

Cabinet report



13 July 2021

LAKES REGENERATION – CAPITAL BUDGET APPROVAL

Name of Cabinet Member	Councillor Emily Darlington Cabinet Member for Adults, Housing and Healthy Communities
Report sponsor	Stuart Proffitt Director, Environment & Property
Report author	Will Rysdale Head of Housing Delivery will.rysdale@milton-keynes.gov.uk

Exempt / confidential / not for publication	No
Council Plan reference	Ref number 23
Wards affected	Bletchley East

Executive summary

Our vision and commitment for estate renewal and regeneration is to build stronger communities, where every Milton Keynes resident can live safely and securely in the greenest and sustainable city. This is about building stronger, healthier communities, with jobs and improved health and life chances of our residents at its heart.

The renewal of the Lakes estate is a key priority of our vision and following a residents' ballot in 2018 work has been undertaken to design and implement the planned regeneration of the Lakes Estate, with an emphasis on providing new homes for those needing to move out of the ageing Serpentine Court before it is demolished as part of the project.

A hybrid planning application was submitted in March 2020 for a new scheme with 589 dwellings and associated infrastructure, over two phases and included 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. This planning application received consent for Phase A subject to various conditions and outline consent for Phase B in October 2020.

Following receipt of the planning consent we have been reviewing the overall business case to ensure we deliver our priority in decanting the residents of Serpentine Court into new energy efficient council homes.

Alongside this we want to ensure that we also improve the existing community facilities with the delivery of new community and commercial units being brought forward. A full review of Phase B will also be undertaken.

This report requests the resource allocation to deliver the majority of the original Phase A application and bring forward the demolition of Serpentine Court. It will provide an overview of the expected costs and what will be included within these. The remainder of Phase A will be built out at a later date.

The report will also request the immediate spend approval to re-appoint the professional team and tender for a construction partner to build the new homes and associated infrastructure and in doing so, seek to amend a previous Cabinet decision by recommending we make use of a national construction framework, Pagabo to appoint the relevant contractor. Pagabo has already been successfully used within our school build programme.

Given the capital required to enable and deliver the scheme is not provided for in the Council's current budget, at its meeting on Wednesday 14 July, Council will need to agree the additional allocation(s) set out in recommendation 1.4.

1. Decision/s to be made

- 1.1 That the revised Phase A scheme for delivery of regeneration at the Lakes Estate. The original Cabinet report for Serpentine Court and the Wider Lakes Estate – Approval for the submission of planning application was agreed at Cabinet on 13 January 2019¹, be approved.
- 1.2 That the Cabinet decision of 1 September 2020² in which cabinet approved the commencement of an open tender process to procure contractors to deliver Phase A regeneration scheme at the Lakes Estate, be amended to instead approve the use of Pagabo framework for the conduct of a mini-competition to award the contract for the revised Phase A scheme.
- 1.3 That the Cabinet decision of 1 September 2020³ in which cabinet approved the recommendation to award contracts for the delivery of the Phase A scheme at the Lakes Estate in lots, be amended to instead approve the award of a single contract for the revised Phase A scheme.
- 1.4 That Cabinet recommend Council approve:
 - (a) the remaining capital resource allocation needed to construct the revised Phase A project at the Lakes Estate of £61,650,000, which includes the demolition of Serpentine Court and acquisition of additional land for the Stoke Road development (being brought forward from Phase B) from MKDP, and £2.35m in disruption payments; and

¹ [Serpentine Court and the Wider Lakes Estate - Approval for the submission of planning application](#)

² [Cabinet Decision 1 September 2020](#)

³ Ibid

- (b) specific allocation of this capital resource to be delegated to the Director of Environment and Property, and the Director of Finance and Resources in consultation with Cabinet Member for Adults, Housing and Healthy Communities, with a spend approval of £0.950m being agreed immediately, to allow the re-appointment of the professional team to undertake the outstanding detailed design work and production of the information and documents required to tender the works in this financial year.

2. Why is the decision needed?

- 2.1 The Council's overall strategy is to invest in its housing stock and services to ensure that tenants have decent, safe, and secure homes.
- 2.2 Serpentine Court represents a relatively small part of our housing portfolio (196 properties out of a total of c.11,500), but because of its overall condition it takes up a disproportionate amount of Housing Revenue Account (HRA) resources, resulting in the wider tenant rent base subsidising maintenance and improvement works. In addition to investing in the properties themselves, the external fabric and communal areas are in poor condition with significant investment required to upgrade walkways, lifts and stairwells.
- 2.3 There is currently only one shop open in the commercial area of Serpentine Court and this, as well as local community facilities need to be recreated to provide local jobs and opportunities for the local community to be successful.
- 2.4 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.
- 2.5 In November 2017, costings for refurbishment and maintenance over a 60-year lifetime were estimated to be approximately £53.5m. Following this report, a decision was taken to engage with the residents of Serpentine Court to consider re-development options, which were considered to be better value for money than maintaining ageing stock that has a limited lifespan.
- 2.6 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).
- 2.7 Following this, 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.
- 2.8 During this process, the regeneration and development teams were taken back into MKC following the decision to dissolve YourMK. A new team was recruited and has been tasked with delivering the Lakes regeneration project.

- 2.9 A planning application was submitted 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 planning consent was given in October 2020 subject to several conditions. A ‘Reserved Matters’ application for Phase B is expected to be made by the end of 2021/22 financial year.
- 2.10 At the same time, a review of all previous work that YourMK had undertaken was carried out and in relation to the Lakes Estate we have particularly reassessed the finances of the scheme within the overall HRA account. Whilst undertaking this review it was decided to revisit the proposed Phase A to reduce risk and speed up delivery. The risks involved in delivering the Lakes Estate regeneration have been exacerbated by both Brexit and COVID-19 in so far as they impact the availability and cost of labour⁴ and on trade in building materials⁵. These increased risks include, but are not limited to, supply of materials and the general attractiveness of the site when compared to other developments in MK which would impact market sales values overall and the potential negative impact on the housing market more widely.
- 2.11 Officers have also engaged the help of Local Partnerships to provide an independent assessment on the proposed methods of delivery and to undertake detailed financial modelling.
- 2.12 This report is specifically related to the resources required to deliver a ‘revised’ Phase A, which officers believe makes more sense in order to achieve the Council’s aims of decanting residents from Serpentine Court in the most timely fashion, whilst providing the opportunity to reconsider the options of how to deliver the wider regeneration, particularly in relation to the proposed open market sale homes and taking into account current market risks. A resubmission of the existing planning application is not required as we are not making any changes to the existing consent, with the remainder of the original Phase A being delivered at a later date alongside Phase B.

Revised Phase A Details

- 2.13 The tables below show the existing makeup of Serpentine Court and how Phases A and B have been reprofiled:

Existing Serpentine Court Use

SERPENTINE COURT EXISTING USE	Flats
Serpentine Court Existing units	196
Voids	10
Leaseholders	10
Temporary Lets	24
MKC secure tenancies	152

⁴ Brexit impact on wage rates in construction (The Construction Index 15/06/21)

⁵ There are currently shortages of materials which are impacting on current construction projects (Construction Leadership Council 25/05/21).

Summary of Current Phasing Compared to Revised Phasing

CURRENT	Flats	Houses	Tenure	Affordable /Council Homes	Open Market Sale
Phase A	177	131	308	218	90
Phase B	230	51	281	84	197
REVISED					
Rev Phase A	130	72	202	202	0
Rev Phase B	277	110	387	100	287
SCHEME Total	407	182	589 Units Scheme		

Housing Needs Analysis and Proposed Delivery

MAY 2019	NEEDS	REV Phase A	Surplus
1 Bed	62	68	6
2 Bed	76	81	5
3 Bed	45	45	0
4 Bed	6	6	0
5 Bed	2	2	0
Total	191	202	11

The revised Phase A housing scheme provides 196 replacement homes, plus six additional affordable council homes. Approximately 50 of the new 202 homes will be allocated in accordance with the Council's Housing Allocations Policy 2019, based a refreshed housing needs analysis, which is to be undertaken.

The rent levels that are expected to be applied will be:

- 186 replacement units (of which 152 units are currently subject to secure tenure at social rents and 32 are currently temporary lets and voids (there may be marginal changes to rent levels if tenants move into properties that have greater / fewer bedrooms);
- 10 leaseholds will be bought out; and
- 16 new homes are assumed to be available to be let at affordable rent (this is the lower of 80% market rent and LHA (Local Housing Allowance)).

Phase A as revised includes the following non-residential units:

- Nursery
- Community Hub
- Two commercial units

2.14 Reference will be made to Phase B within this report with further information to be brought forward on Phase B and when the remainder of the original Phase A will be built at a future date.

The Regeneration Proposals

2.15 The hybrid planning application set 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 and their partners (this element is included in Phase B). In addition, the application provides for new 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. The Development Control Committee resolved to grant planning permission subject to the signing of a Memorandum of Understanding on 8 October 2020. The planning permission will be issued once the Memorandum of Understanding has been signed.

2.16 The planning application for the original Phase A comprised 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.

However, since submitting this planning application, officers are recommending a lower risk and speedier revised Phase A is delivered, building out only part of the planning permission once issued and including:

- 202 new council homes;
- flexible retail floor space;
- community hub floor space, with associated 200sqm for a nursery;
- the existing Warren Park, will be redeveloped into defined amenity areas, with trim trails, ecology and pond area, and a 'destination' play area;
- four 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 eight 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 hedgerow to define the perimeter of the estate;
 - improving the road surface surrounding the new development sites;
 - new signage & lighting within the developable area; and
 - demolition of Serpentine Court (originally planned to be in Phase B).
- 2.17 Officers are working with Local Partnerships to develop a low carbon heat strategy for the City. As part of this strategy, Local Partnerships will be undertaking further feasibility work to support proposals for low carbon heating solutions within the Lakes Estate area. The programme for Local Partnerships to complete their work will be concurrent with the development of the Phase A tender documentation, future proofing and finalising the energy solution for Phase A. Adequate budget provision for an energy solution to Phase A properties is contained within the Phase A capital costs. WSP will design the appropriate energy solution for the revised phase A, with the flexibility to connect to future energy solutions within phase B. Further information on the revised number of council homes being recommended for approval at this stage are detailed later in this report.
- 2.18 The proposed community hub will become a centre for local council services and its partners, including an area for up-skilling and training residents.
- 2.19 Phase B currently has an outline planning permission, which will be subject to a further decision by Cabinet. This phase currently makes provision for additional homes, 64 extra care homes plus, flexible retail space. This mix may change as the Outline Business Case is developed.
- 2.20 Further community engagement is planned as the delivery of Phase A begins, to ensure delivery meets local need. This will include further engagement around the landscaping and local estate improvements and on the future design of Phase B. The engagement process is being progressed through the Lakes Estate Renewal Forum (and the Serpentine Court Steering Group Forum) and direct consultation linked to public realm improvements.
- 2.21 Alternative delivery options for Phase A have been assembled by the officer team and constructively challenged by Local Partnerships. This analysis concludes that the optimal route to delivery of the revised Phase A project is the council entering into a works contract with a construction company which has been selected via a competitive and compliant process.
- 2.22 In reaching this conclusion, the team have considered the impact of this approach on the deliverability of Phase B. This needed to be done to be sure that the recommended option for Phase A did not inhibit potential delivery Phase B, it being the council's strategic goal to achieve a comprehensive regeneration of The Lakes.
- 2.23 In order to deliver this phase of the project we will be adding to our existing resources. We will look to engage additional commercial, project and development management resources to complement the core team.

Economic and Social Value benefits of Phase A

- 2.24 Main contractor selection will focus on social value, including local employment, training and apprenticeships. Our aim is to provide a substantial boost to the local economy supporting new job opportunities and the local supply chains, which will be specified.
- 2.25 There will be many other community benefits to the scheme, several of which are detailed in the Appendix A.

3. Implications of the decision

- 3.1 The recommendation within this report would deliver a revised Phase A. This would still include in excess of the number of new homes required to decant existing secure tenants and leaseholders from Serpentine Court, but not the entire phase as detailed within the planning application.
- 3.2 The revised Phase A project includes the demolition of Serpentine Court. This is to ensure that a vacant building at the heart of the community is removed as quickly as possible after the final resident has vacated.
- 3.3 The latest capital expenditure and programme for Phase A, takes into account the outcomes of a recent value engineering exercise carried out by the team. Some examples of these changes include reducing the circulation in common parts, reducing the thickness of some walls, and ensuring compliance with Plan:MK (this will be ongoing as the project progresses).
- 3.4 The costs of delivering non-residential units (commercial and community) in Phase A is c.£2.1m and are included within the overall budget, as is the cost of the wider public realm and estate improvement works. Further work will be undertaken on whether the development of these units and wider estate works may be transferred to the general fund alongside other improvements benefitting the wider community. This will not affect the overall cost of the scheme, but the financing of it and a report will be brought to Cabinet setting out any changes and necessary approvals for GF funding for this ahead of contract award for works.

Revised Phase A Capital Cost Estimates and Programme

- 3.5 Chartered Quantity Surveyors Gleeds have provided a detailed cost plan for the revised Phase A. This fully respects the replacement dwelling size standards agreed with residents and incorporates the results of the value engineering exercise. This exercise has involved an itemised reconciliation of the cost plan with the planning application designs. The latest cost estimate of £61.650m for the 202 new homes in the revised Phase A includes £3.5m estimated to be the cost of demolishing Serpentine Court.
- 3.6 The proposed scheme revisions represent non-material changes / minor amendments to the existing detailed planning consent.
- 3.7 A headline overarching programme has been prepared that illustrates how separate but complementary delivery routes for Phases A and B can operate side by side without compromise.

Estates Renewal Programme: Phase A impacts

- 3.8 Delivery of Phase A will ensure that the council begins to fulfil its ambitions in the regeneration/renewal programme. It will also begin delivery of the scheme residents of the Lakes estate approved in their ballot. In particular, the proposal contained within the revised Phase A will build enough new council homes on the Lakes Estate for existing Serpentine Court secure council tenants to be rehoused in newly built, energy efficient council homes. Not only will this phase build new homes, but it will also provide new community facilities, alongside some of the new commercial units.
- 3.9 An increased number of new council homes will be built, and the revised phase will bring forward the demolition of Serpentine Court, instead of leaving a derelict building standing which could potentially blight the neighbourhood and lead to anti-social behaviour.
- 3.10 The construction of Phase A will also complement the recent formation of the Lakes Estate Renewal Forum (and also the existing Serpentine Court Steering Group). This new group will work with and ensure that MKC continues to deliver on its promises, whilst also helping build a stronger and healthier community, improving the lives of local residents.
- 3.11 Further community benefits are expanded on in Appendix C.
- 3.12 Delivery of the preferred works contract route will involve the council acting as employer and client to a major firm of building contractors.

Contractor Procurement

- 3.13 Cabinet previously approved a recommendation that the Phase A construction works will be procured directly by the council, via an open tender process using HRA borrowing. The tender process will be demonstrably compliant and will protect the following outcomes:
- value for money, as a result of price competition;
 - social value;
 - carbon impact responsibility;
 - speed of delivery; and
 - local labour, training, and opportunities for SMEs.
- 3.14 Given the size of the works tender estimate, the council needs to ensure not only that there is price competition, but also that the construction companies invited to tender are reputable and resilient in terms of their financial standing. In procurement process terms, the council could either manage its own open tender process (as previously recommended when the Lakes Phase A and B were being considered as one) or could utilise an established regional or national construction framework. Both routes would be compliant in terms of public procurement rules.

- 3.15 Both have the potential to secure the outcomes listed above. Following work with Local Partnerships and the recommendation to progress a revised Phase A at pace, it is recommended that the council revises the decision to go out to open tender and make use of a national construction framework. The scope of works, the definition of expectations of using local suppliers, requirements for apprenticeships, the output specification and space standards for the homes will be prepared by the council's reappointed design team working with the housing delivery and procurement teams. This pack will form the requirements. Via a framework, early contractor involvement can assist the council's teams to test the buildability of the scheme and, critically, to feedback on how to ensure the Phase A homes are able to connect to the energy centre and meet the new Building Regulation standards. The frameworks would include the option of using a range of established contractors.
- 3.16 The use of a framework will save time but not at the expense of value for money or social value. The procurement process will test to what extent there are risk management, price and social value advantages to appointing a single main contractor for new homes construction and demolition or whether a separate tender is required for demolition activities (the removal of meters, soft strip, asbestos, H&S issues, etc). We will also look to prioritise the use of local labour, training and suppliers where possible, consistent with the "More for MK" principle.

Re-engagement of the Design Team

- 3.17 The programme that has been prepared for delivery of the revised Phase A, assumes that the architects, engineers and quantity surveyors involved in the planning application are re-engaged and procurement waivers have been agreed in November 2020 and March 2021 in order for us to do this. £0.950m has been profiled to spend this financial year to allow the re-appointment of the professional team to undertake the outstanding detailed design work and production of the information and documents required to tender the works. Further spend approval will be sought as the project progresses through key milestones. The tasks for the reappointed team will include:
- Tender process to appoint a contractor for the environmental improvement works
 - Commissioning ground investigation works
 - Update value engineering elements and addressing any revisions needed to the Phase A planning consent
 - Prepare set of construction Client Requirements, including provisions for links to the energy centre and technical output specification metrics
 - Advice on forms of warranty and the form of construction contract.
 - Assist in the evaluation of the construction contract tender submissions.
- 3.18 This work will enable and be necessary for the compliant process of construction tender to be managed in conjunction with the council's procurement team.

- 3.19 As an alternative to the re-engagement of the team, it may be possible to bundle up all the skills and capacity needs associated with the management and delivery of Phase A into a single development management contract. This one stop shop multidiscipline team service offer is available and can be secured via an open tender process or by using various frameworks.
- 3.20 However, since the existing advisors have accumulated detailed knowledge of the Phase A scheme, there is little doubt that their re-engagement will save time. To seek to bring on board a fresh advisory team at this stage of the programme would be likely to generate additional programme, design and quality risks. It may also lead to an increase in project overhead costs due to the absence of any accumulated understanding of the evolution of the project. For these reasons, this option is not recommended.
- 3.21 The re-engagement of the established design team will be handled in a manner compatible with the council's procurement policies, as already agreed.

Risk

- 3.22 It is impossible to remove all risks from a project of this size and nature. However, an active risk register is kept up-to-date and both officers and contractors will continue to minimise and mitigate risks wherever possible. The work which has been undertaken (and continues to be undertaken) with Local Partnerships has also highlighted potential risks within the project and this has helped influence the change in direction to the delivery of a revised Phase A. An example of this is removing the original proposal to design, build and market a large amount of open market homes itself. The revised Phase A no longer includes any open market sale homes and these are now being considered in a detailed review alongside Phase B. Throughout this process, officers have been constructively challenged by Local Partnerships over many decisions including delivery models, appointment of design teams, financial assumptions and many more points.
- 3.23 A full financial appraisal of the Lakes Regeneration has also been undertaken by a wide range of officers and external partners, including Gleeds as cost consultants and Local Partnerships. These will continue to be reviewed and updated as the project progresses, with reports presented when requested to the project board.

Project Governance

- 3.24 Project governance will be overseen by a new Lakes Project Board. This board will specifically monitor progress on both Phases A and B of The Lakes and key milestones, some of which will be confirmed at Corporate Portfolio Board.
- 3.25 Attendees for The Lakes Board will include the Director Environment and Property (chair), the Director for Finance and Resources (initially), Head of Service, Head of Finance, Head of Planning and designated scheme leads/partners as required (e.g. legal, procurement, education etc).

Implications of Decision

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

a) Financial implications

Summary Financial Position

3.26 The key financial impacts of Phase A have been considered by comparing the new build scheme capital costs and associated revenues with the “do minimum” option of carrying out the works identified to retain the existing Serpentine Court for a further 60 years. This demonstrates that continuing to refurbish Serpentine Court would not represent value for money nor will it quickly address the living conditions of those in Serpentine Court or improve the wider estate, for the benefit of all residents. Further information on the value for money consideration of this investment is outlined in Annex A.

3.27 Existing budget approval of £2.8m is in place to get the project to its current stage and commence the initial public realm and estate improvement works. Further budget of £61.650m is sought to take the scheme to completion. This will be financed through borrowing from the Housing Revenue Account (HRA) and will in part be offset by estimated Homes England Grant of £0.5m and annual revenue from new residential units of £0.4m. The spend profile is currently estimated based on planned start on site dates but this may be subject to change dependent on scheduling of contractor payments etc. The phasing of the additional capital budget of £61.650m is as follows:

£m	2021/22	2022/23	2023/24	2024/25	2025/26	2026/27	Total
Phase A	0.95	25.10	26.00	6.00	3.10	0.50	61.65

3.28 This budget includes all the associated costs of the replacement and upgrading the existing residential accommodation, a programme of estate improvements (including Warren Park and cycleways), and the cost of acquisition of sites for the replacement nursery and land for the Phase B Stoke Road development. The cost of demolishing Serpentine Court which is required to start the main Phase B works is also included together with disturbance payments and leaseholder purchase costs. The “non housing” costs represent about 25% of the total but are intrinsic to the whole Lakes Estate programme. All costs include an appropriate allowance for professional fees and contingencies and an allowance for inflation costs, reflecting anticipated build cost increases at the time the contract will be awarded.

3.29 It is currently proposed that costs will be met through HRA borrowing. As highlighted earlier in this report, some costs (commercial, community and public realm) could be funded from general fund borrowing or capital receipts instead, which would have the effect of releasing HRA borrowing headroom. Financing options will be reviewed against the business case of these individual elements. A further report will be brought to Cabinet once this has been completed in the Autumn.

Borrowing

3.30 Treasury management is carried out on a portfolio basis by MKC for each of the HRA and for the General Fund. A detailed borrowing strategy being presented to Cabinet in September 2021, will propose the cost of this scheme be met through internal borrowing/lending between the GF and HRA. For financial appraisal purposes borrowing costs are based on a prudent interest rate of 2.5% - we will then firm up to 'actual' cost of borrowing in later iterations of the business plan model (BPM), which if cheaper than 2.5%, would release back headroom/interest capacity in the HRA.

3.31 In addition to borrowing interest costs, the HRABPM will also need to incorporate repaying its debt liability in line with our Voluntary Minimum Revenue Provision (VMRP) policy. Setting aside provision for repaying debt is entirely voluntary for the HRA but consistent with a commercial financial approach. VMRP costs do not form part of the overall individual scheme assessment but are factored into the HRABPM and overall calculation of borrowing capacity/headroom.

3.32 The existing HRA business plan has capacity for the additional borrowing within its headroom, determined by the borrowing cap. The headroom will be reduced by not only the capital cost of the scheme, but also the interest payments on borrowing (less any new revenues offset partially by management and maintenance costs) and the VMRP charge.

3.33 The approval of the Lakes Regeneration scheme will reduce the available borrowing headroom in the HRA from £217m at 2025/26 to £150m and this scheme will become part of the revised baseline HRABPM. Further detail on the impact on the HRA BPM is included in Annex A.

b) Legal implications

Powers of the Council

3.34 The Council has various powers to enable it to make the decisions subject of this report. The decisions have wider application in enabling the Council to progress with the regeneration of the Lakes Estate. The proposals within the report will also help the Council to comply with its statutory obligations under housing legislation. Under section 1 of the Localism Act 2011 the Council can do anything that a person may do; including acting for a commercial purpose, provided that it complies with any legal restrictions.

- 3.35 The Council will need to acquire some of the land to facilitate the progression with Phase A of the regeneration. The Council has powers under sections 120 of the Local Government Act 1972 to acquire land by agreement, for any authorised purpose and under Section 123 of the local Government Act 1972, the Council may dispose of land for best consideration.
- 3.36 The Council also has power to borrow and to invest for any purpose relevant to its functions under any law or for the prudent management of its financial affairs under sections 1 and 12 of the local government Act 2003

Procurement implications

- 3.37 The report requests approval to conduct a mini-competition under the Pagabo framework to award a contract to deliver a revised phase A of the regeneration scheme at Lakes Estate. It is proposed that a single contract is procured for phase A in place of lots.
- 3.38 Use of frameworks as a route to market is recognised under the Public Contracts Regulations 2015 (as amended). Due diligence has been conducted and the Council is permitted to use the Pagabo framework as it is open for use by public bodies. In order to remain compliant with procurement law, the Council must adhere to the terms of the framework in conducting the mini-competition and with regard to any contract that is awarded pursuant to the framework. The procurement under the framework will also need to comply with the fundamental principles of transparency, fairness and equal treatment of bidders which underpin the procurement regulations.
- 3.39 Procurement regulations provide discretion for the Council to award the contract in lots as previously approved. However, where the Council decides not to divide the contracts into lots as is subject of this report, the Council is required to give an indication of the main reasons for this decision. The council's main reasons are included in section 4 above of the report.
- 3.40 Where the Council approves the recommendations contained within this report which amend its previous decisions to the extent detailed in the decision section, the previous decisions will be superseded to the relevant extent.

c) Other implications

Decision making

- 3.41 The decisions to proceed with the scheme are executive in nature. The executive is responsible for implementing the Council's priorities within the approved budget and policy framework.
- 3.42 As set out above the scheme is consistent with the policy framework, but delivery of the scheme will require capital funding and some borrowing in excess of the current budget framework. Therefore, it will require Council to amend the budget framework in order to accommodate it. Cabinet will refer the matter to Council on Wednesday 14 July for consideration

Other Implications

3.43 Information on all other implications is contained within the body of the report.

4. Alternatives

- 4.1 One alternative is to not proceed and effectively do nothing. This is not recommended as it would go against the ballot which voted overwhelmingly in favour of renewing the Lakes Estate and demolishing Serpentine Court.
- 4.2 To deliver a reduced Phase A. This option is recommended as it will bring forward the delivery of the new council homes required to decant residents from Serpentine Court, alongside some of the other community benefits, such as an improved public realm and new community centre in the shortest timescale and most efficient manner.
- 4.3 To deliver Phase A as has been proposed previously. This is not currently financially viable. The remainder of Phase A that may not be built out at this stage is expected to be brought forward after further consideration of Phase B. This option is not recommended.

5. Timetable for implementation

- 5.1 A headline overarching programme has been prepared that illustrates how separate but complementary delivery routes for Phases A and B can operate side by side without compromise.
- 5.2 The Phase A programme features the following target delivery dates, although officers will continue to accelerate the delivery of the new homes wherever possible:

	Start	Finish
Approval at Cabinet		13/07/2021
Approval at Council		14/07/2021
Public Realm improvements – consultation and implementation	01/04/2021	31/03/2022
Produce Information for Open Tender	30/08/2021	29/01/2022
Detailed ground investigations on site	06/09/2021	04/10/2021
Tender and Works Contract Award	29/01/2022	24/04/2022
Complete Information for Construction start on site	24/05/2022	23/08/2022
Construction works	23/08/2022	19/10/2024
Handover of new homes	30/10/2023	19/10/2024
Demolition Works – Serpentine Court	19/10/2024	20/04/2025

List of annexes

Annex A – Capital Budget Approval

Annex B – Additional Community Benefits

List of background papers

Serpentine Court and the Wider Lakes Estate – Approval for the submission of planning application, Cabinet Decision 13 January 2020

Procurement Strategy of Phase A of the Regeneration of the Lakes Estate, Cabinet Decision 1 September 2020