
Report To:	Environment & Regeneration Committee	Date:	26 August 2021
Report By:	Interim Service Director Environment and Economic Recovery	Report No:	E+R/21/08/06/SJ
Contact Officer:	Stuart Jamieson	Contact No:	01475 712402
Subject:	Clune Park - Update		

1.0 PURPOSE

- 1.1 The purpose of this report is to provide the Committee with an update on the Clune Park acquisition programme and to seek approval to amend the current purchase plan.

2.0 SUMMARY

- 2.1 The Clune Park Estate consisting of 437 flats, later reduced to 430, in the form of five horseshoe shaped backcourts was constructed between 1918 and 1920 by a local shipbuilder to provide housing for the workforce.
- 2.2 The flats were modernised by the estate owners (Lithgow) in 1959-61. In 1975 Lithgows disposed of the flats in varying portfolios to a number of investment companies. Subsequent disposals spread the ownership of the estate amongst a large number of individual owners and latterly a number of private sector landlords with varying sizes of portfolios.
- 2.3 Since 2001, following the publication of the Llewelyn Davies Reports, the Council and its partners have sought to carry out improvements for the area through acquisition of properties leading to demolition and eventual regeneration. To date that has resulted in acquisitions of approximately 45% of the stock in the estate.
- 2.4 In order to attempt to make significant acquisitions the District Valuer was appointed in August 2021 to provide an up to date Market Value, and Investment Value, of the remaining premises in Clune Park. Committee approval for an amended acquisition strategy is sought. It is proposed that the District Valuer will carry out negotiations with landlords with a portfolio of twenty properties or more on 26th August 2021 for the acquisition of their properties and that specific purchase criteria, developed by the District Valuer, will be applied in the acquisition of all other remaining properties.
- 2.5 Based on initial indicative valuations it is clear that the remaining funding for the Clune Park Strategy is insufficient and it is estimated that a further £1million will be required to acquire the remaining properties.

3.0 RECOMMENDATIONS

- 3.1 It is recommended that the Committee:
- Notes the current position in respect of Clune Park;
 - Notes that work to arrive at Market Value and Investment Value valuations which reflect the size and condition of each property has been undertaken by the District Valuer;
 - Agrees that the District Valuer be appointed to negotiate, on behalf of the Council, for the acquisition of the portfolios of landlords who have twenty properties or more at the date of the Committee meeting;
 - Approves the development of purchase criteria by the District Valuer as set out in

- paragraph 5.6 be applied in the acquisition of all other remaining properties;
- (e) Notes that a further report will be brought back to the Environment and Regeneration Committee following the conclusion of the negotiations by the District Valuer; and,
 - (f) Approves that the request for a further £1million to progress the revised acquisition strategy be remitted to the Policy and Resources Committee for consideration.
 - (g) Approves the request to amend the current purchase plan.

Stuart Jamieson

Interim Service Director – Environment and Economic Recovery

4.0 BACKGROUND

- 4.1 The Clune Park Estate consisting of 437 flats, later reduced to 430, in the form of five horseshoe shaped backcourts was constructed between 1918 and 1920 by a local shipbuilder to provide housing for the workforce. The bulk of the tenement blocks making up the estate are four storeys high with an outer skin of red sandstone. The buildings are unusual for the West of Scotland in having concrete flat roofs in place of the more usual slated pitch roofs with timber frames.
- 4.2 The flats were modernised by the estate owners (Lithgows) in 1959-61. In 1975 Lithgows disposed of the flats in varying portfolios to a number of investment companies. Subsequent disposals spread the ownership of the estate amongst a large number of individual owners and latterly a number of private sector landlords with varying sizes of portfolios.
- 4.3 Since 2000 a series of reports, including;- Inverclyde: Housing Market, Local Economy & Depopulation – Llewelyn Davies July 2000; Area Renewal Plan 2001-2011: Port Glasgow, 2001 – Llewelyn Davies; Adamson House Condition Survey 2005; The Clune Park Private Sector House Condition Survey May 2011 has highlighted the need for significant intervention in the Clune Park Estate given the poor condition of the stock.
- 4.4 The Council served 41 Demolition Orders in terms of the Housing (Scotland) Act 1987 on 405 properties in June 2014. 276 appeals were lodged at Greenock Sheriff Court in respect of these Demolition Orders. Six cases were heard at Greenock Sheriff Court in January 2016 resulting in the appeals being upheld. The written decision from the Sheriff made it clear that the Demolition Orders served in June 2014 were on the basis that the Council believed that all of the properties within the Clune Park Estate had roof slabs which were suffering from a phenomenon known as “corrosion swelling”. As the Committee has previously noted, the Court had heard evidence from a number of witnesses in January 2016 and the outcome was that the Court was not satisfied that the structural engineer commissioned by the Council had correctly undertaken investigations that would allow him to come to the conclusions that were the foundation of the Council’s actions. The Court was of the opinion that the Demolition Orders were fundamentally flawed to that extent.
- 4.5 Following the 2016 judgement on the appeals against the 2014 Demolition Orders the Council’s Education & Communities Committee approved a revised strategy for the Clune Park Estate. As the appeals had been upheld largely on the principle that findings in one property could not be extrapolated to others in the estate it was agreed that the Council would proceed on a close by close basis in future.
- 4.6 The legislation on Closing Orders allows their service where a property does “not meet the tolerable standard and ought to be demolished”. Demolition Orders must be served in the same circumstances where a building consists entirely of houses which meet these criteria. In order to address the “ought to be demolished” test, the 2017 Strategy included the instruction of Economic Viability Reports to establish whether a property was, in the opinion of the surveyor, beyond economic repair.
- 4.7 In January 2017 Inverclyde Council owned 28 properties in the Clune Park Estate. This had increased to 39 by November 2018 and to 197 in August 2021. The substantial increase is largely, but not entirely as a result of the purchase by the Council of the portfolio interests of two landlords. The Council now owns approximately 45% of all properties in the estate. Negotiations have taken place with the remaining portfolio landlords on the same terms however they have broken off from these negotiations.
- 4.8 In 2018 the Council and River Clyde Homes (RCH), the largest RSL in Inverclyde, jointly commissioned a masterplan from Hypostyle Architects for the Clune Park Estate. Although RCH was a partner of the Council in commissioning this document it should be noted that there is no legal agreement between the parties for long term delivery of the Masterplan. Inverclyde Council as a stock transfer authority cannot build housing for social rent and is reliant on partner RSLs to deliver the projects detailed in the SHIP using the Scottish Government’s funding through the Resource Planning Assumption (RPA). A partner RSL will therefore ultimately be required to deliver any social housing to be built. The masterplan was

approved by the Council's Education & Communities Committee in October 2018 and formed the basis for further discussions with the Scottish Government's More Homes Division on future funding for the plan. Unfortunately this plan was considered to be too expensive.

- 4.9 In developing its acquisition strategy for the Clune Park Estate the Council created a purchase plan. The basis of the plan, agreed by Committee, was that for properties which were closed, either with a closing order, demolition order or a dangerous buildings notice, the conveyancing fees of £350 would be paid and a flat rate payment for all other flats of £3,500 would be made.

5.0 CURRENT POSITION

- 5.1 The available capital and revenue budget for the Clune Park Estate project is £4.873m. To date spend is £2.215m leaving a balance of £2.658m. Detailed analysis of the incurred spend is provided in Appendix 1.
- 5.2 In order to attempt to re-engage in negotiations, the Interim Service Director – Environment and Economic Recovery, was asked to engage the Valuation Office Agency District Valuation Service (District Valuer) to provide valuations in respect of Market Value and Investment Value. The definition of these two values are as follows:

Market Value (MV) RICS VPS 4, para 4 defines MV as:

“The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.”

Investment Value (Worth) IVS 104, para 60.1 defines Worth as:

“The value of an asset to a particular owner or prospective owner for individual investment or operational objectives.”

As the definition of Investment Value implies, and in contrast to Market Value, this basis of value does not envisage a hypothetical transaction but is a measure of the value of the benefits of ownership to the current owner or to a prospective owner, recognising that these may differ from those of a typical market participant.

- 5.3 Discussions took place in early August with the largest portfolio landlords and access was afforded by them to 18 flats to allow the District Valuer to prepare market valuations on the estate which is made up of 1 bedroom bedsits, 1 bedroom flats, 2 bedroom flats and 2/3 bedroom flats.
- 5.4 It should be noted these valuations are in part based on sales which have occurred during the COVID-19 pandemic and it has been demonstrated that transactions have taken place on properties which have closing orders on the property.
- 5.5 It should be further noted that were large portfolios to enter the market at the one time these figures could well be depressed. It is proposed that the District Valuer be appointed to carry out negotiations on behalf of the Council with Landlords with a portfolio of twenty properties or more on 26th August 2021, to establish an acquisition cost.
- 5.6 It is further proposed for the District Valuer to develop a series of criteria to allow for the engagement of the acquisition of the properties out with the control of the large portfolio holders. It is suggested that no increase beyond the base market price would be applied to any properties with closing, demolition or dangerous building notices and a two thirds weighted average would be applied to all remaining properties. By adopting this simplified favourable process it is considered unnecessary to apply the Investment Value principle.
- 5.7 Provisional figures indicate that of the remaining properties out with the Councils ownership there are 37 bedsits, 168 one bedroom flats, 26 two bedroom flats and 1 three bedroom flat. The budget allocation for the acquisition of the remaining properties is £600k and therefore

due to the up to date valuation, a separate report will require to be submitted to the Policy and Resources as a budget pressure for an additional £1m. This figure has been established based on an estimate of the number of properties outstanding, that a proportion of them have various orders applied to them and that there will be opportunity for the District Valuer to achieve quantum discount within the large portfolios.

- 5.8 Discussion has taken place with the Scottish Government's More Homes Division on future funding opportunities and whilst there is no specific offer of support at this time there is a willingness to positively consider the overall regeneration proposal with a view to potential funding.
- 5.9 Engagement has commenced with two Registered Social Landlords in respect of future developments on the site however a fundamental consideration for them, and the Scottish Government, will be the transfer value applied to the cleared site. Current estimations for demolition are c £1m.
- 5.10 The Clune Park project has resulted in a number of Court Actions. The current valuations identified by the District Valuer may or may not meet the expectations of the landlords and therefore it is feasible that an individual owner could thus frustrate the Council's aim of demolishing the estate in its entirety. At this point the Council will require to use compulsory purchase order (CPO) powers with the resultant delays and costs.

6.0 IMPLICATIONS

6.1 Finance

Financial Implications:

One off Costs

Cost Centre	Budget Heading	Budget Years	Proposed Spend this Report	Virement From	Other Comments
Clune Park	Property Purchase	2021/23	£1million		Estimate of further funding required pending DV negotiations with larger portfolio owners. Subject to P&R approval

Annually Recurring Costs/ (Savings)

Cost Centre	Budget Heading	With Effect from	Annual Net Impact	Virement From (If Applicable)	Other Comments

6.2 Legal

The Interim Head of Legal Services has been consulted in the preparation of this report.

6.3 Human Resources

There are no HR implications arising from this report.

6.4 Equalities

Equalities

- (a) Has an Equality Impact Assessment been carried out?

YES

x	NO – This report does not introduce a new policy, function or strategy or recommend a substantive change to an existing policy, function or strategy. Therefore, no Equality Impact Assessment is required
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(b) Fairer Scotland Duty

If this report affects or proposes any major strategic decision:-

Has there been active consideration of how this report's recommendations reduce inequalities of outcome?

	YES
x	NO

(c) Data Protection

Has a Data Protection Impact Assessment been carried out?

	YES – This report involves data processing which may result in a high risk to the rights and freedoms of individuals.
x	NO

6.5 Repopulation

If the proposals contained within this report are approved, the outcomes will contribute towards the Council's repopulation agenda.

7.0 CONSULTATIONS

7.1 The Corporate Management Team have considered the contents of the report and are supportive of the proposed Strategy.

8.0 BACKGROUND PAPERS

8.1 N/A

Clune Park Strategy Spend 2011 - 2021

Appendix 1

	<u>£000</u>		
Overall Budget - Revenue	3.873		
- Capital	<u>1.000</u>		
- Total	<u><u>4.873</u></u>		
<u>Spend to 30 June 2021</u>	<u>£000</u>	<u>£000</u>	
a) <u>Internal Employee Costs</u>			
Housing	196		Recharge Stopped 31.3.16
Legal	<u>199</u>	395	Further £75k planned 2021/23
b) <u>External Professional Costs</u>			
Architects/Surveyors/Engineers	198		Includes £63k coded to Capital
District Valuer	13		
Legal Costs	172		Includes £55k for recent LTE/Council Tax appeal
Master Plan	<u>14</u>	397	Net of RCH 50% contribution
c) <u>Council Owned Properties</u>			
Home Loss/Disturbance payments	82		
O/O Rehousing contributions	177		
Purchase Costs	658		
Security/Disconnection	<u>56</u>	973	
d) <u>Other</u>			
3rd Party Legal Fees	437		Demolition Order Costs
Miscellaneous	<u>13</u>	<u>450</u>	
		<u><u>2215</u></u>	
			<u>£2.658 million remaining</u>

Notes: Internal costs include internal recharges only not officer time spent during day to day duties as this is not recorded.

AP/LA
15/7/21