



Cabinet: 10 January 2017

Report of: Director of Housing and Inclusion

Relevant Portfolio Holder: Councillor J. Patterson

Contact for further information: Mr W. Berkley (Extn. 5259)
(E-mail: william.berkley@westlancs.gov.uk)

SUBJECT: BEECHTREES REVIVAL - UPDATE

Wards affected: Borough wide

1.0 PURPOSE OF THE REPORT

1.1 To provide an update in relation to the Beechtrees Revival project and to establish the preferred option for consideration by Council.

2.0 RECOMMENDATIONS

2.1 That the contents of this report and the progress being made in relation to the Beechtrees Revival project be noted.

2.2 That option 3, as detailed at paragraph 5.3, be submitted to Council for consideration as part of the budget setting process for 2017/18.

3.0 BACKGROUND

3.1 The Beechtrees Revival project was initially agreed by Council on 25th February 2015. It consisted of the major refurbishment of 6 blocks of flats the minor refurbishment of 2 attached blocks of flats, the construction of 14 new build houses following the demolition of 3 attached blocks of flats and 4 houses. A budget of £2,996k was allocated to the project over 3 years. Implementation was however deferred, following a government announcement relating to rent reductions. Council decided to proceed with the project in February 2016. An addition £630k surplus from the Firbeck Revival was allocated to the project as part of the 2016/17 mid-year review.

4.0 CURRENT POSITION

- 4.1 The rehousing of affected tenants has now been completed, with a number of tenants now enjoying new accommodation on the Firbeck development.
- 4.2 Invasive structural investigations of the flats have now been carried out. These investigations have identified that additional structural remedial works are required to deliver the original vision for the flats. Part of the vision for the flats was to open up the front of the stairway to allow more light into the communal areas. It has been identified that the structural works required to achieve this combined with defects identified within the structure will require extensive remedial works to be carried out.
- 4.3 It was therefore felt necessary to re-assess the options for the project in relation to the 6 retained detached blocks the remaining new build / demolition / minor refurbishment work will proceed as planned. The options which have been considered are detailed below along with the associated advantages / disadvantages for the detached blocks and financial implications. These are based on a recent government announcement in relation to benefit changes for under 35s and a predicted reduction in demand for flat accommodation.
- 4.4 Flats on Beechtrees were identified, following a net present value analysis, as being unsustainable and having a negative effect on the business plan.

5.0 OPTIONS

- 5.1 Option 1 - Proceeding with the project in its existing form this will take the overall project cost to £4,338K (an additional £712K on the existing budget). This includes addition work to carry out concrete repairs. Whilst this option is achievable the additional costs involved now make it less attractive in comparison with what could be achieved with other options. The advantages of this are that it provides the most number of units and an opportunity to establish what can be achieved with similar blocks.
- 5.2 Option 2 - Demolish 4 detached blocks and replace with 14 x 2 bed houses and refurbish the remaining 2 detached blocks. This option would take the overall project cost to £4,156k (an additional £530k on the existing budget). This option acknowledges the difficulties in refurbishing the existing blocks and limits these along with producing additional new build properties. Again, refurbishing the two blocks will provide an opportunity to establish what can be achieved with similar blocks. The disadvantages of this option are that refurbishing the two blocks would be costly and would not afford the life of a new build solution.
- 5.3 Option 3 - Demolish 6 detached blocks and replace with 22 x 2 bed houses. This option would take the overall project cost to £4,095k (an additional £496k on the existing budget). This will provide the biggest impact on the estate and the resulting properties will have a guaranteed remaining life. The disadvantage of this option is the reduced number of units.
- 5.4 Option 4 - Demolish the 6 detached blocks and clear the site. This option would take the overall project cost to £2,254k leaving a £1,372k surplus budget. This

option will address the sustainability issues and the negative effect on the business plan of the demolished flats and leave the opportunity to further develop the site at some time in the future. This is the most economical of the options however; it would not provide the number of homes afforded by the other options.

- 5.5 The options detailed above have been developed with consultants but will be subject to planning approval.

6.0 SUMMARY

- 6.1 A summary of the options outlined in section 5 is shown in the table below.

- 6.2 Options Summary Table:

£000s			Outputs									
	Estimated Cost	Addition Funding Required	Demolished Houses*		Demolished Flats*		Refurbished Flats**		New Build Houses***		Net Effect	
			No of Units	Estimated effect on income p.a.	No of Units	Estimated effect on income p.a.	No of Units	Estimated effect on income p.a.	No of Units	Estimated effect on income p.a.	No of Units	Estimated effect on income p.a.
Option 1	£ 4,338.00	£ 712.00	4	£ -14,573	12	£ -39,399	44	£ 39,945	14	£ 70,380	-2	£ 56,352
Option 2	£ 4,156.00	£ 530.00	4	£ -14,573	36	£ -118,198	20	£ 18,157	28	£ 140,760	-12	£ 26,145
Option 3	£ 4,095.00	£ 469.00	4	£ -14,573	48	£ -157,598	8	£ -	36	£ 180,977	-16	£ 8,806
Option 4	£ 2,254.00	£ -1,372.00	4	£ -14,573	48	£ -157,598	8	£ -	14	£ 70,380	-38	£ -101,791

*Estimated reduction is based on average 14 days void loss for Digmoor

** Estimated increase in rent following refurbishment and moving to affordable rent levels and 3 days per year void loss.

*** New build rent levels based on Firbeck rental rates and 3 days void loss per year.

7.0 PREFERRED OPTION

- 7.1 Having considered the options, officers feel that the balance has now shifted to a new build solution, due to the increase in costs relating to the detached flat refurbishments. Option 3 will provide the biggest improvement on the estate and it will also be the lowest risk, in terms of potential legacy issues / defects. New build properties would provide a minimum 80 years life.

8.0 CONSULTATION

- 8.1 Extensive consultation has been carried out in connection with the initial optional appraisal. Additional consultation will be carried out with tenants as part of the HRA budget setting process.

9.0 IMPLICATIONS/COMMUNITY STRATEGY

- 9.1 The proposal will affect the provision of affordable housing in Skelmersdale, for which there is very high demand. In addition, the development will also contribute to meeting the housing needs and aspirations of the wider local community.

10.0 FINANCIAL AND RESOURCE IMPLICATIONS

- 10.1 The financial implications vary for each option and are summarised in table 6.2. It is proposed that the preferred option is considered by full Council as part of the budget setting process for the 2017/18 financial year.
- 10.2 Table 6.2 shows the estimated effect of each of the options on projected income. Whilst the preferred option only provides a modest increase in income, it is felt that resulting properties will be the most sustainable in terms of demand and long term maintenance costs. In addition, it will provide the most positive impact on the estate of all the options.

11.0 RISK ASSESSMENT

- 11.1 There are differing risks dependant on the option taken, these are touched upon in section 5. Options that retain existing blocks pose the highest degree of risk in terms of increased costs, due the uncertain nature of working on existing buildings and the potential to uncover hidden issues/defects. Option 1 therefore represents the highest degree of risk, followed by option 2 then option 3, with option 4 being the lowest risk. These risks need to be considered along with the opportunities the various options afford.

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 - Equality Impact Assessment

Appendix B – Minute of Landlord Services Committee (Cabinet Working Group) held on 5 January 2017 – to follow