



Report sponsor: Rachel North, Strategic Director
of Communities and Place

ITEM 11

Report author: Louise Brown/Nick Durrant
Housing Development Manager

Development of the site at Bonsall Avenue/ Repton Avenue formerly known as Warwick House care home.

Purpose

- 1.1 This report seeks approval to the proposed redevelopment of the site at Bonsall Avenue/ Repton Avenue formerly known as the Warwick House care home.
- 1.2 The site was previously a Council owned care home that was closed and transferred into the Housing Revenue Account (HRA), as approved by Cabinet in March 2021. The site has been demolished and identified as having potential to be redeveloped
- 1.3 To note that the redevelopment of the site has been designed to deliver 22 new affordable homes for those in housing need and that are registered on the Councils choice based lettings system.
- 1.4 These houses would form part of the Council affordable housing stock and would be managed by Derby Homes (DH), the Council Arm's Length Management Organisation.
- 1.5 To seek the necessary financial and contractual approvals to deliver the new affordable homes.

Recommendation(s)

- 2.1 To agree the principal of developing the site as detailed in the report funded through the HRA Capital Programme and Right to Buy (RTB) receipts.
- 2.2 To approve the project budget as defined within the confidential version of this report within the HRA Capital Programme, and to note that there is capacity within the latest approved HRA business plan to develop the site.
- 2.3 To delegate authority to the Strategic Director of Communities and Place, in consultation with the Section 151 Officer and the Cabinet Member for Adults, Health and Housing, to enter into all contracts and agreements necessary to deliver the project within the approved budget.
- 2.4 To agree to the new affordable homes being incorporated within the Councils housing stock and being managed by DH.

- 2.5 To note that the full Business Case will be presented to the Project Management Office (PMO) before contracts for delivery are entered into.

Reason(s)

- 3.1 To facilitate the delivery of new affordable homes to meet the high level of need in Derby.
- 3.2 To ensure the best value use of Council's assets.
- 3.3 To comply with the Council's Financial Regulations and Contract Procedure Rules.

Supporting information

Need for affordable homes in Derby

- 4.1 Developing new Council homes is set out as a priority in both the Council Plan 2022-25 and the Council Delivery Plan 2022-23. The Council has a 30-year business plan for its HRA, with an aim to build or acquire around 100 new homes per year. The main constraint to this is a shortage of suitable and available land to develop. Therefore, officers continually review Council owned assets that are underutilised and may become surplus to requirements, to assess their potential for redevelopment.
- 4.2 As at the end of December 2022, there were over 6,000 applicants actively looking for an affordable home through Derby Homefinder. Of these, 2,066 needed a 2-bed property, this project allows for circa 45% commitment to provide 2 bed homes. The remaining units being a blend of 1 and 4 bed homes creating a sustainable housing mix.

Proposed redevelopment

- 4.3 The site located off Bonsall Avenue and Repton Avenue was formerly the Warwick House care home. The Council owned care home closed in 2021 and was appropriated in to the HRA with the former buildings now demolished.
- 4.4 The site falls within the Blagreaves Ward, this is a residential area with a mix of 2 storey housing and bungalows in proximity. The site has easy access to local primary and secondary schools and amenities within Littleover village.
- 4.5 Following an initial constraint appraisal, it was determined that in principle the site was suitable for redevelopment. After consulting with colleagues at DH, it was determined that a housing mix of 22 homes detailed as 5 x 1 bedroom houses, 10 x 2 bedroom houses and 7 x 4 bedroom houses would be the most suitable mix to be built.
- 4.6 The homes will be owned by the Council, managed by DH and will be made available to rent for those in housing need through the Council's choice based lettings system (Homefinder).
- 4.7 Although pre-application advice has already been undertaken and feedback generally positive the proposed project remains subject to planning consent. As a result, the exact number and type of property may vary from the housing mix detailed at 4.5.

- 4.8 The aim is for the 22 homes to meet the Future Homes Standard and achieving this standard will result in a reduction in operational carbon. (i.e. emissions from day-to-day living) by 75-80% from the 2020 Building Regulations level. Only a small amount of electricity will be needed to heat the homes, and electrical vehicle charging point will be provided.
- 4.9 It is also proposed that the homes will meet Part M4(2) of the Building Regulations and that will allow for easier adaptation of the homes if required by residents in the future. A misting system or sprinklers will also be included within the build.
- 4.10 The anticipated outline timescale for the development is as follows:
- March 2023 – submit planning application
 - April 2023 – seek Cabinet approvals, subject to planning and Full Business Case
 - May 2023 – commence procurement process for main contractor (package of sites)
 - July 2023 – planning consent issued
 - July 2023 – present Full Business Case to PMO Board
 - September 2023 – formally appoint contractor
 - October 2023 – commence works on site
 - March 2025 – practical completion of development and handover to Derby Homes
 - March 2026 – end of defect liability period; project closure

Public/stakeholder engagement

- 5.1 DH will have responsibility for managing and maintaining the homes on behalf of the Council. Colleagues from both the Housing Management and Property sections at DH have been consulted since the start of the project and continued engagement will remain during the construction phase.
- 5.2 Details of the proposals have been shared with the councillors for Blagreaves Ward. Councillors are aware that they can contact the project team to raise any questions or concerns on behalf of residents.
- 5.3 Formal pre application planning advice has been sought

Other options

- 6.1 Do nothing. This is not an option as this would not meet Council objectives
- 6.2 It is not considered appropriate to sell this asset which is required for the development of social housing.
- 6.3 Develop the site in partnership with a Registered Provider or other party. Although the Council does have valuable partnerships with other Registered Providers of Social Housing, this site can contribute to the strategic aim to deliver more Council housing. As there is capacity within the latest approved HRA business plan to develop this site there is no particular benefit to a partnering route.

- 6.4 Repurposing of the former care home had been explored but was discounted as the homes would not meet energy efficiency and accessibility requirements.

Financial and value for money issues

- 7.1 The Council has the capacity within its latest approved HRA business plan to develop the site. It is proposed that the project costs are to be funded through HRA capital (60%) and RtB receipts (40%).
- 7.2 The forecast capital cost is detailed in the confidential version of this report. The capital costs include a contingency amount due to the ongoing volatility of prices in the construction market and in the context of wider economic uncertainty.
- 7.3 For the purposes of the appraisal, HRA capital has been taken to be borrowing at the typical rate. The project will achieve the required financial parameters.
- 7.4 The completed homes will be protected from any financial loss from subsequent right to buy applications by the cost floor rules, meaning that the property cannot be sold for less than the value of the cumulative total spend for 15 years from the date of completion.
- 7.5 Following completion of the homes, an application will be submitted to the Department for Levelling Up, Housing and Communities (DLUHC) for exemption from the pooling agreement on use of capital receipts to provide replacement homes. This would allow the Council to retain 100% of the capital receipt (after discount) if it is sold under Right to Buy (RTB). This minimises the financial loss to the Council that could result from RTB sales.
- 7.6 The current cost estimates received from our cost consultants are higher per square metre than a commercial housing project. This reflects the Council's ambitions to achieve high standards of efficiency and minimise carbon. In order to seek economies of scale from contractors and best value, it is proposed that the project will be competitively tendered later in 2023/24 as part of a package of sites. Any procurement will be compliant with the Public Contract Regulations 2015.
- 7.7 The principal financial risks to the project are:
- Continued inflation in construction costs
 - Weaker than forecast growth in private sector rents (because starting rents will be set at 80% of market rent)
 - Poor response to tender for main contractor
 - Potential for contractor failure, in the context of recession and falling house prices
- Mitigation is in place for these risks at outline stage. All risks will be reviewed in detail at Full Business Case (FBC) stage before a final decision is made to enter into contract.
- 7.8 The project's Outline Business Case (OBC) has been reviewed by the PMO and approved and will be further refined into a Full Business Case (FBC) as costs become more certain.

- 7.9 Officers are currently assessing the potential for a bid to the current round of the Brownfield Land Release Fund. If that opportunity progresses, separate approval to bid will be sought from Cabinet.

Legal implications

- 8.1 An external design team has been appointed under direct awards from a compliant framework using a suite of appointment documents drafted by our external legal advisers.
- 8.2 It is proposed to enter in to a JCT Design and Build contract with the preferred contractor once the procurement process is complete
- 8.3 As the project develops timely access to internal and external legal advice and support will be required regarding procurement and contracts.

Climate implications

- 9.1 A Climate Change Impact Assessment (CIA) has been carried out, see diagram 1 below;



Diagram 1

- 9.2 The project scores positively for transport due to electric vehicle charging points and the existing sustainable location.
- 9.3 The project also scores positively for energy as the aim is to build the homes to meet the Future Homes Standards 2025. This will significantly reduce operational carbon emissions over the lifetime of the development, compared to current Building Regulations. The aim is also to include photo-voltaic panels, air source heat pumps (ASHP) with potential battery storage so low carbon energy can be generated.

However, these positives are offset to some degree by the embodied carbon in the construction.

- 9.4 Adaptation and influence score positively due to a fabric first approach, triple glazed windows and the ambition to achieve Future Homes Standards 2025.

Socio-Economic implications

- 10.1 The purpose of developing new Council homes is to provide secure, affordable and high quality homes for people whose housing needs may not be met by the private market. Some of the people on the housing register are among the most disadvantaged in the city and the proposed use of the land, targets support towards these people.

Other significant implications

- 11.1 Covered in the report.

This report has been approved by the following people:

Role	Name	Date of sign-off
Legal	Olu Idowu	03/03/2023
Finance	Amanda Fletcher	28/02/2023
Service Director(s)	David Fletcher	23/02/2023
Other(s)	Ian Fullagar	15/03/2023