

# Report to Cabinet

16 November 2022

<b>Subject:</b>	Council new build homes on land at Stanhope Road, Smethwick
<b>Cabinet Member:</b>	Cabinet Member for Housing Councillor 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 the Director of Finance be authorised to allocate adequate resources from the Council's Housing Revenue Account to deliver the scheme as previously approved at 2.1 below, subject to being satisfied that the proposal provides value for money and enable the agreed Homes England delivery programme to be met utilising grant funding offered under the extended Homes England Strategic Partnership 1 Programme 2016 to 2021 and the Black Country Local Enterprise Partnership (LEP) Land Property Investment Fund (LPIF) Sandwell Housing Gap Project.
- 1.2 That approval be given to authorise the necessary steps for the delivery of the proposed project, including:
  - a) that subject to receiving the necessary Strategic Investment Unit appraisal approval mark of 65 or above for the site at Stanhope Road, the Director of Regeneration and Growth in consultation with the Director



of Finance and the Director of Housing be authorised to accept the Financial closure offer for the construction of Council new build properties, in accordance with any statutory regulations and the Council's the Director – Monitoring Officer be authorised to enter into or execute under seal any documentation in relation to award of the contract for the development of the site at Stanhope Road and/or development/partnership agreement, any consents or applications required for Planning or Highways appertaining to the delivery of the schemes and any other agreements with the procured contractor(s), as may be deemed necessary to facilitate development of the site with housing a scheme on terms and conditions to be agreed and implemented by the Director of Regeneration and Growth;

- b) to enter into or execute under seal any financial agreement in relation to the Homes England grant and the Black Country Local Enterprise Partnership (LEP) Land Property Investment Fund (LPIF) Sandwell Housing Gap Project on terms and conditions to be agreed by the Director of Finance;
- c) the Director of Regeneration and Growth in consultation with the Director of Housing and the Director of Finance be authorised to accept a fixed cost price from Speller Metcalf at RIBA stage 4 of up to 10% above the approved estimated costs as a contingency to mitigate uncertain market conditions and inflationary cost uplifts.
- d) to appropriate approximately 7317.0 m<sup>2</sup> of land at Stanhope Road Smethwick from the General Fund to the Housing Revenue Account for housing purposes and the Director of Finance be authorised to adjust the accounts accordingly.
- e) 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.

## 2 Reasons for Recommendations

- 2.1 On 26th June 2019 the Cabinet report “Funding for remediation works at King Street and Mounts Road, Wednesbury, and Stanhope Road, Smethwick” approved the submission of a funding bid to the LEP and the development of approximately 7317.0 m<sup>2</sup> of land at Stanhope Road



Smethwick with new Council housing for affordable rent (minute number 69/19 refers).

- 2.2 This scheme now has planning permission (as shown for identification purposes only at Appendix 1) and it is proposed to develop this site with 33 homes, as part of the new strategic approach to provide more and better housing in the borough.
- 2.3 Spellar Metcalf were procured through CWM Lot 1 using the mini competition route to develop a design and build scheme on behalf of the Council. The initial award was to complete the pre-construction and design work up to RIBA stage 4 (Fixed Cost). Once the fixed cost is approved Speller Metcalf will be instructed to continue into the build stage.

#### **2.4 Site location, description and History.**

The site is located approximately 800 metres from both Bearwood Town Centre and Smethwick High Street Local shopping centres with good accessibility to the town's facilities. The site is within an area of predominantly residential use with primary frontage onto Stanhope Road and a secondary frontage onto Dale Street. It is bound by a house to the North and majority of the Southern boundary is formed by the vehicular access and communal open space associated with a relatively recent Housing Association development at Dale Close. The remainder of the Southern boundary is formed by the incidental open space surrounding Thimblemill Brook.

The site at Stanhope Road was partially occupied by a Laundry. This resulted in the presence of a significant amount of contaminated made ground and in addition there are substantial changes in topographic levels across the site.

From 1892-1914 the Southern half of the site was partially occupied by terraced housing, with the rest still undeveloped. Adjoining the Southern boundary of the site was a laundry. A small opencast sand quarry was evident North of the site.



Between 1949 and 1970 the site was fully developed with the Laundry occupying the Northern third of the site. This laundry was shown to comprise a large structure located on the Northern edge of the site, with residential structures elsewhere. Stanhope Road formed the site's Western boundary. The site has been acquired by the local authority and the whole site has now been cleared.

The site only has a partial primary allocation in the Sandwell Site Allocations and Delivery Development Plan Document. However, its overall development for residential use is considered to be appropriate.

2.5 In summary, this project will deliver 33 new Council-owned affordable rented properties on a council-owned being a mix of 2, 3 and 4 bedroom houses and 1 bedroom apartments.

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

**Schedule of Accommodation**

Number of units	Property Type	Square metres
10	2 bed 4 person Houses (semi)	71m <sup>2</sup>
3	3 bed 5 person Houses (semi)	98m <sup>2</sup>
3	4 bed 7 person Houses (semi)	118m <sup>2</sup>
17	1 bed 2 person apartments	48m <sup>2</sup>

A site plan is attached at Appendix 1 and a scheme layout at Appendix 2. All units will be developed in accordance with current Building Regulations.

2.6 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;
- 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.

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

	<p><b>Best start in life for children and young people</b></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><b>People live well and age well</b></p> <p>The new properties will be built in accordance with the current Building Regulations standard.</p>
	<p><b>Quality homes in thriving neighbourhoods</b></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</p>



	<p>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>A strong and inclusive economy</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>A connected and accessible Sandwell</p> <p>The site is located approximately 800 metres from both Bearwood Town Centre and Smethwick High Street Local shopping centres with local access to the bus, rail and Metro networks providing links to the towns of Oldbury, West Bromwich and Blackheath.</p> <p>Birmingham City centre and the M5 (M6) Motorway networks are easily accessible. This ensures that new residents are well connected to an array of services and facilities.</p>

## 4 Context and Key Issues

### 4.1 Consultation

Public consultation has been 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 construction of the scheme will be managed by Housing Partnerships Team/ 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 and the utilisation of grant funding through the Homes England Strategic Partnership 1 programme and the Black Country Local Enterprise Partnership (LEP) Land Property Investment Fund (LPIF) Sandwell Housing Gap Project.
- 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. As the development would be in excess of 15 units, then it would be subject



to planning policy HOU3 where consideration must be given to the provision of up to 25% affordable housing on site.

However, if this option is pursued it could result in the disposal of the land for market sale units only. Owing to very difficult ground conditions (the levels and the ground remediation) 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. Planning policy HOU3 where consideration must be given to the provision of up to 25% affordable housing on site is very likely to be challenged on viability grounds but it is likely that developers will overlook this site in favour of more viable options.

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 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 and 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.

## 6 Implications

<b>Resources:</b>	<p>The project cost of delivering the new council homes has been estimated in advance of achieving RIBA stage 4 Fixed Cost. This figure includes professional fees and supervision and support activities of project delivery.</p> <p>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.</p> <p>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.</p> <p>Detailed financial modelling has been developed for this proposal based on the standard assumptions used by the Homes England for affordable housing.</p> <p>The total estimated (subject to the return of an acceptable fixed price) required resource for this scheme is £8.1m, which will be funded from the agreed investment capital programme for the HRA.</p> <p>The appraisal carried out on the project includes grant funding from the Homes England Strategic Partnership 1 Programme, which equates to £34,000 per unit. In addition to the Homes England funding is the grant</p>
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funding from the LEP, which equate to around £1.2m. When both grants are applied to the overall scheme cost, it then reduces the borrowing requirement to around £5.8m.

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 to 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 ensure the most appropriate use of funding for the scheme.

The financing of the scheme would be through Prudential Borrowing (which would leave the council with a debt to carry over the repayment period and beyond). This modelling shows that after the debt charges are factored in, the scheme shows an in year surplus position, in year 28, but the overall debt will not be repaid until year 44, with a cumulative surplus in year 50 of £3.9m. In context of the overall value of the scheme, these payback periods appear to be reasonable risk.

### **Land/building**

This land was acquired and is a General Fund asset which will require appropriation to the Housing Revenue Account. Whilst there are no direct links to the Corporate Landlord Strategy the scheme helps bring forward undeveloped land supporting council demand for new housing.

The completed properties will be managed within existing resources from within the HRA.



<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>The land is a General Fund asset which will require appropriation to the Housing Revenue Account.</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 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>	<p>An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.</p>
<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</p>



	<p>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>	<p>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.</p>

## 7. Appendices

7.1 Appendix 1 – Plan showing development Land at Stanhope Road Smethwick for identification purposes only.

Appendix 2 – Approved planned layout

## 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

