

**REPORT TO** Executive and Council  
**Date of Meeting:** 9<sup>th</sup> January 2018 and 20<sup>th</sup> February 2018  
**Report of:** Bindu Arjoon, Director  
**Title:** Report on the Laings properties to approve additional budget or consider alternative options

**Is this a Key Decision?**

Yes unless option to demolish and rebuild option is agreed

**Is this an Executive or Council Function?**

Executive unless the option to demolish and rebuild option is agreed.

**1. What is the report about?**

- 1.1 The report outlines the history behind the Laing's properties, past decisions made and sets out options together with costs for the remaining 17 properties still in Exeter City Council housing ownership.
- 1.2 Laing Easiform properties are considered a non-traditional construction, built using pre-fabricated concrete panels and only having a limited lifespan remaining.
- 1.3 Exeter City Council have 17 of these properties remaining in the St Thomas ward of the city.

**2. Recommendations:**

- 2.1 Members are asked to note the expected life of the remaining properties and the works required to bring them up to standard.
- 2.2 Members are asked to determine and agree a way forward based on the options, financial detail and issues outlined in the report.
- 2.3 If the demolish and rebuild option is agreed, the Executive is asked to recommend to Council the approval of an increase to the existing project budget of £586,700

**3. Reasons for the recommendation:**

- 3.1 To make a decision on the future of the remaining 17 Laing's properties and proceed with the recommendation approved.

**4. What are the resource implications including non-financial resources.**

- 4.1 There are budget implications with 2 of the options considered in section 8 of this report. Whilst there is an approved budget of £2.66m for the project, this budget is insufficient to deliver the demolition and refurbishment options for the Laing's properties. Approval would be required to increase the budget to allow either of these options to be undertaken.

- 4.2 Currently 8 of the 17 Laing's properties are being kept vacant whilst a decision is made about how to proceed. The average rent for these properties is £88.00 per week (48 week period), this equates to a rental loss of £4,224 per property, per year.
- 4.3 To progress this project it will be necessary to second additional expertise into the Housing Assets team for the period of the project. This resource will depend on the option that is approved by Members and is not possible at this stage to cost the resource.

**5. Section 151 Officer comments:**

The budget for 2018-19 has included the most costly option and therefore will not require a supplementary budget if that is chosen. The funding for the project is affordable within the HRA medium term financial plan, but along with the other significant capital expenditure plans within the HRA, will bring the balances down close to their minimum target level.

**6. What are the legal aspects?**

**None identified**

**7. Monitoring Officer's comments:**

**This report raises no issues for the Monitoring Officer.**

**8. Report details:**

**8.1 Background**

- 8.1.1 The Laing Easiform is one of a range of house types that are considered as 'non-traditional construction'. They are a pre-cast concrete form of house construction developed by John Laing plc
- 8.1.2 They were intended to be cutting edge, fast and cost effective to build to meet the urgent need for housing at the time. It has been discovered more recently though that these houses were often poorly built and used poor quality concrete. Many types of non-traditional housing have been designated as defective under the Housing Act 1985.
- 8.1.3 A partnering agreement was reached in the mid 1990's between Exeter City Council and Sovereign Housing Association involving the trickle transfer of the Laing's properties as they became vacant. Sovereign received the properties together with a grant of £17,500 to plug the Recycled Capital Grant Fund (RCGF) gap and carried out external and internal refurbishments. This partnership was reviewed at the Scrutiny Committee in June 2006 at which it was agreed to continue with this arrangement.

**8.2 Decisions made**

- 8.2.1 In July 2013 the Executive Committee agreed to end the agreement with Sovereign due to changes in the rents that Housing Associations were required to charge when

receiving Homes & Communities Agency grant (affordable rents rather than social rents). It was agreed that the remaining 21 properties would be refurbished by the Council as they become empty.

- 8.2.2 In 2013 refurbishment works were undertaken on three void properties with the aid of 'Ready for Retrofit Grant', these works were successfully completed at a refurbishment cost of £263,000 (£88,000 per property). The properties were re-let in the spring of 2014, this project was seen as a trial for the further refurbishment of the Laing's properties.

### **8.3 Current Position**

- 8.3.1 In March 2015 a review was undertaken to investigate the refurbishment measures applied to the three void properties in 2013. A structural survey was commissioned using an expert in the field of non-traditional housing, the survey looked at both the refurbished properties and the un-refurbished properties. The conclusion of this report was that the refurbishment has increased the remaining life of the three properties by just 10-15 years.

- 8.3.2 The structural report recommended a number of options (both short term and long term) that the Council could take on the remaining 17 properties.

- 8.3.3 The two 'long term' options were to (1) adopt a "walls out" approach, which involves propping the roof up, demolishing the walls, casting new foundations and building new walls up from the new foundations; and (2) demolish and rebuild including new foundations.

- 8.3.2 Kendall Kingscott Partnership were appointed in November 2015 as consultants to produce designs, submit planning and building regulation applications, issue party wall notices, tender the project and manage the construction on site.

- 8.3.4 Kendall Kingscott carried out a review of various options from an architectural, structural, economic and practicality point of view. Their view was that a whole house demolition and complete rebuild in a lightweight timber structure would be the most practical and economically viable. This option will have a minimal impact on the neighbouring properties and enable the Council to increase the footprint and create a better layout to these family houses.

- 8.3.3 Design work was completed and expressions of interest from contractors were sought in March 2016 and tenders were invited in July 2016 with a return date of mid August 2016. Tenders were opened and the results were as follows;

- ☐ Enelco (now renamed EBC) £2,688,373.55
- ☐ TEC Construction £3,001,445.17
- ☐ Pearce Construction £3,246,303.85
- ☐ Ian Williams £3,282,993.20

- 8.3.4 An analysis of the tenders was carried out and it was recommended to accept the lowest priced tender. As part of the procurement exercise there was a need to assess the bids in terms of criteria set down in the Pre-Qualification Questionnaire. Unfortunately due to long term absence and changes in the procurement team this process was delayed.

8.3.5 In the intervening period there was a review of the viability of the scheme and it was agreed to carry out an option appraisal review of several options based on quality and cost ranking them 1 to 6 (1 being the most favourable), this is set out in 8.4 – 8.9 below. The quality scoring categories were;

1. Environmental - based on impact/ improvement to the environment
2. Social - disruption to the local community and removal of social utility
3. Economic - budgetary impact
4. Management - management resource to oversee and manage
5. Technical - complexity of solution

8.3.6 The net present value cost is based on 25 year costs worked back to today's prices.

8.3.7 The Laing's properties were discussed at informal Executive in February 2017, which outlined similar options. Reviewing these options it was suggested that the preferred option for Executive Committee to consider was the demolition and rebuilding of the remaining properties.

#### **8.4 Option 1 - Do nothing**

8.4.1 The do nothing option results in a net present value of £621,279 and gives a cost/quality score of 78.00 and achieves a ranking of 1 in all of the options.

8.4.2 This is a cheap option as only minimal work will be required to bring the void properties back up to a lettable standard, and the Council will be able to gain the income from the re-letting of the empty properties.

8.4.3 This option is only delaying the inevitable, a decision will be required on the long term future of these properties, and in their current state they only have a very limited remaining lifespan. The structural report commented on the fact that these properties have 'already outlasted the time period estimated in the 1992 BRE report'.

8.4.4 This option could result in reputational damage for the Council and would not be recommended.

#### **8.5 Option 2 – Transfer stock to a Housing Association**

8.5.1 This option results in a net present value of £323,673 and gives a cost/quality score of 62.50 and achieves a ranking of 2.

8.5.2 This option would seek to resurrect an arrangement with a local Housing Association similar to the previous arrangement with Sovereign HA. This arrangement has not been 'market tested' with any Housing Associations at this time, but it is expected that this would be of interest to them, provided that the 'deal' worked financially.

8.5.3 This is a cheap option, as it is proposed that the properties are transferred to the Housing Association, as and when they become void, or over a planned period of time. The Council would then have no liability for the refurbishment of the properties, and would have no ownership of Laing's properties in the area.

8.5.4 In transferring this stock the Council would lose the rental income that it generates, which is £71,808 annually at present rent levels.

8.5.5 It is very likely that the Housing Association that takes the properties would seek to rent them out at affordable rent levels rather than social rent levels and 17 social rented stock would be lost in Exeter.

8.5.6 The Council would have the opportunity to utilise the remaining budget (£2.66m) by investing in the existing stock or use for an alternative new build project.

## **8.6 Option 3 – Sell on the open market**

8.6.1 The market sale options results in a net present value of £1,771,516 and gives a cost/quality score of 62.00 and achieves a ranking of 3.

8.6.2 This option would market the Laing's properties as they become void and sell them on the open market. These properties are not high value (no more than £110,000 per unit), but would generate a capital receipt for the Council that could be invested in current stock or used on an alternative new build scheme.

8.6.3 This option would result in the loss of social housing units to Exeter and it is likely that these properties would be difficult to sell, as it will be difficult for purchasers to raise a mortgage and the sales would most likely be reliant on cash purchasers, and could likely add to the low quality private rented stock in the city.

## **8.7 Option 4 – Transfer stock to a Housing Association (with finance)**

8.7.1 This option results in a net present value of -£184,428 and gives a cost/quality score of 52.00 and achieves a ranking of 4.

8.7.2 This option is the same as option 2 but with the addition of £17,000 financial incentive per unit (£289,000 total incentive) to make the transfer of this stock more attractive to the Housing Association.

8.7.3 This option remains a low cost option at less than £300,000 – but suffers from the same issues as option 2, loss of rental income and (most likely) loss of social rented units to the city. This option has the same advantages as option 2, as the remaining budget could be used on the existing stock or used to fund another new build scheme.

## **8.8 Option 5 – Demolition and rebuild**

8.8.1 The rebuild option results in a net present value of -£1,938,341 and gives a cost/quality score of 42.50 and achieves a ranking of 5.

8.8.2 This option is as per the Kendall Kingscott design work and the tenders received as detailed in 8.3 above, and requires the complete demolition of all 17 units and rebuilding them from scratch.

8.8.3 This option is the most expensive option, but it is also the option that gives the longest life expectancy to the properties at 100 years. This also gives much better opportunities to alter the internal layouts and increase the property footprint to ensure that the Council is left with properties that are fit for purpose for the future.

8.8.4 Due to the amount of time that has passed since the initial tender opening Kendall Kingscott have revisited the tender price with EBC and an updated cost plan has been produced based on a start on site in January 2018. This has increased the tender price

to £2,949,644. This is still lower than the other original tender returns from August 2016.

8.8.5 The remaining Kendall Kingscott fees are known at £145,840 and include; final design work; project management; cost consultants; contract administration and CDM. But there are some consultants and survey costs that have not been finalised at this stage, and they include; structural & civil engineering; clerk of works; site investigations and surveys; ecological reports; planning fees; building control fees; sewer diversion designs and a contingency sums. These costs are likely to be between £100,000 and £150,000.

## **8.9 Option 6 – Refurbish stock**

8.9.1 The refurbishment option results in a net present value of -£1,029,408 and gives a cost/quality score of 20.00 and achieves a ranking of 6.

8.9.2 This options suggests that the remaining properties be refurbished in a similar fashion to the 3 properties that were refurbished in 2013, detailed in 8.2.2 above.

8.9.3 As detailed earlier in this report, this is likely a poor choice as the expert opinion is that these works have not significantly extended the lives of these properties and the Council would be faced with another set of options to carry out remedial works to these properties in a decade or so from now.

8.9.4 This is an expensive option for the additional lifespan it will give these properties, and based on expert opinion would not be recommended.

## **8.10 Summary**

8.10.1 Although the 'do nothing' option has come out with the highest ranking in reality it is unlikely to be an acceptable option, but has been shown for information as it was one of the options scored.

8.10.2 Negotiations have taken place with the contractor and it is expected that it would be possible to reduce the project costs of option 5 a little. It is expected though, that any successful reduction in the overall build cost of the project is likely to be mitigated by tender price inflation between the expected project start date in January 2018 and when the project does get to site.

8.10.3 Based on Option 5, the additional budget being requested at this point in time is a practical assessment of the likely costs of the project, but does build in some additional contingency to allow for any unforeseen events on site. The revised tender cost is £2,949,644 and with the addition of known and estimated fees of up to £295,000 giving as total scheme cost of £3.25m (£586,700 over the current budget of £2.66m).

8.10.4 Neither of the options 5 & 6 include the three environmental factors that the Council would usually include in their new build projects. The factors being; low energy, healthy buildings and climate ready. These options are to a building regulations standard only, and whilst they will be clearly superior to the properties that they will replace, they will not be to the same high environmental and healthy standards that the Council normally build to.

8.10.5 If members are minded to, these designs could be revisited to include the environmental factors, but this would lead to some additional design work and consultants fees and could potentially result in the need to retender this work.

**9. How does the decision contribute to the Council's Corporate Plan?**

9.1 The proposals in this report are consistent with the corporate objective of delivering high quality, value for money services.

**10. What risks are there and how can they be reduced?**

10.1 The main risk is that we allow these properties to remain empty or fall further into disrepair. This risk can be mitigated by ensuring that the agreed option is actioned in a timely and effective manner.

10.2 There could be reputational damage depending on the option chosen and how it is messaged to both the remaining tenants and neighbouring properties, some of which are owner occupiers. This can be mitigated by early engagement with residents and by working with Ward Members to share information in a timely way.

**11. What is the impact of the decision on equality and diversity; health and wellbeing; safeguarding children, young people and vulnerable adults, community safety and the environment?**

11.1 Depending on the final approved programme it may be necessary to decant some vulnerable tenants in the short term, this process will be carefully managed to keep the disruption to a minimum. A focus on the quality of our properties and service delivery is likely to have a beneficial impact on Council tenants and leaseholders, a number of whom have protected characteristics or are vulnerable in the long term.

**12. Are there any other options?**

12.1 The options are set out in this report in section 8.

Bindu Arjoon  
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**Local Government (Access to Information) Act 1972 (as amended)**

**Background papers used in compiling this report:-**

None

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