

Committee: Council

Date: 23 November 2016

Wards: Abbey, Figges Marsh, Ravensbury.

Subject: Estates Local Plan – submission to the Secretary of State

Lead officer: Chris Lee, Director of Environment & Regeneration; Simon Williams, Director of Community and Housing; James McGinley, Head of Sustainable Communities; Steve Langley, Head of Housing Needs and Strategy

Lead member: Councillor Martin Whelton, Cabinet Member for Regeneration, Environment & Housing.

Contact officer: Paul McGarry, Head of futureMerton; Steve Webb Housing business support and relationship manager; Tara Butler, Programme Manager, futureMerton. Valerie Mowah, Principal Spatial Planner, futureMerton.

Recommendations:

That, in line with Cabinet's recommendations on 14 November 2016, Council resolves:

- A. To publish the Estates Local Plan and associated sustainability appraisal for comments followed by submission to the Secretary of State for Communities and Local Government
- B. To delegate authority to the Director of Environment and Regeneration in consultation with the Cabinet Member for Regeneration, Environment and Housing to approve any amendments to the Estates Local Plan and sustainability appraisal that may arise from 24 November 2016 until the receipt of the Planning Inspector's final report, to approve consultation documents or officer's responses to comments received at the pre-submission consultation and during the examination process.
- C. To note the continued progress in the delivery of the borough's regeneration by this decision which moves forward the renewal of three of the borough's estates as a comprehensive programme to build new homes and enhance the housing available to residents
- D. To note the progress of financial negotiations regarding the Stock Transfer Agreement and associated documents with Circle Merton Priory Homes or any successor organisation
- E. To delegate variations to the Stock Transfer Agreement to the Directors of Environment & Regeneration, Community & Housing and Corporate Services in consultation with the Cabinet Member, and
- F. To note that there will be a further report to councillors in March 2017 confirming the anticipated viability of the overall project prior to the final submission to the Secretary of State.
- G. As resolved by the Borough Plan Advisory Committee and Cabinet, that the council has had regard to the Self Build Register when developing the Estates

Local Plan and that the council should not allocate specific sites for self build and custom housebuilding in the Estates Local Plan in order to prioritise rehousing residents who are already living on the three estates in new homes built to modern standards and to progress a viable regeneration project.

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The primary purpose of this report is to seek members' agreement to the publication of the Estates Local Plan prior to its submission to the Secretary of State. Once submitted it will be subject to a Inquiry in public; should it pass the examination, Council will be asked to consider the final version for adoption, a process which is expected to take approximately twelve months.
- 1.2 This Plan is the framework policy for the regeneration of three large estates: High Path, Ravensbury and Eastfields. A well-planned and comprehensive regeneration of these estates is considered to be a better option than continued piecemeal renovations to maintain the Decent Homes Standard: such an approach both delivers over 1400 much needed new homes in the borough and secures long-term better quality housing for existing residents. The planning Inquiry will need to be satisfied that the plan is sound, financially viable and technically deliverable.
- 1.3 Approximately 60% of the properties on each estate are owned by Circle Housing Merton Priory (CHMP) since the Stock Transfer of March 2010 which also closed the Council's previous Housing Revenue Account. Regeneration is therefore delivered by CHMP, The financial deliverability of the programme is a key area of concern as the Council must ensure it does not incur costs through the programme, and must be able to assure the Planning Inspector that the proposals are viable and deliverable.
- 1.4 The submission of the Estates Local Plan and ongoing negotiations with CHMP are necessary conditions for the progress of regeneration but not themselves sufficient. In particularly there will be further decisions which members will need to consider over the progress of this fifteen year programme.
- 1.5 At their meeting on 8th November 2016, the Borough Plan Advisory Committee considered the Estates Local Plan with recommendations A, B and F above, which they endorsed. At the same meeting, the Borough Plan Advisory Committee also made the following recommendations:
- To ensure it is made clear that a key reason that regeneration on Ravensbury is being supported, despite local opposition, as a method of providing a viable, comprehensive replacement of all of the Orlit homes to modern Decent Homes standards.
 - To ensure that it is clear that estates regeneration is only supported where all three estates go forward to benefit from full regeneration, and not otherwise
 - *(included as recommendation G above)* To recommend that the council has had regard to the Self Build Register when developing the

Estates Local Plan and that the council should not allocate specific sites for self build and custom housebuilding in the Estates Local Plan in order to prioritise rehousing residents who are already living on the three estates in new homes built to modern standards and to progress a viable regeneration project

- To recommend that officers ask Circle Housing Merton Priory if CHMP would consider their sites, particularly smaller sites scattered across the borough, for self-build and custom housebuilding.

1.6 At their meeting of 14 November 2016, Cabinet resolved to recommend that council take forward all the recommendations A to G cited above in this report.

2. DETAILS

This section of the report covers:

- The regeneration context
- Planning policy
- The Estates Local Plan
- The ten commitments and residents offer
- The Circle Board and Resurgence.
- The formal relationship and agreements with CHMP
- The process for negotiating that relationship
- Governance and oversight

Regeneration context

2.1. Large scale regeneration of parts of the borough, including its larger housing estates, has been pursued over many years and through many policy evolutions. The ambitions for more and improved housing, enhancements to the quality of people's homes and environment, better transport and employment across the borough have been reflected in numerous strategies for planning, housing and the economy.

2.2 The broader regeneration objectives of the Council's Economic Development Strategy include enhancing district centres at Mitcham, and Morden and Colliers Wood, maximising use of existing public transport links, improving the urban fabric and environmental quality for residents and rebalancing investment and prosperity between the east and west of the borough. A key element of the Council's Core and Housing Strategies is to increase stock and improve access to appropriate sized homes and develop access to affordable and intermediate housing. The Estates Local Plan policies directly reflect these objectives and will be an

important consideration for the Planning Applications Committee (PAC) in considering specific applications at the appropriate time.

- 2.3 The Council has also been committed to ensuring its residents live in good quality housing, in particular ensuring that ex-Council housing is brought to and maintained at the Merton Standard, which is an enhanced version of the Decent Homes standard set by government. This commitment was enshrined in the Stock Transfer Agreement when the authority's stock passed to Circle Merton Priory Homes (CHMP). That Stock Transfer Agreement also recognised the ambitions for regeneration, and it contains clauses designed to enable large scale renewal.
- 2.4 Regeneration objectives represent long-term programmes extending over many years with multiple areas of work. The development of new housing and sustained improvement in the affordable housing stock are no exception. Establishing a robust policy framework in planning and legal agreements, upholding commitments to services and transparency with residents and delivering a very large construction programme is expected to take some 15 years. This report is an important milestone in that journey addressing primarily planning, legal and consultation issues.
- 2.5 Many elements of regeneration depend on or are led by other agencies and partners, including private sector developers, Transport for London or neighbouring boroughs. The Council is putting significant effort into these relationships. In this case the main partner is of course CHMP who own approximately 60% of the homes on each of the estates and most of the relevant land. The Council's financial interest in the regeneration programme is largely managed through the Stock Transfer Agreement and associated agreements which are therefore a fundamentally important part of the framework set out in this report.
- 2.6 This programme, like other regeneration initiatives, is complex financially. In particular, as the financial paragraphs set out, regeneration of these three estates is interconnected through the long-term effect on CHMP revenue. Members are therefore reminded that this is one project, emphasised by the proposed Estates Local Plan covering areas united by common strategic objectives.
- 2.7 In July 2014, the Council considered the work underway between CHMP and the authority to regenerate the three estates at High Path, Ravensbury and Eastfields. That meeting recognised the importance of this regeneration programme and authorised officers to proceed. That authorisation, including concluding financial negotiations, was confirmed by Cabinet in January 2016.
- 2.8 A range of options have been considered in the light of the objectives to improve residents' homes and delivering new housing stock. These are considered in more detail at paragraph 3 below, in the context of the Council's decision-making role in the programme. The review of CHMP arguments for comprehensive regeneration (as opposed to piecemeal repair) indicates that this is much the stronger option. The proposed approach delivers on housing and regeneration objectives in a way which is simply not possible by pursuing 'business as usual.'

Planning Policy

- 2.9 Members will be aware that the borough's planning policies sit within a complex framework of strategy, some set by the Council and others at London-wide and national level. All these policies and objectives are considered within the draft Estates Local Plan.
- 2.10 There are five documents which make up the borough's Development Plan:
- The Mayor's London Plan 2015 (and any subsequent amendments)
 - Merton's Core Planning Strategy 2011
 - The South London Waste Plan 2012
 - The Sites and Policies Plan 2014
 - Policies Map 2014.

The Draft Estates Local Plan, once adopted, will sit alongside these documents and form part of Merton's Local Plan.

- 2.11 The National Planning Policy Framework 2012 (NPPF) sets out the Government's policy on planning matters in England. All local plans should be in conformity with this national policy. The NPPF contains a presumption in favour of sustainable development.
- 2.12 The Mayor's London Plan March 2015 contains planning policies which guide all London boroughs on issues which benefit the whole of London, such as the number of new homes to be built, the size of town centres and transport issues. All other planning documents, including this Estates Local Plan must generally conform to the London Plan. The new Mayor has not yet begun formal consultation on amendments to the Plan, but has strongly signalled that any changes will both tighten the definition of 'affordability' and emphasise the proportion of affordable homes required in any new development..
- 2.13 The Merton Sites and Policies Plan and the Policies Map contain the detailed planning policies which guide planning applications for development in Merton and implement the more strategic principles set out in Merton's Core Planning Strategy and the London Plan. These documents also set out site allocations for new uses and illustrate where certain planning policies apply, such as town centre boundaries and neighbourhood shopping parades.
- 2.14 The core role of the Estates Local Plan is to guide development in the relevant areas, both for applicants bringing forward proposals and for members sitting on the Planning Applications Committee (PAC) when they consider those proposals. Without adopting such a document, it will be harder for developers (in this case CHMP) to have confidence that the Committee will support their proposals and they may therefore be less willing to commit to the investment needed. The Local Plan also helps the

PAC to ensure that proposals meet the Council's broader regeneration and community objectives.

Estates Local Plan executive summary

- 2.15 The Estates Local Plan has been prepared by the council to help guide what could be built and assess planning applications for three estates in Merton. Eastfields (Mitcham), High Path (South Wimbledon) and Ravensbury (Mitcham / Morden). If adopted, it would become part of the statutory Development Plan for the council and it has been prepared under the relevant government regulations and guidance associated with development plan-making.
- 2.16 Part 2 outlines the background to the document. It sets out its relationship to other plans and policies, the key drivers for the Plan, the case for regeneration, the overall design principles and the council's vision for each of these new neighbourhoods. It also defines the three geographic areas where the Plan applies, known as the Policies Map.
- 2.17 The Estates Local Plan will help shape significant investment in the borough and is a rare opportunity to support substantial improvements to the building fabric, pavements and roads, drains, street lighting, parks and landscaping of each area, to create neighbourhoods that will last. It will help provide new homes for existing residents at the same time as creating an attractive, well-connected neighbourhood and providing new homes to help address the needs of future residents.
- 2.18 The creation of new paths and streets within each estate and between the estates and the wider area will support walkable neighbourhoods, make it easier for people to find their way around, enhance the feeling of safety and security, and integrate the estates into the wider community.
- 2.19 It is important to note that the Estates Plan is based on deliverability evidence that shows that the three estates must come forward together to achieve regeneration. The estates regeneration programme presents a particular opportunity for the smaller estates at Eastfields and Ravensbury for which regeneration is only financially viable when connected with High Path.
- 2.20 The Estates Local Plan guides how new homes will be delivered via a co-ordinated strategy, considering the social, economic and environmental opportunities and impacts of growth and provides the framework for sustainable development of these areas.
- 2.21 The regeneration of all three estates as part of a single comprehensive programme has been presented to the council as the basis for being able to viably deliver regeneration and it is on this basis that the council is considering the deliverability of the Estates Local Plan. The delivery of attractive viable regeneration proposals on Eastfields and Ravensbury would not otherwise go ahead, were the smaller estates expected to be viably regenerated to a high standard as stand-alone developments.
- 2.22 Part 3, the main part of the document, looks at each of the three estate neighbourhood in turn. It proposes a set of detailed policies to guide

development. This is based on a detailed site analysis of the current neighbourhoods and a study of the historical context of the three estates.

- 2.23 The approach to Eastfields set out throughout the vision and policies in Part 2 of the plan is to plan for a “contemporary compact neighbourhood”: a new neighbourhood created with a distinctive architectural style in recognition of the existing estate’s experimental design with new traditional streets and paths through the estate improving links and views to the surrounding area. The creation of some landscaped streets and paths running through the estate will open up the estate improving access and views from the surrounding greener areas while retaining trees and green spaces within the neighbourhood. Improvements to the pavements, streets and drainage will also benefit the area.
- 2.24 The vision for High Path is to create a new neighbourhood, with taller brick-clad buildings set along a traditional street pattern which improves links to the surrounding areas. Buildings will be laid out as modern mansion blocks, a recognisable building type successful in other parts of London, which have a consistent height with good internal design and access to quality amenity space.
- 2.25 The approach to Ravensbury is to retain the character of its suburban parkland setting, retaining the attractive four-storey maisonettes in Ravensbury Court and creating a neighbourhood to the west. The townscape will be characterised by buildings arranged as traditional streets and spaces set in the wider parkland, improving links to the surrounding area, helping to manage flood risk and which protects and enhances landscape quality.
- 2.26 Part 4 sets out detailed design parameters to ensure design consistency across each estate. The plan ends by outlining how the plan will be delivered and implemented.
- 2.27 The Sustainability Appraisal / Strategic Environmental Assessment published alongside the Estates Local Plan demonstrates how the Plan has been informed by social, environmental and economic criteria as it has been created. This ensures that the final plan will facilitate sustainable development. Health impacts and equalities impacts have also been considered in the creation of the plan; the Health Impact Assessment and the Equalities Impact Assessment are available on Merton Council’s website via www.merton.gov.uk/estatesplan and available on request to future.merton@merton.gov.uk or 020 8545 3837.

Self Build and Custom Housebuilding Act

- 2.28 The council has a number of duties under the Self Build and Custom Housebuilding Act 2015. One of these is to have regard to the entries on Merton’s Self-Build register when carrying out functions relating to planning, housing, the disposal of land owned by the authority and regeneration.
- 2.29 To date (early November 2016) there are 195 individuals and two groups, although there may be duplicate names within the register.

- 2.30 Officers have had regard to the council's duties under the Self Build and Custom Housebuilding Act and associated regulations when preparing the Estates Local Plan. Officers do not recommend allocating sites for self-build and custom housebuilding as part of this Estates Local Plan on the basis that this is an estates regeneration programme and therefore the priority is rehousing residents who are already living on the three estates in new homes built to modern standards and providing new homes viably to meet housing need.
- 2.31 This does not preclude self-build and custom housebuilding within any or all of the three estates as part of the delivery of the plan, should this be a viable option supported by the landowner. In line with the recommendations of the Borough Plan Advisory Committee and Cabinet at their meetings in November 2016, it is recommended that CHMP are approached to see if they would consider supporting self build or custom housebuilding, for example by the sale of small surplus sites scattered across the borough.

Merton Council & CHMP's 10 Commitments and the residents offer

- 2.32 As detailed in Section 4 of this report, the council has carried out its own engagement to inform the production of the Estates Local Plan. The main respondents have been residents living within, nearby or owning property within the estates. Circle Housing Merton Priory have also provided an extensive response. Statutory consultees, including the Greater London Authority, Transport for London, the Environment Agency and other bodies have also provided responses. All of these have been considered in helping to shape this document.
- 2.33 When considering the approach to these estates, both CHMP and Merton Council have considered several options, set out in paragraph 3. When proposing a larger scale regeneration, both parties have been aware of the uncertainties and challenges this represents for residents and have sought through consultation and commitments to reassure them about the impact.
- 2.34 There has been extensive consultation on the proposals already, as set out in paragraph 4. In addition, and following the July 2014 Council decisions, the two organisations agreed a series of promises to residents, known as the '10 commitments'. These are listed below:

Ten Commitments

1 Circle Housing will consult with residents, consider their interests at all times, and address concerns fairly.

- 2.35 The council's extensive consultation is set out in Section 4 of this report. CHMP's response: In summer 2013 Circle Housing began consulting with residents of High Path, Eastfields and Ravensbury about the possible regeneration of the three neighbourhoods. Consultation activities, including one-to-one meetings with individual residents, have taken place at each project milestone. The master planning process and development

of the Residents Offer have been supported by on-going exhibitions, workshops and drop-in events for all residents. Feedback is collated and used to inform further iterations of the master plan and design of the new homes. We make every effort to show the correlation between residents' comments and the development of our designs with feedback presented at events, in newsletters and online.

2.36 In June 2015 we [CHMP] launched an independent survey of all households and published the results on our website. All individual enquiries from are dealt receive a personalised response from one of our regeneration managers.

- Other communications channels we use to keep residents informed include:
- Letters and newsletters with dates of the new master planning events delivered to all households at the same time. These are available in large print or translation
- Posters and flyers to advertise events
- Ongoing dialogue with the Wimbledon Guardian to make sure we are setting the news agenda for regeneration
- A dedicated project website
- Briefings with ward councillors and local MPs

2. Current homeowners will be entitled to at least the market value of their home should they wish to take the option to sell their home to Circle Housing.

2.37 This is a particularly important consideration as it reflects the strong concerns of residents that they are not financially disadvantaged by the regeneration in assessing the financial structure of the proposals for CHMP. It must also reflect the implications of the Secretary of State's recent decision regarding payments for properties on the Aylesbury Estate in Southwark.

2.38 CHMP's response: This is explicit in Residents Offer which includes sections for resident homeowners and landlords. The former receive market value plus 10% and the latter receive market value plus 7.5%. Valuation, legal and relocation costs are also included. Resident homeowners who wish to stay living in their neighbourhood after regeneration will be offered a replacement home with the same number of bedrooms as their existing home at no cost. They will own their home outright from when they move in and may only have to repay some or all of the difference between the replacement home and existing one if they move within 11 years. (Please note that a replacement home is likely to be worth more than an existing one).

2.39 CHMP's 'early buy back' scheme gives homeowners the option to sell their home to us on the same terms as above (not including the replacement home option) if they wish to move before the regeneration starts.

3. Existing Circle Housing Merton Priory tenants will keep all their rights, including tenancy conditions and the associated rent level, in the new neighbourhood as they do now.

- 2.40 These commitments, crucial to many tenants, remain in place.
- 2.41 CHMP's response: the Residents Offer published in May 2015 by Circle guarantees that current tenants will keep all their rights, including tenancy conditions and the associated rent level, in the new neighbourhood as they do now.

4. Current tenants will be entitled to be rehoused in a new home of appropriate size considering the number of people in the household.

- 2.42 CHMP's response: The Residents Offer published in May 2015 by Circle guarantees that current tenants will be rehoused in a new home of the appropriate size considering the number of people in the household. This will result in an increase in the number of habitable rooms being provided overall as none of the currently overcrowded households will be overcrowded in their new homes.

5. All new properties will be more energy efficient and easier to heat than existing properties, helping to keep down residents' fuel bills.

- 2.43 This requirement is central to the Estates Local Plan and will need to be reflected in planning applications.
- 2.44 CHMP's Response: all new properties will be built to current energy standards and will be better insulated and easier to heat than those that they replace. Circle Housing's masterplan proposals and planning applications for early phases outside the masterplans will include details on the type of construction and energy strategies that will be in place to demonstrate this.

6. Circle Housing Merton Priory will keep disruption to a minimum, and will do all it can to ensure residents only move once if it is necessary to house them temporarily while their new home is being built.

- 2.45 The council will always expect that minimising disruption and specific support as key parts of the works which will be undertaken and managed by CHMP.
- 2.46 CHMP's response: Circle will keep disruption to a minimum by having workable decant and construction strategies in place. Housing needs of existing households will change over the course of the project and we will keep this under constant review. Wherever possible, existing residents will move directly into their new homes. If temporary housing is unavoidable Circle Housing will assist residents with their moves.

7. Circle Housing will offer extra help and support for older people and / or disabled residents throughout the regeneration works.

- 2.47 This is a key commitment that the council will be keen to ensure is maintained throughout all regeneration projects.

2.48 CHMP response: CHMP have committed to helping older and disabled residents throughout the regeneration works. This will include helping tenants and resident homeowners arrange and prepare for their move, arrange service and utilities connections, etc. CHMP offer help with things like re-hanging curtains and fitting lightbulbs, provided through a free handyperson service. If tenants or resident homeowners have any extra needs CHMP can offer support or refer them to specialist services. Each neighbourhood will have dedicated staff appointed to help residents every step of the way to help make the move go as smoothly as possible.

2.49 In our Residents Offer we promise to help residents / tenants 'arrange and prepare for your move. We'll pay for removals including packing materials and a packing service. For older and vulnerable residents, we'll offer help with things like re-hanging curtains and fitting lightbulbs. If you have any extra needs connected with your move, we can offer support or refer you to specialist services.

- Extra help could include:
- Help with claiming benefits at your new address
- Help with changing electricity, water, phone and other utility supplies
- Advice about home aids and adaptations

8. Circle Housing will continue to maintain the homes of residents across the three neighbourhoods throughout the planning process until regeneration starts, including ensuring a high quality responsive repairs service.

2.50 Whilst the regeneration plan is instead of the refurbishment needed to bring homes up to the Merton standard of decency, it will still be important that during the regeneration phase all homes are maintained to an adequate standard of repair, including responsive repairs. Commitment 8 gives Circle's commitment to ensure that this happens. We will continue to work closely with Circle, using the established system of performance reporting, to ensure that this commitment is met. This is all the more important given recent concerns on this point.

2.51 CHMP response: we are committed to ensuring that all homes across its stock including those identified for regeneration are maintained as per residents tenancy and leaseholder agreements. Any required repairs will be remedied within the current contractual timescales in accordance with the nature and urgency of the repair. In addition Circle carry out independent quality checks of repairs undertaken and routine property checks will be ongoing throughout the regeneration programme. Where it is mandatory Circle Housing will continue to ensure serviceable items are inspected and certified safe within the required periodic timeframe to ensure statutory and regulatory requirements are adhered to. In addition periodic inspections and assessments will continue, with associated identified actions and or consequential works tracked and managed

9 Any growth in the number of homes will be consistent with the Council's Development Plan so that it is considered, responsible and suitable for the area.

2.52 This commitment is reflected in the council's estates plan which contains a thorough analysis of each neighbourhood. The council's commitment in this area will then need to be reflected in the planning applications made by CHMP.

2.53 CHMP's response: our regeneration proposals take into account the Council's Development Plan so that the growth in homes is proportionate, while addressing the borough's urgent need for high-quality new housing.

10 As a not for profit organisation, Circle Housing will not profit from any regeneration and will use any surplus to provide more housing or improve existing neighbourhoods.

2.54 This will be monitored through the legal agreements between the council and CHMP

2.55 CHMP's response: As a not for profit organisation with a social purpose of enhancing life chances, Circle Housing invests any surplus back into building and maintaining homes and supporting communities.

More information on resident's offer.

2.56 Homeowners have raised concerns with the council during Estates Local Plan consultations and throughout 2015 and 2016 about their residents offer and in particular what "like for like" actually means. While this is set out in the 2015 residents offer, the council have exercised its due diligence to residents in seeking clarification from CHMP on this important matter. CHMP have provided this clarification as follows:

<p>A) Do resident homeowners get like for like?</p>	<p>The Residents Offer details the Replacement Home Option which is offered to those resident homeowners who were living on one of the three neighbourhoods on the 27th May 2015 (when the Residents Offer was published). The Replacement Home Option confirms:</p> <ul style="list-style-type: none"> • If you are currently a freeholder you will be offered a freehold on your new property • If you are a leaseholder you will be offered a new 125-year lease on your new property • The new home will be at least as large as the home it replaces • Every Replacement Home will have private outdoor space • If you live in a house you will be offered a house, if a flat a new flat and a maisonette a new maisonette • The new home will have the same number of bedrooms as the existing home had when it was first built • There will be a Replacement Home for every resident homeowner who chooses to stay • They will be entitled to a £3,000 disturbance allowance
<p>B) If you are a freeholder now, will you be a leaseholder (and therefore liable for</p>	<p>If you are a resident homeowner and a freeholder we will offer you a new freehold property.</p> <p>If you are a resident homeowner and a leaseholder we will be offering you a new 125 leasehold at no cost and irrespective of how long you have to</p>

<p>service charges) in the new development?</p>	<p>run on your current lease</p>
<p>C) What circumstances will shared ownership or shared equity products be offered to resident homeowners? What circumstances are envisaged where these products will be offered to resident freeholders?</p>	<p>There is no shared ownership option (which involves paying rent on the part of the home owned by the Housing Association) in the Residents Offer.</p> <p>CHMP include a shared equity option (where no rent is payable) as a “safety net”. This is to ensure that those residents who have a mortgage and for some reason are unable to transfer it to their new Replacement Home (perhaps because their circumstances have changed) will still be able to take up the offer of a new home and stay in their neighbourhood. In those circumstances we will meet the financing gap using shared equity. This helps us fulfil our commitment to provide a Replacement Home for any resident homeowner who chooses to stay and at no cost to them.</p> <p>Where one of CHMP’s tenants exercises their Right to Buy after the 27th May 2015 (when the Residents Offer was published) CHMP will offer them a new home of the same size and typology on a shared equity basis.</p> <p>These are the only circumstances where shared equity is applied in the Residents Offer.</p>
<p>D) Where will all resident homeowners live during the redevelopment process and who will pay for this?</p>	<p>CHMP will always try to move resident homeowners straight into their new Replacement Home, i.e. without the need to be temporarily housed. The phasing plans for all three neighbourhoods have been designed to accommodate this approach.</p> <p>For a small number of existing resident homeowners this may not be possible, for example as a consequence of their choice of location and its position in the phasing plan. CHMP may be able to offer a temporary Circle Housing home in their neighbourhood or another part of Merton, though this would need to be agreed with the London Borough of Merton who retain nomination rights as part of the 2010 Transfer Agreement.</p> <p>A disturbance payment of £3,000 will be available. Resident homeowners won’t be charged rent as long as they agree to the terms set out in the Residents Offer regarding accepting the market value plus 10 per cent for their existing home, the value of the new home and the licence agreement for the temporary home.</p> <p>Anyone living in a temporary home for longer than one year will be entitled to an additional £3,000 disturbance payment.</p>
<p>E) Is “like for like” tenure; number of bedrooms; habitable rooms or house / flat?</p>	<p>The Replacement Home option means that if you live in a house which was originally built as a three bedroomed house, then the Replacement Home will be a three bedroomed house. The owner of a two bedroomed flat will be offered a new two bedroomed flat, etc.</p> <p>Every Replacement Home will be at least as large as the home it replaces.</p> <p>Every Replacement Home will have private outdoor space (i.e. a garden, balcony or roof terrace) irrespective of whether the original home had this or not.</p>

- 2.57 CHMP has made a detailed residents' offer as part of its consultation and preparation for regeneration which was published in May 2015. They have also made a series of commitments on repairs and maintenance. These service elements, while not directly relevant to the decisions within this report, are of considerable importance to residents.
- 2.58 Members are also requested to note that the Homes and Communities Agency has given approval for the merger of Circle Housing and Affinity Sutton.

Circle Board

- 2.59 Circle Housing are implementing a programme across the group of amalgamating the individual housing associations within the group into one large association. Circle see this process known as 'Resurgence' as a key means of achieving greater efficiency and effectiveness and as necessary to ensure they can deliver regeneration schemes such as the one proposed in Merton. In Merton this would result in the disbandment of the CHMP Board and the creation of a local Community Panel
- 2.60 Negotiations continue regarding the establishment of a local Community Panel specifically for Merton residents. While not a planning or regeneration matter, it interconnects with the relationship between the organisations and their reputations with residents.
- 2.61 CHMP are currently in consultation with residents on the plans. The consultation ends on 30 November 2016 and the results are due by 7th December 2016.
- 2.62 Circle Housing seeks to complete the process by March 2017 and will require the support of the Council to achieve this.
- 2.63 Members are requested to note the process of Resurgence that is underway that following the resident consultation and the finalising of the Community Panel Terms of Reference, further information will be presented to Council in February 2017 in order for Members to make to make a decision on this matter.

Formal relationship with CHMP

- 2.64 This section of this report addresses a number of matters in the formal legal agreements with CHMP:
- the Stock Transfer Agreement (STA) and clawback,
 - the Council's possible role in land assembly
 - arrangements regarding nominations
 - process for negotiations and delegations

- 2.65 On 9th July 2014, council agreed to a variation of the Stock Transfer Agreement. This suspended CHMP's obligations to carry out work required to achieve the Decent Homes standard on the three estates for up to 18 months to enable CHMP to explore estate regeneration. Council also agreed to start the preparation of an Estates Local Plan to explore regeneration.
- 2.66 The Cabinet meeting of January 2016:
- delegated authority for concluding financial negotiations to the Directors of Environment and Regeneration
 - delegated authority for agreeing a programme to deliver Decent Homes to the Director of Community and Housing, and
 - required amendments to the Stock Transfer Agreement to come back to Cabinet and Full Council
- 2.67 In January of this year, after the 18 months had been reached, Cabinet reviewed the position and decided that CHMP must be held to their Stock Transfer Agreement commitments to deliver Decent Homes for residents during preparation for and delivery of this renewal programme. Authority was delegated to the Director of Community and Housing to agree an approach to delivering these works. CHMP have made a detailed proposal which has largely been agreed by the Director of Community and Housing and is in the process of being formalised.

Stock Transfer Agreement

- 2.68 There are a number of issues on which the Stock Transfer Agreement needs to be updated but which have no financial impact. Heads of Terms for this Deed of Variation being drafted. As these are technical matters it is recommended that negotiating final agreement within these Heads of Terms is delegated to the Director of Environment and Regeneration, Director of Community and Housing and Director of Corporate Services.
- 2.69 The financial impact of discussions on clawback are discussed at Section 6. Members will see from that section that there is no proposed change on the percentage rate of payment for sold properties, although there is outstanding discussion on the rate of payment (e.g. quarterly or annual).

Land Assembly

- 2.70 The estates each sit in different ways in relation to their surroundings, offer slightly different challenges in respect of retaining residents close to home during any temporary decant period and a range of opportunities to improve the urban fabric while optimising the number of new homes. CHMP may need to assemble land to realise these opportunities.
- 2.71 If the current owners of sites that prevent comprehensive and effective regeneration are resistant to sale, the Council will be asked to consider exercising its Compulsory Purchase powers. Property acquired in this way would then be sold to CHMP as part of the programme. If a situation should arise where regeneration can only be delivered through use of

those powers then a separate and further decision will be required by members about whether to proceed. This report is not a decision to exercise such powers nor does it delegate the specific exercise of such powers to any councillor or officer.

- 2.72 CHMP have undertaken to indemnify the Council against any and all reasonable costs involved in using these compulsory purchase powers. The details of such a legal agreement would be reported to members at the time they were asked to consider using such powers on specific sites.

Nominations and void management:

- 2.73 New affordable homes which replace those existing now will be covered by the existing Nomination Agreement which ensures that 100% of True Voids are made available as nominations to the Council. When the planning consents confirm that new affordable homes for rent will be provided (which are not replacements of existing affordable homes), the Council will need to negotiate and enter into a new supplementary agreement for nominations.

- 2.74 Negotiations have begun with CHMP on the use of void properties on the estate, especially those bought back from owners, with the intention using them to help the Council with the discharge of its obligations to people that are homeless or in housing need.

Process of negotiation, governance and oversight

- 2.75 Members are therefore recommended to:

- Continue the delegation (as agreed by Cabinet in January 2016) of negotiation with CHMP on financial viability matters to the Director of Corporate Services, Director of Community and Housing and Director of Environment & Regeneration in consultation with relevant Cabinet members, and
- Delegate final conclusion of the Deed of Variation to the Stock Transfer Agreement to the Director of Corporate Services, Director of Community and Housing and Director of Environment & Regeneration in consultation with relevant Cabinet members.

- 2.76 Members of course retain a keen interest in the service provided by CHMP to its tenants, leaseholders and residents on the estates, even though the Council is no longer providing these landlord services. At its meeting July 2014, members expressed continued concerns about the quality of relevant services to residents and have closely monitored performance since.

- 2.77 In addition to the Cabinet consideration in January 2016, the *Sustainable Communities Scrutiny Panel* discussed the programme on the following dates:

29 September 2015:

- Overview of Stock Transfer and update on delivery commitments
- CHMP Regeneration programme

- Repairs and Maintenance Programme

11 June 2015:

- Update on regeneration
- Report of Housing Scrutiny Task Group

7 September 2016

- Circle Housing Merton Priory merger with Affinity Sutton

- 2.78 The Sustainable Communities and Transport Partnership has also monitored the programme with discussions in March and June 2015 and March and September 2016.
- 2.79 The Borough Plan Advisory Committee has closely monitored the development of the Estates Local Plan, specifically at their meetings in September 2014 and January, April, September and November 2016.
- 2.80 The most recent meeting of Borough Plan Advisory Committee took place on 8th November 2016. At this meeting councillors resolved to advise Cabinet of the following recommendations, which Cabinet resolved to recommend to this council at their meeting on 14th November 2016
- to publish the Estates Local Plan and associated sustainability appraisal for comments followed by submission to the Secretary of State for Communities and Local Government
 - To delegate authority to the Director of Environment and Regeneration in consultation with the Cabinet Member for Regeneration, Environment and Housing to approve any amendments to the Estates Local Plan and sustainability appraisal that may arise from 24 November 2016 until the receipt of the Planning Inspector's final report, to approve consultation documents or officer's responses to comments received at the pre-submission consultation and during the examination process.
 - To ensure it is made clear that a key reason that regeneration on Ravensbury is being supported, despite local opposition, as a method of providing a viable, comprehensive replacement of all of the Orlit homes to modern Decent Homes standards.
 - To ensure that it is clear that estates regeneration is only supported where all three estates go forward to benefit from full regeneration, and not otherwise
 - To recommend that the council has had regard to the Self Build Register when developing the Estates Local Plan and that the council should not allocate specific sites for self build and custom housebuilding in the Estates Local Plan in order to prioritise rehousing residents who are already living on the three estates in new homes built to modern standards and to progress a viable regeneration project
 - To recommend that officers ask Circle Housing Merton Priory if CHMP would consider their sites, particularly smaller sites scattered across the borough, for self-build and custom housebuilding.

2.81 It is proposed that these reports will continue at significant milestones in the project.

3. ALTERNATIVE OPTIONS

3.1 The strategy proposed in the Estates Local Plan and the CHMP comprehensive regeneration programme are initially driven by two housing objectives (although, as paragraph 2 makes clear, there are other regeneration objectives achieved). The aims are to improve the housing stock and to increase the supply of dwellings. This options analysis looks first at the key decision in this report, to publish and submit the Estates Local Plan, and then at the issues surrounding regeneration and replacement.

3.2 Unlike some authorities embarking on comprehensive estate regeneration, Merton Council does not own the housing stock, and little of the land surrounding the estates. Planning policy is therefore its key lever in steering and controlling the regeneration, supported by legal responsibilities placed on CHMP through its agreements with the Council.

Production of the Local Plan

3.3 Two options are available for the Council regarding its planning policy framework:

- do not create a local policy framework and rely on the NPPF and London Plan for guidance in determining applications from CHMP
- produce an Estates Local Plan

3.4 These options have been evaluated against their contribution to the housing objectives, broader regeneration aims, the cost to the Council, and the risk assessment of achievement. Each option has been graded for its contribution:

1 Low: this option has no or very little impact to support the Council’s objectives (including managing with available resources)

2 Limited: the option has only a small contribution to the objectives, applying only in specific circumstances

3 Useful: will help the Council procedurally or financially in achieving its objectives

4 Significant: makes a major contribution to delivering the objectives

5 Crucial: this option is a necessary condition of delivery, without which the programme cannot go forward

	No local planning policy framework	Produce an Estates Local Plan
Contribution to improving existing stock through Decent Homes	Limited as such improvements would not normally require planning consent unless new homes were being built	
Contribution to developing more	Low as although both NPPF and the London Plan are in	(1) Significant as allows Council to set its expectations for growth, rooted in

new homes	favour of new developments they provide relatively little local guidance on key matters relating to local character and capacity, site layout, density etc which fundamentally affect the amount of housing delivered	existing and developing policies regarding site layout and access, open space, connectivity and services. (2) Significant in providing clarity and certainty to residents as to what the regenerated estates could be like and to CHMP (as developer and investor) on the Council's position and therefore helping the regeneration to proceed to an agreed Plan (3) Useful in enabling PAC to make robust decisions which are less likely to be subject to appeal or inspection
Contribution to broader regeneration aims	Limited as it will be entirely in the power of the developer whether to include e.g. employment or retail in the proposals	Significant as a thorough policy framework can set out such expectations, in addition to principles regarding transport, design quality, accessibility and safety that are specific to the character and needs of each area.
Cost	Significant: this option has no immediate cost	Low: there are costs to developing a Local Plan. To minimise the impact on council taxpayers and the public purse, CHMP is making a major contribution to these costs (see para 6 below)
Risk assessment of delivery	Green: no action is required	Amber: adopting the Estates Local Plan is a lengthy process including an Inquiry which is not within the Council's control regarding timing or outcome.

3.5 This appraisal suggests that the Council's objectives are better supported by developing an Estates Local Plan and so it is recommended to proceed.

Regeneration options set out during the development of the Estates Local Plan

3.6 The issues and options consultation on the Plan earlier this year set out three options:

- refurbish existing homes via the CHMP decent homes programme,
- consider selective infill developments to increase housing supply and
- consider a full-scale regeneration of the three estates.

3.7 It should be noted that the majority of the options assessment for this programme rests with CHMP as owner, developer and investor. There are several elements of their consideration which are of specific interest in their support to the Council's objectives:

Issue	CHMP position	Commentary from Merton Council perspective
Delivery of additional homes	The plans propose an additional 1489 homes (based on September 2016 iterations of the masterplans). New homes will not be generated by a repair-based strategy.	Creating additional housing in the borough is key objective of several strategies and a major driver of national government policy. Consideration of the quality of the new neighbourhoods and homes proposed will be an important consideration for Merton's Planning

		Applications Committee.
Delivery of affordable housing	All affordable housing units will be re-provided and overall numbers (currently) projected to increase by 38, which would not happen in a repair-based strategy.	The proposals will need to be compliant with the London Plan and Merton's Core Planning Strategy requirements for affordable housing (as they are at the time of determination) which will be an important consideration for Merton's Planning Applications Committee when applications are received.
Increased size and rooms available in affordable housing	On the basis of habitable rooms the proposals indicate a c12% growth in affordable provision. These are all for affordable rent, at not more than 65% of local market levels. (Shared equity properties are not included in this calculation). This would be impossible in a repair based strategy.	Eradicating overcrowding is a key objective so increasing the supply of bigger affordable homes is a significant contributor to help meet housing need.
Increased size properties	All new homes built to London Plan and London Housing SPG space standards and have private outdoor space (including balconies). Changing the sizes of existing properties is impossible without replacement.	Significant amenity and size improvement for residents.
Addressing major structural issues with the dwellings	Some of the properties are in need of major structural works or can be expected to fail in the next few years. This is particularly important in respect of the Orlit houses in Ravensbury. (Such properties are classed as defective due to problems with the cement processes used in construction which in turn affect the steel beams and joints used in the house frame.) Replacing or very major repairs to these properties will be required, probably during the anticipated life of the regeneration programme.	The judgement of the best technical strategy is a matter for CHMP as owner of the properties. Officers recognise the problems with this method of construction which has been widely reported.
Other placemaking features including open space, community facilities, employment and retail space, job creation.	These are much greater under the regeneration proposals than in the repair-based strategy, including significant elements of employment space and improving current unkempt open space being particular benefits	A repair based strategy which does not alter the footprint of existing buildings cannot achieve these gains.
Disruption and dislocation for residents.	This is being managed as carefully as possible but is inevitable in a large scale programme	The repair based approach is of course less disruptive in the short term.
Financial impact.	CHMP's case for regeneration (updated October 2016) states that refurbishment and partial redevelopment of the three estates	The costs of all options fall entirely on CHMP. Provision of additional, homes, particularly affordable housing, will help to address

	will each incur costs of over £40million. For whole site regeneration, there would potentially be a profit of £9million.	overcrowding, improve the council's ability to manage its housing duties. Regeneration will require negotiation of and variation to the stock transfer agreement between the council and CHMP which will have financial implications depending on what is negotiated.
Process costs.	Complete renewal will be a higher process cost during the regeneration but should be reduced costs afterwards as repairs and complaints reduce	There are increased process costs to achieve agreement, but these are subject to an indemnity agreement from CHMP.

3.7 This outline appraisal of the issues raised by CHMP in considering the options between repair and renewal supports their assessment that renewal is preferable. In particular it is the stronger strategy for long term delivery of more housing, better quality homes and comprehensive regeneration.

3.8 The sustainability appraisal also reviewed the options of refurbishment and full regeneration (see section 8) and concluded that full regeneration was the preferred option.

4 CONSULTATION UNDERTAKEN OR PROPOSED

4.1 This report is primarily concerned with the planning policy framework, and to a lesser extent with the legal framework enabling regeneration. As mentioned in the first of the Ten Commitments above in this report, to date CHMP have also conducted extensive consultation on the detail of their proposed masterplans and regeneration.

Planning consultation with the public

4.2 Merton Council led consultations at each stage of the Local Plan preparation, summarised in the report of community consultation as an appendix to this report. There have two stages of consultation:

- September to November 2014: short leaflet and a long questionnaire, public meetings, meetings with residents groups
- February and March 2016: draft plan published, a short questionnaire, public meetings, drop in sessions on evenings and weekends and meetings with residents groups

4.3 Both rounds received a wide range of responses including letters, petitions, forms, hard copy and web replies from a wide range of residents and residents groups.

4.4 In the second stage, when residents were asked to comment between options for complete regeneration, partial regeneration and ongoing repair and maintenance, 312 responses were received:

- High Path: 106 responses,
- Eastfields: 86 responses,

- Ravensbury: 113 responses
- 4.5 There were also some multiple responses from the same household (2% each on Eastfields and High Path and 10% on Ravensbury).
 - 4.6 On both Eastfields and High Path the option of entire regeneration received the most support, preferred by 64% for Eastfield and 42% for High Path residents.
 - 4.7 By contrast, Ravensbury respondents had a strong preference for the repair option.
 - 4.8 The consultation also asked residents about eight policies relating to townscape: height, traffic movement, street network, the natural environment, design quality open spaces and environmental protection.
 - 4.9 The consultation responses for Eastfields and High Path showed support for all of the policy areas bar building heights, especially quality design of buildings and open space, support for traditional streets alongside the need to resolve traffic problems and high value placed on having access to well-designed parks, open spaces and play areas. Overall response rates on policy issues were very low on Ravensbury as many respondents didn't provide any information beyond their names, address and preference for repairs / partial regeneration / full regeneration. However the Ravensbury Residents Association provided an extensive 58-page response with detailed comments on the draft Estates Local Plan
 - 4.10 Building heights evoked the strongest responses overall, due to concerns about daylight, privacy, crime, micro-climates and deterioration in the character of the area.

Planning consultation with other organisations and statutory consultees

- 4.11 As part of the consultations on the Estates Local Plan between 2014 and 2016, the council has consulted various statutory organisations including the GLA, Transport for London, Historic England, the Environment Agency, Natural England and others.
- 4.12 Responses were received from most of these organisations which were used to inform the plan. All of the responses received can be found online via www.merton.gov.uk/estatesplan and are summarised in the Report of Consultation accompanying the Plan.
- 4.13 The council has also fulfilled its duty to co-operate requirements in consultation with other London boroughs, particularly its neighbours of Kingston, Sutton, Croydon, Lambeth and Wandsworth. While the estates regeneration project is a very significant project for Merton, the three estates are not located close to neighbouring boroughs and, from their perspective, propose a steady but modest increase number of homes spread over 10 years. Therefore other London boroughs have not identified significant issues of co-operation required on this particular plan over and above ongoing co-operation on housing.

Amendments to the draft Estates Local Plan

- 4.14 Following the stage 2 consultation, officers considered the consultation results, sustainability appraisal and other research including national and regional planning policy to consider what is the most appropriate option regarding estates regeneration and amendments to the draft Estates Local Plan.
- 4.15 A summary of these amendments was presented to the Borough Plan Advisory Committee in September 2016:
- Addition of composite plan for each estate and various amendment to improve consistency and clarity of plans.
 - Strengthening the townscape policies for each estate to ensure that how the estate looks and feels is linked to the overall vision.
 - Amendments to street network and movement and access policies and justification to clarify that vehicle and pedestrian movement should be managed separately from issues of the provision of a street, road or path: if a new road is provided (street network), whether it is open to two-way vehicle traffic should be a separate and more detailed consideration under movement and access; helping to address concerns about rat running and traffic movements.
 - Strengthened policy on environmental protection to clarify expected detail on flood risk mitigation, air quality, energy efficiency of building
 - For land use on each estate, updated policy to place a greater emphasis on the local character and site analysis of each neighbourhood, optimising (not maximising) housing supply, moving away from the rigid formulaic approach to density.
 - For building heights, improved guidance based on site analysis, area character and local context and removal of reference to fixed storeys
 - Section on design codes substantially amended to specify design requirements for planning applications - providing greater clarity as to what is expected of developers
 - Amendments to improve consistency regarding protection of existing trees and extending the trees along Merton High Street
 - Revisions to the delivery and implementation section to strengthen this
 - A number of text changes recommended by various respondents to improve or clarify the document, address factual errors

5 TIMETABLE

Timetable for Estates Local Plan

- 5.1 Presuming agreement to this draft Local Plan at full Council, the Plan will be formally published for a last period for comment. At this stage the council is not seeking any further amendments to the Plan, as respondents will have the

opportunity to comment to an independent planning inspector This period will last for six weeks and will run till late January or early February 2017. Following this period any consequential amendments will be incorporated, As set out in the recommendations, councillors will review the viability of the programme overall and the final draft submitted to the Secretary of State for Local Government and Communities by the end of March 2017.

- 5.2 The Planning Inspectorate will appoint an Inspector who will conduct an Inquiry. There is approximately a six month gap between submission and the Inquiry, the public hearing for which is expected to take approximately two weeks (depending on the volume of evidence submitted). The Inquiry is therefore likely to be completed somewhere in the Autumn of 2017.
- 5.3 Following the Examination and depending on the views of the Inspector there may be further amendments to the Estates Local Plan before it is finally resubmitted to Council for adoption. This is likely to be about one year from now.
- 5.4 Members should note that in the overall timetable this report is a key milestone. CHMP, like any applicant, may submit a planning application at any time. CHMP have said that they will submit outline planning applications for each of the estate to the Council in December 2016 as the Estates Local Plan proceeds to adoption. These planning applications for the whole estates would be determined after the Estates Plan examination and inquiry in public or after the formal adoption of the Estates Local Plan. This enables CHMP to confirm their proposals fit with the policy framework but will speed up regeneration and reduce resident uncertainty in the following years. A key issue raised by residents at the public consultations (whether they supported the regeneration or not) was the length of time it was taking and the associated uncertainty of not knowing whether regeneration would happen and therefore not being able to make investment decisions for their own homes or lives. Progressing with a programme that keeps the communities together and minimises the length of each regeneration phase will minimise uncertainty and disruption for those involved.
- 5.5 As the options appraisal at paragraph 3 sets out, without an Estates Local Plan framework, the PAC will be guided by Merton's statutory development plan (Merton's Core Planning Strategy 2011, Merton's Sites and Policies Plan 2014, the London Plan 2015) and national policy in making its decisions. As this draft Estates Local Plan moves forward, building in the views following consultation, it will gain weight in requiring the various policies to be followed, and support investor confidence.

CHMP regeneration planning applications timetables

- 5.6 CHMP have provided the following timetable for their regeneration proposals, (subject to other matters including approval of planning applications)
 - Planning approvals for Ravensbury Phase 1 - September 2016
 - High Path Phase 1 Planning application submitted – September 2016

- Outline Planning Applications (masterplans) for all three sites submitted – December
- High Path Phase 1 planning application determined – January 2017
- Ravensbury Phase 1 start on site – February 2017
- High Path Phase 1 start on site (subject to planning approval) – August 2017
First new homes ready for occupation at Ravensbury – March 2018
- First new homes ready for occupation at High Path – February 2019

6. FINANCIAL, RESOURCE AND PROPERTY IMPLICATIONS

- 6.1 There are several areas of ongoing financial analysis within the programme which are set out in summary below, which in turn inform the proposed ongoing approach to negotiating changes in the Stock Transfer Agreement. These include the CHMP Business Plan and indemnities operating between the Council and CHMP.

The CHMP business plan for regeneration

- 6.2 CHMP have of course undertaken significant analysis of the viability of the proposals and have operated an open book policy enabling the Council to see all elements of that appraisal. The Council has also commissioned independent reviews of this Business Plan, using independent advisers BBP. BBP consider the overall model used by CHMP to generally fit for purpose within the current agreements.
- 6.3 Members are reminded that the Business Plan operates across all three estates and cannot be unpicked to operate estate by estate. This is both because of the management of cashflow and the opportunities for additional properties for sale offered at different points in the programme.
- 6.4 It is crucial that the Business Plan shows a project which is viable (i.e. does not result in a loss to either CHMP or the Council) and is robust in its assumptions that underly the viability. The Planning Inspector will wish to see this confirmed during the Inquiry, even while recognising the variability of some key assumptions, so ensuring the Business Plan creates a robust, viable and deliverable programme is both a financial and planning matter for the Council to consider.
- 6.5 The Business Plan relies on assumptions about the costs of the project over many years and the income to be achieved by sales and rents. The number of properties, the rate of sales (whether shared equity or complete) and the ratio of market to affordable rents are therefore all key to viability. The assumptions made by CHMP do show the project to be viable, but some of them need further analysis and testing as following paragraphs set out.
- 6.6 It is of course the case that both the costs of the programme and the value of properties (both rental and sale) will change across time, and may also be considered especially unpredictable in the current trading context. Therefore it is impossible to predict all elements of the outcome, especially the repayments which might be made to the Council under the 'clawback'

provisions of the Stock Transfer Agreement. However, a formula governing such calculations was set out in the Agreement at the time of transfer.

6.7 Four aspects of the Business Plan financial assumptions are of particular importance for the Council in considering the decisions regarding the Stock Transfer Agreement and proceeding with the Estates Local Plan:

- Core assumptions in the model
- The 'clawback' model
- The treatment of VAT
- The effect of delay

Core assumptions in the model

6.8 The Business Plan makes certain assumptions about the development mix, income (to CHMP), costs, investment returns and the treatment of ongoing improvements.

6.9 Current development assumptions are based on early stage masterplans and will be subject to review as planning applications are prepared. The Council as Planning Authority will be considering the detailed applications and will have to determine how applications fit with policy aspirations (including the current policy requirement for 40% of the additional homes to be affordable.)

6.10 Income estimates based on consumer and house prices and building cost indices were considered broadly in line with forecasts at the time of the last review. Discussions are still underway regarding the estimates of sales prices, phasing of sales and early discounting, sales rates and rental income, all of which may be affected by post-referendum uncertainty.

6.11 A wide range of cost assumptions must be made in such a model. Further detail is still required on some elements (e.g. the costs of demolition). Others reflect policy assumptions (including the Community Infrastructure Levy charge payable on the development). Some are related to money directly payable to or by the Council (see below) and the residents offer.

6.12 The investment returns expected in the model are considered reasonable, and are lower than a mainstream developer would anticipate given the risks involved over such a long timescale.

The 'clawback' provisions

6.13 The Stock Transfer Agreement contains a provision within which the sale of additional dwellings (excluding commercial property) is subject to sums to be paid to the Council as a percentage of the sales achieved, depending on whether the proposed regeneration is a "Relevant Development or an "Estates Redevelopment". The agreement includes the current situation of a comprehensive regeneration (agreed as an "Estate Redevelopment") resulting in more properties being created and assumes the Council would receive 5% of the greater of (a) the price received on disposal by way of open market sale of any dwelling comprised within the Estate Redevelopment or (b) of the open market value of the dwelling comprised in such disposal..

- 6.14 CHMP have committed to delivering the programme with the existing 'clawback' agreement. The council would only receive clawback if the regeneration programme goes ahead and the specific numbers are generated by the assumptions in the model which (as the previous paragraphs spell out) are themselves subject to change. Such potential receipts calculations will vary depending on the particular inputs at the time of calculation (e.g. interest rate levels, project costs etc.). The latest iteration of the Business Plan confirms that the project is financially viable and this will be monitored over time.

The treatment of VAT

- 6.15 The Stock Transfer Agreement created an income to the Council arising from the way VAT is managed by CHMP. These receipts are factored into the Council's medium term financial projections and reviewed every six months. This income will be lost during the regeneration programme, representing some £3m across the 11 year build programme.
- 6.16 CHMP have now included an element for this income in their Business Plan but detailed technical matters mean that CHMP and the Council are still to reach agreement on the precise amount that should be taken into account.

The effect of delay on the programme: will the prospects for viability improve?

- 6.17 It is important to consider whether the cost:value ratio would improve in the future and so the Council's financial interests would be best served by delay.
- 6.18 Inevitably such considerations involve economic projections, but several factors can be identified for consideration:
- Costs will increase as more tenants exercise their Right to Buy
 - Increasing pressure to implement Decent Homes Works divert funds away from replacement and make the business case for renewal harder
 - Ongoing and increasing pressure on housing associations which reduce their room to manoeuvre
 - Moody's and Standard & Poor's have both commented that changes in government policy and reducing surpluses are affecting associations' credit ratings, which in turn reduces their access to cheap loan finance
 - Projections for the housing market in London. In 2015, Merton saw strong house price growth but the situation is now uncertain
 - Outlook for the construction market including resourcing problems (eg for supply of bricks) and labour supply, where there have been severe restrictions on builders' capacity following the 2007/08 crisis. This situation has been improving but may now also become more constrained.
- 6.19 As well as meeting housing need the projects should secure significant direct and indirect benefits including new construction and other jobs and fiscal benefits (through providing new homes for residents, Council Tax etc) which would not be achieved by reverting to an ongoing programme of repair. In addition, of course, delay would have social consequences given

the uncertainty and poor housing experienced by residents as set out in the regeneration context.

- 6.20 It is therefore considered that significant delays to the project could seriously undermine its viability and make implementation more challenging in the future. Hence this report recommends agreement to Heads of Terms for the Stock Transfer Agreement and delegation of agreement to officers to ensure the programme proceeds.

Indemnities

- 6.21 To minimise the impact of this regeneration programme on council taxpayers across Merton, the council have negotiated with CHMP to indemnify the Council for costs associated with delivering the regeneration programme and related matters including the costs of the Inquiry for the Estates Local Plan. An estimate has been made in the Business Plan and an agreement relating to these costs is being drawn up and forms part of the financial agreements referred to in previous reports and in the recommendations to this report.
- 6.22 Costs associated *with land assembly* are the most significant element of these indemnities. It will be crucial to agree with CHMP how these costs are calculated and their payment when incurred. This must include any costs incurred by the Council if residents or businesses claim financial loss due to blight during the programme. A draft Heads of Terms for the CPO Indemnity Agreement is being prepared between the two parties. Once agreed between the council and CHMP it will form part of the financial agreements.
- 6.23 At the time of the stock transfer, the Council gave CHMP an indemnity relating to the costs of asbestos removal and management where they exceeded £6m across the whole stock. The potential extent of this warranty given the regeneration proposals will now have to be revisited and potentially renegotiated in the light of the Estates Local Plan. These risks will be part of the viability assessment conducted before the submission of the Plan.

Monitoring and Payment Agreement

- 6.24 The Council is considering the best arrangement for managing payments by CHMP across the stock transfer provisions, indemnities for CPOs (if pursued) and costs, and VAT. As part of the financial negotiations, a Monitoring and Payment Agreement will be negotiated which reflects these issues and opportunities and formally comprised in a written agreement.
- 6.25 In negotiating the agreements with CHMP, it will therefore be important to consider
- the acceptability of the assumptions underpinning the outcomes and how sensitive or risky they are in achieving viability thresholds
 - the preferred approach to managing the various indemnities
 - how best to manage payment of the clawback provisions
- 6.26 These items will form part of the negotiations referred to above with the objectives of both securing the relevant indemnities and ensuring that the

process of this programme is cost neutral to the Council. In turn, the impact of those negotiations will be influence the overall viability of the programme which will be reported back to council in early 2017.

7. LEGAL AND STATUTORY IMPLICATIONS

- 7.1 The key areas relating to the Stock Transfer Agreement and its associated documents, the potential for the Council's role in Land Assembly, a Payment Plan and indemnities are discussed at preceding paragraphs, in addition to the proposed delegations for concluding relevant agreements.
- 7.2 It will be important to ensure that these agreements tie the three estates together, reflecting the financial, housing and planning relationships between the three which make this one overall programme.
- 7.3 The Town and Country Planning (Local Planning)(England) Regulations 2012 have informed the statutory procedure to be followed before a Local Plan is submitted to the Secretary of State for independent examination. The Estates Local Plan has been prepared in conformity with these regulations. The Estates Local Plan is also in conformity with the National Planning Policy Framework 2012, the London Plan 2015 and other associated guidance.
- 7.4 Failure to adhere to the statutory procedure or a lack of robust evidence to support the Plan may result in legal proceedings to challenge the validity of the plan.

8. HUMAN RIGHTS, EQUALITIES AND COMMUNITY COHESION IMPLICATIONS

- 8.1 Under section 19(5) of the Planning and Compulsory Purchase Act 2004, sustainability appraisal is mandatory for new or revised Development Plan Documents. The appraisal includes an assessment of the likely significant impacts - economic, social and environmental – of the plan.
- 8.2 The sustainability appraisal also incorporates a Strategic Environmental Assessment in accordance with the requirements of European Directive 2001/42/EC, transposed into legislation by the Environmental Assessment of Plans and Programmes Regulations 2004, section 12.
- 8.3 The sustainability appraisal assessed the three options for regeneration for each of the estates (i.e. full regeneration, partial regeneration and refurbishment). As a consequence, refurbishment only was rejected for each of the estates. Refurbishment would not enable an increase in the quantity or quality of homes and meet the needs of the borough in terms of current housing needs and projected changes in population growth. The long-term financial modeling carried out demonstrates a significant cost in the short term, however the benefits would also only be short term and the estates would require further investment to maintain the properties at a livable standard.

- 8.4 The sustainability appraisal selected full regeneration for Eastfields and High Path and partial regeneration for Ravensbury in recognition of the opportunity to provide new, modern, energy efficient, high quality homes that meet current decent home and space standards and improve the urban design, landscape, layout and accessibility of the site.
- 8.5 The sustainability appraisal also assessed each of the policies in the draft estates Local Plan and this ongoing assessment informed the submission version attached to this report. The majority of the effects of the policies are found to be positive. Negative impacts are recorded in relation to climate change, energy and carbon and waste as a consequence of the amount of new development that will occur. The sustainability appraisal also identifies the need to review new detailed data that emerges, for example within planning applications, to ensure that any adverse impacts are suitably addressed. It also highlights the risks to the delivery of the Estates Local Plan that are beyond the council's control, such as the state of the wider economy and the impact of climate change.
- 8.6 A shorter non-technical summary is available at the front of the appraisal.

Equalities Impact Assessment summary

- 8.7 The Public Sector Equality Duty is a responsibility laid on the Council by the Equality Act 2010. It consists of a general equality duty and specific duties, which help authorities to meet the general duty. In summary, those subject to the equality duty, must in the exercise of their functions, have due regard to the need to:
- Eliminate unlawful discrimination, harassment and victimisation and other conduct that is prohibited by the Act.
 - Advance equality of opportunity between people who share a characteristic and those who don't
 - Foster good relations between people who share a characteristic and those who do not.
- 8.8 The duty covers age, disability, sex, gender reassignment, pregnancy and maternity, race, religion or belief and sexual orientation. (These are the 'protected characteristics.)
- 8.9 The Act sets out that having due regard for advancing equality involves:
- Removing or minimising disadvantages suffered by people due to their protected characteristics.
 - Taking steps to meet the needs of people from protected groups where these are different from the needs of other people.
 - Encouraging people from protected groups to participate in public life or in other activities where their participation is disproportionately low.
- 8.10 The Act states that meeting different needs involves taking steps to take account of the impact of different experiences (for example, addressing

different forms of disability). It describes fostering good relations as tackling prejudice and promoting understanding between people from different groups. It states that compliance with the equality duty may involve treating some people more favourably than others.

- 8.11 The Act requires the Council to have a 'continuing and ongoing regard' for this Duty. It can show this regard in a range of ways as the Act is not prescriptive on this matter, but the most common is to conduct Equalities Impact Assessment (EqIA)at key decision points. In preparing the Estates Local Plan, officers carried out an EqIA (contained within the Sustainability Appraisal)
- 8.12 As with the Sustainability Appraisal, the Equalities Impact Assessment of the Estates Local Plan has informed and influenced the development of the submission version of the Estates Local Plan and will continue to be reviewed towards adoption. A specific indicator on Diversity and Equality has been added to the SA Framework to ensure that equalities issues are identified, although these will also be incorporated within many of the Sustainability Objectives, for example housing, access to services and facilities, social deprivation, health and wellbeing etc.
- 8.13 The EqIA assessment has shown that regeneration will result in major positive impacts for the issues of housing, access to activities and social deprivation. Minor positive impacts are achieved for diversity and equality and education and skills.
- 8.14 Regeneration is likely to have a positive effect on socio-economic inequalities, including offering opportunities for increase in training and new skills in the construction of the development and the provision of more energy efficient homes that require less maintenance.
- 8.15 A key expectation of the delivery of the regeneration is the commitment to keep existing community together in each neighbourhood and for existing residents to have a guaranteed right to return to a new home in a regenerated neighbourhood without being financially disadvantaged. The level of impact is uncertain at this stage with regards to wellbeing: residents will have more efficient, warmer, well maintained homes once redevelopment has taken place. However there will be significant disruption to residents as a result of the redevelopment. The phasing and decanting will need to be carefully considered an regularly monitored to minimize adverse impacts upon residents
- 8.16 The ongoing discharge of the Duty will require further consideration at the points where planning applications are received, the adoption of this plan and other decisions the Council may need to consider under its various powers. Members will be aware that the Duty does not require them to avoid all harmful effects but to recognise them, eliminate them wherever possible (and always with regard to unlawful discrimination or harassment) and mitigate any remaining consequences.

9. CRIME AND DISORDER IMPLICATIONS

- 9.1 The process of preparing the Estates Local Plan and preparing for the estates regeneration has not itself had Crime and Disorder implications.
- 9.2 The sustainability appraisal of the Estates Local Plan considers each of the policies against social, environmental and economic objectives, including those relating to crime and disorder.
- 9.3 The draft Plan does not require a specific planning policy relating to Crime and Disorder but instead incorporates a number of policies which enhance safety and perceptions of safety in the public realm and in residential areas. Collectively these policies support an approach of 'secure by design', creating places where people feel and are safe at all times of day and night, whether on foot, cycle or car, and both inside their homes and in public space.
- 9.4 The design principles include:
- *Blocks arranged so the fronts face outwards* protecting residents' privacy, creating a more 'legible' layout where people do not get lost or find it so easy to hide, building in natural surveillance and security
 - *Active frontages on the street* also enhance surveillance and create more activity at street level
 - *Well-designed public or communal amenity space*: will be well lit, while providing both privacy and surveillance, as well as providing easy and convenient access for all potential users
 - *Defensible space between the back of the footway and building frontage* will support better perimeter blocks and frontages
 - *Legible and accessible layouts* with convenient and accessible layouts encourage walking and cycling and hence more active streets where community cohesion flourishes
- 9.4 These principles are reflected in the estate-specific policies contained within the Estates Local Plan and will support an improved quality of life for current and future residents.

10. RISK MANAGEMENT AND HEALTH AND SAFETY IMPLICATIONS

Risk assessment

- 10.1 Risks are listed below with a red/amber/green rating based on an assessment of their likelihood and impact, together with the anticipated mitigation. They are categorised as risks related to developing the plan and emerging housing policy, those related to renegotiation of agreements, and those relating to the delivery of the regeneration programme itself.

10.2 The sustainability appraisal of the Estates Local Plan has also identified specific risks to the Estates Local Plan and potential mitigation measures.

Risks related to the preparation of the Estates Local Plan and housing services

Risk	R/A/G rating	Mitigation
The examination in public does not result in an approvable plan	AMBER	A thorough Plan which has been developed in accordance with proper processes and good representation at the examination will mitigate against this risk
CHMP'S housing services (eg repairs) fall below an acceptable level	AMBER	Continued detailed monitoring and close liaison
Not achieving decent homes or ongoing risks of poor housing	GREEN	The proposed renewal strategy is considered the best way to improve the quality (including size) and quantity of housing
Not achieving the housing growth envisaged in the London Plan	AMBER	Even with the additional properties in this proposal Merton Council has further targets, in particular for affordable housing.

10.2 *Risks to the Council connected with the negotiations*

Risk	R/A/G rating	Mitigation
Failure to agree changes to the Stock Transfer Agreement and the associated documents that meet the requirements that will enable the regeneration to proceed	GREEN	The changes are not anticipated to be controversial for either partner
Failure to agree a new Nomination Deed to cover additional affordable homes built (i.e. not replacement dwellings)	GREEN	The changes are not anticipated to be controversial for either partner.
Failure within the Council and then with CHMP to develop a Payment Plan (including provision for 'clawback') which meets the principles set out in this document	AMBER	Robust modelling of financial, reputational and delivery risks associated with different models and the capacity of both organisations to manage those risks.
Ensuring that the Business Plan model is robust, fit for purpose and well understood, and demonstrates viability at a level accepted to both partners and to the Planning Inspector	GREEN	Ongoing and detailed analysis with robust advice to the Council. Review by Cabinet in advance of submission.

10.3 *Risks to the Council connected with the regeneration programme*

Risk	R/A/G rating	Mitigation
Delays in the programme make it increasing unviable and do not address housing need now and in the future	AMBER	Continuing to move the programme forward

The risks associated with any large scale construction programme	AMBER	These risks primarily sit with CHMP as developer. The council will need to ensure that eg highways network management, public communications etc are robust
That regeneration results in poor quality neighbourhoods without the non-housing benefits identified	GREEN	The Estates Local Plan and robust planning management are key to mitigation.
Delivery capacity with CHMP and in the wider economy	AMBER	This is a long term and large scale programme, challenging even for a large and robust housing association, especially when capacity within the construction sector may be constrained. Capacity will need to be closely monitored throughout the programme.

Health and Safety Implications

- 10.4 No specific health and safety implications have been identified related to the preparation of the Estates Local Plan or the planning of the regeneration programme.
- 10.5 In considering the management of the regeneration programme the Council's Public Health Team has prepared a health impact assessment which has identified some areas where mitigation action is appropriate. These are considered in paragraph 8.
- 10.6 As the programme gets underway and sites come under construction there will of course be important facets of health and safety management which will be the responsibility of CHMP and their contractors.

11. APPENDICES – THE FOLLOWING DOCUMENTS ARE TO BE PUBLISHED WITH THIS REPORT AND FORM PART OF THE REPORT

1. Estates Local Plan Development Plan Document
2. Sustainability Appraisal / Strategic Environmental Assessment, including the Equalities Impact Assessment
3. Report of Community Consultation (including comments from the GLA and other statutory consultees)

Documents available online at:

<http://www.merton.gov.uk/environment/planning/planningpolicy/localplan/estatesplan.htm>

Other supporting documents are available on request

12. BACKGROUND PAPERS

- National Planning Policy Framework
- DCLG guidance on local plan preparation
- London Plan
- London Plan Housing SPG

- Merton's Local Plan: Core Strategy DPD 2011
- Merton's Local Plan: Sites & Policies DPD 2014

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