

CABINET

8 MARCH 2016

GATEWAY 3 CONTRACT AWARD: ROCHESTER RIVERSIDE REGENERATION

Portfolio Holder: Councillor Rodney Chambers OBE, Inward Investment,
Strategic Regeneration and Partnerships

Report from: Richard Hicks, Director of Regeneration, Community and
Culture

Author: Deborah Crow, Rochester Riverside Project Manager
Janet Elliott, Category Manager

SUMMARY

This report requests the Cabinet to approve the procurement of a sole development partner with a contract, or series of contracts to ensure sufficient time to deliver the regeneration of Rochester Riverside, which is anticipated to take between 10 to 15 years, as highlighted within 3.2 of the Exempt Appendix. This will involve a development agreement to ensure a quality development as well as the freehold transfer of the site in phases throughout the development period.

This is based upon the previous legal advice that stated that the procurement should be for a sole development partner to be sourced via the EU Competitive Negotiated Procedure. This process that has included the Invitation to Negotiate (ITN) Phase reduced the initial tenders from five to three, then the Invitation to Continue Negotiations (ITCN) Phase reduced the tenders from three to two and then the Best and Final Offers (BAFO) Phase which saw the receipt and evaluation of the final two tenders.

Cabinet approved the commencement and delivery of this procurement requirement at Gateway 1 on 2 December 2014, decision number 195/2014.

This Procurement Gateway 3 Report has been approved for submission to the Cabinet after review and discussion at Regeneration, Community and Culture Directorate Management Team meeting on 7 January 2016, the Rochester Riverside Board on 12 January 2016 and the Procurement Board on 17 February 2016.

The Homes and Communities Agency (HCA), the Council's partners for this development, is also required to approve the procurement of a sole development partner with a contract, or series of contracts.

1. BACKGROUND INFORMATION

1.1 Budget & Policy Framework

- 1.1.1 Rochester Riverside is designated as an Action Area for redevelopment in the Medway Local Plan (2003). Policy S7 of the Local Plan states that the comprehensive regeneration of the area will be sought in accordance with a development brief as approved by the Council.
- 1.1.2 In September 2014 Cabinet approved the adoption of the 2014 Rochester Riverside Development Brief and Masterplan as a Supplementary Planning Document to the Local Plan. The Development Brief establishes a set of strategic parameters and illustrative guidance to steer the future development of the site, provides planning and design guidance to Developers, and will inform future development management decisions.
- 1.1.3 This matter will be reported to Full Council for information on 28 April 2016 in accordance with the constitutional requirement that land and property transactions over £500,000 be reported to the next Council meeting for information.

1.2 Background Information

- 1.2.1 Rochester Riverside is a 32-hectare (74-acre) flagship regeneration scheme within the Thames Gateway. The site stretches from the A2 Rochester Bridge southwards to Doust Way, with the River Medway forming the eastern boundary of the site, and the high-speed rail line to central London forming the western boundary.
- 1.2.2 The scheme is managed in partnership by Medway Council and the Homes and Communities Agency (HCA), who jointly own the site and have invested substantial funds in land assembly, remediation, site preparation and infrastructure works to enable the comprehensive regeneration of the site. Representatives of each partner sit on the Rochester Riverside Board.
- 1.2.3 The key objective of the partners is to transform the area into an attractive place to live, work and play through the implementation of a substantial, high quality, sustainable, mixed use scheme.
- 1.2.4 Development has already begun on site. A new riverside walk and cycle way opened in 2008, making the waterfront accessible to the community for the first time in a century. The first phase of residential

development was delivered on Phase 1 of the site in 2013, with the construction of 73 affordable housing units, associated infrastructure, and the creation of a new public square, the 'Southern Gateway Square'.

- 1.2.5 Funding of £4.4m from the Growing Places Fund (via the South East Local Enterprise Partnership) has also been committed to deliver further site preparation and infrastructure works along with a 325-space multi storey car park.
- 1.2.6 Network Rail has created a new station for Rochester, which will be connected to the Rochester Riverside site via a new pedestrian subway. The new station will enable increased capacity and reduction in journey times to Central London, thus facilitating the economic growth of the local area and the regeneration of Rochester Riverside. The station opened in December 2015.

Rochester Riverside Masterplan

- 1.2.7 The vision for Rochester Riverside is established in the 2014 Development Brief and Masterplan, adopted as a Supplementary Planning Document to the 2003 Local Plan.
- 1.2.8 The Development Brief establishes the key planning and design parameters for the development, including land use components, urban form, density, open space and sustainability. It outlines the previous use and history, the policy context and physical constraints.
- 1.2.9 The Masterplan envisages a phased development, with the site split into six main phases, but this may change in discussions with the chosen Developer, supporting a range of retail, leisure and tourism uses providing activity both day and night, including:
 - A mix of up to 1,400 residential units, including affordable housing
 - Residential and non-residential parking
 - A hotel
 - A centrally located Primary School
 - A new entrance to Rochester Rail Station
 - A Waterfront Square with associated shops, restaurants and bars
 - Flexible commercial and office spaces
 - Local retail facilities
 - Riverside walk
 - Publicly accessible open spaces.
 - Upgraded site 'Gateways'
 - Community facilities.

Disposal Process

1.2.10 The Council/HCA through the procurement process will seek a partner who is:

- Capable of delivering a large-scale regeneration scheme;
- With the skills and experience to deliver a range of high quality residential and non-residential elements;
- Who can manage the development now and in the future;
- Who has the ability to release tangible economic opportunities;
- Who is committed to working in partnership; and
- Who is commercially and financially robust.

1.2.11 The contract, or series of contracts, will be structured to ensure sufficient time to deliver the regeneration vision for Rochester Riverside, which is anticipated to be 10 to 15 years.

1.2.12 The disposal of the whole of the site to a sole purchaser would be subject to development obligations included within the Development Agreement, ensuring the Council/HCA can secure a quality development and appropriate capital receipt. The intention would be that the Development Agreement would provide for phased disposal, with each phase being released to the Developer only following successful completion of works on the preceding phase.

Stanley Wharf

1.2.13 At the Rochester Riverside Board meeting on 24 July 2015 the decision was made to include Stanley Wharf as part of the Rochester Riverside development, as advice received suggested that including this as part of the main site would bring in an increased financial offer as well as reducing the risk of having multiple Developers on site.

Amendments to the scheme at Rochester Riverside Board 20 October 2015

1.2.14 At the Rochester Riverside Board it was reported by officers that the Coach Park had been removed from the masterplan requirements for the Developers, as there was not sufficient space to accommodate it. At this meeting the Board agreed to remove the Coach Park from Rochester Riverside and for officers to report back to the Board with alternative locations to be reviewed. Officers intend to complete this report in March 2016.

1.2.15 Also at this meeting officers reported to elected members that the River Walk had been retained within Medway Council ownership and so future repairs would be funded by the Council. There is a plan to reduce the revenue costs to the Council and so officers recommended that the surface level of the River Walk would be added to the development boundary and the responsibility of the Development to reduce future costs to the Council. The Board agreed the

recommendation and the site plan was amended prior to entering the Best and Final Offers stage of the procurement process. It is important to note that the River Wall remains the responsibility of Medway Council and officers are reporting back to the Rochester Riverside Board in March 2016 the requirements for a dowry to cover future maintenance and repairs.

2. PROCUREMENT PROCESS

2.1 Procurement Process Undertaken

- 2.1.1 The procurement process followed an EU Competitive Negotiated Procedure via the Kent Business Portal, in line with the Council's Contract Procedure Rules and the Public Contract Regulations 2006.
- 2.1.2 The Pre-qualification Questionnaire and OJEU notice were published on the Kent Business Portal on 28 January 2015 and 5 submissions were received on 13 March 2015.
- 2.1.3 Following the evaluation of the submissions by representatives from Medway Council and the Homes and Communities Agency, all 5 Developers were shortlisted for the second stage of the procurement process and the Invitation to Negotiate documentation was issued on 15 April 2015. This included a series of questions designed to assess the strength and suitability of the Developers' outline solutions and preferred approach against the Authority's needs and requirements.
- 2.1.4 A series of briefing sessions were held during this phase to assist Developers with the development of their proposals for the site. These meetings were timed and recorded and the minutes were circulated to all Developers. The 5 Developers returned their initial proposals on 3 July 2015.
- 2.1.5 These proposals were reviewed and evaluated by the team and 3 Developers were shortlisted to proceed to the Invitation to Continue Negotiations stage on 7 August 2015. All Developers were provided with comments and feedback on their initial bids. This stage allowed Developers to refine their solutions building on the discussions and negotiations held throughout the procurement process, to inform their preparation of their final offer. This phase continued until Medway and the Homes and Communities Agency were satisfied that Developers were in a position to submit final offers to include all elements required.
- 2.1.6 On 5 September 2015 one of the final shortlisted Developers made the decision to withdraw from the process, so the next stage of negotiations continued with the remaining two Developers. A further series of meetings were held to develop the proposals for the site and the commercial proposals.
- 2.1.7 The documents for the final stage of the EU negotiated process were issued on 3 November 2015, inviting Developers to submit their best

and final offer (BAFO), based on solutions developed during the negotiation stage. These submissions were returned on 1 December 2015.

2.1.8 Please refer to section 3.1 of the Exempt Appendix for details of the final bids.

2.2 Evaluation Criteria

2.2.1 The evaluation criteria set was Most Economically Advantageous Tender (MEAT), based upon a mixture of quality and price, as shown in the table below. The ratio of quality to price was amended from the negotiation stage to the BAFO stage, allowed for in the Public Contract Regulations, to increase the proportion of the total score assigned to the commercial proposals.

Evaluation Criteria	Weighting for ITN Stage %	Weighting for BAFO Stage %
Development solution/proposal	50%	40%
Commercial solution/proposal	30%	40%
Resourcing solution/proposal	10%	10%
Legal solution/proposal	10%	10%
Total	100%	100%

3. BUSINESS CASE

3.1 Delivery of Procurement Project Outputs / Outcomes

3.1.1 The following procurement outcomes/outputs identified as important at Gateway 1 to the delivery of this procurement requirement have been appraised in the table below to demonstrate how the recommended procurement contract award will deliver said outcomes/outputs.

Outputs / Outcomes	How will success be measured?	Who will measure success of outputs/ outcomes	When will success be measured?	How will recommended procurement contract award deliver outputs/outcomes?
1. Procurement of Developer, or Developers with the capacity and experience to deliver exceptional place making projects	Evidence throughout the procurement process of relevant experience, adequate capacity, and through the successful delivery of each phase of the development scheme	Rochester Riverside Project Manager Rochester Riverside Project Board Category Management	Throughout the procurement process and the delivery of the project phases Quarterly Board meetings Evaluation of tender proposals and throughout the negotiated procedure process	The Developers capability and experience have been assessed and evaluated throughout the EU Competitive Negotiated Tender Process.
2. Procurement of a Developer or Developers who will ensure best possible capital receipts/financial returns for Medway	Best value proposals from Developers in their tender submissions	Rochester Riverside Project Manager Rochester Riverside Project Board	Throughout the procurement process and the delivery of the project phases Monthly Board	The BAFO evaluation process was changed from 60/40 to 50/50 to enable a much higher proportion of the scoring towards the financial package offered to ensure the

		Category Management, Finance and Property teams	meetings Evaluation of tender proposals and throughout the negotiated procedure process	best possible capital receipt/financial return for Medway Council.
3. A quality scheme that is in keeping with the architecture and history of the local area	Design of each of the spaces to be sensitive to the local area. Strict quality management during the construction phase. Adherence to the Development Brief and Masterplan.	Rochester Riverside Project Manager and Project Team Development Management.	Throughout the design and construction phases of the project.	Throughout the EU Competitive Negotiated Tender Process the quality of the masterplan and keeping with the architecture and history of the area was a key message to Developers and it is felt that both tenders score highly in these areas.
4. The procurement of a Developer to work in partnership with Medway and the HCA	Prospective Developers will submit proposals for partnership working as part of their tender bid, together with evidence of previous experience of successful partnerships in deliver similar developments	Rochester Riverside Project Manager Rochester Riverside Project Board Category Management	Throughout the procurement process and the delivery of the project phases Monthly Board meetings Evaluation of tender proposals and throughout the negotiated procedure process	Both Developers have included sections within their bids, which discuss future working with Medway Council and the HCA. There are monthly meetings and Project Boards that include places for Medway Council and the HCA. The proposed Development Agreement also includes proposals for agreed collaboration throughout the project.

4. RISK MANAGEMENT

4.1 Risk Categorisation

1. Risk Category: Project Delivery	Likelihood: Low	Impact: Critical
Outline Description: Completion of Contract		
Plans to Mitigate: Once Medway Council/HCA have procured a development partner, there needs to be an agreement over the conditions of the development agreement and phasing/payment terms. There is a very low likelihood that the parties will not be able to come to an agreement; this however will have a critical impact on the project. To mitigate this, throughout the process the project team have completed a series of negotiation meetings with both Developers to discuss draft development agreements and acceptable legal terms.		
2. Risk Category: Project Delivery/Planning Approval	Likelihood: Low	Impact: Critical
Outline Description: Once the Development Agreement is signed the Developer will be able to submit the scheme for planning.		
Plans to Mitigate: The planning department have been advising throughout the process and the preferred Developer has submitted a scheme that is acceptable to the Project Team (including HCA) and other consulted internal departments, which included planning. The preferred Developer is using an approved planning process, which should reduce risk with the planning application.		
3. Risk Category: Commercial Proposal	Likelihood: Low	Impact: Marginal
Outline Description: There is a chance as this project is over an extended period that there may be factors that could change the commercial proposal.		
Plans to Mitigate: As the project is expected to last for at least 15 years there is a possibility that the development market could increase as well as decrease. Completing the development in phases allows the team to review the next phase to ensure that what is delivered within that phase has the best financial outcome for the project.		
4. Risk Category: Financial Risks	Likelihood: Low	Impact: Marginal
Outline Description: Both Developers have provided a list of assumptions for their financial offer, depending on whether these assumptions are correct, they could lead to a reduction, or increase in the land value.		
Plans to Mitigate: The project team have allowed 3 months to complete the development agreement with the selected Developer and will review these assumptions throughout this period to ensure that they are correct and ascertain whether there is any change to the land value prior to exchange.		

5. CONTRACT AND QUALITY MANAGEMENT

5.1 Post Procurement Contract Management

- 5.1.1 The contract management of this project post award will be resourced through the Rochester Riverside Regeneration Project Management Team.
- 5.1.2 Outputs of this process will include regular meetings with the Developer, project reporting, risk reviews with progress reports going to the Rochester Riverside Board.

6. PROCUREMENT BOARD

- 6.1 The Procurement Board considered this report on 17 February 2016 and supported the recommendations set out in paragraph 9 below.

7. HOMES AND COMMUNITIES AGENCY (HCA)

- 7.1 The Cabinet should note that as the HCA are partners with Medway Council for the Rochester Riverside Regeneration site, they have their own approval process that they need to complete, and they are recommending the preferred Developer, highlighted in the exempt appendix to this report, to their Board for formal approval on 10 March 2016.

8. SERVICE COMMENTS

8.1 Financial Comments

- 8.1.1 This procurement is an income-generated scheme; any outgoing costs associated with this project have been covered by previous grant allocations.

8.2 Legal Comments

- 8.2.1 Medway Council has the power under the Local Government (Contracts) Act 1997 and the Localism Act 2011 to enter into contracts in connection with the performance of its functions. The process adopted appears to comply with the Public Contract Regulations 2006 and the Council's Contract Procedure Rules. This is a level 4 high-risk category B procurement and therefore the decision to award is for Cabinet in accordance with the Council's Contract Procedure Rules.

8.3 Procurement Comments

- 8.3.1 As per the Contract Procedure Rules under section 3.3.1: 'All requirements above £100K must be advertised on the Council's Website, the Kent Business Portal and in the OJEU (where above the EU tender thresholds for goods, services or works).'
- 8.3.2 Adopting the competitive negotiated procedure allowed Medway and the Homes and Communities Agency to hold free negotiations with the Developers throughout the bidding process, and assist with producing a scheme to meet the requirements of all partners.

8.3.3 The programme followed satisfied the timescales for the prequalification stage; the negotiation stages have no given timescales, which need to be adhered to by law.

9. RECOMMENDATIONS

9.1 The Cabinet is recommended to approve the award of the contract, or series of contracts for Rochester Riverside Regeneration in accordance with paragraph 3.2 of the exempt appendix, and achieving the outputs described in Section 3 above.

9.2 The Cabinet is asked to note that a report will be submitted to Full Council for information on 28 April detailing this land and property transaction over £500,000 in accordance with the Constitution.

10. SUGGESTED REASONS FOR DECISION

10.1 This proposed project will deliver a high quality development to a much needed regeneration area within Rochester.

LEAD OFFICER CONTACT

Name	Deborah Crow	Title	Rochester Riverside Project Manager
Department	Regeneration	Directorate	Regeneration Community and Culture
Extension	2498	Email	deborah.crow@medway.gov.uk
Name	Janet Elliott	Title	Category Manager
Department	Legal and Corporate Services	Directorate	Business Support
Extension	1023	Email	Janet.elliott@medway.gov.uk

APPENDICES

Exempt Appendix

BACKGROUND PAPERS

Cabinet 2 December 2014 – Gateway 1 Procurement Commencement: Rochester Riverside Development:

<http://democracy.medway.gov.uk/mglIssueHistoryHome.aspx?lId=13854>