



**AGENDA ITEM: 5(j)**

**CABINET: 15<sup>th</sup> September 2015**

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**Report of: Assistant Director Housing and Regeneration**

**Relevant Managing Director: Managing Director (Transformation)**

**Relevant Portfolio Holders: Councillor J. Patterson**

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**SUBJECT: OPTION APPRAISAL - EVENWOOD COURT**

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Wards affected: Tanhouse Ward

**1.0 PURPOSE OF THE REPORT**

- 1.1 To inform Cabinet of the option appraisal work that has been carried out in relation to Evenwood Court.
- 1.2 To establish a preferred option for implementation.

**2.0 RECOMMENDATIONS**

- 2.1 That option 1 (as detailed in paragraph 5.1) be adopted for implementation utilising the budget of £400k allocated at the Council meeting of 25<sup>th</sup> February 2015, to accelerate the kitchen and bathroom programmes and proceed with the replacement lift carriage and new lift and shaft installation, utilising the established lift budget.
- 2.2 That the voids position within Evenwood Court be reviewed 12 months after the implementation of the above option to assess the impact on void levels and identify any further intervention that may be required.

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**3.0 BACKGROUND**

- 3.1 The Council allocated a budget in 2014 of £174K to install additional lifts to Evenwood Court and Marlborough Court to ensure all category 2 Sheltered properties had lift provision.

- 3.2 The tenders received were in excess of £80k over the original budget estimate of £174K.
- 3.3 The additional lifts would service an additional 13 properties at Evenwood Court and 11 Properties at Marlborough Court.
- 3.4 As demand for properties on Evenwood Court was low, with 13 properties void, Cabinet decided to defer the lift installation at Evenwood Court pending a full option appraisal and offer tenants with mobility issues ground floor accommodation within the scheme were possible.

#### **4.0 OPTION APPRAISAL**

##### **4.1 Net Present Value Analysis (NPV)**

- 4.1.1 In order to assess how Evenwood Court was performing financially a net present value analysis was carried out and is shown in Appendix A. This is an analysis of expected income over an extended period against projected expenditure on management, required capital investment and maintenance, the outcome is then discounted down to current levels. This shows that Evenwood Court has a negative NPV of £498,551.
- 4.1.2 A review of the our data was undertaken to identify the reasons why the area was showing a low value. The main reasons identified were, void income loss, and response maintenance costs.
- 4.1.3 The analysis also demonstrated that Evenwood Court service charges were being subsidised, i.e. the service charges did not fully cover the apportioned costs of the provided supporting services.

##### **4.2 Changes to supporting people funding**

- 4.2.1 There are also a number of challenges facing our sheltered accommodation provision, with the reduction of supporting people funding from LCC, this has resulted in our funding being reduced in total by £190k in 2015/16 and a further £230k reduction is expected in 2017/18. These reductions will result in the subsidy referred to in 4.1 being further increased.
- 4.2.2 A project is however underway to make recommendations which will address the reduction in this supporting people funding with a view to removing all subsidy's and provide a more tailored service for residents by April 2017. It is hoped tenants will be able to choose which services they require and pay accordingly. Consultation will be carried out by LCC with our residents which will inform this project
- 4.2.3 The impact of these changes in terms of general demand for our sheltered accommodation is currently unclear and further work will be carried out to make a full assessment.

##### **4.3 Review of Supply & Demand**

- 4.3.1 There are 46 lettable flats on Evenwood Court, nearby there is an alternative development called Fenney Court which comprises of 48 properties and is run by Housing & Care 21. The Fenney Court void levels are significantly less than those on Evenwood Court. There are currently 9 empty properties on Evenwood Court and 2 on Fenney Court. However, following a conversation with Housing & Care 21s Retirement Housing Manager I understand that 3 of their tenants have recently moved to Evenwood Court.
- 4.3.2 On the housing waiting list there are currently 20 registrations of interest to have sheltered accommodation in the Tanhouse area, with 12 bids for Evenwood Court being made in 2014/2015.
- 4.3.3 An analysis of the void levels over the last three financial years for our Cat 2 sheltered accommodation is shown below. This clearly shows that Evenwood Court and Hall Green Close are significantly underperforming compared to our other Cat 2 schemes with the number of rental days lost per property being 209 for Evenwood Court and 281 for Hall Green Close. The number of void days for Evenwood Court is the highest of all our schemes over the three years reviewed.

Client_Designation		Sheltered			
Row Labels	Count of prty_id	Sum of days_Void	Sum of Number of void periods	Void Days per property	
Bath Springs Court	43	1078	16	25	
Beechwood Court	42	3605	26	86	
Crosshall Court	40	1459	15	36	
Evenwood Court	48	10045	23	209	
Hall Green Close	24	6745	10	281	
Hillock Close	20	208	5	10	
Marlborough Court	51	2526	25	50	
Oakgate Close	40	471	16	12	
Queens Court	17	1997	5	117	
Richmond Court	20	1528	7	76	
The Dell	36	1224	17	34	
Victoria Court	28	1617	11	58	
<b>Grand Total</b>	<b>409</b>	<b>32503</b>	<b>176</b>		

- 4.3.4 Of the 9 empty properties we currently have on Evenwood Court 8 are on the first floor that is not serviced by a lift, 7 of which are long term voids and in need considerable investment.

#### 4.4 Appearance

4.4.1 Whilst the scheme is attractive, the approach road is through Evenwood which is a little oppressive, with a large terrace of properties on the main approach road to Evenwood Court.

#### 4.5 Wider Area Potential

4.5.1 There is a large field to the West of Evenwood Court which is known as 'The Clough' and is owned by the HCA.

#### 4.6 Tenant Views

4.6.1 In order to gain a more detailed understanding of how tenants felt about Evenwood Court a consultation exercise was carried out with residents a report of which is detailed in Appendix B.

4.6.2 The most popular feature of the scheme was the safety it provided, the staff and the gardens. The biggest areas of concern were the absence of a lift and a lack of organised activities.

4.6.3 By far the most requested improvement was increasing organised activities, which was felt would bring the community together, with an additional lift being second.

4.6.4 Addressing these issues may result in increased desirability of the accommodation and reduce the void rates.

#### 4.7 Findings

4.7.1 Based on the above research it was felt that the main areas for concern were indeed the absence of a lift in one of the wings, which is depressing demand, that is already not particularly buoyant, and also the limited community activities within the scheme along with potential over supply.

4.7.2 The fact that all but one of the nine void properties in the scheme is on the first floor that is not serviced by a lift is very compelling.

### **5.0 OPTIONS**

5.1 Based on the findings in 4.7 a series of options have been considered and costed:

- Option 1 Replace the existing lift and install an additional lift and work with tenants to improve/establish the committee to encourage social activities, learning from other schemes. Bring forward capital investment in kitchens and bathrooms for Evenwood Court to the 2015/2016 financial year.
- Option 2 Convert the flats on the first floor not serviced by a lift to 2 bedroom flats to increase demand.

- Option 3 Convert the flats in the east wing to 2 bedroom flats, and segregate the scheme to allow a wide range of potential tenants.
- Option 4 Defer decision for a potential wider regeneration opportunity in partnership with the HCA incorporating 'The Clough'.

## 5.2 Option 1

5.2.1 This option includes proceeding with the scheduled replacement of the existing lift and also proceeding with the installation of an additional lift to service an additional 13 properties on the east wing of Evenwood Court. This option would ensure all properties on Evenwood Court were serviced by a lift. In addition it is felt that bringing forward the kitchen and bathroom refurbishment project from 2016-2018 will further enhance the desirability of the scheme, especially the installation of low level shower trays in lieu of the existing baths.

5.2.2 To address the concerns of residents regarding the lack of social activities it is suggested that officers work with tenants to improve/establish the committee to encourage social activities, learning lessons from other sheltered schemes that have an active social scene.

5.2.3 It is anticipated that this option will cost in the region of £142,000 for the new lift and shaft with replacing the existing lift carriage costing £38,000, totalling £180,000. Re-profiling the kitchen and bathrooms will require £318,500.

5.2.4 The advantages of this option are detailed below:

- It will address residents' concerns that the absence of a lift is the cause of the current void levels.
- Provide flexibility in terms of future use of the scheme.
- Will bring Evenwood Court up to the standard of all other sheltered schemes to have 100% lift coverage (Marlborough Court also being addressed this year)
- Make properties more attractive with the installation of new kitchens and Bathrooms and new lift provision.
- Improve the social/community aspects of the scheme.
- Leave opportunities for further intervention if necessary.

5.2.5 The disadvantages of this option are:

- The installation of an additional lift may not have the desired effect to address the weakness in demand.
- Incurs the cost of an additional lift.
- Should the additional intervention of merging properties be required, some kitchen replacement costs could have been avoided.

## 5.3 Option 2

5.3.1 This option is to convert the existing first floor flats not serviced by a lift into 2 bedroom flats, essentially knocking 2 into 1. A similar exercise was carried out in

Bathsprings Court, which proved to be very successful stimulating a great deal of demand, in addition to replacing the existing lift.

5.3.2 To address the concerns of residents regarding the lack of social activities it is suggested that officers work with tenants to improve/establish the committee to encourage social activities, learning lessons from other sheltered schemes that have an active social scene.

5.3.3 It is anticipated that this option will cost in the region of £291,535, plus £38,000 to replace the existing lift.

5.3.4 The advantages of this option are detailed below:

- Make the current low demand properties into 2 bedroom flats, to increase demand,
- Provide 7 refurbished two bedroom flats
- Improve the social/community aspects of the scheme.
- Leave opportunities for further intervention if necessary.

5.3.5 The disadvantages of this option are:

- The costs to convert two flats into one,
- A reduction in the number of lettable units by 5.
- May not have the desired effect to address the weakness in demand.
- Would require the rehousing of approx..5 tenants.

#### 5.4 Option 3

5.4.1 This is an extension of option 2, where in addition to converting the existing first floor flats not serviced by a lift into 2 bedroom flats, the ground floor of the east wing is also converted into 2 bedroom units and the scheme is segregated creating a non-Cat 2 area with its own entrance and reviewing the lettings policy, in addition to replacing the existing lift.

5.4.2 To address the concerns of residents regarding the lack of social activities in the remainder of the scheme it is suggested that officers work with tenants to improve/establish the committee to encourage social activities, learning lessons from other sheltered schemes that have an active social scene.

5.4.3 It is anticipated that this option will cost in the region of £521,757, plus £38,000 to replace the existing lift.

5.4.4 The advantages of this option are detailed below:

- Make the current low demand properties into 2 bedroom flats, to increase demand,
- Provide an additional 12 two bedroom flats
- Improve the social/community aspects of the remaining scheme.

5.4.5 The disadvantages of this option are:

- The costs to convert the flats to two bedrooms in the east wing and segregate.
- A reduction in the number of lettable units by 9.
- May not have the desired effect to address the weakness in demand.
- Would require the rehousing of approx..16 tenants.
- The segregated properties will be subject to the right to buy (RTB).

## 5.5 Option 4

5.5.1 As mentioned in paragraph 4.5, there is a large field to the West of Evenwood Court which is known as 'The Clough' and is owned by the HCA. A local development order is currently being produced by our planning department which will designate this land for housing use. Should the decision on the future of Evenwood Court be deferred then consideration could be given to packaging both Evenwood Court and the HCA site for a larger housing development.

5.5.2 However, due to the low land values in the Skelmersdale area, it is felt that the return to the Council will again, be extremely limited, however this may result in a limited number of new build properties for the Council.

5.5.3 The advantages of this option are detailed below:-

- Could provide an exciting new housing development in Skelmersdale.
- This could result in a limited number of new-build houses being owned by the Council, dependant on the design of the project.

5.5.4 The disadvantages of this option are:-

- It is not envisaged that the Council would receive a receipt for the scheme.
- It may be some time before a programme could be developed with the HCA, casting a shadow over the scheme.
- We would need to rehouse our existing tenants should the scheme be demolished for new-build.
- No further rental income.

## 5.6 Option Analysis and Estimated Costs

5.6.1 A summary analysis of the outcomes for each of the options is detailed in the table below, including simple payback periods where appropriate.

<b>Description</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Option 3</b>	<b>Option 4</b>
<b>Reduction in number of flats</b>	0	5	9	48
<b>Number of Properties with New Kitchens and Bathrooms</b>	48	7	12	N/A
<b>New Refurbished 2 Bedroom Flats</b>	N/A	7	12	N/A
<b>All Properties Serviced by a Lift (Y/N)</b>	Yes	No	No	N/A
<b>Potential limited number of new Build Properties (Y/N)</b>	No	No	No	Yes
<b>Larger Development realisation</b>	No	No	No	Yes
<b>Provide Support for Vulnerable Children</b>	No	No	No	No
<b>Number of tenants required to be rehoused</b>	N/A	5	16	39
<b>Overall Estimated Cost / receipt</b>	<b>£498,500*</b>	<b>£329,535**</b>	<b>£559,757***</b>	<b>No Receipt Envisaged</b>

\*This cost includes £318,500 to replace kitchens and bathrooms which are already in the business plan for 2016-2018 the balance of £180,000 will be met from the lift budget.

\*\* This cost includes £32,500 for kitchen and bathrooms which are already in the business plan for 2016-2018, this also includes £38,000 to replace the existing lift which budgeted for with the current financial year.

\*\*\* This cost includes £78,000 for kitchen and bathrooms which are already in the business plan for 2016-2018, this also includes £38,000 to replace the existing lift which budgeted for with the current financial year.

## 5.7 Recommended Options

5.7.1 It is recommended that Option 1 is adopted initially with option 2 & 3 considered in 12 months' time should the void property issues not be resolved.

- It will address residents' concerns that the absence of a lift is the cause of the current void levels.
- Provide flexibility in terms of future use of the scheme.
- Will bring Evenwood Court up to the standard of all other sheltered schemes to have 100% lift coverage (Marlborough Court also being addressed this year)
- Make properties more attractive with the installation of new kitchens and Bathrooms, including low level shower trays and the installation of an additional lift.
- Improve the social/community aspects of the scheme.
- Leave opportunities for further intervention if necessary.

## 6.0 PLANNING

6.1 A planning application for an additional lift has been submitted and approved.

## 7.0 SUSTAINABILITY IMPLICATIONS/COMMUNITY STRATEGY



7.1 The objective of this report is to ensure the long term sustainability of Evenwood Court, to ensure they form a positive contribution to the business plan along with providing good quality homes for our tenants.

## **8.0 FINANCIAL AND RESOURCE IMPLICATIONS**

8.1 Option 1 totals £498,500, however this includes £180,000 for replacing the existing and installing a new lift, this expenditure is budgeted for within the current financial. The balance of £318,500 to accelerate the kitchens and bathrooms could be met from the allocated £400,000. This would result in a saving for the business plan in coming years.

8.2 Option 2 can be delivered within the established budget.

8.3 Option 3 comes to a total of £559,757. However, this includes £78,000 that is already in the business plan for 2016-2018, and £38,000 to replace the existing lift which is budgeted for within the current financial year. To deliver this option in 2015-2016 will require an additional £121,757, to be expended over the £400,000 budget in the current financial year which would require some short term re-profiling of expenditure.

8.4 No costs for option 4 have been envisaged at this time.

## **9.0 RISK ASSESSMENT**

9.1 The actions referred to in this report are covered by the scheme of delegation to officers and any necessary changes have been made in the relevant operational risk registers.

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### **Background Documents**

There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is a direct impact on members of the public, employees, elected members and / or stakeholders. Therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been taken into account in the Recommendations contained within this report

### **Appendices**

Appendix A – Current NPV Analysis / Void Histories

Appendix B – Tenant Consultation

Appendix C – Equality Impact Assessment

Appendix D - Minute of the Landlord Services Committee (Cabinet Working Group) held on 10 September 2015 – *to follow*