

Lancaster City Council | Report Cover Sheet

Meeting	Cabinet	Date	8 th February 2022		
Title	Mainway next steps				
Report of	Director for Communities and the Environment				
Purpose of Report					
<p>To seek approval for the following next steps for the future of Mainway;</p> <ol style="list-style-type: none"> 1. Undertake the full combined Master-planning/Regeneration of Mainway and Skerton High school, in readiness for a planning application in the Autumn (Q3) 2022. 2. An initial accelerated first (pilot) phase of the Mainway Masterplan proposals, that will deliver a definitive decision as to the viability of the wholesale reconfiguration and refurbishment of the existing buildings on Mainway. To commence in the Summer (Q2) of 2022. 3. To establish a detailed cost budget and delivery programme to allow a clear Treasury paper to be brought back to Cabinet for approval, during Q2 2022, setting out the financing recommendations and if appropriate, ownership / partnership structure for the whole scheme 4. To seek approval for the acquisition of the redundant former Skerton High School, subject to S77 Secretary of State approval. 					
Key Decision (Y/N)	Y	Date of Notice	10 th January 2022	Exempt (Y/N)	Partially – appendices exempt.

Report Summary

In March 2021, Cabinet approved a course of action to pursue a detailed option appraisal to identify the most appropriate way to bring the Regeneration of the Mainway Estate forward. It was acknowledged that not doing so would mean that many of the homes on Mainway would not be habitable in 3-5 years' time, and that the Estate as a whole required wholesale intervention.

A range of different redevelopment options have been assessed in detail, that look to increase overall housing numbers, introduce different inter-generational tenure mixes, community amenity whilst achieving a zero carbon, fabric first development delivering an aspirational solution for the area. From that work it became apparent that retaining and completely refurbishing the Mainway buildings was far more cost effective than demolition and new build – providing that the concrete cores retained their integrity for a further 50+ years life. From the professional assessment to date this is believed to be the case but only stripping a building right back to that core will provide definitive confirmation of that.

As part of that work, along with stakeholders and residents, the redundant element of the former Skerton High School, adjacent to Mainway, was identified as a key

opportunity to enhance the regeneration impact of Skerton East Ward. Following engagement with Lancashire Council Council, the Council has established a clear intention to dispose of the redundant parts of the former school site.

It was equally accepted that Lancaster City Council were the most appropriate party in which to treat with.

Following Cabinet and Councillor briefings in December, detailed physical and legal due diligence on the land and buildings have taken place and a recommendation to proceed with the conditional purchase/sale went before both Cabinets. Outline terms of purchase are identified in Appendix 1. If approved, Lancaster City Council will then move to exchange contracts subject to approval of the S77 by the Secretary of State. Such approval is required as the main school only closed in 2014/15 and therefore it is within the 10-year statutory period that requires a S77 approval for disposal.

There will be an ongoing educational facility within the retained area of the site and a clear operational and logistical structure is being worked through with the County Council.

Legal due diligence on title has been concluded, with no barriers to purchase. A legal covenant on a small part of the site has been mitigated with indemnity insurance. Detailed ground, buildings, ecology, highways and planning advice have been undertaken and all identified abnormal costs associated with the site have been reviewed with the County Council, reflect the terms of purchase and built into the current cost plan for the redevelopment of the school site.

From the indicative layouts and options that have been done through the second half of 2021, proposals are a blend of retaining and reconfiguring the Mainway buildings and then incorporating new build housing and apartments on the school site. It is believed approx. 440 homes can be provided across the combined sites. It is proposed that at least half of that number be social/LHA rented homes, (effectively ensuring the reprovision of a similar number of social/LHA homes as exist today) with a further 100 on other affordable tenures (Shared Ownership / Rent to Buy / Affordable rent etc) and the balance as Private Market rented homes.

A paper setting out alternative Treasury strategies that could be adopted to underpin the Debt requirement and repayment structure will come forward through the Summer of 2022. Work to finalise the tenure mix will form part of that paper.

Recommendations of Councillor Matthews

- (1) Officers be authorised to negotiate the final Heads of Terms for the purchase/transfer of the redundant area of the former Skerton High School that purchase/transfer as per the terms of purchase set out in Appendix 1. That purchase being conditional on;
 - a) S77 approval by the Secretary of State
 - b) Satisfactory Legal title

c) Clarity/satisfaction on how the ongoing educational facility on the retained County Council land will operate and that all safeguarding measures have been addressed.

(2) In line with the over-riding objection of regeneration for the Mainway District, that Cabinet approve the commissioning and procurement of the detailed design and master-planning team to undertake the work required to submit a detailed planning application in late 2022. The detail of that work will build up from the indicative layout plans (Appendix 3) currently worked up to date and a budget required to fulfil all the Local Planning Authority's requirements is set out in Appendix 3. Subsequent reports will be brought back to Cabinet to seek approval for a preferred option in order to implement the final scheme and proposed phasing.

(3) That Cabinet approve the acceleration of a first phase of the Mainway Regeneration, including the procurement of a development design and build partner to reconfigure and completely refurbish two of the existing blocks (Derby & Lune) at an expected budget cost of £4m funded from Housing Revenue Account reserves. This cost plan and programme is set out in Appendix 4.

Relationship to Policy Framework

Council Priorities:

A Sustainable District –Climate Emergency: The design and master-planning will seek to ensure that the properties are resilient to a changing climate and are fit for a zero-carbon future

An Inclusive and Prosperous Local Economy – through the creation of Jobs and training and opportunities for local companies. The reduction of blight key location, and provision of affordable, suitable housing which enables access to employment and reduces poverty, ensuring money is spent locally.

Happy and Healthy Communities – proposals contribute to the well-being of tenants, tackle health inequalities and provide quality housing and green space.

A Co-operative, Kind and Responsible Council – working in partnership and truly listening to tenant voices through consultation has supported the future designs of the estate.

Local Plan – Delivers comprehensive place making regeneration to contribute towards the provision of housing to meet a locally identified need and opportunities to increase the choice and supply of social housing.

Housing Strategy - The Regeneration of the estate will link directly to the Homes Strategy for Lancaster district 2020-2025

Conclusion of Impact Assessment(s) where applicable	
Climate	Wellbeing & Social Value
Digital	Health & Safety
Equality	Community Safety

The proposals set out in the report will have significant positive impacts at Mainway particularly on climate change, equality, wellbeing/social value as well as a wider impact across Skerton East ward.

The potential acquisition of the school site will enhance the overall delivery capacity and vision for Mainway, increasing housing numbers, types of housing, local community amenity and open space facilities, creating an inclusive, socially economic balanced, localised regeneration. The reprovision of housing whether through refurbishment or new build dwellings provides scope for full compliance with accessibility standards M4(2).

The first phase regeneration will require two blocks Lune House and Derby House to be vacant before works can be commenced. Securing this will require compliance with the Council's obligations under the Housing Act 1985 and sensitive negotiation with current residents. It will also require consideration of the Council's Equality Act and Human Rights Act obligations. If the Council has to use its Compulsory Purchase Order powers or has to use Court proceedings under the Housing Act 1985 to secure cessation of residential use/occupation, it will need to follow the statutory procedures governing these two procedures and will have to have regard to its obligations under the Equality and Human Rights Acts.

Details of Consultation

Consultation and conversation with residents have continued throughout 2021:

- the MyMainway Hub has remained open as much as Covid safety has allowed. Residents have been encouraged to visit and communicate with staff about any hopes, concerns, and practical matters relating to the project.
- In May a 'door knock' took place, where home visits to around 70% of current residents allowed us to establish future needs of all households in the context of any future project.
- In June a 'Memories, realities and dreams' event took place on the estate, with a good turnout of residents encouraged to populate a 4-metre long timeline with thoughts and memories from their past, present and future on Mainway.
- Through late summer and into autumn the 'conversation wall' was developed in the Hub – an interactive visual timeline populated with questions, answers and comments from residents and staff which provoked much lively discussion.
- In October a coffee morning at the Hub gave the team the chance to keep the conversation going, attended by residents and local ward Councillors. This was also the launch of the online MyMainway page on the Council's keep Connected Platform.

- This was followed up with the inaugural Mainway Residents Group meeting in November – a well-attended session which succeeded in setting the tone for the purpose and focus of what is expected to be an important and vital group as the project progresses.

Members and Councillors have been kept up to date with the project through numerous workshops throughout November and December 2021.

Specialist Development and Regeneration advice is currently being provided by Anderton Gables. Additional support is being provided by Trowers and Hamlin LLP and Savills Housing Finance Consultancy to ensure the process is aligned with wider financial appraisal considerations and the structure of how an enlarged regeneration of Mainway is delivered, fully considered and reported on.

A review of the wider Treasury strategy is to be undertaken leading to a further paper to Cabinet in the Summer setting out a recommended funding strategy for the wider regeneration.

Legal Implications

Legal Services and external legal advice will be needed throughout the process of purchasing the former Skerton High School site. This should involve assistance in the drafting of legal agreements/contract for the purpose of acquiring the site.

The Council will need to consider with legal services and its external legal advisers its legal obligations with regard to the procurement of a design and master planning for the project as well as the procurement of the first phase regeneration development partner.

In securing vacant possession of the housing units for the first phase regeneration, the Council will need to ensure that it complies with its duty under the Equality Act and the Human Rights legalisation. It will need to consider its duties under s149 of the Equality Act 2010 and any particular circumstances that involve the Council's Equality Act duties.

If the Council needs to use its Compulsory Purchase Powers, then the procedures under the Town and Country Planning Act 1990 and any other relevant legislation will need to be followed and legal services and external solicitors will need to advise and assist with regard to the CPO procedure. Moreover, if the Council needs to secure vacation of the residential units (in respect of Council tenants under either an introductory or secure tenancy) then the Council will have to follow the procedure provided by the Housing Act 1985. Legal Services/external solicitors' advice and assistance will be required if Court proceedings under the Housing Act is required.

Legal Services/external solicitor assistance will be required in relation to any contractual agreements with a development partner. Legal advice and assistance will also be needed to ensure that all due diligence in relation to legal title of the former high school site is undertaken and considered.

If the first phase regeneration involves 'development' as defined by the Town and Country Planning Act 1990 (as amended), it may be that planning permission will be required before works can be commenced.

Financial Implications

As reported elsewhere on this agenda, the HRA 30-year business plan projects a combined level of reserves of £25.6M by the end of the term. This will be reduced to £12.8M should the growth items be approved.

Included within the growth items is the acceleration of Phase 1 which is estimated at c.£4M and requested to be funded from the Business Support Reserve. No provision for the purchase of the school site has been allowed for but it is understood that the payment terms are negotiable and could ultimately be paid on an instalment basis. However, this would ultimately reduce the level of reserves by that amount over the course of time.

Phase 1 is estimated to commence in 2022/23 and take an estimated 12 months to complete. The decanting of existing tenants will happen before this and as a result, rent loss in the region of £65K is expected, which will be profiled £40K 2022/23 and £25K 2023/24. It is hoped that these losses will be marginally offset by decanting tenants to other HRA properties thus reducing the overall void losses. Further savings attributable to reduced R&M costs are expected although are difficult to quantify. This will be monitored through the council's usual monitoring arrangements.

Once completed, it is expected that increased rent of £96K per annum will be achievable and this will be built into future revenue projections at the next available juncture.

It should be noted that the existing annual collectable rent for Mainway is estimated at £880K. The HRA 30-year business plan is fundamentally underpinned including this amount and the repayment of any ensuing debt must be borne from the level of reserves and the marginal impact of future rent achievable. Any future spending decisions relating to this project must take account of this and will be discussed in future reports, as outlined in section 1.2.

Other Resource or Risk Implications

The opportunity to acquire the redundant school site is in all likelihood a one off. Now that the County Council have been persuaded to consider it, should Lancaster City Council not pursue the opportunity it is possible they will take it to the wider market.

Incorporating the school site into the Mainway regeneration masterplan significantly changes the whole perception, aspiration, and social economic mix of Skerton East.

Clearly the enlarged site will cost far more to deliver, but would be able to leverage in Homes England Affordable Homes Programme Grant, whilst at the same time deliver more homes, a greater mix of homes for young and old, for single residents and families. It provides a scale that can then warrant quality private and public realm as well as key community, neighbourhood amenity.

Section 151 Officer's Comments

The s151 Officer is required to undertake a formal review of general reserve levels. In assessing the adequacy of such balances, the s151 Officer takes account of the strategic, operational, and financial risks facing the authority. This assessment has been undertaken as part of the HRA Budget report and incorporates the impact of recommendation 3 of this report.

To ensure Cabinet and ultimately Council can make an informed decision each of the proposed options contained within any future reports will require detailed financial modelling, based on the outcomes of further consultation and master-planning, with careful consideration of a number of key assumptions and estimates including life expectancy of the building components, sources of funding, achievable operational savings, borrowing requirements and the acceptable impact on the HRA business plan given its reliance on the current rent levels and the marginal impact of future rent charged, as well as the impact on HRA reserves and levels of service delivery.

In line with regulatory requirements any associated prudential borrowing must be considered Prudent, Sustainable and Affordable across the entire Council and not in isolation. It is Council's responsibility to approve borrowing levels, associated debt financing and the impact on the Councils budgets.

Monitoring Officer's Comments

The Monitoring Officer has been consulted and has no further comments to those added in the Legal Implications section.

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Links to Background Papers

Cabinet report on 23rd March 2021

[20210312181756_000338_0000557_MainwayFutureVisionreport.pdf](#)
(lancaster.gov.uk)

1.0 Introduction

- 1.1 On the 23rd March 2021, Cabinet approved the next stage of the Mainway Vision and a body of work to evaluate all the options for the regeneration of the estate. It also acknowledged an extensive consultation process had been undertaken with 70% of tenants in favour of change. Through the Summer and Autumn of 2021, further engagement and communication with the residents has occurred, but it is clear they are keen to understand the future direction for Mainway.
- 1.2 An Options / Business plan has been prepared to enable the City Council to understand the different solutions for the delivery of the Regeneration proposals and agree any onward capital, borrowing and revenue implications. Further Treasury work and funding modelling is ongoing, and these pieces of work will be presented back to Cabinet in the Summer 2022.
- 1.3 As stated in the March report, it is however much more than a “Housing Project;” it is a once in a generational opportunity to shape the development of our District in a way that involves our community. Having the opportunity to bring the former Skerton School site into that masterplan provides the opportunity of a far more integrated opportunity to regenerate this area of the City.
- 1.4 The significance of this project, is the contribution that it potentially makes to the delivery of the Councils priorities; Including -
- Net zero carbon by 2030
 - Meets CELPR targets
 - Using our land, property, finance, and procurement to benefit local communities
 - Supporting wellbeing and ensuring local communities are engaged, involved, and connected
 - Addressing health and income inequality, food and fuel poverty, mental health needs, and loneliness.
 - Focus on early intervention approaches and involving our communities in service design and delivery
 - (Re)developing housing to ensure people of all incomes are comfortable, warm, and able to maintain their independence
 - Providing value for money and ensuring that we are financially resilient and sustainable
 - Focused on serving our residents, local organisations, and District
 - Local job creation and significant spend locally within the District
 - Creation of additional affordable housing within the District
 - Placemaking - providing a mix of housing options, tenures, quality amenity space, public realm and community facilities which improves

and aligns to the current and future housing need and aspiration in Lancaster District.

1.5 It is important to understand, that the opportunity to now acquire the redundant school land adjacent to Mainway and deliver a co-ordinated masterplan will help that transformational and placemaking regeneration that is so widely sought and be a catalyst for further investment into the Northern areas of the City.

2.0 Skerton School

The Current Draft Terms of Purchase for the School site can be found in Appendix 1.

The draft site plan identifying the redundant parcel of land for transfer and the area of land to be retained by the County Council for ongoing educational facilities can be found in Appendix 2 together with an indicative idea of the external area Lancashire County Council are needing to retain, to meet Statutory needs

The potential acquisition of the school site is subject to a S77 approval by the Secretary of State. That application can be made by Lancashire County Council as soon as they have engaged with local schools to ensure there is no unfulfilled educational need from the Skerton site. There is no definitive timeframe on how quickly the Secretary of State will approve the transfer but a 12–18-month timeframe would not be uncommon, although it could happen sooner.

In the interim period however, it would be feasible to conditionally exchange contracts conditional on that approval, to secure the site.

Dependant on a risk assessment of the S77 not being approved, the opportunity to prepare a detailed planning application for the site in this interim period could be undertaken. This would be done in such a way that the Mainway Estate could come forward independently should the S77 approval be delayed or not be forthcoming.

A draft layout plan (purely indicative) of how the redevelopment of the school site can be integrated into the Mainway proposals can be found in Appendix 2.

3.0 Delivery

3.1 It is proposed to accelerate an initial phase of the Mainway scheme that would demonstrate commitment and ambition; would allow the strategy of retaining the concrete structures on Mainway to be fully tested, reconfigured and completely refurbished; allow the wider Treasury modelling to be reviewed and a clear strategy set out to meet Council debt covenants

and wider funding priorities. Equally procurement of a Development Partner / Contractor could be undertaken to allow an early start on site, post a planning approval, site completion and funding structures approved.

- 3.2 Proposals for this initial phase of Mainway are laid out in Appendix 3. All of the new homes created in this initial phase will be for 'Social' rent.
- 3.3 A breakdown of costs and work needed to masterplan the development parcels ready for a planning application are provided in Appendix 4.
- 3.4 The anticipated timeline of the works are as set out in Appendix 5.

4.0 Options and Options Analysis (including risk assessment)

4.1 In respect of the recommendations:

Option 1:
Acquire the redundant parts of the former Skerton High School site; undertake combined site master planning; commence a pilot scheme
Advantages:
<p>Integrating the redundant parts of the school site into the Mainway proposals, increases housing numbers; improves housing mix; delivers community amenity; provides playing fields for wider community and sports group use; improves access to and from Mainway for pedestrian / cycle and vehicles – linking the riverside to Ryelands and beyond. Enhanced placemaking and creates a real opportunity to reverse the cycle of decline and make Skerton East a place to live with one of aspiration.</p> <p>Acquiring the site establishes the control needed to deliver this transformational opportunity rather than allowing the site to go to a third party who may not deliver anything on the site that meet the core priorities of the Council.</p> <p>Undertaking a co-ordinated masterplan and early phase detailed design for planning approval, will ensure how core design principles will flow through the combined site; provide improved permeability, connectivity, construction materials, etc that underpins how the new development would function and enrich the lives of residents and the wider community. The early establishment of the design team and development partner for phase 1 is key to meet timeline expectations.</p> <p>Accelerating an early phase, provides clarity and assurity as to the proposed strategy of retaining the core buildings on Mainway. It communicates the vision of the Council to the community after some perceived delays in progressing the scheme. It sets the stall out as to how the regeneration of the area will come forward and delivers on site examples of the wider masterplan vision. The strategy of retaining the core buildings, is important from a viability and zero carbon objective for Mainway.</p>
Disadvantages:

The cost of delivering a combined Mainway & school site programme is significant and prohibitive to the resources and capacities of the Council based on the current Treasury parameters that dictate borrowing capacity. Dependent on the review and adoption of potential different Treasury strategies, funding 100% of the Mainway development could restrict wider Council priorities.

The school site will have holding costs to be allowed for until developed through.

The masterplan will take into account that a S77 approval may not be granted, but in that instance whilst a portion of that work would be wasted expense, every effort will be to minimise that element.

There is no disadvantage in accelerating an early phase of the Mainway work. The worst scenario that that exercise might realise, is that the existing blocks are not suitable for long term retention and need to be demolished. This is highly unlikely – but the earlier this is known the better and the delivery strategy can then switch to looking a new build options.

Risks:

Whilst detailed due diligence has been undertaken on the title and the physical nature of the site, such as voids in the ground, asbestos, covenants etc. it is believed all identified risks have been assessed and mitigated, all development comes with some risk, and this should be noted.

A delay in pursuing the school purchase may lead to Lancashire County Council deciding on a different course of action and even a sale to a third party.

The school transfer will be subject to Secretary of State approval – which is not guaranteed.

The proposals laid out are based on the premise that the Mainway blocks can be completely stripped back to their concrete structure, reconfigured and then refurbished – assessed from the independent advice thus far received. The rationale of accelerating a limited initial phase is to ensure this strategy is robust. Should it prove not to be, then a demolition and new build plan will need to be pursued. Results from the initial phase will be reported back to Cabinet, as soon as the concrete structures have been completely exposed and assessed.

All social housing has the opportunity for tenants with ‘rights’ to exercise their ‘Right-to-Buy’, as the pilot blocks (and any subsequent blocks) are modernised there is a risk of such applications being received. However, there is protection of around 15 years for this where the Council would be able to recoup money spent through the ‘cost-floor’ plan.

A delay in procuring and appointing a design team and development partner for phase 1 will lead to a further delay in the submission and approval of planning consent; start on site and the key understanding of the refurbishment strategy. The Mainway blocks continue to deteriorate and represent sub-standard living for most

residents. Community expectation of action by the Council will again be questioned.

Option 2:

Do Not Acquire the School site; do not pursue a combined masterplan; do not undertake a pilot phase.

Advantages:

Not pursuing the acquisition will mean no further cost implications for the Council.

Disadvantages:

Leaving the site as a redundant site, should Lancashire County Council not do anything with it, will impact on the ambitious and huge place making investment being proposed for Mainway, threatening the wider regeneration opportunity.

Should the County Council decide to dispose of the site on the open market, the City Council is then open to the risk of who buys it, what they might seek to deliver on it and how that may well significantly reduce the social, environmental and community benefits, that having control over the site would provide. An independent development turning its back on Mainway would not deliver the wider opportunity that an inclusive, co-ordinated development would.

A redesign of Mainway alone, can only reflect the area in question and cannot anticipate what may or may not happen on the adjacent school site by a third party. Mainway would have to continue to rely on an inferior access and could be isolated from wider regeneration.

Delaying an initial phase, increases overall risk; decreases confidence by the community and would lead to residents spending longer in substandard housing than they need to.

Risks:

Not having control of the redundant elements of the school site directly undermines the significant investment in Mainway.

Creating a single Mainway masterplan cannot utilise and draw in the wider Skerton community. It would remain an isolated estate which, would not make the most of the capital employed and continue to result in similar problems already experienced with this type of estate.

Not pursuing a pilot scheme increases risk and cost of the overall scheme. It delays establishing a clear strategy for how we best bring forward this key regeneration project. Further delay in pursuing the scheme increases the risk of Right to Buy being exercised which will push the overall future costs of a project up.

4.2 The advantages / disadvantages / risks of acquiring the redundant elements of the school site, seeking to pursue a masterplan of the entire site, and accelerating an early

phase are outlined above. It should be noted that other combinations than those outlined above could be explored although the advantages, disadvantages, and risks would remain the same.

5. Officer Preferred Option (and comments)

5.1 The officer preferred option is Option 1. This is the only option that gives the City Council control over the wider site and allows the Council the opportunity to then influence the significant social, environmental and economic gains possible. It has the choice at that point to deliver development proposals directly or with chosen partners, who can meet the wider Council priorities and ensure any subsequent development maximise the opportunity this site provides for the community of Skerton East. The terms of purchase are considered fair and realistic in today's market.

6. Conclusion

6.1 The report seeks approval for the following next steps for the future of Mainway:

1. Undertake the full combined Master-planning/Regeneration of Mainway and Skerton High school, in readiness for a planning application in the Autumn (Q3) 2022.
2. An initial accelerated first (pilot) phase of the Mainway Masterplan proposals, that will deliver a definitive decision as to the viability of the wholesale reconfiguration and refurbishment of the existing buildings on Mainway. To commence in the Summer (Q2) of 2022.
3. To establish a detailed cost budget and delivery programme to allow a clear Treasury paper to be brought back to Cabinet for approval, during Q2 2022, setting out the financing recommendations.
4. To seek approval for the acquisition the redundant elements of the former Skerton High School, subject to S77 Secretary of State approval. Cabinet are asked to authorise the exchange of contracts for the purchase of the Skerton School site for future housing development (conditional on a S77 approval from the Secretary of State) as per the Heads of Terms set out in Appendix 1 or other such improved terms – delegated to Officers..

6.2 In order to progress the above stages Cabinet is requested to endorse the use of Housing Revenue Account reserves for the following purposes. Costs with regards to these can be found within the following appendices:

- Procure a design, project and development management team to work up a masterplan to application stage on a co-ordinated masterplan of the Skerton High School and Mainway sites including a full detailed consent for an early pilot stage.
- Leaseholder buy back from Derby House (inc. fees).
- Home loss and disturbance payments to residents in Derby & Lune Houses.
- Procure a development partner to deliver the redevelopment of Derby and Lune House.