



CABINET

11 July 2012

REPORT

Subject Heading:

**NEW PLYMOUTH & NAPIER HOUSES
REFUBISHMENT SCHEME**

Cabinet Member:

Councillor Lesley Kelly

CMT Lead:

Cynthia Griffin

Report Author and contact details:

Mark Adams
01708 43 4100
mark.adams@havering.gov.uk

Policy context:

Housing Strategy, Decent Homes Programme and Rainham Compass.

Financial summary:

The report concludes it is financially advantageous to refurbish the two blocks, rather than demolish, dispose and redevelop.

Is this a Key Decision?

No

Is this a Strategic Decision?

No

When should this matter be reviewed?

In 6 months

Reviewing OSC:

Towns and Communities

The subject matter of this report deals with the following Council Objectives

Clean, safe and green borough	[√]
Excellence in education and learning	[]
Opportunities for all through economic, social and cultural activity in thriving towns and villages	[√]
Value and enhance the life of every individual	[√]
High customer satisfaction and a stable council tax	[]

SUMMARY

- 1.1 This reports sets out the case for an innovative and exciting refurbishment of New Plymouth and Napier Houses in Dunedin Road, Rainham, incorporating larger enclosed balconies, often called 'winter gardens'.
- 1.2 Following detailed option appraisal work the preferred approach is to:
 - a) retain the two blocks, rather than demolish and redevelop;
 - b) carry out a full refurbishment to Decent Homes standards, and
 - c) build larger, enclosed balconies.
- 1.3 The report restates the key features of the options appraisal and provides further information on the benefits of the winter gardens.

RECOMMENDATIONS

It is recommended that:

- 2.1 both New Plymouth and Napier Houses are retained**
- 2.2 the Housing Service develops proposals to:**
 - i) remodel the ground floor of each block to provide new homes and community space**
 - ii) carry out environmental improvements within the grounds of the blocks.**
- 2.3 residents of both blocks are consulted on a proposal to add winter gardens to all flats as part of the Decent Homes upgrade programme**
- 2.4 leaseholders would not be charged for the cost of the works above the Decent Homes Standard**
- 2.5 Cabinet receives a further report on the outcome of the consultation.**

REPORT DETAIL

3.0 BACKGROUND

- 3.1 New Plymouth and Napier Houses are two 12 storey tower blocks, each of 44 flats with a combination of 1 and 2 bedroom units, located on Dunedin Road immediately north of the A1306 in Rainham, opposite Dovers Corner. The accommodation in the blocks and tenure breakdown is as follows:

Table 1: Accommodation schedule and tenure

Unit type	Number
1 bedroom flats	46
2 bedroom flats	42
Tenants	80
<i>of whom, registered for a transfer</i>	20
Leaseholders	8

- 3.2 Homes in Havering have recently invested £173,000 from the Government's Social Housing Energy Saving Programme, SHESP, in each block to improve cavity insulation, energy efficiency ratings and reduce carbon emissions. These works can be considered essential to providing immediate energy efficiency and reduced heating costs for tenants and leaseholders. The works have been funded by external grant specifically for this purpose and so have neither diverted LB Havering resources nor obviated similar investment elsewhere.
- 3.3 The blocks are of the same construction as the Mardyke tower blocks and, while structurally sound, are of particularly poor external appearance and are in need of greater investment internally and externally in comparison to other blocks in Council ownership. They have very small and poorly used external balconies.
- 3.4 The two blocks have been recognised as a priority for the Council's Decent Homes programme and a specification for work has been drawn up. This includes the following:

Table 2: Estimated Liability to reach Full Decent Homes Standard

Item	Estimated cost £s (for both blocks)
Roof replacement and Insulation	180,000
Pigeon proofing works	30,000
Cleaning, concrete repairs and painting of external elements	130,000
Window replacements and new front doors	484,000
Resurfacing of balconies	88,000
External boundary repairs and painting	20,000

Alterations to gas pipes	10,000
Kitchens renewal (where non decent)	150,000
Bathroom replacements (where non decent)	96,846
Heating replacement (where non decent)	96,846
Preliminaries Costs (scaffold and so on)	220,000
TOTAL	1,505,692

NB. This is a pre-tender estimate and does not include fees

4.0 OPTIONS

4.1 Given the Decent Homes liability and the fact that the similar Mardyke blocks have been demolished and replaced, two principal regeneration options have been identified:

- demolition, disposal and redevelopment
- retention and refurbishment.

4.2 This report summarises the main costs and benefits of each option. However, before these are considered it is important to highlight some of the main constraints and determinants bearing on the blocks and the site.

CONSTRAINTS AND OPPORTUNITIES

Self Financing of the Housing Revenue Account

4.3 HRA reform was introduced in April 2012 and now sees the Council managing and financing its stock directly with rental income, augmented by Decent Homes grant, within a 30 year HRA business plan. All stock options therefore have to be appraised in terms of how much they will cost or benefit the business plan over this 30 year period.

Availability of development funding

4.4 The Mardyke Estate regeneration scheme is benefiting from £39 million worth of Government grants out of a total scheme cost of £82 million. This £39 million is being applied to phases 1 and 2, which will see the development of 314 units of affordable housing. This represents an average grant per unit of £124,000.

4.5 Under the latest Comprehensive Spending Round, the grant regime for new affordable housing has changed considerably. The maximum grant available is now £35,000 per unit. Thus, the level of investment supporting the Mardyke regeneration is no longer available for new schemes.

The Site

4.6 The site is a linear strip of just 0.789 hectares, consisting of the two blocks, car parking areas and a small children's playground and has a gas main running underneath it; these limit the development opportunities.

The Winter Gardens Option

4.7 Under all refurbishment options the properties in both blocks would be brought up to Decent Homes standard. However, given the blocks' design and 'gateway' location within Rainham, an innovative and exciting refurbishment option which includes the development of winter gardens for all flats has also been developed and costed at £1.2 million per block.

4.8 A 'Winter Garden' is defined as:

an external balcony area that has been externally enclosed by a non-thermally broken single glazed window system providing a number of significant and important benefits for residents and landlord.

These benefits include:

- 1) **protecting the façade** and reducing maintenance costs
- 2) **extra usable space**, in this case an additional 19.2m² for 2 bedroom flats and 14.05 m² for 1 bedroom flats
- 3) ability to open a balcony in good weather or close it in bad
- 4) **energy saving**, reducing heating costs by as much as 10-20%
- 5) significantly **improved acoustics**, reducing sound in flats by up to 21 decibels
- 6) **increased light** within the flat
- 7) **added security** with an 'extra line of defence' and the greater benefits of 'passive surveillance' accruing from a greater number of people using their balconies
- 8) **positively transforming the external façade** and overall appearance
- 9) an **increase in property values**.

4.9 Winter gardens have been used extensively and successfully to revitalise housing in Scandinavia and northern Europe. It has to date only had limited application in the UK: for example, in a private scheme at Dalston Square, Hackney and in social housing by Glasgow Housing Association. A Norwegian example can be seen in this video link <http://www.atspeed.co.uk/winter-garden-balcony.html>

4.10 The next section sets out the respective options appraised.

OPTION A – DEMOLITION, DISPOSAL AND REDEVELOPMENT

4.11 On behalf of the Council, PRP Architects developed several options for redevelopment should the blocks be demolished. Their proposals saw the provision of 91-92 units of accommodation in various combinations of general needs housing, extra care housing and housing for sale.

4.12 The most positive redevelopment option, in terms of meeting affordable housing need, could include 41 extra care units. This could be combined with 50 units for sale. That said, the work carried out for the Extra Care Strategy did not find Rainham to be a priority area for such accommodation.

4.13 Alternatively, without the extra care units, the scheme could provide:

- 53 units for sale and 39 for Affordable Rent, or
- 80 units for sale and 12 for Affordable Rent.

4.14 Table 3 below shows the cost to the HRA Business plan of different levels of receipt.

Table3: Disposal	30 year totals at current values	
	Income	Expenditure
Residual management costs		£294,406
Residual revenue repairs (essentially overhead costs attached to the repairs function)		£163,822
Residual fixed costs (falling to Retained Housing and HiH)		£849,572
Homeloss (£4,700) and disturbance (£1,200) for 89 tenants		£525,100
Buy back payments for eight leaseholders @ £120,000 + 10%		£1,056,000
Demolition costs – based on Orchard Village phase 1 costs		£750,000
Debt attached to properties to be repaid		£1,600,200
<i>Sub-total</i>		<i>£5,239,100</i>
Receipt – highest estimated receipt based on PRP estimate (87% sale, 13% affordable rented)	£1,929,618	
Receipt – lowest estimated receipts based on RSL estimate (55% sale, 45% extra care affordable rented) – negative land value		£534,157
NET total (income – expenditure)		
Highest estimated receipt / lowest shortfall scenario		£3,309,482 shortfall
Lowest estimated receipt / highest shortfall scenario		£5,773,257 shortfall

4.15 Table 3 above shows that even with the highest level of anticipated receipt, the net costs to the HRA Business plan over 30 years is £3.3 million. With the lowest land receipt assumption, the net cost to the HRA Business Plan is £5.7 million. Put simply, demolishing the blocks and selling the land for development of replacement affordable housing would cost the Council's HRA between £3.3 million and £5.7 million; grant to make up this shortfall is not available unlike at the time of the Mardyke regeneration.

4.16 Even if the available Decent Homes funding of £0.77 million is included as 'gap funding' this would still leave a net cost to the Business Plan of between £2.53 and £4.93 million. However, it should also be borne in mind

that Decent Homes funding would not necessarily be available for the demolition and disposal options; if available it may have to be applied to Decent Homes works

4.17 There is also a high degree of uncertainty that a housing association could secure sufficient funds, given the blocks' negative values, to make the scheme viable; as noted above grant rates have been reduced from £124k per unit on the Mardyke to a maximum of £35k under the current framework.

OPTION B – RETENTION AND REFURBISHMENT

4.18 In all retention scenarios it is assumed that the properties in both blocks would be brought up to the Decent Homes standard. However, refurbishment also includes an additional 'balcony room' of 23m² for 2 bedroom flats and 15m² for 1 bedroom flats and external cladding for the reaming faced not covered by the winter garden. The winter gardens would cost an estimated £1.2 million per block and the cladding an estimated £226,000 per block.

4.19 The refurbishment option, including upgrading with winter gardens, would provide the following benefits:

- accommodation for all residents up to Decent Homes standards
- reduced fuel bills for residents and maintenance costs for the Council
- a dramatically enhanced external appearance, changing the image and look of the tower blocks into a landmark scheme for Rainham and Havering Riverside
- in effect, an 'additional room' for each flat. *It should be noted that this would necessitate a rent increase of an estimated 16-17%, in return for a 33% increase in floorspace*
- environmental improvements to the site
- remodelling of the ground floor to provide communal space and additional residential accommodation.

4.20 Refurbishment without the winter gardens option would mean that the homes would be brought up to the Decent Homes standard but the other benefits would not be realised for residents or the Council.

4.21 Table 4 below shows the cost to the HRA Business plan of this enhanced refurbishment with additional winter garden enclosed balconies and cladding.

Table 4: Retention: including Decent Homes funding, winter gardens and cladding of blocks	30 year totals at current values	
	Income	Expenditure
Rental income net of voids and bad debt <i>Rents increased to reflect the improvements*</i>	£5,787,980	

Management costs		£588,813
Revenue repairs		£1,092,107
HRA overheads (falling to Retained Housing and HiH)		£849,572
Capital investment (including winter gardens)		£4,361,426
Capital financing (share of self financing debt settlement)		£1,600,332
Decent Homes monies	£771,185	
<i>Sub-total</i>	£6,559,165	£8,492,250
NET TOTAL		£1,933,085
<p>* It has been estimated that the revised rents would see:</p> <ul style="list-style-type: none"> • current 1 bed rent of £67.17 increasing to £79.00 • current 2 bed rent of £73.32 increasing to £85.15. <p>Current rent increases for the blocks are limited to RPI + 0.5 + £2 until 2018/19, with revaluation of rents, the increases above inflation would continue until 2024/25.</p>		

The table shows that the net cost to the HRA Business Plan over 30 years is £1.93 million.

Notes:

a) all the figures quoted are presented on discounted cash flow basis (i.e. net present value) which essentially converts the figures arising over the 30 years of the HRA business plan to their current values

b) for modelling purposes, disposal is assumed to have taken place in year 1 of the 30 year HRA Business Plan

d) net figures in the expenditure column represent costs to the HRA Business Plan.

4.22 The timetable below sets out the next steps and possible dates:

Milestone	Date
Rainham Compass Board approved the refurbishment and winter garden option be proposed to Cabinet	May 2012
Approval sought from Cabinet for the refurbishment and winter gardens proposal	July 2012
<i>Subject to Cabinet approval</i>	
Develop proposals for remodelling the ground floor of the blocks	August 2012
Appoint technical consultant to assist in the procurement	August 2012
Resident consultation commences and concludes	August 2012

Scheme Brief and Design specification completed	September 2012
Specialist sub contractor appointed	Early 2013
Planning Application submitted	Spring 2013
Planning Approval secured	Late spring 2013
Start on Site	Summer 2013
Completion of works	Late summer 2014

OPTIONS CONSIDERED

- 4.23 The above discussion has given full detail of the two principal options considered and the case for the additional investment in the winter gardens. Demolition and replacement has been rejected on cost and viability grounds. The report concludes it is financially advantageous to refurbish the two blocks, rather than demolish, dispose and redevelop.
- 4.24 Refurbishment with winter gardens and cladding is the preferred option, as it will provide the most significant and sustainable benefits for residents and the Council including:
- reduced maintenance costs for the Council
 - additional living space for residents
 - reduced fuel costs for residents
 - a dramatically enhanced external appearance, changing the image and look of the tower blocks into a landmark scheme for Rainham and Havering Riverside.
 - additional homes and community space.

IMPLICATIONS AND RISKS

- 5.0 There are several risks and issues to be considered as set out below.

Leaseholders' contributions

- 5.1 Given the special nature of this scheme, the Decent Homes works together with new winter gardens and cladding would represent a very significant cost to leaseholders. Decent Homes works only are estimated to cost £17,000 per property and it is reasonable to recharge leaseholders for this work. Should the consultation support the winter gardens proposal, and in the light of the winter gardens costing £27-28,000 per property it is felt that it would not be in the best interests of the scheme to charge leaseholders for

the winter gardens work. This could counteract any leaseholders' reluctance to take part in the scheme. Any such costs would then fall on the HRA.

Management issues

- 5.2 Winter gardens are unusual in this country and residents are not familiar with how to make the best use of this kind of space. Special displays, videos and maybe a show flat in due course could assist the consultation.

Ground floor potential – hidden homes and community space

- 5.3 Currently the ground floor of each block has considerable space allocated to storage, including pram sheds, which is not being effectively used. Initial survey work suggests this space could be used to provide 3-4 hidden homes and a community space. This work is not included within any of the option appraisals and a scheme now needs to be designed and costed to make the most of this asset. The community space will also enable more work to be done to promote positive community relations and tackle some of the anti-social behaviour.

Consultation with residents

- 5.4 The next step will be to consult residents, both tenants and leaseholders, on the scheme and, in particular, the benefits of the winter gardens. This will be breaking new ground as it will be the first scheme of its kind in Havering, and indeed in London. There will need to be an imaginative exhibition of the scheme clearly setting out the benefits, and costs, for residents.
- 5.5 It will be a very positive and exciting package but there is a risk that some residents may oppose it. In that event the Council would have to consider the weight and nature of residents concerns and, if appropriate, reconsider the scheme; the standard Decent Homes scheme could be delivered as a fallback.

6.0 FINANCIAL IMPLICATIONS AND RISKS

- 6.1 The options appraisal presented above has been carried out using the assumptions contained within the HRA Business Plan approved by Cabinet earlier this year. The appraisal clearly demonstrates that retention and refurbishment has a far lower call on resources than the demolition and replacement option.
- 6.2 There are sufficient resources within the HRA Business Plan to meet the costs of the winter gardens refurbishment option and Decent Homes improvements.
- 6.3 The total works proposed represent a cost to the HRA Business plan of £1.9 million over 30 years (see Table 4). (This is a Net Present Value total, where later years flows have a lower value than earlier years). Within this £1.9m, no income from leaseholders, in respect of the winter gardens, has currently been assumed. The total cost for works above the Decent Homes Standard to the leaseholder units, should all units receive wintergardens, is estimated

at around £220k; if this cost is not passed onto leaseholders, it would have to be met by the HRA.

7.0 LEGAL IMPLICATIONS AND RISKS:

7.1 The development of winter gardens in the blocks of flats would be a matter of housing management (that is, management, maintenance, improvement) and accordingly under s 105 Housing Act 1985 tenants would need to be consulted. At the same time leaseholders would need to be consulted pursuant to s20 Landlord and Tenant Act 1985 and the Service Charges (Consultation Requirements) (England) Regulations 2003. Such consultation must be meaningful, in other words it must be undertaken at a time when consultees can still influence the final decision and have sufficient time and information to make appropriate representations. Those representations must then be conscientiously taken into account before the final decision is taken.

7.2 Otherwise there are no other apparent legal implications or risks.

8.0 HUMAN RESOURCES IMPLICATIONS AND RISKS:

8.1 There are no human resource implications arising from this report.

9.0 EQUALITIES IMPLICATIONS AND RISKS:

9.1 Members of Havering's more socially excluded communities, notably residents with low incomes and those from black and minority ethnic communities, are over-represented in the Rainham area. Thus, the implementation of the refurbishment will have a positive impact on these communities' quality of life. It will in addition provide a venue for residents and community meetings which will strengthen cohesion and assist in tackling anti social behaviour.

BACKGROUND PAPERS

None