



lakes estate

NEIGHBOURHOOD PLAN

Delivery Strategy and High Level Viability Assessment

Submission Draft

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on behalf of
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Introduction

The 2014 Lakes Estate Neighbourhood Development Plan sets out the development potential of the Lakes Estate. This document is founded on some six years of engagement and consultation which has included a variety of methods, including questionnaires, Planning for Real© design workshops, drop-in events, etc. encompassing a wide range of local stakeholders which have been undertaken in tandem with a wide consultation process involving residents, community groups, councillors, landowners, and businesses in the area. The resulting Plan seeks to balance the aspirations of the local community with the consensually agreed acceptance that it is imperative to regenerate the area. Indeed this community based aspiration dovetails with Milton Keynes Council's acknowledgement that the older estates in the New Town are now in need of wide scale regeneration in order to dramatically improve levels of deprivation and halt both social and economic decline.

The wider context for the Lakes Estate Neighbourhood Development Plan is the need for improvements to the existing housing stock, additional housing and in particular the redevelopment of Serpentine Court, at the heart of the Lakes Estate. Serpentine Court forms the commercial centre of the estate,

combining business and community uses with flats and maisonettes. It is widely recognised as being of poor environmental and functional quality and having a detrimental impact on character, environment and image of the estate as a whole. It suffers from a range of issues which have led to increased maintenance and management costs during its life, and is anticipated to require significant capital investment to bring it up to a suitable standard for long term retention.

The redevelopment of Serpentine Court is therefore a priority and the core objective of the Neighbourhood Development Plan's delivery strategy, as it is understood that this will have the greatest single impact on improving the area as a whole and providing the sustainable amenities that are required by the community. The driver for wider development and delivery is therefore the ability to redevelop Serpentine Court, and re-provide the residential, community and commercial uses in a more sustainable form. It is this objective that has framed the approach to delivery.



¹Mouchel Feasibility Report March 2009 identified potential investment requirement as at date of report of circa £11.6 million

Overview of Steps to Delivery

To deliver the regeneration of the Lakes Estate, and in particular the redevelopment of Serpentine Court will involve a number of stages and actions, many of which will need to be progressed in parallel once the Neighbourhood Development Plan is made, as follows:

Stage	Actions
Site assembly of Serpentine Court	Acquisition of commercial occupier interests Acquisition of any residential units acquired under Right to Buy either by negotiation or by Compulsory Purchase May require temporary or permanent relocation of business interests when vacant possession is needed
Securing Vacant Possession of Serpentine Court	Relocation of existing tenants to areas within the Estate as a first priority, and in accordance with Housing Acts process, to either: <ul style="list-style-type: none"> • Other vacant units on the estate • New affordable units to be built on the estate (NB only circa 250-300 capacity across all new sites, so other locations may be required) • Other vacant units elsewhere in Council ownership • New affordable units to be built elsewhere Possible relocation of some commercial occupiers, either temporarily or permanently. Closure of community facilities (NB advance notice may be required to cease bookings etc.)
Demolition of Serpentine Court	Planning permissions to be put in place
Redevelopment of Serpentine Court	Funding to be secured and approved Delivery programme to be developed and agreed When commenced this is likely to take + 24 months Relocation of businesses back into units, or re-letting to new occupiers is to be considered
Enabling development sites – required to contribute financially, and possibly physically for decanting of Serpentine Court occupiers. NB if required for decant some of this will be required to have been completed ahead of securing vacant possession of Serpentine Court	Establish mix of affordable and market uses Prepare a development brief for Serpentine Court and the other development areas Consider the phasing of the area's redevelopment Secure planning consents (and other consents as required) in accordance with the phasing plan Effective development proposals to generate cross subsidy contribution to Serpentine Court Build (timescales variable for each site) Occupy – where relocations are required Reasonable estimate of delivery time for average site assuming no consents other than planning, say 12 – 18 months to land sale, 24-36 months to delivery of units. NB it is unlikely that all sites will be brought forward simultaneously. Serpentine Court re-provision is likely to be phased and deferred until value generating developments are progressed.

Overview of Financial Viability

The delivery of the entire development will be dependent on the availability of adequate funding. This level of funding will be required over a period of time.

The principle is that the development on sites identified will provide cross subsidy that will then contribute to the costs associated with the redevelopment of Serpentine Court.

A key issue will be timing of receipts against timing of required expenditure. As the sites identified for development will come forward in a piecemeal fashion, the element of funding from enabling development on the Lakes Estate is likely to be delivered over time, with initial payments deferred if the early sites are needed to provide units into which to decant existing Serpentine Court residents. There will therefore be a cash flow issue to be addressed, which will require the funding of up front costs ahead of cross subsidy contributions being received.

In terms of overall financial viability, a very broad indication is as follows:

Typically, the land value will be no more than circa 20-25% of the overall development value, and in a challenging market or lower value area will typically be less, as this is the element that is squeezed where values are low. Costs are relatively inflexible, and values will be determined by the open market, so will be determined by demand over the regeneration programme period.

The Lakes Estate is a relatively low value area within the wider Milton Keynes context, so it is anticipated that land values in this location will be at the lower end of the scale seen across Milton Keynes as a whole.

At this stage, there is insufficient detailed information on site constraints, development capacity, specific affordable housing requirements and other financial contributions (Section 106 / Community Infrastructure Levy) to enable a meaningful and detailed financial appraisal to be carried out, however, a broad indication

of viability can be established by looking at base assumptions on land value.

Based on a financial assumption of outright sale of newly developed additional units in the current market, indicative Financial Appraisals indicate an assumed baseline position that could generate a contribution towards regeneration of circa £5 million. If densities are increased, and other small areas of land such as garages and smaller areas of largely unused incidental open space are brought forward for additional development, then this has the potential to generate up to circa £9 -10 million. The assumption of all units being developed for outright sale reflects the current market position as it emerges from a long period of recession. The final mix and type of units to be provided across the site will be determined by the need for decanting of existing tenants, the market at the time the sites come forward, and the wider policy context prevailing at that time.

Serpentine Court consists of 220 units in total of which some 195 are residential units. A high level estimated cost of replacement is indicated to be in excess of £20 million, including the cost of demolition. It is anticipated that further sums will be required to secure vacant possession of the building and to enable the relocation of existing tenants and businesses, where appropriate and possible within the Lakes Estate.

This high level approach indicates that the development identified as a result of the Neighbourhood Planning process is unlikely to be adequate to fund the redevelopment of Serpentine Court alone, even if developed entirely for private sale. To be financially viable, other sources of funding will therefore need to be identified and committed to the Lakes Estate.

¹NB School land may need to be acquired from Education Department. This could impact further on the ability for local development to contribute to Serpentine Court.

³ Indicative financial appraisals are available to support the figures suggested. These are commercially sensitive and confidential as they could influence the outcome of the development partner procurement process.



Potential Funding Sources

To address the funding gap (which can only be established in detail at a later stage when the detailed nature of the sites, their requirements and the structure of any proposed development partnership is known) will require the identification and securing of additional sources of funding. These could include the following:

- long term financial savings from maintenance backlog. Depending on density of development, this element has the potential to address the majority of the development funding shortfall;
- S.106 contributions;
- prudential borrowing;
- other potentially available government funding.



Approach to Delivery

In the last twenty years the Lakes Estate has been the subject of a number of interventions comprising targeted funding, programmes of localised improvements and relatively short-term decisions, to varying degrees of success.

The Neighbourhood Regeneration Strategy, adopted by Milton Keynes Council in December 2008, provides the framework for ongoing change in older housing areas within Milton Keynes such as the Lakes Estate. Milton Keynes Core Strategy policy CS8 underpins the Regeneration Strategy and identifies three areas for pilot studies of which the Lakes Estate is one. The pilots involve a community-led approach to regeneration through the preparation of Neighbourhood Action Plans and Neighbourhood Development Plans. These determine the actions required and the sites identified for future development which will drive the delivery and prioritisation of regeneration.

At both cross party and at officer level Milton Keynes Council continues to reinforce the importance of the Lakes Estate as a priority area for regeneration, led by the need to redevelop and re-provide the housing and facilities at Serpentine Court. A revised Regeneration Strategy is in preparation by the Council and is anticipated to be formally adopted in Autumn 2014. This sets out the principles of Regeneration MK, the intended strategic regeneration partnership that will be established to take forward the delivery of the Council's estates regeneration priorities, concentrating on its most deprived areas, including the Lakes Estate.

The first stage in delivery will be the procurement of a Strategic Development Partner. This is anticipated to be a multi-disciplinary private sector regeneration, development and maintenance organisation, who will work with Milton Keynes Council to deliver its estates regeneration objectives over a significant period of years.

It is anticipated that the delivery partner will be procured and contracted by Spring 2015. The partnership will then develop a detailed delivery programme with the Council, which will establish the development phasing of the programme.

This will then enable detailed design and full financial modelling and viability testing to be developed for priority areas including the Lakes Estate. It is anticipated that the detailed design and planning stage will take 18-24 months, with on site delivery thereafter. It is anticipated that the overall regeneration programme for the Lakes Estate will realistically be in the order of 5-7 years.

In preparation for the procurement of the delivery partner, the Council has developed an indicative financial modelling tool in conjunction with appointed external consultants to test the deliverability of projects, and to enable any need for gap funding to be identified and challenged over time. This currently estimates that the funding gap for the Lakes Estate could be in the order of £11-12 million. The Council has also taken steps to initiate the process of enabling vacant possession of Serpentine Court to be secured as soon as redevelopment can be committed. This includes re-letting of vacant units on short term agreements, the inclusion of break clauses in commercial occupational leases, and recognition of the need for early acquisitions if the longer term interests come onto the market. Such action will help to mitigate against increased costs in the future.

Full financial commitment to the overall regeneration can however only be made once the regeneration partnership structure is established and detailed planning and viability assessments can be completed.

Conclusions

The regeneration of Serpentine Court will act as a significant catalyst for wider change and improvement at the Lakes Estate, and will enable longer term value generation. It is not however going to be delivered entirely by the development identified through the neighbourhood planning process, but has the clear prospect of being delivered if re-investment of funds generated and savings made can be allocated to the regeneration project along with other forms of investment. The Neighbourhood Development Plan seeks to balance the need for development and maximisation of value with the aspirations and strongly held concerns of the local community, and the ability to deliver implementation of development in a reasonable timescale. Indeed, a notable output of the neighbourhood development plan process is that community groups, businesses, individuals and residents want to see positive change in the immediately foreseeable future.

Whilst densities could be maximised, and possibly the envelope of development land stretched to increase capacity, this alone will not address the potential scale of funding gap that is anticipated. This is however fully understood and recognised by all parties.

It is expected that delivery of the Lakes Estate regeneration and in particular the redevelopment of Serpentine Court, which is at the heart of the Neighbourhood Development Plan, will require significant additional funding to be secured. Based on the priority that the Estates Regeneration programme, and the Lakes Estate as part of that programme, has in Milton Keynes Council, and the work in preparation of delivery that has been carried out to date, there is a realistic and reasonable prospect that the development opportunities set out in the Neighbourhood Plan will ultimately be deliverable as part of Regeneration MK.

Site Analysis

Lakes Estate Delivery Strategy								
Site	Description	Ownership	Area ha	Proposed uses	Development capacity (Draft plan) M2	Development capacity +20%	Development capacity +30%	Enabling delivery
DS1	Land south of Water Hall School		1.4	Residential, O/L planning for 61 dwellings	4,845	5,814	6,298.50	Suitable for market housing, potential to contribute financially to overall regeneration, but early delivery may favour decant opportunity for existing Serpentine Court residents.
DS2	Triangle Land south of Phelps Road adjacent to the canal		0.52	Residential circa 13 units of varying sizes.	1,145	1,374	1,488.50	Residential development more likely to contribute financially to wider regeneration. Suitable for market housing.
IN1	North western verge, Drayton Road		0.61	Residential development, circa 25 units of varying sizes.	2,470	2,964	3,211.00	Peripheral to estate so may be suitable for private housing. Unit types may not match decant requirements for serpentine court.
IN2	Land at Northern access, Windermere Drive		0.8	Residential development, circa 26 units of varying sizes.	2,670	3,204	3,471.00	Relationship with open space may suit market units
IN3	Land at Southern access Windermere Drive		0.31	Residential development, circa 12 units of varying sizes.	1,110	1,332	1,443.00	Peripheral to estate so may be suitable for private housing. Unit types may not match decant requirements for serpentine court.
IN4	Land at Skene Open Space		0.35	Residential development, circa 12 units of varying sizes.	1,160	1,392	1,508.00	Right in the middle of existing development so likely to be more suitable for affordable units.
SC1	Serpentine Court		5.92	Mixed use residential and commercial development, including community, health and possibly commercial uses	Replacement space	n/a	n/a	Replacement space for existing Serpentine Court. This is the key priority site for regeneration within the Lakes Estate but will require significant up front investment before any redevelopment can take place.
CG1	Canal Gateway		1.85	Residential development and open space, circa 51 units of varying sizes. Potential opportunity for pub/restaurant subject to demand.	4,360	5,232	5,668.00	Suitable for market housing, potential to contribute financially to overall regeneration, but early delivery may favour decant opportunity for existing Serpentine Court residents.
	Total		11.76	29.060136	17,760	21,312	23,088	



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