

# Cabinet Report



1 September 2020

## PROCUREMENT STRATEGY OF PHASE A OF THE REGENERATION OF THE LAKES ESTATE

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Exempt / confidential / not for publication	<b>No</b>
Council Plan reference	<b>Ref number / Not in Council Plan</b>
Wards affected	<b>Bletchley</b>

### 1. EXECUTIVE SUMMARY

The Council's overall strategy is to invest in its housing stock to ensure that tenants have decent, safe and secure homes. Serpentine Court represents a small part of our housing portfolio (191 properties out of a total of c.11,500), but because of its overall poor condition it is a disproportionate drain on HRA resources resulting in the wider tenant base subsidising improvement works.

Engagement with residents of Serpentine Court began in 2017 and outline masterplan options were developed that included full redevelopment, partial redevelopment, or retention of existing homes. In November 2018, the residents of Serpentine Court voted overwhelmingly for full redevelopment, with 93.08% of the vote (84.68% turnout).

A hybrid planning application was submitted in March 2020 for 589 dwellings and associated infrastructure, over two phases. This scheme will include the demolition of Serpentine Court and the re-provision of high quality, safe and secure homes. The scheme will also see significant improvements across the whole estate including new flexible retail space, a new community space and nursery and light industrial space.

Due to the scale of the regeneration proposals it is proposed that the contracts to deliver the Lakes Estate Regeneration Programme be procured via an 'OJEU' compliant open tender route. A compliant tender is a legal requirement and it is also the best way to show transparency and demonstrate value for money; especially given the high financial value of the project.

The works will be tendered as a series of packages (lots); having different sized lots offers the benefit of greater flexibility, as for example, larger contractors may be interested in bidding for all the lots, but also smaller (possibly local) contractors may wish to bid for just one or two.

The procurement will be clear of the council's intention to maximise social value from the regeneration through the positive employment requirements and expectations that the regeneration will have wider benefits.

## **2. DECISIONS TO BE MADE**

- i. That, subject to planning, approval be given to prepare an open tender to procure contractors to deliver Phase A of the Lakes Estate.
- ii. That the scheme be packaged and tendered in Lots.

## **3. WHY IS THE DECISION NEEDED?**

### Background

- 3.1 The Council's overall strategy is to invest in its housing stock and services to ensure that tenants have decent, safe and secure homes. A separate report on the draft Housing Revenue Account Business Plan is being considered on this agenda which sets out our planned approach to achieve this, alongside investing in new council houses and improved estates.
- 3.2 Serpentine Court represents a small part of our housing portfolio (191 properties out of a total of c.11,500), but because of its overall poor condition it is a disproportionate drain on HRA resources resulting in the wider tenant base subsidising improvement works. In addition to investing in the properties themselves, the external fabric and communal areas are also in poor condition with significant investment required to upgrade walkways, lifts and stairwells.
- 3.3 The Lakes Neighbourhood Plan was approved by local referendum in August 2015. The plan broadly addressed the need for new housing through specific sites, improved parking, upgraded connections, enhanced open space, commercial opportunities and improved community facilities.

- 3.4 Engagement with residents of Serpentine Court began in 2017 and outline masterplan options were developed that included full redevelopment, partial redevelopment, or retention of existing homes. In November 2018, the residents of Serpentine Court voted overwhelmingly for full redevelopment, with 93.08% of the vote (84.68% turnout).
- 3.5 Following this, local residents, local businesses and stakeholders, including the Town Council, and ward councillors were engaged in developing estate wide proposals for the regeneration of the Lakes Estate and preparing a planning application.
- 3.6 A hybrid planning application was submitted in March 2020 for 589 dwellings and associated infrastructure, over two phases. The application contained detailed proposals for Phase A, with outline proposals for Phase B. The application was validated in June 2020 and is scheduled to be considered by Development Control Committee during in October 2020.
- 3.7 A 'Reserved Matters' application for Phase B is expected to be made sometime in 2021.
- 3.8 This report relates to Phase A only; as outlined in the submitted detailed planning application. See Annex A: Site Plan of Lakes Regeneration Project.

#### The regeneration proposals

- 3.9 The hybrid planning application sets out proposals for the demolition of Serpentine Court, the development of 589 new homes, including 303 new council homes for rent, the provision of a new community hub with an attached purpose built nursery; and an indicative development of a privately run extra care scheme, subject to further consultation with Adult Social Care & their partners. In addition, the application provides for 916 sqm of retail facilities and wider estate improvements. Together this means that the Lakes regeneration project will deliver a high-quality, multi-tenure and mixed-use community.
- 3.10 Phase A will comprise of 308 new homes, which will enable MKC to rehouse existing council tenants and interested leaseholders from Serpentine Court and provide an additional 27 new council houses for rent. This will not apply to those households who have been placed in Serpentine Court as temporary accommodation. These households will be rehoused in alternative temporary accommodation elsewhere in Milton Keynes.

3.11 The 308 new homes will be built on five sites within the estate boundary and 71% will be council houses for rent and subject to a local lettings policy.

3.12 The 308 homes in Phase A include 90 new homes for sale, which will provide an element of cross subsidy to the project and assist in achieving a mixed-tenure development.

3.13 The scheme is designed to meet the new Plan:MK standards. This will be one of the first major schemes in Milton Keynes to meet these high sustainability and environmental standards. The scheme will be a 'net zero' carbon development of scale, involving an enhanced built fabric of the homes and the building of an energy centre, which will provide heating and hot water estate wide. Provision of an energy centre, alongside the other sustainability measures, is expected to deliver a reduction of the carbon footprint by around 40-50% and reduced bills for residents of over 70%. Once completed the project will be an exemplar on how net zero carbon living can be achieved at scale and may serve also as an educational resource for the wider community.

3.14 Phase A also contains wider estate improvements. In summary, these are:

- 160sqm flexible retail floor space
- 613sqm community hub floor space, with associated 200sqm for a nursery
- 220sqm light industrial floor space
- An energy centre, and various associated works
- The existing Warren Park, will be redeveloped into defined amenity areas, with trim trails, ecology and pond area, and a 'destination' play area
- 4 new purpose-built play areas will replace the current ones in each estate quarter
- Landscape improvements to several of the existing courtyards, including community orchards
- Improving the existing Redway and Leisure routes through the estate - and adding more Redway to ensure the routes connect with Bletchley Town Centre & Water Leys
- Replacing 8 bus stops with improved stops including seating and cover
- Improving the pedestrian access across Stoke & Drayton Roads by changes to the speed limit and road layout
- Adding 1,700 metres of hedgerow to define the perimeter of the estate
- Improving the road surface surrounding the new development sites
- New signage & lighting within the developable area

- 3.15 A new estate-wide management and maintenance plan will be put into place to ensure that the improvements are well-managed. The community hub will become a centre for local council services and its partners, including an area for up-skilling and training local residents.
- 3.16 Phase B is an outline planning application, which will be subject to a further decision by Cabinet. This phase will provide an additional 281 new homes; of which 64 will be extra care housing and 145 others for sale, with 72 new council homes; plus, 756 sqm of flexible retail space (after the demolition of current Serpentine Court). Construction of Phase B is not expected to start earlier than 2022.
- 3.17 Further community engagement is planned as the delivery of Phase A begins, to ensure delivery meets local need. This will include engagement around the landscaping and local estate improvements, and also on the future design of Phase B. The engagement process will be progressed through the establishment of local stakeholder groups that will consider a range of issues such as the Phase A works contract, landscaping / environmental improvements and Phase B proposals. The constituted groups will be comprised of local stakeholder representatives. The structure of these groups is under discussion and will be consulted upon with stakeholder representatives.
- 3.18 Land Acquisitions Needed: there are 3 separate acquisitions needed to be completed. The acquisitions and their status are as below:

a) Acquisition of Land at Stoke Rd from MKDP (Phase A).

The heads of terms are currently being negotiated with MKDP. These negotiations are proceeding well.

b) Acquisition of the 'Wind in the Willows' Nursery from Purple Hands Ltd (Phase A), on which they hold a long leasehold interest.

MKC needs to acquire the nursery lease, as the land is required for new build of Phase A homes (MKC are freeholders of the land). MKC is only able to agree terms based on the valuation price, plus some compensation for disturbance and moving costs. MKC is planning to build a new nursery as part of Phase A. and intends to offer this to the current nursery owners as a replacement on a long leasehold basis.

c) Purchase of leasehold interests.

The entails the purchase of leasehold interests from 10 residential leaseholders and 4 commercial leases in Serpentine Court, the cost of which is included in Phase A.

A number of residents in Serpentine Court have exercised their right to buy and these leasehold interests need to be repurchased. Some of the leaseholds have already been repurchased; however, there are still 10 that need to be acquired. Some of these leaseholders have voiced keenness to sell their properties to MKC, in order to move on. Others, who wish to remain on the estate, will have the opportunity to purchase one of the 'for sale' properties at cost price. Two commercial leaseholders are transferring to the retail offer in Phase A, the other two leaseholders appear to be happy to be brought out of their lease by MKC.

#### **4. ADDITIONAL COMMUNITY BENEFITS OF THIS PROJECT**

4.1 Further to MKC's newly drafted Community Led Estate Regeneration and Renewal Strategy the regeneration of the Lakes Estate will deliver additional benefits to local people. These are set out below:

##### Employment

4.2 The tender provides an opportunity to consider ways to support the local economy provided that, in so doing, the process remains compliant with the fundamental principles of transparency, fairness and equal treatment of bidders. It is proposed that a suitably weighted evaluation question will be included, which will include matters as apprenticeships and training opportunities for local people. It is expected that the Neighbourhood Employment Programme will work closely with contractors to access to such opportunities for local people.

##### Education

4.3 Sir Herbert Leon Academy (SHLA) is the local secondary school. It has not performed well historically and is currently rated by Ofsted as 'Requires Improvement'. Whilst there are more than enough local children to fill the school, this year only 34% of the community selected it in their list of preferences, and of those that did, only 20% made it their first choice. This is unlikely to change unless there is a significant turnaround in its performance and reputation.

- 4.4 The large investment being made in the regeneration project could be a catalyst to turn this around and help improve the life-chances of local children.
- 4.5 MKC will expect the successful contractor to nurture SHLA pupils by offering a programme of activities to demonstrate potential careers in construction. This will be facilitated through appropriate questions in the tender documents and through the evaluation criteria.

### Health & wellbeing

- 4.6 MK's Joint Health & Wellbeing Strategy identifies that good quality housing plays a vital role in both physical and mental wellbeing. There are proven benefits from improved housing, including in relation to air quality, space standards, noise, availability of food storage facilities, sanitation, damp cold, mould etc. The regeneration of the Lakes estate will enable more residents of MK to benefit from good quality safe, settled and secure homes, with access to necessary services, thus enabling individuals and families to build a better quality of life.

### Community hub

- 4.7 The newly planned community hub will consolidate a number of important existing community uses within Serpentine Court, as well as accommodating the future aspirations of local stakeholders. The location of the new hub was guided by residents through the consultation process and will be delivered within Phase A.
- 4.8 The location of the new community hub is at the heart of the development. It is adjacent to the remodelled Warren Park and will form part of the gateway to the new local centre. The intention is for the hub to be self-sufficient, though income generation, and to be used to provide local support and outreach to the neighbourhood. This will include the regular repairs surgeries held jointly with the Council's contractor, Mears.

It will also provide a space for to community to meet and organise events. Some of its features include:

- Independent access from the street
- Accessible frontage to improved Warren Park
- Easy access to the bus stop on Windermere Drive
- Located near strategic future Redway connection to new local centre
- Private communal space with natural screening from existing trees

4.9 Further discussions are planned with local residents and the town council to agree the interior finishing of the hub.

## 5. EQUALITIES IMPACT ASSESSMENT

5.1 This outlines how the Council has had due regard to equality. An initial Equality Impact Assessment was conducted in June 2012. It found that the “ambition set out in the strategy would advance equality of opportunity”; commenting that “regeneration needs to happen in existing communities; and so it is of fundamental importance that those communities are fully engaged. The assessment looked at the areas ‘offer’, concluding that there was opportunity in terms of housing, employment and retail. It suggested an estate by estate appraisal and bespoke regeneration solution with a programme of community engagement”.

5.2 In March 2016, a second assessment was completed which added to the previous findings and recommended the following:

- People with a disability and elderly considered at the planning and design stage; the current needs appraisal has identified 43 adapted homes
- Engagement with local people is maintained
- The design actively seeks to build better cohesion in the community

5.3 In November 2017 the matter was considered again, recommendations included:

- A commitment that existing Council tenants will be offered accommodation at least equal to their current circumstances (in room number), unless they explicitly wish otherwise
- An improved communication and engagement with residents to improve trust and confidence in the process
- Clarifying the position for owner occupiers, social tenants and private tenants

5.4 Further to these assessments and a Child Poverty report, completed in March 2020, regeneration will advance equality of opportunity and decrease child poverty if:

- The issues of local retail and access to fresh food, both in the period of regeneration and afterwards is an active part of project
- There is a reduction of energy costs by at least 50% for new builds and 25% for retrofits



- There is adequate child provision and community spaces including premium quality family and community provision along with a nursery and play areas
- The design improves the areas' community safety and cohesion
- Links to Bletchley are improved for walking, cycling, as well as public transport

## **6. PROCUREMENT**

- 6.1 Due to the scale of the regeneration proposals it is proposed that the contracts to deliver the Lakes Estate Regeneration Programme be procured via an 'OJEU' compliant open tender route. A compliant tender is a legal requirement and it is also the best way to show transparency and demonstrate value for money; especially given the high financial value of the project.
- 6.2 The works will be tendered as a series of packages (lots); having different sized lots offers the benefit of greater flexibility, as for example, larger contractors may be interested in bidding for all the lots, but also smaller (possibly local) contractors may wish to bid for just one or two.
- 6.3 The cost of tendering for this work can be met from within the existing budget.
- 6.4 The procurement will clearly set out the council's intention to maximise social value and our expectations that regeneration will have wider economic and social benefits through positive local employment requirements and the support of local supply chains.
- 6.5 The tenders will be assessed against the specification in accordance with a pre-determined evaluation model on the basis of quality and price. (The ratio between quality and price to be agreed with MKC's procurement team).
- 6.6 It is anticipated that quality will be assessed to include the following evaluation areas:
- Experience & competence
  - Programme management and delivery
  - Organisational management & resources
  - Contribution to the local economy e.g. through apprenticeships and training opportunities for local people.
  - Social value e.g. community engagement, support for young people, legacy investment

- 6.7 The above are not exhaustive and will be developed and refined as the project develops.
- 6.8 MKC will involve the community in the procurement through the Estate Stakeholder Groups, in a manner that will meet public procurement regulations.
- 6.9 Since the inception of the project consultation with the community has been a high priority and steps will be taken to ensure this continues. However, with the onset of COVID-19 it has not been possible to continue to hold face-to-face meetings that would have been the preference. MKC are now working on ways to continue consultation, whilst maintaining socially distanced protocols.

See Annex B – Consultation Timeline

**7. IMPLICATIONS OF THE DECISION**

Financial	✓	Human rights, equalities, diversity	✓
Legal	✓	Policies or Council Plan	✓
Communication	✓	Procurement	✓
Energy Efficiency	✓	Workforce	X

**7.1 Financial implications**

The procurement preparation will be managed within existing resources. As indicated above the focus of this report is the ‘procurement process decision only’. The Final Business Case and budget approval will be considered separately, as part of the budget setting and HRA business plan modelling process in December 2020. The Business plan modelling will illustrate the size of our whole regeneration and new build aspirations, alongside the current and anticipated borrowing position of the HRA. It is possible that commitment to the Lakes Regeneration project may adversely impact on the affordability and/or timeliness of delivery on other projects.

**7.2 Legal implications**

The report requests approval to prepare an open tender to deliver the regeneration scheme at Lakes Estate. It is proposed that the procurement is packaged into lots.

Open tender is one of the procurement procedures that is permitted within the Public Contracts Regulations 2015. Given the estimated size of the financial spend, division into lots, as proposed, is the default position under the procurement regulations. This approach will provide opportunity for SMEs to bid and be part of delivering the regeneration programme.

The procurement has to comply with the fundamental principles of transparency, fairness and equal treatment of bidders which underpin the procurement regulations. It is possible to include as part of the evaluation, a question relating to contribution to local economy such as apprenticeships, training and so on, provided that the above principles are adhered to.

Existing MKC contracts may be used to deliver some of the estate improvement works as proposed, provided that the scope of work fits within the relevant contracts and that such use would not be against procurement regulations, for example, compliance with awarded contract values.

## **8. ALTERNATIVES**

8.1 If we chose not to procure via an open tender we could:

- (a) Divide the scheme into lots and tender each separately through frameworks. Using a framework will limit the contractors who can bid for the lots to those on any given framework and therefore limit competition. This approach is not recommended.
- (b) Adopt a competitive dialogue approach. This approach could take up to 18 months to complete and will cost significantly more than procuring via open tender. This approach is not recommended.

## **9. TIMELINE & PROCESS**

9.1 The indicative high-level implementation timeline for the project is as follows:

- Procurement: Pre-procurement activities have already commenced, with the publishing of the Expression of Interest
- Preparation of Tender documents has already commenced
- Cabinet approval of process: 1 Sept 2020
- Cabinet consideration of the final business case and whether to proceed: 15 Dec 2020
- Tender Period (12 weeks): December 2020 – February 2021
- Tender Evaluation/Award etc. (8 weeks): February 21 – April 2021
- Contract Mobilisation/Start on Site: June - July 2021

9.2 Serpentine Court Phase B: The implementation timeline for Ph. B, including the demolition of Serpentine Court, will not be decided until after the construction of Ph. A has commenced - and this will be the subject of a future Cabinet paper.

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List of Annexes and Background Papers:

A. Site Plan of Lakes Regeneration Project

B: Consultation Timeline