

COUNCIL CABINET
12 September 2023



Report sponsor: Shiraz Khan, Cabinet Member
for Housing, Property and Regulatory Services
Rachel North, Deputy Chief Executive

ITEM 8

Report author: Louise Brown
Housing Development Manager

Development of the Riverside site on Duke Street

Purpose

- 1.1 This report seeks approval to the proposed redevelopment of the site at Duke Street, Derby known as Riverside site.
- 1.2 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.
- 1.3 To seek the necessary financial and contractual approvals to deliver the new affordable homes.

Recommendation(s)

- 2.1 To agree the principle of developing the site as detailed in the report funded through the HRA Capital Programme.
- 2.2 To approve the project budget up to £3,798,302 and to reflect this within the HRA Capital Programme which has sufficient capacity to develop the site.
- 2.3 To delegate authority to the Deputy Chief Executive in consultation with the Section 151 Officer and the Cabinet Member for Housing, Property and Regulatory Services, to agree the terms to enable the Council 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 Council's housing stock and being managed by Derby Homes.

Reason(s)

- 3.1 To facilitate the delivery of new affordable homes to meet the high level of need in Derby in line with the Council plan and Council Delivery Plan expectations.
- 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 an average of 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 31st March 2023 there was 8,300 applicants registered for social housing through Homefinder and during the financial year 1st April 2022 to 31st March 2023 there was 2086 homeless approaches.

Proposed redevelopment

- 4.3 The Council owned site is located on Duke Street within the Darley Ward and is now vacant land.



- 4.4 The site is located within the highest flood zone but as a result of the wider Our City Our River (OCOR) flood defence project, it has benefited from the flood defence wall that has been built at the rear of the site.
- 4.5 It was initially envisaged that a flatted development for affordable housing would be built on the site. However, as design work progressed it became clear that residual flood risk and design measures specifically applicable to a flatted development determined that a flatted development would not be deliverable.

- 4.6 As a result, an alternative proposal has been designed that can deliver 12 homes consisting of 6 x 2 bed houses, 2 x 3 bed houses and 4 x 4 bed houses all with off street parking and private rear gardens. There will be no habitable rooms located at ground floor level within the houses.
- 4.7 The homes will be owned by the Council, managed by Derby Homes and will be made available to rent for those in housing need through the Council's choice based lettings system (Homefinder).
- 4.8 The site sits within a sustainable urban location, as it has easy access to the city centre and public transport as well as nearby amenities including primary and secondary schools.
- 4.9 Although pre-application advice has already been undertaken and feedback received the proposed project remains subject to planning consent. As a result, the exact number and type of homes may vary from the house types detailed at paragraph 4.6.
- 4.10 The aim is for the 12 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.
- 4.11 A fire suppression system will be provided to each property. This is likely to be either a misting or full sprinkler system but is subject to water pressure tests at the site.
- 4.12 The anticipated outline timescale for the development is as follows:
- June 2023 – submit planning application- completed
 - September 2023 – seek Cabinet approvals that will be subject to receiving planning permission
 - September 2023 – planning permission issued
 - September 2023 – present Full Business Case to internal Project Management Board for assurance review
 - September 2023 –commence procurement process for main contractor
 - December 2023 – formally appoint contractor
 - February 2024 – commence works on site
 - September 2025 – practical completion of development and handover to Derby Homes
 - September 2026 – end of defect liability period; project closure

Public/stakeholder engagement

- 5.1 Derby Homes will have responsibility for managing and maintaining the homes on behalf of the Council. Colleagues from both the Housing Management and Property sections at Derby Homes 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 Darley Ward. Councillors are aware that they can contact the project team to raise questions on behalf of residents.
- 5.3 Residents immediately neighbouring the site have been informed of the proposals by letter. The homes have been designed to minimise any impact on the privacy and amenity of existing properties. Neighbouring residents will have had opportunity to comment on the proposals through the statutory planning process.
- 5.3 Pre application planning advice has been sought with the planning department.

Other options

- 6.1 To not develop the site. This option has been discounted as it does not maximise the use of an existing Council owned asset and would miss an opportunity to deliver on the Council's priority to build affordable homes
- 6.2 To sell the site. It is not considered appropriate to sell this asset as it is required for the development of social housing.
- 6.3 Develop the site in partnership with a Registered Provider. 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.

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
- Poor response to tender for main contractor
- Potential for contractor failure, in the context of recession and falling house prices

The project will follow the Council’s project management framework and go through internal gateways for assurance. Mitigation is in place for these risks at outline stage. A full assurance review will be undertaken at Full Business Case (FBC) stage before a final decision is made to enter into contract.

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;

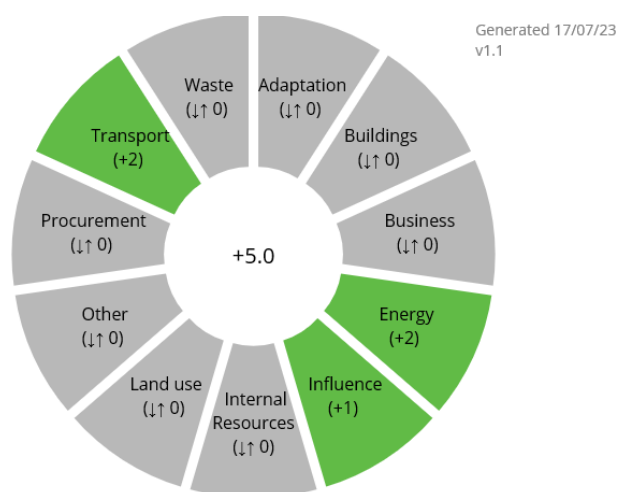


Diagram 1

- 9.2 Energy- the project scores positively 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 and air source heat pumps (ASHP). However, these positives are offset to some degree by the embodied carbon in the construction.
- 9.3 Adaptation- the project is neutral for adaptation as there remains a residual flood risk even with the flood wall in place. However, as we are adopting a fabric first approach to maximise the performance of the homes they should be more resilient to heatwave vulnerability.
- 9.4 Influence- the aim is for active engagement with tenants to aid awareness and encourage best usage of the homes.
- 9.5 Transport - the project scores positively due to the development's sustainable location with schools, health services, shops and parks all within walking distance as well as easy access to bus services. Electric vehicle charging points are proposed for each parking space.

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	01/08/23
Finance	Amanda Fletcher	01/08/23
Service Director(s)	Sam Dennis	27/07/23
Report Sponsors	Cllr Shiraz Khan	01/08/23
	Rachel North	14/08/23
Other	Ian Fullagar	25/07/23