

REPORT TO CABINET

16 May 2018

Subject:	Delivering New Homes – Demolition and Clearance of Church Vale Supported Housing Scheme – Construction of 26 New Affordable Homes on the Site
Presenting Cabinet Member:	Councillor Kerrie Carmichael – Cabinet Member for Housing
Director:	Executive Director – Neighbourhoods – Dr Alison Knight Director – Housing and Communities – Alan Caddick
Contribution towards Vision 2030:	
Key Decision:	Yes
Forward Plan (28 day notice) Reference:	SMBC11/04/2018
Cabinet Member Approval and Date:	Cllr Kerrie Carmichael
Director Approval:	Dr Alison Knight
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Cllr Linda Horton Cllr Keith Davies Cllr Richard Marshall
Scrutiny Consultation Considered?	Scrutiny have not been consulted
Contact Officer(s):	Alan Martin – Housing Programmes & Partnerships Manager alan_martin@sandwell.gov.uk Warren Williams – Housing Investment & Development Officer warren_williams@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

Authorise, subject to grant funding from the Shared Ownership and Affordable Homes Programme administered by Homes England (formally Homes & Communities Agency) being approved;

- a) the development of approximately 5140.8 square metres (0.514 hectares) of land off Church Hill Street / Lowry Close, Smethwick, shown for identification purposes only at Appendix 1 with a new-build council housing scheme circa 26 units subject to planning consent;
- b) the demolition of a two-storey property (Churchvale, previously used as a homeless hostel) on Lowry Close Smethwick.
- c) subject to (a) above, the Executive Director – Resources allocate adequate resources to fund the proposed project;
- d) subject to (a) above, the Director – Regeneration & Growth or Executive Director of Neighbourhoods, in consultation with the Executive Director - Resources, Director of Housing and Communities and the Section 151 officer be authorised to prepare tendering documentation. Thereafter, to procure, in accordance with the public procurement rules, the Council's procurement and financial regulations and the requirements of the DPP3 framework, 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 Executive Director - Resources;
- e) subject to (a and c above) the Director – Monitoring Officer 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 and any other agreements with the procured contractor/s and with Homes England, as may be deemed necessary to facilitate development of the site with a housing scheme on terms and conditions to be agreed by the Director of Regeneration and Growth;
- f) that, subject to a, c and d above and following practical completion of each property, the Director of Housing and Communities be authorised to manage and let the premises in accordance with the Council's housing allocation policy;
- g) that the land and building at Lowry Close / Church Hill Street, referred to as Sites A and B attached as Appendix A be appropriated from the General Fund(GF) to the Housing Revenue Account (HRA) and the

Executive Director – Resources be authorised to adjust the accounts accordingly;

h) A full appraisal has been undertaken by Strategic Finance. The appraisal recorded a score of 68%. That the following action points identified within the Appraisal Report be implemented to reduce any risk to the Council.

- Review the proposals of property types to ensure that the strategic needs of the Council are met through the best use of resources.
- Produce a detailed project plan to assist in ensuring that the project can be delivered in a timely manner, in accordance with Homes England's timescales and to minimise the risk of repayment of grant funding.
- Produce a detailed governance structure for the project and determine roles and responsibilities for monitoring the contract with Accord Housing Association.
- Determine how proposed outcomes will be measured and reported.
- Ensure that the use of Right to Buy receipts are kept under review to ensure that the use of funding sources available to the Council are maximised.

1 PURPOSE OF THE REPORT

- 1.1 To seek approval to demolish an obsolete surplus to requirements former homeless hostel (Churchvale) and develop the Council owned site off Church Hill Street / Lowry Close, Smethwick with circa 26 new Council owned affordable rented homes, subject to planning consent, being a mix of 2 and 3 bedroom houses.

2 IMPLICATIONS FOR THE COUNCIL'S AMBITION

- *People, Ambition 3 – Our workforce and young people are skilled and talented, geared up to respond to changing business needs and to win rewarding jobs in a growing economy*

- 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.
- *Place, Ambition 7 – We now have many new homes to meet a full range of housing needs in attractive neighbourhoods and close to key transport routes*
 - The redevelopment of this under-utilised site with modern residential accommodation will improve the immediate area, public realm, street scene and the asset base of the borough by providing much needed affordable housing.
 - 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.
 - 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 and which provides energy efficient buildings, in furtherance of the aims of the Environmental Policy for Sandwell.

3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 This report seeks the approval to proceed with the development of Council land with circa 26 new build affordable rented properties that will form part of the HRA. This requires the approval of the associated budget to fund the project, to procure the project and to enter into or execute under seal any documentation in relation to the delivery of the project.
- 3.2 The Housing Revenue Account Business Plan approved by Cabinet on 8 February 2017 includes a requirement for provision of a number of high quality Council-owned housing units to replace stock lost by the Right to Buy.
- 3.3 This scheme will provide 26 new council owned affordable homes that meet Building Regulations and current housing requirements.
- 3.4 Sandwell's Housing Management Team have provided housing demand data in relation to bidding activity for different property types in the area which shows that there is demand for all the proposed property types.

- 3.5 It is envisaged that construction works will commence June 2019 subject to the procurement process, partner selection and completed contractual arrangements. It is anticipated that the properties will be completed by May 2020 but this will be subject to a phased delivery agreed with the selected partner.
- 3.6 A full appraisal has been undertaken by Strategic Finance. The appraisal recorded a score of 68%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks.

THE CURRENT POSITION

4

- 4.1 Currently the building and the site are vacant and underutilised. The Council is currently incurring considerable management costs maintaining the security of the building and dealing with fly tipping and anti-social behaviour.
- 4.2 A briefing paper and member visits have been undertaken for this site to raise awareness of the proposal. Local ward members and the Cabinet member for Housing have been informed of the proposals and kept up to date with progress.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 Public consultation will be undertaken as part of the Statutory Planning process.
- 5.2 The Executive Director of Neighbourhoods Dr Alison Knight has met with representatives from the Guru Nanak Gurdwara, High Street, Smethwick and informed them of the proposal to build Council houses on the site. Whilst the Guru Nanak Gurdwara had previously expressed an interest in the site for a community development they accepted that the council house build scheme would be progressing, subject to cabinet approval. Officers are looking at other ways in which their aspirations can be supported.

6 ALTERNATIVE OPTIONS

- 6.1 As part of the appraisal process the following options were considered:
- 6.2 **Option A - Reuse of the existing building for supported housing purposes.**

Consideration has been given to the reuse of the Churchvale building as a supported housing scheme. The building is in need of modernization with estimated costs for refurbishment in excess of £50,000.

This option has been considered in depth with the potential of offering the building to P3 the Council's partner in the Council's statutory homeless function. P3 were originally interested in leasing the building for the remaining duration of their contract, however, the contract has less than two years remaining so the cost of refurbishment to bring the building back into use would not be viable over that period.

6.3 **Option B - Dispose of the building on the open market**

The estimated value of the building is in the region of £450,000 and if the small area of land to the south is included this would increase to £570,000

The building could be disposed of on the open market but this would result in the loss of a Council asset that can be used for the Council build programme and the Council would have very little control over the future use of the building

6.4 **Option C - Clear the site.**

This option proposes that the building is demolished and disposal of the site on the open market (including the plot to the south), the estimated value would be in the region of £750,000. This capital receipt would be reduced to cover the costs of demolition and site clearance which is circa £500,000

Clearing the site and disposal of the site on the open market would remove the current ASB problems and remove the issues of future use of the existing building as Option B but again would result in the loss of a Council asset that can be used for the Council build programme

6.5 **Option D – work in partnership with a private developer to build out the site for private sale with the Council being provided with 7 affordable homes through a Section 106 Agreement.**

Under planning policy, there is a requirement for the provision of affordable homes on all private residential developments of more than 15 units. If this option is pursued it would result in the disposal of the land for market sale units with an understanding that section 106 would be implemented as part of the planning process. There is no guarantee that this would result in seven affordable units as the developer has the potential to challenge the 106 provisions on viability grounds which may result in reduced or no affordable housing. This option would also offer reduced or nil contribution to the Council's new build programme.

6.6 **Option E – Redevelop as council-owned affordable rented accommodation'**

Development finance to support this initiative is available through the Housing Revenue Account and Homes England grant funding.

6.7 **Option recommended for approval and reasoning:**

It is recommended to pursue Option E as this contributes towards the Council's aspirations of increasing Council owned affordable rented stock.

The benefit of redeveloping the site for council housing is that construction of new properties would help towards providing a comprehensive approach for the redevelopment of the area and remove on-going problems of fly tipping and anti-social behaviour. The use of the asset would contribute to the Council's wider development programme and meeting current targets.

In terms of housing need, council-ownership would ensure that these affordable rented properties would be dedicated to housing people from the Council's Housing Register.

Completion of the project will also attract the following financial benefits to the council:

- 1) Additional council tax income
- 2) New homes bonus

7 **STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 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.
- 7.2 The site and the building (see Appendix 1) currently sits within the under the General Fund and will need appropriation to the Housing Revenue Account.
- 7.3 If the bid for grant funding from the Shared Ownership and Affordable Homes Programme or any other programmes administered by Homes England is unsuccessful a further report will be submitted to Cabinet to consider further resources from the HRA reserves or any other funding sources that may become available.

- 7.4 As noted above, the HRA business plan approved by Cabinet in October 2017 includes £70 million for new build council homes over the next 3 years to 2020/21 and the building costs will be funded from this allocation. The estimated revenue capital financing costs and associated rent income and maintenance costs have been included in the HRA 30-year business plan.
- 7.5 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 7 December 2016 whereby all new build properties rent will be set as an affordable rent.
- 7.6 The increase in new homes will also allow the Council to claim additional government grant under the New Homes Bonus Scheme and result in additional income generation from Council Tax. This is estimated as follows:

New Homes Bonus	-	£ 36,669.53 (Note 1)
Council Tax	-	£ 23,360.22 per annum (Note 2)

Total	-	£60,029.75

Note 1 The figure for NHB is the potential receipt that can be generated if the authority meets and exceeds its baseline additions figure set by Central Government and, therefore, cannot be guaranteed. NHB received for 4 years at present.

Note 2 This figure assumes that the dwellings fall into property band A for council tax purposes and that the tenants are not subject to council tax relief.

- 7.7 Detailed financial modelling has been developed for this proposal based on the standard assumptions used by Homes England for affordable housing. 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) and Homes England grant funding. This modelling shows that the debt that the council is exposed to without grant becomes a surplus around 37 years after initial borrowing and investment. The modelling also shows that the debt that the council is exposed with a grant on an assumed figure per unit becomes a surplus around 23 years after initial borrowing and investment. In the context of overall value of the scheme, these payback periods appear to present a reasonable risk.
- 7.8 Accord Housing Association will manage and monitor grant funding from Homes England at a cost of £417 per unit. The cost to the Council of £10,842 will be funded through the Housing Revenue Account

- 7.9 A full appraisal has been undertaken by Strategic Finance. The appraisal recorded a score of 68%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks.

LEGAL AND GOVERNANCE CONSIDERATIONS

8

- 8.1 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.
- 8.2 Pursuant to the Localism Act 2011 (S 1 – 7), Local Authorities have a general power of competence to do anything that individuals generally may do.
- 8.3 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.
- 8.4 An Equality Impact Screening Assessment has been completed and has not highlighted any equality issues.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.

10 DATA PROTECTION IMPACT ASSESSMENT

- 10.1 This report does not relate to the collection of personal information and therefore a privacy impact assessment is not required.

11 CRIME AND DISORDER AND RISK ASSESSMENT

- 11.1 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. A project risk register has been compiled and will be reviewed and updated on a regular basis. The risk register is monitored by the Project Team. 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.

11.2 The current assessment has identified one “red” risk that needs to be reported at this stage. This is in relation to possible delays in obtaining planning permission owing to any objections to the development being received. Actions have been put in place to mitigate this risk.

12 SUSTAINABILITY OF PROPOSALS

12.1 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.

12.2 The construction of the scheme will be managed by Housing Partnerships Team and delivered by the selected developer. The construction and development costs associated with the project will be met from within the Housing Revenue Fund, by means of Prudential Borrowing and grant from Homes England subject to approval.

12.3 The properties once completed will be managed and maintained by the Council and the associated costs will be met from within the Housing Revenue Account.

12.4 The income generated from the rent will also go back into the Housing Revenue Account.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

13.1 Currently the building and site are vacant and under-utilised. Redevelopment of the sites with modern residential accommodation will improve the immediate area, public realm, street scene and the asset base of the borough by providing much needed affordable, high quality, energy efficient housing.

13.2 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.

13.3 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.

14 **IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND**

- 14.1 The site is currently in the General Fund, and will need appropriating into 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.
- 14.2 Completed properties will be managed within existing resources from Neighbourhood Services.

15 **CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS**

Following the introduction of greater flexibilities for local authorities the Council is now able to develop the site with circa 26 homes as part of the new strategic approach to provide more and better housing in the borough.

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

- Increasing the levels of high quality stock to replace units lost under right to buy through the HRA investment programme. (Minute no. 1/13 of the joint meeting of Strategic Resources and Jobs & Economy)
- 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.
- Re-developing areas of vacant land reducing the quantity of vacant land in the Borough and improve the image of the local built environment thereby supporting the aim of creating a safe and clean place to live.
- 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.

16 BACKGROUND PAPERS

- 16.1 Report to the Cabinet Member for Strategic Resources and Jobs & Economy, 21st November 2013 - Minute no. 1/13 refers
- 16.2 Report to the Cabinet Member for Strategic Resources and Jobs and Economy, 29th October 2014 Changing the Housing Landscape in Sandwell (Key Decision Ref. No. C043) Minute no 75/14 refers
- 16.3 Report to The Cabinet, 6th 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
- 16.4 Report to The Cabinet, 7th 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.
- 16.5 Report to The Cabinet, 8th February 2017 Housing Revenue Account Business Plan 2017-20 Minute no 21/17 refers
- 16.6 Report to The Cabinet, 18th October 2017 Housing Revenue Account Funded Housing Investment Programme Minute no 167/17 refers

17 APPENDICES:

Appendix 1 – Site Plan

Appendix 2 – Layout Plan

Dr Alison Knight
Executive Director – Neighbourhoods

Alan Caddick
Director – Housing and Communities