

<b>DECISION-MAKER:</b>	CABINET		
<b>SUBJECT:</b>	ESTATE REGENERATION PROGRAMME – SELECTION OF PREFERRED DEVELOPERS FOR PHASE 2		
<b>DATE OF DECISION:</b>	22 NOVEMBER 2010		
<b>REPORT OF:</b>	EXECUTIVE DIRECTOR OF NEIGHBOURHOODS		
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<b>STATEMENT OF CONFIDENTIALITY</b>			
Appendix 7 is an exempt appendix, the confidentiality of which is based on category 3 of paragraph 10.4 of the Council's Access to Information Procedure Rules. It is not in the public interest to disclose this because doing so would prejudice the commercial confidentiality of the bidders and selection process.			

### SUMMARY

The Estate Regeneration programme is an essential part of a wider commitment to tackle economic deprivation and social disadvantage in Southampton's Council estate. The proposals identified within this report will lead to the delivery of over 200 new energy efficient homes and 7 modern retail unit. This report seeks authority following the OJEU Restricted Procedure procurement exercise to approve each preferred bidder and enter into a Development Agreement respectively with each to undertake the redevelopment of three of the four sites comprised within Phase 2 of the Estate Regeneration Programme (comprising Lot 1, Exford Avenue Shopping Parade, Lot 2, Cumbrian Way Shopping Parade; Lot 3, 5 – 92 Laxton Close and Lot 4, 222-252 Meggeson Avenue). Following the assessment of the bids received for Lot 2 Cumbrian Way, it is proposed that this contract is not awarded and alternative procurement options are investigated to enable this site to be redeveloped within a timely manner.

This report also seeks authority to make Compulsory Purchase Orders (CPO) in order to acquire land and any new rights at Exford Avenue Shopping Parade; 222-252 Meggeson Avenue and 5 – 92 Laxton Close, should the need arise.

### RECOMMENDATIONS:

- (i) To delegate to the Solicitor to the Council to amend, finalise and sign the Development Agreements with the preferred developers for each of the three sites within Phase 2 Estate Regeneration Programme with the respective preferred bidders comprising:
  - (a) Lot 1 Exford Avenue Shopping Parade: Lovell Partnerships Limited /First Wessex Housing Association.
  - (b) Lot 3 Laxton Close: Lovell Partnerships Limited /First Wessex Housing Association.
  - (c) Lot 4 Meggeson Avenue: Lovell Partnerships Limited/First Wessex Housing Association.
- (ii) Lot 2 Cumbrian Way: Not to award.

- (iii) Delegate authority to the Head of Property and Procurement to negotiate and agree the purchase of each of the parcels of land shown edged red on Appendices 1 – 3 (being Exford Avenue Shopping Parade, 222-252 Meggeson Avenue and 5 – 92 Laxton Close)
- (iv) (a) That subject to reasonable attempts to negotiate the acquisition of each of the parcels of land referred to in paragraph 3 above respectively having failed, that the Solicitor to the Council be authorised to make Compulsory Purchase Orders to acquire those relevant parcels of land and any necessary rights for the following parcels of land, all being within the Council’s Phase 2 Estate Regeneration Programme:
  1. Exford Avenue Shopping Parade as shown edged red on the map in Appendix 1.
  2. 222-252 Meggeson Avenue as shown edged red on the map in Appendix 2.
  3. 5 – 92 Laxton Close as shown edged red on the map in Appendix 3.

under Section 226(1) (a) Town & Country Planning Act 1990 for the purpose of facilitating the carrying out of redevelopment and improvement of the land.
- (b) The Solicitor to the Council be authorised to approve the basis of each Statement of Reasons for making the Compulsory Purchase Orders as set out in Appendices 4 to 6.
- (v) The Solicitor to the Council be authorised to:
  - (a) To make, advertise and secure confirmation and implementation of the Compulsory Purchase Orders referred to in paragraph 3(a) above.
  - (b) To acquire interests in or rights over the land shown edged red on Appendices 1 - 3 either by agreement or compulsorily.
  - (c) To amend all or any of the Statements of Reasons referred to in paragraph 4(b) above as required.
  - (d) To approve agreements with land owners setting out the terms for withdrawal of any objections to any of the Compulsory Purchase Orders (to include payment of compensation), including where appropriate seeking exclusion of land from any Order.
  - (e) To approve (once vacant possession and planning permission has been obtained) the service of a Final Demolition Notice and the demolition of the buildings and structures on the land edged red in Appendices 1 to 3.

## **REASONS FOR REPORT RECOMMENDATIONS**

1. The Council’s estates offer the potential for the development of new and better homes and to benefit from more mixed tenure communities. This Report proposes Phase 2 of the Estate Regeneration Programme (Phase 2) comprising of Exford Avenue Shopping Parade, 222-252 Meggeson Avenue and 5 – 92 Laxton Close, following on from the success of Phase 1 Hinkler

Parade. Phase 2 will help to tackle the economic deprivation and social disadvantage concentrated in these areas.

2. These recommendations enable the timely development of the Phase 2 sites as listed above and delivery of the Estate Regeneration objectives. The recommendation for the procurement for Lot 2, Cumbrian Way Shopping Parade is to abandon the process and seek an alternative procurement method to ensure this scheme is still delivered within a reasonable timescale.

## **CONSULTATION**

### **CONSULTATION - PROCUREMENT OF A DEVELOPMENT PARTNER**

3. Consultation has been undertaken with a range of bodies in the development of the estate regeneration programme including the Homes and Communities Agency. The cross-party Estate Regeneration Stakeholder Group on which the Federation of Southampton Tenants and Residents Association is represented, plays an important advisory role in the project.
4. An extensive programme of consultation took place during summer 2009 in respect of the Phase 2 sites. This involved a number of consultation events and a design festival with an independent facilitator. All residents and businesses directly affected were visited individually to ensure that they understood the proposal to regenerate their areas. Reports on the consultation are available in the Members Room which also indicates the high level of support by residents for the regeneration of their neighbourhoods.
5. Over August and September 2010, Estate Regeneration consulted the local communities in the Phase 2 areas on their views on the bidders proposed scheme designs. The community were able to express their preference which was translated into marks as part of the evaluation process. Details of the scores obtained for each developer are contained within Capita Symonds' report at Appendix 7 (Exempt).
6. Within the Council, consultation has taken place involving a range of Council officers both through Estate Regeneration Project Board and more widely across the Council. Several of the sites involve existing Council services and there will be an ongoing programme of consultation with staff as detailed redevelopment plans are drawn up.

### **CONSULTATION - COMPULSORY PURCHASE ORDERS (CPO)**

7. Capita Symonds has been continuing negotiations to purchase the leasehold and commercial properties on Exford Avenue Shopping Parade, 5 – 92 Laxton Close and 222-252 Meggeson Avenue which was authorised pursuant to the previous Cabinet report and these negotiations will continue throughout the Compulsory Purchase Order process.
8. Discussions have taken place with the Estate Regeneration Programme Board and Stakeholder Group regarding proposals to seek a CPO.

## **ALTERNATIVE OPTIONS CONSIDERED AND REJECTED**

9. This report proposes the delivery of early projects within a programme of estate regeneration.
10. The option of doing nothing would not achieve the Council's objectives for the Estate Regeneration Programme and not taking the steps identified within this Report increases the risk of delay to the projects. Not pursuing the CPO would potentially delay the developers' acquisitions of these sites and signing the Development Agreements.
11. If the decision is taken not to enter into a Development Agreement with the relevant preferred bidder then the procurement process would have to be abandoned. Such a decision would need to be capable of sufficient rational justification to ensure that no compensation claims for wasted bidder costs could be successfully made against the Council. Also, this would increase the risk of not obtaining funding from the Homes & Communities Agency.
12. Not to proceed with the redevelopment of these sites would fail to deliver the Council's regeneration ambitions and mean residents and businesses within these sites have been significantly disrupted with no improvements to their homes and neighbourhood.
13. The proposals for Lots 1, 3 and 4 satisfactorily meet the evaluation criteria and objectives of the Estate Regeneration Programme, included in Appendix 7 (exempt). The bids which were capable of acceptance for Lot 2 Cumbrian Way were not on evaluation considered to be acceptable and it is recommended that the tender is not awarded. This decision has been made on the basis of the poor evaluation scores on design and costs to the council in terms of subsidy needed.
14. It is proposed that Estate Regeneration investigate alternative options for delivering this scheme, to ensure that the regeneration aspirations for this project are met.

## **DETAIL**

### **PROCUREMENT OF A DEVELOPMENT PARTNER**

#### **Background**

15. Estate Regeneration is focused on creating successful communities where people will want to live in the future in high quality designed homes of mixed tenure. The emphasis is not just on physical regeneration but links have been established to social and economic regeneration to ensure improvements in health, education and economic activity. Estate Regeneration is developing on a three staged approach, starting with smaller sites, then moving to estate by estate regeneration through estate planning which will including planning for investment in the remaining stock.
16. The Cabinet decision on 28<sup>th</sup> September 2009 commenced the procurement process to procure a development partner(s) to redevelop the Phase 2 sites identified and enter into a Development Agreement(s) to deliver the redevelopments of the Phase 2 schemes.

17. Selection of a developer for these projects was governed by the OJEU (Restricted Procedure) procurement process which commenced with a notice advertised in the OJEU on the 11<sup>th</sup> December 2009 (Ref: 342028 – 2009). Additional national advertising was placed in the Estates Gazette on the 12<sup>th</sup> December 2009. 72 Information packs containing the Council's Information and Development Brief and Pre-Qualification Questionnaire were sent out.
18. The first stage of the OJEU process inviting expressions of interest produced a positive response; 12 expressions of interest were received. These can be broken down as:
  - 3 national developer and housing association consortia;
  - 4 national developers;
  - 1 regional developer;
  - 1 local developer;
  - 1 private investor/developer; and
  - 2 contractors/developers.
19. The 12 expressions of interest were assessed on technical ability, track record and the financial capacity to undertake this type of project. From this 6 parties/combinations were selected to go forward to the next stage of the tender process (known as the award stage), namely to submit their bids and scheme design proposals. One bidder later withdrew from the process prior to bid submission, leaving 5 bidders.
20. The deadline for submitting bids was 29<sup>th</sup> June 2010; four bidders submitted tenders to be evaluated for all four Lots and one bidder submitted tenders to be evaluated for just Lots 1, 3 and 4
  - Barratt David Wilson (BDW Trading Ltd)/First Wessex Housing Association;
  - Hyde Housing Association Ltd;
  - Linden Limited/Radian Housing Association;
  - Persimmon Homes Ltd/Western Challenge Housing Association;
  - (All submitted bids for all four lots); and
  - Lovell Partnerships Ltd/First Wessex Housing Association (Submitted bids for Lots 1, 3 and 4 only)

### **Evaluation Results**

21. All the bids for the four lots have been assessed in accordance with the evaluation criteria and methodology set out in the tender documents. The report from Capita Symonds as the Council's procurement agent is attached (Appendix 7 - exempt) which provides details of the individual scores.
22. The evaluation process analysed both the proposed schemes and the financial bids. The process included engagement with the Estate Regeneration Stakeholder Group, Project Board and the local community.

23. The evaluation process has identified a preferred bidder for Lots 1, 3 and 4 as follows: :
- Lot 1 Exford Avenue Shopping Parade: Lovell Partnerships Ltd/First Wessex Housing Association.
  - Lot 3 Laxton Close: Lovell Partnerships Ltd/First Wessex Housing Association.
  - Lot 4 Meggeson Avenue: Lovell Partnerships Ltd/First Wessex Housing Association.
24. The recommendation therefore is to appoint the above mentioned bidders as the preferred developers for the respective sites. A summary of the outputs for their proposed schemes which would be delivered in phases between Spring 2011 and 2014 is attached at Appendix 8.
25. In respect of Lot 2 Cumbrian Way, upon evaluation the bids were considered to be unacceptable for this site. Some bids were conditional on being awarded other Phase 2 sites and one bid was withdrawn. Taking this into account the remaining tenders scored poorly on evaluation particularly in terms of design. The tenders also required a high level of subsidy from the Council. For those reasons it is recommended that the OJEU procedure for Lot 2 Cumbrian Way is abandoned without the appointment of a preferred bidder
26. The preferred developers will need to conclude the Development Agreement or relevant contracts in a form which is consistent with the content of their winning bids within a reasonable time after appointment. There is very little scope to negotiate or vary the terms of such agreements from such form and any difficulties in relation to that process would need to be carefully managed.

### **COMPULSORY PURCHASE ORDER**

27. Cabinet on the 29<sup>th</sup> September 2009 delegated authority to the Executive Director of Neighbourhoods following consultation with the Cabinet Member for Housing and Local Services, Solicitor to the Council, Head of Finance and Head of Property and Procurement to negotiate and acquire by agreement any legal interests in the Phase 2 sites not held by the Council. In each case subject to approval of terms by Capita acting as independent valuers.
28. Good progress is being made decanting tenants, leaseholders and commercial tenants from the four sites with the majority being over 78% void.
29. Negotiations are continuing to purchase the remaining properties which are not held in Council ownership. To ensure the redevelopment of these sites can be guaranteed within the time frames to be set out in the development agreements, it is necessary for authority to be obtained for compulsory purchase orders to authorise the acquisition by the Council of any remaining land at:
- Exford Avenue Shopping Parade
  - 5 – 92 Laxton Close

- 222-252 Meggeson Avenue

As shown edged red on the maps in Appendices 1 - 3 under section 226(1) (a) Town and Country Planning Act 1990 for the purpose of facilitating the carrying out of redevelopment and improvement of the land.

30. The draft Statements of Reasons for making the Compulsory Purchase Orders are set out in Appendices 4-6. These will be amended by the Solicitor to the Council in accordance with the recommendations above.

## **FINANCIAL/RESOURCE IMPLICATIONS**

### **Capital**

31. The total developers' costs of the Lots 1, 3 and 4 will be approximately £30 million, this will be met by a variety of funding streams. Grant funding will be sought from the Homes and Communities Agency by the Housing Association for the element of the schemes which will provide social housing. The balance of the funding will be provided by the selected developer(s).

### **General Fund**

32. A budget of £6.436 million was agreed by Cabinet on 28<sup>th</sup> September 2009 to cover the Council's enabling costs for the Phase 2 schemes. This covers such items as project management, resident relocation, buy back of properties sold through the Right to Buy, additional land purchase and compensation to businesses. The Capital Receipts outlined below will be used to offset these costs, together with proposed funding from the HCA and PUSH funding already secured.

### **Revenue**

33. The proposals include plans to close one local housing office which will reduce operating costs.
34. Unless the receipts from property/house sales exceed expectations and trigger the overage provisions within the Development Agreements, there will be no additional receipts to the Housing Revenue Account.
35. The sale of Lots 1, 3 and 4 will provide the Council with a substantial capital receipt. Advice from Capita certifies that acceptance of the bids for Lots 1, 3 and 4 is consistent with the requirement to receive best consideration for the disposal of Council land.

### **Compulsory Purchase Order**

36. The cost of staff time will be met from existing resources or charged to the capital scheme, as appropriate.

### **Property**

37. The land and properties are required for the improvement of the area which will improve the economic, social and health well being of the residents within the four estate regeneration areas and enhance the environment of the estates.

### **Other**

- 38.. None.

## **LEGAL IMPLICATIONS**

### **Statutory power to undertake proposals in the report:**

39. The Council has powers under section 226(1)(a) of the Town and Country Planning Act 1990; the Housing Acts and the Local Government Act 1972 section 120 to undertake estate regeneration proposals.
40. The sale of Lots 1, 3 and 4 will provide the Council with a capital receipt. Changes announced in the recent CSR may impact on the level of the capital receipt that can be achieved but until the full implications are understood and negotiations with the developer have been completed this can not be quantified. Advice from Capita certifies that acceptance of the bids for Lots 1, 3 and 4 is consistent with the requirement to receive best consideration for the disposal of Council land and any changes to the level of capital receipt that can be achieved will not affect this advice.

### **Other Legal Implications:**

41. In recommending the making of CPOs the rights of third parties that may be affected (including the property rights of the current property owners of the sites) have been balanced against the public interest in acquiring the land. It is recommended that the Council can be satisfied that the proposed CPOs are necessary and proportionate having regard to the provisions of the Human Rights Act 1998 and is in the public interest having regard to the both the need to provide good quality, energy efficient homes in areas where people wish to reside now and in the future and the need to regenerate these estates.

## **POLICY FRAMEWORK IMPLICATIONS**

42. These proposals will help deliver the new homes including affordable homes required in both the Housing Strategy 2007-11 and as part of the Council's partnership with PUSH. The regeneration of Southampton's council estates will play an important part in delivering a number of corporate policy objectives for regeneration.

**SUPPORTING DOCUMENTATION**

**Non-confidential appendices are in the Members' Rooms and can be accessed on-line**

**Appendices**

1.	Lot 1 Exford Avenue Shopping Parade Compulsory Purchase Order plan
2.	Lot 3 Laxton Close Compulsory Purchase Order plan
3.	Lot 4 Meggeson Avenue Compulsory Purchase Order plan
4.	Draft Statement of Reasons for the Exford Avenue Shopping Parade Compulsory Purchase Order
5.	Draft Statement of Reasons for the Laxton Close Compulsory Purchase Order
6.	Draft Statement of Reasons for the Meggeson Avenue Compulsory Purchase Order
7.	Capita Symonds Report on the Evaluation Process and Scores (Exempt)
8.	Summary of Outputs for Lots 1, 3 and 4

**Documents In Members' Rooms**

1.	Estate Regeneration Programme: Community Consultation Report, September 2009
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**Background Documents**

Title of Background Paper(s):

Relevant Paragraph of the Access to Information Procedure Rules / Schedule 12A allowing document to be Exempt/Confidential (if applicable)

1.	None	
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**Background documents available for inspection at:**

N/A

**KEY DECISION?**

Yes

<b>WARDS/COMMUNITIES AFFECTED:</b>	Harefield, Millbrook, Sholing and Bitterne Park
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