



**CABINET: 6<sup>th</sup> February 2024**

**COUNCIL 28<sup>th</sup> February 2024**

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**Report of: Corporate Director of Transformation, Housing & Resources**

**Relevant Portfolio Holder: Councillor Pryce-Roberts**

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**SUBJECT: DEMOLITION OF FLAT BLOCKS IN BLYTHEWOOD & BANKSBARN TO FACILITATE PHASE 2 OF DIGMOOR REVIVAL SCHEME**

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Wards affected: Digmoor

## **1.0 PURPOSE OF THE REPORT**

- 1.1 To seek approval to proceed with the development of Digmoor area of Skelmersdale in accordance with the Digmoor Revival Scheme. Approval is sought to demolish the existing blocks of flats in Blythewood and Banksbarn, shown in the current site plan attached at Appendix 1 and thereafter take all steps necessary to develop the site. This demolition will facilitate the development of 45 new Council homes for affordable/social rent. In order to facilitate this development, approval is required from both Council and Cabinet on various aspects of the proposal.
- 1.2 The report is being brought forward to this meeting to avoid any delay in the project. The impact of a delay would be the loss of significant funding from Homes England if the project is not completed by the end of the current Homes England Affordable Housing Programme, in March 2026.

## **2.0 RECOMMENDATIONS TO CABINET**

- 2.1 That the proposed development, details of which are contained within this report, (including the demolition of the flat blocks in Blythewood and Banksbarn) be approved subject to Council approval where appropriate.
- 2.2 That the Head of Housing following discussion with the relevant Portfolio Holder be given delegated authority to take all steps necessary (subject to Council approval where necessary) to implement the development outlined within this report. This will include, but not be limited to, instructing TVD, obtaining planning permission, entering into grant funding arrangements with Homes England,

contracts with design and build businesses, demolition of existing properties, relocation of tenants and repurchase of leaseholds.

- 2.3 That the Head of Housing, following discussion with the relevant Portfolio Holder, be given delegated authority to, as a last resort, use the power of compulsory purchase.
- 2.4 That the Head of Housing be given delegated authority to make on going adjustments to the delivery of the scheme following discussions with the relevant Portfolio Holder.
- 2.5 In respect of matters reserved to Council the report be noted and any agreed comments be referred to Council for consideration.

### **3.0 RECOMMENDATIONS TO COUNCIL**

- 3.1 That having regard to the comments from Cabinet the development as outlined in this report be approved. The proposal to be funded from the £9m budget which has previously been set aside for this purpose.
- 3.2 That the Head of Housing be given delegated authority to take all steps necessary to implement the development outlined within this report. This will include, but not be limited to instructing TVD Ltd, obtaining planning permission, entering into grant funding arrangements with Homes England, contracts with design and build businesses, demolition of existing properties, relocation of tenants and repurchase of leaseholds.
- 3.3 That the Head of Housing, following discussion with the relevant Portfolio Holder, be given delegated authority to, as a last resort, use the power of compulsory purchase.
- 3.4 That the Head of Housing be given delegated authority to make on going adjustments to the delivery of the scheme following discussions with the relevant Portfolio Holder.

### **4.0 BACKGROUND**

- 4.1 Due to the age and condition of the flat blocks on Blythewood and Banksbarn, officers have been working closely with TVD to consider their long-term future.
- 4.2 The existing properties are approximately 50 years old and are constructed using the REEMA Conclad concrete panel system. As such they are difficult to improve, poorly insulated, and prone to defects. The flats have outdated electric heating systems, poor layouts, and the communal areas are in need of refurbishment.
- 4.3 There were a number of similar blocks built in the Digmoor area, those on Beechtrees have previously been demolished and replaced with new homes, and subject to due diligence, a full appraisal, funding and viability those on Blakehall have been identified as a potential next phase of the Digmoor Revival scheme.

- 4.4 Most of the flats have had a high tenancy turnover and as such have a low or negative net present value. The detached blocks of flats include bedsits and garages to the ground floors with 2 bed flats above. These bedsits have historically been unpopular and hard to let; demand for 1 bedroom apartments however significantly outweighs supply, the proposed development outlined below has taken account of this.
- 4.5 In January 2023, the Estates Regeneration Cabinet Working Group (ERCWG) concluded that a new build scheme was the preferred option for the site at Blythewood & Banksbarn and a subsequent phase at Blakehall. The project will deliver 45 new homes.
- 7 x 2 bed houses, each with front and rear gardens, and 2 parking spaces
  - 6 x 3 bed houses, each with front and rear gardens and 2 parking spaces
  - 2 x 3 storey blocks of apartments with internal communal areas, comprising of 18 x 1 bed dwellings and 6 x 2 bed dwellings, with landscaping and allocated parking to the surrounding areas.
  - 8 x 1 bed cottage apartments with communal landscaping and allocated parking
- 4.6 It is proposed to develop the Blythewood & Banksbarn site in two phases. Phase 1 involves building a new block of 12 apartments on the clear land at the entrance to Blythewood. Phase 2 would involve building the remaining flats and houses. The scheme was split into two phases for two reasons, firstly to commence delivery of phase 1 first, allowing the possibility of moving some tenants from phase 2 in accordance with Allocations Policy and secondly to attract Homes England funding to the phase 1 scheme only, although following ongoing dialogue with Homes England there is potential for an improved position with a possibility of funding for phase 2 also if the whole scheme can be delivered by the end of March 2026.
- 4.7 To facilitate phase 2 of the new development, the 6 detached blocks of flats (comprising 36 dwellings) currently on the site would need to be demolished.
- 4.8 Of the 36 dwellings to be demolished, 21 are tenanted, 10 are currently owned leasehold and would require the Council to buy back the leases, and 5 are empty or being used as temporary accommodation to house homeless people.

## **5.0 CONSULTATION**

- 5.1 All 21 tenants, and 10 leaseholders affected by the redevelopment were invited to 'drop-in' events held in the area, in early September 2023.
- 5.2 The aim of these events was to share initial plans for both phases with residents and to invite questions and feedback on the proposals. The intended timing of both phases was made clear to residents, with a planning application for phase 1 proposed for September/October 2023 and a planning application for phase 2 proposed for the Spring of 2024 subject to further resident consultation.

- 5.3 The drop in events were followed up by one-to-one discussions with those unable to attend. Every resident has been spoken to with the exception of 2 tenants, despite concerted efforts.
- 5.4 Overall, residents were in support of both phase 1 and 2. No residents were opposed to phase 1 and only 2 residents voiced their disagreement to phase 2. These residents were both leaseholders who are currently renting out their properties rather than residing in them. A planning application for phase 1 has subsequently been submitted week beginning 30<sup>th</sup> October 2023.

## **6.0 CURRENT POSITION / NEXT STEPS**

- 6.1 Following support from the Estates Regeneration Cabinet Working Group, the development was included in the TVD Business Plan 2022/27 which gained approval at the full Council meeting on 19<sup>th</sup> July 2023.
- 6.2 The development of phase 1 is progressing towards Gateway 3 stage, which involves final pre-development activities, preparing tender drawing packages, commissioning of site investigation stage 2 surveys, and contractor procurement.
- 6.3 It is anticipated that once planning permission is granted for phase 1, work would start on site in spring 2024, following Council approval to contract with TVD to build the scheme. The current plan forecasts phase 2 works to commence in 2025, following submission and approval of a separate planning application and Council approval at that point in time to contract with TVD to build phase 2.
- 6.4 Staff from Housing Services and TVD will continue to consult with residents and the wider community; and will support those needing to relocate as a result of the scheme.
- 6.5 In line with the Councils Allocations and Decant policies tenants will be supported to move to suitable alternative accommodation; and subject to qualification criteria will be recompensed via statutory Home Loss and Disturbance Allowance payments.
- 6.6 Negotiations to repurchase the leasehold properties will progress following external independent RICS qualified valuations. Whilst the Council is expected to make sound progress on the acquisition of the leaseholder properties, if for whatever reason the Council is unable to acquire all of the properties by negotiation then as a last resort Compulsory Purchase Order powers could be utilised.
- 6.7 Any occupying leaseholder who is unable to purchase a suitable alternative property will also be considered for social housing in line with the Councils Allocations Policy.
- 6.8 TVD have ongoing dialogue with Homes England regarding funding the Digmoor project. In July 2023 Homes England announced some flexibility to their current

Affordable Housing Programme (which finishes in March 2026) presenting an opportunity to secure a greater level of Homes England funding for the project if both Phases can be delivered and complete by the end of March 2026. The timetable to achieve this was endorsed by the ERCWG at its meeting of 19<sup>th</sup> September 2023 and again on the 5<sup>th</sup> December 2023.

## **7.0 SUSTAINABILITY IMPLICATIONS**

- 7.1 The scheme will provide WLBC with 45 new energy efficient homes for affordable/social rent providing a variety of house types that will meet an energy rating of B or higher.
- 7.2 The development of new quality homes will support the Council's vision of being a place of choice to live, work, visit and invest and will contribute to the Council's priorities. It will bring economic activity into the local area including employment and training opportunities.

## **8.0 FINANCIAL AND RESOURCE IMPLICATIONS**

- 8.1 Council have previously approved a budget of £9m for Digmoor Revival which is ringfenced for the wider project.
- 8.2 There are financial implications arising from this report in respect of the costs, associated with the demolition which have been accounted for in the financial appraisals for the development.
- 8.3 Homes England grant funding will be sought bringing additional funding into the project. If both phases of the project can be delivered by the end of March 2026 there is a possibility that Homes England may contribute funding toward the building of all 45 homes across both phases and not just the phase 1 scheme.
- 8.4 The Financial Appraisal for phase 1 & 2 based on 100% Affordable Rent is detailed below:

	Phase 1 - 12 units	Phase 2 - 33 units	Total
Demolition	£ -	£ 180,000.00	£ 180,000.00
Build cost	£ 1,890,263.00	£ 5,446,464.00	£ 7,336,727.00
Acquisitions / Relocations	£ -	£ 938,000.00	£ 938,000.00
Contingency	£ 66,159.00	£ 196,926.00	£ 263,085.00
Professional fees	£ 340,938.00	£ 921,027.00	£ 1,261,965.00
Interest	-£ 3,012.00	-£ 16,816.00	-£ 19,828.00
Total scheme cost	£ 2,294,348.00	£ 7,665,601.00	£ 9,959,949.00
Cost per unit	£ 191,196.00	£ 232,291.00	
Total property value	£ 1,128,000.00	£ 3,860,000.00	£ 4,988,000.00
Average property value	£ 94,000.00	£ 116,970.00	
Net rent year 1	£ 43,458.00	£ 140,012.00	£ 183,470.00
Approved Revival Investment required	£ 1,634,348.00	£ 5,851,855.00	£ 7,486,203.00
Homes England Subsidy PU	£ 55,000.00	£ 55,000.00	
Homes England Subsidy total	£ 660,000.00	£ 1,815,000.00	£ 2,475,000.00
Net present value (NPV)	£ 1,321,523.00	£ 4,192,926.00	
Repayment year	1	1	
Internal rate of return (IRR)	N/A	N/A	

8.5 The Financial Appraisal for phase 1 & 2 based on 100% Social Rent is detailed below:

	Phase 1 - 12 units	Phase 2 - 33 units	Total
Demolition	£ -	£ 180,000.00	£ 180,000.00
Build cost	£ 1,890,263.00	£ 5,446,464.00	£ 7,336,727.00
Acquisitions / Relocations	£ -	£ 938,000.00	£ 938,000.00
Contingency	£ 66,159.00	£ 196,926.00	£ 263,085.00
Professional fees	£ 340,938.00	£ 921,027.00	£ 1,261,965.00
Interest	-£ 3,841.00	-£ 18,535.00	-£ 22,376.00
Total scheme cost	£ 2,293,519.00	£ 7,663,882.00	£ 9,957,401.00
Cost per unit	£ 191,127.00	£ 232,238.85	
Total property value	£ 1,128,000.00	£ 3,860,000.00	£ 4,988,000.00
Average property value	£ 94,000.00	£ 116,970.00	
Net rent year 1	£ 48,242.00	£ 142,750.00	£ 180,934.00
Approved Revival Investment required	£ 1,513,519.00	£ 5,520,137.00	£ 7,033,656.00
Homes England Subsidy PU	£ 65,000.00	£ 65,000.00	
Homes England Subsidy total	£ 780,000.00	£ 2,145,000.00	£ 2,925,000.00
Net present value (NPV)	£ 1,550,292.00	£ 4,321,524.00	
Repayment year	1	1	
Internal rate of return (IRR)	NA	NA	

8.6 The above costs are indicative at this stage and will be subject to further due diligence, contractor tender returns and interest on the Councils investment, final costs will be presented to the Council for further approval in due course.

8.7 Based on the current financial assessment, developing for Social Rent is the more favourable option as it will require less subsidy from the Council if Homes England agree to an increase in grant funding for the scheme.

8.8 To replace 36 old properties with 45 new properties creates a relative financial benefit to the HRA business plan in excess of £10k pa in today's financial terms, £300k over the life of the HRA business plan, as well as a social benefit to our residents. This calculation does not replace the project appraisal, rather it takes

as the starting point the existing approval of £9m for Digmoor redevelopment. including the interest implication of that decision. In other words, it reflects the relative cost of this proposed rebuild approach – phases one and two.

- 8.9 Subject to planning approval the scheme will progress to Gateway 3 stage of the TVDL Development Appraisal Process, which involves final pre-development activities, preparing tender drawing packages and establishing contract sums to deliver the scheme. Following TVDL Gateway 3 approval the Council will be required to approve a further report to contract with TVDL to build the scheme.

## **9.0 RISK ASSESSMENT**

- 9.1 The actions referred to in this report are covered by the scheme of delegation to officers and any necessary changes have been made in the relevant risk registers.

## **10.0 HEALTH AND WELLBEING IMPLICATIONS**

- 10.1 The proposal will promote good health and wellbeing for the new residents who will reside within the affordable, high quality, energy efficient new homes.
- 10.2 The development will also have a positive impact on the wider community by regenerating the area.

### **Background Documents**

\*There are no background documents (as defined in Section 100D(5) of the Local Government Act 1972) to this Report.

### **Equality Impact Assessment**

There is a direct impact on members of the public, employees, elected members and / or stakeholders, therefore an Equality Impact Assessment is required. A formal equality impact assessment is attached as an Appendix to this report, the results of which have been taken into account in the Recommendations contained within this report.

### **Appendices**

1. Current and Proposed site plans
2. Equality Impact Assessment
3. Minute of Cabinet (Council only)

## Appendix 1

### Current Site Plan





Proposed Site Plan

