

## **PROPOSALS TO ASSIST IN MAJOR STRUCTURAL WORKS TO MUNICIPAL TERRACE AND MILLBURN AVENUE DUMFRIES**

### **1. Reason for Report**

On 5 March 2010, Members considered a report which requested funding to assist in addressing serious structural defects identified within Municipal Terrace and Millburn Avenue, Dumfries through ring fencing Private Sector Housing Grant (PSHG) for the next two financial years. The Housing Sub Committee agreed to ear mark £130k of Private Sector Housing Grant to support this project. Subsequently DGHP has advised the Council that the extent of the required works is much greater than initially specified. This report seeks Members decision whether to provide additional funding to contribute to owner's costs of the overall scheme.

### **2. Report Summary**

2.1 The properties at Municipal Terrace and Millburn Avenue are multi tenure with 33 DGHP tenants and 15 owner/occupiers. The Municipal Terrace blocks are believed to be the first Council homes ever constructed in Scotland and were built circa 1913 and the properties in Millburn Avenue were built circa 1919. All the properties show significant defects which include corroded wall ties, ineffective and poor mortar, inadequate lateral restraints and deformation of gable walls.

2.2 DGHP prepared a capital programme specification and commenced the preparation for these major works some time ago and are now on site in a block that is wholly owned by them.

2.3 The project requires funding from Private Sector Housing Grant (PSHG) toward the cost of the owner occupier contributions to allow all works to proceed. The works will provide significant benefits to the 48 households that occupy the blocks. Previously, grant assistance could have been provided as the individual applicants submitted their applications over the life of the contract. However, as the timing of the contract straddled the Council's introduction of the Section 72 Scheme of Assistance, it was necessary to agree a process of forward planning, agree to apply the previous policy in relation to this contract only and identify and secure funding to enable the owners who would otherwise qualify for assistance, to do so even after the introduction of the new Scheme of Assistance in April 2010.

2.4 As DGHP have undertaken certain elements of the works, they have discovered that the extent of the disrepair to the rear scullery extensions is so significant that the scope of the works needed to be reviewed. They undertook an options appraisal process and concluded that the preferred option is for a complete demolition and rebuild of the rear scullery extensions to all blocks. This means the potential contribution from the 15 owners has increased significantly.

2.5 Given the decision of Housing Sub Committee in March 2010 to support this major capital investment scheme, it is necessary to request whether Members consider it appropriate to set aside an additional contribution to allow the revised and much more significant work to proceed.

2.6 The additional costs to the overall contract are very significant. The original total contract value entered into by DGHP was £1.7m and this has now risen to £2.5m. DGHP has undertaken consultation with the potentially affected owners and

has estimated that the additional grant support (subject to financial assessment of each owners circumstances) could be £299k. This is in addition to the original £130k earmarked in March 2010. DGHP has offered to contribute an additional £50k which would reduce the potential funding from the Council to support owner occupier costs to £249k.

2.7 As the Council does not have additional budget provision of £249k within its Private Sector Housing Grant, if Members were minded to support this potential further contribution it would have to be met from Council Tax income on Second Homes. The current policy confirms this funding can be used to support the regeneration of Dumfries town centre.

### 3. Glossary of Terms

DGHP	:	Dumfries and Galloway Housing Partnership
PSHG	:	Private Sector Housing Grant
PSHGS	:	Private Sector Housing Grant Scheme

### 4. Recommendation

Members are asked to consider whether to provide an additional fund of up to £249k from the Council Tax income on second homes to allow the revised specification for works to Municipal Terrace/Millburn Avenue contract to proceed.

### 5. Plan Links and Contribution

5.1 The issue of grants for the improvement and repair of the private sector housing stock contributes to the Councils "Safer and Stronger" and "Healthier" themes.

5.2 The delivery of PSHG is a key element of the Local Housing Strategy's key theme of "Quality Housing for All".

5.3 The resultant investment of £2.5m in the local housing stock in Dumfries also generates significant economic activity within the region thus contributing to the "Wealthier and Fairer" theme.

### 6. Resources/Value for Money Assessment

6.1 There is no further provision within PSHG budget to fund the additional potential contribution toward owner costs of £249k. The funding would have to come from the Council tax on second homes. The uncommitted balance in this fund currently stands at £1.321m. The current policy confirms this funding can be used to support the regeneration of Dumfries town centre. This project falls within this definition.

6.2 DGHP has managed the award of the contract through its procurement processes that must meet the standards set down by the Scottish Housing Regulator and demonstrate best value.

6.3 If Members agree to commit the further significant sum of £249k from the Council Tax income on second homes it would mean the total council contribution would be up to £379k (which includes the initial £130k ear marked on 5 March 2010). This is equivalent to £25k per owner. The Value for Money assessment is complex as the potential contribution is very high but the consequence of not providing this additional funding would impact on all 48 homes, not just the 15 owners' properties.

Looking longer term, the costs of ultimately losing this number of homes from the centre of Dumfries would have wider social and economic consequences and have a significant impact on the tenants and owners concerned.

6.4 Through discussions with DGHP they have confirmed that, if the Council agrees to increase its funding, DGHP would be willing to provide an additional contribution of £50,000 towards the owner /occupiers costs which would then reduce the call on the Council's funding to £249k.

6.5 Another report on this agenda relating to the development at Central Garage is also seeking a decision on whether to provide additional funding to that project through the Council Tax Income on second homes. Obviously each decision will have an impact on available balances going forward but there is sufficient provision for both projects, if Members agree to support them.

## **7. Risk Assessment**

DGHP have advised that if they cannot secure the participation of the owners in carrying out the full works programme, the options available to them are;

- Undertake remedial work on their own stock rather than demolition and re build. However this is not significantly cheaper than the rebuild option and provides a shorter life cycle before further repairs would be required
- Attempt to negotiate an exchange of properties with owners moving into flats that will remain in their current state of disrepair and allow DGHP to tackle the refurbishment of blocks wholly in their ownership
- Outright purchase – This option would involve DGHP buying out all the owners who could not or would not fund the works (potentially all 15). This option is unaffordable for DGHP
- Cancel the contract and discontinue the works – This would result in DGHP having to re-house all their tenants from the blocks that were not repaired as the properties would not meet SHQS standards. The owners' properties would remain in disrepair and eventually would fall Below Tolerable Standard. If the properties deteriorated to this degree, they would need to be assessed by the Council under its Scheme of Assistance and decisions made about what future interventions, actions or support could be undertaken.
- The further call on Council Tax income from second homes reduces the available balance for future projects but there are currently no outstanding projects that require this funding and the income generated on an annual basis is approximately £750k.

## **8. Statutory Authorities and Legal Implications**

The Housing (Scotland) Act 2006 details statutory provisions for the delivery of advice and assistance (including financial assistance) to owners and the powers available to local authorities to compel owners to ensure their properties are maintained. An alternative approach to ensuring the disrepair issues are addressed is for the Council to serve appropriate works notices on all owners to undertake necessary works. The Council has powers to enforce or carry out works and then re-charge owners.

## **9. Consultations**

The Operations Manager Accountancy, Area Manager Nithsdale and Head of Legal Services have been consulted and are in agreement with the terms of this report.

## 10. Background

10.1 Under the Housing (Scotland) Act 1987 the Council has a responsibility to provide financial assistance to individuals in respect of improvements to housing. The provision of grants for private sector housing improvements has been a long established function of local authorities. It is particularly associated with the modernisation and rehabilitation of older or lower grade housing stock through essential repairs and improvements.

10.2 Members agreed the new Section 72 Scheme of Assistance, required under the provisions of the Housing (Scotland) Act 2006 in March 2010 which have been implemented from April 2010. However, the contract for the major structural works at Municipal Terrace and Millburn Avenue straddled the implementation date of the Section 72 Scheme of Assistance on 2 April 2010. Some of the works commenced before April 2010 but due to the significant scope and complexity of the contract, it will take up to 2 years to complete. As some of the elements of the capital works contract required to Municipal Terrace and Millburn Avenue fall outwith the new qualifying criteria of the S72 Scheme of Assistance, an approach was agreed that does not undermine the new policy but allows a significant contract originally worth £1.7 million to be completed.

10.3 The original project required funding from PSHG toward the cost of the owner occupier contributions to allow the following works to proceed;

- removal and replacement of all existing corroded wall ties
- install lateral restraint straps
- re-point external faces of all blocks
- re-roof all blocks and replace sarking
- provide level access to all blocks
- up-grade external lighting and bin enclosures

10.4 DGHP now advises the scope of the required work is much greater than originally specified. The rear sculleries which now contain the bathrooms and kitchens of the flats, have expansion cracks, distressed lintels, corroded steels and very poor brickwork which means they are structurally unstable. This has increased the total cost of the contract by £800k to £2.5m.

10.5 The scale of the disrepair was only revealed after the rear sculleries were stripped out in preparation for the original refurbishment.

## 11. Options

11.1 The Council could agree to provide additional funding up to £249k which allow the completion of the £2.5m contract and result in the refurbishment of 48 homes within the town centre.

11.2 The Council could decide not to provide the additional funding which would result in the owner occupiers being unable to contribute to the costs of the works and the contract being terminated once DGHP has completed works on their wholly owned blocks. This would subsequently result in DGHP having to re-house all their tenants from the blocks that were not repaired as the properties would not meet SHQS standards. The owners' properties would remain in disrepair and eventually would fall Below Tolerable Standard. If the properties deteriorated to this degree, they would need to be assessed by the Council at some future date under its

Scheme of Assistance and decisions made about what interventions, actions or support could be undertaken.

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