

Report To: Cabinet

Date of Meeting: 23rd October 2012

Lead Member / Officer: Cllr Hugh Irving

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Title: Options Appraisal - REEMA Properties, Meliden

1. What is the report about?

- 1.1 The council owns 22 three bedroom homes on Ffordd Ty Newydd and Rhodfa Hendre, Meliden. They are of a non-traditional construction known as REEMA properties which currently fail to meet Welsh Housing Quality Standard (WHQS).
- 1.2 The properties require significant investment in order to bring them up to the WHQS and therefore a consultation exercise and options appraisal has been undertaken with tenants in order to determine an agreed way forward.
- 1.3 The properties were due for refurbishments works in 2012 following the recommendations arising from a structural report from Adams Consulting Engineers in 2010. A further appraisal of investment costs and new build options was undertaken by Savills Consulting in March 2012 which was used to inform the consultation exercise with tenants. The two main options discussed with tenants were refurbishment or demolition and potential new build.
- 1.4 A report was considered by cabinet on 17th July 2012 which noted that the preferred option was for demolition and new build and delegated authority was provided to the Head of Housing and Community Development to develop and implement a local lettings policy. Cabinet also requested further discussion with Welsh Government to determine possible funding options to support new build development.

2. What is the reason for making this report?

- 2.1 To provide Cabinet with the final decant policy, as devised by the Head of Service under delegated powers, and update upon discussions with Welsh Government regarding funding options.
- 2.2 Given the above Cabinet will need to make a decision regarding the timing of the proposed demolition of the REEMA properties and the decanting priority to be given to tenants.
- 2.3 The standard of accommodation that tenants are residing in is neither acceptable nor sustainable and tenants have made it very clear that they expect cabinet to make a firm decision regarding the future of their homes as they feel their lives are presently "on hold" and want clarity and certainty regarding the future plans for their homes.

3. What are the Recommendations?

- That the Council agree to demolish the REEMA properties and secure the site pending redevelopment
- That the Council continues with its discussions with Welsh Government to explore the potential for housing subsidy to develop new build Council Housing on the site
- That the Council works with residents who may wish to return to a redeveloped site to ensure their needs are catered for as part of any new development.
- That the Council notes the provisions of the REEMA tenants Decant policy attached at appendix A

4. Report details.

The REEMA properties are comprised of non traditional “System Built” construction with a flat roof outrigger. The properties have a very poor “u” value and are expensive and inefficient to heat. They contain no wall insulation, internal walls are prone to cracking and spalling and suspended first floors have greater deflection than those of a traditionally built property. The flat roofed outrigger building is vulnerable to leaks and perishing from the affects of inclement weather.

Estimated costs for addressing the structural works and providing WHQS to the REEMA properties range from £50,855 per property to provide a brick rap around repair to £42,264 per property to provide insulation boarding and high quality thermally efficient render.

Both of these options significantly exceed the average costs for delivering WHQS (approximately £11,500 per dwelling) and whilst such investment would make the properties structurally sound and compliant with modern standards, such investment would not address wider design issues for example the houses are back to front in some instances, there is no designated off street car parking provision and the gradient is very steep all of which contribute to a lack of demand for this type of stock (presently 7 of the 22 properties are void).

New Build Options

In addition to appraising refurbishment options Savills also modelled a number of new build options. Savills utilised the Proval appraisal model utilising discounted cash flows based upon development costs, fees and interest set against income from sales and grants. The model is commonly used by Local Authorities and RSLs and is based upon the investment of an initial capital sum and grant subsidy to make the scheme stack up.

Options appraised ranged from the development of:

- 18 dwellings combining a mix of 2 and 3 bed properties, which would require up to £1,323,000 of subsidy to;
- a 27 unit scheme combining a range of apartments, 2 and 3 bedroom houses which would have required subsidy of £2,553,673.

The options appraised provided an overview of how the site could potentially be utilised to support redevelopment; make best use of the site; and provide the best product for residents.

It is important to note that the new build option would provide an opportunity to change the design and tenure balance of the site and to develop a mixed property portfolio. However in order to make a new build scheme stack up financially the Council would require subsidy from Welsh Government.

Welsh Government

Tenants have expressed a preference to remain with the Council if a new build option is chosen. The Council is presently not eligible for Social Housing Grant however Welsh Government in the recent Housing White Paper talked about supporting Councils new build ambitions.

This is an encouraging statement from Welsh Government and officers have been in detailed discussions with officials to determine how such support might be secured and to explore the potential of using the REEMA's as a pilot scheme for local authority new build.

Unfortunately whilst it is the ambition of Welsh Government to support local authority new build, the timing of this project does not lend itself to their current timescales. This is due to the fact that they are linking support for Local Authority new build into proposed wider changes to funding Housing Services through the dismantling of the Housing Revenue Account (HRA) subsidy system. There is presently no agreed timescale for dismantling the HRA and moving towards a "Self Financing" system which could potentially provide headroom within the Business Plan to support the development of new build Council Housing (as has been the case with some authorities in England). The retained authorities in Wales are in discussions with Welsh Government whom in turn are in discussions with HM Treasury regarding the deal that needs to be done to buy Wales out of the system (as happened in England in April 2012). These tri-partite discussions are complicated and contentious and it is therefore unlikely that a system of self financing shall be implemented before April 2014 at the very earliest.

In short, this means that the Councils ambitions for developing new build housing are not likely to be taken forward in the short term and it is imperative that the link between decanting tenants and developing new build housing is decoupled.

The Head of Housing and Community Development has had discussions with the REEMA tenants to inform them of the length of time it could possibly take for tenants whom may wish to return to any new build on the redeveloped site so that tenants shall be able to make an informed decision regarding decanting. The majority of tenants (11) only wish to move once so there are only 4 tenants whom may be affected by a delay in redeveloping the site.

5. How does the decision contribute to the Corporate Priorities?

The decision will ensure that the Council invests in stock which is sustainable and adopts a more robust approach to asset management and value for money approach. The new build option could generate local labour and supply chain opportunities to support wider economic development and regeneration.

6. What will it cost and how will it affect other services?

Demolition costs are estimated to be approximately £44,000 and a statutory Homeless payment of £4,700 per tenancy would be payable in addition to disturbance and relocation costs estimated to be in the region of £500 per tenancy. This would equate to costs in the region of £78,000 for the decanting process based upon payments to 13 sole tenants and 2 joint tenants resulting in payments to 15 households.

The original Housing Stock Business Plan dated 2005/06 allowed for £1,230k to be spent on non traditional properties within the first 5 years of the plan. To date, circa £780k has been drawn down for the improvement of Airey Homes leaving £450k remaining within the Business Plan.

Demolition and decant costs can therefore be contained within the Business Plan. A fresh stock condition survey has recently been commissioned which is expected to publish its findings in the next few weeks. The information from the stock condition survey shall be used to inform and reprofile the Housing Stock Business Plan thus enabling intelligent asset management investment decisions going forward. Officers shall review potential headroom within the business plan to support new build development as part of the reprofiling exercise.

7. What consultations have been carried out?

Extensive consultation with residents has taken place and tenants were provided with an Independent Tenant Adviser to help them consider the options available and make an informed decision on their preferred outcome.

8. Chief Finance Officer Statement

There is scope within the HSBP to consider replacement options and the business cases will need to be assessed in more detail following the re-profiling of the Business Plan and a better understanding of the impact of dismantling of the Housing Revenue Account subsidy system and the establishment of a Self Financing system which could provide the headroom necessary to support the development of new build Council Housing on the site.

9. What risks are there and is there anything we can do to reduce them?

A number of the REEMA properties are empty and are attracting vandalism and anti social behaviour which in turn is causing stress and anxiety to residents.

The properties are not fit purpose and due to the proposed demolition it is recommended that the Council adopts a minimalist approach to improvement works whilst meeting its statutory duties in relation to repairs and maintenance.

The financial risks associated with the new build option shall be fully worked through following further discussions with Welsh Government.

10. Power to make the Decision

To date consultation with the Tenants has taken place as provided by Section 105

Housing Act, 1985. Thereafter, Section 265 Housing Act 1985 permits the demolition of dwellings in relation to hazards for the purposes of Section 5 Housing Act 2004

Thereafter, Part III Land Compensation Act 1973 provides for Home Loss payments (Section 29 – 33), Disturbance payments (Section 37 – 38) and Rehousing (39 – 43) The Home Loss Payment (Prescribed Amounts) (Wales) Regulations 2008/2845 confirms the current amount of the statutory minimum amount payable as being £4,700.

Before proceeding to demolition a 28 day site notice of proposed demolition under the Town and Country Planning (General Permitted Development) Order 1995 (as amended), must be served under delegate powers by the Council's Development Control department.