



DERBY CITY COUNCIL

**COUNCIL CABINET
28 SEPTEMBER 2010**

ITEM 12

Report of the Director of Regeneration

Darley Abbey Regeneration Strategy

SUMMARY

- 1.1 This report highlights the completion of a comprehensive study into the regeneration potential of the Darley Abbey Mills, Darley Abbey Stables and northern part of Darley Park. This study has resulted in the production of a Darley Abbey Regeneration Strategy. This report seeks Council approval to the Strategy (a copy of which has been placed in the Political Group Rooms) alongside results of the most recent consultation exercise undertaken in May.

RECOMMENDATIONS

- 2.1 To approve the Darley Abbey Regeneration Strategy and adopt this document as the basis for the Council's future interventions in this area.
- 2.2 To approve the formation of a Darley Abbey Mills Partnership, chaired by the Leader of the Council, to jointly drive forward the regeneration of the Mills complex.
- 2.3 To note that a bid for £900,000 capital from the Council's Regeneration Fund has been made, which is part of a separate report to this Cabinet. The funding is £300k towards the establishment of a Heritage Grants Fund, and £600k towards essential repairs to the Council-owned Stable Block, the latter being partially refundable. Officers to report back to a future Cabinet Meeting on the detailed operation of the proposed Grant Fund. The capital funding and related expenditure will be dependent upon the Members' review of the Council's Capital Programme.
- 2.4 To pursue provision within the Council's emerging Local Development Framework (LDF) of a broader range of potential land uses at the Mills complex and to authorise the preparation of a Supplementary Planning Document (SPD) for the Mills complex.
- 2.5 To instruct officers to bring a subsequent report to Members recommending precise arrangements for the refurbishment and commercial occupation of the Stable Block.

REASONS FOR RECOMMENDATION

- 3.1 To give the Regeneration Strategy formal status that demonstrates the Council's commitment to overseeing its delivery, and thus to the Derwent Valley Mills World Heritage Site.
- 3.2 To ensure that urgent improvement works at the main Mill buildings and the Stable Block are able to commence as soon as possible.
- 3.3 To secure the early use of a small part of the Regeneration Fund to start the delivery of this strategy.

SUPPORTING INFORMATION

- 4.1 It was reported to Cabinet on 20 April that the study being undertaken on behalf of the Council was drawing to a close. The importance of the World Heritage Site (WHS) status to Derby and the huge opportunity this presented to the city were also outlined in this report. Since that report a further round of public consultation has been undertaken and the draft Regeneration Strategy has been produced.
- 4.2 Darley Abbey Mills (also known as Boars Head Mills) is the most complete surviving cotton mill complex in the Derwent Valley Mills WHS. It was here that the modern factory system was established to accommodate the new technology for spinning cotton developed by Richard Arkwright. It includes within it some exceptional examples of early large scale factory buildings. The significance of the mills complex is heightened by the near complete survival of its associated workers' settlement at Darley Abbey village.
- 4.3 The former Darley Hall is of note due to its association with Joseph Pickford who was one of the leading provincial architects in the reign of George III. He moved to Derby in c.1759 designed the house where he lived (41 Friar Gate – now a Museum) and helped transform Darley Hall from an earlier baroque structure into a modest but solid Palladian house. Also of note is the association with the portrait painter Joseph Wright (1734-1797) who painted the owner Robert Holden in 1779. It is the association with the Evans family that makes Darley Hall and Park particularly significant and justifies its inclusion within the WHS. Although many of the trees were replanted in the later 19th century, the overall design of the park has been little altered since it was laid out in the late 18th century.

4.4 Aside from the historical and cultural importance of this area, the main findings of the study are summarised as follows:

- There have been severe restraints placed upon the efficient operation of the Darley Abbey Mills site and Stables. These include: flood risk, vehicle and pedestrian access, planning policy land use restrictions, the general condition of the site, urgent repair requirements, dereliction etc. This has led to high vacancy rates (circa 30%), low land values and low investment and rental yields. The rental return to landlords has been so modest that their investment in maintenance and repairs is consequently inhibited.
- The listed properties and their relationship to each other and the wider area must be protected, without which the inscription of WHS status for the whole of the Derwent Valley Mills might be at risk. The poor condition of the buildings and public realm is a very serious threat to their survival and hence significance. It is also a major barrier to investment and re-use. Without investment and without viable long term uses the buildings will decline further.
- Delivering viable and suitable uses for the Mills and Stables is a fundamental issue that must be addressed if they are to be conserved. This requires the conversion and adaption of many of the buildings for modern uses. This process must be undertaken sensitively and, in accordance with National Planning Policy, should seek to conserve the significance of the buildings
- The Mills and Stables have the very real potential to be developed as a ‘destination’ in their own right – marking a new place within the City for business, leisure and cultural activity. Harnessing the full potential of their location, whilst minimising the impact of the negative issues, is a key challenge for the Mills and Stables.
- Transforming Darley Abbey Mills and Stables into a vibrant and high quality destination for business, leisure, tourism and cultural activities will deliver major conservation and economic benefits for Derby and the rest of the World Heritage Site. The creation of a clearly defined destination would compliment rather than challenge the ongoing regeneration of the City Centre.
- There is no easy or rapid solution to the regeneration of the Mills and Stables. Delivering the Strategy will take many years, probably over a decade. The current economic recession and the future decline in public sector resources rule out a highly interventionist approach by the public sector. However, there are clear priorities that need to be addressed over the next two years to ensure the survival of the complex and to progress the Strategy. It is proposed that regeneration will be delivered working closely alongside property owners by forming a Darley Abbey Mills Partnership.

4.5 The Study and various supporting documents formed the basis for a public consultation exercise conducted in May. A report summarising the results of this very positive public consultation process has been placed in Political Group Rooms. A final draft Strategy document was then produced to incorporate all the main findings and to address the most significant comments received. This Strategy sets out a proposed vision for the future of the Mills and Stables, with a prioritised programme of public sector investment and support to overcome the obstacles and create a positive environment for long-term investment from the private sector to deliver new uses for the buildings.

4.6 The vision within this Strategy is:

Darley Abbey Mills will become a vibrant destination for business, leisure, tourism and cultural activity that attracts investment, secures the long-term conservation of the entire complex and safeguards its outstanding universal value, whilst also enabling increased public access and understanding. This transformation will be a flagship project for the working conservation of the WHS and the rejuvenation of Derby as a City of Culture.

4.7 Key aspects of the Darley Abbey Regeneration Strategy include:

- A major programme of repair and conservation works for the historic buildings
- Creation of high quality public realm around the buildings
- Rationalised and improved car parking
- Improved pedestrian and cycle links with wider area and City Centre
- Replacement or upgraded vehicle bridge
- Improved public access to the Mills and Stables
- Upgrading of Haslam's Lane
- Flood defence works as part of the emerging Blue Corridor Masterplan
- Development of a new planning policy framework
- Long-term change in the mix of uses on-site (led by private sector).

Recommended Approach for the Mills

[Appendix 2 demonstrates the Strategy for the Mill Complex]

4.8 It is recommended that the Council's development plan policies, contained in the LDF, should focus on two aspects in relation to the Mills as part of the World Heritage Site: enabling a broad range of uses that will support the regeneration of the City and the need to revitalise the Mills complex; and, ensuring that change reflects the significance of the complex and the constraints such as flooding and building conservation issues. Additionally, development control and listed building consent procedures would be used to manage the appropriateness of physical change, with input from English Heritage where relevant.

- 4.9 It is also recommended within the Strategy that a Supplementary Planning Document (SPD) should be prepared. The SPD would need to reflect the LDF development plan policies, whilst setting out the vision for the site, whilst providing more detailed design guidance & parameters, including for the wider public realm. The SPD will contain greater detail on the preferred mix of uses in the different areas of the complex and will be developed in consultation with partners and key stakeholders. It should reflect conservation requirements, development plan policies, relevant national planning policies and the emerging market situation. It will also need to reflect any progress on implementing the required infrastructure improvements. The primary aim of this element of the SPD would be to guide the regeneration of the site in certain directions and encourage active uses which would deliver economic benefits whilst conserving the significance of the buildings and spaces within the site.
- 4.10 The Strategy recommends the appointment of a dedicated part-time Project Manager to support the new Partnership for the Mills. In addition, this postholder would prepare funding applications, develop conservation plans and other supporting material, prepare the SPD in conjunction with colleagues in the Spatial Planning Team, develop repair specifications, as well as oversee targeted repair works for buildings and the public realm. In the current budget circumstances this post cannot be filled, so officers will need to discuss prioritisation of other workloads to deal with this with existing staffing.
- 4.11 The Partnership would comprise Derby City Council (with officers from my Regeneration Department and Planning and Highways officers from the Neighbourhoods Directorate), Mill owners, the Derwent Valley Mills WHS Partnership; with assistance being sought from English Heritage, the Environment Agency and other Council Departments, as appropriate. The Partnership would also be charged with maintaining a dialogue with owners of nearby residential property, local groups, the Neighbourhood Forum and Ward Councillors. The inaugural meeting of the Partnership is being held on 20 September.
- 4.12 Whilst many of the buildings in the Mill Complex require repair works in the short to medium term, there are a small number of buildings that require urgent temporary works to stabilise their condition and prevent rapid decline. Delivering these property improvements, some of which demand immediate action, is a critical priority. This requires close cooperation between the property owners, the Council and English Heritage. The option for statutory intervention (ie through an Urgent Works Notice) is considered to be a last resort. An approach has already been made to English Heritage, and is receiving their consideration, to help underwrite any urgent works. Irrespective of the outcome, it is essential that the Council demonstrates its commitment to returning property to commercial use by offering grants to incentivise owners to make investments themselves. Officers are preparing the detailed criteria for the proposed Grant Fund, which will operate on the commonly accepted principles of a maximum level of grant and a maximum percentage of grant, with at least 50% private sector leverage or match funding. Details of this fund will be reported back to a future Cabinet Meeting.

- 4.13 Recent conversations have been held with the Heritage Lottery Fund (HLF) following an outline submission to create a £1.2m Townscape Heritage Initiative to assist property and public realm improvements. The submission of a full application to HLF would have a greater chance of success if the Council had already committed match funding and if there was a dedicated Project Manager to lead on the completion of the application.

Recommended Approach for the Stables

- 4.14 Members will recall that the Council owns the Stable Block that comprised part of the Darley Hall Estate. This Listed building is in a very poor state of repair. The Darley Abbey Regeneration Strategy proposes the Council should take forward the regeneration of the Stables in partnership with an external body e.g. a private developer, Building Preservation Trust or charitable organisation. Early consideration has been given to submitting an application to the Heritage Lottery Fund to support the refurbishment and at least partial fit out of the property by the Council. However, this route forward has been ruled out as the outcome is too uncertain and it would create a delay of at least a further year.
- 4.15 The repair works that are urgently required at the Stables include: core restoration repairs, making good of the external fabric, installation of services and certain external works within the courtyard. These have been estimated to cost c. £600k including fees and contingency. Our consultants have advised that the market value of the property after such works may be in the region of £250–300k. There is therefore a viability gap of c. £300k which will need to be funded by the Council. Any end user of the improved property would also have to invest further in the conversion and fitting out of the property as well as the creation of car parking spaces and interpretation facilities.
- 4.16 During the last few months, officers in the Neighbourhoods Directorate Parks Service, and Chief Executive's Office Asset Management Service have therefore been exploring interest from the market which is predicated upon either the Council bringing the property up to a reasonable standard for an end user to take over, or; some form of development agreement between the two parties that would require the Council to invest a sum of money with the end user for essential repairs. Initial expressions of interest have emerged from two parties who have now been invited to submit bids. The process will take a few more months to conclude and a report on the recommended best option will be brought back to Members for a decision.
- 4.17 Bidders are being invited to put forward their proposals based on one of two options:
- Option A - the council will carry out the initial repair works and agree/contract to grant a lease to the end user for payment of a premium (the amount of which, subject to negotiation, would be a minimum of £300k). The Council would thus recover 50% of its initial outlay.
 - Option B - the end user undertakes the agreed works and the Council offers a grant towards 'eligible' works to a max of £300k. This will require a specification schedule to be a condition of the lease and in event of non performance a recovery option.

- 4.18 In either of the above options, if the property is sold in due course by the end user the Council will ensure provision to claw back a proportion of its investment after the investor has recouped theirs. The final selection of the best option will be recommended to Members after the bidding and negotiation process has been undertaken.

Conclusions

- 4.19 It is proposed that the strategy as defined above will set out a clear vision for the future of the area and prioritise a programme of public sector investment. This approach will overcome the constraints currently faced and create a positive environment for long-term investment from the private sector. It will go on to facilitate the conversion of buildings, bringing new and sustainable uses to this important enclave of the city. Darley Abbey Mills and indeed the World Heritage Site will then gradually become an asset to the city that realises potential and attracts people, visits and additional investment.
- 4.20 The economic outcomes of the Strategy will be largely dependant on the final mix of uses that is delivered and consequently cannot be accurately determined here. Initial indications based on a broad-brush analysis of potential mixes of uses indicate that it could:
- create c. 220-300 jobs
 - safeguard / change a further c. 280 jobs
 - create the equivalent of a further c. 190 jobs through construction activity
 - generate c. £14 to £16m / annum of expenditure
 - Transform southern end of WHS
 - Save key part of region's (and nation's) heritage.

OTHER OPTIONS CONSIDERED

- 5.1 Given the international importance of the buildings and their worsening position, doing nothing is not considered a realistic option for the Council. To do nothing at this stage could result in the deterioration of some extremely valuable buildings in a very significant Conservation Area. There is also the risk at some point in the future that the Council might be forced to step in, at considerable cost to itself, to prevent terminal decay to one of more of the most sensitive listed buildings.
- 5.2 If resources were not made available via the Regeneration Fund or through the creation of a part-time Project Manager post, it might still be possible to establish a Partnership with the Mill owners. However, it is considered that the continuation of joint working would become entirely dependent upon the Council helping to secure external funds, without which very slow progress would almost certainly result. Securing external funding would be extremely problematic without the Council offering match funding.

This report has been approved by the following officers:

Legal officer	
Financial officer	
Human Resources officer	
Service Director(s)	
Other(s)	

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Background papers: None

List of appendices: Appendix 1 – Implications
Appendix 2 – Mills Regeneration Strategy

Appendix 1

IMPLICATIONS

Financial

- 1.1 The Council's Regeneration Fund has £850k uncommitted in 2010/11 and £500k uncommitted in 2011/12 without requiring unsupported borrowing. It is believed that the majority of the capital funding requested in this report would be defrayed within this timescale.

Legal

- 2.1 There will be procurement and State Aid implications inherent in making grant awards to businesses. These matters will be carefully considered in the creation of a Heritage Grant Fund for the Mills and in negotiations with prospective tenants/developers for the Stables.

Personnel

- 3.1 Efforts will be made to obtain commitments from the Mills owners and eventual Stable Block tenant/owner to the Councils Recruitment & Training Agreement.

Equalities Impact

- 4.1 None at this stage although property improvements are anticipated to assist in DDA compliance. An Equalities Impact Assessment will eventually be required once the Regeneration Strategy has formally been agreed and a Supplementary Planning Document has been prepared.

Health and Safety

- 5.1 Property improvements will reduce public liability risks.

Carbon commitment

- 6.1 Property improvements will reduce heating and fuel costs and thus reduce carbon emissions.

Value for money

- 7.1 The release of modest capital funding for improvement works at the Mills will incentivise property owners to make investments that could not otherwise be expected. This will bring commercial floorspace back into use, indirectly creating jobs and boosting wealth in the city.
- 7.2 Capital funding towards the letting or disposal of the Stables will turn this current revenue liability into a valuable asset for the Council. If the improved Stables were sold in the future, the capital receipt would help replenish the Regeneration Fund budget - probably realised in 2011/12 or 12/13. The amount realised from the disposal of the Stable Block would be subject to market forces and cannot be guaranteed.
- 7.3 Officers will work in partnership alongside property owners and external agencies in efforts to identify and draw down additional external funding to support the implementation of other improvements in the Darley Abbey Mills complex.

Corporate objectives and priorities for change

- 8.1 This study has been commissioned following a recommendation made by the Planning and Transportation Commission. The production and implementation of the resulting Regeneration Strategy will contribute to the following Corporate objectives:
 - To help create a climate for investment
 - To put in place a strategic planning framework and effective and sustainable infrastructure delivery plans to achieve the ambitions of the sustainable communities strategy
 - To develop Leisure, Culture and Sport into a sustainable, high quality 21st Century offer.

APPENDIX 2 – MILLS REGENERATION STRATEGY

