

TITLE	Gorse Ride Regeneration
FOR CONSIDERATION BY	The Executive on 16 May 2018
WARD	Finchampstead South
DIRECTOR	Graham Ebers, Director for Corporate Services
LEAD MEMBER	Richard Dolinski, Executive Member for Adult Services

OUTCOME / BENEFITS TO THE COMMUNITY

The proposed regeneration will transform the estate through the provision of a range of new, high quality, affordable and market replacement homes and additional new homes of mixed tenure with green public open space that will meet the needs and expectations of existing and future residents.

RECOMMENDATION

That the Executive notes the outcome of the feasibility work on the Gorse Ride estate and subsequently approves:

- 1) the rehousing of tenants and acquisition of owner occupied homes and the subsequent demolition and redevelopment of the Gorse Ride estate (comprising all properties in Billing Avenue, Dart Close, Firs Close, Orbit Close and Whittle Close (excluding numbers 19 to 26), as well as, Gorse Ride South (numbers 8 – 42, even numbers only);
- 2) the indicative development brief for the regeneration project;
- 3) the proposed funding model, including the allocation of £28,015,683 Section 106 receipts (for the provision of affordable housing) towards the regeneration project and £1,300,000 from the Housing Revenue Account (HRA) for statutory compensation payments to tenants, in accordance with the Part 2 Report;
- 4) the selection of Wokingham Housing Limited (WHL) as the development partner for the regeneration project and Loddon Homes Limited as the end landlord for the new homes;
- 5) that tenants living in the affected homes will be offered a new home on the regenerated estate on a lifetime assured tenancy with broadly similar terms to their current Council tenancy;
- 6) that homeowners living in the affected homes will be offered a range of options to enable them to purchase alternative housing, including the option to buy a new home on the regenerated estate (or potentially off-site) with financial support where needed through an equity loan scheme (or similar);

- 7) that the Council transfers the site to Loddon Homes Limited on terms to be agreed by the Director of Corporate Services in consultation with the Leader of the Council and Lead Members for Adult Services and Finance;
- 8) that the Director of Corporate Services, in consultation with the Lead Members for Adult Services and Finance, can agree the terms and sign off the acquisition of homes required for the project;
- 9) that the site is appropriated for planning purposes under Section 227 of the Town and Country Planning Act 1990 and Section 122 of the Local Government Act 1972;
- 10) that the transfer of land and funding for the regeneration will be subject to WHL securing a planning consent for the scheme and the necessary Board approvals.

SUMMARY OF REPORT

The Gorse Ride estate is a residential area of Finchampstead, Wokingham. The homes were built as short-term accommodation for a 10 - 20 year period and suffer from a number of maintenance issues relating to their non-traditional construction, including poor thermal insulation, structural defects, and drainage issues. In March 2017, the Executive agreed the intent to regenerate the Gorse Ride estate (subject to funding and the outcome of feasibility work).

Government grant has been used to fund various technical studies, feasibility, masterplanning and community engagement work to look at the potential design options for the estate. The community have been actively engaged in preparing the future masterplan for the estate through a Steering Group and fortnightly regeneration surgeries. This feasibility work has resulted in an indicative masterplan that will provide 243 new build homes (a net gain of 65). The housing types include a mix of 1 and 2 bedroom bungalows, 1 and 2 bedroom apartments and 2, 3, 4 and 5 bedroom houses. The masterplan provides for the current household needs of all existing residents (Council tenants and homeowners), making it possible for them (if they wish) to move into a newly built home within the regenerated estate. The indicative phasing plan suggests that the redevelopment should come forward in 3 phases commencing in Spring/Summer 2020 (when the scheme at the former Cockayne Court site is anticipated to complete).

This report sets out the Council's plans to proceed with the redevelopment of the Gorse Ride estate through the commitment of £28 million funding from Section 106 agreements for affordable housing. The remaining balance of funds will come from company borrowing and capital receipts from private and shared ownership sales. Loddon Homes will also bid for Homes England grant funding where available. The exact tenure mix is likely to vary over the life of the project, but it is expected that there will be at least 136 social rented homes replacing the council rented homes that are there currently.

The report proposes that Loddon Homes would be the end landlord for the new homes, whilst WHL will act as the development partner to oversee the redevelopment. It is recommended that existing tenants be offered a new home on the regenerated estate on a lifetime assured tenancy with broadly similar terms to their current Council tenancy,

whilst the 39 affected homeowners will be offered a range of options to enable them to purchase alternative housing on or off the estate (as they wish).

Background

The Gorse Ride estate is a residential area of Finchampstead, Wokingham. The homes were built using the Ministry of Housing and Local Government Development Group (MOHLG) construction technique with the purpose of providing short-term accommodation for a 10 - 20 year period. Like many other council owned estates, the estate has suffered under investment over time under the previous housing finance regime. There are a number of maintenance issues relating to the non-traditional homes, including poor thermal insulation, some structural defects, and above and below ground drainage issues, which lead to high maintenance liabilities compared with other homes in council ownership. The non-traditional stock condition report carried out by Rand Associates in 2011 identified that £6,945,270 of repairs would be required on the Gorse Ride estate over the next 30 years. An updated stock condition survey was undertaken in 2017 to look at the repairs and maintenance requirements of the homes to meet the basic Decent Homes Standard and to ensure they remain wind and water tight. This identified repairs totalling £822,246 were needed in the 103 homes surveyed in the short to medium-term to keep them in a habitable condition. This would equate to circa £1 million when extrapolated across all the non-traditional homes and does not address the fundamental structural and drainage issues.

In March 2017, the Executive agreed the intent to regenerate the Gorse Ride estate (subject to funding) and approved the proposal to redevelop Cockayne Court, 97-107 (odd numbers) Arnett Avenue and 154 Barkham Ride, Finchampstead as Phase 1 of the project.

Since the Executive decision last year, the Council was successful in securing a £253,700 grant from the Government's Estate Regeneration Programme Fund. This funding has helped to fund various technical studies, feasibility, masterplanning and community engagement work to look at the potential design options for the estate. A Project Manager has also been appointed to help co-ordinate these activities.

Considerable progress has been made towards delivery of the Cockayne Court site (Phase 1). All affected tenants on this phase have now been suitably rehoused and WHL intend to submit a full planning application for approximately 46 new replacement homes in May 2018. It is proposed that these new homes are prioritised for re-housing residents within the wider estate.

Analysis of Issues

The Council acknowledges that both tenants and homeowners have been living with considerable uncertainty over the future of their homes since demolition notices were served in 2015. This report seeks to clarify the Council's intentions through the commitment of significant funding to enable the regeneration project to progress.

Based on the outcome of feasibility work, this report sets out the Council's plans to proceed with the redevelopment of the Gorse Ride estate. It is proposed that the comprehensive regeneration covers the demolition and redevelopment of all properties in Billing Avenue, Dart Close, Firs Close, Orbit Close and Whittle Close (excluding numbers 19 to 26), as well as, Gorse Ride South (numbers 8 – 42, even numbers only).

The community have been actively engaged in preparing the future masterplan for the estate through a Steering Group and fortnightly regeneration surgeries. A consultation was also undertaken across both tenants and homeowners during February/March 2018. There were split opinions over whether or not the estate should be regenerated with half of respondents being in favour and half preferring investment in upgrading the existing homes. However, given that the homes were only ever built to last around 20 years, it is likely that even with investment, redevelopment would need to be revisited again at some stage.

Development Brief

The estate currently consists of 178 low rise properties at Firs Close, Whittle Close (nos 1-18), Dart Close, Orbit Close, Billing Avenue and Gorse Ride South (even nos 8-42). The breakdown of ownership / tenure is set out below:

- Council rented homes - 135
- Council Community House - 1
- Housing association rented homes - 3
- Owner occupied homes - 39

To progress the project, architects Ayre, Chamberlain and Gaunt (ACG) were appointed in 2017 to undertake feasibility and masterplanning work for the wider estate to explore potential regeneration opportunities.

Residents and local stakeholders were invited to input throughout the feasibility, options development and Masterplan formation stages via the established monthly Project Steering Group and a series of fortnightly Regeneration Surgeries. In addition to the community feedback ongoing dialogue with Planning Officers, Highway Officers, Tree Officers, Flood and Drainage Officers and Site Infrastructure Officers has also helped shape the emerging regeneration proposals.

This feasibility work has resulted in an indicative masterplan that will provide 243 new and replacement homes on the site. The re-design has removed the unsightly and underused garages and alleyways to allow for successful densification, creating space for an additional 65 new dwellings as well as a large village green.

The housing types include a mix of 1 and 2 bedroom bungalows, 1 and 2 bedroom apartments, 2 bedroom houses, 3 bedroom houses (with and without garages), 4 bedroom houses and a small number of 5 bedroom houses. The higher density housing (3 - 3.5 storey apartments) are focused around the central part of the site overlooking the village green, while lower density houses and bungalows (1 to 2 storey) are near the periphery. The parking provision exceeds the Council's parking standards. The width of the new estate roads enables on street visitor parking and access for emergency and refuse vehicles.

The masterplan provides for the current household needs of all existing residents (Council tenants and homeowners), making it possible for them (if they wish) to move into a newly built home within the regenerated estate. The indicative phasing plan suggests that the redevelopment should come forward in 3 phases over an 88 month build period, commencing in Spring/Summer 2020 (when the scheme at the former Cockayne Court site is anticipated to complete).

The exact tenure mix is likely to vary over the life of the project, but it is expected that there will be at least 136 social rented homes replacing the council rented homes that are there currently. The indicative tenure mix is set out below:

- 136 x social rented homes (at target rents)
- 12 x intermediate/affordable rented homes (up to 80% of market rent, capped at the Local Housing Allowance level)
- 19 x shared ownership homes, at 35% equity share and rent on unsold equity capped at 1.5% per annum
- 76 x private sale homes (including replacement homes for current homeowners)

The Council will have full nomination rights to all of the affordable homes.

Proposed Funding Model

It is proposed that £28,015,683 of Section 106 commuted sums for affordable housing is allocated to the Gorse Ride regeneration project. The remaining balance of funds will come from company borrowing and capital receipts from private and shared ownership sales. Loddon Homes will also bid for Homes England grant funding where available.

As at 1 April 2018, the Council held circa £12 million of unspent affordable housing commuted sums with a further £71 million secured in signed Section 106 agreements. £16.2 million of these commuted sums has already been committed to affordable housing projects. It is estimated that on average around £10 million of receipts will be received per annum over the next 7 years. Whilst many of the sites are on-site and already paying in instalments, there is a risk that commuted sums may not be received at the expected rate. The Council will need to keep commuted sums receipts and expenditure under review over the life of the project to manage this risk.

Full details of the business model and funding are included in the Part 2 Schedule.

In addition, it is estimated that statutory home loss and disturbance payments to tenants will total approximately £1.3 million over the life of the project. These will be funded from the Housing Revenue Account (HRA), along with a dedicated Decant Officer post to assist with rehousing affected residents.

Land Transfer

The Council-owned homes on the Gorse Ride estate (comprising properties in Billing Avenue, Dart Close, Firs Close, Orbit Close and Whittle Close (excluding numbers 19 to 26), as well as, Gorse Ride South (numbers 8 – 42, even numbers only) are currently held for housing purposes under Part II of the 1985 Act (i.e. within the Housing Revenue Account). In addition, 39 homes are owned by individuals and will need to be acquired to allow the comprehensive regeneration to proceed.

When the Council first started to look at the potential regeneration in 2015, the intention had been for the redevelopment to be progressed through the Council's Housing Revenue Account (HRA) (i.e. as replacement Council housing). However, various Government announcements made in 2015 adversely impacted the Council's ability to finance this. These policies included a requirement that all councils and housing associations cut their rents by 1% per year for four years and a proposed new levy for

stock-retaining councils (based on assumption that high value empty properties would be sold).

Over two years later, the Council is still unclear whether the levy will be implemented by Government and if it is, what the impact would be on the HRA business plan. This uncertainty makes it extremely difficult for the Council to consider major investment in new/replacement homes within the HRA.

Taking this into account, the Council has had to consider alternative delivery options for the potential Gorse Ride regeneration project. The Council is fortunate in having its own housing development company, Wokingham Housing Limited (WHL) and Registered Provider (RP) company, Loddon Homes Limited. These companies provide the Council with more flexibility and choice in how new affordable housing is delivered locally.

Having taken legal advice, the proposal is that the Council transfers the site to Loddon Homes on terms to be agreed by the Director of Corporate Services in consultation with the Leader of the Council and Lead Members for Adult Services and Finance. Loddon Homes would be the end landlord for the new homes, whilst WHL will act as the development partner to oversee the redevelopment. Loddon Homes are proposed as the end landlord because:

- The Council's legal advice suggested Loddon Homes was best placed to replicate existing Council tenancy rights, whilst offering a similar level of accountability and scrutiny.
- As an RP, the company can bid for Government grants to part fund the project.
- The consultation earlier this year highlighted that if tenants were unable to keep the council as their landlord, their next preference would be Loddon Homes.

It is necessary to appropriate the site from the Housing Revenue Account for planning purposes under Section 227 of the Town and Country Planning Act 1990 and Section 122 of the Local Government Act 1972, in order to extinguish any rights which may exist over the same and enable the development proposed by WHL.

The relevant powers to dispose of HRA land are contained in Section 32 of the Housing Act 1985 and Section 25 of the Local Government Act 1988. General Consents under Section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) were published in April 2014. General Consent AA allows a council to dispose of vacant HRA land to any organisation at less than market value for housing development, subject to certain conditions, without the need for Secretary of State consent.

Proposed Rehousing Options

In light of the feedback provided through the ongoing community engagement around loss of tenants' rights, the Council sought independent legal advice on rehousing options. The proposals below reflect the general aspirations and financial resources of residents and will allow the community to continue living on the estate post-regeneration. The Council will endeavour to re-house existing residents (tenants and homeowners) into new build properties on the estate in a phased way. Where possible, residents will only be moved once, although this will depend on the match of homes to residents on each phase. A site-specific Local Lettings Plan and Decant Policy are likely

to be developed setting out the approach to the allocation of homes and rehousing of residents for the new estate.

The legal advice concluded that existing tenants on the Gorse Ride estate should be offered tenancy agreements for the new homes on similar terms to their current council tenancies in order for it to be deemed as suitable alternative accommodation. This would include lifetime assured tenancies, social rent levels, succession rights and a preserved right to buy.

The proposal is that tenants would generally be offered a new home that meets housing needs (assessed in accordance with the Council's Allocations Policy). This would be based on all adults and children residing in the home at the time of the redevelopment. The Council is aware that some tenants may currently be under-occupying properties and under the Council's Housing Allocation policy would be required to downsize. However, the Council will consider offering some flexibility dependent on personal circumstances, such as, the option of one additional bedroom or a small financial incentive to tenants who fully downsize to a smaller home that matches their household need.

As part of the February/March 2018 consultation, tenants were given information on how their existing rights / tenancy arrangements may be affected with different landlord options and asked for their views on the proposals. The results of the consultation showed that about one-third wished to remain Council tenants, one-third preferred Loddon Homes as the end landlord and one third did not have a preference. Nearly 70% of respondents were supportive of a new tenancy that broadly matched their current terms and conditions (i.e. lifetime assured tenancies, social rent levels and a preserved right to buy). 87% of respondents supported the proposal for the Council to offer some flexibility (i.e. allowing one extra bedroom, financial incentive etc.) to tenants that are required to downsize.

Similarly, many homeowners have told the Council they wish to continue to live on the estate. The indicative masterplan offers replacement homes of an equivalent number of bedrooms for all those resident homeowners who wish to stay. Alternatively, where homeowners wish to move elsewhere, the Council or housing provider (a council-owned company or housing association) will buy homes at full market value.

The Council is aware that the market value of the existing homes may not be enough to allow homeowners to find a similar sized property locally to suit their housing needs and personal circumstances. The newly built homes will also have a higher market value than the existing homes on the estate. Therefore, the Council is proposing three possible options for homeowners to consider that offer flexibility for residents and make effective use of public funds. These are:

- 1) Equity share – The homeowner would be able to swap the value of their existing home into a newly built home with the same number of bedrooms or fewer on the estate. They would have an equivalent value share in the new home and be able to live in it without making any additional lump sum payment. The remaining share in the property would be retained by the Council or housing provider. The resident would not have to pay any rent or interest on the part they do not own. Upon resale of the new property in the future, the resident would keep their share of the proceeds and the council/housing provider would keep its share.

- 2) Outright purchase – the homeowner would be able to swap the value of their existing home together with their home loss payment into a newly built home and then make an additional lump sum payment, so that they own the new home outright (100%).
- 3) Sell to the Council or Housing Provider - If the homeowner does not wish to live in a home on the newly built estate, they can sell their home to the council/housing provider for its market value (plus the statutory home loss payment) and make their own new housing arrangements.

Additionally, the Council sought views from homeowners on these options. 39% felt that one of the suggested options would suit them (with the equity share option being the most popular). 30% of respondents did not express a preference for any of the three options and wanted more information, while 23% indicated that none of the possible options would suit their personal circumstances. Some homeowners wanted the flexibility to use part or all of their statutory home loss payment to personalise their homes (instead of putting 100% towards equity as proposed in the consultation). There were also suggestions for the Council to widen re-housing options for homeowners by extending the equity share scheme to allow purchase of suitable homes off-site.

Following the consultation, it is recommended that homeowners have a choice as to whether or not they invest all or part of their home loss payment in equity under Option 1 (equity share) and that further consideration be given to opening up Option 1 so that affected homeowners can buy homes outside the estate on an equity share basis. If the Executive approve the regeneration project, individual meetings will be arranged with affected homeowners to explore the different options with them. This report proposes that decisions over the acquisition of the 39 owner-occupied homes on the estate be delegated to the Director of Corporate Services, in consultation with the Lead Members for Finance and Adult Services, so that these negotiations can be progressed in a timely manner.

An Equality Impact Assessment has been undertaken for the regeneration project and is included as Appendix 1 of this report.

FINANCIAL IMPLICATIONS OF THE RECOMMENDATION

The Council faces severe financial challenges over the coming years as a result of the austerity measures implemented by the Government and subsequent reductions to public sector funding. It is estimated that Wokingham Borough Council will be required to make budget reductions in excess of £20m over the next three years and all Executive decisions should be made in this context.

	How much will it Cost/ (Save)	Is there sufficient funding – if not quantify the Shortfall	Revenue or Capital?
Current Financial Year (Year 1)	Part 2 Report		
Next Financial Year (Year 2)	Part 2 Report		
Following Financial Year (Year 3)	Part 2 Report		

Other financial information relevant to the Recommendation/Decision

Funding is likely to come from a number of different Section 106 agreements for affordable housing. The matching of new affordable housing projects to specific Section 106 agreements will occur before start-on-site to ensure that we optimise the use of available receipts.

There will be a reduction in revenue to the Housing Revenue Account (HRA) from removing 135 homes from the Council's housing stock. However, the capital liability for these will also reduce. Financial modelling undertaken last year showed that this would not impact the long-term viability of the HRA Business Plan.

Cross-Council Implications

Affordable housing is a priority for the Council. Access to good quality, affordable housing is key to residents' health and wellbeing, education, employment, etc.

Reasons for considering the report in Part 2

Commercially sensitive information, relating to the funding and contract sums, is included on the Agenda as a separate Part 2 Report.

List of Background Papers

Minutes of all Steering Group meetings and the indicative masterplan can be downloaded from:

<http://www.wokingham.gov.uk/housing-and-tenants/tenant-services/gorse-ride-estate-regeneration/>

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