

Report to Cabinet

12 March 2025

Subject:	Council House new build programme - request to amend existing approval for the delivery of 3 sites.
Cabinet Member:	Cabinet Member Housing and Sustainable Development Councillor Vicki Smith
Director:	Executive Director - Place, Alan Lunt
Key Decision:	Yes Financial Value
Contact Officer:	Housing Partnerships and Programme Manager – Alan Martin Alan_martin@sandwell.gov.uk

1 Recommendations

For the reasons set out in the report, it is recommended that Cabinet: -

- 1.1 amend the previous decision of Cabinet (Minute No. 140/22 (2) and (3) dated 22 June 2022) in relation to the provision of new council homes on 3 sites to be delivered via LHC Framework Alliance Contract so that Cabinet:
 - a. authorise the Executive Director of Finance and Transformation to amend the allocation of resources to deliver the three schemes from the council's Housing Revenue Account to 1-4-1 capital receipts funding;
 - b. authorise the Executive Director of Finance and Transformation, in consultation with the Executive Director of Place, to change the procurement route from via LHC Framework Alliance Contract

(turnkey Option) Modern Methods of Construction (MMC) to a traditional build contract to be procured in the most appropriate procurement route to deliver the schemes in accordance with any statutory regulations and the council's Procurement and Financial Regulations.

- 1.2 subject to 1.1 above, authorise the Executive Director of Place in consultation with the Executive Director of Finance and Transformation , to tender, procure and award contracts, in accordance with the public procurement rules and the council's Procurement and Financial Regulations a contractor/contractors to develop, the proposed Harvest Road, Rowley Regis, Coppice Street, West Bromwich and Railway Street, Tipton housing schemes;
- 1.3 subject to 1.2 above; authorise the Assistant Director Legal and Assurance to enter into or execute under seal any financial agreement in relation to the use of 1-4-1 Capital Receipts on terms and conditions to be agreed by the Executive Director of Finance and Transformation;
- 1.4 subject to 1.1 - 1.3 above, and receiving the necessary Strategic Investment Unit appraisal approval mark of 65 or above for each individual site, authorise the Assistant Director for Legal and Assurance to enter into or execute under seal any documentation in relation to award of the contract and/or development/partnership agreement, licence, undertaking, framework joining agreement and any other agreements with the procured contractor/s as may be deemed necessary to facilitate development of the sites with a housing schemes on terms and conditions to be agreed by the Executive Director of Place and in consultation with the Executive Director of Finance and Transformation:
- 1.5 following practical completion of each property, authorise the Executive Director of Place to manage and let the premises in accordance with the Council's housing allocation policy;
- 1.6 authorise the Executive Director of Finance and Transformation to appropriate any land associated with Harvest Road, Rowley Regis, Coppice Street, West Bromwich and Railway Street, Tipton development not currently within the Housing Revenue Account.

2 Reasons for Recommendations

- 2.1 The recommendations are necessary to effectively expedite delivery of three new build sites to take maximum advantage of the use of the current government flexibilities and changes to the right to buy legislation. The original approval for these three sites was utilising funding through the Homes England New Ways of Working Strategic Partnership 1 (SP1) programme this programme comes to an end in March 2025 and is no longer available to fund these schemes.
- 2.2 There are no new grant funded schemes included in the current capital programme. Grants may be available to the council through Homes England (HE) directly or via the Matrix consortium which Green Square Accord are the lead partner. The decision to utilise 1-4-1 receipts as a first choice for new build and acquisition expenditure in the current capital programme is because:
- a) Grant rates that have been available through recent HE Strategic Partnership 1 funding vary between £34k-£53.5k per unit which means any remaining build costs must be funded through borrowing/SMBC resources. In comparison 1-4-1 receipts may fund 50% or, currently 100% of new build and acquisition expenditure thus reducing the amount of borrowing or council resources required to deliver new units.
 - b) The council currently has accumulated receipts with more being received in 24/25 and future years. Any 1-4-1 receipts not spent within 5 years following year of receipt are repayable to government with compound interest.
 - c) Potential grant rates available through HE Continuing Market Engagement, SP2 or through the emerging Combined Authority allocation will be more than grant levels indicated in (a) above but will not be anyway near the percentage funding currently available through 1-4-1 funding.
- 2.3 The council's aspirations for Modern Methods of Construction (MMC) have proven difficult to deliver, an original Cabinet approval for these three sites was gained to take to the market for MMC under a design and build contract. The first procurement attempt resulted in only one tender returned with the projected cost of delivering all three sites being more than £1 million higher per site than budget estimates based on recent traditional build schemes.

- 2.4 This was followed by an expression of interest process where more than 10 MMC contractors were invited to attend interviews so that the council could understand the reasons why only one tender was received and why estimated costs were so high. The outcome of this process was that most contractors wanted partnership arrangements to develop schemes under a two-stage design and build contract. This has caused some level of concern in that there would not be an agreed construction cost until RIBA stage 4 - detailed design. This would mean that the Council would enter a contract to develop a detailed design using the MMC contractor's bespoke product and incur all design, feasibility and survey costs to RIBA stage 4 when a fixed development cost would be provided. If at this point the scheme proved to be unviable in value for money terms all design costs up to this stage which could run into many hundreds of thousands would be aborted costs and probably 6-9 months in timescales would be lost.
- 2.5 If MMC was to be considered now the schemes would not be delivered in time to take maximum advantage of current government flexibilities and changes to the right to buy legislation. It would also pose considerable risk probably risk rated red regarding the commitment to incurring design costs with the uncertainty of the final build (unit costs) and potential aborted costs.
- 2.6 With the current flexibilities that are in place with right to buy funding to take maximum advantage the council needs to spend as much as possible on new house provision by March 2026 these three sites alongside two others are the only sites the council has available with the ability to spend within this period.

3 How does this deliver objectives of the Council Plan?

Living in Sandwell	<p>The redevelopment of under-utilised sites with modern residential accommodation will improve the asset base of the borough by providing much needed affordable housing.</p> <p>The provision of these proposed schemes 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 these sites will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve quality developments that set the highest architectural standards, and which provides energy efficient buildings, in furtherance of the aims of the Environmental Policy for Sandwell.</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. The schemes will also if possible, include some M(4)3 full wheelchair compliant standard for people with specific needs.</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>
Thriving Economy in Sandwell	<p>The development of these schemes 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>

4 Context and Key Issues

4.1 Modelling in the Sandwell Housing Market Assessment (2024) identifies a need for affordable housing in Sandwell at a rate of 365 new affordable homes per annum. The Council House Build programme, whilst not the only mechanism to deliver affordable housing, contributes significantly to this annual target.

- 4.2 The council's Housing Strategy 2023-2028 states that we will build on our achievements over the last five years and has identified five key priorities for action. These three proposed schemes will make a contribution towards these priorities:
- a) Providing more affordable homes
 - b) Making best use of the homes we have
 - c) Quality housing for all
 - d) Supporting people's health through housing
 - e) Addressing climate change and fuel poverty
- 4.3 In relation to the Council House Build programme the Cabinet Report - **Council House Build Programme approval of sites and amendment to funding sources 22 June 2022** (Minute No. 137/22 refers) gave approval to:
- a) Approve the proposed or amended funding sources and delivery sequence of the remaining development opportunities within the council's new build programme for the schemes as appended, subject to the recommendations of Strategic Investment Unit (SIU), and Cabinet approval for the remaining individual schemes that have not already gained Cabinet approval.
 - b) Amend funding sources available from the balance of 1-4-1 replacement receipts or Homes England to ensure the most appropriate use of funding for the schemes ensuring the expenditure of Homes England funding within the contracted timescales and the use of time limited receipts generated from the sale of properties.
 - c) To substitute alternative sites to achieve the required housing/funding outcomes should any schemes appended prove not to be viable in terms of value for money or deliverable within the prescribed funding timescales.
- 4.4 To date 485 new properties have been completed, 76 properties are in progress and further pipeline sites are in feasibility/viability for the future programme.
- 4.5 The current programme Homes England New Ways of Working Strategic Partnership 1 ends March 2025.
- 4.6 The current capital programme assumes that accumulated 1-4-1 receipts and any required match borrowing will fund acquisition and new build expenditure between 2025/26 and 2029/30 (except the Tipton LUF

scheme). It is assumed that following the end of the current period of flexibilities in respect of 1-4-1 receipts that match borrowing will be required to fund new build and acquisition expenditure.

5 Alternative Options

5.1 Option 1 - Continue with the three sites to be delivered via LHC Framework Alliance Contract (turnkey Option). This would result in high levels of risk and cost uncertainty and would not deliver within the timescales to achieve the spend profiles required for 1-4-1 expenditure. Discounted.

5.2 Option 2 - Access alternative funding sources through Homes England grant provision. Grant levels would result in greater levels of HRA borrowing and not achieve best value for money. Discounted.

6 Implications

Resources:	<p>The current capital programme assumes that accumulated 1-4-1 receipts and any required match borrowing will fund acquisition and new build expenditure between 2025/26 and 2029/30 (except the Tipton LUF scheme). It is assumed that following the end of the current period of flexibilities in respect of 1-4-1 receipts match borrowing will be required to fund new build and acquisition expenditure.</p> <p>Most of the receipts and associated borrowing are not 'ring-fenced' to a particular scheme at this time – they are profiled to be spent in accordance with the current requirement of use of 1-4-1 receipts within 5 years of the year of receipt. The council holds these receipts on the balance sheet to be used on eligible expenditure and the accumulated receipts can be used for new build schemes or acquisitions of property.</p> <p>These three schemes are included in the current pipeline of council house build sites and can be funded through this eligible expenditure.</p> <p>The rents charged on the properties will be affordable rents, which are 80% of market rent. This is in line with the recommendations approved by Cabinet on 14th November 2018 whereby all new build properties rent will be set as an affordable rent.</p>
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	<p>The completed properties will be managed within existing resources from within the HRA.</p>
<p>Legal and Governance:</p>	<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 emergent Procurement Act 2023 requirements are met, and that all relevant procurement and financial management rules are complied with.</p>
<p>Risk:</p>	<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>
<p>Equality:</p>	<p>An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.</p>
<p>Health and Wellbeing:</p>	<p>Currently these sites are vacant and under-utilised. The redevelopment of these sites 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>
<p>Social Value:</p>	<p>The development of these schemes will support investing in businesses, people and jobs. It will also actively promote</p>

	Think Sandwell with the inclusion of apprenticeships, training opportunities and community engagement within the contractual arrangements.
Climate Change:	These properties will be developed to high sustainability and energy efficiency levels and will help satisfy planning regulations and contribute towards the council's Climate Change priorities.
Corporate Parenting:	There are no implications for corporate parenting.

7. Appendices

Appendix 1 - Site Location Plans
Appendix 2 Confidential/Private

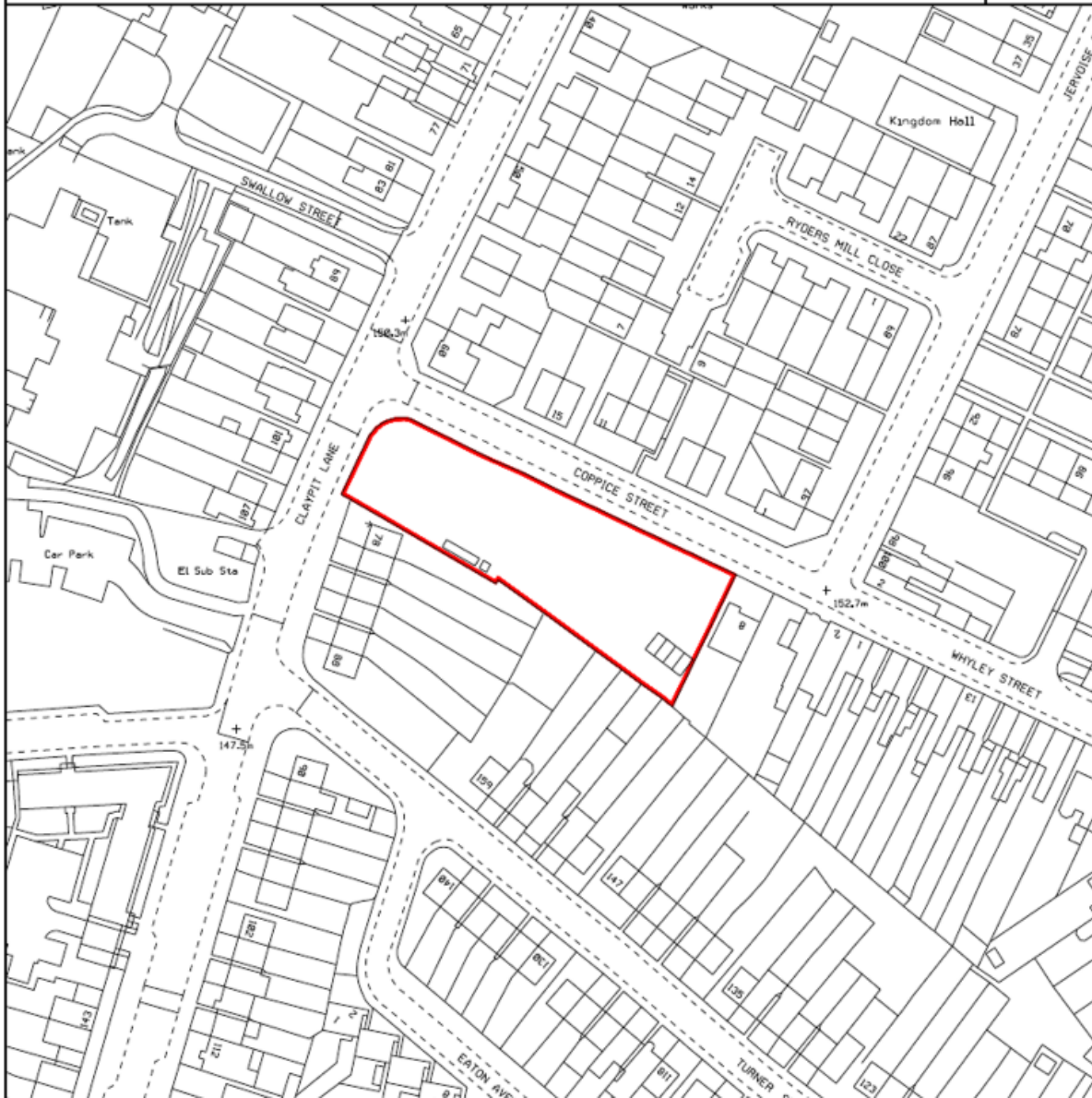
8. Background Papers

- 8.1 Report to The Cabinet, 18 October 2017 Housing Revenue Account Funded Housing Investment Programme Minute no 167/17 refers
- 8.2 Cabinet decision 22 June 2022 - Provision of new council homes on 3 no sites to be delivered via LHC Framework Alliance Contract (turnkey Option) – (Cabinet - minute No. 140/22)

Appendix 1A - Coppice Street

REGENERATION AND PLANNING

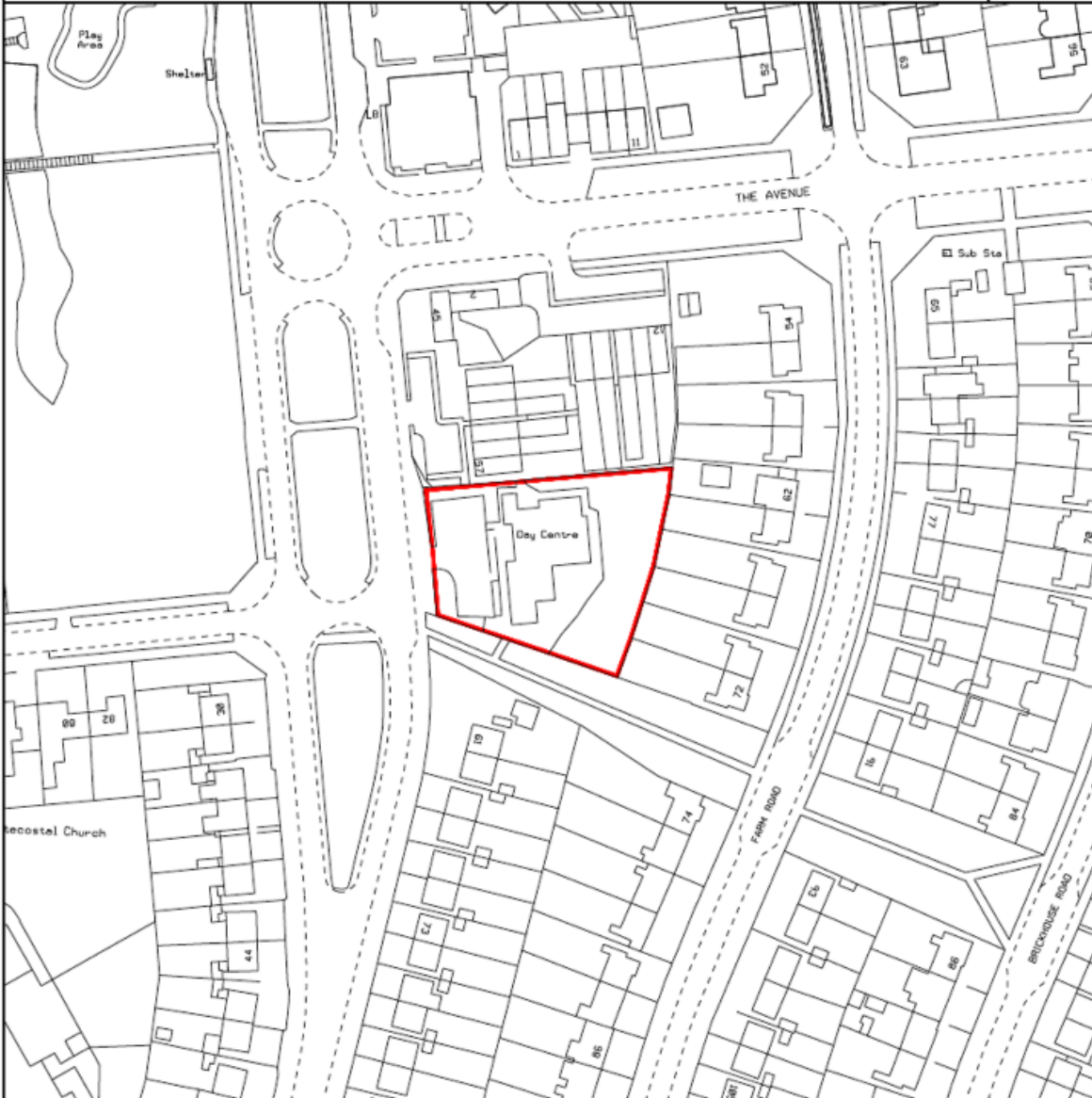
STRATEGIC ASSET MANAGEMENT



Appendix 1B - Harvest Road

REGENERATION AND PLANNING

STRATEGIC ASSET MANAGEMENT



Appendix 1C - Railway Street

REGENERATION AND PLANNING

STRATEGIC ASSET MANAGEMENT



NORTH

