

GALLEYS BANK PILOT PROJECT RESULTS – APPENDIX A**1. Background**

- 1.1 The Galleys Bank Estate is a former National Coal Board housing estate located in Kidsgrove. The area was included within the Renew Housing Market Pathfinder boundary because it was acknowledged that whilst Galleys Bank was not suffering from housing market failure (as measured by conventional indicators) the area has a number of underlying issues which are likely to cause problems in the future if left unaddressed.
- 1.2 There are issues relating to “Schindler” properties, which are of non-traditional construction and designated under the 1984 Housing Defects Act. 40% of the properties on Galleys Bank were improved through a 90% Government reinstatement grant in the 1990s but over half were not and the grant is no longer available. This has resulted in potential owner-occupiers finding it difficult to secure mortgages on the properties. The designation of Schindler properties means that mortgages on unimproved properties require at least a 25% deposit. Below average incomes on the estate and the effects of the current economic climate mean that it would be extremely difficult for someone wishing to purchase an unimproved Schindler property. This has led to a proliferation of private landlords who have taken advantage of the situation and bought large volumes of stock on the estate through cash purchases at auction. At 2006 33% of all properties on the estate were in this form of ownership. High levels of private-renting causes problems such as poor maintenance, deteriorating environment and an influx of transitory tenants which, in turn, can cause social problems.
- 1.3 In 2006 Renew invited DTZ to apply its expertise of working in similar ‘at risk’ housing areas across the country to identify if Galleys Bank could benefit from a private sector approach, given that public money was not available to provide a solution. Cabinet decided that no single option from the resulting options appraisal was viable but that further investigative work should be undertaken.
- 1.4 The economic downturn meant that a cost-effective solution became even more challenging. It was unclear what structural condition the properties were likely to be in. It was agreed that the condition could be tested in order to look at whether a more cost-effective repair method that would not require a rebuild could still achieve mortgageability.
- 1.5 A consultant facilitator, Peter Bevington was funded by Renew and Newcastle Borough Council to set up a Community Steering Group from December 2008. All residents on the estate were invited to join and a group of around 15 residents have acted as an advisory body to Renew and Newcastle Borough Council.
- 1.6 Newcastle Borough Council employed an experienced Environmental Health Officer to work for four months, funded by Renew and working specifically on the estate. The officer carried out 42 inspections of privately rented homes followed by enforcement action where appropriate. The aim of proactive inspections by the Council was to reduce the risk of residents having to tolerate disrepair through fear of eviction. There were no reported cases of tenant harassment for the duration of this project. Tenants on the estate have actively sought inspections and some landlords responded in anticipation of enforcement although work in default has been undertaken on properties owned by a small number of landlords.

2. Issues

- 2.1 Renew presented the opportunity of finding out more about the possible cost implications of repairing the unimproved Schindler properties and Cabinet approved to release match funding (£55k for the pilot study and continuation of the steering group Chair) and further investigation into the scheme on 17th June 2009.

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- 2.2 In November 2009, a long-term empty property on the estate was purchased as a 'pilot house'. With assistance from three members of the community, consultants Building Research Establishment (BRE) and Michael Dyson Associates were appointed in January 2010 to undertake detailed structural testing and devise a repair method for the pilot house that was both cost effective and could achieve mortgageability.
- 2.3 The consultants produced a structural report and a repair options report. The structural report indicated that although workmanship was variable throughout the property, there was confidence that the property was structurally sound and that the level of degradation of the concrete structure was low. The repair options report outlined five possible repair methods, ranging in cost and level of intervention from thermal cladding to protect the existing structure to complete removal of the concrete frame.
- 2.4 Through discussion with the Community Steering Group and Project Steering Group, it was decided that option three (where the outer layer of brick was removed and block brick work was built in between the concrete frame to take the load away from the concrete structure and the new layer would be over-clad to improve thermal performance) was the only viable option. This is because the occupant could remain in the house for the duration of the works which would mean no decant expenses and costs would be reduced because the repair work would be less invasive than the replacement of the frame. Because a private sector solution is the only option for repairs on the estate at this time, cost effectiveness is the key factor. It is already known that the houses can be repaired by removing the concrete frame as this method was used during the 1990s under a Government funded repair programme. This method was deemed too costly to be within financial reach of most estate home-owner who may wish to undertake repair works through property appreciation loans that are reliant on the works boosting the post-works property equity to higher than the original value after the cost of works.
- 2.5 Whilst investigative work was taking place, Renew were in contact with leading mortgage indemnity providers. If an indemnity insurer is prepared to provide a certificate of insurance for the repair method on an individual property then mortgage lenders have the confidence to offer mortgages on that property (also dependent on financial circumstances of the buyer).
- 2.6 Whilst the commercial arm of the indemnity provider was interested in a possible certification scheme, the technical inspectors were concerned about the variability in workmanship of the pilot house. In order to satisfy the Council of Mortgage Lenders, a 60 year guarantee on the lifetime of the property must be agreed. Technical officers argued that, having inspected the property, that the retained concrete frame (even with the weight bearing load removed) could not be guaranteed for 60 years. This meant that a certificate of mortgageability could not be secured using the preferred repair method.
- 2.7 Discussion has taken place within the Project Steering Group and the Community Steering Group about what repair method is appropriate for the pilot house now it was clear that the preferred repair solution was not viable. The purpose of the study was to undertake the preferred repair method on the pilot house and sell it on the open market as a test of mortgageability. As it had become clear that a cost effective repair solution was not possible, it was agreed to undertake a Non Traditional Housing Appraisal Scheme approved repair under which a 30 year guarantee could be obtained. The pilot house has been valued before and will be valued post completion to test the effect of the works and certification on the property value and to test whether the certification has any affects on mortgageability as this is unknown.
- 2.8 The pilot house was purchased with funding from Renew and Newcastle Borough Council. Since the repaired property can not achieve mortgageability, the pilot house has been transferred into permanent ownership of Aspire who have funded the structural repair and refurbishment.
- 2.9 Residents on the estate have been notified about the latest findings through the residents' newsletter and through the Community Steering Group.

- 2.10 It is unlikely that any significant public sector funding will be available for a comprehensive refurbishment programme on the estate. However, there are indications that Aspire Housing may be prepared to invest in incremental, ad hoc refurbishments as opportunities arise and where it can access Homes and Communities Agency funding.
- 2.11 Of course it will be a matter for any future investor to determine the nature and extent of property repairs they deem appropriate. But it is noteworthy that any RSL investment would, in the majority of cases, improve the houses to 'Decent Homes Standard' which is the critical outcome from a tenant's perspective.
- 2.12 On a broader note, as market conditions increase and property values rise, the benefits of residents undertaking their own repairs on their home may be a more attractive option.

3. Position Statement

- 3.1 In view of the cessation of the Renew Programme and the general reduction in public sector capital funding it is necessary to take stock and agree with stakeholders what future actions may be appropriate. There are four main considerations in this regard:
- Completion of the refurbishment of the pilot house and dissemination of information
 - Enforcement of housing standards with private landlords
 - Continuation of support for the Community Steering Group
 - Future funding opportunities for any improvement schemes

4. Proposal and Reasons for Preferred Solution

- 4.1 Pilot House Results - The refurbishment of the Pilot House is planned for completion by October 2011. Once work on the pilot house is complete, an information day will be held inside the property so that residents can discuss the investigative process and pilot study and to get more information about the consultant's repair options and discuss any concerns or address rumours they may have heard about the regeneration work on the estate. Once the house has been refurbished it will be let by Aspire Housing.
- 4.2 Housing Standards - The completion of the pro-active inspection programme is seen as a success with 42 inspections undertaken and enforcement action completed where necessary. It is recommended that the Council continues to highlight that inspections are available and where a request for an inspection or a complaint about housing conditions is received that the Council undertakes action in line with the Housing Standards and Public Health Enforcement Policy. Further information advertising the availability of support from the Council could be undertaken at the proposed open day.
- 4.3 Community Steering Group - Housing Market Renewal funding withdrawal at the end of the financial year 2010/11 meant that financial support for the continuation of the independent Community Steering Group Chair, Peter Bevington has been withdrawn. The group therefore has the option to; continue and meet independently if and when additional resources are available, become part or sub-group of the Kidsgrove Locality Action Partnership group, or revert to the Galleys Bank Residents Association to actively look for options for the estate through lobbying or community action. The group has discussed their future and suggested that they will continue to meet until the completion of the pilot study, which was the purpose of the group set out in their Terms of Reference. It is envisaged that your officers would continue their involvement with the group as part of current work programmes, given the limited scale of activity anticipated. The group may then disband but should further opportunities arise, residents would be invited to join a new task-specific steering group.
- 4.4 Future Funding - The Community Steering Group is keen for the local MP and Ward Councillors to become more involved in the project (after previously asking that politicians step back and allow residents to lead on the project) by investigating likely local, regional, national and

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European funding streams and making the case for prioritisation of funding for this estate. At the moment your officers are unaware of any large-scale external funding opportunities for tackling the physical condition of the unimproved properties on the estate.

Nevertheless, with regard to potential future housing investment the Council has prepared a Local Investment Plan (LIP) in response to a request from the Homes and Communities Agency. In the LIP, Kidsgrove is recommended as a spatial priority. This does not mean that any funding will be allocated to the area but does enable the Council in partnership with Registered Landlords to consider schemes with the HCA in future years if national funding is available.