

1. Background

- 1.1. An options appraisal activity for the six blocks was carried out in spring and summer 2023.
- 1.2. This has included extensive work within Housing Leeds, Finance and City Development to estimate rehousing and building emptying costs, consider technical advice on refurbishment, and to estimate demolition, new build and other costs, and secure other relevant information including rent and building running costs. Finance colleagues have supported this activity and modelled the outcomes.

2. Options Considered

2.1. Two principal options were considered for the future of the blocks, with financial modelling activity undertaken to understand viability. These both involve rehousing all residents before major work starts on unoccupied buildings. The costs of rehousing and building emptying are additional and outlined in the main report and have not been included in cost information in this appendix.

- Full refurbishment including structural works
- Demolition to clear the sites, followed by either redevelopment with council homes, redevelopment with homes developed by or with another party, selling the land for development, or retaining it to be developed later.

2.2. Other options considered but discounted for further activity include:

- Do nothing / minimum. This would not address the need for structural improvements to be made to these blocks, and majorly limit improvements (e.g. to improve energy efficiency for residents) and have an unacceptable risk of not achieving Building Occupancy Certificates.
- Managed decline and demolition. Includes suspending lettings but not actively supporting rehousing. Issues as above but greater impact on residents and does not meet our values as a good council and landlord including to maintain our buildings.
- Full refurbishment including structural works with most residents remaining in situ. Would involve some residents moving, and the temporary decanting of the remaining residents. Not recommended by our technical consultants, or meeting our values as a good council and landlord linked to wellbeing and safety of residents given the scale and length of works and disturbance.
- Empty the blocks, secure the sites, and sell the land with the buildings in place. The sale of the sites for development without building demolition expected to be very unattractive to potential buyers, and unacceptable risks related to health and safety from high rise left empty for extended periods (antisocial behaviour including vandalism almost certain).

2.3. The principal areas of focus in the appraisal to achieve best value are:

- Costs and affordability. Making the best use of our resources.

- Alignment with council ambitions, policies and plans. These specifically include residents living in good quality and affordable homes, meeting affordable housing need and housing growth, for residents to be safe and feel safe, improving energy performance in homes and reducing fuel poverty and progress towards carbon neutrality.
- Risk.

3. Assumptions

- 3.1. The financial modelling incorporated a range of assumptions for costs for rehousing and building emptying, refurbishment and demolition and new build, as well as in relation to timescales for delivery (including that rehousing can be delivered to plan), inflation and interest rates, rental incomes and losses, and temporary savings on maintenance costs during works.
- 3.2. Refurbishment costs have been developed based on summer 2022 costs plans from our technical consultants and amended for inflation. Demolition costs have been estimated from costs of current activity to demolish high rise buildings at The Highways, and new build from work to explore design and costs of building new high rise social housing.
- 3.3. Inflation rates have been unstable and significantly increased the costs of construction and other activity. Forecasts are uncertain, however inflation on construction related costs has been estimated as:
- 2024/25 - 8%
 - 2025/26 - 6%
 - 2026/27 - 5%
 - 2027/8 onwards – 3%
- 3.4. 10% client contingency allowance has been included on construction related costs including surveys for prudence, given estimates reflect an early stage of plans with low levels of design information currently available and significant uncertainties that remain to be addressed and quantified.
- 3.5. There is a risk that changes in interest rates in future years affect borrowing costs. At present these can change frequently. Estimated interest rates used in the financial modelling are advised by LCC treasury colleagues and are outlined below:
- Year 1 (2023/24) - 5.25%
 - Year 2 (2024/25) - 4.25%
 - Year 3 (2025/26) - 3.25%
 - Year 4 onwards (2026/27 - onwards) - 3%

4. Full refurbishment

- 4.1. Once blocks are empty, the refurbishment option would be to undertake structural strengthening works together with external wall insulation, and other necessary investment work (for example fire safety works as needed, sprinkler installation, communal rewires, re-roofing, waste stack replacement, heating, kitchens, bathrooms, windows and doors) to prolong the life of the blocks. The type of structural solution advised by our technical consultants is to use a robust 'exoskeleton' approach. Effectively to create a steel external framework to which walls are tied, plus extensive strengthening of the walls and floors of flats as needed.

- 4.2. It is estimated to take about three years to complete at each site, once blocks are empty and assuming capacity to plan and deliver work concurrently with blocks empty for minimal time before a contractor starts on site. Refurbished homes could be ready at Leaffield Towers and the Raynviles before the end of 2028, Ramshead Heights and Brooklands and Bailey Towers before the end of 2029, at the very earliest.
- 4.3. *Costs and affordability.* This is the most costly option, and is not financially viable. It would not break even within viability guidelines, with payback not achieved within 100 years, and is not considered value for money. Costs were initially modelled with flats let at social rent, however the option was also not financially viable if rent was set at an affordable rate capped at Local Housing Allowance rates. It is assumed that no significant external funding would be able to be secured. The indicative cost (excluding borrowing) is approximately £165m, averaging at £27.5m per block, or £458,000 per flat.
- 4.4. *Council ambitions.* Refurbishment would re-provide the same number and types of units in each block i.e. a total of 360 units (50% one bedroom flats and 50% two bedroom) and improve the overall quality of homes. However, the refurbished flats and block would continue to be of the same configuration – limiting the opportunity to adjust property type to local needs. Also limited would be changes that could be made to meet modern standards and current legislation that would apply to new buildings, including in relation to accessibility and fire safety. The addition of external wall insulation to these buildings has also been highlighted as significantly reducing light levels in the flats (potentially by 25%) and narrowing balcony space.
- 4.5. In relation to carbon and energy efficiency, refurbished flats and blocks would be more energy efficient than at present, but less so than new build, given inherent issues such as cold-bridging and limitations on space and access. Use of renewables in new heating has not been factored into costs at this stage, although options are expected to be limited by both space and impact on structural loading.
- 4.6. The nature of structural works and refurbishment activity would involve similar preparatory strip out work to that needing to be undertaken for demolition, however by retaining the building shell some carbon would remain embodied in the building.
- 4.7. *Risk.* After the disruption and costs, the buildings will still fundamentally be 1960's large panel system high rise and need a 15 year intrusive inspection regime of the structure as well as continued building risk management activities. There are also no guarantees that the buildings will have an additional 40 years or more life, future inspection surveys may identify further deterioration and corrosion within the existing concrete structure requiring further repairs and strengthening works.
- 4.8. This is also the most risky option in terms of costs and delivery. There are significantly greater construction and financial risks of carrying out complex strengthening work to an over 60 year old LPS building, compared to a new build construction or normal building refurbishment. There is expected to be low industry appetite for works of this nature and complexity, which may create difficulties in finding a contractor or specialist subcontractors, and the risk of delay or project cancellation due to design and/or construction difficulty or identification of further building defects.

5. Demolition to clear the sites and enable future development

- 5.1. Once blocks are empty, demolition would be undertaken. The method of demolition at a site would be confirmed following the appointment of a specialist contractor, however given the nature of the blocks it is expected that that a top-down deconstruction approach would be undertaken, floor by floor.
- 5.2. Timescales from blocks empty and the contractor being appointed to a site cleared are estimated as between 10 and 14 months, depending on whether there is one or two blocks on the site and assuming that activity can be progressed to minimise the time between a block being empty and the site handed over to a contractor.
- 5.3. Redevelopment with new build council homes. For comparison purposes, modelling has been undertaken of new build high density housing developed by the council, procuring a contractor for delivery, with the same number of units to be rebuilt on each site. New apartments would be expected to be a mix of one and two-bedroom, with a greater proportion of one-bedroom units, plus up to 10% three-bedroom units, and rented at an affordable rate (assumption in modelling is Local Housing Allowance rate rents).
- 5.4. It should be noted that there is considerable uncertainty about the development potential of each site. On some sites it should be assumed that like for like numbers are not achievable, given site constraints and the need to meet Planning requirements – including in relation to parking provision, acceptable height of new developments, and provision of green and amenity space. On other sites however there may be potential for greater numbers of units to be provided.
- 5.5. Timescales including demolition are estimated to take around four years to complete (depending on the site and number of blocks involved), once the blocks are empty.
- 5.6. Redevelopment with homes developed by or with another party. This would involve a partnership arrangement. For example a guarantee to buy a number or proportion of homes from the developer and / or paying upfront costs or a form of lease over an agreed period. This could enable another Registered Provider of Social Housing to bring Housing England or Affordable Housing grant or their own or other resources to enable development.
- 5.7. Selling the land for development. This would be on a site by site basis, with the land sold to another party, for example a Registered Social Landlord or housing developer. Although a loss of council homes on each site, the land would be expected to be designated for housing under current local plans and could be developed by others. Any capital receipts from sales would be expected to offset a proportion of the costs incurred for demolition and site clearance.
- 5.8. Retaining the land for it to be developed later. This is expected to involve leaving hoardings around the sites, or potentially managing some or all cleared sites as a rough amenity asset. For example making sure rough ground is left in a safe condition and with wildflower seeding where appropriate. Land would be retained as part of a bank of sites that could be considered for development as the financial climate changes for example reduced pressures on the Housing Revenue Account, changes in inflation and/or interest rates, and changes to external funding requirements.
- 5.9. *Costs and affordability*. This option would also be costly. Demolition alone is estimated at £12.4m, averaging at over £2m per block. An approximate net loss per year of approximately £80,000 per block has been estimated for every year that sites

are not developed (for example accounting for rent loss but also for savings from maintenance including repairs) - for six blocks this would be £480,000 per year.

- 5.10. The indicative cost of redevelopment with high density housing on a like for like replacement is approximately £121m, averaging at £20m per block or £336k per apartment. Individual sites would payback within a 60 year borrowing period, but if the council were to redevelop, it would not be able to benefit from use of Right to Buy receipts – except in situations where there was a net increase in the numbers of homes on a site. These new build plus demolition comes to approximately £133m, averaging at £22m per block or £369k per apartment, for comparison with refurbishment costs. This is an indicative cost, local site conditions after surveys and external factors may impact project costs.
- 5.11. Affordability is a major concern, due to both high and rising borrowing costs and the cumulative impact of funding multiple housing projects. Borrowing for any development scheme would involve sizeable annual repayments up to 60 years that would impact on the already pressured Housing Revenue Account. The scale of investment needed cannot be afforded if all projects progress concurrently.
- 5.12. Affordability and improved payback periods would be improved if unit costs could be reduced, and / or increased numbers achieved on the sites linked to enabling use of some Right to Buy receipts. Other external funding options could be explored however funding programmes for these timescales are not known. Any opportunities to reduce funding by debt will be explored.
- 5.13. In relation to land sales, the confidential Appendix C contains summer 2023 land valuations. Capital receipts would be used to offset costs incurred but are not expected to be of such a value as to support funding of other activity.
- 5.14. Retaining the land for later development is expected to be a minimal additional cost e.g. upfront costs for hoardings and / or rough ground condition could be built into demolition contract specifications.
- 5.15. *Council ambitions.* Demolition of the blocks would remove these high rise blocks from our council stock – given they are no longer fit for purpose with significant investment needs including for energy efficiency, and financially unviable to refurbish. Recycling or re-use of construction and demolition waste reduces environmental impacts, and the council would look to maximise this when buildings are demolished, to minimise waste to landfill.
- 5.16. Council new build (delivered directly or through a partnership arrangement) on some of the sites in the future would enable the reprovision of new council homes and reduce the net loss of stock. However, any new housing developed would be more modern and energy efficient, need to meet all current standards including those relating to accessibility and use of renewable energy, have a minimum of 60 years life, and be informed by local housing needs via the Planning process.
- 5.17. *Risk.* Risks in relation to this option are most notably around the development potential for each site, and ability for sites to be developed for housing over the coming years – particularly for affordable housing – resulting in a net loss of council housing provision and homes in the city.
- 5.18. The development potential for each site would benefit from being explored in greater detail. Clarity on what is likely to be achieved on each site could only be

reached by undertaking detailed site surveys, funding design activity, and working closely with officers from Planning.

- 5.19. Given the scale of costs involved in taking forward housing developments by the council, or even in some partnership arrangements, and other funding pressures including planning for new housing on other sites in the city, it could be many years before some of these sites are developed for housing. It is also possible that some sites, if sold, could be developed for other uses.

6. Conclusions

- 6.1. The full refurbishment option should be discounted. This would be the highest cost, least affordable and financially unviable. In addition, it is a high risk approach with uncertainty including the additional extra years of building life that could be expected.
- 6.2. After rehousing residents, sites should be demolished and cleared as soon as possible for health and safety reasons. Demolition of the blocks would remove these high rise blocks from our council stock – given they are no longer fit for purpose with significant investment needs including for energy efficiency, and financially unviable to refurbish.
- 6.3. The costs of demolition, plus annual net losses to council housing income if homes are not replaced, would still be sizeable – at least £17m over 10 years, but outweighed by costs of borrowing to either refurbish or develop the sites. Sale of the land at some sites may help mitigate costs but should be considered as part of a strategic approach.
- 6.4. The longer-term aim should be that these sites are redeveloped for housing. How this happens for each site may differ, given the different locations, sizes and configuration of the sites and the challenges and opportunities these present.