

# Report to Cabinet

**22 June 2022**

<b>Subject:</b>	Council new build homes on land at West End Avenue, Smethwick
<b>Cabinet Member:</b>	Cabinet Member for Housing Charn Padda
<b>Director:</b>	Director of Regeneration and Growth, Tony McGovern Director of Housing, Gillian Douglas
<b>Key Decision:</b>	Yes
<b>Contact Officer:</b>	Alan Martin, Housing Programme and Partnerships Manager <a href="mailto:Alan_martin@sandwell.gov.uk">Alan_martin@sandwell.gov.uk</a>

## 1 Recommendations

- 1.1 That approval be given to develop approximately 3002.3 m<sup>2</sup> of land at West End Avenue Smethwick with new council housing for affordable rent, subject to planning permission, as shown for identification purposes only at Appendix 1.
- 1.2 That the Director of Finance be authorised to allocate adequate resources from the Council's Housing Revenue Account to deliver the scheme and to utilise grant funding offered by Homes England, under the extended Homes England Strategic Partnership 1 Programme 2016 to 2021 to assist with the delivery of the project.
- 1.3 In connection with 1.1 and 1.2 above, approval be given to authorise the necessary steps for the delivery of the proposed project, including:
  - a) the Director of Regeneration and Growth in consultation with the Director of Finance and the Director of Housing be authorised to



prepare tendering documentation and subsequently procure, in accordance with any statutory regulations and the Council's Procurement and Financial Regulations;

- b) execute any requirements in accordance with the Homes England Delivery Partner Dynamic Purchasing System (DPS) framework including appointing a contractor/contractors to develop, on behalf of the Council, the proposed housing scheme; to enter into or execute under seal any financial agreement in relation to the Homes England grant on terms and conditions to be agreed by the Director of Finance;
- c) that any necessary exemptions are made to the Council's Procurement and Contract Procedure Rules to enable the course of action referred to b above to proceed;
- d) subject to a, b and c above, the Director – Monitoring Officer be authorised to enter into or execute under seal any documentation in relation to award of the contract and/or development/partnership agreement, Homes England developer status, licence, undertaking, framework joining agreement, any consents or applications required for Planning or Highways appertaining to the delivery of the scheme and any other agreements with the procured contractor(s) and with the Homes England, as may be deemed necessary to facilitate development of the site with a housing scheme as described in below on terms and conditions to be agreed by the Director of Regeneration and Growth;
- e) the Director of Regeneration and Growth in consultation with the Director of Housing and the Director of Finance be authorised to accept a tender of up to 10% above the approved estimated costs as a contingency to mitigate uncertain market conditions and inflationary cost uplifts.
- f) Subject to the practical completion of each property, the Director of Housing be authorised to manage and let the properties built in accordance with the Council's housing allocation policy.
- g) That the following action points identified within the financial appraisal of the funding application by Strategic Finance, be implemented to reduce the risk to the Council:



- That Cabinet consider the alternatives and are satisfied that the proposal to construct the new build homes will meet the Council's objectives in the most appropriate manner.
- That a process is developed to prioritise the development of sites against pre-determined criteria and alternative options for achieving the Council's housing objectives within each locality.

## 2 Reasons for Recommendations

2.1 The Council is able to develop this site with circa 11 homes, subject to planning permission, as part of the new strategic approach to provide more and better housing in the borough.

### 2.2 Site location, description and History

The site is located within the West Smethwick area on land off West End Avenue, Smethwick, approximately 1km to the North West of Smethwick town centre.

Since approximately the early 1970's the site had been occupied by three adjoining deck access maisonette blocks known as 'Westville'. These were demolished in March 2002 and the site has since remained vacant. The development will provide 11 new homes being a mix of 2 bed 4 person and 4 bed 6 person Houses.

The site has a primary allocation in the Sandwell Site Allocations and Delivery Development Plan Document for residential use.

2.3 In summary, this project will deliver 11 new Council-owned affordable rented properties on a Council-owned site.

The table below shows the schedule of accommodation to be delivered.

#### Schedule of Accommodation

No. of units	Property Type	Approximate Square metres
7	2 bed 4 person Houses (semi)	72m <sup>2</sup>



2/1	4 bed 6 person Houses (semi)	105m <sup>2</sup> /110m <sup>2</sup>
1	4 bed 6 person House (detached)	110m <sup>2</sup>

**Please note that the number, layout and design of dwellings are subject to necessary planning approvals.**

A site plan is attached at Appendix 1 and an indicative layout has been produced (Appendix 2). All units will be developed in accordance with current Building Regulations and an application for Planning permission has been submitted and pending a decision.

2.4 The development of this council site with new homes will result in the following benefits:




- Reducing the amount of vacant, under-utilised land within its ownership which is incurring maintenance costs;
- Increasing the numbers of authority owned stock which will ease pressure on our existing housing;
- Replacing housing stock lost through Right to Buy;
- Increasing income to the Housing Revenue Account;
- Contributing positively to the financial position of the Council by generating New Homes Bonus and new Council Tax receipts;
- Developing fit for purpose accommodation;
- Increased good quality, energy efficient housing provision in the Borough;
- Increasing the levels of new build Council housing stock within the Borough contributing to target forecasts;
- Linking to the work of Think Local and Find-it-in-Sandwell approaches that will offer significant employment and training opportunities as well as additional community benefits to the local economy, including working with local supply chains and use of local labour;





- Producing positive outputs for community safety through the redevelopment of a vacant site.

2.5 Strategic Finance have carried out an appraisal of the funding application, which has been evaluated against HM Treasury Green Book guidance (Appendix 3). The appraisal process recorded a score of 69%, with some areas of risk identified. The appraisal has recommended actions to mitigate the risk to the council, as detailed in 1.3 (g) above.

### 3 How does this deliver objectives of the Corporate Plan?

	<p>Best start in life for children and young people</p> <p>These new build properties will provide accommodation which better meets the needs of young families allowing / enabling for a better home educational environment</p>
	<p>People live well and age well</p> <p>The new properties will be built to the Building Regulations standard M4(2) "Accessible and Adaptable" which allows for easy adaptations of the properties and takes into consideration ease of access to the dwellings.</p>
	<p>Quality homes in thriving neighbourhoods</p> <p>The redevelopment of this under-utilised site with modern residential accommodation will improve the asset base of the borough by providing much needed affordable housing.</p> <p>The provision of this proposed scheme will provide Homes that meet people's needs. Sandwell's population is growing and people need quality housing that fits their individual requirements.</p> <p>The development of this site will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve a development of a quality that sets the highest architectural standards and which provides energy efficient buildings, in furtherance of the aims of the Environmental Policy for Sandwell.</p>



	<p><b>A strong and inclusive economy</b></p> <p>The development of this scheme will support investing in businesses, people and jobs that will create wealth and tackle poverty. It will also actively promote Think Sandwell with the inclusion of apprenticeships and training opportunities within the contractual arrangements.</p>
	<p><b>A connected and accessible Sandwell</b></p> <p>The location of the site is close to the local amenities of Smethwick and within easy reach are the towns of Oldbury, West Bromwich and Birmingham City centre. The A457 offers direct links to junctions 1 and 2 of the M5 (M6) Motorway network. This, along with local access to the rail and Metro networks ensures that new residents are well connected to an array of services and facilities.</p>

## 4 Context and Key Issues

### 4.1 Consultation

Consultation will take place with the neighbouring residents to the site and George Betts Primary School. In addition, public consultation will be undertaken as part of the Statutory Planning process.

### 4.2 Sustainability

The development of this site will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve a development of a quality that's sets the highest architectural standards. In addition, the new housing stock will be up to current Building Regulations and will provide high quality living accommodation that will be energy efficient and sustainable contributing to reduced living costs and better quality of life to the new Council tenants. All of which contributes to the aims of the Environmental Policy for Sandwell.

4.3 The scheme will be managed by the Housing Partnerships Team, with construction management through Urban Design Team and delivered by





the selected contractor secured through competitive tender. The construction and development costs associated with the project will be met from within the Housing Revenue Account, by means of Prudential borrowing and the utilisation of grant funding through the Homes England Strategic Partnership 1 programme.

- 4.4 The properties once completed will be managed and maintained by the council and all the associated costs will be met from within the Housing Revenue Account.
- 4.5 The income generated from the rent will also go back into the Housing Revenue Account.

## 5 Alternative Options

- 5.1 As part of the appraisal process the following options were considered:

### Option A – Dispose of the Site on the Open Market

The site would be suitable for private sector residential development and the open market land value is estimated to be £520,000. However, the residual land value taking into account the site issues, abnormal and project costs becomes a negative sum.

If this option is pursued it could result in the disposal of the land for market sale units only, as the development site is too small and would not achieve any affordable housing provision under Planning policy HOU3. However, owing to site constraints and ground conditions costs are relatively high and with current market conditions and inflationary costs the site is unlikely to provide commercial developers with the profit margins they require.

This option would also offer nil contribution to the Council's new build programme.



## **Option B – Work in partnership with a Registered Provider Partner with the assistance of Homes England to build new affordable homes for rent.**

Indications are that Homes England funding may be available through various Homes England Shared Ownership and Affordable Homes Programmes which could provide grant funding for a Registered Provider Partner to deliver affordable rented homes. This would give the Council nomination rights (100% on the first let and 50 % thereafter) to the new properties but would not increase the Council owned housing stock or replace properties lost through RTB and would result in the disposal of a council owned asset (land) that could be used for this purpose.

As with option A above the high build costs and viability issues may render this site less attractive to Registered Providers.

## **Option C – Leave the site undeveloped.**

An option to consider would be not to build out the site and to leave it as it is. There are ongoing maintenance costs to the Council around litter picking, grounds maintenance. These are difficult to quantify as they are carried out as part of larger services, although we anticipate costs would be significantly reduced if the site were developed for housing. This would also result in an under-utilised Council asset.

This option would offer nil contribution to the Council's new build programme and result in an on-going financial liability to maintain a vacant site.

## **6 Implications**

<b>Resources:</b>	The project cost of delivering the new council homes has been estimated in advance of tendering. This figure includes professional fees and supervision and support activities of project delivery.
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Resources totalling £184m were allocated by Cabinet on 18th October 2017 for the period 2017 to 2027 to increase the number of homes within the HRA stock. The associated financing costs of these resources are built into the HRA projections.

The rents charged on the properties will be affordable rents, which are up to 80% of market rent. This is in line with the recommendations approved by Cabinet on 14<sup>th</sup> November 2018 whereby all new build properties rent will be set as an affordable rent.

Detailed financial modelling has been developed for this proposal based on the standard assumptions used by the Homes England for affordable housing. Construction of the units has been modelled to be completed by end of year 2. The financing of the scheme would be through a combination of Homes England grant (£374k), a RCCO from unallocated HRA reserves (£669k) with the remaining balance of £2.425m funded Prudential Borrowing (which would leave the council with a debt to carry over the repayment period and beyond). The modelling also shows that after the debt charges are factored in, the scheme shows an in year surplus position, in year 23, but the overall debt will not be repaid until year 40, with a cumulative surplus in year 50 of £1.574m. In context of the overall value of the scheme, these payback periods appear to be reasonable risk.

The appraisal carried out on the project includes grant funding from the Homes England Strategic Partnership 1 Programme. This equates to £34,000 per unit. There is also funding available from the balance of 1-4-1 replacement receipts generated from the sale of HRA dwellings under the Right to Buy programme. The report requests approval to utilise funding from Homes England, however, this may not happen if there is a need to use the time limited receipts generated from the sale of properties. This will be monitored in line with the recommendations from the appraisal report to



	<p>ensure the most appropriate use of funding for the scheme.</p> <p><b>Land/building</b></p> <p>This land is a HRA asset. Whilst there are no direct links to the Corporate Landlord Strategy the scheme helps bring forward undeveloped land supporting council demand for new housing.</p> <p>The completed properties will be managed within existing resources from within the HRA.</p>
<b>Legal and Governance:</b>	<p>There are no specific immediate legal or statutory implications arising from the proposal outlined in this report. However, on-going legal implications regarding the development of land or property will be addressed fully in accordance with legal requirements.</p> <p>Pursuant to the Localism Act 2011 (Ss 1 – 7), Local Authorities have a general power of competence to do anything that individuals generally may do.</p> <p>Advice will be taken from the Council's Procurement Strategy Officer and Legal Services to ensure that the Public Contracts Regulations 2015 and the council's procurement and contract rules are complied with.</p> <p>Should the Homes England Framework Delivery Partner Dynamic Purchasing System (DPS) framework be used In-Tend will not be the procurement portal which will contravene the Council's procurement and procedure rules. Therefore, an exemption will be required.</p>
<b>Risk:</b>	<p>The Corporate Risk Management Strategy (CRMS) will continue to be complied with throughout, in identifying and assessing the significant risks associated with this strategic proposal. This includes (but is not limited to) political, legislation, financial, environmental and reputation risks. Based on the</p>



	<p>information provided it is the officers' opinion that for the initial risks that have been identified, arrangements are in place to manage and mitigate these effectively.</p> <p>The current assessment has identified not identified any "red" risks that need to be reported at this stage. Actions have been put in place to mitigate this risk.</p>
<b>Equality:</b>	An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.
<b>Health and Wellbeing:</b>	<p>Currently the site is vacant and under-utilised. The redevelopment of the site with modern residential accommodation will improve the asset base of the borough by providing much needed affordable, high quality, energy efficient housing.</p> <p>This will result in creating sustainable communities, create wealth, tackle poverty, improve health and wellbeing and reduce certain types of anti-social behaviour and crime.</p>
<b>Social Value</b>	The development of this scheme will support investing in businesses, people and jobs. It will also actively promote Think Sandwell with the inclusion of apprenticeships, training opportunities and community engagement within the contractual arrangements.

## 7. Appendices

Appendix 1 – Plan showing development Land at West End Avenue for identification purposes only.

Appendix 2 – Indicative planned layout

Appendix 3 – Financial Appraisal Report Public

Appendix 4 – Financial Appraisal Report Private



## 8. Background Papers

- 8.1 Report to the Cabinet Member for Strategic Resources and Jobs & Economy, 21<sup>st</sup> November 2013 - Minute no. 1/13 refers
- 8.2 Report to the Cabinet Member for Strategic Resources and Jobs and Economy, 29<sup>th</sup> October 2014 Changing the Housing Landscape in Sandwell (Key Decision Ref. No. C043) Minute no 75/14 refers
- 8.3 Report to The Cabinet, 6<sup>th</sup> April 2016 Changing the Housing Landscape in Sandwell Summary programme for Council House New Build (Key Decision Ref. No. REI021) Minute no 61/16 refers
- 8.4 Report to The Cabinet, 7<sup>th</sup> December 2016 Proposals for the review of the 2017/18 council tenant rents and housing related property charges (Key Decision Ref. No. LR24) Minute no, 204/16 refers.
- 8.5 Report to The Cabinet, 8<sup>th</sup> February 2017 Housing Revenue Account Business Plan 2017-20 Minute no 21/17 refers
- 8.6 Report to The Cabinet, 18<sup>th</sup> October 2017 Housing Revenue Account Funded Housing Investment Programme Minute no 167/17 refers

