

**Estate Local Plan background: Merton and
Clarion Housing Group**

March 2017

Contents

Introduction

Regeneration Proposal

Due Diligence

Clarion Housing Group Business Case

Technical Studies

The Financial Case

Suspension of Development Agreement, Decent Homes and VAT Shelter

Baseline Offer to Residents

Current Offer to Residents

Evolving Offer to Residents

Supporting the Private Rented Sector

Work in Progress

Details of interim Decent Homes

Merton Standard Improvements

Proposed Response

Early Buy Back Arrangements

Exploring Where Residents Might Live During The Building Work

Property Type, Size and Layout

Housing Supply

NB

Merton Priory Homes (which trades as Circle Housing Merton Priory) was formed in 2010 as a result of the transfer of stock from Merton Council and at that time became a subsidiary within the Circle Housing Group.

Circle Housing Merton Priory owns and manages around 9,500 homes across Wimbledon, Morden and Mitcham including the Eastfields, High Path and Ravensbury estates.

In November 2016 the Circle Housing Group merged with the Affinity Sutton Group (through a merger of the two parent companies, Circle Anglia Limited and Affinity Sutton Group Limited) to become Clarion Housing Group. The merged organisation comprises the parent company, Clarion Housing Group Limited, a number of charitable housing associations, including Circle Housing Merton Priory, a charitable foundation and a commercial company called Latimer Developments Limited.

As part of the Merton Regeneration Project, Latimer and Circle Housing Merton Priory plan to regenerate the Eastfields, High Path and Ravensbury estates.

Throughout this document, for clarity and consistency purposes, CHMP is referred to as Clarion Housing Group

1. Introduction

2. This document sets out the background to the Estates Local Plan and the relationship between Clarion Housing Group and Merton Council. It is a summary of information previously published for Merton's Cabinet in July 2013 and Merton's Council meeting in November 2016.

3. Regeneration Proposal

4. Clarion Housing Group approached the council with proposals to regenerate Eastfields, Ravensbury and High Path Estates in 2013. Their existing investment commitments in the borough include refurbishing all homes to the 'Merton Standard' for decent homes by 2016. This approach was established in the Housing Stock Transfer Agreement (2010).
5. It was also supported a number of Merton's strategies including; Core Planning Strategy (2011), Housing Strategy (2012) and the overarching theme of 'bridging the gap' in Merton's Community Plan.
6. Analysis of stock condition and the impact on resident's long term life chances has led to Clarion Housing Group to consider investment in a wider scale regeneration of three estates, involving demolition and replacement with higher quality homes.
7. On 11th December 2012 the Clarion Housing Group Management Board agreed in principle that:
8. *"The Management Board approves the principle that the Group will financially support the delivery of large scale regeneration in Merton (Eastfields, High Path and Ravensbury)."*
9. The recommendation was agreed subject to further agreement with the council to identify an improvement in the financial viability of the proposals being considered.

Due Diligence

10. Since 2013, officers from the council and Clarion Housing Group worked together to explore a number of matters including the offer to residents, the master planning outline and process and devising of an agreed baseline position aimed at achieving deliverable schemes while honouring the Stock Transfer Agreement.

11. Clarion Housing Group business case / rationale for estates regeneration

12. The project represents a huge financial investment and an ambitious programme of house building and refurbishment. Clarion Housing Group is keen to work with the council and other stakeholders including the GLA to deliver it. Clarion Housing Group explored a variety of options and decided that a full consultation exercise with their residents to see whether a detailed

regeneration solution could be found, as a means of delivering longer term sustainable decent homes standards; having regard to the state and condition of the existing properties.

13. For Merton, this project has the potential to provide much needed, higher quality housing as well as reduce the maintenance liability and long term burdens for leaseholders. There are also wider benefits beyond the estates in supporting regeneration and growth; aligned with Merton's Core Planning Strategy (2011) which seeks to improve the quality of the built environment; create more sustainable communities and focus regeneration and housing growth broadly in South Wimbledon, Morden and Mitcham adjacent to transport hubs. Should regeneration go ahead, there is potential to secure many more homes towards Merton's share of London's much needed homes.

Technical Studies

14. As part of their preparations for the delivery of the Merton Standard Decent Homes improvement programme Clarion Housing Group commissioned a series of studies.
- An internal review and cost benefit analysis of Merton Standard works across Clarion Housing Group's twenty two largest estates
 - Construction engineering consultancy Dyson Associates were commissioned to carry out a survey of and report on all non-traditionally constructed homes, which identified current repair needs and extrapolated future needs
 - Construction engineering consultancy Ian Sayer and Co. was retained to provide additional data on Eastfields in spring 2012
 - Architect practices PRP and HTA were retained to develop housing capacity studies for all three estates including a series of regeneration and refurbishment options
15. Clarion Housing Group advised that the results of these studies raised questions over the value for money represented by pressing on with Merton Standard works for Ravensbury, Eastfields and High Path. A number of specific structural and long term issues were identified. For example the Sayer report on Eastfields concluded:
16. *"The estate was constructed using the Wimpey 'no fines' non-traditional method and clad using a metal proprietary 'escol' enamelled system which is now in poor condition...Services within the buildings are starting to fail as is the roof structure...The remaining life span of the buildings would appear to be approximately ten years...The facade panels, with currently low insulation values would need replacing...The roofs would need renewal sooner...Extensive condition surveys would be required to both the fabric of the building and the individual units to establish the full extent of works needed to maintain the homes to a minimum standard."*
17. These results taken alongside Clarion Housing Group's experience of managing similar estates and house types and consideration of feedback from their community consultation exercise carried out in the summer of 2013 led

CHMP to decide to explore the regeneration option in more detail. That included the community consultation. Grant Thornton LLP was commissioned to develop a financial model for regeneration. The financial model has been shared on an 'open book' basis and independently reviewed by the council.

The Financial Case

18. In May 2014 Clarion Housing Group refreshed the financial assumptions on Merton Decent Homes Standard works. This included both the costs of the Merton Decent Homes Standards works and the additional costs of maintaining non-traditional and/or poor quality estates over time. The costs covered a number of discrete headings and are projected over the (estimated) twelve years that any regeneration programme is likely to take.

Headings include:

- Non-traditional structure works
- Decent Home Standard works
- Asbestos survey and removal
- Electrical rewire
- Solid wall insulation
- Roofing costs (particularly in relation to Eastfields)
- Common works (e.g. lift replacements in the High Path towers)
- Contingency

19. Clarion Housing Group, indicated £37.2m would need to be spent on the three estates over this twelve year timeframe just to maintain the fabric of what are in some cases failing or short life structures (i.e. the non-traditional homes on Eastfields and Ravensbury estates). Should regeneration be a preferred option beyond the existing decent homes programme, there is an opportunity to not only provide new homes, but to save leaseholders money in the long term in relation to property upgrades, maintenance and running costs.

20. Clarion Housing Group advised that these costs make no allowance for any improvements to public realm or common areas. Nor do they address existing issues such as parking, community safety, accessibility or sustainable neighbourhoods which are common to all three estates. Of particular concern to Clarion Housing Group, is the poor insulation and energy systems found in these homes currently, resulting in higher than average fuel bills for residents and the potential for future increases in cases of 'fuel poverty'. This combination of high future costs, limited scope for improvement and the on-going poor quality of the built environment and layouts of these estates has led Clarion Housing Group to commit to exploring regeneration options in more detail.

21. Clarion Housing Group's view was that many of these issues affect residents irrespective of tenure and would not be addressed by focussing entirely on improvements to individual social /affordable rented properties and planned maintenance programmes. Clarion Housing Group therefore advise a more

comprehensive response was needed to create modern, high quality neighbourhoods for local people.

Suspension of Development Agreement, Decent Homes and VAT Shelter

22. An obligation of the Transfer Agreement is for Clarion Housing Group to undertake a programme of Decent Homes works (Merton Standard works) by March 2015.
23. Clarion Housing Groups advise that their business case recognised that Merton Standard works and a programme of planned maintenance works alone will not offer value for money in the long term for Clarion Housing Group. Therefore Clarion Housing Group seek to work with the council to revisit the Merton Standard timetable to allow time to explore, with residents alternative options for Ravensbury, Eastfields and High Path.
24. In July 2014 Council resolved to suspend Decent Homes only for the three estates, for a period of 18 months to provide time for an exploration, with residents of regeneration proposals capable of coming forward for the three estates (via preparing an Estates Local Plan). During this 18 month period the Council was satisfied that residents supported regeneration proposals and there were no legal obstacles to varying the Transfer Agreement in these circumstances.
25. An obligation of the Transfer Agreement is for Clarion Housing Group to undertake a programme of Qualifying Works as part of a Development Agreement and to ensure that Decent Homes works was completed to the Merton Standard by December 2015.
26. The suspension of the Development agreement on the three estates impacted the VAT Shelter Agreement between Clarion Housing Group and the council. Suspension of the works are likely to delay VAT Shelter payments to the council, however when regeneration plans proceed the receipts to the council are likely to reduce.
27. Clarion Housing Group considered alternative options for delivering the decent homes obligations, understanding that this may be a project that runs at a deficit, they approved to proceed on the basis that the agreed level of deficit is not exceeded and that every endeavour is made to reduce the deficit whilst still acknowledging the other financial considerations of the Transfer Agreement.

10 Commitments

28. In September 2014, Merton Council and Clarion Housing Group signed up to the 10 Commitments, to put residents at the heart of the exploration of regeneration via the Estates Local Plan.

10 commitments

1. Circle Housing Merton Priory will consult with residents, consider their interests at all times, and address concerns fairly.
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 Merton Priory.
3. Current tenants will be entitled to be rehoused in a new home of appropriate size considering the number of people in the household.
4. Existing Circle Housing Merton Priory tenants will keep all their rights and have the same tenancy agreement, including rent levels, in the new neighbourhood as they do now.
5. All new properties will be more energy efficient and easier to heat than existing properties, helping to keep down residents' fuel bills.
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.
7. Circle Housing Merton Priory will offer extra help and support for older people and/or disabled residents throughout the regeneration works.
8. Circle Housing Merton Priory 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.
9. Any growth in the number of homes will be in accordance with the Council's Development Plan so that it is considered, responsible and suitable for the area.
10. As a not for profit organisation, Circle Housing Merton Priory will not profit from any regeneration and will use any surplus to provide more housing or improve existing neighbourhoods.

Baseline offer to residents

29. Given the relatively early stages of the regeneration proposal, Clarion Housing Group advised that the financial / alternative accommodation offer to residents, should regeneration go ahead, particularly to home owners, would be an evolving one and would be shaped by the outcome of the master planning processes (where factors such as quantum of new homes, density, design quality and tenure will have a direct bearing on the financial model). Clarion Housing Group advised that the full offer to residents will be produced on completion of their draft masterplans and prior to any formal decision by Clarion Housing Group or the council to proceed with comprehensive regeneration plans.

Current offer to residents

30. Clarion Housing Group confirmed the details of the current offer at this point and the need to further enhance it through the master planning process. That current offer is made up of:

Resident Leaseholders and Freeholders

- Open Market Value (OMV) plus 10% at the point when their home is required

- A disturbance allowance of £4,700
- The homeowner's appointed valuer paid for by Circle Housing Merton Priory
- Their legal fees to buy a new home
- Shared Equity option on a new home within the regenerated estate
- Shared Ownership option for a new home within the regenerated estate

Landlords living outside of the three estates

- Open Market Value (OMV) plus 7.5%

Tenants

- A new home based on their needs
- A disturbance allowance to cover the costs of new carpets, utility connections, curtains, etc.
- Whilst Clarion Housing Group would seek to minimise having to decant twice, where this does happen tenants will be entitled to a home loss payment for each move.

Evolving offer to residents

31. Clarion Housing Group recognised the need to develop a nuanced offer which better addresses the specific needs of individuals and households but which at the same time does not add to the deficit the project currently faces. Consequently Clarion Housing Group are looking at best practice from across other regeneration projects as well as modelling offer enhancements and options, their impact on the financial model, the design of the estates and other factors.
32. Clarion Housing Group objective is for as many existing residents to stay on the three estates as possible, and therefore much of the modelling has been around incentivising residents to stay; acknowledging the many positive benefits of the long established existing communities and that the retention of as much of the existing social fabric as possible will benefit both existing and new residents in the long term.
33. Clarion Housing Group's modelling work will include exploring the impact of:
 - Alternative and improved Shared Equity and Shared Ownership options for existing residents
 - Stair-casing options as part of the Shared Equity model
 - Offering a number of "shell homes" on each estate, allowing people to (potentially) purchase 100% of a home for final finishing on a "self-build" basis (an approach Circle Housing has used successfully elsewhere)
 - Offering some plots on a multi-generational home basis, where extended family groups can choose bespoke layouts to accommodate different generations without the need for separate homes

Supporting the Private Rented Sector

34. Clarion Housing Group's financial plan includes an element of market rented properties as well as properties for sale and for rent. Clarion Housing Group's intention is to support the existing private rented sector landlords whilst at the same time improving the quality of the accommodation on offer to the tenants of those privately let homes.
35. An exploration, by Clarion Housing Group of ways to support private sector landlords is also underway. The private rented sector already makes up a significant and growing proportion of the housing offer on all three estates. Clarion Housing Group are currently exploring how best to work with landlords to help them commit to and reinvest in the planned new neighbourhoods. The council will engage in these discussions with a view to maximising the availability of private rented capacity for local people.
36. This could, in turn, significantly improve the quality of private rented accommodation available to new and existing residents across the three estates and more widely in Merton.

Work in Progress

37. Clarion Housing Group have indicated to residents and other stakeholders, that the master planning process will be key not just in determining the possible physical layout of the estates but also the financial offer that can be made to residents - the two processes are inextricably linked.
38. As the design emerges Clarion Housing Group will rerun the financial model to take account of changes and options. Clarion Housing Group advised that residents will be fully engaged in that process and they have appointed an Independent Tenant and Resident advisor with residents on the selection panel. Where appropriate, they will ensure that independent financial advice is available to residents so that they can understand the financial implications of each option and also the master plan.

Details of interim Decent Homes and / or maintenance work proposed

39. Clarion Housing Group advised that the three estates identified for possible regeneration are in need of substantial improvement.
40. The underlying principle will be that Clarion Housing Group will continue to deliver its statutory responsibilities. Clarion Housing Group will continue to undertake responsive repairs to the homes and communal areas and the

servicing of equipment such as heating boilers, lifts, door entry and fire protection systems. Clarion Housing Group advise that repairs would be undertaken within the same timescales for all other homes across all of Clarion Housing Group's stock (i.e. 4 hours, 72 hours and 28 days, determined by priority).

41. Clarion Housing Group advise that in acknowledgment of the phased nature of the proposed regeneration programme, which may be subject to change to accommodate currently unknown issues (e.g. weather condition, site access arrangements, changes in construction or energy legislation), Clarion Housing Group will keep the repairing commitment under regular review. Clarion Housing Group advised the publication and updating of it's performance in delivering the repairs service throughout the project, and in liaison with the council and local residents throughout.

Merton Standard Improvements

42. Clarion Housing Group advised that with respect to the Merton Standard investment programme, subject to the approval of the London Borough of Merton the existing programmes to replace windows, doors, kitchens and bathrooms, etc., will be suspended. A number of scenarios are under active discussion with the council which allows for a revised timetable for the delivery of Merton Standard works should the proposed regeneration programme not proceed.
43. However if the regeneration proposals do proceed, Clarion Housing Group recognise the timescales envisaged for the proposed programme (between 2 and 12 years, subject to development phasing) means that Clarion Housing Group will need contingencies in place where components fail or are beyond economic repair in the meantime. This will especially affect those homes which may be identified for later phases of regeneration.

Proposed Response

44. Clarion Housing Group advised that firstly, all central heating boilers will continue to be replaced under the existing programme up until two years before any proposed demolition or if they can no longer be repaired. Secondly, where the costs of a repair to a component within the home are over 66% of the cost of replacement then consideration will be given as to whether the component should be replaced irrespective of the position of that home in the phasing programme. In the final year (ahead of demolition) Clarion Housing Group advised that it would look to repair elements, only replacing where there were overriding operational or health and safety concerns.
45. Clarion Housing Group recognise this is a complex issue which will require careful negotiation between their maintenance and repairs contractors, residents affected and LBM. However Clarion Housing Group advised that it will ensure it delivers its legal responsibilities across all three affected neighbourhoods for the duration of the proposed regeneration program

46. Similarly Clarion Housing Group are hopeful that agreement can be reached with the council around the issue of Merton Standard timetable which would allow Clarion Housing Group to deliver the comprehensive redevelopment of homes and improvements to living conditions across the three estates.

Early Buy Back Arrangements

47. Clarion Housing Group is currently finalising arrangements for the purchase of homes for sale within the three estates ahead of any planned regeneration works. A budget has been allocated by Clarion Housing Group for this activity and a new post created to manage it. Valuation of a number of properties is underway or imminent. Clarion Housing Group advised that the approach will:
- Help existing residents who wish to leave ahead of any proposed regeneration activity to do so.
 - Help reduce the perception that the regeneration plans make it harder to sell homes across the three estates, though currently there is no evidence of this.
 - Allows homes to be secured which Clarion Housing Group may need to acquire at a later date anyway.
48. Discussions are planned between the Council's Community and Housing and Department and Clarion Housing Group to better understand how those newly acquired properties can be used to help both the council and Clarion Housing Group discharge respective housing responsibilities to the maximum advantage of those in housing need in the Borough.

Exploring where residents might live during the building work

49. As part of the master planning process Clarion Housing Group's design teams will prioritise the drafting of a phasing plan for the three estates. This will in turn inform where people might live while building work could take place. Clarion Housing Group advised that the phasing plan should be ready in the early autumn 2014.
50. Clarion Housing Group's preferred approach, should the regeneration proposals go ahead, would be to build homes on three estates without recourse to demolition, i.e. build new homes first on available sites allowing residents to move directly into those homes (which they will see under construction) and without the need for a temporary decant. Clarion Housing Group advised that early indications from their architects are that this may well be possible on all three estates and would encourage close resident involvement in designing early phases of new housing.

Property Type, Size and Layout

- 51 Clarion Housing Group have committed, should regeneration proposals go ahead to rehouse its tenants based on their housing needs, which in many case would redress the overcrowding some families currently face. A housing needs assessment has largely been completed in support of that commitment. Similarly, homeowners may or may not wish to stay in the new neighbourhoods or might have wholly different accommodation requirements in the future.
- 52 Clarion Housing Group advised that the master planning work will need to take account of a number of factors such as density, building heights, construction and site constraints, to inform quantum and typology of new homes. Critically, Clarion Housing Group will also need to take account of anticipated changes in demography, patterns of work and travel, family size and climate conditions to ensure future proofed neighbourhoods for decades to come.

Housing Supply

- 53 It is Clarion Housing Group's belief that if regeneration proposals proceed it can develop a decant strategy and acquire sites and homes which helps reduce any risk to the council's nomination rights throughout the course of the regeneration. Clarion Housing Group also acknowledged the critical need to work closely with the council, particularly with colleagues in LBM's Community and Housing Department to ensure identification of all housing implications of regeneration proposals and subsequently develop proposals and operational arrangements which are acceptable to all parties. Activities such as Early Buy Back arrangements and LBM's consideration of enabling powers such as its land ownership, may offer opportunities to help improve the housing offer to families and individuals in housing need, but this is something which will need careful and detailed discussions between all parties over the coming months.
- 54 Clarion Housing Group advised that it is actively exploring ways of ensuring the current private sector housing offer on the three estates is maintained. This is partly to support individuals' existing businesses but it is also to try and minimise any negative impact on current private sector tenants. Clarion Housing Group acknowledged the vulnerability of Merton private sector tenants given the limited opportunities for LBM or Clarion Housing Group to support them in their tenancies. The regeneration plans they are promoting should help ensure that the quality of private rented accommodation on the three estates is improved significantly and supply increased.
- 55 The regeneration proposals, should they go ahead, will include an element of new build for private renting and new homes for sale, and aims to make a substantial contribution to both LBM's and London's acute housing needs. Further discussions will take place depending on the outcome of financial modelling around; overall viability, the proportion of any new homes for sale / private rental and affordable housing provision.