



Derby City Council

Council Cabinet
13 July 2016

ITEM 12

Report of the Cabinet Member for Urban
Renewal.

Redevelopment of the former Britannia Court site

SUMMARY

- 1.1 On the 6 September 2011 Cabinet authorised the demolition of Britannia Court on Duke Street, Derby.
- 1.2 On the 12th September 2012, Cabinet authorised the vacant site to be grassed and fenced as open use but not to be re-designated as public open space. A further options report was to be provided on the future of the site following completion of the "Our City Our River" (OCOR) masterplan consultation period. This report constitutes that further report.
- 1.3 The OCOR masterplan has identified the position of the new flood defence wall on the site. This has enabled residential development options incorporating flood defence provision to be considered.
- 1.4 This report sets out the options for residential development on the site and the delivery options to ensure the scheme and the flood defences are delivered in a timely manner.
- 1.5 The proposal that is considered most beneficial and sustainable by Officers is the construction by the Council of 26 2 bedroom dwellings, incorporating integral flood defences in accordance with Environmental Agency requirements ("Scheme").

RECOMMENDATION

- 2.1 To agree that the Scheme be submitted for planning approval by the Council.
- 2.2 To agree that subject to planning approval build and consultancy contracts as required are tendered and let to deliver the Scheme.
- 2.3 To note the current recommendation that the completed dwellings be marketed for sale as shared ownership for older persons as detailed in paragraph 4.10.4.
- 2.4 To agree that a further report be brought before Cabinet to determine whether the option set out in 4.10.3 or the option set out in 4.10.4 is taken forward.

REASONS FOR RECOMMENDATION

- 3.1 To deliver a high quality residential scheme that will enhance the Duke Street area of the OCOR masterplan area and deliver flood defences on a site which is currently in Council ownership.
- 3.2 To provide much needed affordable home ownership options for older persons.



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**Report of the Strategic Director of Communities
and Place.**

SUPPORTING INFORMATION

- 4.1 Britannia Court was a 64 unit flatted/bedsit scheme over 4 floors. Over the years Britannia Court became a magnet for anti-social behaviour and developed such a reputation that it became difficult to let in a sustainable manner. As a result Britannia Court was de-commissioned in 2007.
- 4.2 Cabinet approved the demolition of Britannia Court in 2011 and demolition was completed in 2012. The site was laid out as an open area, but is nonetheless still designated as land developable for residential purposes. For ease of reference, the site is now referred to as "the Britannia Court site".
- 4.3 The Our City Our River (OCOR) flood defence masterplan has identified the height and position of the new flood defence required on this site, which will roughly dissect the site in half longitudinally. The Britannia Court site sits within Package 1 of OCOR proposals, known as the River Derwent Corridor and including sites from Darley Abbey, Little Chester, Chester Green, North Riverside, Bass Rec, Pride Park to Alvaston Park.
- 4.4 The new flood defence wall must be built within 3 years of the planning approval for OCOR Package 1 or else the Council will be in breach of the Flood Defence Grant in Aid conditions and would stand a chance of losing or not being able to draw an element of funding down. The planning application for Package 1 was registered on 26th February 2015 and approved on 15th October 2015. It is important that the Council can secure deliverable options for sites within Package 1 where it has control. The Council therefore needs to seek a sustainable solution for the Britannia Court site.
- 4.5 The flood defence wall needs to be in place by March 2018. However it would be preferable for the wall construction to be completed by November 2017 to tie in with other planned defence works in the corridor.
- 4.6 The Environment Agency has stated that any residential development with integral or stand-alone flood defences within the OCOR area cannot have habitable rooms at ground floor level. This means that any development on the Britannia Court site could only have undercroft parking, garden, or amenity and utility space at ground floor level, requiring habitable space to begin on the first floor.

- 4.7 The flood defence constraints on the site mean that a terraced house option has been discounted because it will not generate the required numbers on site and it is considered that the flood wall would reduce the attractiveness of dwelling houses. An apartment/ flatted scheme would more effectively utilise the site and provide significantly more homes whilst maintaining a spacious feel to the overall site. The scheme would utilise the ground floor for under-croft parking with the residential dwellings above. The flood defence wall would be integral to the scheme, thereby maximising the developable space.

Delivery options

- 4.8 The current proposed design for the site provides for 26 fully wheelchair adaptable 2 bedroom apartments (Part M level 3 of the current Building Regulations) with under-croft parking, meaning that the residential apartments will sit above the parking area. The apartments will be served by lift and stair access, and have balconies.
- 4.9 This will be an expensive scheme due its complicated nature and the requirements relating to the flood defences. Provisional conservative estimates indicate that the cost per dwelling will be up to £140,000. As context the sale units at Parkland View sale were valued at circa £145,000. We may expect the values to be slightly higher on this scheme. We will have clearer indication on development costs when we have mechanical and electrical designs, and detailed designs relating to the flood defence requirements. Detailed costs will be reported in the further Cabinet report as per Recommendation 2.4.
- 4.10 The following options for development of the scheme are considered below:
- affordable rented housing
 - disposal for private market provision.
 - private rental housing within Council vehicle
 - shared ownership housing for older persons
- 4.10.1 Affordable Rented Housing:
Affordable rented housing would provide additional affordable units for the area. However there are a number of issues and concerns in respect of pursuing this option. First 2 bedroom apartments are becoming increasingly difficult to let partly due to the under-occupation charge, but also due to a desire for houses from families with a 2 bedroom need. Providing 1 bedroom flats on the other hand would potentially recreate the same or similar sustainability issues within the previous Britannia Court scheme. Furthermore due to the high estimated cost of the scheme, the affordable rental option would absorb significant resources from the Housing Revenue Account (HRA).

4.10.2 Disposal for Private Market Provision:

An option could be to simply dispose of the site with a planning permission. The benefit to this approach is that it will bring forward an upscale private market development, which should enhance the gateway to the OCOR phase 1. The risks associated with this option are that there may not be sufficient interest in the private sector and, more importantly, the Council will cede control of the site and the construction of the flood wall. Although conditions can be imposed within sale documentation, these would need to be enforced if necessary and given the timescales this would create undue risk. Given the anticipated high development costs of the scheme, it may not be attractive to private developers working on 20% profit margins.

4.10.3 Private Rental Housing within Council Vehicle:

Given the potential rental values associated with the scheme, the Council could consider setting up a private rental subsidiary, which would let the properties on the private market with surpluses redistributable to the Council as shareholder. Principally this is a general option that the Council could consider on its sites. However at this stage the Council has not set up a subsidiary company with such redistributable powers. The scheme is anticipated to be an expensive build but until contracts are let it is difficult to assess actual development costs. Indeed rental yields may fluctuate and tax liabilities need to be fully explored. This option will be revisited in the further Cabinet report when costs and rental yields are clearer. Furthermore a private rental development such as this could not be funded through the HRA, so the Council would need to consider the capacity within its capital programme in order to capitalise such a delivery option.

4.10.4 Shared Ownership Housing for Older Persons:

This option builds on the registered demand for the older persons' shared ownership dwellings. There is a clear need and demand for this type of accommodation as the shared ownership at Parkland View is proving very popular. Older persons' shared ownership has also sold well at the other extra care dwellings in the city. These dwellings will meet demand from older households who may require more suitable accommodation but may not want to move into extra care housing as yet. The dwellings would not be subject to statutory rights of acquisition and would require far less HRA subsidy than rental properties. This option is considered to be the most beneficial and sustainable and is therefore recommended by Officers in this Report ("Proposed Option").

4.10.4.1

The Proposed Option will ensure that the Scheme and building of the flood wall remains under the Council's control. The scheme and integral flood defences would be funded through the Council's HRA capital programme. The Proposed Option presents a valuable opportunity to provide bespoke older persons accommodation with seamless links to the extra care facility at Parkland View. Not designed as extra care, the Britannia Court scheme will nonetheless be built to full wheelchair standards and therefore will be able to accommodate residents as their mobility decreases. The close proximity to Parklands View and the fact that both schemes are within Council ownership means that if residents want to move into the extra care scheme, this could be facilitated by the Council if occupation levels allowed.

- 4.10.4.2 The dwellings would be sold in accordance with the Homes and Communities Agency's (HCA) definition of affordable shared ownership for older persons, which sets out national guidelines. Adhering to national guidelines for the definition of affordable housing legitimises the use of the HRA capital programme to fund the Scheme. It will also enable the Council to apply for HCA grant funding to support the Scheme.
- 4.10.4.3 As such, the shared ownership dwellings will be offered at up to 75% ownership with no rent chargeable on the unowned portion above 75% ownership. In respect of ownership under 75%, rent will be charged at 2.75% per annum (pa) of the value unowned portion.
As examples for an apartment which has a market value of £150,000:
- 1) If applicant acquires 75% ownership:
 - price paid= £112,500.
 - rent payable on unowned portion (£112,500 to £150,000)= £0.
 - 2) If applicant acquires 50% ownership:
 - price paid= £75,000.
 - rent payable on unowned portion (£75,000 to £112,500)= £1,031.25 pa (£37,500*2.75%) or £85.94 per calendar month.
 - rent payable on unowned portion (£112,500 to £150,000)= £0.

OTHER OPTIONS CONSIDERED

- 5.1 Leave the site vacant in which case the flood defence wall would still have to be built at the costs would fall on the Council's capital programme.

This report has been approved by the following officers:

Legal officer Financial officer Human Resources officer Estates/Property officer Service Director(s) Other(s)	Emily Feenan Amanda Fletcher Liz Moore Jayne Sowerby-Warrington Christine Durrant Ian Fullagar, Head of Strategic Housing
For more information contact: Background papers: List of appendices:	James Beale 01332 640316 james.beale@derby.gov.uk Karen Brierley 01332 640318 karen.brierley@derby.gov.uk Cabinet report 6 September 2011 Britannia Court; Cabinet report 12 September 2012 Britannia Court post demolition Appendix 1 – Implications

IMPLICATIONS

Financial and Value for Money

- 1.1 Costs and fees relating to the planning submission and build will be met from identified Housing Revenue Account budgets. The majority of the Council's investment will be recovered from the sale of dwellings. The unsold proportion between 75% and 100% ownership will not be subject to a 2.75% rental charge, which amounts to a potential income loss of around £27,000 per annum across the whole Scheme.
- 1.2 A 26 dwelling new-build scheme will provide New Homes Bonus for the Council.
- 1.3 The provision of suitable adapted accommodation will relieve the pressures on Council budgets in respects of costs linked to unsuitable accommodation.
- 1.4 The cost of the flood defence wall on this site is not included in OCOR budget. Therefore the Scheme will need to meet the cost of the wall. It is estimated that the cost of constructing the flood defence wall in isolation would amount to circa £140,000.

Legal

- 2.1 Contracts for the design and build of the Scheme will be subject to the requirements of the Public Contracts Regulations 2015. Legal Services and Procurement will advise on the terms of those contracts (as necessary) and the required procurement procedures.

Following construction, Legal Services will advise on the terms of the shared owner agreement and all associated documentation.

Personnel

- 3.1 None directly arising from this report.

IT

- 4.1 None directly arising from this report.

Equalities Impact

- 5.1 Current building regulations will ensure accessibility standards

Health and Safety

- 6.1 None directly arising from this report.

Environmental Sustainability

- 7.1 The new development will be subject to the latest Building Regulations addressing energy use and environmental requirements.
- 7.2 The development will contribute towards the provision of the new flood defences required for the city.

Property and Asset Management

- 8.1 The proposed development will contribute to improving the built environment along the river front, Duke Street area; it will contribute to new flood defences and provide increased availability of affordable, City Centre housing accommodation for older persons.

Risk Management

- 9.1 This will remove the risk associated with vacant land relating to fly tipping and potential access by unauthorised persons.

Corporate objectives and priorities for change

- 10.1 Inspiring place to live by improving the inner city.