

REPORT TO CABINET

20 March 2019

Subject:	Construction of 10 new Affordable Homes and Demolition and Clearance of former Science Block at Britannia Road School, Rowley Regis
Presenting Cabinet Member:	Councillor Kerrie Carmichael - Cabinet Member for Housing
Director:	Director of Regeneration and Growth – Amy Harhoff Director of Housing & Communities – Alan Caddick
Contribution towards Vision 2030:	
Key Decision:	Yes
Forward Plan (28 day notice) Reference:	SMBC07/05/2018
Cabinet Member Approval and Date:	Councillor Kerrie Carmichael
Director Approval:	Director of Regeneration and Growth – Amy Harhoff
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Cllr Kerrie Carmichael
Scrutiny Consultation Considered?	Scrutiny have not been consulted
Contact Officer(s):	Alan Martin / John Billington-Cox Housing & Partnerships Alan_martin@sandwell.gov.uk john_billingtoncox@sandwell.gov.uk

DECISION RECOMMENDATIONS

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

1. declares 1962.0 square metres (0.2 hectares) of land off Britannia Road, Rowley Regis, shown for identification purposes only at Appendix 1, surplus to the requirements of Education Skills and Employment;
2. subject to 1. (above) authorises the Director – Law and Governance and Monitoring Officer to enter into or execute under seal any documentation necessary to complete the transfer of the freehold land and the buildings at Britannia Road, Rowley Regis, (referred to at Appendix 1) from Sandwell Land and Property Ltd, to the Council (including the surrender of the long lease currently held by the Council and appropriated to the Education portfolio);
3. upon the transfer of the freehold from Sandwell Land and Property Ltd, to the Council, approves the appropriation of the land and buildings at Britannia Road, Rowley Regis (shown on Appendix 1) to the Housing Revenue Account (HRA) and authorises the Executive Director – Resources to adjust the accounts accordingly;
4. subject to 1 to 3 (above), approves the demolition and clearance of the two storey science block (more recently used by the Lighthouse Project) that was part of the former Britannia High School site, Britannia Road, Rowley Regis, shown for identification purposes at Appendix 1;
5. subject to 1 to 4 (above), approves the development of approximately 1962.0 square metres (0.2 hectares) of land off Britannia Road, Rowley Regis, shown for identification purposes only at Appendix 1, with a new-build council housing scheme circa 10 units as outlined in Appendix 2, subject to planning consent;
6. subject to 1 to 5 (above), authorises the Executive Director – Resources to allocate adequate resources to fund the proposed project;

7. subject to 1 to 6 (above) authorises the Director – Regeneration and Growth, in consultation with the Executive Director - Resources, the Director of Housing and Communities to prepare tendering documentation and thereafter, to procure, in accordance with the public procurement rules and the Council’s procurement and financial regulations a contractor/contractors to demolish and develop, on behalf of the Council, the proposed housing scheme; and 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;
8. subject to 1 to 7 (above) authorises the Director – Law and Governance and Monitoring Officer to enter into or execute under seal any documentation in relation to the 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;
9. that, subject to 1 to 8 (above) and, following practical completion of each property, authorises the Director of Housing and Communities to manage and let the premises in accordance with the Council’s Housing Allocation Policy;
10. approves the implementation of the following action points identified within the Strategic Investment Unit Appraisal Report to reduce any risk to the Council:
 - Ensure that the long-term requirements of the Council for the site, including the need for school places within the area, are fully evaluated prior to reallocating the site for housing development.
 - Determine the ownership of the site to enable the appropriation/purchase of the land and identify any legal restrictions that may impact on site redevelopment.
 - 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 a surplus to requirements, two storey science block that was part of the former Britannia High School site, Britannia Road, Rowley Regis to develop the site with circa 10 new Council owned affordable rented homes, subject to planning consent, being a mix of 2 and 4 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 10 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 10 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 pre-demolition works will commence in April 2019 with start on site July 2019 and the pre- construction phase will commence July 2019 with a start on site January 2020 subject to the procurement process, developer selection and completed contractual arrangements. It is anticipated that the properties will be completed by October 2020 but this will be subject to a phased delivery agreed with the selected developer.
- 3.6 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 £4,170 will be funded through the Housing Revenue Account.
- 3.7 A full appraisal has been undertaken by Strategic Finance. The appraisal recorded a score of 65%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks.
 - Ensure that the long-term requirements of the Council for the site, including the need for school places within the area, are fully evaluated prior to reallocating the site for housing development.
 - Determine the ownership of the site to enable the appropriation/purchase of the land.

- 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.

4 THE CURRENT POSITION

- 4.1 Currently the building and the site are vacant and underutilised. The Council is currently managing the maintenance and security of the building to prevent potential fly tipping and anti-social behaviour.
- 4.2 A visit has 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.
- 4.3 The freehold is currently held by Sandwell Land and Property Ltd, subject to a long lease granted to the Council. The long lease is currently held by the Council and appropriated to the education directorate's portfolio.
- 4.4 The land and buildings have not been used for education purposes for over 8 years.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 Public consultation will be undertaken as part of the Statutory Planning process.
- 5.2 The Chair of Governors of the adjacent Blackheath Primary School have been consulted by Strategic Assets and Land regarding the future use of the site and assurances were given regarding health and safety controls and the impact on the school during any subsequent development works.

6 ALTERNATIVE OPTIONS

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

6.1.1. Option A – Dispose of the building on the open market

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 and could give rise to safeguarding issues given the location and close proximity to the adjacent primary school.

6.1.2. Option B – Clear the site and disposal on the open market

Clearing the site and disposal of the site on the open market would remove the potential ASB problems and also remove the issues of future use of the existing building as Option A but again 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 site other than planning.

6.1.3. Option C – work in partnership with a Registered Provider to build out the site.

The Council is also experiencing problems with RPs scaling back their development programme's (particularly in low value areas) with the majority not developing at all due to the viability with regard to imposed rent reductions and the impact on their business plans and financing borrowing.

6.1.4. Option D - Redevelop as Council owned affordable rented accommodation - Considered to be the most viable option.

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

6.2 Option recommended for approval and reasoning:

It is recommended to pursue Option D 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 help prevent potential 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 and ensure that the future use is compatible with the adjacent school use.

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) is held by Sandwell Land and Property Ltd (SLaP) and will need appropriation to the Housing Revenue Account.
- 7.3 The appraisal carried out on the project includes a bid for grant funding from the Shared Ownership and Affordable Homes Programme. 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 submit a bid for 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.
- 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	-	£ 14,103.67 (Note 1)
Council Tax	-	£ 8,984.70 per annum (Note 2)

Total	-	£23,088.37

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 45 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 41 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 A full appraisal has been undertaken by Strategic Finance. The appraisal recorded a score of 65%. Some risks have been identified as a result of the appraisal and action points recommended to mitigate these risks.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

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.

- 8.5 The freehold of the land was transferred to Sandwell Land and Property Ltd, along with other Education assets in around 2012, and at that time, the Council took a long lease back. The long leasehold title has been held as part of the Education portfolio, although the property has not been used for Education purposes for 8 years. The proposal is that the freehold interest in the land will be transferred back to the Council, subject to the long lease, and an application will be lodged with the Land Registry, to extinguish the long leasehold title. The freehold title will then be appropriated to the HRA.
- 8.6 Pursuant to Schedule 14 of the Education Act 2011, there is a requirement to ask for Secretary of State consent to dispose all land in which a freehold or leasehold interest is held by the local authority and which has been used for any school (including any academy) in the last 8 years. The land has not been used for Education purposes for over 8 years so consent is not required for the surrender of the long lease.

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 SLAP (Sandwell Land and Property) will need transferring to General Fund and then 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 10 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.

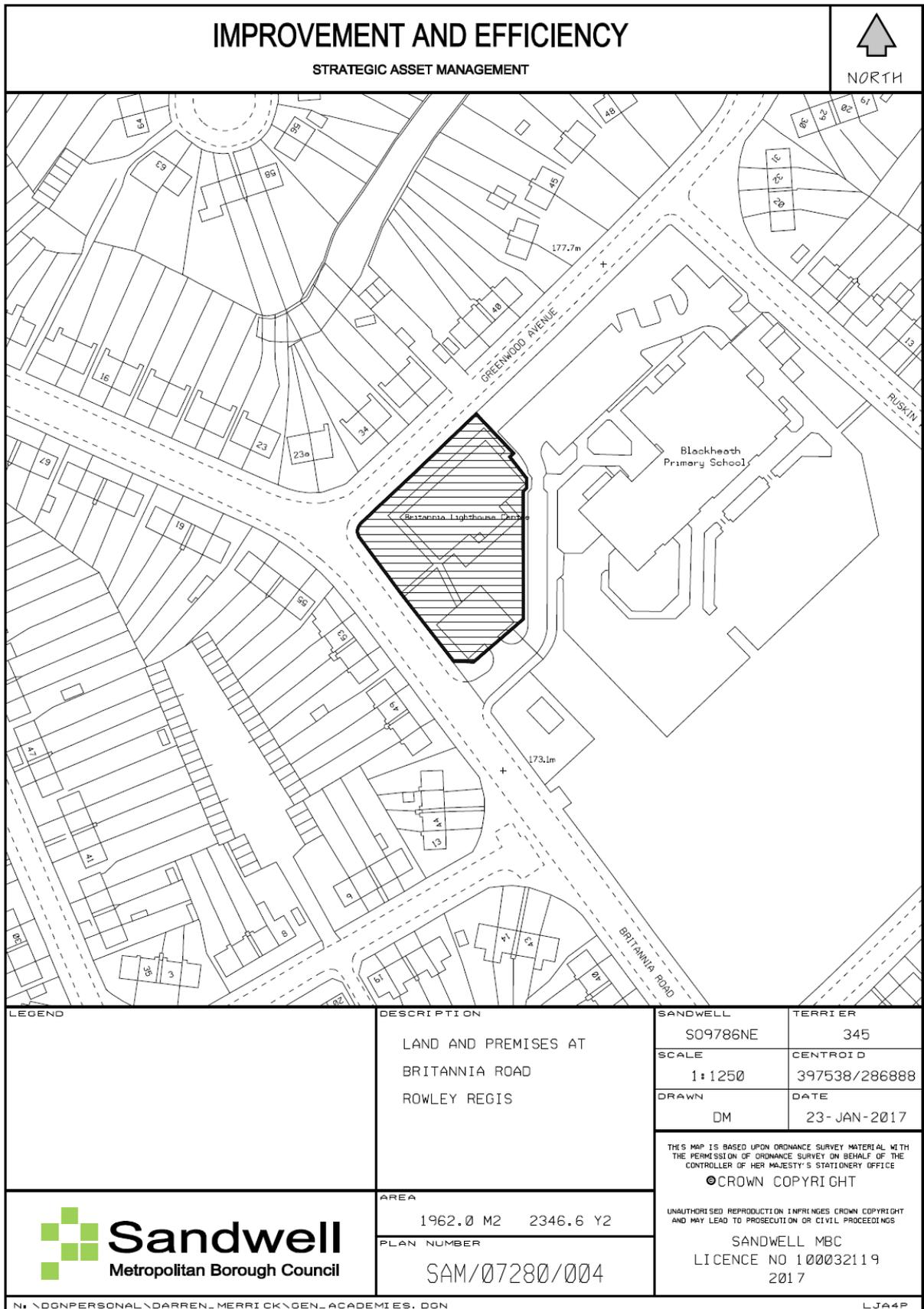
- Linking to the work of Think Local and Find-it-in-Sandwell approaches that will offer significant employment and training opportunities as well as additional community benefits to the local economy, including working with local supply chains and use of local labour.
- Producing positive outputs for 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
- 16.7 Report to The Cabinet, 28th February 2018 Approval to Enter into a Grant Funding Agreement with Homes England and a Consortium Agreement with Accord Housing Association Minute no. 39/18 refers

17 **APPENDICES:**

- Appendix 1 – Site Plan
- Appendix 2 – Layout Plan
- Appendix 3 – Strategic Finance Appraisal Report



LEGEND	DESCRIPTION LAND AND PREMISES AT BRITANNIA ROAD ROWLEY REGIS	SANDWELL	TERRIER
		S09786NE	345
	AREA	<small>THIS MAP IS BASED UPON ORDNANCE SURVEY MATERIAL WITH THE PERMISSION OF ORDNANCE SURVEY ON BEHALF OF THE CONTROLLER OF HER MAJESTY'S STATIONERY OFFICE</small> ©CROWN COPYRIGHT	
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