

## **POLICY & FINANCE COMMITTEE**

**27 JUNE 2019**

### **HOUSING REVENUE ACCOUNT - FIRE DAMAGED PROPERTIES - FORSTER AVENUE, NEWARK**

#### **1.0 Purpose of Report**

- 1.1 To seek Committee approval to redevelop the Housing Revenue Account site at 38 and 40 Forster Avenue, Newark further to significant fire damage to both properties.

#### **2.0 Background Information**

- 2.1 On Tuesday 9 October 2018 a fire broke out at 38 Forster Avenue, Newark. The fire caused significant structural damage to the property, including the collapse of the roof, and spread to the adjacent semi-detached property, 40 Forster Avenue. Both these properties are Council homes within the Housing Revenue Account (HRA), being 3 bed semi-detached houses.
- 2.2 Due to the scale of remedial works required to return the properties to a habitable condition the opportunity has been taken to identify other options available at this time, specifically:
- a) Refurbishment of the existing two properties.
  - b) Demolition of the two existing properties and replacement on a like for like basis.
  - c) Demolition of the two existing properties and replacement with three two bed houses.

#### ***Affected Tenants***

- 2.3 The Company have advised that the tenants of 40 Forster Avenue have been rehoused permanently and the tenants at 38 Forster Avenue are now in a suitable decant property, with the Company working with them to provide a permanent rehousing solution.

#### **3.0 Options Appraisal**

- 3.1 In respect of paragraph 2.2, Newark & Sherwood Homes have now undertaken an appraisal of each option as detailed below.
- 3.2 **Option 1** is the refurbishment of the properties on a like for like basis. The full cost of the works, estimated at £211,000, and the rent loss incurred whilst the works are being undertaken would be funded by the insurance company.
- 3.3 **Option 2** is the demolition of the existing fire damaged units and replacement with two semi-detached properties. *(The existing properties are of a Wimpy No Fines construction and date from 1953 with a low energy efficiency rating. At 66 years of age these units have already surpassed their predicted life cycle of post war system build housing.)*
- 3.4 For this option the Council's Insurance Company has indicated they would contribute an amount equivalent to the refurbishment costs and cover the rent loss incurred whilst the works are being undertaken. The cost model for this option is detailed below:

Description	Amount
Cost of 2, 3 bed new build properties	£317,845.30
Cost of refurbishment (met by insurers)	£211,000.00
<b>Difference between cost of refurbishment and cost of two new builds to be met by the HRA.</b>	<b>£106,845.30</b>

- 3.5 It may be possible to attract major works grant from Homes England for these properties; this would be at a lower value than the new build grant level for new homes. The insurance claim would have to be disclosed and Homes England may take the view that the two properties are not eligible for all or part of the grant.
- 3.6 Should grant be awarded this would have the potential to reduce the amount of capital investment required from the HRA by up to 50%.
- 3.7 **Option 3** is for the demolition of the existing fire damaged units and replacement with three, two bed homes. The cost model for this option is detailed below:

Description	Amount
Cost of new build properties 3, 2 bed units	£382,736.00
Cost of refurbishment (met by insurers)	£211,000.00
<b>Amount of capital investment required from the HRA for 3 new build properties</b>	<b>£171,736.00</b>

- 3.8 On the one additional new property, it would be possible to apply for Homes England grant at a level of approximately £38,000.
- 3.9 It may also be possible to attract major works grant from Homes England, for these properties as detailed at paragraph 3.5 above.
- 3.10 Should both these applications be successful then this will reduce the capital finance requirements of the HRA to support the build of the 3 new Council homes.
- 3.11 The Committee should note that there is a bidding process to secure Homes England grant and therefore no guarantee at this point that the Council would be successful in this respect.
- 3.12 In all of the options the insurance will pay for the rent loss covering the period of the works.
- 3.13 **Option 3** also provides the opportunity to increase income to the HRA by approximately £4,000 per annum through the addition of a property to the rent roll; this will need to be modelled through the HRA Business Plan. This option also presents a cost effective opportunity to create new homes to meet the evidenced housing need for the delivery 2 bed units.

#### ***Timescales***

- 3.14 For **option 1** to refurbish the properties on a like for like basis is estimated to take between 8 and 10 months from commencement.

3.15 **Options 2 and 3** would require planning permission, estimated to be a 3 month process, with a build period of approximately 10 months in addition.

#### **4.0 Proposal**

4.1 Based on the options appraisal undertaken by the Company, which has been discussed and reviewed with Council officers, it is proposed that the Committee approve **option 3** seeing the demolition of the existing fire damaged units (*38 & 40 Forster Avenue*) and replacement with three, two bed Council homes (HRA).

4.2 It is the intention to deliver the proposal set out above through the 5 year HRA development programme and so will be delivered by the contractor Robert Woodhead. The additional HRA capital finance requirement of £171,736 would be allocated to the programme, set against the potential for this sum to reduce subject to being awarded Homes England grant funding.

4.3 The Company would project manage the development and follow the Council's Contract and Procedure Rules, liaising with the insurer.

4.4 The Committee should note the insurers are now looking at swift resolution to this matter.

#### **5.0 Equalities Implications**

5.1 There are no equality implications relevant to this proposal.

#### **6.0 Impact on Budget/Policy Framework**

6.1 Within the contents of the main report all the budgetary and policy framework requirements have been considered.

#### **7.0 Financial Implications FIN19-20/4938**

7.1 The cost of the scheme including the receipt from the Council's insurers has been modelled in the HRA Business Plan and is affordable.

7.2 The timings of this report would mean that the units could be added to phase 3 of the Housing Development Programme. Prior to any future grant bids, it would be prudent to add £386,736 to the phase 3 budget, to be financed by £211,000 from the Council's Insurers and the remaining £171,736 from other available HRA capital resources.

#### **8.0 RECOMMENDATIONS that:**

- (a) the Committee approve Option 3 to demolish the fire damaged units at 38 and 40 Forster Avenue, Newark and replace these with three, two bed Council homes; and**
- (b) the 2019/20 Housing Development Programme Phase 3 capital budget be increased by £382,736, for the three new properties, with £211,000 to be financed by the insurers and the remaining budget to come from available Housing Revenue Account capital resources.**

### **Reason for Recommendations**

**To replace two fire damaged Council homes deemed to be structurally unsound and meet the Council's objective within the Community Plan to 'Accelerate the supply of new homes including associated facilities'.**

### **Background Papers**

Nil

For further information please contact Rob Main, Business Manager – Housing Strategy and Development on Ext 5930 or Jill Sanderson, Housing Development Officer on Ext 5624.

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