

ISLE OF ANGLESEY COUNTY COUNCIL	
Report to:	Executive Committee
Date:	25 April 2016
Subject:	Remodelling of Llawr y Dref, Llangefni
Portfolio Holder(s):	Aled Morris Jones
Head of Service:	Shan Lloyd Williams
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Local Members:	Bob Parry Dylan Rees Nicola Roberts

A –Recommendation/s and reason/s
<p>Agree to change the designation of units 1 – 4 and 6 – 29 of Llawr y Dref, Llangefni from a sheltered housing scheme for people aged 60+ to a general needs housing scheme.</p> <p>Carry out minor works to remodel the internal space of the units to maximise the internal floor area available as well as fitting new kitchens in the units to make them more attractive to tenants.</p> <p>Improve the communal areas within block A and B to include the provision of a communal room and improving and upgrading the fire safety equipment, as well as undertaking external works such as painting and landscaping the garden in order to improve the external appearance of the building.</p> <p>To offer a menu of choices for furnishing the flats to the value of £500 for tenants moving into the scheme as their first home, or pay for the removal costs of any tenant moving into the scheme as a result of being affected by the bedroom tax in their current home.</p>

B – What other options did you consider and why did you reject them and/or opt for this option?
<p>A report was submitted to the Strategic Executive Committee in February where guidance was received regarding the type of provision they would support in terms of remodelling the scheme, and a request was made for a business plan to be prepared for the Executive Committee with two options and to be approved by the Executive Committee in order to</p>

proceed with remodelling the Llawr y Dref scheme.

Both options proposed changing the scheme's designation to a general needs housing scheme as a need exists for one bedroom units as a consequence of the bedroom tax through the Welfare Reform agenda.

C – Why is this a decision for the Executive?

This is a decision for the Executive because we are requesting the right to change the designation of units 1 – 4 and 6 – 29 of Llawr y Dref to general needs rented housing rather than units for people aged 60+.

D – Is this decision consistent with policy approved by the full Council?

This decision is consistent with two of the Corporate Objectives that have already been approved by the full Council, namely:-

- i) Increasing our Housing Options and Reducing Poverty
- ii) Regenerating our Communities and Developing the Economy.

DD – Is this decision within the budget approved by the Council?

A provision of £832k has been included in the Council's capital budget for 2016/17 for remodelling Llawr y Dref.

The general feeling is that if an investment of this scale were to be made in the scheme the additional rental income generated by letting more units would not recoup the costs of the investment.

An investment of £400k would create an NPV of £2.616m over 35 years.

E – Who did you consult?		What did they say?
1	Chief Executive / Strategic Leadership Team (SLT) (mandatory)	The business case was presented to the SLT and they supported proceeding with Option 1.
2	Finance / Section 151 (mandatory)	Discussed the business case in SLT and is supportive of the recommendation.
3	Legal / Monitoring Officer (mandatory)	Discussed the business case in SLT and is supportive of the recommendation

5	Human Resources (HR)	
6	Property	
7	Information Communication Technology (ICT)	
8	Scrutiny	
9	Local Members	
10	Any external bodies / other/s	

F – Risks and any mitigation (if relevant)		
1	Economic	
2	Anti-poverty	
3	Crime and Disorder	
4	Environmental	
5	Equalities	
6	Outcome Agreements	
7	Other	

FF - Appendices:
Business Case for Remodelling units 1 – 4 and 6 – 29 Llawr y Dref, Llangefni

G - Background papers (please contact the author of the Report for any further information):

Business case

for remodelling

1 – 29 Llawr y Dref, Llangefni



March 2016

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1. Introduction

The 51 unit development in Llawr y Dref, Llangefni was completed in 1982. The aim of the original scheme was to offer homes to tenants aged 60 or over. The scheme has been built in blocks, block A numbers 1 - 4, block B numbers 5 - 29 (this block was a sheltered housing scheme with a warden service), block C numbers 30 - 35, block Ch numbers 36 - 41, block D numbers 42 - 47 and block Dd numbers 48 - 51.

See Appendix 1

The warden service for block b was ended some years ago and the former warden's house (number 5) was let as a family home. Over the years, in order to enable us to let some of the units as they became vacant in blocks C to Dd, we have had to reduce the admission age to 40 years old and over.

At present 3 of the 4 units in block A are empty and 17 of the 24 units in block B are empty which gives a total of 20 units within the scheme that are currently empty and difficult to let.

In terms of provision for older people, as a Council we have the Glan Cefni scheme which has received a significant investment recently to carry out improvements and to modernise it to ensure that it remains fit for purpose for the future. We also have an extra care housing scheme coming up in Llangefni, and development work is about to begin on this by the Pennaf Group, one of our Registered Social Landlords working on the island.

2. The Current Situation

A report was submitted to the Strategic Executive Committee in February where guidance was received regarding the type of provision they would support in terms of remodelling the scheme, and a request was made for a business plan to be prepared with two options, and to be approved by the Executive Committee in order to proceed with remodelling the Llawr y Dref scheme.

Both options propose changing the scheme's designation to a general needs rented scheme as a need exists for one bedroom units as a consequence of the bedroom tax through the Welfare Reform agenda.

Within the Housing Revenue Account business plan a budgetary provision of £832k has been included in the capital plan for 2016/17 for remodelling Llawr y Dref.

3. Option 1

Carry out minor works to remodel the internal space of the units to maximise the internal floor area available as well as fitting new kitchens in the units to make them more attractive to tenants.

In addition to improving the internal layout of the flats we will also spending on improving the communal areas within block A and B including the provision of a communal room and improving and upgrading the fire safety equipment.

We will be installing a lift in block B and carrying out external works such as painting and landscaping the garden in order to improve the external appearance of the building.

In order to ensure that the units are attractive to tenants we will offer a menu of choices for furnishing the flats to the value of £500 for tenants moving into the scheme as their first home, or pay for the removal costs of any tenant moving into the scheme as a result of being affected by the bedroom tax in their current home.

This means that we would have 28 one bedroom units available in Llangefni where there is sufficient demand for these types of units as a result of the impact of the bedroom tax.

We would not need to increase our estate management staffing costs in relation to this .

It has been estimated that around £400,000 would need to be invested in the scheme to deliver this and we would then be able to let an extra 20 units that are currently empty, which would generate an additional rental income of approximately £85k a year.

The interest costs for a £400k loan@ 3.5% per annum would be £14k which means that the investment would create an NPV of £2,616,769 at the end of the 35 year period.

4. Option 2

Make significant alterations to the two blocks in order to provide fewer and larger units within the scheme.

We would change block A to be 2 two-bedroom units, either as two houses or two flats. The estimated cost of doing this would be approximately £60k.

This would enable us to let one extra unit within block A (as only 1 unit from the current 4 units has been let) which would generate an additional rental income of around £4k a year.

We would also alter block B to be 18 larger units in the form of two-bedroom flats or possibly duplex-type houses.

We would install a lift in block B and also carry out external work such as painting and landscaping the garden in order to improve the external appearance of the building and we would create more communal spaces such as lounges and activity rooms as well as improving and upgrading the fire safety equipment.

It has been estimated that around £832,000 would need to be invested in blocks A and B of the scheme to deliver this. We would then be able to let an extra 12 units and would generate an additional rental income of approximately £44k a year.

The annual interest on an investment of £832k @ 3.5% would be £29,120 which means that the investment would create an NPV of £152,885 at the end of the 35 year period.

Appendix 2 shows the financial viability for option 1 and option 2.

The main financial assumptions that have been included in the financial viability are:-

- Rent Levels – Welsh Government Target Rent Levels 1% above CPI inflation
- Interest rates on loans – 3.5%
- Responsive/cyclical maintenance costs – £700 per unit per annum
- Rent losses from void properties – 1.5%
- Discount rate to calculate NPV – 3.5%
- Inflation – 2%

5. Waiting List for smaller units in Llangefni

At present there are 139 people on our general waiting list for a one or two-bedroom flat in Llangefni with ages varying from 17 to 85 years old.

If we looked further into the age profile of these applicants on the waiting list we can see that 53 are in the 21 – 40 age range and 77 are in the 21 – 50 age range.

Looking at these statistics I believe they evidence the need for smaller-sized units in Llangefni for general housing needs.

In addition to the above we have 4 tenants currently looking to move to smaller properties in Llangefni.

6. Consultation with the Tenants

Before proceeding with any of the above two options it will be necessary to undertake a consultation with the 7 tenants who are currently living in blocks A and B and it would be good practice to appoint an independent advocate to undertake the consultation with the tenants.

As a result of remodelling the scheme we may be required to pay a statutory home loss payment of £5,300 to the tenants should they be likely to lose their home. This is more likely to be applicable to option 2.

7. Timetable

April	The Executive Committee to approve one option
May – June	Consultation with tenants
July	Agree the specification for going out to tender
August	Out to tender
September	Begin work on the site

October/November	Practical completion (October Option 1/ November Option 2)
November /December	Let the units (November Option 1/ December Option 2)

8. Recommendation

We would recommend proceeding with Option 1 as this option would maximise the returns on investment and would offer a higher number of one-bedroom rented units.

Option 1 would also give our current tenants the choice not to move should they wish to remain in their present home.

Appendix 3





Lounge



A small bedroom for a single bed



Inside the main foyer



Fire extinguisher equipment



Hall inside block B



The front of block B



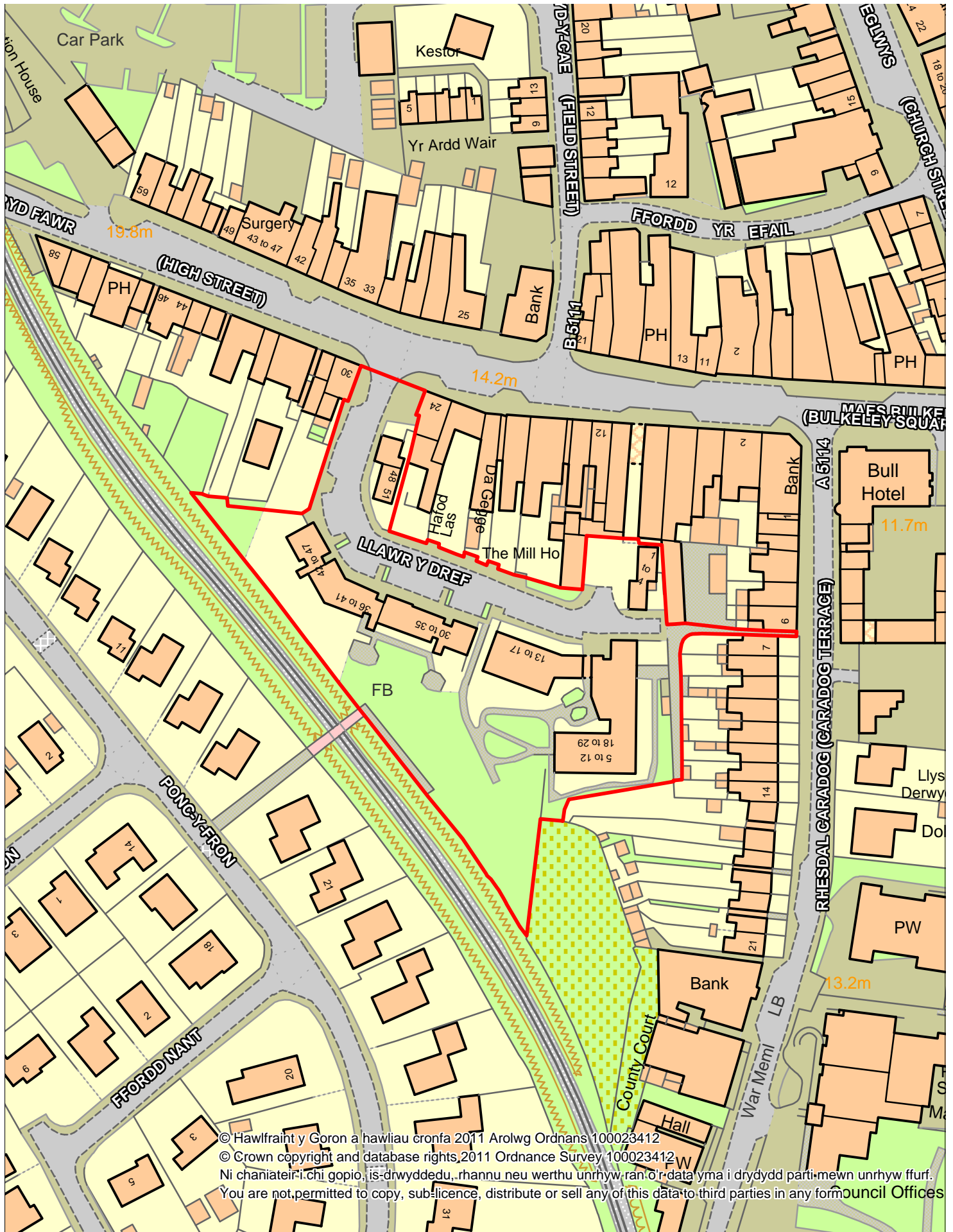
The front of block A



The rear of block B



Garden behind block B



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