



DERBY CITY COUNCIL

COUNCIL CABINET
5 APRIL 2005

Report of the Director of Policy and the Director of Corporate Services

Redevelopment of the 'Derbyshire Blocks', Arnhem Terrace, Spondon

RECOMMENDATIONS

- 1.1 To approve the options being investigated for the redevelopment of the 'Derbyshire Blocks' outlined in this report.
- 1.2 To approve a start to decanting the remaining tenants from the flats so that the redevelopment can proceed.
- 1.3 To receive a further report with a recommended option for decision.
- 1.4 To refer the report to the Community Regeneration Commission.

REASONS FOR RECOMMENDATIONS

- 2.1 To take forward the redevelopment of the 'Derbyshire Blocks'.
- 2.2 To give current tenants and residents of the area greater certainty about proposals for the flats.
- 2.3 To obtain vacant possession of the flats.

SUPPORTING INFORMATION

The 'Derbyshire' Blocks

- 3.1 The 'Derbyshire Blocks' comprise 86 flats located in 8 blocks – Ashbourne House, Belper House, Buxton House, Chesterfield House, Heanor House, Matlock House, Melbourne House and Ripley House – together with a number of blocks of garages, on Arnhem Terrace, and Craddock Avenue in Spondon. The flats are a mix of bedsits, 1-bed flats and 2-bed flats and are currently managed by Derby Homes.
- 3.2 In recent years, the flats have become unpopular and are difficult to let when they become vacant. The bedsits are unpopular because of their small size, while the 2-bed flats tend to be too large for single people, but unsuitable for families because they are on the first and third floors and do not have gardens.
- 3.3 Crime and vandalism can be a problem, even though security features such as door entry systems, and extra lighting have been installed.

- 3.4 The blocks are of a non-traditional form of construction. One of the consequences of this is that their thermal efficiency is poor and they are expensive for tenants to keep adequately heated.
- 3.5 The stock condition survey carried out by Derby Homes has indicated that the flats need new kitchens, bathrooms and some heating and electrical upgrades. The estimated cost to bring the flats up to the Decent Homes Standard is £16,000 a flat or a total of £1.375 million for the eight blocks.
- 3.6 The falling demand for the flats and the high cost of the improvement work resulted in Derby Homes, in conjunction with the Council, deciding to consult on a variety of options for these properties.

Consultation

- 3.7 In June 2003, public meetings were held with the residents of the flats, to give information on the options appraisal that had been carried out and to gather their initial views. At the end of June 2003, all residents living in the flats were sent consultation documents by Derby Homes, which included a brief questionnaire asking for their views and opinions. The questionnaires gave a choice of three initial options:
- a. the blocks being demolished and the site being redeveloped with homes for rent and/or purchase
 - b. the blocks being improved with tenants remaining in their existing improved flat or in another block on the site
 - c. unable to make a decision at the present time and wanting to discuss the options further.

The response rate was 91%, of whom 83% were in favour of the site being cleared for redevelopment.

- 3.8 The Derby Homes Board considered the outcome of the consultation in October 2003 and decided to recommend to the Council that the flats be demolished.

Redevelopment proposals

- 3.9 Since that time, we have been investigating a number of redevelopment options. These all involve the sale of the blocks to a partner, demolition of the existing blocks of flats and their replacement with a development of low rise flats and houses, for affordable rent, shared ownership or outright sale.
- 3.10 The four options being considered, in order of preference, are ...
1. **A development in partnership with Lovell, a firm of private developers and Derby Homes.** The Housing Corporation are currently running a pilot exercise where private developers are able to bid for a share of a £200m programme – known as New Partnership in Affordable Housing – to provide affordable housing. Following discussions with Derby Homes and the Council, Lovell have submitted a bid for this funding and will give the ‘Derbyshire Blocks’ priority in the schemes that they would fund if they were successful in their bid. This would result in

Lovell leading the demolition and redevelopment but then selling the new homes to Derby Homes or the Council. The success of this proposal is far from certain as, not only does it require the bid to be successful, it also requires the Office of the Deputy Prime Minister – ODPM – to confirm that it is possible for either the Council or Derby Homes to take ownership with a number of safeguards in place. However, if successful, the resulting scheme would essentially be for affordable rent and shared ownership. The outcome of the bid should be known in the summer.

2. **The scheme to form part of Derby's proposed Housing PFI.** We are currently working on the Outline Business Case – OBC – for the proposed Housing PFI, which would include 100 new build properties. The properties to be built on the site of the blocks could help contribute towards this total. If successful, this option could again deliver quite high numbers of affordable rent and shared ownership properties on the site. These would, however, be owned by a housing association although it may be possible for Derby Homes to take on their management. This proposal is also not certain. The Council has still finally to decide whether to submit the PFI submission and it will then need to be approved by the ODPM.
3. **The scheme to form the basis of a bid by a housing association to the Housing Corporation during the 2006/08 bid round.** This is likely to be held in the summer. This option would again deliver high numbers of affordable rent and shared ownership properties, but they would be owned by the partner housing association. It may be possible for Derby Homes to take on the management of the properties. The proposal is also not certain, as it does depend upon the Housing Corporation supporting the scheme. The outcome of the bidding process is likely to be known during the winter.
4. **The scheme to form a self-financing development.** Here, the surplus created by the sale of market properties would finance the cost of demolishing the flats, building the replacement properties and possibly financing the provision of some replacement affordable properties. This is our least preferred option as it would deliver the lowest level of affordable rent and shared ownership properties on the redeveloped site, requiring a high number of properties for outright sale to raise the necessary funding. However, as it would be a self-financing scheme, it would provide a 'fallback' position should it prove not to be possible to proceed with the other three options.

We will bring a further report to Cabinet once there is a recommended option for decision.

- 3.11 The site is currently used for residential purposes. Planning consent would be required for the redevelopment of the site.
- 3.12 Out of the 86 flats in the 'Derbyshire Blocks', 29 are currently vacant. We anticipate that it could take 12-18 months to decant the remaining tenants.
- 3.13 The confidential report later in the Agenda sets out valuation aspects – Appendix 2.

OTHER OPTIONS CONSIDERED

4. The main alternative would be to refurbish the blocks, rather than redevelop. However, this would not be a cost effective option and would also be against the wishes of tenants currently occupying the flats.

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Background papers:	None other than those in the public domain
List of appendices:	Appendix 1 – Implications Appendix 2 – Confidential Report on Valuation Aspects

IMPLICATIONS

Financial

- 1.1 The sale of the 'Derbyshire Blocks' will potentially generate a capital receipt to the Council. The land is held within the Housing Revenue Account, and so 100% of this receipt will be useable for affordable housing under the amended rules on the use of receipts stemming from the disposal of housing land.
- 1.2 The site is classified as Brownfield. The Council is committed to developing on Brownfield sites and has set a Local Public Service Agreement – LPSA – target of increased development on Brownfield sites. The redevelopment of this site will contribute to the achievement of this target, contingent on which is access to additional Council funding at the end of the LPSA period.
- 1.3 Individual tenants will be eligible for Home Loss Payments from Derby City Council amounting to £3,500 for each tenancy.
- 1.4 Derby City Council will experience rent loss to the flats held empty until they are demolished.

Legal

- 2.1 The Local Authorities (Capital Finance) (Amendment) (England) Regulations 2003 introduced revised set aside provisions for capital receipts from disposal of housing land other than through the Right to Buy or stock transfer.
- 2.2 There is currently a public footpath that crosses part of the site. This will have to be incorporated into redevelopment proposals.

Personnel

3. None directly arising

Equalities impact

4. The redevelopment of the 'Derbyshire Blocks' would help meet the needs of all groups, including minority ethnic communities, disabled people, general needs and older people.

Corporate objectives and priorities for change

- 5.1 The proposal promotes the Council's objectives to create **healthy, safe and independent communities** and **a shared commitment to regenerating our communities**.

- 5.2 The proposal also furthers the priority of **working in partnership to achieve socially cohesive communities**. The proposals also assist the Council to achieve the LPSA target for the development of Brownfield sites, and the Corporate Plan targets relating to affordable housing provision.