

CHESHIRE EAST COUNCIL

REPORT TO: JOINT EXTRA CARE HOUSING MANAGEMENT BOARD

Date of Meeting:	12 May 2010
Report of:	Project Director/Strategic Commissioning Manager
Subject/Title:	Update on HCA submission
Portfolio Holder:	Cllr Roland Domleo

1.0 Report Summary

- 1.1 This report provides a status report on the discussions with the Homes and Communities Agency regarding the Outline Business Case and the upcoming work and resource implications.

2.0 Decision Requested

- 2.1 To receive the report and note the actions required to progress the final Outline Business Case for Extra Care Housing Round 5.
- 2.2 To note that the Joint Officer Group believes that there is a requirement for additional input to the Project Team in order to meet the HCA deadline, which is likely to require some external advice (and consequent cost) whether directly supporting the project or assisting to cover other displaced work.

3.0 Reasons for Recommendations

- 3.1 To allow the Councils' interest in Extra Care Housing to proceed to the next stage. Progressing to the next stage and submitting a final OBC is the only way the Councils can seek approval for the PFI credits the HCA will make available and consequently make any informed decision about affordability.

4.0 Wards Affected

- 4.1 Poynton and Sandbach East & Rode in Cheshire East.
- 4.2 Blacon and Sutton & Manor, (Ellesmere Port) in Cheshire West and Chester.

5.0 Local Ward Members

- 5.1 Poynton – Cllr Roger West, Cllr Chris Beard, Cllr Howard Murray
Sandbach East & Rode – Cllr Elsie Alcock, Cllr Rhoda Bailey,
Cllr Andrew Barrett
- 5.2 Blacon – Cllr Reggie Jones, Cllr Marie Nelson, Cllr Alex Tate

Sutton & Manor (Ellesmere Port) – Cllr Kimberley Anderson,
Cllr Bob Crompton, Cllr Paul Donovan

6.0 Policy Implications including - Climate change - Health

- 6.1 To assist in addressing the significant demographic shift toward the over 65 population in Cheshire East and Cheshire West and Chester

7.0 Financial Implications for Transition Costs (Authorised by the Borough Treasurer)

- 7.1 There is a separate report dealing with the financial elements of the Outline Business Case.

8.0 Legal Implications (Authorised by the Borough Solicitor)

- 8.1 The Outline Business Case was submitted some time ago and the current discussions with the HCA seek to develop and improve it. A resubmission will take place.
- 8.2 This report describes a number of outstanding requirements in section 11, which will need legal input (supported by our external project advisers who have close contact with the HCA and can assist in properly placing the matters in context).
- 8.3 At this stage it is too early to procure external legal resource for the whole project, although this will be a priority once the HCA has given its formal response to the Outline Business Case. In the meantime, it may be necessary to utilise some short-term external support, e.g. the Inter Authority Agreement may benefit from an external 'sense check' before being presented to the Board in June.. These agreements are difficult to draft in such a way as to provide absolute certainty and solicitors with experience in this field..
- 8.4 The Board has power to authorise the submission of the Outline Business Case, but project affordability is reserved to the respective councils.

9.0 Risk Management

- 9.1 The provision of additional information and involvement in active dialogue with the Homes and Communities Agency does not commit the Councils at this stage. However Members will need to consider the requirement for additional work and its associated costs in preparation for the submission of the Outline Business Case. Where possible support will come from existing officers, with the requirement to fund backfill arrangements, but for certain areas, such as Finance and Legal, where priorities such as the Closure of the Accounts, mean that additional capacity over the coming weeks will have to be resourced from outside the Council, with the additional costs being met by the already stretched project management budget. The costs are not yet known and will be

estimated over the coming days. It could be necessary for both Council's to recast and increase the project management budget, placing more pressure on the overall OBC.

- 9.2 Members have been advised that currently the private sector has limited opportunities to develop the scale of extra care provision required to meet the anticipated demand in Cheshire East and Cheshire West and Chester. Equally the social housing sector would require government funding to advance programmes. Therefore continuation of discussions with the HCA about the potential for securing PFI credits needs to be considered in the context of the limited availability of alternative provision driving rising levels of residential and nursing home provision to meet demand and the consequent effect on care costs falling the both Councils.

11.0 Background

- 11.1 The Programme Director and officers of both Councils have been in active discussions with the HCA in response to their request for additional information in advance of the submission of a final Outline Business Case which will need to be approved by Members.
- 11.2 The additional information requested has related to the need for additional PFI credits to secure the delivery of 200 apartments for social rental. Officers of both Councils supported by technical and financial advisers have undertaken an options appraisal exercise to identify the optimum level of PFI credits required and to demonstrate value for money, affordability and deliverability. (Appendix 1).
- 11.3 Further consideration was required in relation to the Councils expectations for development works associated with the PFI funded elements of the programme (Appendix 2) and the status of planning requirements for each site. (Appendix 3).
- 11.4 The papers attached as Appendices to this report were submitted to the HCA on 5 March and the Programme Director and Project Manager were invited to meet HCA leads on 16 April. HCA leads confirmed their support for the Cheshire-wide programme and indicated that they were minded to support the PFI credit bid to a level sufficient to fund 200 units – officers consider this to be £66.1m. HCA noted the successful delivery of Cheshire's Round 3 programme but stated that due to increasing pressure on resources programmes now in development are subject to a significantly higher level of scrutiny to establish value for money and affordability.
- 11.5 Officers have subsequently received several observations and further requirements from the HCA. In summary these relate to

Governance and project management

- a requirement for Cheshire East, as lead Authority, to provide assurances about the nature of the Inter Authority Agreement which will commit both Councils to the identified sites, the financial

contributions and the governance arrangements necessary to deliver the programme.

- a requirement for the appointment of a full time Project Manager

Value for money and affordability

- submission of more detailed evidence demonstrating value for money
- confirmation of the Councils requirement for fully integrated mixed tenure developments, assurances of the deliverability of such a scheme in the prevailing market conditions and confirmation of the financial modelling

Procurement methodology and evaluation

- further evidence from market testing to demonstrate an appetite for the required number of development units, bidder perception and local interest
- the approach to variant bids

Planning issues

- final specification of the number and spread of units across four sites and details about the type of information to be provided to developers in respect of planning approvals at each site
- detailed procurement methodology, timetable, proposed bid evaluation and selection criteria which will be used during procurement to illustrate that PFI funded works will not be compromised by non PFI funded works
- clarity of the Councils position on S.106 agreements
- financial assumptions need to explicitly exclude the possibility of cross subsidy

- 11.6 In order to secure assessment by the Project Review Group in October it will be necessary for officers to have satisfied the additional requirements specified by the HCA and finalised the Outline Business Case by 28th May. This will enable the respective Cabinet/Executive to determine matters of affordability and Members of the Joint Extra Care Housing Management Board to review and sign off the final OBC prior to submission in mid June.
- 11.7 Members are asked to note the intensity of the workload for both officers and JECHMB over this period to achieve this timeframe, and other competing work priorities in some areas. It is proposed to direct senior manager time in Strategic Commissioning of the Lead Authority to this effect and this will require adjustment of other priority work areas accordingly. Within Finance and Legal, as noted above, because of other competing priorities, such as the Closure of the Council's accounts, it will not be possible to release the appropriate officer time, and resource the various tasks necessary with externally sourced expertise, with a subsequent impact on the project management budget. Members are invited to confirm their approval of these arrangements.

12.0 Access to Information

12.1 The background papers relating to this report can be inspected by contacting the report writer:

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Cheshire East and Cheshire West and Chester Councils

Round 5 Extra Care Housing PFI - Additional information

Background & Summary

1. The Round 5 PFI Extra Care Housing Outline Business Case (OBC) will be a joint bid led by Cheshire East Council (CEC) on behalf of itself and Cheshire West and Chester Council (CWAC) (jointly referred to hereafter as “the Authority”)
2. In the draft OBC submitted by the then Cheshire County Council in April 2009, the Authority requested £59.9m of PFI Credits. Within this, the Authority was making an annual contribution of £135k.
3. As a result of the various changes, set out in this paper, and following discussions with the HCA, officers of the Authority have prepared this options paper which reflects a requirement to increase PFI Credits to £66.1m along with an annual contribution of £300k.
4. Subject to HCA’s response to this paper the Council will submit its Outline Business Case and will have secured outline planning consent on at least 3 of the 4 proposed sites.

Changes since draft OBC

5. There are a number of changes since the submission of the draft OBC that have led to an assessment of the affordability of the programme and the requirement for additional PFI Credits. Whilst all of these changes are set out below, it is important to note that the Authority would not be seeking to pass the full impact of these on to HCA, recognising that some of the delays are in part, within the control of the Authority.
6. The detail of the changes since the draft OBC are set out in detail in Appendix 1 are summarised in the table below:

Item	Capital Increase (£total)	Revenue Increase (£pa)	Affordability Impact on UC (£pa)
<p>Delays in the OBC preparation process, which has had implications on construction and lifecycle costs as a result of inflation. The primary causes of these delays have been:</p> <ul style="list-style-type: none"> the migration from two tier local government to two unitary authorities under Local Government Reorganisation; and delays in securing the required Outline Planning Consents for each of the sites, which has in itself included the replacement of the identified site in Macclesfield with another in Sandbach; 	£1.741m	Nil	£135k
There has been a substantial deterioration in PFI funding terms since submission of the Draft OBC. The margins applied to Senior debt have been increased from 2.0% to 2.5% in response to current market conditions.	N/A	Nil	£125k
A further decline in market values since Draft OBC has eradicated the cross-subsidy assumed from sales units in the Draft OBC;	£497k	Nil	£46k

Item	Capital Increase (£total)	Revenue Increase (£pa)	Affordability Impact on UC (£pa)
Housing management cost has been reduced from £1585 per unit to £975 per unit - this is based on a more robust benchmarking exercise for these costs.	Nil	(£121k)	(£121k)
Increase in inflation assumptions from RPI to RPI+0.5% for Lifecycle, Housing Management and Housing Maintenance Costs in line with continued market approach to bidding.	Nil	£215k	£215k
Revenue increases have however been offset by increased rent assumptions as a result of rental inflation.	Nil	(£74k)	(£74k)
Based on actual data from Cheshire's Round 3 scheme, the level of voids and service charges have been updated.	Nil	£10k	£10k
TOTAL	£2.238m	£30k	£336k

7. Should the project proceed the impact of the above changes would be an adverse impact of £336k on the Unitary Charge . Given that this impact is driven by a combination of capital and revenue increases, the Authority would hope to bridge the affordability gap by:

- a. An increase in PFI credits for the project of £6.223m .

The Authority has explored the possibility of making some additional capital contributions to the scheme (the Authority is already funding the cost of the land for the sites) to meet the capital cost increases, but given the difficult budgetary position faced by both CE and CWAC and the fact that the Authority is making a significant additional revenue contribution to the scheme, further capital contributions are not deemed to be an option. For the avoidance of doubt, additional credits would only be applicable to items of a capital nature.

- b. Increasing the revenue contribution of the project by £165k per annum. This increase is to cover 2 elements. Due to the increased uncertainty over the long term future of the Supporting

People Grant, officers of the Authority now believe it may not be available to the project, therefore they must find the £150k contribution assumed. The remaining £15k increase to the Contribution is to meet the overall increase to the revenue elements of the scheme per table 6. The remainder of the £30k quoted has been met through final optimisation of the model.

Therefore the total Authority revenue contribution would increase from £135k to £300k p.a..

PFI Credits and Numbers of Units

8. The Scheme at the draft OBC stage was based upon an approximate 50:50 split of PFI units and for sale/shared ownership schemes, delivering 400 units overall.
9. The work undertaken in securing Outline Planning Consents has concluded the site capacities in each case as follows:

Site	Overall Capacity
Blacon, Chester	63 Units
Ellesmere Port	87 Units
Poynton	73 Units
Sandbach	107 Units
TOTAL	330 Units

10. Given the current market conditions, a reduction in sales units would be seen as advantageous in attracting high quality bidders, who through market testing have indicated an ability to deliver development units but a reluctance for this to be at the 50:50 level previously envisaged in the Draft OBC.
11. Based on the principle set out in paragraph 7, the Authority has run a series of sensitivities on the number of units that could be delivered under certain PFI Credit allocations.

Site	PFI Units			
	PFI Credit of £59.9m	PFI Credit of £62.5m	PFI Credit of £64.0m	PFI Credit of £66.1m
Blacon, Chester	32	35	37	38
Ellesmere Port	43	47	49	53
Poynton	36	39	41	44
Sandbach	52	57	59	65
TOTAL	163 Units	178 Units	186 Units	200 Units

12. At the same time, officers of the Authority have considered the impacts of reducing the overall size of development at each site. Key considerations have been as follows:

- a. Officers of the Authority do not believe a development of less than 60 units is economically viable in terms of the care and catering contracts that it will let at a later date (these are outside the PFI). Current evidence from Cheshire's Round 3 scheme indicates a greater than anticipated revenue cost to be borne by each Authority during 2009/10 on the smallest schemes;
- b. The sites at Blacon, Ellesmere Port and Poynton are incapable in planning terms of sub-division. A smaller development on these sites would lose 'opportunity value' and would necessitate increased garden areas in the final development, placing further pressure on affordability (both capital and revenue costs).
- c. The site at Sandbach could be sub-divided, however the site presents a significant opportunity for an Extra Care development in a prime location close to local amenities. Any reduction would again lose 'opportunity value'.

13. Based on these factors and the site capacities identified in paragraph 10 the opportunity for development units at each site would vary as follows (with the lower end being the minimum development to bring each site up to 60 units, the upper end being the total available development opportunity based on site capacity):

Site	Development Units			
	PFI Credit of £59.9m	PFI Credit of £62.5m	PFI Credit of £64.0m	PFI Credit of £66.1m
Blacon, Chester	28 to 31 units	25 to 28 units	23 to 26 units	22 to 25 units
Ellesmere Port	17 to 44 units	13 to 40 units	11 to 38 units	7 to 34 units
Poynton	24 to 37 units	21 to 34 units	19 to 32 units	16 to 29 units
Sandbach	8 to 55 units	3 to 50 units	1 to 48 units	-5 ¹ to 42 units

14. As a proportion of the overall scheme in each of the 4 options, this means that the Development works constitute:

	PFI Units	Development Units Range	Development as % of scheme
PFI Credit of £59.9m	163	77 to 167	32% to 51%
PFI Credit of £62.5m	178	62 to 152	26% to 46%
PFI Credit of £64.0m	186	54 to 144	23% to 44%
PFI Credit of £66.1m	200	40 to 130	17% ² to 39%

15. Further market consultation is underway however initial discussions suggest that an 'entry level' of 32% development works is likely to cause many bidders to re-consider their interest in this scheme.

¹ This site has 65 PFI units, 5 more than is required for the minimum size development.

² This percentage sees the 5 'surplus' PFI units on Sandbach reallocated to other sites, and would therefore see Sandbach 'capped' at a development of 60 PFI units, and the additional PFI units that would have gone on that site allocated to other sites to reduce the development requirements.

Something under 25% may be considered viable depending on the locations and flexibility granted. This therefore points towards the options involving PFI credits of or above £64.0m. It is also considered highly unlikely that an overall level of development approximating 50% will be deliverable as originally assumed in the draft OBC.

16. Officers of the Authority have also considered the removal of one site from the scheme. The procurement/management costs of this PFI project are currently being shared by each of CE and CWAC on the basis of PFI units delivered (CE 54% and CWAC 46% based on the unit splits identified in paragraph 12 above). Removing a site would distort this split, and neither Council is likely to fund a significantly greater proportion of costs.
17. A completed affordability proforma for each of these options can be found in Appendix A.

Value for Money

18. Appendix B provides an updated CLG proforma for the capital costs underlying the financial calculations in this paper. This demonstrates that the construction costs on a per unit basis (inclusive of proportional communal accommodation costs) still represent value for money against the top end of the 'Possibly Acceptable' HCA comparator range of £158,215 (all at June 2007 prices) save the 163 unit option:

Option	Cost per Unit
163 Units	£160,838
179 Units	£156,584
186 Units	£154,677
200 Units	£151,695

Readiness to Deliver

19. The Authority has a full team in place ready to deliver this project, many of whom were previously involved in the Round 3 housing scheme now delivering highly successfully. The market consultation has demonstrated a high level of confidence in the Authority team to deliver this project based on its track record. The Authority has addressed the comments made by HCA on previous iterations of the OBC and once the final level of available Credits is known, the

Authority would anticipate re-submitting its completed Outline Business Case with final Member approval, as soon as possible.

Conclusions

20. Officers of the Authority have carefully looked at all of the options to help meet the affordability gap on this project, and have identified the need for a significant additional revenue contribution in order to try and allow the project to proceed. It is hoped that HCA will be able to secure the future of the project by increasing PFI Credits. Should HCA wish to discuss any of the issues in this paper further, we would be more than pleased to do so either remotely or in person. We will contact you shortly after issue of this paper to confirm your requirements but should you have any queries in the meantime please do not hesitate to contact:

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4 March 2010

Cheshire Extra Care PFI – Round 5 Development Works

Background

Cheshire East and Cheshire West & Chester Borough Councils (together “the Authorities”) are working jointly to procure a second extra care PFI project on a pan Cheshire basis. The project was initiated by Cheshire County Council prior to Local Government Reorganisation, the body that procured the first extra care PFI, which is now operational.

The second proposed extra care PFI project is very similar in nature to the first successfully delivered scheme, this scheme delivering extra care facilities on four sites across the Authorities. Each site will offer a range of 1 bed plus and 2 bed apartments, clustered around communal accommodation. The Authorities are keen that each development offers a range of tenure options in accordance with guidance on sustainable communities. This paper sets out how the Authorities propose to achieve this.

Anecdotal evidence from the Round 3 scheme suggests that sales problems have largely been caused by stagnation in the housing market rather than a lack of demand for extra care housing.

The Authorities’ Requirements

The Authorities are seeking proposals that:

- Deliver an overall minimum of 60 Units of accommodation on an individual site, as this ensures the Authorities can effectively procure care and catering services (both of which will be outside the PFI project).
- Maximise opportunities to provide mixed tenure on each site. The development opportunity should be considered in terms of both private sales and low cost home ownership.

The Sites

The four sites are as follows:

Site	Overall Capacity	Minimum PFI Requirement ³	Minimum Development Requirement ⁴	Total Potential Development Opportunity
Blacon, Chester	63 Units	32 to 38 Units	22 to 28 Units	25 to 31 Units

³ This range will be firmed up once the affordability position has been finalised with HCA (see affordability paper). This will then allow the remaining two columns to also be finalised.

⁴ Based on minimum of 60 units per site.

Site	Overall Capacity	Minimum PFI Requirement³	Minimum Development Requirement⁴	Total Potential Development Opportunity
Ellesmere Port	87 Units	43 to 53 Units	7 to 17 units	34 to 44 Units
Poynton	73 Units	36 to 44 Units	16 to 24 units	29 to 37 Units
Sandbach	107 Units	52 to 65 Units	0 to 8 units	42 to 55 Units
TOTAL	330 Units	163 to 200 Units	45 to 77 Units	130 to 167 Units

The overall capacity of each site, along with its deliverability for an extra care solution, has been proven via an Outline Planning Consent secured by the Authorities (3 out of 4 now having Outline Consent).

Each site will be transferred to the successful provider on a 99 year lease.

Financial Assumptions to Date

The Authorities have assumed that the PFI element of the project is entirely self-sufficient and no cross-subsidy is required from development opportunities to fund the PFI arrangements. This includes communal areas, albeit it is recognised that some elements of communal accommodation (restaurant, lounge, etc.) will require scaling upwards to reflect increased numbers of units brought about by development properties.

Procurement Methodology

The proposed procurement methodology is largely consistent with the first extra care PFI in Cheshire, albeit it has been amended to reflect changes in the PFI funding market.

- The project will be procured under a single OJEU, which will cite both the PFI and development works within the CPV codes. These will not be separate lots;
- Bidders will be invited to submit design proposals that allow them to best manage the risks of the project. Whilst the Authorities would prefer each site to be designed as a single integrated facility, it is recognised that some parties may prefer to design separable elements of accommodation to manage development risks;
- No obligation will be placed on bidders to deliver the full extent of the development opportunity. As highlighted above, the Authorities will require a minimum development of 60 units on each site. In the event that the provider is unable to achieve this number on a given site(s) through private sale/low cost home ownership, then the Authorities will consider additional social rented or intermediate rent units (outside of the PFI arrangement);

- The evaluation criteria will clearly incentivise bidders to deliver the best overall solution. These will focus on the PFI element of the overall proposals, but will recognise the benefits that may come through larger mixed tenure communities (increased amenity in communal areas, etc.) subject to the provisions of the following paragraph.
- Development works will be covered under a separate Development Agreement alongside the PFI Project Agreement, recognising funder preference for complete separability. To the extent that proposals delivered within the PFI Project Agreement are funded by development works proceeds (and again noting the financial assumptions made by the Authorities to date), these will only be considered in the evaluation process if bidders have fully underwritten the funds being delivered into the PFI financial model and they are not subject of development viability tests, etc. The manner in which this risk will be managed will be left entirely for bidders to propose such that they can resolve funder issues.
- Any development proceeds over and above underwritten sums will be shared via an overage agreement.

Market Sounding

Informal market testing on the Cheshire programme and formal market testing on similar schemes across the country has shown that developers are still willing to consider taking on some sales risk despite the current economic climate. The original proposal for Cheshire's R5 scheme was for 50% of units to be non-rented. This extent of development is considered to be too high by the market, with most seeking arrangements with a development content of no more than 25% to 30%.

Cheshire Extra Care Housing PFI Project (Round 5)

Planning Strategy Paper

This paper sets out the proposed planning strategy for the Cheshire Extra Care Housing PFI. Given the planning complexities around the sites proposed, the approach proposed is predicated on a 'belt and braces' approach to gaining the maximum certainty for bidding organisations on the deliverability of the scheme.

In summary, the strategy seeks to establish the planning parameters at the outset through securing Outline Planning Consent for each of the 4 developments. These consents will of course be public documents, but nonetheless the Authority will communicate these to guide bidders on individual site imperatives but otherwise maintain the freedom to work within these parameters, in consultation with planning teams, as they develop their solutions.

In the context of this paper, the term Authority is intended to refer to both Cheshire East and Cheshire West & Chester Councils, who are working collaboratively to deliver this scheme. The 4 developments are split equally as follows:

Cheshire East	Poynton Sandbach
Cheshire West & Chester	Blacon, Chester Ellesmere Port

The Sites

The Authority has identified specific sites for this project.

At the OBC stage, the following processes have been followed to fully validate these site selections:

- Re-confirm work undertaken at Expression of Interest stage to establish housing needs across the County, thereby identifying 'hotspots';
- Identify sites within the 'hotspot' areas that could be considered as part of the PFI project;
- Undertake an assessment of each site to ascertain suitability, based on:
 - Context within the Council's wider development plans;
 - Location and proximity to amenities (particularly relevant to extra care);
 - Condition (based on known data at this stage), including requirements for demolition of existing buildings, remediation works, etc.

- Considerations affecting availability of the site, including any statutory consents that might be required (loss/substitution of playing fields, etc.)
- Potential capacity, linked to an assessment of potential tenure mix to compliment the local demographics.
- Undertake consultation with Ward Members, Parish Councils and key stakeholders on the suitability of sites;
- Based on the outcomes of the above two points, establish the preferred sites for the project.

Proposed Deliverables

OBC Stage

During the preparation of the Outline Business Case, the Authority has developed reference schemes for each of the 4 sites, and used these reference schemes to secure an Outline Planning Consent. As a formal planning consent, this process has fully tested:

- That the sites are acceptable in terms of residential use (and more specifically extra care use);
- The policy framework which will form the basis for consideration of future planning applications on that site (and recognising that it is possible that future applications will be under Reserved Matters or a fresh Planning Application). This captures all relevant Council design guidance (including guidance produced by others that the Council considers a requirement of its own);
- The requirements of the planning authority for supporting information that would be required as part of a planning application (for example, flood risk assessments, ecological studies, contamination surveys, etc.);
- The basis on which any planning gains or contributions will be levied;
- Access, highways and parking;
- Massing (both land take and maximum permissible development height);
- Public opinion of the development, including that of immediate site neighbours.

A site pack will be assembled, collecting together all of the available Title and site data available including the Outline Consent. Where appropriate, commentary will be provided to accompany the Outline Consent where the resolutions reached in achieving the consent require explanation to Bidders.

Procurement Stages – Dialogue Phase

There are a number of steps that the Authority would take through the dialogue stages of the procurement process to ensure bidders are not incurring design fees unnecessarily.

These include:

- All shortlisted bidders will be fully briefed on the Planning Consents achieved, ensuring each bidder is aware of the circumstances and reasons for any position reached. Furthermore, it will be made clear to Bidders that, whilst this consent is in place, they are not bound by the designs and can develop their own design solutions. Where the Outline Planning process identified 'non-negotiable' outcomes, these will be clearly flagged as such, enabling any revised designs to account for these.;
- The Authority's requirements will be clearly stated in the ISDS documentation and Output Specification. These will be cross referenced with the Planning Consent as appropriate to ensure there is absolute clarity on what is required. Meetings will be held with the Authority project team through the dialogue phases to ensure designs are developing satisfactorily;
- All shortlisted bidders will be given significant levels of access to relevant multi-disciplinary teams, comprising officers from: planning, highways, conservation, and other specialists where relevant to that site, to ensure that their designs can be consulted upon as the design develops.

In addition to the above, the Authority will:

- Work with bidders to procure warranted site surveys to assist bidders in the development of their design solutions;
- Liaise separately with the relevant planning teams to ensure that any potential planning issues are accounted for in the evaluation process;
- Consult with stakeholder groups throughout the process to ensure designs are developing satisfactorily.

In relation to the final point, it is expected that the Authority will adopt some of the principles to date only adopted on HRA regeneration schemes, namely at appropriate points in the procurement process, public exhibitions may be arranged on a site by site basis. These will be conducted such that they do not affect the integrity of the competitive process.

Through the ISDS stage, it is expected that Bidders will need to advance their proposals to RIBA Stage C. This is sufficient to allow the Council at ISDS evaluation stage to:

- Understand designs and the commercial proposals (construction and maintenance costs, construction programmes, etc) that underpin them.
- Identify any planning showstoppers (albeit this is unlikely given bidders will have been given access to planners throughout the design development period).

This level is also consistent with market expectations for the ISDS stage in a bidding process.

Procurement Stages – Closing Dialogue

The Authority will not take any submission to Final Tender that has potential planning concerns.

Prior to closing Dialogue, it is expected that Bidders will be required to advance their proposals to RIBA Stage D in order to be ready to put in planning applications shortly after a Preferred Bidder is appointed. This is consistent with emerging good practice in respect of Competitive Dialogue, as this level will allow all major commercial issues in respect of price and risk to be closed out before Dialogue is closed.

Private Sector Expectations

The Authority proposes to share the approach outlined in this paper with the market as part of the OBC consultation process. This will ensure that the final strategy is one that is recognised and embraced by the market, thereby ensuring there is no impact on the number of OJEU respondents and competitive process that follows.