



**Executive
15 February 2010**

**Report from the Directors of
Policy and Regeneration &
Housing and Community Care**

Ward Affected:
All

**South Kilburn Regeneration – disposal of sites known as
Albert Road and Carlton Vale Roundabout**

Forward Plan Ref: H&CC-09/10-34

APPENDIX 5 IS NOT FOR PUBLICATION

1.0 Summary

1.1 This report summarises the procurement process undertaken by the Council to dispose of two sites within the South Kilburn Regeneration area, known as Albert Road and Carlton Vale Roundabout (see maps at Appendix 1 and 2), and seeks authority to dispose of these sites to London & Quadrant Housing Association. This report should be read in tandem with the South Kilburn Regeneration Update report on the same agenda.

2.0 Recommendations

2.1 That the Executive agrees to enter into a development agreement in respect of land at Albert Road, South Kilburn (known as Zone 11a) as shown edged red in the plan at Appendix 1, with London & Quadrant Housing Association, such agreement to provide for the acquisition of the land for the sum set out in Appendix 5 (restricted) and to contain such other terms as are approved by the Director of Housing and Community Care in consultation with the Borough Solicitor.

2.2 That the Executive agrees to enter into a development agreement in respect of land at Carlton Vale Roundabout, South Kilburn (known as Zone 3c) as shown edged red in the plan at Appendix 2, with London & Quadrant Housing Association, such agreement to provide for the acquisition of the land for the sum set out in Appendix 5 (restricted) and

to contain such other terms as are approved by the Director of Housing and Community Care in consultation with the Borough Solicitor.

- 2.3 That the Executive resolves that the sum of £2,978,000 from the proceeds of the sale should be transferred to South Kilburn Neighbourhood Trust.
- 2.4 That the Executive agrees to the remaining sum set out in Appendix 5 (restricted) from the proceeds of the sales be re-invested into the regeneration of South Kilburn, including for the purposes of bringing forward further development sites within the regeneration area in line with priorities set out in paragraphs 4.4 of this report.
- 2.5 That the executive notes the rent assumptions for both sites as set out in paragraphs 3.11 and 3.12.

3.0 Background

- 3.1 In July 2009 the Executive authorised officers to progress detailed planning applications for two sites within the South Kilburn regeneration area, known as Zone 11a (Albert Road) and Zone 3c (Carlton Vale Roundabout site). The report also authorised officers to undertake a concurrent procurement process to identify a developer partner to whom the vacant sites would be disposed once planning consent had been secured.
- 3.2 Each site has subsequently been designed up to RIBA Stage D, and planning applications have been submitted. On 13th January 2010 the Council's Planning Committee resolved to grant planning consent to the Zone 11a (Albert Road) scheme for a total of 153 new homes, 113 (74%) of which will be socially rented properties.
- 3.3 It is anticipated that the planning application for Zone 3c (Carlton Vale Roundabout Site) will be considered by the planning committee in February 2010. This scheme is for 133 new homes, 75 (56%) of which will be socially rented properties.
- 3.4 A fundamental driver for the schemes is to provide sufficient new homes in order to decant both Bronte and Fielding Houses. Once these tower blocks have been vacated, they will need to be demolished in order to deliver a further vacant development site to continue the regeneration of South Kilburn. It is anticipated that this will be towards the end of 2012/13.

The Tender Process and Council's Contract Standing Orders

- 3.4 The delivery partners for the two sites have been procured using the OJEU public works concession arrangement.

Stage One - Pre – Qualifying Stage

- 3.5 On 14th July 2009 the contract notice was placed in the Official Journal of the European Union (OJEU). The notice specified that the Council was seeking to procure a developer partner to fulfil housing requirements as part of the South Kilburn regeneration programme, and sought expressions of interest from either single organisations or consortia who are interested in acquiring, developing and providing housing management services on one or both of the identified sites.
- 3.6 26 organisations expressed an interest in response to the OJEU notice and they were issued with a pre-qualification questionnaire (PQQ) to return by September 8 2009. Six PQQ's were returned in accordance with the deadline.
- 3.7 The following assessment process was followed to decide pre-qualification:
- Stage 1: All applicants were initially assessed against the PASS/FAIL criteria. The PASS/FAIL criteria were: insurance, financial standing, health and safety, equalities and other issues that would entitle the Council to disqualify the applicant under the Regulations. Only those passing these sections were considered and scored at the next stage.
 - Stage 2: Individual scoring on the relevant sections of the PQQ (ie not those assessed at Stage 1) was undertaken by the assessment team, with meetings held to confirm consistency of marking on each section with legal and procurement advisors present.
 - Stage 3: This involved a group review of the collated scores. The final score for each tender was achieved by consensus with procurement advisors present.
 - Stage 4: A recommendation on the short listed applicants was prepared and submitted to the Director of Housing & Community Care for sign off.
- 3.8 The names of the five organisations and consortiums who scored the highest at stage 3 above, and who were therefore invited to tender, are shown in Appendix 3.

Stage Two – Invitation to Tender

- 3.9 An Invitation to Tender Pack (ITT) was issued to the five shortlisted organisations to request a formal tender. The tendering instructions stated that the contract would be awarded on the basis of the most economically advantageous tender to the Council and that in evaluating the tenders the Council would use the evaluation criteria set out in the Evaluation Matrix at Appendix 4 of this report. Overall 40% of the marks were awarded for price and 60% for quality.

- 3.10 Tenderers were provided with a suite of documentation, including detailed architectural drawings (to RIBA Stage D+), and a proposed development agreement, which included heads of terms for a 999 year lease, nominations agreement, tenancy agreement and rent table. Tenderers were required to submit fully compliant bids for both development sites, and were invited to submit variant bids – including bids for each site individually.
- 3.11 A key assumption within the tender documentation was a requirement to restrict rents for existing South Kilburn transferring into the new homes to their current rent plus 10%. This is significantly lower than the Homes & Communities Agency (HCA) would expect to see in schemes benefiting from Social Housing Grant. The HCA assumes a 'target rent' which is substantially higher and which in many cases would result in South Kilburn tenants having a rent increase in excess of 30% - a figure which is clearly unacceptable in an area characterised by low incomes and high levels of unemployment.
- 3.12 For existing South Kilburn residents transferring into the new homes, rents will then increase on an annual basis using the standard formula of Retail Price Index (RPI) + 0.5% + £2, until the HCA 'target rent' figure is reached.
- 3.13 During the tender process a 'bidder's day' was held, where tenderers were invited to presentations from a panel of Council officers and advisors about the regeneration of South Kilburn. Additionally, a number of tenderers raised written questions of clarification and these were responded to by emailing all parties by blind copy.
- 3.14 All tenders had to be returned by 10th December 2009. All five organisations invited to tender submitted their respective tenders on time, and these were logged in accordance with the Council's Contract Standing Order 100.

Evaluation Process

- 3.13 The tender evaluation was carried out by a panel of officers, community representatives and external consultants. The evaluation panel also had the benefit of technical support, covering sustainability, construction and cost consultancy. The entire process was overseen by a Senior Category Manager from The Strategic Procurement Unit to ensure best value and compliance. Trowers and Hamlins provided legal advice to the evaluation panel throughout the entire process.
- 3.14 Following receipt of tenders, compliance checks were carried out and the technical advisers carried out an initial review of the submissions. Panel members then read the tenders and individually scored each tender against the quality sub-criteria shown in the Evaluation Matrix at Appendix 4.
- 3.15 Following some provisional collation of results, each tenderer gave a presentation of its bid and was interviewed by the panel. These presentations took place on 17th and 18th December 2009. Final

agreement of quality scores was then reached.

- 3.16 The financial evaluation was carried out initially by Arcadis AYS, the Council's costs consultants, with review and approval by Council officers.
- 3.17 All submissions received were compliant with the terms of the invitation to tender and the general quality was good. The 'public works concession' form of tender allows for a limited negotiation process with tenderers, and following detailed discussion the panel resolved to invite the two highest scoring tenderers back for a further interview on 8th January 2010. Further clarifications were sought from each of the remaining tenderers and both were invited to submit a best and final land price offer by 12th January 2010.
- 3.18 The evaluation panel were unanimous in their recommendation based on the scoring criteria contained within the OJEU process. Notwithstanding this however the panel, and in particular the tenant representatives, did have some concerns with regard to the winning bidder's commitment to ongoing community engagement and development. This issue was directly addressed with the winning bidder, and the necessary assurances were received by members of the panel prior to this final recommendation being made.
- 3.18 The summary evaluation results for both price and quality are set out below:

Identity	Price score (out of 40)	Quality score (out of 60)	Total score (%)	Ranking
Organisation 1	22.2	45.87	68.07	3
Organisation 2	40.00	27.13	67.13	4
Organisation 3	37.00	51.69	88.69	1
Organisation 4	32.1	47.22	79.32	2
Organisation 5	22.4	28.36	50.76	5

- 3.19 Accordingly it is recommended that Organisation 3 (London & Quadrant Housing Association) be appointed as the Council's development partner for the delivery of both the Albert Road site (Zone 11a) and the Carlton Vale roundabout site (Zone 3c), subject to both planning permission and HCA grant funding being secured, and the development agreement being signed.
- 3.20 In relation to the availability of grant funding, ongoing discussions with the HCA have consistently identified South Kilburn as the top priority within Brent for the receipt of Social Housing Grant. It will be the responsibility of the winning tenderer to make an application to the HCA for grant funding. The successful tender bid makes assumptions about grant levels within and although there is no guarantee that this level of funding will be secured, they are within the parameters of recent discussions between officers and the HCA and are comparable to grant levels being secured for similar schemes across London.
- 3.21 The level of grant available from the HCA is likely to come under pressure because of two factors. Firstly, the desire to set lower initial

rent levels for existing South Kilburn tenants, and secondly the size of the land receipt that the Council will secure from the sale of the sites. From the HCA's perspective, there will be a desire not to subsidise either rents or land value. It will therefore be critical to demonstrate to the HCA that the proceeds from disposal of the leases will be re-invested back into the regeneration of South Kilburn, which in turn will contribute to bringing forward additional new homes within the regeneration area. Section 4 below sets out the initial proposals for the re-investment of the land receipts to achieve this aim.

4.0 Next Steps

4.1 The decision for the Council to bring forward these two development sites was originally made with the intention of 'kick starting' the regeneration of South Kilburn. The sites were specifically chosen so as to provide sufficient decant capacity, in conjunction with sites at Carlton Vale and Gordon House, to allow Bronte House and Fielding House to be vacated, and subsequently demolished to clear a further development site.

4.2 On this basis, the Council and the South Kilburn Partnership have invested considerable resources over the 2009/10 financial year to appoint design teams, take each site through the planning process, buy-out leaseholders within Marshall House (which currently stands on the Albert Road site), demolish Marshall House once planning consent has been secured, and undertake a programme of enabling works on the Carlton Vale roundabout site, including the remodelling of the junction.

4.3 The tender process described in this report has justified this significant investment. By effectively de-risking these development sites, they have become a far more attractive proposition to the market place, and this has been reflected in the tender returns.

4.4 In order to progress to the next stages of South Kilburn regeneration, it is important that the Council continues to recycle the land receipt secured back into its regeneration proposals. A full report will be submitted to members detailing the proposed next steps in March 2010. In order to develop this proposition, it is recommended that the Executive approve in principle the following indicative programme to maintain the regeneration momentum:

(i) *Remaining Phase 1 sites*

To take some or all of the remaining Phase 1 sites through design, planning and OJEU tender processes: Cambridge Court, Ely Court, Bond House, Hicks-Bolton House, Bronte House, Fielding House and Albert Road (site 11b).

(ii) *Joint Venture*

To continue development work on a potential Joint Venture vehicle to deliver phases 2,3 and 4 of the South Kilburn

regeneration. (Further report to be considered by executive in March 2010)

(iii) *Acquisitions*

To consider further appropriate land acquisitions and leaseholder buy backs that will aid the regeneration of South Kilburn.

(iv) *Demolitions*

To continue to create further vacant sites to bring to the market through the demolition of blocks that have been fully decanted. Specifically the demolition of Bronte House and Fielding House in late 2012.

- 4.5 The South Kilburn Partnership has surplus capital resources available which must be spent within the 2009/10 financial year. It is proposed that this resource is spent on advance leaseholder buy backs for the future phases outlined above, on the basis that an equivalent payment is made to the South Kilburn Trust when a receipt is generated for these blocks – thus ensuring the New Deal for Communities resources remain in South Kilburn. Further details will be provided to the Executive at its March meeting.

5.0 Financial Implications

- 5.1 The Council's contract standing orders state that contracts for supplies and services exceeding £500k or works contracts exceeding £1m shall be referred to the Executive for approval of the award of the contract.
- 5.2 The land prices achieved through this initial tender process should allow the ongoing regeneration of South Kilburn to be largely self funded and financed. Both of the schemes discussed in this report are dependant on grant funding from the Homes & Communities Agency. In order to secure this funding, it will be critical to demonstrate that the land receipts secured are subsequently re-invested in South Kilburn in order to bring forward further regeneration and additional new homes. Unless this is demonstrated it will be difficult for the HCA to demonstrate value for money against their grant funding.
- 5.3 £2,978,000 of the funding that has been used for leaseholder buy outs at Marshall House has been New Deal for Communities grant funding, provided through the South Kilburn Partnership. This arrangement formed part of the South Kilburn Neighbourhood Trust business plan that was approved by the Executive in October 2009. SKNT has committed to the further re-investment of this resource back into the regeneration of South Kilburn, and is currently working with the Council's regeneration team to prepare its own five year capital strategy, to guide its future investments.
- 5.4 Rent assumptions implicit in the business model reflect a transfer rent plus 10%, which is significantly lower than the Homes & Communities Agency (HCA) would normally expect to see in schemes benefiting

from Social Housing Grant. The HCA assume a 'target rent' which is substantially higher, and which in many cases would result in South Kilburn tenants having a rent increase in excess of 30%, which is unacceptable in area characterised by low incomes and high levels of employment. The business model also assumes annual rent increases of Retail Price Index (RPI) + 0.5% + £2 until 'target rents' are achieved. In addition to higher rents, tenants moving to the new homes will be subject to an increase in Council Tax as the banding will increase, and higher service charges as current charges are extremely low. On the positive side the energy efficiency of the new homes will be very high and heating bills will be substantially less.

- 5.5 The Council's capital programme currently makes an annual contribution to the South Kilburn regeneration programme of £1m. Assuming the land receipts outlined in this report are secured, this contribution will be suspended for the 2010/11 financial year and henceforth reviewed on an annual basis.

6.0 Legal Implications

- 6.1 The procurement of the Development Partner is governed by the Public Contract Regulations 2006 and is also subject to the Council's own Standing Orders in respect of High Value contracts and Financial Regulations. Legal advice has been provided by Trowers & Hamblins during the procurement process to ensure that the Council meets its obligations and has been incorporated within the body of the report.
- 6.2 As advised in the Executive Report requesting authority to tender dated 14th July 2009 the Council must observe the Public Contract Regulations relating to the provision of a mandatory minimum 10 calendar day standstill period before the contract can be awarded.

Therefore once the Executive has agreed the successful tenderer, all tenderers will be issued with written notification of the contract award decision. A minimum 10 calendar day standstill period will then be observed before the Development Agreement is concluded – this period will begin the day after all tenderers are sent notification of the award decision – and additional debrief information will be provided to unsuccessful tenderers in accordance with the regulations. As soon as possible after the standstill period ends, the successful tenderer will be issued with a letter of acceptance.

- 6.3 Where the Council disposes of properties that are currently being used for housing purposes, it must obtain a Secretary of State's specific consent under Section 32 of the Housing Act 1985, unless a general consent issued under that notice applies. No general consent would apply in this case and therefore specific consent is required. Officers will apply to the Secretary of State for the appropriate consent, and final disposal of the sites is subject to the grant of such consent.

- 6.4 The Council must also obtain vacant possession of both Zone 11a and Zone 3c for the development agreements to become unconditional. This will involve taking out indemnity insurance policies for missing title documents relating to both Zone 11a and Zone 3c.
- 6.5 The Council is also liable for delivering the enabling works for both sites, which include the demolition of Marshall House at Zone 11a, and the demolition of the footbridge and garages and introduction of a new highways junction at Kilburn Park Road and Carlton Vale at Zone 3c. The latter will require the making of a highways stopping up order. The Council is obtaining collateral warranties on behalf of the successful bidder.

7.0 Diversity Implications

- 7.1 South Kilburn is a designated New Deal for Communities area and as such all interventions are specifically targeted at those people who suffer disadvantage in society. South Kilburn Partnership has a Race & Equality strategy, and through its widening participation theme seeks to find ways of involving and engaging with all local residents and particularly those who traditionally are 'hard to reach'. There has been and will continue to be widespread consultation and community engagement as proposals for the physical regeneration of the area are developed and delivered.
- 7.2 At a project level, each South Kilburn Partnership sponsored and supported project is subject to a full and independent appraisal undertaken by a panel of local residents and relevant officers. Part of the appraisal process is to test each activity against the Partnership's Race & Equality strategy to ensure full compliance. In line with the Council's Equality standards, all expenditure is monitored against equalities indicators on a regular basis.

8.0 Staffing / accommodation issues

- 8.1 There are no direct staffing or accommodation issues associated with the contents of this report.

9.0 APPENDICES

APPENDIX 1: Site Plan for Albert Road Site, South Kilburn (Zone 11a)

APPENDIX 2: Site Plan for Carlton Vale Roundabout Site (Zone 3c)

APPENDIX 3: List of Organisations invited to submit tenders at ITT stage

APPENDIX 4: Full evaluation matrix for ITT stage

APPENDIX 5: Schedule of anticipated land disposal prices

(This appendix is not for publication as it contains the following category of exempt information as specified in paragraph 3, schedule 12(A) of the Local Government Act 1972 namely "information relating to the financial or business affairs of any particular person (including the Authority holding the information)."

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APPENDIX 1

Site Plan for Albert Road Site (Zone 11a)



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Project Name: **South Kilkburn Zone 11**

Client: **Proposed land to be transferred to FSL**

Project No: **AA 1159/1-1/506**

Scale: **1:500**

Drawn: **SM**

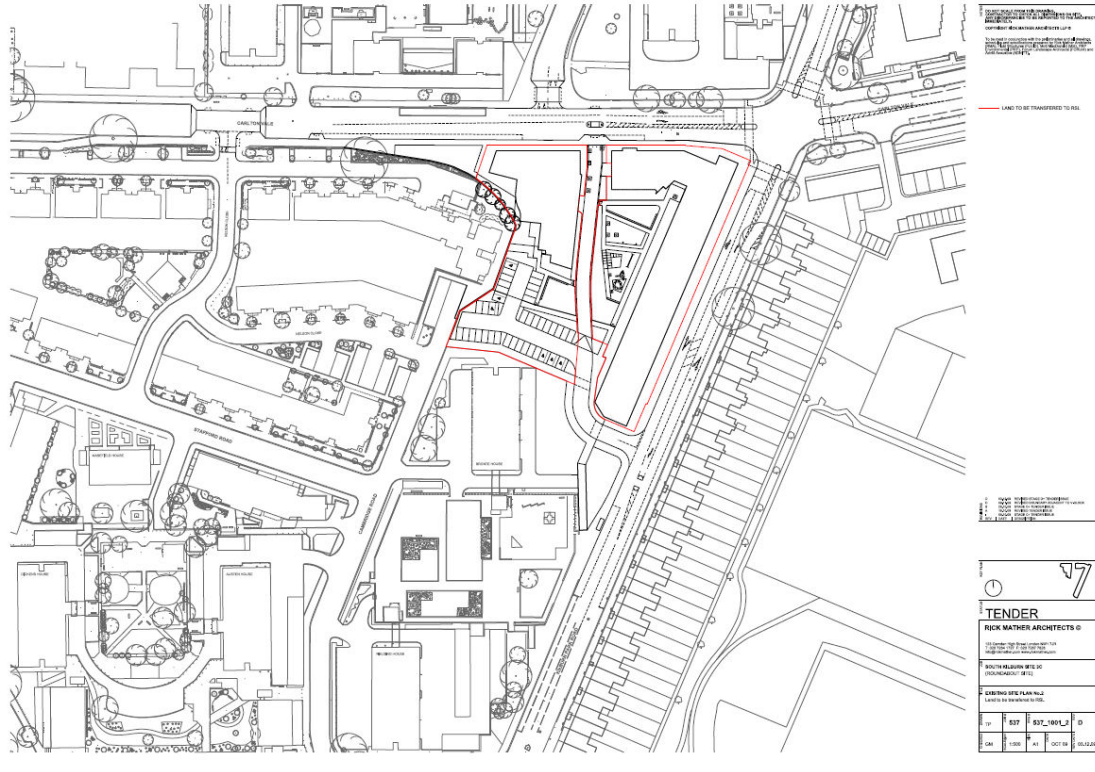
Checked: **SM**

Date: **08/09/2018**

Author: **A**

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APPENDIX 2 Site Plan for Carlton Vale Roundabout Site (Zone 3c



APPENDIX 3

List of Organisations invited to submit tenders at ITT Stage

Catalyst Housing Group with Willmott Dixon (previously Inspace Ltd)

Genesis Housing Group with Countryside Properties

London & Quadrant Housing Association

Network Housing Group with Rydon Group

Notting Hill Housing Trust with United House Limited

APPENDIX 4

Evaluation Matrix for ITT Stage

Evaluation Criteria	Weighting (%) To Be reviewed
Price /Cost	40%
Quality <i>consisting of the following:</i>	60%
<ul style="list-style-type: none">• Housing Development Proposals	5%
<ul style="list-style-type: none">• Site Management to include Health & Safety	5%
<ul style="list-style-type: none">• Previous Experience of The Team Working Together	5%
<ul style="list-style-type: none">• Construction Method Statement Phasing	5%
<ul style="list-style-type: none">• Quality of Housing Management Service/Service Standards	7.5%
<ul style="list-style-type: none">• Tenant Involvement / Consultation	7.5%
<ul style="list-style-type: none">• Use of labour and Training Opportunities	7.5%
<ul style="list-style-type: none">• Management of Public Realm	5%
<ul style="list-style-type: none">• Added Value To Include Decanting and Tenant Relocation	7.5%
<ul style="list-style-type: none">• Sales & Marketing proposals	5%