

## **Annex A: Procurement Process Overview**

In 2014 the Council embarked on a procurement exercise to appoint a private sector partner with whom to form a partnership to undertake regeneration and total asset management activities across the City, to Council owned housing and associated land.

Total Asset Management (TAM) – this is a strategic approach to physical asset planning and management, whereby the long term asset management plan is aligned to service priorities and strategies, within the limits of resources available. Practically this approach enables the delivery of the most favourable outcomes based on investment need and available funding; minimising expenditure on day to day repairs; identifying assets that are beyond economic repair; and determining actual investment need for planned stock investment programmes.

Due to the contract values, the procurement exercise had to comply with OJEU and Public Contract Regulation requirements. There are a range of methods that can be chosen to undertake procurement exercises, but given the complexity and uniqueness of the of opportunity, the Competitive Dialogue route was selected as offering the best opportunity to meaningfully engage with prospective partner organisations.

Three bidders were shortlisted and the Council embarked on a significant exercise to work through a range of options with those bidders through confidential dialogues. During this engagement process bidders worked up their offers and bid these back to the Council in February 2015. A detailed evaluation process was then undertaken to establish who had submitted the Most Economically Advantageous Tender (MEAT). The Competitive Dialogue process enabled the Council to ensure that all returned bids were compliant with no significant deviation within the submitted returns.

As a result of this process Mears were evaluated as having submitted the MEAT. The Council has engaged with them to finalise proposals and develop

supporting documentation to enable the formalisation of the arrangements through the completion of the relevant contract documentation.

This is reflected in the proposal to Cabinet. The MEAT scores achieved through a moderated process are contained in the following table:

MEAT Evaluation		Tenders received		
		Company A	Company B	Company C
<b>Tender Price</b> <ul style="list-style-type: none"> <li>▪ Financial &amp; Commercial</li> <li>▪ Primary Entity</li> <li>▪ Asset Maintenance</li> <li>▪ Asset Development</li> <li>▪ Socio Economic</li> <li>▪ Value for Money</li> </ul>	40%	22.41	21.22	24.15
<b>Functional and Technical Compliance</b> <ul style="list-style-type: none"> <li>▪ Primary Entity</li> <li>▪ Asset maintenance strategy</li> <li>▪ Asset maintenance delivery</li> <li>▪ Asset development strategy</li> <li>▪ Asset development delivery</li> <li>▪ Sample schemes</li> <li>▪ Socio economic</li> </ul>	60%	40.86	35.77	36.63
		63.27	56.99	60.78
<b>Overall Ranking</b>		1	3	2
<b>Additional commentary</b>				
<p>The bidder with the lowest overall score against the priced submission was not determined to have the best MEAT score overall due to their quality submission failing to satisfy robustness requirements when tested against the procurement objectives. The bidder with the best overall MEAT following moderation was taken forward to finalise the detail of the overall contract in accordance and in line with the stated procurement process.</p>				

At the conclusion of the procurement exercise a Gateway Review was commissioned to establish if the procurement exercise was undertaken in accordance with the agreements received from Cabinet. A range of individuals who participated in and advised on the Competitive Dialogue process, along with key stakeholders were interviewed as part of this process. The conclusion of the review was very favourable citing that the objectives of the procurement exercise were met.

## **Annex B: Partnership Governance Overview**

Milton Keynes Council is to be represented on the Main Board of the Partnership to ensure that its best interests are properly served. Given the significant time demands placed on the individuals concerned and the required skillsets of such representation, it is envisaged that the Council will publicly advertise and subsequently recruit suitable individuals to these posts. These individuals will be required to have a broad range of experience and have the business acumen and supporting skillsets to contribute to the successful delivery of the business plan objectives. The total membership of the Main Board should comprise no more than 6 representatives, with 50:50 representation from the Council and Mears. There is potential scope to supplement this with a small number of non-executive positions, to bring a broader skillset and challenge to the Board.

### **Accountability**

The Partnership will be required to annually report on delivery progression against the overarching 5 Year business plan, measured through agreed Key Performance Indicators (KPIs). The Council committee will receive this report and interrogate this against the previously reported business plan objectives. KPIs will evolve in line with the annual refresh of the Business Plan.

### **Council Committee**

The committee should have cross party representation reflecting current political make up, with the exact balance to be advised by Legal and Democratic Services. It will have the power to appoint and remove its own Board members for specific non-performance. It will also be responsible for the oversight, monitoring and commenting on the performance of the Partnership in relation to the rolling business plan.

It will report annually to Cabinet and full Council on the performance of the Partnership as against the business plan.

It is likely to be beneficial if senior officers also sit on this Committee in an advisory capacity, and to specifically provide support and guidance to elected members.

## **Recruitment**

The Council committee will recruit and appoint the Council representatives to the Board, through press advertisement to select suitable individuals based on a person specification and job description. These positions should be advertised in the national and specialist press to ensure maximum publicity and interest is generated. It is likely that Board members will receive remuneration packages commensurate with the expected industry standard for such positions.

## **Term of Appointment**

The term of the appointment to the Board can be time limited to encourage flexibility and participation. This could initially be set for 2-3 years and could be extended subject to conclusion of satisfactory performance reviews. Board members can step down at any time, subject to their serving requisite notice to that effect.

## **Operational Board**

To develop the business plan and manage the day to day operations of the partnership, an Operational Board will be established to provide the skills and expertise to deliver these objectives. This Operational Board will be chaired by the Managing Director and its membership will be selected from the partner organisations to ensure the right experience is available to it. The Partnership will, over time, recruit its own officers to fulfil the functions required of it.

### **Annex C: Community Led Approach Overview**

The RegenerationMK 2030 Strategy states co-production as a key principle for the delivery of regeneration; ‘through a community development approach, we will develop systems that enable residents to be equal partners in the development of their communities and neighbourhoods, and in determining the use of public resources.’ Co-production is fundamental to securing lasting social, economic and physical change.

This commitment to a community led approach to regeneration, within a defined funding envelope, has been central to the competitive dialogue discussions and is reflected in the key partnership agreements. The strategic Key Performance Indicators for the Partnership, the set of measures that the Business Plan (and Partnership) will be assessed against, include an as yet unspecified social measure that will assess how successful the Partnership is at enabling co-production. This measure will be specified through engagement with priority communities in Year 1, to ensure success is defined by what is important to communities rather than what is important to the Partnership.

#### **Community Partnership Team**

The Community Partnership Team, part of RegenerationMK, are already working with priority communities to build skills, knowledge and confidence of people and community groups, to enable residents to be active partners in the regeneration of their neighbourhoods. This is important for regeneration, socially and economically, regardless of when physical regeneration commences.

#### **Regeneration Development**

Full participation of residents and community stakeholders is fundamental to the successful design and delivery of RegenerationMK. A tailored approach to the development of a community led regeneration plan will be taken for each area, working within and utilising existing resources, including ward and

parish councillors, Residents Associations and other community groups and resident 'champions' and established or developing Neighbourhood Plans.

Activities will cover:

- Recruitment of locally based community engagement, liaison and customer care teams;
- Establishment of local communications methods including local webpages, blog, newsletters;
- Holding public consultation events;
- Establishing 'armchair and doorstep' feedback mechanisms to enable those who do not attend public meetings to express their views;
- Running public design workshops (charrettes) which will allow residents, designers and others to collaborate on a vision for development.

It is anticipated that the development of the community led regeneration plan will take approximately a year depending on the scale.

## **Annex D: Core Partnership Documentation Overview**

### **Introduction**

Following the procurement exercise which resulted in the recommendation to appoint Mears plc as the Council's preferred partner, the parties are proposing to enter into a number of contract documents to give effect to that partnership.

### **Framework Agreement**

This is the overarching agreement which sets out the parties' aims and aspirations for the project as a whole. It provides a mechanism for the parties to enter into other contract documents to ensure the delivery of the different elements of the project. These are: the Members' Agreement, the Partnering Agreement, the Repairs and Maintenance Contract and the Planned Works Contract. It provides for the development of the funding solution for the regeneration programme.

### **Members' Agreement**

The Members' Agreement sets out the governance arrangements for the Partnership. It includes the proposed funding arrangements for the Partnership, of fixed contributions from Mears and the Council. Initial contributions from both parties are defined at £100 with fixed working capital contributions of £500k each.

This agreement sets out the types of matters which, instead of being decided by the Partnership, will require the consent of the members i.e. the Council and Mears. These include legislative changes, changes to the Members' Agreement and changes to the legal status of the Partnership.

It contains deadlock provisions. Since the two parties have equal shares and equal representation, there is potential for deadlock and the agreement provides a mechanism for these to be resolved by way of the intervention of an external expert.

It also contains the dividend policy for the Partnership. It is not anticipated that the programme will generate surpluses which could be used for distribution. If surpluses do arise distribution of these would need to be agreed by both parties to protect any surpluses remaining in the Partnership to contribute to the costs of future development.

It also deals with the process for winding-up or dissolution of the Partnership. This will only happen if the project is complete or there is some compelling reason why the Partnership should be wound up.

### **Partnering Agreement**

This is a contract between the Council and the Partnership and ensures that the Partnership is accountable to the Council for delivery of the regeneration programme. It requires the Partnership to have overall responsibility for and assume the strategic direction of the regeneration programme.

It deals with the process of business planning and contains a detailed procedure to ensure that individual projects are brought forward. This will include the initial appraisal, the process for developing a masterplan, developing the detailed design, obtaining planning permission, ensuring that funding is in place procuring builders and delivering the project.

The Regeneration Service is being seconded to the Partnership to enable it to take the lead in all aspects of the regeneration programme. There is a secondment agreement, annexed to the partnering agreement, which sets out the terms of the secondment.

The agreement contains other provisions designed to ensure that the Partnership is able to deliver the programme effectively. These include clauses requiring insurance, the provision of information and accountability and dispute resolution. The agreement can be terminated if there is a substantial breach of its terms by either party.

Land that is used for regeneration activity will be released to the Partnership under an exclusive licence agreement that will specify clearly the land in

question, what is to be developed on it and the required timeframe for completion. This gives greater control over the quality of what will be developed through the retention of the freehold interest in the land until disposal of a built product and maintaining the place making qualities of the schemes.

Failure to comply with the requirements of the licence may lead to future releases of land being delayed or cancelled and result in exclusivity being lost as a result of poor performance. This performance will be measured through the strategic Key Performance Indicators, reported back on a quarterly basis.

### **The Repairs and Maintenance Contract**

This contract requires Mears to carry out repairs and maintenance for the Council's housing stock. It is for a five year term with an option, exercisable by the Council, to extend for a further five years. The contract will also contain break clauses that permit the contract to be terminated as a result of unaddressed poor performance. The contract will be let on an ACA standard form of contract.

The contract will be let on a price per property basis and will be reviewed annually to ensure it continues to represent value for money.

### **The Planned Works (Stock Investment) Contract**

This contract requires Mears to carry out planned investment works to the Council's housing stock. It is for a period of five years with the option, exercisable by the Council, to extend it for a further five years. The contract will also contain break clauses that permit the contract to be terminated as a result of unaddressed poor performance.

The contract will be let on an ACA standard form of contract, and will be reviewed annually to ensure it continues to represent value for money.

## **Annex E: Business Plan Overview**

The Business Plans will outline the activities to be taken to deliver the key objectives of RegenerationMK Partnership.

The Year 1 (Enablement) Business Plan will capture the requisite information and supporting procedures that will in turn provide the structure and content of the 5 Year Business Plan.

### **Key tasks for completion in Year 1**

1. Completion of stock condition survey of all Council owned housing to establish current condition and investment need.
2. Uploading of completed data into stock asset management database and detailed assessment of reported requirements.
3. Development of planned investment programmes that inform the 5 year Business Plan, aligned to available HRA budget.
4. Development of a detailed regeneration programme of activity for future years, identifying priority areas for commencement.
5. Identification of funding requirements to deliver regeneration and instigate funding solutions.
6. Recruitment of key staff to posts to ensure that the partnership has the right people with the requisite skillsets to deliver the vision.
7. Develop a detailed 5 year Business Plan to support delivery of programmes.
8. Agree and finalise governance arrangements for partnership that enables it to operate effectively with the required levels of transparency.
9. Establish communication and engagement process reflecting the requirements of each community.

These will be mirrored in specific Key Performance Indicators to measure the success of the activity, and to assist in ensuring that the objectives are delivered in accordance with requirements.

## **5 Year Business Plan**

This will contain the detail relating to range of specific activities, including the initial areas where regeneration activity will commence, the proposed timelines for the programme and the associated activities to support this delivery.

It will also contain programme information relating to stock investment works across the non-regeneration areas, with proposed activity indicated across the five year timeframe. This will in turn inform and support the communication strategy and engagement process.

It should be noted that due to the complex nature and scale some activities will extend beyond the 5 year timeframe and these will be acknowledged in the business plan.

This business plan will be subject to annual review and adjustment to reflect the changing circumstances relating to the programme, availability of viable funding, market fluctuations and statutory.

This business plan will have to satisfy requirements to be outward looking to enable potential funders to understand the operational context and overall objectives of the regeneration programme.

It will capture as a minimum:

- Business description
- Competitor analysis
- Market analysis
- Marketing strategy
- Operational plan (programmes)
- Management structure
- Financial plan
- Key milestones

This business plan will also indicate the potential exit strategies for the parties involved should the decision be made to bring to an end the contractual arrangements.

## **Annex F: Key Performance Indicator Overview**

### **Key Performance Indicator Overview**

To help measure the performance of the Partnership, the Council will use a series of Key Performance Indicators (KPIs) to inform how effective the partnership is in delivering the required objectives. These will be subject to annual review to ensure that they remain fit for purpose as the Partnership progresses.

### **Structure of performance measures**

#### **Strategic KPIs**

These will focus on the overarching objectives of the Partnership and the Regeneration Strategy and measure progress against these. Some of these will be developed and monitored with the communities affected and subject to further detailed planning with the same.

#### **Business Plan KPIs**

The five year Business Plan will deliver practical outcomes for communities and the Partnership and set the foundations for success. These are therefore narrowly focused on specific outputs required within defined time periods. They will change over time and be established annually by the Partnership Board.

#### **Operational KPIs**

These will measure the performance of Mears in delivery of the Total Asset Management service to maintain and improve housing stock. They are detailed operations focussed indicators that enable effective management of all planned and reactive works.

All performance measures will be reviewed annually to ensure they remain relevant and drive the performance necessary to deliver a successful programme of regeneration.

### **Strategic KPIs**

- Job creation through regeneration activity;
- Structured training, qualifications and apprenticeships delivered;
- Reduction in volume of reactive repairs undertaken with increased spend on planned works;
- Reduction in heating costs and carbon emissions;
- Reduce long term expenditure;
- Social Value measures – a range of measures that will be developed in conjunction with and be bespoke to each community;
- Number of developed units meets targets (to be set by the Main Board and incorporated in the Business Plan);
- Number of units in 'pipeline' meets expected requirements;

These will be worked up in more detail (outcomes and measurement) prior to contract signing.

### **Year 1 Business Plan KPI's**

These are to ensure that the first year of the Partnership delivers the required outputs to inform the 5 year business plan. These are currently:

- Develop a detailed 5 year business plan;
- Agree and finalise governance arrangements for the partnership;
- Develop the stakeholder engagement and communication process;
- Completion of stock condition surveys and analysis of outcomes;
- Development of a planned investment programmes for 5 years;
- Development of the regeneration programme of activity for future years;
- Identification of funding requirements and affordable funding solutions;
- Recruitment of key staff to posts.

These will be worked up in more detail (outcomes and measurement) prior to contract signing.

## **Annex G: Development Strategy Overview**

This document sets out the overall framework in which development projects will be planned, financed and delivered by RegenerationMK. It complements the Members Agreement, Partnering Agreement and Year 1 and Year 2-6 Business Plans.

The document will be reviewed periodically by the Partnership Operational Board and the Main Board. It is important to note that at this juncture, the strategy is limited to setting the framework for development, as no decisions have yet been taken on the prioritisation, timing and scope of potential schemes and definitive regeneration undertakings.

The Development Strategy is placed in context, and is predicated on the key strategic objectives that underpin regeneration and development across Milton Keynes. All development proposals will be considered with reference to the following strategic objectives:

- RegenerationMK 2030 Strategy;
- The RegenerationMK OJEU Notice / RegenerationMK Prospectus;
- The Strategic KPIs;
- Requirement to deliver no net reduction in Social Rented properties;
- Requirement to deliver mixed tenure communities;
- Requirement to deliver solutions that are community led, commercially framed;
- Overarching requirement to obtain value for money;
- Requirement to develop solutions based on analysis of data.

### **Typical Activities**

These will include working alongside the Council to inform and undertake community consultation, commissioning community led strategic and site specific masterplans, assessing and confirming market conditions, site acquisition strategies and a range of associated tasks to bring the proposals to fruition.

### **Communications strategy with key stakeholders**

Good communication will be fundamental to successful engagement. This will be aligned to the overarching communications strategy to be developed by the Partnership in Year 1.

### **Project Approval Process**

The Partnership will adopt a process for handling development projects which is transparent, robust, focusses on achieving agreed objectives and manages risk. The project approval process will typically involve establishing objectives, defining what success looks like for a programme or project, survey and planning information, demand information and information from community consultation and engagement, appointment to the core team for delivery, community engagement process is in place and is fit for purpose and other complimentary tasks to ensure implementation.

### **Value for Money**

Measureable value for money will be evidenced across all activities. This will be delivered through a range of options that will test and confirm that value for money is being delivered. This will include competitive tendering, benchmarking and open book.

### **Quality**

From the outset the requirement to deliver a quality outcome has been paramount. Therefore specifications will be agreed and strictly adhered to through the implementation of robust quality assurance techniques. These measures will be subject to scrutiny and review to ensure that where possible quality standards are enhanced.

### **Funding & Resources**

The Development Strategy provides the framework within which the Partnership will identify and progress development projects, including the consideration of appropriate financing mechanisms.

The assessment of the financing appropriate to each project will need to consider the availability of council HRA and GF resources; (taking into consideration the investment requirement of non-regeneration housing stock), the costs and benefits arising from each option; and the risks and risk appetite of the Partnership.

Any decision on the use of additional Council resources will be subject to Cabinet approval at the appropriate time.

Costs of site clearance and acquisition of properties within the scope of the regeneration project will be included within the overall project costs, flowing through the Partnership.

The returns to the partnership from each development option may take the form of cash from sales, or increased land values from unsold stock (including council housing).

The council's resources for regeneration are constrained legally by the HRA ring-fence and HRA borrowing cap. Proposed additional funding solutions will need to be consistent with the availability of uncommitted resources identified through the HRA Business Planning process, and subject to Council decisions on the HRA budget.

### **Development Business Case**

This will form the agreed business case for development works. The Partnership will be expected to exercise its professional judgement in terms of detail required when assessed against the scale and complexity of the scheme. An agreed template will be developed that will likely encompass the Development Strategy, design and planning strategy, community engagement strategy, commercial strategy, economic appraisal, development appraisal, risk and opportunity register, value for money and other complimentary tasks to ensure implementation.