
NORTH AYRSHIRE COUNCIL

20 March 2018

Cabinet

Title: Multi- Storey Tower Blocks: Options Appraisal

Purpose: To advise Cabinet of future investment options for the seven multi-storey blocks in Irvine and Saltcoats.

Recommendation: That Cabinet (i) note the future investment options for the tower blocks (ii) approve consultation on these options with affected tenants and owners; and (iii) agree to receive a further report in Summer 2018 summarising the findings of the consultation exercise and proposed next steps.

1. Executive Summary

- 1.1 North Ayrshire Council owns seven multi-storey tower blocks, five of which are located in the Fullarton area of Irvine, and two of which are located in Saltcoats. There are 369 flats in total.
- 1.2 A report to Cabinet in August 2017 outlined the Council's response to the Grenfell Tower incident. This response included the conducting of immediate safety checks, and confirmation that no North Ayrshire Council properties shared the type of ventilated cladding system found at Grenfell Tower.
- 1.3 The report advised that officers would develop detailed proposals regarding the installation of sprinkler systems within our multi-storey tower block accommodation.
- 1.4 In preparing these proposals, officers have considered not only the investment required for sprinkler systems, but also other capital investment items arising through scheduled maintenance over a 25 year modelling period. The total investment required is £12.274m across the seven tower blocks. The quantum of this investment highlights an opportunity to consider redirecting the investment towards a flagship regeneration initiative to demolish the high-rise blocks and replace them with low rise housing accommodation.
- 1.5 This report contains a strategic options appraisal, outlining three separate proposals for future investment in the blocks:
 - Option 1: 'business as usual option', whereby all of the tower blocks are retained, sprinklers are installed, and scheduled maintenance continues as planned
 - Option 2: demolition of all 7 blocks, with replacement low rise housing constructed on-site and elsewhere

- Option 3: demolition of the 5 Fullarton tower blocks only, with replacement low rise housing constructed on-site and elsewhere

Each option includes an outline financial and technical appraisal.

- 1.6 Members are invited to (i) note the outlined options; (ii) approve consultation on these options with affected tenants and owners; and (iii) agree to receive a report to Cabinet in Summer 2018 summarising the outcome of the consultation and proposed next steps.

2. Background

- 2.1 The Council owns five 14-storey tower blocks within the Fullarton area of Irvine, with each block containing 55 two bed properties. The blocks were built in 1968 and were the last to be built as part of the historical Irvine Town Council. The Council also owns two 12-storey tower blocks in Saltcoats, which each contain 47 two bed flats, and one flat which has been converted into an office for use by the estate caretaker and for meetings for tenant and residents groups. There are a total of 369 flats across the 7 blocks.
- 2.2 A report to Cabinet in August 2017 outlined the Council's response to the Grenfell Tower incident. This response included the conducting of immediate safety checks, and reviewing information to ensure that our fire safety measures remained adequate. It was also confirmed that all Council tower blocks in North Ayrshire comply with current building specifications and statutory regulations, and that no North Ayrshire Council properties shared the type of ventilated cladding system found at Grenfell Tower.
- 2.3 The report advised that officers would develop detailed proposals regarding the installations of sprinkler systems within our tower block accommodation.
- 2.4 In preparing these proposals, officers have considered not only the investment required for sprinkler systems, but also other capital investment items arising through scheduled maintenance over a 25 year modelling period. The total investment required is £12.274m across the 7 tower blocks. The quantum of this investment highlights an opportunity to consider redirecting the investment towards a flagship regeneration initiative to demolish the high-rise blocks and replace them with low rise housing accommodation.
- 2.5 The North Ayrshire Local Housing Strategy 2018-22 (LHS) reflects our ongoing commitment to invest in regenerating our communities and enhance our housing stock to meet the aspirations of our tenants and improve quality of life by providing affordable, sustainable and desirable housing. A key consideration in the evaluation of the future of the tower blocks is the lifespan of such accommodation and whether it reflects the vision for housing as set out within the LHS.
- 2.6 This report sets out background information on the Council's tower blocks, and a strategic options appraisal setting out a series of potential future options for the blocks.

Fullarton Tower Blocks

- 2.7 The Fullarton tower blocks comprise 275 flats across five blocks. There are no owner occupiers. The flats are relatively low demand, with 73% of the properties occupied by single person households and around half of the residents over 50 years of age. Turnover figures are c.10% per annum.
- 2.8 The Scottish Index of Multiple Deprivation (SIMD) combines seven different categories of deprivation including employment, income, health, access, crime, education and housing. The 2016 SIMD results place the Fullarton area within the 1st decile (of 10, where 1st is worst, 10th is best), indicating that the area is amongst the most deprived datazones in Scotland.
- 2.9 In 2009, the Vineburgh regeneration initiative involved the demolition of 306 properties (mainly unpopular cottage flats) and replacement with 287 new homes. This area has been transformed into a popular area with healthy levels of demand and very high levels of resident satisfaction. The SIMD data has also improved for the two datazones covering the Vineburgh area. It is envisaged that the redevelopment of the Fullarton area has the potential to be an exemplar regeneration project, bringing similar improvements for this area and its residents.

Saltcoats Tower Blocks

- 2.10 The Saltcoats tower blocks comprise 96 flats across two blocks. There are 34 owner occupiers, which represents 35% of the housing stock in the blocks, and one flat in each block is used as an office. Sales statistics indicate that over the last 10 years, sales across the two blocks have averaged 1.2 sales per annum. According to Council Tax records, there are 5 private lets within the blocks.
- 2.11 The blocks have a relatively low turnover of around 5% per annum. Based on sample survey data, some 98% of occupants within the blocks are aged 50 years or over.
- 2.12 Given the demographic within the two blocks, a decision was taken some 10 years ago to convert any new void property to an amenity flat. A total of 44 properties have been converted to amenity standard to date. In terms of the SIMD, the blocks sit in the 'Saltcoats North West' datazone, which is in the 4th decile of deprivation.
- 2.13 In response to all of these considerations, a strategic appraisal has been prepared by officers to confirm the options available for the tower blocks. A key consideration for the appraisal is the level of forthcoming capital investment required, which can be summarised as follows:

Table 1: Tower Blocks Capital Investment Required (25 Year Period)

Item	Blocks	Cost Irvine	Cost Saltcoats	Year Required (Irvine)	Year Required (Saltcoats)
Sprinkler Systems*	Both	£2.000m	£0.800m	2019/20	2019/20
Roof Replacements	Fullarton (4 blocks)	£1.336m	£0m	2020/21	N/A
Drying Areas	Fullarton (1 block)	£0.010m	£0m	2017/18	N/A
Bathrooms	Both	£0.912m	£0.171m	2018/19-2042/43	2018/19-2042/43
Kitchens	Both	£0.995m	£0.198m	2018/19-2042/43	2018/19-2042/43
Rewire	Both	£0.633m	£0.138m	2018/19-2042/43	2018/19-2042/43
Heating	Both	£1.100m	£0.476m	2018/19-2035/36	2018/19-2035/36
Render & Windows	Fullarton	£2.300m	£0m	2027	N/A
Door Entry Systems	Both	£0.280m	£0.140m	2019/20-2038/39	2021/22-2040/41
Pass Doors	Both	£0.275m	£0.060m	2038/39	2018/19
Lift Replacement	Saltcoats	£0m	£0.400m	N/A	2025/26
Tank Replacement	Saltcoats	£0m	£0.050m	N/A	2018/19
Sub Total		£9.841m	£2.433m		
Grand Total		£12.274m			

*Subject to Cabinet approval

2.14 This £12.274m is a significant level of investment, and represents an opportunity to consider the future options for the tower blocks to determine whether they should remain in situ in the medium to long term, or whether it would be better to redirect the investment towards a regeneration initiative to demolish the blocks and replace them with low rise housing accommodation.

2.15 The strategic appraisal options for the tower blocks can therefore be summarised as follows:

1. The tower blocks are retained and the required capital work is progressed according to the existing investment schedule as set out in Table 1 above
2. Complete demolition of all blocks and replacement with new build provision totalling 369 housing units on site and elsewhere in the Irvine and Three Towns localities
3. Demolition of the Fullarton tower blocks and replacement with new build provision totalling 275 housing units on site and elsewhere in the Irvine locality. For the Saltcoats tower blocks the required capital work is progressed according to the existing investment schedule as set out in Table 1 above.

Each option is considered in detail below.

Option 1

- 2.16 Under this option, there would be no change to the current housing provision.
- 2.17 As outlined within Table 1, there are significant capital works due to be carried out in the tower blocks.
- 2.18 Due to the scale and nature of the work required, packaging the intrusive works such as sprinklers, bathrooms, kitchens and heating would be preferable to manage future disruption for the tenants. Nonetheless, the extent of the works means that tenants will be required to move out whilst the work is taking place. This would incur additional costs for removals and the provision of temporary living space. The work would be phased one floor at a time, with each floor taking around 3-4 weeks to complete, meaning the completion of a full block would take around 40 weeks. The timescale of the work could be reduced if more void properties were available.
- 2.19 Due to the cyclical nature of component replacements this approach would result in some items being replaced early in their current lifecycle. For example, c.60% of the bathrooms would be replaced earlier than their planned lifecycle replacement period of 20 years, and c.35% of kitchens being replaced prior to their 15 year planned lifecycle replacement period.
- 2.20 In addition, there are revenue related running costs for each of the blocks, for example regular testing of electrical, legionella, fire alarms and firefighting equipment. There are also costs for the maintenance of the water pumps and lifts, as well as communal repairs. An analysis of these costs for the last financial year have been extrapolated over a period of 25 years to align with the modelling period for the capital works.

Table 2: Tower Block Revenue Investment Required (25 Year Period)*

Revenue Expenditure	£m
Communal Electricity Costs	0.035
Statutory Testing	0.042
Smoke Vents	0.042
Communal Repairs	0.031
Repairs for Individual Units (incl voids)	0.232
District Heating Ongoing Maintenance	0.015
Total Projected Annual Cost (rounded)	0.398
Projected Expenditure Over 25 Years (rounded)	9.94

*Each item is totalled for all 7 blocks

In summary, this option represents the following total cost:

Table 3: Option 1 Total Cost

Future Costs (over next 25 years)	£m
Planned Capital Work Irvine*	9.841
Planned Capital Work Saltcoats*	2.433
Ongoing Revenue Costs Irvine	7.100
Ongoing Revenue Costs Saltcoats	2.840
Decant Costs	0.286
Total Cost	22.500

*See Table 1 above

- 2.21 Funding for the capital works outlined in Table 1 is already provided for within the Housing Revenue Account (HRA) 30 Year Business Plan, with the exception of the sprinkler systems, which would be included in the Business Plan if Option 1 is selected. Similarly, the revenue items will be financed within the annual HRA budget.
- 2.22 Indicative timescales for implementation of the intrusive refurbishment works referred to at paragraph 2.18, including the installation of sprinkler systems, are:
- June 2019: Commencement of refurbishment works
 - December 2020: Completion of refurbishment works

Option 2

- 2.23 This option involves demolition of all blocks and replacement with new build provision totalling 369 housing units on site and elsewhere in the Irvine and Three Towns localities.

Relocation

- 2.24 Extensive consultation with tenants would be required to ensure that their concerns are addressed and any disruption is minimised. If approval was given to proceed with this option, new lets would cease and an active programme of rehousing would commence over an agreed period of time. Housing Services has experience of this at Vineburgh and on a smaller scale through the delivery of the current redevelopment of sheltered housing, and this process is managed very efficiently. Subject to confirmation of the preferred option, officers will further develop a rehoming strategy which will give consideration to expedient vacation of the blocks, the needs of those currently on the North Ayrshire Housing Register, and our statutory obligations to meet the housing needs of homeless people.
- 2.25 Tenants and owner occupiers would be eligible for both home loss payments and disturbance payments, the minimum parameters of which are set out in statute. Assumptions have been made in relation to a potential offer package for both tenants and

owner occupiers, and are reflected in Table 4 below, but will require confirmation from the District Valuer.

- 2.26 There is a loss of rental income association with this option. This is a result of the temporary reduction in stock numbers when the blocks are emptied and demolished, and before compensatory housing provision is fully developed out. The maximum income loss would be c.£1.200m per annum. However, this figure will be clarified and mitigated through confirmation of the rehoming strategy, and identification of mitigation measures, e.g. acceleration of the compensatory new build completions.

Redevelopment

- 2.27 The cleared sites would not accommodate the same number of properties; however there are a number of potential development sites in the Irvine and 3 Towns localities that provide capacity for compensatory provision. Officers in Housing and Planning Services have undertaken a strategic appraisal of available sites, and confirmed that sufficient compensatory land with capacity is available within the locality areas. Detailed development proposals for these sites would be brought forward following confirmation of the preferred investment option for the tower blocks.

Funding

- 2.28 Based on an average build cost per unit of £0.144m, the cost to replace 369 units would be £53.062m. This option could attract Scottish Government grant allocation at the rate of £0.059m per unit, or £21.771m if grant were secured for all 369 units. It should be noted that officers would intend to discuss the scope for increasing the subsidy package with the Scottish Government, given the scale of the regeneration initiative. There would also be savings from the scheduled capital investment and ongoing revenue costs as well as an expected reduction on responsive repairs for the units and communal areas.
- 2.29 The total costs for this option, including build costs and future capital lifecycle replacement costs for new builds over a 25 year period, are shown in the table below. The Scottish Government grant and the planned expenditure for the tower blocks over the same period of time are set against this total sum to provide a net cost. The financial assumptions reflect a worst case scenario, i.e. they assume that all owner occupiers opt to take a Council tenancy, requiring compensatory Council housing provision for all 369 units. In reality, there are other housing options available to owner occupiers, and we are currently developing alternative housing delivery models which may also be of interest to them.

Table 4: Option 2 Summary Costs (25 Year Period)

New Build & Capital Investment Costs Over 25 Years	£m
Build Cost 369 units	53.062
Demolition	7.000
Buy Back of 34 Owned Properties	1.530
Home Loss Payment	0.557
Disturbance Costs	0.562
Kitchen Lifecycle Replacement	1.092
Bathroom Lifecycle Replacement	1.017
Heating Lifecycle Replacement	1.292
Total Expenditure	66.112
Income/Savings From Future Costs	
Scottish Government Grant	-21.771
Savings from Planned Capital Work (over 25 years)	-12.274
Savings from Ongoing Revenue Costs (over 25 years)	-9.940
Net Cost	22.127

2.30 The net increased cost for this option compared to Option 1 is £22.127m, or £60,000 per unit. Implementing this option would therefore require an additional rent increase over the baseline Business Plan assumptions, which could be phased over the demolition and redevelopment period as follows:

Year	2020/21	2021/22	2022/23	2023/24
Rent Increase	0.94%	0.85%	0.85%	0.85%

As part of the annual review of the 30 year Housing Revenue Account Business Plan opportunities to mitigate the extent of the overall rent increase will be explored.

Timescales

2.31 Indicative timescales, based on current information available, would suggest:

- December 2020: Completion of decant of blocks (through ceasing new lets and active relocation):
- June 2021: Completion of demolition works
- December 2023: Completion of redevelopment programme (including redevelopment of demolished tower block sites)

Option 3

2.32 This option involves the demolition of all five tower blocks and replacement with new build provision totalling 275 no. housing units on site and elsewhere in the Irvine locality. The Saltcoats blocks would remain in situ, with improvements undertaken as set out in Table 1 at para 2.13.

Relocation

- 2.33 The comments in relation to consultation, rehoming proposals, and home loss and disturbance payments for this option are the same as those outlined at paragraphs 2.24-2.26 above.

Redevelopment

- 2.34 The cleared site would not accommodate the same number of properties; however there are a number of potential development sites in the Irvine area that could provide capacity for compensatory provision. Officers in Housing and Planning Services have undertaken a strategic appraisal of available sites, and confirmed that sufficient compensatory land with capacity is available within the locality area. Detailed development proposals for these sites would be brought forward following confirmation of the preferred investment option for the tower blocks.

Funding

- 2.35 Based on an average build cost per unit of £0.144m, the cost to replace 275 units would be £39.545m. This option could attract Scottish Government grant allocation at the rate of £0.059m per unit, or £16.225m if grant was secured for all 275 units. It should be noted that officers would intend to discuss the scope for increasing the subsidy package with the Scottish Government, given the scale of the regeneration initiative. There would also be savings from the scheduled capital investment and ongoing revenue costs, as well as an expected reduction on responsive repairs for the units and communal areas.
- 2.36 The total costs for this option, including build costs and future capital lifecycle replacement costs for new builds over a 25 year period, are shown in the table below. The Scottish Government grant and the planned expenditure for the tower blocks over the same period of time are subtracted from this figure to provide a net cost.

Table 5: Option 3 Summary Costs (25 Year Period)

New Build & Capital Investment Costs Over 25 Years	£m
Construction Costs for 275 units	39.545
Demolition	5.000
Home Loss Payment (based on 200 eligible claims)	0.300
Disturbance Costs	0.360
Kitchen Lifecycle Replacement	0.814
Bathroom Lifecycle Replacement	0.758
Heating Lifecycle Replacement	0.825
Total Expenditure	47.602
Income/Savings From Future Costs	
Scottish Government Grant	-16.225
Savings from Planned Capital Work compared to Option 1 (25 year period)	-9.841
Savings from Ongoing Revenue Costs compared to Option 1 (25 years)	-7.100
Net Cost	14.436

2.37 The net increased cost for this option compared to Option 1 is £14.436m, or £52,000 per unit. Implementing this option would therefore require an additional rent increase over the baseline Business Plan assumptions, which could be phased over the demolition and redevelopment period as follows:

Year	2020/21	2021/22	2022/23	2023/24
Rent Increase	0.7%	0.6%	0.6%	0.6%

As part of the annual review of the 30 year Housing Revenue Account Business Plan opportunities to mitigate the extent of the overall rent increases will be explored.

Timescales

2.38 Indicative timescales, based on current information available, would suggest:

- June 2020: Completion of decant of blocks (through ceasing new lets and active relocation):
- January 2021: Completion of demolition works
- June 2023: Completion of redevelopment programme (including redevelopment of demolished sites)

Other Considerations

2.39 An additional consideration for either option 2 or 3 is the future role of the Concierge Service (CS). The CS was established in 1999, to provide active community safety and care-taking provision for the Fullarton tower blocks, and remote community safety provision for the Saltcoats tower blocks. The role of CS has recently expanded by bringing

the CCTV service in-house. The option selected will inform the future location, scope, and role of the CS.

- 2.40 Furthermore, officers have been developing an investment grade business case for a district heating scheme in central Irvine to provide affordable warmth for residents, reduce carbon emissions, and increase energy security. The scheme proposals incorporate the 5 high-rise blocks at Fullarton as part of the anchor heat load for the network. The implementation of Option 2 or 3 will therefore require re-scoping of the business case for the district heating scheme to identify alternative sources for the anchor heat load. It is envisaged that replacement low-rise housing on the site could be incorporated into the future heat network.
- 2.41 The LHS reflects our ongoing commitment to invest in regenerating our communities and enhance the housing stock to meet the aspirations of our tenants and improve quality of life by providing affordable, sustainable and desirable housing. A key consideration in the evaluation of the future of the tower blocks is the lifespan of such accommodation and whether it reflects the vision for housing as set out within the LHS.
- 2.42 The strategic options appraisal presents a compelling case for consideration of Option 2 or 3 on the following basis:
- An opportunity to redirect the forthcoming planned capital investment, alongside availability of Scottish Government grant subsidy, to substantially reduce the net cost of demolition of the blocks and construction of replacement low rise housing
 - To replace, at scale, lower demand, high-rise housing stock with modern, accessible, energy efficient and sustainable homes
 - To improve the health and educational attainment prospects for over 350 people, given the evidential link between quality housing and health and education benefits
 - To make a significant contribution to urban regeneration- while the tower blocks are maintained to a high standard, there is a stigma associated with this type of accommodation
 - To create over 1,000 jobs associated with demolition and construction of new housing units
- 2.43 The LHS also includes an action to create a 'regeneration programme', which will identify, prioritise and deliver investment across our Council owned housing estates. This is in recognition of the need to turn additional attention to our existing stock, alongside our ambitions plans for new build provision. The regeneration programme will include a variety of proposed internal and external refurbishment and improvement works, over a number of years. Officers are currently developing this programme, with plans scheduled for Cabinet consideration in late Summer 2018. It is envisaged that option 2 or 3 could represent a flagship project to catalyse the delivery of the regeneration programme.
- 2.44 The decision making process for this initiative will require to be finalised prior to:
- Preparation of the Strategic Housing Investment Programme 2019-24, to ensure that any implications for the Council housing build programme are addressed (i.e.

increasing the programme to replace the units demolished under options 2 or 3). The SHIP 2019-24 deadline for submission to Scottish Government is end of October 2018

- Preparation of the Housing Revenue Account Capital Business Plan for 2019/20, so that any budget considerations are factored into the Business Plan and consultation on tenant rent levels

3. Proposals

3.1 It is therefore proposed that:

- A consultation exercise is undertaken with tenants and owners in the tower blocks to share details of the options appraisal with them, and to ascertain their views regarding each option. This will involve one to one surveys with as many tower blocks residents as possible, over a six week period beginning in April 2018
- If sufficient tenant support for either option 2 or 3 is gathered, that officers develop more detailed proposals in relation to project governance arrangements, a rehoming strategy, tenant compensatory provisions, and redevelopment proposals to replace the existing homes
- Cabinet agree to receive a further report in Summer 2018 detailing the outcome of the consultation exercise, and proposed next steps

4. Implications

Financial:	The capital, revenue and subsequent borrowing costs have been modelled on the current HRA Business Plan. The impact of implementing either option 2 or 3 would require additional indicative rent increases as noted in paragraphs 2.29 and 2.37, over and above the increases assumed within the current Business Plan. .
Human Resources:	Any human resources implications associated with the proposals will be clarified following confirmation of the preferred investment option.

Legal:	Progressing options 2 or 3 would involve home loss and disturbance payments for affected tenants, as set out within the The Land Compensation (Scotland) Act 1973.
Equality: Children & Young People:	Research undertaken by both the British Research Establishment and Shelter Scotland confirms an evidential link between the quality of housing, educational attainment, and health and wellbeing. The provision of new family housing to replace tower block accommodation would provide modern, accessible housing to improve life outcomes for children and young people.
Environmental & Sustainability:	The provision of new housing stock under options 2 or 3 would support the principles of the North Ayrshire Environmental Sustainability & Climate Change Strategy 2017-20 in terms of providing sustainable housing stock which has lower running costs and carbon emissions.
Key Priorities:	The provision of new housing stock under options 2 or 3 would support the Council Plan strategic priority 'supporting our people to stay safe, healthy and active' and 'protecting and enhancing our environment for future generations' by delivering quality new build housing which is affordable, sustainable and accessible.
Community Benefits:	None.

5. Consultation

- 5.1 Officers within Finance & Corporate Support and Democratic Services were consulted on the financial and legal implications noted within this report.



CRAIG HATTON
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For further information please contact **Yvonne Baulk, Head of Physical Environment** on **01294 324398**.

Background Papers

N/A