

## REPORT TO CABINET

07 August 2019

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| <b>Subject:</b>                                       | <b>Delivering new homes - Construction of new-build Council homes at Albion Road and Bull Lane West Bromwich</b>   |
| <b>Presenting Cabinet Member:</b>                     | <b>Councillor Joanne Hadley - Cabinet Member for Homes</b>   |
| <b>Director:</b>                                      | <b>Director of Regeneration &amp; Growth – Amy Harhoff<br/>Director of Housing &amp; Communities – Alan Caddick</b>  |
| <b>Contribution towards Vision 2030:</b>              |    |
| <b>Key Decision:</b>                                  | Yes  |
| <b>Cabinet Member Approval and Date:</b>              | Yes  |
| <b>Director Approval:</b>                             | Yes  |
| <b>Reason for Urgency:</b>                            | Urgency provisions do not apply  |
| <b>Exempt Information Ref:</b>                        | Exemption provisions do not apply  |
| <b>Ward Councillor (s) Consulted (if applicable):</b> | No   |
| <b>Scrutiny Consultation Considered?</b>              | Scrutiny consultation has not been undertaken  |
| <b>Contact Officer(s):</b>                            | John Billington-Cox<br>Housing Investment and Development Officer,<br>Housing & Partnerships<br><a href="mailto:john_billingtoncox@sandwell.gov.uk">john_billingtoncox@sandwell.gov.uk</a> |

## **DECISION RECOMMENDATIONS**

**That subject to grant funding from the Shared Ownership and Affordable Homes Programme administered by Homes England, being approved; Cabinet authorise:-**

- a) the demolition of 3 defective one-bedroom bungalows and the redevelopment of approximately 729.9 square metres of land off Albion Road West Bromwich, as shown for identification purposes only at Appendix 1 for the construction of 2 x 2 - bedroom bungalows subject to planning consent.
- b) the development of 918.4 square meters of land off Bull Lane West Bromwich, as shown for identification purposes only at Appendix 1, with a new-build council housing scheme comprising 2 x 4 – bedroom houses and one 2 bedroom bungalow subject to planning consent.
- c) subject to (a) and (b) above, the Executive Director – Resources allocate a sum of money of investment to fund the proposed project;
- d) subject to (a) and (b) above, the Director – Regeneration & Growth, in consultation with the Executive Director – Resources (Section 151 officer) and Director of Housing and Communities, be authorised to prepare tendering documentation and in accordance with the public procurement rules, the Council’s procurement and financial regulations and the requirements 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), (b) and (d) above, the Director – Law and Governance and Monitoring Officer enter into or execute under seal any documentation in relation to the award of the contract and/or development/partnership agreement, licence, undertaking 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), (b), (d) and (e) 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 allocations policy;

g) that the following action points identified within the Appraisal Report be implemented to reduce any risk to the Council:

- That prior to submitting an external funding bid to Homes England, the project programme is reviewed to ensure that the project will be delivered by March 2021.
- That a strategic plan is produced, prioritising sites on a value for money basis; assessed against pre-determined criteria and alternative options for achieving the Council's housing objectives within each area.
- Prior to submission of the external funding bid, review the planned use of Right to Buy receipts to ensure that Homes England funding for the project would offer the most financially advantageous source of funding.
- That the Risk Register is reviewed to ensure all risks are identified and adequately mitigated.
- Determine roles and responsibilities for monitoring the contract with Accord Housing Association.
- That a project programme is produced to assist the successful delivery of the project within projected timescales.
- That a method for the evaluation of project outcomes is determined and a date for the completion of the project evaluation is confirmed.

## 1 PURPOSE OF THE REPORT

- 1.1 To seek approval to develop Council-owned sites off Bull Lane and Albion Road, West Bromwich with circa 5 new Council owned affordable rented homes, subject to planning consent, comprising of two-bedroom bungalows and four-bedroom houses.

## 2 IMPLICATIONS FOR SANDWELL'S VISION

- *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 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 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:

- (a) Demolition of 3 defective one-bed room bungalows and the redevelopment of the site with affordable rented homes consisting of 2 x 2-bedroom bungalows (Albion Road West Bromwich).
- (b) The construction of 1 x 2 bed bungalow (detached) and 2 x 4 bed houses on land off Bull Lane West Bromwich, all homes will be affordable rent. The bungalow will comply with M4(3) of the building regulations for wheelchair access.

- 3.2 All these new build properties will form part of the Housing Revenue Account (HRA). This requires the approval of the associated budget to fund the project, to procure the project and enter, or execute under seal, any documentation in relation to the delivery of the project.
- 3.3 The HRA Business Plan, approved by Cabinet on 8 February 2017 includes a requirement for provision of quality Council-owned housing units to replace stock lost under the Right to Buy.
- 3.4 This scheme will provide 5 new council-owned affordable homes that meet Building Regulations and current housing requirements.
- 3.5 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 proposed property types.
- 3.6 It is envisaged that works will commence February 2020 subject to the procurement process, partner selection and completed contractual arrangements. It is anticipated that the properties will be completed by August 2020.
- 3.7 A full project appraisal has been undertaken by the Financial Planning Team (Appendix 2). The appraisal process recorded a score of 69%. Some risks have been identified resulting from the appraisal and action points recommended to mitigate these risks.
- 3.8 It should be noted that to deliver this scheme the Council may need to undertake a Stopping Up Order to extinguish an area of adopted highway. This can be achieved via a Section 247 application of the Town and Country Planning Act 1990 if required.

#### **4 THE CURRENT POSITION**

- 4.1 Detailed design proposals have been developed ready to be submitted for planning permission. The cabinet member for Homes has been briefed and local ward members will be consulted prior to planning application submission. It is intended to provide regular feedback to keep members up to date on progress.

## 5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

5.1 Public consultation will be undertaken as part of the Statutory Planning Process.

## 6 ALTERNATIVE OPTIONS

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

### 6.2 Option A – Disposal of the site on the open market

If offered on the open market for private housing development, the sale value would be in the region of **£170,000 (One hundred and seventy thousand pounds)** split as follows...

- Albion Road – 2 plots (even though 3 bungalows are currently on site) @ £40,000 = £80,000 less £30,000 demolition costs = £50,000.

Bull Lane – 3 plots @ £40,000 = £120,000.

It should be noted that the properties on Albion Road are affected by subsidence and would need to be demolished. The cost of demolition would be in the region of £30,000. Added to this, is the cost of rebuilding, which would be challenging for the private sector purchaser.

In terms of the Bull Lane site this could be disposed of on the open market, however, this would be a lost opportunity to provide much needed affordable homes. The objective of this project is to meet several of the Council's 2030 Vision objectives and meeting affordable housing needs as noted under sections c) and d) of the Strategic Case in this report.

Government guidance and incoming legislative changes show an emphasis towards home ownership. These will have an impact on the number of rented affordable homes provided through Section 106 Agreements and it is likely that there will be proportionately less affordable rented units provided via planning obligations.

### 6.3 Option B – Redevelop as affordable rented properties with a registered provider partner and assistance of Homes England Grant Funding

A grant application could be made to Homes England to contribute to the Homes England Affordable Housing Programme. When built, properties would be subject to nomination rights from Sandwell MBC.

Whilst this option would provide affordable housing, it will not contribute to the Council's ambitions of increasing the Council's housing stock and replacing properties lost through Right to Buy.

#### **6.4 Option C – Redevelop as council- owned affordable rented accommodation**

The site already has the benefit of detailed design and our in-house team have shown that they can deliver an innovative high quality residential design solution to provide much needed Council-owned affordable rented accommodation.

The total required resources will be funded from the agreed investment capital programme for the HRA. The HRA investment programme approved by Cabinet on 18 October 2017 allocated funding totalling £70m for the 3-year period from 2018/19 to 2020/21. The estimated revenue capital financing costs and associated rent income and maintenance costs have been included in the HRA 30-year business plan.

#### **6.5 Option recommended for approval and reasoning:**

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

Several potential design solutions have been considered to bring the sites forward for beneficial use, and the most financially advantageous residential configuration is the provision of 5 units consisting of 2 x four-bedroom houses and 3 x two-bedroom bungalows (Appendix 3).

In addition to social benefits, the project will also attract the following financial benefits:

- 1) New Homes Bonus.
- 2) Additional Council Tax

## **7 STRATEGIC RESOURCE IMPLICATIONS**

7.1 The sites (see Appendix 1) currently sit within the Housing Revenue Account.

- 7.2 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.
- 7.3 Project costs may be split between the HRA and Homes England grant funding. The financial modelling carried out for this 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 scheme. A bid for funding to Homes England will be submitted, although 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 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 three 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 | -        | £ 7,321.50 per annum (Note 1) |
| Council Tax     | -        | £ 4,671.60 per annum (Note 2) |
|                 |          | -----                         |
| <b>Total</b>    | <b>-</b> | <b>£11,993.10</b>             |

**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 43 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 33 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 The project has been appraised by the council's Financial Planning Team who have confirmed an appraisal score of 69% (Appendix 2).

## **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 procedure 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 A risk assessment has been undertaken and no "red" risks were reported.

## **12 SUSTAINABILITY OF PROPOSALS**

12.1 The development of the sites 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. 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 scheme will be managed by the Housing Partnerships Team and delivered by the selected partner. Construction and development costs associated with the project will be met from the HRA by means of Prudential Borrowing and grant funding from Homes England, subject to approval.

12.3 On completion, new properties will be managed and maintained by the Council and associated costs will be met from the Housing Revenue Account.

12.4 Income generated by the rental stream will go to the Housing Revenue Account.

## **13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)**

- 13.1 Currently, one of the sites (Albion Road) has 3 bungalows in situ and the other (Albion Lane) is 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 the 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 help to develop 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 sites currently sit within the HRA. 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 these sites with circa 5 homes as part of the new strategic approach to provide more and higher quality housing in the borough.

The development of these sites 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 towards meeting 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 Think 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, 21<sup>st</sup> November 2013 - Minute no. 1/13 refers
- 16.2 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
- 16.3 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
- 16.4 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.

16.5 Report to The Cabinet, 8<sup>th</sup> February 2017 Housing Revenue Account Business Plan 2017-20 Minute no 21/17 refers

16.6 Report to The Cabinet, 18<sup>th</sup> October 2017 Housing Revenue Account Funded Housing Investment Programme Minute no 167/17 refers

17 **APPENDICES:**

Appendix 1 - Site Plan

Appendix 2 – Financial Planning Appraisal Report

Appendix 3– Development Plan