

<b>Key Decision Required:</b>	<b>Yes</b>	<b>In the Forward Plan:</b>	<b>Yes</b>
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## CABINET

**10 NOVEMBER 2017**

### REPORT OF THE PORTFOLIO HOLDER FOR HOUSING

#### **A.16 FORMAL CONSULTATION ON THE FUTURE OF TWO SHELTERED HOUSING SCHEMES**

(Report prepared by Tim Clarke)

#### **PART 1 – KEY INFORMATION**

##### **PURPOSE OF THE REPORT**

To inform Cabinet of the outcome from an initial viability assessment into the Spendells and Honeycroft sheltered housing schemes and seek agreement to commence a formal consultation with residents and affected staff on future proposals for the schemes.

##### **EXECUTIVE SUMMARY**

Following Cabinet's decision in June 2016, viability appraisals of two Sheltered Housing Schemes, Spendells House and Honeycroft, including the future of the two sites has been undertaken by Officers.

The viability work has considered the level of occupancy at both schemes and costs associated with running them. Various options were produced and presented to residents within the Schemes in October 2016 as part of an informal consultation exercise. It was clear from that consultation there was little support for continuing to operate the schemes without making significant changes to the layout and quality of the accommodation.

Options 1 and 2 demonstrate that the Housing Revenue Account would have to continue subsidising an ongoing revenue loss. As a result it is not a viable option to keep operating these two premises with such low occupancy rates.

Therefore, it is proposed that the Spendells House scheme should be closed which will provide annual savings to the Housing Revenue Account (HRA). Options in respect of the future use of the site will be brought back to Cabinet once fully evaluated.

The recommendation is that the sheltered accommodation in the Honeycroft scheme, not including the 8 bungalows, will also be closed which will provide on-going savings to the HRA, but with further work being undertaken to explore future possibilities for the site. These may include the provision of alternative bungalow accommodation potentially for the use of existing residents but such options will require detailed financial modelling within the HRA to determine viability.

A statutory formal consultation on these proposals must be undertaken with residents and affected staff before the final recommendation is brought back to Cabinet.

##### **RECOMMENDATION(S)**

**It is recommended that Cabinet agrees:**

- 1. That the Spendells and Honeycroft Sheltered Housing schemes have proven to be unpopular for several years due to their shared facilities and dated design and that it is economically unviable for the Housing Revenue Account to continually subsidise the on-going and increasing revenue loss of rental**

income at the schemes;

2. formal consultation on the principle of closing both the schemes be commenced with residents in accordance with Section 105 of the Housing Act 1985;
3. that the Portfolio Holder for Housing will present the outcome of the viability work for each scheme to the Service Development and Delivery Committee, during the consultation period;
4. the outcome of formal consultation along with more detail on the costs associated with closure be reported back to Cabinet to inform the final decisions on the future of these schemes;
5. to establish an associated budget of £200,000 within the HRA in 2017/18, to support residents throughout the whole process, funded from the HRA General Reserve.
6. Officers be authorised to commence preparations to secure alternative accommodation for affected residents in the event that Cabinet decides to close the schemes, including holding open voids at other sheltered schemes; and
7. further work be undertaken by officers exploring the provision of alternative sheltered type housing accommodation after detailed financial modelling within the HRA.

## PART 2 – IMPLICATIONS OF THE DECISION

### DELIVERING PRIORITIES

The decisions will contribute to the following priorities in the Corporate Plan 2016-2020:

**Health and Housing** – The appraisal has focussed on ensuring the provision of good quality and appropriate housing that meets local needs.

**Our Council Our Community** – The continued provision of sheltered housing and support services will ensure the delivery of high quality affordable services. The proposals overall will rationalise and potentially improve our housing assets whilst supporting the vulnerable. Future uses for the sites at both Spendells House and Honeycroft present an opportunity to engage with the community and support effective partnership working.

### FINANCE, OTHER RESOURCES AND RISK

#### Finance and other resources

As highlighted in the appendices, the net cost of operating both Honeycroft and Spendells has increased to a level that is no longer sustainable, and when taken into account with the estimated significant capital costs associated with major repairs and remedial works results in a negative initial viability assessment. This is further compounded by the cost of the empty properties such as Council Tax during void periods.

It is worth highlighting that although a consultation period will commence, the longer term future of the sites can be considered in parallel.

Although subject to consultation, taking practical steps in acknowledgement of the potential costs of supporting residents if they have to move is useful to highlight at this stage. Tenants are entitled to a home loss payment if they have been a secure tenant for longer than a year – currently set by legislation at £5800 - and a disturbance allowance to cover the cost of moving. Based on current occupancy the likely total cost for this could be **£184,000** but will be dependent on what each tenant makes a claim for. A policy on when

these payments will be made has been prepared for each scheme. It is proposed that a budget of **£200,000** be established now so as residents can be assured that they will be supported once a final decision is made.

The HRA General Reserve currently totals **£4.562m**, and it is proposed to fund the budget of **£200,000** mentioned above from this reserve. After allowing for this transfer, the HRA General Reserve would reduce to **£4.362m**. Although subject to the end of year process, it is forecast that a further contribution to HRA General Reserves of **£0.177m** will be made in 2017/18. There are currently no further commitments against this reserve, which would be subject to separate decisions and/or the budget setting process in future years.

As previously mentioned, at this stage the decision sought is to commence a consultation with residents and staff on the proposals to close both of the schemes at Spendells and Honeycroft. Further detail on the capital and revenue investment required within the Housing Revenue Account will be set out in the report seeking the final decision on conclusion of the consultation process.

### **Risk**

There are risks associated with the proposals:

Reputational – the closure of any sheltered housing scheme will be unpopular amongst its residents and may attract wider media interest. The publicity and consultation must be handled sensitively and tenants consulted and supported throughout the process. There is also a reputational risk from not doing anything. It is not responsible as a social landlord to continue running schemes that are dated and make significant financial losses each year. Additionally the decision had to be taken in October 2017 to ask residents of Honeycroft to move out temporarily due to concerns over legionella. Questions have been asked around the timing of that decision and whether it was a precursor to the decision proposed in this report but the timing of the decision was purely coincidental.

Financial – there is a financial risk associated with not doing anything. Both schemes are under occupied and cost the Council money to run. This risk can be mitigated by taking a decision to do something different that improves the financial predicament of each scheme and its contribution to the Housing Revenue Account. The redirection of funds from the HRA capital programme carries the risk that other works are delayed to the detriment of tenants or the buildings themselves. Any adjustment to the programme will need to be carefully considered.

Tenant unwillingness to co-operate – it is fair to say that some tenants at each scheme have already expressed an unwillingness to move out and this is understandable given that the schemes are their homes and connection to the local community. Elsewhere this has caused problems but the Council does have the power to seek possession of premises where there is a need but this will be used only as a last resort.

### **LEGAL**

Under Section 105 of the Housing Act 1985 the Council has a legal obligation to consult its secure tenants on 'matters of housing management' such as changes to the management, maintenance, improvement or demolition of houses let by them, or changes in the provision of amenities.

Should Cabinet agree with the recommendations, as set out in this report, it is proposed the consultation with tenants affected by these proposals will be for a four week period and commence with a meeting at each scheme in November, followed by a letter being sent to each tenant affected by these proposals.

Separate consultation will be undertaken with any staff affected by the proposals in

accordance with the relevant Human Resources Policies and Procedures.

### **OTHER IMPLICATIONS**

Consideration has been given to the implications of the proposed decision in respect of the following and any significant issues are set out below.

Crime and Disorder / Equality and Diversity / Health Inequalities / Area or Ward affected / Consultation/Public Engagement.

**Area or Ward affected** – Ward Members from Lawford and Walton have been involved in the consultation process alongside the tenants and will continue to be involved from here onwards.

**Consultation** – tenants were involved in a consultation event in November 2016 where they were invited to give their view on the six options for each scheme considered in this report. Tenants now need to be consulted on the recommended options.

**Equality and Diversity** – Decisions sought through this report focus primarily on housing for older persons (those aged over 60). The Council is developing an Interim Housing Strategy that addresses the housing needs of all age groups. The future of sheltered housing and support provision for older persons will be considered as part of that strategy. An equalities impact assessment has been undertaken in relation to the recommendations to close both schemes. Whilst the proposals clearly affect a specific group of people as opposed to the population at large the support arrangements that are proposed act in mitigation of the negative impacts. The Council will do all it can to minimise the impact of what is a largely vulnerable group of people.

## **PART 3 – SUPPORTING INFORMATION**

### **BACKGROUND & VIABILITY ASSESSMENT**

At its meeting in June 2016, the Portfolio Holder for Housing confirmed to Cabinet that Officers had been instructed to commission a report on the viability of the schemes at Spendells House and Honeycroft.

#### **Sheltered Housing Provision in Tendring**

The Council owns and manages 10 sheltered housing schemes, providing a total of 324 units of accommodation.

Sheltered Housing units represent approximately 10% of the Council's total housing stock with a potential rental income to the Housing Revenue Account (HRA) of £1.2m per year. These schemes were built between 1961 (Honeycroft) and 1989 (Belmans Court). Just over 50% of the sheltered units are bedsit/studio units with shared bathrooms/shower-rooms.

The table below indicates the occupancy rates at each scheme over the past three years:

Snapshots of all Schemes Occupancy Rates over last three years				
Scheme	Total Units at Scheme	Snapshot Occupancy		
		July 2015	March 2016	March 2017
<b>Groom House - Clacton</b>	31	97%	97%	94%
<b>St Marys - Clacton</b>	25	100%	100%	96%
<b>Belmans - Dovercourt</b>	45 44Units up to 2014*	100%	100%	100%
<b>Crooked Elms - Dovercourt</b>	30 28 Units up to 2014*	93%	73%	80%
<b>Greenfields - Frinton</b>	34	100%	94%	100%
<b>Honeycroft - Lawford</b>	39 (includes 8 bungalows that are fully occupied)	<b>54%</b>	<b>51%</b>	<b>44%</b>
<b>Mead - Walton</b>	29 28 Units up to 2014*	100%	100%	90%
<b>Spendells House - Walton</b>	30	<b>47%</b>	<b>47%</b>	<b>54%</b>
<b>Kate Daniels - Weeley</b>	30	73%	80%	80%
<b>Vyntoner – St Osyth</b>	30	93%	93%	87%

**\*Conversion of ex wardens accommodation created additional sheltered units in some schemes after 2014**

The schemes showing the lowest occupancy rates are Spendells and Honeycroft, being around 50% occupied for each of the three years. It should be noted that the Honeycroft scheme includes eight bungalows that are fully occupied, the under occupancy affects the main sheltered scheme building.

As with any business, reduced income and, in this case, high void (unoccupied) rates and lack of demand going forward calls into question the financial sustainability of continuing with the existing approach. Sheltered Housing is exempted from Right to Buy so all the units in each scheme are in Council ownership. Both the ex-wardens units at each scheme are in Council ownership and let to tenants who will be affected by the recommendations in this report. The Council has to pay Council Tax and standing charges for utilities on all voids so there is a cost to the Council for each void in addition to the loss of revenue income.

Given the high proportion of older persons living in the district and the projected growth in those age ranges over the next 10 – 20 years it is important that the Council sets out its future aspirations in respect of the provision of sheltered or older persons housing. An interim Housing Strategy is being developed that will set out this vision with reference to central government policy around the future provision of council housing and the funding landscape for supported housing provision.

### **The Occupancy Problem**

It is important to explore the reasons behind the levels of occupancy and under-occupation at Spendells and Honeycroft.

53% of the Council's sheltered stock are Bedsits with shared facilities and provided by five of our older schemes - all of which are 40 - 50 years old:

Spendells Ho.	built	1967
Honeycroft.		1961
Kate Daniels		1971
Vyntoner Ho.		1967
Mead Ho.		1975

Whilst accommodation with shared facilities is generally no longer desired and difficult to let the current exceptions are Vyntoner (due to its close proximity to Clacton and lack of any local alternative) and Mead House (due to its central town location).

During 2014/15 the Tenancy Management team undertook some work to identify the reasons for low demand and to see if occupancy could be increased. Open days were held at both Spendells and Honeycroft but did not result in additional tenants coming forward.

Nationally it is recognised that bedsit accommodation is no longer an acceptable type of provision for sheltered housing and many housing providers are converting or closing schemes that were built around the same time as Spendells and Honeycroft.

### **The Options**

The following are the options in relation to both schemes that do not require any significant alterations to the use or design of the buildings:

#### **Option 1 – Continue with no change**

This is the “do nothing” option and would see the Council continue to run the schemes in the same format and continuing to promote the schemes to the current range of eligible residents.

#### **Option 2 – Increase the range of occupancy**

Currently the minimum age for access to the schemes is 60 years. This option could include lowering this age range to 55, 50 or lower in order to increase eligibility to a wider pool of people.

Other possibilities within this option include opening up currently vacant accommodation to much younger people or families who are currently in or in need of temporary accommodation. The mixing of temporary accommodation with sheltered housing use is in reality not likely to be practical without separating the two uses, perhaps by designating a wing for each use. There are examples of good practice from abroad where introducing a small cohort of young people or students can add benefits for the existing sheltered residents. Often the accommodation is provided free of charge on the basis that around 30 hours a month is devoted to supporting the older residents. This is a possibility but would not solve the issues around reduced rental income.

Information on each Scheme and an initial viability assessment has been undertaken and is contained within Appendix A for Honeycroft and Appendix B for Spendells, with an emerging recommended proposal for each.

## **Feedback from resident consultation events**

In October 2016 the Council held a consultation event with the residents of both schemes and their relatives. Also present were members of the Service Development and Delivery Committee and members of the Sheltered Housing Panel.

Attendees heard about the background to this report and evidence of under occupancy and the financial impacts of this on the Council. It was made clear that the status quo could not reasonably be maintained given the financial impacts on the Council and the Housing Revenue Account of the low occupancy rates. After a tour of the scheme everyone was given the opportunity either on a 1-2-1 basis or in small groups to have their say on the future of the schemes and suggest ideas on the way forward.

There was little support for carrying on and not making any changes. There was almost no support for closing either of the schemes. Increasing the age range, converting to flats and replacing with bungalows were the most popular options.

Overall residents reported that they were very satisfied with the support they receive through being in the sheltered schemes.

The consultation events demonstrated that there is interest in the schemes from the current residents and members of the sheltered housing panel. There is also a good level of involvement from the Ward Members.

## **Supporting Residents**

Given the various issues discussed, the recommended option for each scheme involves its closure but in parallel, and alongside the associated consultation process, consideration will be given to the longer term future of the sites.

The Council recognises the importance of supporting residents through the process of moving to alternative accommodation. It is therefore proposed that each tenant will have a nominated Sheltered Support Officer who will assist them in identifying alternative accommodation and helping them move to it.

Recent changes to the way in which the Older Person's team operates now means that most residents do have a nominated Sheltered Support Officer.

Policies have been drafted that set out how residents will be supported through the closure process and how they will receive dedicated support and financial assistance with moving to alternative accommodation.

The Council will need to help find alternative homes for the residents and some voids at other sheltered housing schemes have already been identified. Approval is sought from Cabinet to put the necessary support arrangements in place, including the policies referred to above and the creation of a budget within the Housing Revenue Account. Approval is also sought to hold voids open in order that if the final decision is to close the schemes the residents can be adequately housed elsewhere with the minimum of delay.

Whilst it was in no way planned, the recent concerns arising over legionella at Honeycroft have seen the Council put in place support arrangements to help residents move to alternative accommodation. There were an intense few days of discussion and liaison with affected residents that led to a range of solutions for all of them whilst minimising the impact that moving someone from their home can have.

## **Conclusions**

The current poor occupancy rate at both schemes reflects the low quality of accommodation whilst revealing that the design of the schemes is no longer popular. The poor occupancy rates reflect the outdated nature of the accommodation but access to local facilities is also a big factor, particularly in the case of Spendells. Residents at Honeycroft were keen to highlight that amenities were within their reach and that actually there is a lot to do in the Mistle / Manningtree / Lawford area. In particular Honeycroft came across as having a community associated with the scheme and this will continue as the bungalows will remain open on the site.

Each site offers up different potential but the Council has to consider the fact that the financial sustainability of the schemes in their current form is requiring a larger subsidy from the overall net rental income received across the Council's overall housing stock. There is potential for future investment but the first step is to close both schemes allowing for further discussions around the future of each site. It is now necessary to consult formally with residents and the staff that are likely to be affected by the options recommended above.

The feedback from the consultation process will be presented in a more detailed report on the options and costs involved in order that Cabinet has all the information needed to make a decision on the future of both schemes.

### **BACKGROUND PAPERS FOR THE DECISION**

**Report to and Minutes of Service Development and Delivery Committee meeting April 2016**

**Report to and Minutes of Cabinet – June 2016**

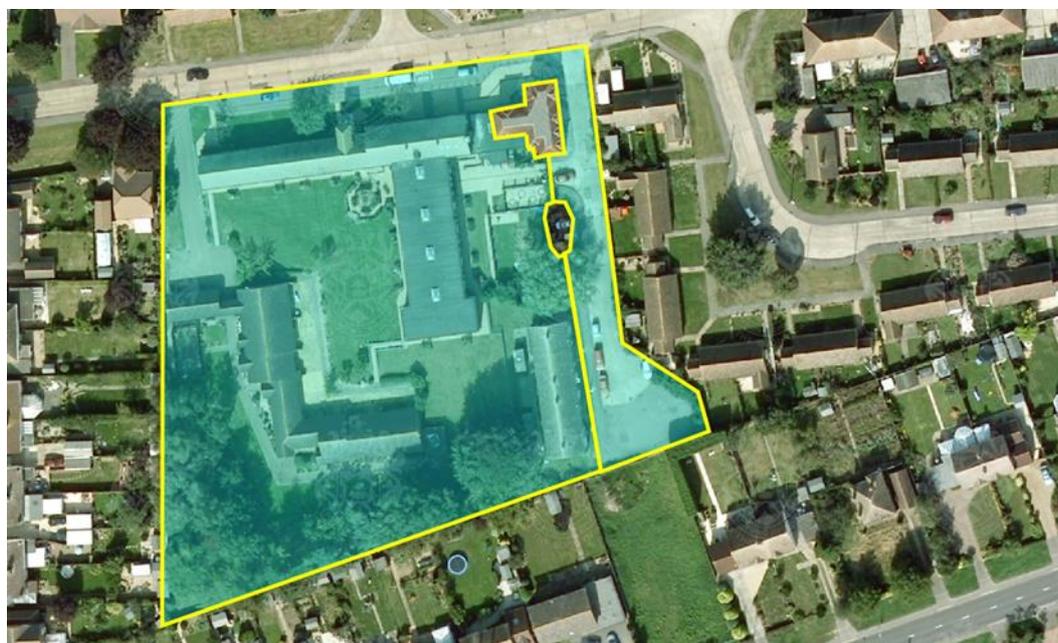
### **APPENDICES**

**Appendix A - Honeycroft Options Appraisal**

**Appendix B - Spendells Options Appraisal**

**Appendix A**

**SCHEME INFORMATION AND INITIAL VIABILITY ASSESSMENT -  
HONEYCROFT SHELTERED HOUSING SCHEME, LAWFORD**



The Honeycroft site comprises a plot of around 9,000m<sup>2</sup> including 32 bedsits, 8 general purpose flats, 8 bungalows, communal areas and various service accommodation. The buildings were constructed in 1961 and are typical of the era.

Each bedsit comprises a single room with small kitchen and a WC opening off. Bathrooms are communal. The bedsits are arranged over two two storey wings with spinal corridors tied with staircases in the central communal area and at the ends of the wings.

The units of accommodation are comprised of:

8 Bungalows – all fully occupied

29 Bedsits – 6 occupied -

2 Flats – both occupied

1 ex-wardens house – occupied

**Initial Viability Assessment Summary** (*Looking at the main scheme building (29 bedsits, 2 flats*

and 1 ex-wardens house)

The total net cost of operating the 10 Sheltered Schemes is in excess of £300,000 per annum based on average occupancy levels across the schemes and including housing related support costs. Approximately 30% of this net cost is in respect of Honeycroft.

The above includes day to day maintenance costs but excludes major capital works. A summary of the cost of such works is set out below:

Major works required in next 5 years	Asbestos removal, legionella mitigation works Overhaul windows Upgrade kitchens Overhaul lifts Recover flat roof and overhaul gutters  Total estimated over £300,000
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There has recently been a discovery of asbestos in the roof void of the main building. The quantity of asbestos discovered is greater than it was previously believed was present in the structure of the building. The asbestos was discovered during a survey of the water supply systems which themselves were found to present a risk of legionella. The legionella risk is being carefully monitored and controlled but on 10<sup>th</sup> October 2017 specialist consultants advised that due to high temperature readings on cold water outlets and the unknown condition of water tanks and pipework the chances of a legionella outbreak were very high. Sampling of the water was arranged but the decision was taken to also ask residents to move out to alternative accommodation whilst the issue was investigated. Investigation of the legionella issues will require controlled access to the roof voids due to the presence of the asbestos. The costs of these works including asbestos removal are likely to reach £80,000. The Council cannot compromise the health and safety of the tenants at the scheme so the need to make a decision on the future of the scheme is now essential.

### **Housing Demand and Needs in the area**

The scheme is located on the edge of an estate made up of a number of Council owned dwellings and many of the current tenants of Honeycroft have grown up and lived in the area prior to moving into sheltered housing. There is therefore a natural demand for dedicated older persons housing in the area. The nearest scheme operated by the Council is Kate Daniel's House in Weeley. Overall the Manningtree / Lawford area sees a high demand for housing.

### **Options and Costs**

- **Continue as at present** – The cost of Honeycroft would continue to make up a significant element of the overall cost of Sheltered Housing due to the high level of void loss. Significant capital investment of £300,000 is estimated to be required over the next five years. This is unsustainable with continued financial pressure on the HRA and ongoing maintenance costs to consider.
- **Increase the range of occupancy** – The cost would be similar to the above but it may be possible to reduce the net overall cost with increased rental and service charge income. However this option is unlikely to work as the design of the building remains the same and has proven to be unappealing. Reducing the eligibility range to 50 or 45 is unlikely to

encourage any new tenants. Continued loss to the HRA will be experienced.

### **INITIAL VIABILITY ASESMENT FOR HONEYCROFT AND RECOMMENDED OPTION**

The figures presented above indicate that continuing to operate the scheme is not financially sustainable in its current form. Significant capital investment is also required to address remedial works such as asbestos and legionella issues along with works to the roof, lift and windows over the next 5 years.

The layout of the building and the bedsit style units are proven to be unpopular and the Council is in step with other housing providers in looking at the future viability of such schemes. Without significant investment and change the scheme would not be financially sustainable.

Given the issues highlighted, the logical conclusion is to take the necessary steps to close the scheme and in parallel, consider the potential future options. The bungalows on the site will remain open and arrangements can be made to enable them to operate without the facilities provided by the main scheme building.

The site does offer redevelopment potential and it could be possible to provide further bungalows on the site for older persons. Some basic plans have been drawn up for this but it is an option that needs further exploration and detailed viability assessment given the capital investment that would be required from the HRA.

On closing the main scheme the Council would need to fund the cost of moving tenants to alternative accommodation which is likely to be in another sheltered housing scheme. Home Loss and Disturbance Allowance payments will need to be made. Estimated costs per tenant could reach up to £10,000. Based on the 12 tenants in the main scheme this equates to £96,000 based on a payment of £8,000 each. A policy on the support arrangements that will be put in pace for residents has been drafted.

### **Appendix B**

### **SCHEME INFORMATION AND VIABILITY ASSESSMENT - SPENDELLS HOUSE SHELTERED HOUSING SCHEME, WALTON-ON-THE NAZE**





Spendells House comprises a plot of around 3,200m<sup>2</sup> including 30 bedsits a bungalow, communal areas and various service accommodation. The buildings were constructed in 1967.

Each bedsit comprises a single room with small kitchen and a WC opening off. Bathrooms are communal throughout. The bedsits are arranged over two storey wings with spinal corridors tied with staircases in the central communal area and at the ends of the wings.

#### **Accommodation and current occupancy**

26 bedsits – 10 occupied

4 flats – 4 occupied

1 ex-wardens flat – fully occupied

#### **Basic Rental Income and Scheme costs**

#### **Initial Viability Assessment Summary**

The total net cost of operating the 10 Sheltered Schemes is in excess of £300,000 per annum based on average occupancy levels across the schemes and including housing related support costs. Approximately 17% of this net cost is in respect of Spendells.

The above includes day to day maintenance costs but excludes major capital works. A summary of the cost of such works is set out below:

Major works required in next 5 years	Re-roof Overhaul windows Upgrade kitchens Overhaul lift  Total estimated £218,000
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#### **Housing Demand and Needs in the area**

The scheme sits on the edge of the main housing developments in Walton and is not far from Mead

House which is located next to the town centre and is a very popular scheme with a low void rate. Given that the schemes have similar facilities it is hard to see how an improved scheme in the same location, away from the town centre amenities, could be popular. There used to be a convenience store near to the Spendells site but this closed a number of years ago. Whilst there is undoubtedly a demand for older persons housing in the area it seems important that such housing is located nearer to amenities, at least a convenience store, as the Council's nine other schemes are.

Essex County Council, through One Housing Group, is in the process of completing an extra care scheme in Walton. This scheme is open to those with a care need of 6 or more hours per week and there is the option on site to receive meals. The location of the building is reasonably near to the town centre, certainly nearer than Spendells. Given the care needs and the associated price of the scheme it is not considered a direct competitor to sheltered housing as such.

### **Options**

- **Continue as at present** – The cost of Spendells would continue to make up a significant element of the overall cost of Sheltered Housing due to the high level of void loss. Significant capital investment of £218,000 is estimated to be required over the next five years. This is unsustainable with continued financial pressure on the HRA and ongoing maintenance costs to consider.
- **Increase the range of occupancy** – The cost would be similar to the above but it may be possible to reduce the net overall cost with increased rental and service charge income. However this option is unlikely to work as the design of the building remains the same and has proven to be unappealing. Similar to Honeycroft, reducing the eligibility range to 50 or 45 is unlikely to encourage any new tenants. Continued loss to the HRA will be experienced.

### **INITIAL VIABILITY APPRAISAL FOR SPENDELLS HOUSE AND RECOMMENDED OPTION**

The figures presented above indicate that continuing to operate the scheme is not financially sustainable in its current form. Significant capital investment is also required over the next 5 years in order to keep the building operational.

The layout of the building and the bedsit style units are proven to be unpopular and as with Honeycroft the Council is in step with other housing providers in looking at the future viability of such schemes. Without significant investment and change the scheme will not become financially viable again.

Given the issues highlighted, the logical conclusion is to take the necessary steps to close the scheme and in parallel, consider the potential future options. A local housing provider has registered a formal interest in leasing the building but this has not been explored in detail yet until a decision on closure of the scheme has been made.