

EXECUTIVE - 23 MARCH 2017

SHEERWATER REGENERATION SCHEME PROPOSALS

Executive Summary

The Sheerwater Regeneration proposals obtained Planning Consent on 27 July 2016.

In accordance with the arrangements made for consideration of the Sheerwater Regeneration Scheme there will be an Officer report to the Council at its meeting on the 6 April 2017. This report seeks decisions from the Executive to help inform the Officer Recommendation to Council.

This report concentrates on implementation of the Sheerwater Regeneration through the Council's arms length development company, Thamesway Developments Limited, (TDL) with the new affordable housing being owned by Thamesway Housing Limited (THL). The Executive is requested to determine whether or not it supports the Officer conclusion.

The proposal Officers are developing is to appoint Thamesway Developments Limited for the full delivery of the consented scheme. Inevitably the approach incorporates a number of assumptions in respect of which the Executive is asked to determine if the assumptions are acceptable. The questions asked of the Executive are, Do the Executive support the Officer proposal that the:-

1. Implementation of the whole of the Hybrid Planning Application scheme for Sheerwater Regeneration should be pursued?
2. Delivery of the regeneration proposal should be pursued over the seven to eight years proposed by New Vision Homes in Planning?
3. Loan Facility for Thamesway Developments Limited be a Revolving Loan Facility for up to eight years and be subject to a 1% facility arrangement fee payable at the outset and subject to PWLB short term interest rates, depending on the drawdown period but not to exceed 8 years, without an interest margin?
4. A profit cap is applied to TDL so that it can make a profit of 2.5% of the total construction costs, likely to be some £300m, therefore a target profit of £7.5m which, in accordance with approved arrangements, will be retained in the Borough.
5. Profit cap is secured by requiring TDL to pay a Grant to Thamesway Housing Limited to enable the rent levels for the new affordable homes to be kept within reasonable bounds?
6. Affordable Homes be acquired and retained by Thamesway Housing Limited?
7. Loan Facility for Thamesway Housing Limited during the development phase be a Revolving Loan Facility for up to eight years and be subject to a 0.5% interest margin over the PWLB short term interest rates, depending on the drawdown period but not to exceed 8 years?
8. Share Capital invested in Thamesway Housing Limited be set at 25% of the total investment in accordance with current policy?

Sheerwater Regeneration Scheme Proposals

9. Loan Facility for Thamesway Housing Limited of 75% of the total investment during the operational phase is an Annuity Loan Facility for 50 years and be subject to a 0.5% interest margin over the PWLB 50 year Annuity interest rate multiplied by 1.33334; thereby providing a weighted loan rate which fully meets the cost of the share capital, in accordance with current policy?
10. The rent levels to be charged by Thamesway Housing Limited for the redeveloped affordable properties in Sheerwater are set at the level approved by the Council for the recent Kingsmoor development?
11. Owners of private properties within the regeneration area are able to sell their properties to Thamesway Developments Limited in accordance with the terms approved by the Council in its Community Charter upon the Council authorising the implementation of the regeneration?
12. Secure Tenants be given an opportunity to move early through the introduction of a Specific Lettings Policy?
13. TDL Loan facility is flexibly managed to allow for the cost of each phase of the regeneration, less sale income, plus the early acquisition costs of properties?
14. Legal advisors are appointed now through a conditional contract entered into prior to 31 March 2017 so that cost certainty can be obtained prior to the Council meeting on 6 April?
15. Preparation of the Compulsory Purchase Order is started as soon as Council authorises the implementation of the Sheerwater Regeneration with a view to it being reported to Council on 8 February 2018 for determination?

Reasons for Decision

To enable Officers to finalise the report to Council on 6 April 2017 in respect of the implementation of the approved plans for the Regeneration of Sheerwater.

Recommendations

The Executive is requested to:

RESOLVE That

- i) the Executive's views on the questions set out in the Executive Summary above be taken into account by Officers when preparing the report to Council;
- ii) any other views expressed by the Executive be taken into account by Officers when preparing the report to Council; and
- iii) the Head of Democratic and Legal Services be authorised to conditionally appoint appropriate CPO legal specialist provided no cost is incurred should the Council not decide to proceed with Sheerwater Regeneration.

The Executive has authority to determine the above recommendations.
--

Sheerwater Regeneration Scheme Proposals

Background Papers:

Sheerwater Regeneration Planning Consent.

Sustainability Impact Assessment
Equalities Impact Assessment

Reporting Person:

Ray Morgan, Chief Executive
Ext. 3333, E Mail: Ray.Morgan@woking.gov.uk

Contact Person:

Ray Morgan, Chief Executive
Ext. 3333, E Mail: Ray.Morgan@woking.gov.uk

Portfolio Holder:

Cllr David Bittleston
E Mail: CllrDavid.bittleston@woking.gov.uk

Shadow Portfolio Holder:

Cllr Will Forster
E Mail: cllrwill.forster@woking.gov.uk

Date Published:

15 March 2017

Sheerwater Regeneration Scheme Proposals

1.0 Introduction

- 1.1 The proposals for the Regeneration of Sheerwater secured Planning Consent on 27 July 2016.
- 1.2 This report seeks Executive approval in respect of a number of conclusions made and assumptions drawn by Officers in preparing the report for Council consideration on 6 April 2017. As with all previous matters related to Sheerwater Regeneration where Officers have reported directly to Council, as Council reserved to itself consideration of the Sheerwater proposals, the final report to Council will be an Officer report.
- 1.3 In addition to the “normal practice” in respect of Sheerwater Regeneration the Executive would not in any case be in a position to make a recommendation to Council as the results of the Housing Act Section 105 formal consultation are not yet known. The consultation concludes on 3 April 2017 and the results will be presented to Council on 6 April 2017.
- 1.4 Accordingly this report is limited to seeking views on the conclusions drawn and assumptions made by Officers in finalising proposals for the Council.

2.0 Sheerwater Regeneration Proposal

- 2.1 The proposals for the regenerations of Sheerwater are extensive and comprehensive with a major focus on improving community facilities, infrastructure, and quality of homes. The key features of the consent may be described as:-
 - Hybrid Planning Consent issued on 27 July 2016;
 - Detailed phase covering the provision of a new Leisure Centre, reconfiguration of school and new residential units on Sheerwater running track;
 - Outline for the rest (means new detailed planning applications will need to be submitted for the phases);
 - Parameter plan agreed by LPA – effectively sets a guidebook for the subsequent detailed applications; and
 - 124 Planning Conditions attached to consent
- 2.2 The level of detail associated with the application and consent means that it is important to follow the phasing as approved to ensure the optimum benefit for flood alleviation. There will be some minor flexibility in phasing provided it does not compromise the sustainable drainage approach. Effectively the key issues when submitting detailed planning applications for later phases is to learn from the first phase of home sales and to modify the mix to homes for sale to optimise the financial return.
- 2.3 Copies of the site plan, phasing plan and proposed programme are attached at Appendix 1 for reference.
- 2.4 The regeneration makes extensive changes to Sheerwater:-
 - 522 new open market dwellings;
 - 462 new affordable dwellings (13 additional including 62 assisted living);
 - New Leisure Centre;

Sheerwater Regeneration Scheme Proposals

- New public open space, pitches and formal play areas; and
- Demolition of 127 existing 'private' dwellings and 449 affordable dwellings.

2.5 The detailed planning consent is for parts of Phase 1 (A, B and C). The deliverables in detailed consent are:-

- 92 residential units of which 13 affordable;
- Community Leisure Centre within BDB School for public use; and
- 4G all weather pitch for public use and use by Sheerwater Football Club within BDB School.

2.6 A copy of a plan showing the detailed consent is set out at Appendix 2 for information.

2.7 Officers consider that to do anything other than pursue the implementation of the whole of the approved Hybrid scheme for Sheerwater Regeneration would undermine the objectives of the regeneration and potentially leave the Council will additional costs. The Executive is requested to confirm that it supports the Officers assumption that implementation of the whole scheme should be pursued.

3.0 Thamesway Developments Limited

3.1 Officers are working on proposals for Thamesway Developments Limited (TDL) to implement the whole scheme.

3.2 It is considered that TDL has, and where necessary can acquire, all the necessary skills to deliver the Sheerwater Regeneration scheme over the envisaged seven to eight year period.

3.3 To enable TDL to finance the scheme it will need access to Loan Finance from the Council. The Thamesway Development Revolving Loan Facility will be for up to eight years and be subject to a 1% facility arrangement fee payable at the outset and be subject to PWLB short term interest rates, depending on the drawdown period taken by TDL but not to exceed 8 years, without an interest margin.

3.4 As the regeneration is implemented TDL will sell properties on the open market, thereby generating private finance, and sell the affordable homes to Thamesway Housing Limited at cost.

3.5 It is proposed that a profit cap is applied to TDL so that it can make a profit of 2.5% of the total construction costs, likely to be some £300m, therefore a target profit of £7.5% which, in accordance with arrangements approved by Council, will be retained in the Borough. To ensure the profit cap is secured it is proposed that the arrangement with TDL will require it to pay a Grant to Thamesway Housing Limited to enable the rent levels for the new affordable homes to be kept within reasonable bounds.

4.0 Thamesway Housing Limited

- 4.1 Officers propose that Thamesway Housing Limited (THL) should acquire and retain the affordable homes constructed as part of the regeneration. This is subject to the outcome of consultation with tenants as outlined in a later section of this report.
- 4.2 To finance the acquisition of properties from TDL it is proposed that THL be provided with Share Capital set at 25% of the total investment and a Loan Facility for 75% of the total investment during the operational phase through an Annuity Loan Facility for 50 years subject to a 0.5% interest margin over the PWLB 50 year Annuity interest rate and multiplied by 1.33334; thereby providing a weighted loan rate which fully meets the cost of the share capital. These capital arrangements are in accordance with existing Council Policy for financing Thamesway housing Limited.
- 4.3 Consideration has also been given to what level of rent should be assumed when calculating the financing of the regeneration. The original proposals had provided for some “social” equivalent rent for like properties and some “affordable” accordingly it is proposed that all rents are at a level affordable to a wider range of low income households and equivalent to “social” rent for new properties.
- 4.4 The Council when bringing for the Private Finance Initiative at Kingsmoor set a rent regime to ensure the properties started at an acceptable “social” level and would be maintained at that level. It is proposed that the same regime be applied to the Sheerwater Regeneration affordable properties to be retained by THL. To do so will require the grant outlined in paragraph 3.5 above.
- 4.5 Experience through the Council’s nomination process has been that the properties at Kingsmoor are considered affordable and it should be noted that a number of tenants from Sheerwater have already decided to move to Kingsmoor.

5.0 Voluntary Acquisition of Private Properties

- 5.1 Officers consider that uncertainty should be removed about the implementation of the Sheerwater Regeneration as soon as possible. In bringing forward proposals to the Council Officers will propose immediately opening the opportunity for the owners of private properties within the regeneration area to sell their properties to Thamesway Developments Limited in accordance with the terms approved by the Council in its Community Charter.
- 5.2 This approach may give rise to acquisition costs of properties not yet required for development as they are in later phases. However Officers consider that acquiring properties early will reduce uncertainty for owners and for the Council. Accordingly it is proposed that the TDL Loan facility is flexibly managed to allow for the cost of each phase of the regeneration, less sale income, plus the early acquisition costs of properties.
- 5.3 Some owners and other interests may require the use of Compulsory Purchase Powers and these are outlined below. However Officers consider that an early appointment of legal advisors is essential and propose that a conditional contract is entered into prior to 31 March 2017 so that cost certainty can be obtained prior to reporting to the Council meeting on 6 April.

Sheerwater Regeneration Scheme Proposals

- 5.4 Accordingly authority is sought for the Head of Democratic and Legal Services to conditionally appoint appropriate lawyers provided no cost is incurred should the Council not decide to proceed with Sheerwater Regeneration.

6.0 Providing the ability for Social tenants to move early.

- 6.1 The approach proposed above by Officers is to enable owner occupiers to move early; it may also be useful to allow, subject to availability of suitable properties, social tenants within the regeneration area to move early. To do so would require a Specific Lettings Policy to allow moves from Sheerwater even though families may be adequately housed.

7.0 Compulsory Purchase Order

- 7.1 Site assembly for major regeneration schemes usually requires the use of compulsory purchase powers to be considered. This is to ensure that there is no unreasonable delay in assembling the site for the regeneration, and to avoid individual property owners holding the development to ransom by either seeking unreasonable payments for their property interest or refusing to treat with the body undertaking the regeneration. In addition, if ownership of any part of a regeneration area is unknown, procedures exist to enable that land to be acquired. Also, if development causes interference with rights of third parties, compensation may have to be paid for any interference with those rights, but the interference will not allow the third party to seek an injunction preventing the development from taking place.
- 7.2 It will be necessary for the Council to consider making a compulsory purchase order if it decides to proceed with the Sheerwater regeneration. The use of compulsory purchase powers would be determined by Council at its meeting on 8 February 2018. This will provide sufficient time for landowners to take advantage of the enhanced offers that the Council has said will apply, under the Community Charter, for voluntary land transactions prior to the making of a compulsory purchase order.
- 7.3 It will be recommended that Officers be authorised to prepare the details of the proposed compulsory purchase order. This would be done in liaison with specialist external legal advisers who have experience of compulsory purchase. It is proposed that these legal advisers be appointed now so that certainty is secured before reporting to Council. The legal advisers will need to appoint land referencing agents to identify the interests which are to be acquired under the compulsory purchase order. It is difficult, at this stage of the process, to give a precise estimate of the costs that would be incurred by the Council between now and February 2018. The report to Council will set out, for budgetary purposes, what provision should be allowed. The Head of Democratic and Legal Services will be responsible for agreeing the actual costs paid to the external solicitors. These costs will be calculated by reference to rates payable to external solicitors under Legal Services Framework Agreements (including the Surrey Legal Services Framework Agreement).
- 7.4 It is useful to briefly set out the procedure that could be followed if the Council does agree to make a compulsory purchase order. This is as follows:

Sheerwater Regeneration Scheme Proposals

(i) Preparing for a CPO

The proposed CPO scheme and land required for that scheme are determined. All parties with a legal interest in, or having a right to occupy, the land affected by the proposed CPO scheme are identified. The CPO and supporting documents are drafted.

(ii) CPO “Made”

The Council formally resolves to use its CPO powers and “makes” the CPO.

(iii) CPO Published and Served

The Council must publish a notice of the making of the CPO for two successive weeks in one or more local newspapers, identifying a place where the CPO may be inspected and providing for any objections to be submitted within a period of not less than 21 days. A notice must also be placed on the site. Notices, stating the effect of the CPO, are also served on all persons with an interest in the CPO land.

(iv) Objections

Any person who has been served with notice of the CPO can object to it by writing to the Council, stating the grounds of objection, within the specified time period.

If there are objections which have not been withdrawn, the Secretary of State may order a public inquiry to be held to consider the case. If all parties agree, the objections may be considered through written representations.

After considering the Inspector’s report, the Secretary of State will confirm, modify or reject the CPO.

Subject to there being no objections, the Secretary of State may allow the Council to confirm the CPO itself.

(v) Taking Possession of the CPO Land

If the CPO is confirmed, the Council will take title and possession of the CPO land. This can be done through a variety of methods

(vi) Compensation

If the Council has implemented a confirmed CPO, all parties with an interest in the land, or rights in respect of the land, will be entitled to submit a claim to the Council for compensation. The principal purpose of compensation is to compensate, at market value, those with interests in the land being acquired. However, additional heads of compensation, such as disturbance payments, may also be claimed.

In the absence of agreement being reached on the amount of compensation payable, either party may refer the disputed compensation to the Upper Tribunal (Lands Chamber) for determination.

Sheerwater Regeneration Scheme Proposals

- 7.5 The Officer report to Council will set out the above detail and seek authority to progress the CPO.

8.0 Consultation with Secure Tenants

- 8.1 Following the decision of Council on 9 February 2017, secure tenants are being consulted on the Council's proposals to invite Thamesway Developments Limited to submit proposals for undertaking the Sheerwater regeneration. This is in accordance with the Council's statutory obligation under Section 105 of the Housing Act 1985.
- 8.2 The closing date for secure tenants to submit their responses to this consultation is 3 April 2017, i.e. after the date of this meeting of the Executive. The consultation responses will be reported to, and considered by, Council at its meeting on 6 April 2017.

9.0 Implications

- 9.1 The implications section of the report template is not completed on this occasion as the report is seeking guidance from the Executive and there are no direct implications until Council considers the matter at its meeting on 6 April 2017.

10.0 Consultations

- 10.1 The Portfolio Holder has been consulted in the preparation of this report.

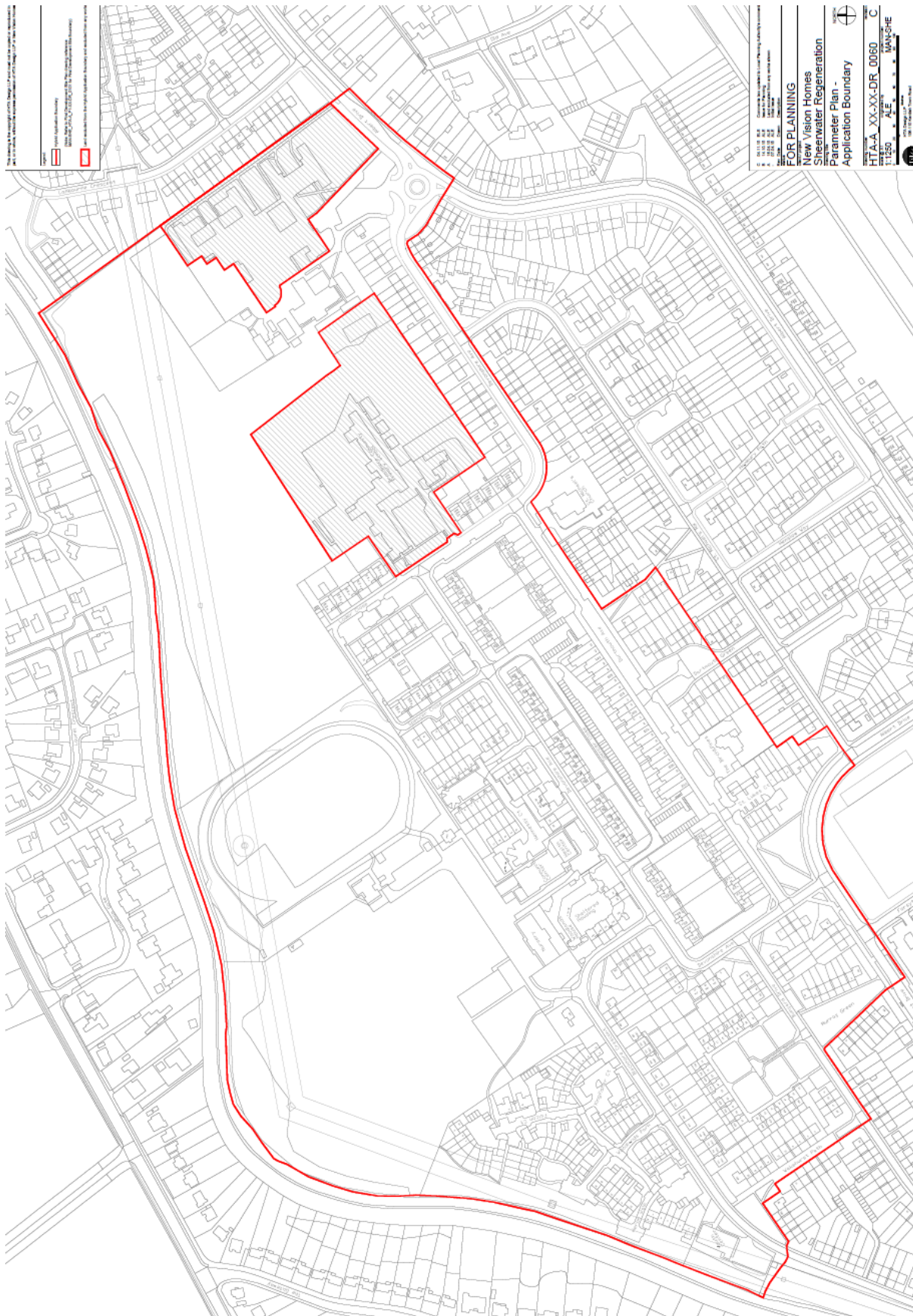
REPORT ENDS

EXE17-027

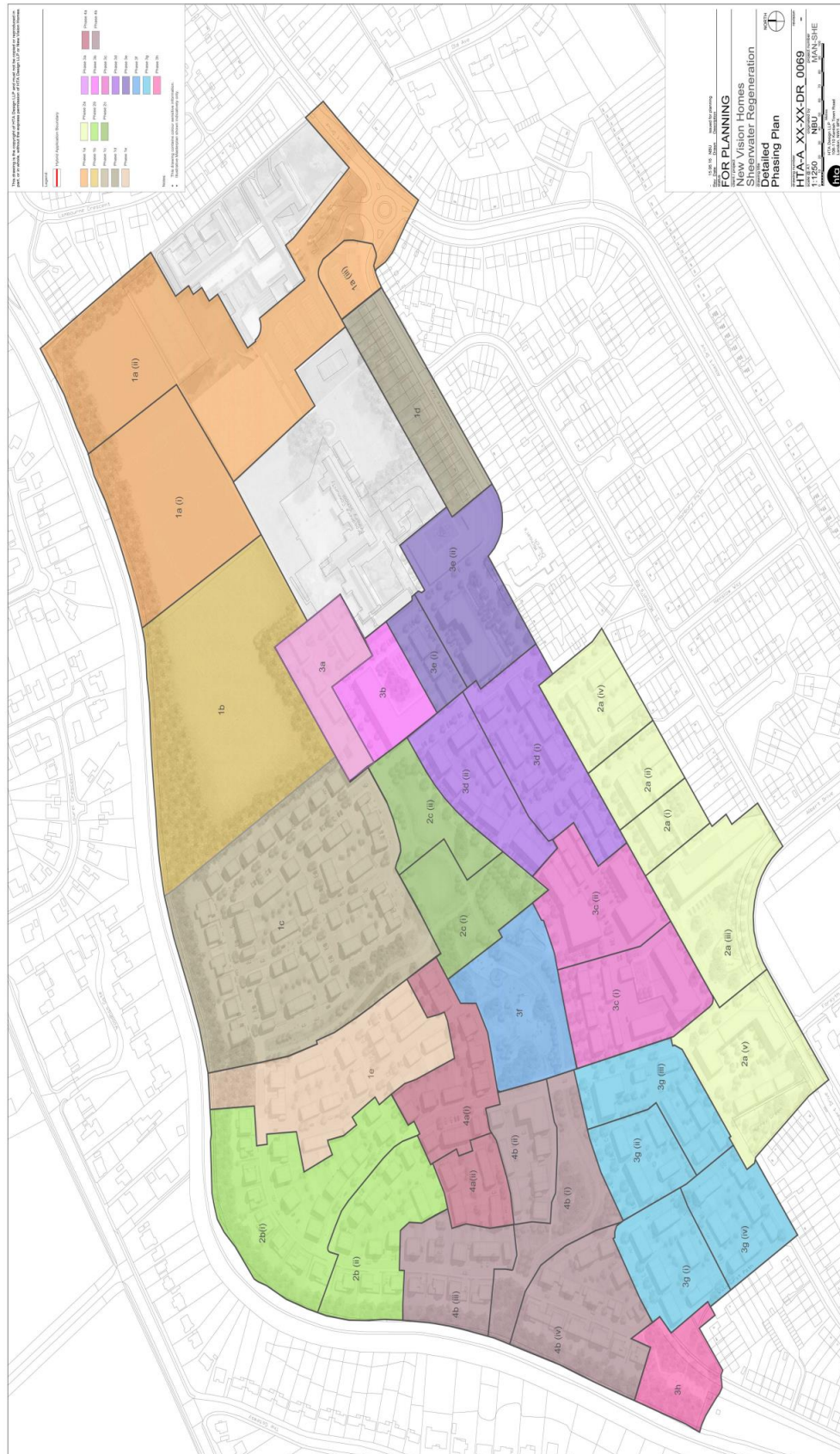
Sheerwater Regeneration Scheme Proposals

Appendix 1

Sheerwater Regeneration Site Plan 2015/1260



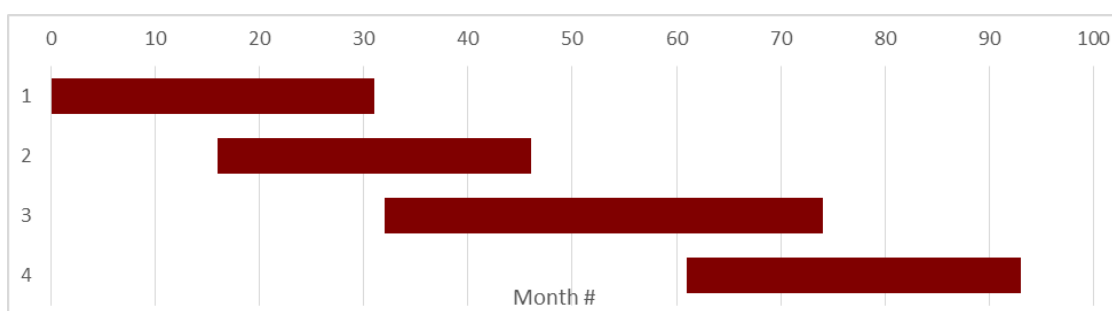
Phasing Plan



Sheerwater Regeneration Scheme Proposals

Proposed Programme

	Date	Month	Months	Years
Phase 1 Start	01/01/2018	1	31	2.6
Phase 1 End	30/06/2020	31		
Phase 2 Start	01/03/2019	16	31	2.6
Phase 2 End	30/09/2021	46		
Phase 3 Start	01/08/2020	32	43	3.6
Phase 3 End	31/01/2023	74		
Phase 4 Start	01/12/2022	61	33	2.8
Phase 4 End	31/08/2025	93		



Sheerwater Regeneration Detailed Consent Site Plan

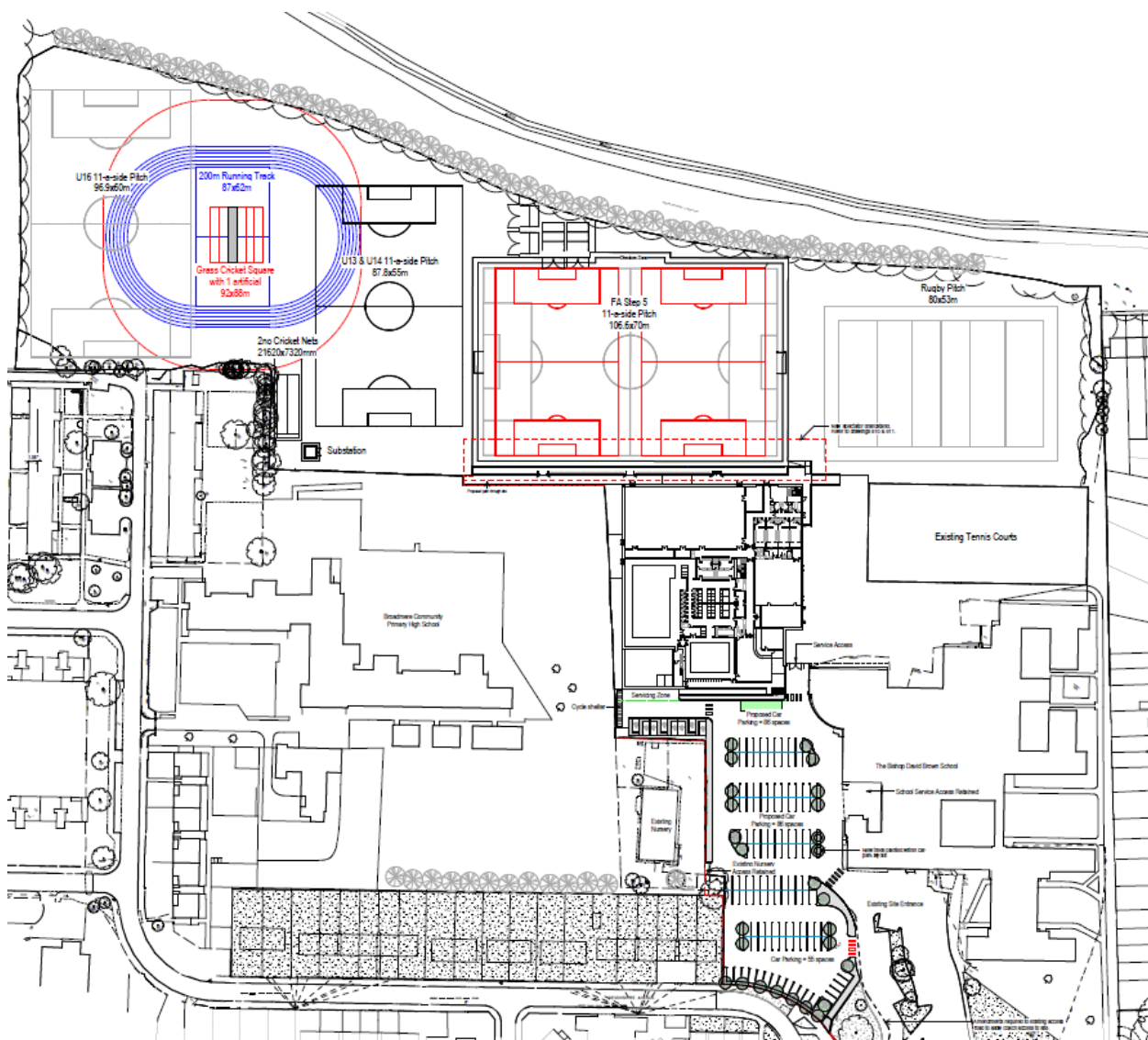
Residential Area



Sheerwater Regeneration Scheme Proposals

Sheerwater Regeneration Detailed Consent Site Plan

Recreational Area



Equality Impact Assessment

The purpose of this assessment is to improve the work of the Council by making sure that it does not discriminate against any individual or group and that, where possible, it promotes equality. The Council has a legal duty to comply with equalities legislation and this template enables you to consider the impact (positive or negative) a strategy, policy, project or service may have upon the protected groups.

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Gender	Men					X	No impact at this stage just seeking guidance
	Women					X	
Gender Reassignment						X	
Race	White					X	
	Mixed/Multiple ethnic groups					X	
	Asian/Asian British					X	
	Black/African/Caribbean/Black British					X	
	Gypsies / travellers					X	
	Other ethnic group					X	

		Positive impact?			Negative impact?	No specific impact	What will the impact be? If the impact is negative how can it be mitigated? (action) THIS SECTION NEEDS TO BE COMPLETED AS EVIDENCE OF WHAT THE POSITIVE IMPACT IS OR WHAT ACTIONS ARE BEING TAKEN TO MITIGATE ANY NEGATIVE IMPACTS
		Eliminate discrimination	Advance equality	Good relations			
Disability	Physical					X	
	Sensory					X	
	Learning Difficulties					X	
	Mental Health					X	
Sexual Orientation	Lesbian, gay men, bisexual					X	
Age	Older people (50+)					X	
	Younger people (16 - 25)					X	
Religion or Belief	Faith Groups					X	
Pregnancy & maternity						X	
Marriage & Civil Partnership						X	
Socio-economic Background						X	

The purpose of the Equality Impact Assessment is to improve the work of the Council by making sure it does not discriminate against any individual or group and that, where possible, it promotes equality. The assessment is quick and straightforward to undertake but it is an important step to make sure that individuals and teams think carefully about the likely impact of their work on people in Woking and take action to improve strategies, policies, services and projects, where appropriate. Further details and guidance on completing the form are [available](#).

Sustainability Impact Assessment

Officers preparing a committee report are required to complete a Sustainability Impact Assessment. Sustainability is one of the Council's 'cross-cutting themes' and the Council has made a corporate commitment to address the social, economic and environmental effects of activities across Business Units. The purpose of this Impact Assessment is to record any positive or negative impacts this decision, project or programme is likely to have on each of the Council's Sustainability Themes. For assistance with completing the Impact Assessment, please refer to the instructions below. Further details and guidance on completing the form are [available](#).

Theme (Potential impacts of the project)	Positive Impact	Negative Impact	No specific impact	What will the impact be? If the impact is negative, how can it be mitigated? (action)
Use of energy, water, minerals and materials			X	No impact at this stage just seeking guidance
Waste generation / sustainable waste management			X	
Pollution to air, land and water			X	
Factors that contribute to Climate Change			X	
Protection of and access to the natural environment			X	
Travel choices that do not rely on the car			X	
A strong, diverse and sustainable local economy			X	
Meet local needs locally			X	
Opportunities for education and information			X	
Provision of appropriate and sustainable housing			X	
Personal safety and reduced fear of crime			X	
Equality in health and good health			X	
Access to cultural and leisure facilities			X	
Social inclusion / engage and consult communities			X	
Equal opportunities for the whole community			X	
Contribute to Woking's pride of place			X	