

CABINET

Skerton School Procurement

Report of: Chief Officer – Housing and Property

PURPOSE OF REPORT				
To seek Cabinet approval for a twin-track procurement strategy and progress Preliminary Market Engagement to test partnership opportunities for the redevelopment of the Skerton School site and Mainway regeneration				
Key Decision	X	Non-Key Decision		Referral from Cabinet Member
Date of notice of forthcoming key decision		19 th September 2025		
This report is public but contains exempt appendices by virtue of Local Government Act paragraph 3 1972.				

RECOMMENDATIONS OF Councillor Caroline Jackson

That Cabinet:

1. Authorises officers to obtain an estimate of the full costings in respect of a Council led Design & Build contract for the construction of housing on the Skerton School site such costings to be obtained via a suitable framework.
2. Approves the commencement of Preliminary Market Engagement (PME) activity in respect of the construction of housing on the Skerton School site.
3. Approves the commencement of PME activity in respect of the development of Mainway both as a procurement in its own right or alternatively as a procurement connected to the Skerton School development
4. Authorises Officer to take all necessary steps to commence PME in respect of recommendation 2 and/or 3 in accordance with all requirements under the Procurement Act 2023.
5. Notes that a further report will be brought back to Cabinet with a recommended preferred route once PME and cost benchmark analysis has been completed in respect of Skerton School and/ or Mainway

1.0 Introduction

- 1.1 MIAA was commissioned by the Council to prepare the business case options

for the wider regeneration of Mainway and Skerton School, which has achieved planning permission for development 135 new homes.

- 1.2 The Business cases, following a HM Treasury's Five Case model, highlight the strategic, economic, commercial, financial, and management challenges of achieving the project ambitions for the Skerton School site and Mainway regeneration, and appraise viable delivery options. .
- 1.3 A workshop with Cabinet Members reviewed the position for Skerton School, confirming that a wholly Council-led scheme is unaffordable in the current financial environment and the potential to bring forward market-led partnership solutions through engagement with developers and investors, the next procurement stages, and the authorisation process through cabinet approval to proceed.

2.0 Business Case Workshop

- 2.1 On 16 September 2025, a workshop with Cabinet Members reviewed the business cases for the Mainway Programme and Skerton School, including funding challenges and procurement for business case options 1-6. [Appendix 1- Business Case Options]
- 2.2 Financial modelling confirmed that the Skerton scheme is viable over the long term. However, the Housing Revenue Account (HRA) cannot support borrowing costs during the early years of operation. This affordability gap cannot be bridged by PWLB borrowing and Homes England grant, as there is no income to service interest or capital repayments during pre-development and construction. Without reserves or alternative deferred funding arrangements, a fully Council-funded route is therefore unaffordable in the short-term, despite the scheme's long-term viability.

3.0 Alternative Partnership delivery models

- 3.1 Given the financial constraints, alternative partnership approaches were considered that could mitigate funding challenges and still enable delivery. Options therefore could include turnkey contracts, forward-purchase agreements, and long-term sale-and-leaseback models.
- 3.2 The workshop also discussed the potential of the Council contributing the land value and pre-development work as equity, securing nomination rights or housing assets, and potentially supporting repayment through rent guarantees. The workshop concluded that at this stage it is important not to be prescriptive about partnership structures.
- 3.3 It was agreed that priority is to conduct an open engagement with developers and investors and achieve the broadest range of responses through a compliant Preliminary Market Engagement (PME). This will test the level of interest, and responses for potential partnership models, and shape options for consideration as a future delivery route through partnership.

4.0 LCC led Works contract

- 4.1 The workshop considered a Council-led Works contract would provide strong control over design, programme, and outcomes such as sustainability, tenure mix, and build costs. Notwithstanding, financial modelling the development

stage costs makes a wholly Council-led scheme supported by PWLB funding and Homes England grant, currently unaffordable without further substantial financial intervention by government, based on current assumptions at this time which is why it is imperative to gain as true a picture as possible of accurate costs.

- 4.2 Construction costs were identified as one of the key risks to the viability of Council led scheme. The current cost model was independently calculated by Anderton Gables and is based on cost indices and indexed for inflation and a 2-year construction phase starting in 2027, the target date for commencing the scheme to qualify for Homes England AHP grant. However, the costs have not been market tested.
- 4.3 It was agreed that that greater cost certainty would establish a firm cost baseline to benchmark and also to compare alternative Partnership approaches.

5.0 Twin Track Approach

- 5.0 The workshop subsequently considered the outcomes of the business case and agreed that no single procurement route is fully developed or balances delivery certainty, affordability, and control. A twin track approach was proposed that recognises the importance of keeping both partnership and direct delivery options open, at this time.
- 5.1 Skerton already has planning permission and represents a viable, deliverable scheme that must be advanced to align with Homes England funding opportunities. And as a first enabling phase, it provides the additionality required to rehouse residents and unlock subsequent stages of the wider regeneration. The direction to extend engagement to include Mainway recognises that Skerton will be brought forward in the context of long-term wider regeneration.
- 5.2 By contrast, Mainway is at an earlier project stage. Homes England or One Public Estate (OPE) funding has yet been secured, and key elements such as final Masterplanning, planning proposals, viability, apportionment of assets and potential disposal routes still need to be developed. Engagement at this stage is therefore aimed at signalling the Council's intention to bring forward the regeneration, building market interest, and testing appetite for more complex partnership structures and longer-term investment
- 5.3 While our purpose is clearly assessing viable delivery routes, an open step by step process will also navigate any perception of predetermination, prior to a formal decision on a preferred delivery route, at a later stage and maintain integrity throughout the process. Trusted relationships with Contractors and potential Partners are vital for the future delivery of Skerton, Mainway and other business case options.

6.0 Programme Board meeting

- 6.1 The Workshop presentation and agreements were further advanced at the subsequent Programme Board meeting, with members confirming PME to be commenced for Skerton and Mainway.
- 6.2 The purpose of PME is not to select a partner, but to engage with the market to test viable partnership and investment solutions, and to help the Council

assess whether separate approaches are required for Skerton and Mainway, or whether a single solution across both is viable.

- 6.3 Skerton is the enabling Phase 1 of ambitions to achieve wider Mainway regeneration. While the Mainway business case is less advanced, with delivery anticipated over a longer timescale and reliant on securing future Homes England and One Public Estate funding, it is important to signal that the scheme is coming forward. By presenting both Skerton and Mainway together, the Council can offer the market an attractive pipeline of work and greater potential for a long-term partnering relationship.
- 6.4 By approving PME for both sites, Cabinet will enable officers to build market interest, shape viable delivery options and increase the opportunity for potential partners and test potential solutions and bring back informed recommendations on procurement and delivery routes.

7.0 Further considerations

- 7.1 **Autumn statement.** - There are emerging expectations that the Government's Autumn Statement will set out stronger commitments to increasing the delivery of affordable housing, including a package of financial interventions to support Local Authority affordable and social housebuilding. Although details have not yet been released, these may include deferred payment arrangements, interest-free or preferential loan facilities, or a combination of such measures. The impact of these measures may equally support Partnership, or a council led scheme.
- 7.2 **Council Housebuilding Support Fund (CHSR).** Currently there is limited revenue funding available for pre-development work. However, the Council has a pending application in for additional CHSR grant funding to support the procurement phase of Skerton School. For example, legal and procurement advice and preparation of a detailed tender. Therefore, the CHSR is essential to undertake a formal tender for either option.

7.3 Procurement advice

Independent advice confirms that given the value of the works, the Council must follow full statutory procedures under the Procurement Act 2023, including publication of notices. Partnership is recommended as the preferred procurement model, enabling risk-sharing and a structured development agreement for Skerton, while maintaining flexibility for future Mainway regeneration. Frameworks may be considered for specific procurements such as consultancy or Works contract.

A Competitive Flexible Procedure (CFP) is advised, providing the scope to design appropriate engagement and negotiate compliant agreements. Preliminary Market Engagement is encouraged to shape requirements and criteria. Limited exemptions for sale arrangements exist under the Act but would not apply where part of a wider development agreement.

[Appendix 3 refer- Abstract of Brabners independent procurement advice]

8.0 Timelines

8.1 The next project stages must be completed within three converging target timelines

- **AHP interim Programme:** The expectation that qualifying schemes will commence on site by March 2027 and achieve completion by March 2029.
- **Procurement:** An '*appropriate and proportionate*' timescale is estimated at 6 months
- **Pre-development Activity:** Sufficient time must be allowed either to establish a partnership or to advance a works contract to RIBA Stage 5 and this is estimated at 12 months.

Overall, assuming approval in October 2025, the 18-month predevelopment programme will align with the project deadlines. However, this programme is compressed. Commencing in October is vital. [Appendix 2 refers – Outline contract programme]

9.0 Options and Options Analysis (including risk assessment)

A summary of the options and analysis is presented below:

	Option 1: Partnership	Option 2: Works contract	Option 3: Blended partnership / contract options / Multiple partners	Option 4: Do nothing
Advantages	<ul style="list-style-type: none"> – PME to explore market interest and models for a viable route to delivery within a partnership model. – Test market interest in models compatible with project outcomes. – Transfer of major risks (funding, sales, development). – Injection of development expertise and capacity. – Reduced control over design detail and lettings policy. – Greater cost certainty for the Council within delivery model 	<ul style="list-style-type: none"> – Compliant process via procurement frameworks – Mitigates volatility of construction costs – Strong Council control over design, sustainability standards, and tenure – Potentially lower construction costs – Partial transfer of construction risk to contractor 	<ul style="list-style-type: none"> – Flexibility to combine different partnership and or contract models that are deemed best suited – Potential to attract a consortium of partners bringing complementary skills (funding, development, construction, management). – Spreads risk by not relying on a single delivery partner. 	<ul style="list-style-type: none"> – None
Disadvantages	<ul style="list-style-type: none"> – Potentially higher long-term costs – Reduced control over design and delivery – Potentially reduced control as a council owed asset – Portability of grant provision into Partnership model. 	<ul style="list-style-type: none"> – Increased pre-development cost and management costs – Significant management resource – Current unavailability of funding prior to CHSR – High financial burden on HRA – Affordability risk – mitigation via Homes England grant and potential new Government 	<ul style="list-style-type: none"> – Risk of misaligned objectives between partners. – Longer negotiation period may slow mobilisation. – Added complexity in procurement, legal structures and governance. – Higher resource needed to manage multiple relationships. – Risk of misaligned objectives 	<ul style="list-style-type: none"> – Failure to progress key procurement strategy

		borrowing programmes.	between partners. <ul style="list-style-type: none"> - Longer negotiation period may slow mobilisation. - Added complexity in procurement, legal structures and governance. - Higher resource needed to manage multiple relationships. 	
Risks and mitigation	<ul style="list-style-type: none"> - No appetite for engagement - Proposals not compatible viability/tenure/control 	<ul style="list-style-type: none"> - Exploration of suitable frameworks to increase cost certainty may reduce management burden. However, a tender at this stage may risk predetermination challenge. 	<ul style="list-style-type: none"> - Risk of fragmented delivery – mitigated through clear governance and robust partnership agreement. - Could confuse the market – PME will test interest. - Potential overlap or conflict between models, winning both sites may be vital to Partners business model 	<ul style="list-style-type: none"> - Stagnation of the project objectives - Pursue twin track approach

10.0 Officer Preferred Option (and comments)

- 10.1 The recommendation is to proceed with Option 3, with engagement on the broadest possible terms, providing a clear scope and definition of each site, and our priority to advance Skerton first in alignment with Homes England programmes.
- 10.2 The blended option will help shape the most viable partnering options for the Skerton development and the Mainway regeneration and ensure that both schemes are advanced in a coordinated and comprehensive context. In doing so, it will increase the attractiveness of the proposition to potential partners, signal opportunities for longer-term relationships, and demonstrate the Council's intent to bring forward Skerton as part of a wider regeneration of Mainway.
- 10.3 Cost plan assumptions may be compliantly reviewed through structured consultation supported by framework benchmarking and independent advice and provide a consistent baseline for comparison alongside partnership.
- 10.4 This is an efficient approach, which can be managed within the existing project resource and will generate a comprehensive range of responses and options to develop a preferred delivery model and navigates any perception of predetermination prior to a final decision by members.

11.0 Conclusion

- 11.1 Members noted that no single procurement route is fully developed at this stage. They therefore directed officers to pursue a twin-track approach, keeping both partnering and contract options open for Skerton. Members subsequently further agreed that engagement should be extended to include Mainway and signal the Council's intention to work with the market to bring this forward wider regeneration.
- 11.2 This approach ensures that Skerton is advanced as the first enabling phase, aligned with Homes England programmes, while also increasing the attractiveness of the overall proposition to potential partners. By signalling the long-term opportunity at Mainway, the Council can build interest, explore longer-term relationships, and position both schemes within a coordinated regeneration strategy
- 11.3 The estimated value of the works is above the qualifying financial threshold, and the Council is required to follow the full statutory procurement procedure. The twin track proposal following a recommendation for a compliant PME brings forward partnering options and greater certainty for construction costs in a step-by-step approach and is supported by procurement advice.
- 11.4 It makes the best use of resource and enables the project programme deadlines to be achieved, avoids any perception of predetermination and positions the Council to move positively into the most appropriate formal tender once robust market evidence is available and there is clarity on CHSR funding and the Autumn statement.

RELATIONSHIP TO POLICY FRAMEWORK

Council Priorities:

A Sustainable District –Climate Emergency: Properties brought forward will be developed to a high standard, therefore benefitting residents with quality and warm homes.

An Inclusive and Prosperous Local Economy – opportunities for local contractors to be employed as part of development opportunities.

Housing Strategy – will link directly to the Homes Strategy for Lancaster District 2020-2025 by seeking to increase provision of affordable housing.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

No known impact.

LEGAL IMPLICATIONS

Conducting Preliminary Market Engagement (PME) is governed by s16 – 17 Procurement Act 2023. Whilst the process of PME is not new to Procurement, current legislation has built upon the previous regulations and introduced a new requirement to publish notices about PME activity.

The engagement itself must not distort competition or give any supplier an unfair advantage as a result of that engagement. Officers will be supported either internally by Procurement or with external legal support to ensure that all PME is carried out in compliance with the Procurement legislation.

FINANCIAL IMPLICATIONS

With the exception of existing staffing resources, there is no provision within the approved Housing Revenue Account (HRA) budget for external support with the progression of development projects, including design, legal or procurement advice. With the current financial situation of the HRA, it would struggle to make significant amounts available, without a successful outcome from the Council Housebuilding Support Fund application.

OTHER RESOURCE IMPLICATIONS

Human resources None

Information Services: No Information Service implications.

Property: As outlined in the report.

Open Spaces: No Open Space implications.

SECTION 151 OFFICER'S COMMENTS

As the Council is not entering into any binding contracts or partnerships at this stage, there are no direct financial implications arising from this report. As noted in Recommendation 5, a further report will be presented to Cabinet with a preferred route forward once the exercises have been completed, at which time any financial implications arising from a proposed agreement, whether Design & Build or partnership, will need to be considered.

MONITORING OFFICER'S COMMENTS

The Monitoring Officer has been consulted and has no further comments to add, noting that this matter is to return to Cabinet in any event for any next steps.

BACKGROUND PAPERS

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Ref: [Click here and type Ref, if applicable]

¹ Procurement Act 2023, Section 12(2)(d): "A contracting authority must have regard to the importance of ... acting, and being seen to act, with integrity."

² Procurement Act 2023, Section 15(1): "A contracting authority may engage with suppliers or others before initiating a procurement—(a) to prepare for the procurement, or (b) to design the procurement procedure."