

**NORTH LANARKSHIRE COUNCIL
REPORT**

To: HOUSING AND SOCIAL WORK SERVICES COMMITTEE		Subject: CUMBERNAULD MULTI STOREY FLATS	
From: HEAD OF HOUSING SERVICES			
Date: 25 FEBRUARY 2009	Ref: MP/PH		

1. Purpose of Report / Introduction

The purpose of this report is to update the Committee on progress with developing a strategy to address the serious stock condition problems that exist within the multi storey flats in Cumbernauld and to seek endorsement for supporting a regeneration opportunity involving the demolition of the high flats and their replacement with approximately 445 flats within low rise blocks on the existing sites as the preferred way forward.

2. Background

- 2.1. There are 12 multi storey blocks of flats in Cumbernauld, 566 properties in total. 62% of the flats are in private ownership and the remainder are owned by Cumbernauld Housing Partnership (CHP), who also factor the blocks. There are serious stock condition problems within the blocks including persistent water penetration, which recent repairs to the panel joints have not addressed.
- 2.2. CHP is currently in discussions with Sanctuary Scotland Housing Association to become part of the Sanctuary Group. The Scottish Housing Regulator does not consider that CHP is viable as a stand alone organisation and has used its intervention powers to put 'appointees' on the CHP Board and appoint a Special Manager.
- 2.3. As the strategic housing authority the council has a duty to assess housing needs in its areas and develop strategies to address these needs. It also has a more specific duty to take action to address stock that is designated as Below Tolerable Standard. The council is required to develop a Local Housing Strategy (LHS) which sets out the key housing issues in the area and proposals to address these issues. The need to improve stock conditions in ex Cumbernauld Development Corporation stock is a key priority within the council's Local Housing Strategy. In addition the council develops an annual Strategic Housing Investment Plan (SHIP) which identifies how the available Affordable Housing Investment Programme (AHIP), administered by the Scottish Government, should be targeted to help meet LHS priorities.
- 2.4. In February 2008 the committee approved a Statement of Intent which committed the council; CHP; Sanctuary and the Scottish Government to work in partnership to identify a preferred way forward to address the problems within the multi storey flats. Within the Statement of Intent it was acknowledged that any solution would require significant additional resources from the Scottish Government, and the co-operation and support of the owners of the flats.
- 2.5. As part of the process consultants were appointed by CHP to consider the technical solution, costs and viability of comprehensively repairing the blocks, while Sanctuary assessed the re-provisioning option, i.e. demolition and new build.

3. Proposals / Considerations

3.1. A number of options have been assessed in relation to the blocks as summarised below:

3.1.1. Do Nothing

Doing nothing is not considered a viable option for the council because sooner or later the blocks will reach such a poor state of repair/ safety that statutory action would have to be taken by the council and residents re-housed. In the long term this could prove to be a more expensive option for the council. The welfare of the large number of elderly residents would also be a cause for serious concern and would likely result in the council having to re-house people under Homelessness legislation.

3.1.2. Refurbishment

The consultants who assessed this option concluded that the technical solution that will address water penetration, protect the structural integrity of the buildings and prolong their life is to install a rain screen cladding and an over-roofing system.

However when taken along with other essential works, such as internal re-wiring and emergency lighting, the cost of the work is estimated at around £31m, or between £50-60,000 per flat. Although considered a viable option to prolong the life of the properties there would still be a requirement for on-going maintenance as other components reach the end of their life. Therefore this would not be a one off cost and there is a danger that the blocks could fall back into a state of poor repair within a relatively short period of time.

A further consideration is that even before the current 'credit crunch' lenders had confirmed to the consultants that they would not be prepared to lend on the properties (due to their construction type) even after the work was completed. Therefore properties that were worth around £30,000 may only increase by up to 20% after the work was completed. Therefore unless 100% public funding is provided to owners, costing around £18-20m, it is unlikely owners would be able or willing to participate in the works as their share of the costs (even if they received 50% grant) would be greater than their flats are worth.

It should be noted that this option would have significant, direct, resource implications for the council as the current level of non HRA funding, including Private Sector Housing Grant (PSHG) is only around £3.5m per annum. Also the council's ability to provide grant funding to owners will be reduced following the introduction by the Housing (Scotland) Act 2006 of the Scheme of Assistance which will come into effect from 2010.

3.1.3. Demolition and New Build

An initial feasibility study by Sanctuary has estimated that approximately 445 flats within low rise blocks could be replaced on the existing sites. The costs of this option, which would require use of Compulsory Purchase Order powers by the council, is summarised below. In this option owners would be bought out at current market value and resident owners given option of purchasing an equity share, based on what they can afford, in one of the new flats. The remaining equity would be retained by the Scottish Government and is repayable when the property is sold or ownership transfers.

Therefore around £18.6m of the £56.6m public funding would be repaid over time. It is estimated that approximately half the flats would be for sale (shared equity) and half for rent. The following costs are indicative at this stage, and have not been adjusted for inflation.

Cost Summary	£m	Funding Source
Buy back of 350 owners, incl Homeloss and Disturbance.	14	Scot Govt
Demolition	6	Scot Govt
Land – assumed NLC will contribute land around flats	0	NLC
Construction costs – 444 flats	55.2	See below
Total	75.2	

Funding for new build	£m	Funding Source
Owners contribution	8	owners
Private finance for social rented units - 216	10.6	CHP/Sanctuary
Housing Association Grant (HAG) for rented units	18	Scot Govt
Shared Equity Funding (repayable)	18.6	Scot Govt
Total	55.2	

This option would provide high quality housing which, unlike the current flats, would be mortgageable. The value of the properties is therefore more likely to appreciate in value over time, as opposed to the existing flats which will probably depreciate in value. It would also help address some of the serious infrastructure/ environmental issues around some of the multi storey flats, e.g. poor quality car parking/ lock ups etc, and provide a regeneration opportunity within Cumbernauld.

It should be noted that although the level of funding is substantial it is anticipated that the re-development programme would be phased over at least a 10 year period. The public funding for the project would come from the Affordable Housing Investment Programme (AHIP) managed by the Scottish Government. The current AHIP programme is £14.6m, therefore the level of funding for this project, albeit spread over a number of years, could not be accommodated within the current level of resources.

- 3.2. Although the refurbishment option has a number of benefits, not least its ability to be implemented in a shorter timescale than the demolition option, the Scottish Government has confirmed that it considers the demolition and new build option as providing the most sustainable solution in the long term, and therefore is considered to represent value for money.
- 3.3. Discussions have been on-going with the Scottish Government to seek their agreement to provide additional, top sliced, resources to fund the owners share of the public funding requirements, including shared equity element and owner buy outs. This has now been agreed in principle, with the funding for the social rented units to be funded through the mainstream AHIP allocation, spread over approximately 10 years.
- 3.4. Taking all things into consideration, including the Scottish Government's assessment that the demolition and new build option represents best value for money, and their agreement to provide significant additional resources, it is proposed that the council should consider agreeing to support this option as the best way forward, subject to:

- Consultation with residents and owners regarding this option. The progression of a Compulsory Purchase Order by the council will be dependent on securing the agreement of a majority of owners.
- A more detailed Business Plan that fully considers feasibility and phasing of the re-provisioning programme, including proposals for managing/ maintaining blocks in the short term, and capacity of Sanctuary/CHP to manage and deliver such a complex project.
- Recognition that the strategy may need to be re-visited and other options considered if the support of owners is not forthcoming and/or other assumptions change, i.e. increase in costs of demolition/new build.

4. Financial / Personnel / Legal / Policy Implication

- 4.1. There are no direct financial, personnel or legal implications associated with this report at this time.
- 4.2. If the demolition and new build option is pursued the funding for this would be through the Affordable Housing Investment Programme (AHIP), not directly from council budgets. There would be resource implications for the council in terms of allocation of land around the multis for the new build, and progressing a Compulsory Purchase Order.
- 4.3. It is also likely that the multis would need to be designated as a Housing Renewal Area using new powers under the Housing (Scotland) Act 2006.

5. Recommendation

It is recommended that Committee:

- (i) Note the options for addressing the serious stock condition problems within the multi storey flats in Cumbernauld.
- (ii) Endorse the demolition and new build option as the preferred way forward
- (iii) Note that there will be further reports to committee regarding the strategy for the multi storey blocks following consultation with relevant stakeholders.



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11 February 2009

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