

Briefing Note



milton keynes council

Regeneration Scrutiny Committee – 25 June 2020

The Future of the Regeneration Partnership Between the Council and Mears PLC

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Formation of YourMK

In December 2015 a Cabinet decision¹ was taken to form a joint venture partnership with Mears Group PLC (Mears) to deliver the following range of activities:

- a) Regeneration activities in the priority areas;
- b) Total asset management of all Council owned housing stock; and
- c) Development opportunities on Council owned sites in non-priority regeneration areas;
- d) That the Repairs and Maintenance contracts for reactive and planned investment works be awarded to Mears, to be managed by the partnership.

In July 2015 MKC adopted its RegenerationMK 2030 Strategy, which detailed priorities for People, Place and Prosperity. It was recognised at the time that the People and Prosperity priorities were already being enabled by the Neighbourhood Employment and Community Partnership programmes, but that in order to deliver the strategic priority for Place a new mechanism was required to provide both expertise and the opportunity to secure significant funding. It was envisaged that what became YourMK would drive this forward, particularly in relation to funding, as at the time the Council was restricted by finite funds within its Housing Revenue

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<https://milton-keynes.cmis.uk.com/milton-keynes/Document.ashx?czJKcaeAi5tUFL1DTL2UE4zNRBcoShgo=9KvFDlim5DhfcSre4SOYIWHfkdEJk5Ohk6%2b7nBBU1dkZWZALD6t4rQ%3d%3d&rUzwRPf%2bZ3zd4E7lkn8Lyw%3d%3d=pwRE6AGJFLDNIh225F5QMaQWCtPHwdhUfCZ%2fLUQzgA2uL5jNRG4jdQ%3d%3d&mCTIbCubSFfXsDGW9lXnlg%3d%3d=hFfIUdN3100%3d&kCx1AnS9%2fpWZQ40DXFvdEw%3d%3d=hFfIUdN3100%3d&uJovDxwdjMPoYv%2bAJvYtyA%3d%3d=ctNJf55vVA%3d&FgPIIEJYlotS%2bYGoBi5oIA%3d%3d=NHdURQburHA%3d&d9Qjj0ag1Pd993jsyOJqFvmyB7X0CSQK=ctNJf55vVA%3d&WGewmoAfeNR9xqBux0r1Q8Za60lavYmz=ctNJf55vVA%3d&WGewmoAfeNQ16B2MHuCPMRKZMwaG1PaO=ctNJf55vVA%3d>

Account (HRA) and the ability to borrow was limited due to the imposition of a cap on debt.

Following the Cabinet decision, the YourMK partnership was set up in March 2016 by Milton Keynes Council (MKC) and Mears Group plc to manage the delivery of MKC's new build, regeneration and repairs and maintenance functions. The legal entity was set up as a Limited Liability Partnership (LLP) with senior officers from MKC sitting on its Board in unpaid positions alongside Mears nominees. As the Board developed, our officers were replaced by independent Board members, who later resigned, citing ineffective governance and senior leadership by the Executive of YourMK, and in turn were replaced by more of our senior officers.

A dividend policy was also agreed at the time which allowed for the distribution of dividends, but it was not anticipated that the programme of works would generate surpluses which could be used for distribution. Where any individual developments could make a surplus, it was anticipated that this would remain within the Partnership and be used to contribute to the costs of future developments.

The Cabinet report highlighted two main risks in the formation of this Partnership which were:

- a) The Partnership fails to deliver its objectives for regeneration and total asset management; and
- b) The Partnership fails to deliver value for money.

Current Status

In the four years following the formation of YourMK the fiscal world local authorities work in has fundamentally changed. In October 2018 the then Secretary of State, James Brokenshire, removed the borrowing cap imposed on local authorities' HRAs. This change puts us in a much stronger financial position to develop an increased level of Council Housing, something that we were unable to do previously. It has essentially given local authorities the power and flexibility to deliver their development and regeneration programmes in-house, by providing a more flexible funding regime, allowing for the recruitment of relevant in-house skills.

MKC is also currently consulting on a revised Regeneration strategy. Whilst MKC remains committed to regeneration, we want to move to a greater focus on jobs, skills and life chances built around estate renewal, strengthening the work already being delivered.

As recognised in the new draft strategy over the past two years, as we have moved forward with plans for the Lakes Estate and Fullers Slade, it has become fairly obvious that the current process is too slow and that the word 'regeneration' has become mired in negativity around demolition no matter what the Council says. It is very clear that we need to approach regeneration differently. In order to achieve this, we believe it is paramount that MKC has control over its approach and performance.

We also want to ensure that regeneration is about building stronger communities. We need to stop the focus on demolition of specific estates and start talking about a renewal of MK, jobs, skills and improved health and life chances. The clear and overwhelming message from residents is that regeneration is about more than bricks and mortar and in order to ensure we achieve this we need to bring back control to within MKC, allowing the Regeneration team to more actively engage with other internal stakeholders alongside those community groups who have an active interest in the work we are undertaking. This has been recognised more recently with a change to the Cabinet Structure and the appointment of two new Cabinet members for Public Realm and Economy and Culture. This change will ensure that the community engagement in regeneration is both prioritised and more visible.

YourMK Performance

The performance of the YourMK Partnership has been heavily scrutinised over the past 4 years and it can be seen that it has failed to deliver its original objectives.

In 2018 it was agreed that we would take back functions including community engagement, the Neighbourhood Employment team and the management of repairs. This was following Cabinet's decision in July 2018 and was prompted following public opposition to the way in which YourMK was attempting to progress its Regeneration programme, particularly in relation to the Fullers Slade estate. Despite this public opposition, YourMK still retained its contract to deliver new homes, including those proposed on the estates highlighted for regeneration. MKC announced at the time that it was in discussions with Mears about whether the existing partnership was right for the future.

It should also be noted that despite ambitious regeneration and development plans, up until today only three schemes have been delivered (22 council homes 2019/20). This is despite initial investment being provided and ensuring YourMK had priority on the development opportunities on Council owned sites in the non-priority regeneration areas. Since the service moved back into the Council in late 2018, work has accelerated to increase capacity in the team and pre-construction design work has been undertaken leading to the formation of several potential schemes that will be delivered over the next few years and this should be recognised.

Officers believe that now is the right time to dissolve the partnership and the YourMK vehicle and bring the Regeneration and Development services back in-house.

Benefits

Dissolving YourMK and bringing the remaining services back in-house will provide several benefits.

The value for money risk highlighted within the original Cabinet report can be reviewed. Following the changes previously highlighted in relation to the HRA borrowing cap, we are now able to borrow larger amounts against our free cashflows. This is likely to provide more competitive borrowing rates than YourMK could access,

helping provide better value for money and ensuring more schemes' financial viability.

Taking this decision will also allow officers to tender individual schemes to contractors which could lead to improved value for money as this removes the reliance on Mears New Homes. Taking into account the current issues we all face from the impact of COVID-19, this will also relieve an over reliance on one contractor and provide MKC with more robust business continuity arrangements as we will no longer have to ensure that development opportunities on Council owned sites in non-priority regeneration areas are only given to YourMK.

Bringing the regeneration and housing development services back will allow us to have full control on how we engage with our residents and respond accordingly. This is particularly important following the negativity that has been created around the regeneration programme. The recent changes to our Cabinet will also ensure that we have closer links to the communities, helping rebuild the damaged relationship whilst also ensuring our officers respond and engage accordingly.

Scale is another benefit of bringing the service in-house. As mentioned earlier in this report, since its inception, only three schemes have been delivered. Part of the reason for this is a lack of dedicated resource targeted at an ambitious programme and a failure by YourMK to expand capacity as required. House building has long lead in times and it generally takes around 15 to 18 months to build out small to medium sized schemes from the time planning consent is granted. For schemes to be nearing completion now they would have needed to have received planning consent in mid-2018 or before. However, with the structure that we now have in place we are confident that the pace of both design and build will substantially increase and we are already seeing this come to fruition. We now have a structure including an overall programme director, three development managers and the relevant support working towards our ambitious regeneration and housing development programme. Not only this, but a much closer working relationship with internal departments such as Planning should only improve efficiencies and result in a better outcome for our communities.

Cost Implications

As has been referenced previously within this report, discussions have been undertaken between Mears PLC and MKC. Mears have acknowledged a willingness to disband the regeneration partnership and the YourMK LLP Vehicle early, but there are three issues that need resolving. These are:

- a) Repayment by YourMK of their initial capital investment;
- b) Payment to Mears New Homes in respect of work undertaken to develop a pipeline of development opportunities (known internally as Pipeline 2); and
- c) That MKC agrees to the purchase of the 70 modular housing units currently being installed in Fishermead.

These matters are currently being progressed and an oral update can be provided at the scrutiny committee.

Next Steps

A decision whether to disband the regeneration partnership and the YourMK LLP Vehicle will be undertaken by means of a Delegated Decision. This is currently scheduled for 21 July 2020.