost. Acquisition of affordable housing built as part of private development depends upon availability in sufficient quantity as well as the ability to enter transactions with developers.
85. Housing Zone grant was applied for on the basis of this scheme and its adoption of an externally sourced, mixed tenure approach. The monetary value to the council of 284 new homes together with non-residential accommodation adds to the non-financial benefits of housing provision and space for employment and community activities. Risks associated with managing the build process will be adopted by the developer.
86. The financial aspects of the proposal are considered in more detail in the closed report. The total investment proposed provides 284 new homes as well as non-residential accommodation to the council and is considered good value in relation to alternative means of procuring new council housing.
87. It is confirmed in the closed agenda report that the equivalent value being received for this portfolio of sites is sufficient to meet the council's statutory requirements. Revenue lost from car parking and short-term lettings will be more than replaced by income from new commercial property and the new council homes will generate rent in line with the relevant charging policies. On current estimates gross revenue will total circa £1.9m annually.
88. Appraisals of the proposed new arrangement of Lot A are being undertaken and the results will be reported to Cabinet or to the Cabinet Member for Regeneration and New Homes as part of arrangements to repackage Lot A.

Investment implications

89. Please see concurrent from Strategic Director of Finance and Governance.

Legal implications

90. Please see concurrent from the Director of Law and Democracy.

Consultation

91. A robust consultation strategy to involve internal and external stakeholders has been central to the delivery of both lots of sites; a range of consultative tools are being applied to maximise engagement, involve residents and key partners, including those that live or have an interest in the immediate vicinity of any new development.
92. A comprehensive and inclusive approach to promote, educate and engage stakeholders on the regeneration development proposal has been adopted, supplemented by a consultation timetable. The council's strategic and local consultative groups (area forums, community councils, tenant associations and resident steering groups and other interest groups) are being engaged using correspondence, public meetings, information packs and various social media formats.

93. The consultation programme is being delivered on a site specific and phased basis. Site specific consultation invitations and events are extensively publicised and each site has an allocated project co-ordinator lead to manage the development proposal consultation process. To maximise inclusiveness and participation project co-ordinators will provide sufficient meeting notice; and will minimise barriers of engagement by targeting all marginalised local groups.
94. Ward Councillors are being fully briefed prior to any public consultation and their comments/feedback incorporated into any initial proposals. Council officers will meet with T&RA groups following the councillor briefings and again, prior to any public consultation.
95. As consultation has progressed we have been able to track progress from earlier consultations to demonstrate that the council has listened to the views of residents and their local perspective, before developing its final proposals.
96. For the repackaging and re-procurement of Lot A, soft market testing will be carried out.

SUPPLEMENTARY ADVICE FROM OTHER OFFICERS

Strategic Director of Finance and Governance (FC16/015)

97. The aim of the Southwark Regeneration in Partnership Programme is to leverage in the investment and expertise of established developers. The purpose is to create viable opportunities for development and regeneration including housing that would maximise the utility and value of these assets and provide value for money. The cost, value for money, ongoing revenue, land appropriation and financing implications are set out in the closed agenda report.
98. SRRP will be financed through Housing Action Zone funding, S106 Affordable housing, existing housing capital budget and council resources.

Head of Procurement

99. This report recommends that Cabinet, subject to securing the funding required, approve the award of the Southwark Regeneration in Partnership Programme Lot B to Affinity Sutton at a cost of circa £153m with a council subsidy of £11.507m along with land and ancillary costs for a period of 10 years commencing on 31 October 2016 and completing on 30 October 2026.
100. The report confirms that this procurement was conducted in accordance with the full tendering requirements of the Public Contract Regulations 2015 (PCR15) and the Gateway 1 presented to Cabinet on 20 October 2015 which approved the use of the Greater London Authority's London Development Panel framework for the procurement of the development partners to deliver 18 sites in two lots through the Southwark Regeneration in Partnership Programme.
101. Paragraph 2 advises that as a consequence of no tenders being submitted for Lot A that it will be repackaged and re-procured, with the new procurement strategy approved in separate gateway reports.
102. Paragraphs 35 to 55 describe how the submissions were evaluated, the results of that process and confirms that recommended provider, Affinity Sutton, was the

most economically advantageous tender scoring highest on both quality and price.

103. Officers confirm that the recommended contract represents value for money for the council when you compare this proposal against other means of delivering new council homes as detailed in the financial implication section of the report.
104. As detailed in paragraphs 3, 4, 5 and the financial implications of this report, Cabinet should note that additional funding is being sought to meet the investment required for this contract, and accordingly award is subject to that funding being secured in accordance with contract standing order 2.3.
105. The report confirms the monitoring and management arrangements that will be in place during the life of the contract. The Development Agreement which the contractor will enter into also requires commitment to promote and use local suppliers and businesses where applicable and to meet the council's requirement of one apprenticeship per £1m.

Director of Law and Democracy

106. This report seeks the cabinet and leader's approval to a number of recommendations regarding the award of the SRPP Lot B development agreement to the recommended bidder.
107. The nature of the contract being procured is such that it is subject to the full tendering requirements of the Public Contract Regulations 2015 (PCR15). However as noted in this report, procurement of this contract has been through a mini-competition using the GLA LDP framework, which meets the PCR15 requirements. Evaluation of the mini-competition has been undertaken in accordance with the tender evaluation methodology set out in the mini-competition documents. As noted in paragraph 22 of the closed report, the recommended bidder submitted the most economically advantageous tender for Lot B and is therefore recommended for award. No bids were received for Lot A, which was also part of the mini-competition process and therefore the sites under Lot A are to be repackaged and subject to separate gateway approval processes.
108. Contract standing order 2.3 requires that no steps should be taken to award a contract unless the expenditure has been approved. Paragraphs 83-88 confirm the financial implications of this award. Cabinet should note that additional funding is being sought to meet the investment required for this contract, and accordingly award is subject to that funding being secured.
109. The report also recommends the disposal of the sites in Lot B on terms as set out in the development agreement to be entered into as part of the contract.
110. Where the sites are in general fund, the power for their disposal is contained in section 123 of the Local Government Act 1972 ("the 1972 Act"). This states at section 123(2) that "Except with the consent of the Secretary of State, a council shall not dispose of land under this section, otherwise than by way of a short tenancy, for a consideration less than the best that can reasonably be obtained."
111. This report deals with the comprehensive tendering process that has been undertaken, to ensure that the consideration which the council will receive for the sites in Lot B represents the best that can reasonably be obtained.

112. For those sites that fall within the housing revenue account the relevant legal authority for disposal is section 32 of the Housing Act 1985, (“the 1985 Act”) for which purposes the consent of the Secretary of State is required.
113. A number of general consents have been issued under the 1985 Act in the General Housing Consents 2013. General consent A3.2 provides that a local authority may dispose of vacant land. This 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. In general where land is being disposed of as part of this scheme it will either be vacant, or any existing dwelling houses will be vacant and scheduled for demolition.
114. In addition, general consent A3.1.1 enables a local authority to dispose of land for a consideration equal to its market value. “Land” in this context includes land with buildings (including dwellings or other buildings). This consent would apply to those HRA sites where there are buildings on the site (whether dwelling houses or other structures) including any buildings which are not scheduled for demolition.
115. As set out in paragraph 35 of the closed report, the comprehensive procurement exercise has ensured that the consideration for the sites meets the tests for market value and best consideration under s123 of the 1972 Act and s32 of the 1985 Act.
116. The cabinet will be aware of the public sector Equality duty (PSED) under the Equality Act 2010, and when making decisions to have regard to the need to eliminate discrimination, harassment, victimisation or other prohibited conduct, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic and those who do not share it. The relevant characteristics are age, disability, gender reassignment, pregnancy and maternity, race, religion, religion or belief, sex and sexual orientation. The duty also applies to marriage and civil partnership but only in relation to the elimination of discrimination. The cabinet is referred to the community impact statement at paragraphs 62-64 setting out the consideration that has been given to equalities issues which they must consider when approving the award of this contract.

BACKGROUND DOCUMENTS

Background documents	Held At	Contact
Gateway 1 – Southwark Regeneration in Partnership Programme Procurement Approval Cabinet Report	Chief Executive’s Department, Housing Regeneration & Development Team	Diana Hall 020 7525 7724
Link: http://modern.gov.southwark.gov.uk/ieListDocuments.aspx?CId=302&MId=5140&Ver=4		

APPENDICES

No	Title
Appendix 1	SRPP Lot B Sifting Questions
Appendix 2	SRPP Lot B Risk Table
Appendix 3	SRPP Lot B Community Impact Statements 1 & 2

AUDIT TRAIL

Cabinet Member	Councillor Mark Williams, Regeneration and New Homes	
Lead Officer	Eleanor Kelly, Chief Executive	
Report Author	Diana Hall, Housing Regeneration Manager	
Version	Final Open	
Dated	8 September 2016	
Key Decision?	Yes	
CONSULTATION WITH OTHER OFFICERS / DIRECTORATES / CABINET MEMBER		
Officer Title	Comments Sought	Comments included
Strategic Director of Finance and Governance	Yes	Yes
Head of Procurement	Yes	Yes
Director of Law and Democracy	Yes	Yes
Contract Review Boards		
Departmental Contract Review Board	No	No
Corporate Contract Review Board	Yes	Yes
Cabinet Member	Yes	Yes
Date final report sent to Constitutional Team		8 September 2016