

REPORT TO CABINET

26 June 2019

Subject:	Funding for remediation works at King Street and Mounts Road, Wednesbury, and Stanhope Road, Smethwick
Presenting Cabinet Member:	Councillor Bob Lloyd - Cabinet Member for Inclusive Economic Growth
Director:	Executive Director - Neighbourhoods - Alison Knight
Contribution towards Vision 2030: 	
Key Decision:	Yes
Cabinet Member Approval and Date:	Councillor Bob Lloyd - Cabinet Member for Inclusive Economic Growth
Director Approval:	Alison Knight – Executive Director Neighbourhoods
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Ward members have not been consulted
Scrutiny Consultation Considered?	Scrutiny consultation has not been undertaken
Contact Officer(s):	Tammy Stokes Planning Regeneration Manager tammy_stokes@sandwell.gov.uk 0121 569 4876 Ceri Phillips Senior Planner ceri_phillips@sandwell.gov.uk 0121 569 4128

DECISION RECOMMENDATIONS

That Cabinet:

- Authorise the Executive Director – Neighbourhoods to proceed with the application for grant funding to the Black Country LEP to enable the remediation and redevelopment of the sites as shown on Plan Nos. SAM/27640/005, SAM/33740/005 and SAM/45960/004.
- Authorise the Director – Law and Governance and Monitoring Officer to enter into or execute under seal, if necessary, any other related documentation in connection with enabling the sites for redevelopment referred to in recommendation 1 above, on terms and conditions to be agreed by the Executive Director - Neighbourhoods. The Council will not accept any specific conditionality on funding in the grant agreement that requires the provision of housing outputs by a specified date but will accept to use reasonable endeavours to deliver the desired outcomes.
- Authorise the Executive Director – Neighbourhoods, subject to the receipt of a grant award from the Black Country LEP, to implement a programme of new build Council houses on the sites at Stanhope Road and King Street and dispose of the site at Mounts Road for private residential development on the open market.
- Authorise the Executive Director – Neighbourhoods, subject to the receipt of a grant award from the Black Country LEP and subject to confirmation of the funding from the National Health Service, to seek tenders for the delivery of a health clinic on the King Street, Wednesbury, site.

1 PURPOSE OF THE REPORT

- 1.1 This report sets out the details of a proposed funding application to the Black Country Local Enterprise Partnership (BCLEP) for remediation funding on three Council-owned sites. Subject to the award of grant for remediation, it is intended that the redevelopment for residential use of sites at Mounts Road and King Street in Wednesbury and Stanhope Road in Smethwick be pursued. In addition to the new houses, it is intended that there will be a linked development of a health centre at King Street. This report clarifies what the project is anticipated to achieve.

2 IMPLICATION FOR THE VISION 2030

- 2.1 Ambition 7 – Create environments in the six towns where people choose to live. “Sandwell will have significant numbers of new homes built close to key transport routes”.
- 2.2 Enabling these three, vacant long-underused sites to come forward for redevelopment will directly reclaim 2.46 hectares of brownfield land. By removing the constraints to redevelopment, the sites will then have the potential to deliver approximately 65 new housing units together with a new health centre. It is proposed that two of the sites at King Street and Stanhope Road are used to provide much needed Council accommodation with the third site at Mounts Road being the proposed site of an exemplar private housing scheme using modern methods of construction techniques. The site at King Street will in addition be used to provide the location for a new health centre.

3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 There are three Council-owned sites within Sandwell at Mounts Road, Wednesbury, Stanhope Road, Smethwick and King Street, Wednesbury that are considered suitable for residential redevelopment. However, site constraints have resulted in them not being brought forward for development and they have remained vacant and underutilised for a number of years, whilst the demand for housing and associated infrastructure in the Borough continues to grow.
- 3.2 The site at Mounts Road (plan SAM/33740/005 refers) is within an historic coal mining area with untreated mineshafts and shallow coal measures. It was subsequently used as a refuse tip resulting in the creation of contaminated fill material. Site Investigations were carried out in 2015 and an abnormals cost estimate to enable residential redevelopment was prepared in 2018. A previous Outline Planning Permission for residential redevelopment was secured by the Council (DC/14/57551 refers) though this was not implemented given the uncertainties regarding the viability of the proposal.
- 3.3 The site at Stanhope Road (plan SAM/45960/004 refers) 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. A site investigation has been carried out and an abnormals cost estimate to enable residential redevelopment was prepared in 2018. The Council obtained full Planning Permission for the redevelopment of the site with 40 dwellings (DC/11/53075 refers) and has previously sought to dispose of the site on the open market.

- 3.4 The site at King Street (plan SAM/27640/005 refers) is within an area of historic coal mining with untreated mineshafts and shallow coal measures. An abnormals cost estimate to remediate the site to enable it to be redeveloped for residential redevelopment was prepared in 2018.
- 3.5 The recent OAN assessment to inform the revision of the Black Country Core Strategy identifies a need for 31,898 new dwellings in the Borough between (2014-2036), or 1,450 per year. It is considered therefore that demand for housing will continue to increase in the Borough for the foreseeable future. The Council is required to bring forward brown field sites wherever possible to meet its housing targets identified in the Black Country Core Strategy.
- 3.6 The site at King Street will in addition be used to provide the location for a new health centre for Wednesbury. There has been a long-standing desire to provide a new facility for the area to replace the temporary, unsatisfactory provision at the Spires in Victoria Street. Confirmation of LEP funding for the site along with the build cost tenders and a delivery options appraisal will allow the Council to achieve Full Business Case stage on the new Health Centre proposal. The Council will then, following a capital appraisal, be able to make specific recommendations to Cabinet on the viability of the development of a Health Centre on the site.
- 3.7 Given the uncertainty over the viability of the three sites for development by the private sector, an Initial Proposal application was submitted to the BCLEP seeking funding for the remediation work to assist in bringing the sites forward for residential redevelopment. This application was approved in principle and the Council was invited to submit a Full Business Case to secure the grant funding. The purpose of this report is therefore to seek Cabinet approval to submit the Full Business Case application.
- 3.8 The BCLEP originally proposed to impose a condition on the funding agreement that should the housing outputs not be delivered by March 2021, any funding provided would be subject to clawback and return. A full appraisal was undertaken by Strategic Finance of this proposal and they expressed concern at the financial risks to the Council which would require underwriting of this funding from existing budgets. Their original appraisal process recorded scores of 75% for Stanhope Road; 61% for King Street and 58% for Mounts Road, Wednesbury.
- 3.9 The BCLEP have now agreed that there will not be a requirement to provide the housing outputs by a specific date and the underwriting only relates to the remediation works which will be grant funded. The Council could not accept a condition relating to the provision of housing outputs because of the financial risk but would use its reasonable endeavours to deliver the desired housing outcomes.

4 THE CURRENT POSITION

- 4.1 The proposed grant funding investment in remediation work applied for will assist in bringing the sites forward for redevelopment by providing clean sites. It is proposed subject to the approval of the application that the potential for the sites at Stanhope Road and King Street to be used to provide new Council House accommodation will be pursued. This would meet an identified need in the area and in addition, would provide certainty that there is a developer in place to secure the new accommodation. This work would bring the sites back into beneficial use after a number of years and help reduce issues with anti-social behaviour. In addition, it is proposed that the site at King Street be used to provide a new health centre for Wednesbury. It is proposed that the site at Mounts Road be sold on the open market subject to a development agreement that a sustainable development is completed using modular methods of construction techniques. This will act as a pilot exemplar project to promote the benefits of such methods of construction.
- 4.2 SMBC staff costs for managing the project, including the necessary specialist input from engineers, and legal services is ineligible for grant funding. These costs are estimated and have been included in the funding application as part of the Council's funding contribution towards the project.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 The Cabinet Member for Homes has been consulted, and she supports the redevelopment of these three long vacant sites to bring them back into beneficial use and contribute towards the Council's need for additional housing and community facilities.
- 5.2 The redevelopment of these sites is subject to planning approval and as such consultation with customers and stakeholders will form part of this process. Planning Permission was granted on the 8th May 2019 for the construction of a health centre and five dwellings at King Street (DC/18/62165 refers.)

6 ALTERNATIVE OPTIONS

- 6.1 The three sites could be retained by the Council and secured from trespass. However, they could still be a source of anti-social behaviour potentially having a detrimental impact on local residential amenity and they would be unproductive, not contributing towards the Council's housing need or provision of community facilities. Alternatively, the proposal to dispose of the sites on the open market could be reconsidered. It is suggested however that given the uncertainties around the costs of reclamation, the sites would be unattractive to the private sector.
- 6.2 The option to apply for grant funding from the BCLEP was chosen as it could potentially achieve all the outputs and desired outcomes of the redevelopment proposal.

7 STRATEGIC RESOURCE IMPLICATIONS

- 7.1 The original proposed application was appraised by Strategic Finance. They identified financial risks to the Council as a result of their appraisal and recommended action points to mitigate these risks. Their main concern related to the potential clawback of funding should the outputs not be delivered by a specified date and the associated need for funding to be identified to underwrite the funding should clawback be required. The BCLEP have now agreed that there will not be a requirement to provide the housing outputs by a specific date and the underwriting only relates to the remediation works which will be grant funded. Strategic Finance have confirmed that this arrangement would reduce the financial risk to the Council.
- 7.2 A risk register has been produced and submitted to the Risk Management Team who confirm that significant risks have been identified with regard to ground conditions, costs and securing development and that measures have/ will be put in place to manage these to an acceptable level.
- 7.3 Should the funding application be successful, the costs of remediation will be financed by grant with the council and the private sector contributing to the development project.
- 7.4 It should be noted that all costs included in the funding application are best estimates of the proposed works based on historic site investigation works and the exact costs of remediation can only be finalised once the intrusive site works have been undertaken and any unforeseen costs identified.

- 7.5 Whilst it is possible to apply for further grant funding to meet cost increases, they are subject to approval by the BCLEP. Contingencies have been applied to cost estimates.
- 7.6 It should also be noted that, in addition to the potential capital receipt expected from the site disposal at Mounts Road, there is also the potential to generate additional Council tax income on the re-development of the other sites.
- 7.7 It should be noted that if there were to be any uplift in the land value the proceeds of the sale (limited to the uplift) may need to be held in trust on behalf of the funding body.
- 7.8 A financial appraisal has not been undertaken on the development of the clinic at King Street though it has been the subject of a modelling exercise. A further Cabinet report will be required in due course to approve the appointment of the selected contractor and the appraisal will be completed at this stage.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 Local authorities have powers under the Local Government Act 1972 to dispose of land and powers under the Local Authorities (Land) Act 1963, for the benefit or improvement of their area, erect any building and construct or carry out works on land. The General Power of Competence (Localism Act 2011) provides that a local authority has the power to do anything that individuals generally may need - provided they do not break other laws.
- 8.2 Local Enterprise Partnerships are business-led partnerships with local authorities, and are charged with improving economic growth.
- 8.3 Section 123 of the Local Government Act 1972 imposes a statutory duty on local authorities that land should be sold for the best consideration reasonably obtainable.
- 8.4 The contracts for the remediation works will be awarded in accordance with the Council's procurement rules, and the works will be carried out in line with the Council's standard terms to ensure safety of members of the public, Council employees and the contractors.
- 8.5 The scope of the proposed works falls within the curtilage of the council's freehold land ownership and is public land. It is therefore considered that there are no State Aid implications.
- 8.6 The council will require consent from the grant funding Accountable Body prior to disposal of the site.

- 8.7 It should be noted that if there were to be any uplift in the land value the proceeds of the sale (limited to the uplift) may need to be held in trust on behalf of the funding body.
- 8.8 Appropriate caveats will be applied to the disposal of the Mounts Road site to ensure it is redeveloped timely and in accordance with the terms of the grant agreement and the council's regeneration aspirations. The funding agreement with the BCLEP will require the council effectively to underwrite the outputs, even if these are in the hands of third parties. The Council usually backs off this risk against its other delivery partners but in this case the council will hold this risk.
- 8.9 The site at Stanhope Road and the land set aside for housing at King Street, excluding the site of the health centre, will be appropriated from the Council's General Fund to the Housing Revenue Account.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 The remediation works and subsequent redevelopment are subject to planning approval, and as such customers and stakeholders will be consulted.

10 DATA PROTECTION IMPACT ASSESSMENT *(set out what measures have been considered in order to ensure governance around the use of information etc).*

- 10.1 There are no data protection implications identified at this point.

11 CRIME AND DISORDER AND RISK ASSESSMENT

- 11.1 During the works site security will be the responsibility of the lead contractor.

12 SUSTAINABILITY OF PROPOSALS

- 12.1 The acceptance of the grant funding does not raise any issues with regard to the need to future proof proposals. Consideration will be given to future proofing during the development of any subsequent schemes.
- 12.2 Disposal of the Mounts Road site eliminates the council's maintenance liability and it is Government policy that local authorities should dispose of surplus land wherever possible.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

13.1 Any subsequent development proposals will be subject to social planning conditions.

14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

14.1 Disposal of Sandwell's freehold interest in the land shown on Plan No. SAM/33740/005.

15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

15.1 Proceeding with the grant funding application to the BCLEP will enable the council to bring three sites that have been vacant and underused for a number of years back into beneficial and sustainable use.

15.2 Utilising grant funding to remediate the sites will remove constraints to their redevelopment.

16 APPENDICES:

Site Plan SAM/27640/005
Site Plan SAM/33740/005
Site Plan SAM/45960/004

Alison Knight
Executive Director – Neighbourhoods