



DERBY CITY COUNCIL

**COUNCIL CABINET**  
**1 AUGUST 2006**

Cabinet Member for Neighbourhood, Social  
Cohesion and Housing Strategy

# ITEM 10

## **Derbyshire Blocks, Spondon and Isle of Wight Blocks, Alvaston**

### **SUMMARY**

- 1.1 Cabinet considered previous reports on the Derbyshire Blocks in Spondon – on 5 April 2005 – and the Isle of Wight Blocks in Alvaston – on 14 June 2005 – which set out a number of redevelopment options. The specified preferred option for each of the Blocks was a bid by a firm of private developers, working in partnership with Derby Homes, for Housing Corporation funding. If this was not successful, then the second option was for the Blocks to form part of Derby's Non-HRA Housing PFI scheme. Members approved these options and to the start of decanting the remaining tenants from the Blocks, subject to receiving a further report with a recommended option for decision.
- 1.2 The Housing Corporation bids in respect of the Blocks were unsuccessful and therefore it is proposed to include the Blocks in the Non-HRA Housing PFI scheme.
- 1.3 Subject to any issues raised at the meeting, I support the following recommendation.

### **RECOMMENDATION**

- 2.1 That the development of the Derbyshire Blocks in Spondon and the Isle of Wight Blocks in Alvaston be taken forward by their inclusion in the City Council's Non-HRA Housing PFI scheme.
- 2.2 That delegated authority be given to the Corporate Director of Corporate and Adult Social Services to agree the terms of the disposal of the Blocks to the successful PFI contractor.

### **REASON FOR RECOMMENDATIONS**

- 3.1 To take forward the redevelopment of the Derbyshire and Isle of Wight Blocks through the City Council's Non-HRA Housing PFI scheme.



## **Derbyshire Blocks, Spondon and Isle of Wight Blocks, Alvaston**

### **SUPPORTING INFORMATION**

- 1.1 Cabinet considered previous reports on the Derbyshire Blocks in Spondon – on 5 April 2005 – and the Isle of Wight Blocks in Alvaston – on 14 June 2005 – which set out a number of redevelopment options. The preferred option for each of the Blocks was a bid by a firm of private developers, working in partnership with Derby Homes, for Housing Corporation funding as part of the National Affordable Housing Programme for 2006/08. If this was not successful, then the second option was for the Blocks to form part of Derby's Non-HRA Housing PFI scheme.
- 1.2 Working with Derby Homes and Lovell, a firm of private developers who had pre-qualified as a Housing Corporation Investment Partner, a bid was developed in respect of each of the Blocks. However, despite the fact that Derby Homes would have been one of the first Arms Length Management Organisations in the country to develop new housing, these bids were not successful. Consequently, it is proposed to include the Blocks in the Council's Non-HRA Housing PFI scheme.
- 1.3 The Council's Non-HRA Housing PFI scheme has been the subject of other reports to Cabinet, but will in broad terms provide at least 175 affordable rented dwellings, with a maximum of 80 being refurbished properties and at least 95 being new build. Currently, five sites have been identified for the new build properties including the Derbyshire and Isle of Wight Blocks.
- 1.4 It is anticipated that around 50 properties will be built on each site, with around 20-30 on each site being affordable rented dwellings funded by the PFI scheme. The remainder will be market properties, the sale of which will provide a surplus to be used to 'cross subsidise' the affordable rented properties. These affordable rented properties will be designed to meet housing need and their design, quality and standards will be specified in an Output Specification.
- 1.5 Currently, it is anticipated that there will be a long list of bidders by October, the preferred bidder will be identified in November 2007 and the start of the implementation of the project will take place in April 2008.
- 1.6 Derby Homes have started to decant tenants from the Blocks, while use is being made of some of the flats for temporary accommodation, bearing in mind the length of time before the redevelopment of the flats will commence.

- 1.7 Outline planning consent for residential use of the Blocks was required prior to the Government agreeing to support Derby's PFI scheme and has been obtained.

#### **OTHER OPTIONS CONSIDERED**

2. A bid was submitted to the Housing Corporation for the redevelopment to be funded through the National Affordable Housing Programme for 2006/08. This was unsuccessful.

The main alternative to redevelopment would be for the Blocks to be refurbished. 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:** Cabinet Reports dated 5 April and 14 June 2005  
**List of appendices:** Appendix 1 – Implications

<b>IMPLICATIONS</b>
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**Financial**

- 1.1 The Derbyshire and Isle of Wight Blocks will be transferred to the successful PFI contractor at £1 each on a long leasehold basis. While recent valuations have not been undertaken, the site values were shown in the Confidential section of the previous reports. While the discounting of the sale price is a forgone capital receipt, this will enable surpluses made from the disposal of the market properties built on the site of the Blocks to be used to 'cross subsidise' the affordable rented properties provided through the PFI scheme. Consequently, the overall cost of the PFI project to the Council will be minimised and/or additional properties may be delivered.
- 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 discretionary Home Loss Payments from the Council. Prior to 1 September 2005 this amounted to £3,400 for each tenancy and after that date £3800 and is due to be reviewed again in September 2006. The amount to be paid is fixed at the date of the Cabinet decision to start decanting the tenants. A disturbance payment will also be made to cover matters such as removal costs. Typically, this can amount to £250 for each property, but the actual amount is assessed on a case-by-case basis.
- 1.4 The tenant of the shop at the Isle of Wight Blocks will be entitled to compensation under the Landlord & Tenant Act 1954.
- 1.5 The Council will experience rent loss for the flats held empty until they are demolished, although this is being mitigated by their use as temporary accommodation.
- 1.6 One of the flats in Ryde House at the Isle of Wight Blocks has been purchased by the former tenant under the Right To Buy legislation and is now subject to a long leasehold. To enable the redevelopment to proceed the flat will have to be purchased. We hope this can be achieved by agreement as negotiations are currently proceeding, although if this is not possible, we may have to use compulsory purchase powers, which could potentially delay the redevelopment taking place.
- 1.7 All payments for compensation, Home Loss Payments, disturbance etc will come from the Facilitation Fund.

## Legal

- 2.1 As the disposal would be at less than the market value, and the successful PFI contractor could be a private developer, then the General Disposal Consents would not apply and specific consent from the Department of Communities and Local Government would be required.
- 2.2 The following leases are currently in place ...
  1. The shop at 2 Yarmouth House was subject to a lease expiring on 20 October 2005. The tenant is now holding over until possession is required. This arrangement can be brought to an end by serving six months written notice.

Possession of the shop can be achieved on the grounds of redevelopment, subject to the payment of compensation in accordance with 1.4 of the Financial Implications.
  2. Orange has a lease allowing them to place equipment on the roof of Yarmouth House. This lease was originally for a term of 15 years from 1996, and would therefore expire in 2011, subject to the giving of notice. Initial and ongoing discussions have taken place with Orange on the basis of the mobile phone mast being relocated within the redeveloped site, and either Orange pay for this in return for a rent free period, or alternatively the site owner pays for the relocation and receives a commercial rent from Orange.
- 2.3 There is currently a public footpath that crosses part of the site Derbyshire Blocks site. The successful PFI provider will have to consider how this can either be incorporated into the redevelopment proposals or alternatively is made the subject of an application for closure.

## Personnel

3. None directly arising.

## Equalities impact

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

## Corporate priorities

- 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**.

- 5.3 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.