


## REPORT TO CABINET

18 March 2020

<b>Subject:</b>	<b>The Redevelopment of King Street, Wednesbury</b>
<b>Presenting Cabinet Member:</b>	<b>Councillor Wasim Ali Cabinet Member for Inclusive Economic Growth</b>
<b>Director:</b>	<b>Tammy Stokes Interim Director for Regeneration and Growth</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>	Councillors Elaine Costigan, Peter Hughes and Luke Giles have been consulted.
<b>Scrutiny Consultation Considered?</b>	Scrutiny has not been consulted
<b>Contact Officer(s):</b>	Paul Evans, Asset Manager 07581 623033 Paul_evans@sandwell.gov.uk

## DECISION RECOMMENDATIONS

### That Cabinet:

1. Authorise the Director – Regeneration and Growth to proceed with the application for land remediation grant funding to the Black Country LEP to enable the future redevelopment of the site illustrated on Appendix A - Site Plan SAM/27640/004, utilising the funds released to undertake the requisite remediation and enabling works
2. Authorise the Director – Law and Governance and Monitoring Officer in consultation with the Executive Director – Resources and subject to a full Financial Appraisal by the Strategic Investment Unit, enter into or execute under seal, if necessary, the associated Black Country LEP funding agreement on terms and conditions to be negotiated by the Director – Regeneration and Growth.
3. Authorise the Director – Regeneration and Growth, in consultation with the Executive Director – Resources, to take all necessary steps to progress the business case for the complete redevelopment of the King Street, Wednesbury site for Health Centre of some 970m<sup>2</sup> as illustrated on site plan Appendix A and Social Housing uses as illustrated on site plan Appendix B, both outlined in the conditional planning approval obtained, then subject to a full Financial Appraisal by the Strategic Investment Unit and further Cabinet approval of the Final Business Case for the Health Centre scheme progress this development, this being inclusive of the proposed agreement of the final Lease terms for the Health Centre.
4. Authorise the Director - Regeneration and Growth, following the Council's acceptance of the necessary LEP funding, to seek tenders for the remediation of the LEP funded sites and award contracts as necessary for the remediation of the sites referred to in 1 above.
5. That subject to full planning consent and to the completion of the Black Country LEP funding agreement, to authorise the Director - Regeneration and Growth, in consultation with the Executive Director-Resources, to accept the winning tenders and award contracts for the development of the new build Council House scheme, at King Street Wednesbury as illustrated on Appendix B – site plan.

## 1 PURPOSE OF THE REPORT

- 1.1 For the council following a land remediation exercise to bring forward the mixed use re development of an acre of land illustrated in Appendix A - Site Plan SAM/27640/004 at King Street, Wednesbury. The development and associated business case proposed would comprise of a new build single storey health centre. The Council proposes to build five affordable houses, for rent on the other element of the site once remediated.
- 1.2 It is proposed that in advance of the Council beginning construction the health centre will be contracted, on an initial twenty-five-year lease to the Spires GP practice and the Sandwell and West Birmingham Hospitals Trust thus enabling them to relocate from their current temporary site at Albert Street. The council has a long-term aspiration that the area including Albert Street be brought forward for residential development.

## 2 IMPLICATION FOR VISION 2030

- 2.1 **Ambition Two. By 2030, Sandwell will be a place where people and families are healthier for longer and are safer.** The proposals outlined in the report will allow for the development of modern health centre in a central location in Wednesbury. There is an opportunity to improve general health outcomes further by working with the adjacent leisure centre. Sandwell Leisure Trust are keen to explore health related activities.
- 2.2 **Ambition Seven. By 2030, Sandwell will have significant numbers of new homes built along key transport routes and there will be major new employment sites.** Five new homes are proposed to be built, in a town centre location, on a site which has excellent public transport links.
- 2.3 **Ambition Ten. By 2030, Sandwell with have a national reputation for getting things done, focusing on what really matters in people's lives and their wider communities.** The draft legal agreement between the council and the local CCG to enable the proposed scheme, has gained interest with other CCGs across England. In general, the NHS is wanting to explore how more GP practice buildings can be developed or improved in a cost-effective way. A council led development in this location and scenario appears the optimum solution for getting things done.

### **3 BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 Cabinet of the 1st June 2016 authorised the council to work with the Sandwell and West Birmingham Clinical Commissioning Group (CCG) to develop a final business case (FBC) for the council to act as a developer for a new health centre at King Street, Wednesbury.
- 3.2 Cabinet also approved the council to obtain some funding from the CCG towards the cost of final business case and set an overall limit of the costs to be incurred.
- 3.3 Cabinet is to endorse the completion and assessment of a full business case and following submission of a further Cabinet report, based on the outcome of the FBC, to proceed with the Health Centre development scheme outlined..
- 3.4 The CCG will also have to agree the FBC and be agreeable to enter into the requisite contracts and give the relevant assurances associated with the Lease agreement.
- 3.5 There are three main elements to the FBC. The council needs to be sure that the cost of the work and the borrowing required to fund the Health Centre development is adequately covered by the market rent received as a result of the letting, the district valuer is required to approve this rent. Secondly, the cost of addressing the adverse ground conditions at King Street make any development unviable, securing the external grant funding is therefore essential. Finally, the council require contractual assurances that the full rent will be paid over the entire duration of the lease in order to justify the initial expenditure.
- 3.6 Whilst the FBC was in development a Memorandum of Understanding (MoU) was produced between the council and the CCG to resolve issues around the council incurring fees and the requirement of the rent being paid on a long-term basis. This is important in relation to the involvement of the local hospitals trust who can sign long leases but tend to only commission services on a three to five-year basis. This would be an unacceptable risk to the council hence the need to ensure a longer term rental income is available.
- 3.7 The FBC allows for the refund in full of all council fees and costs in relation to the development of the proposed 970 m<sup>2</sup> health centre at King Street.

- 3.8 To mitigate any risk or financial exposure on the part of the Council the indemnity agreement is now in place with the CCG which means that, if during the term of the term of the Lease any space in The Health Centre becomes empty, that if within six months the council has been unable to find a new tenant, the CCG will step in and be required to pay the full rent. This is a ground-breaking agreement which has been of interest to other CCGs in the England as a route to delivery.
- 3.9 The rent payments for the GP practice element of the Heath Centre is guaranteed over the life time of the lease by NHS England. These mitigation measures to guarantee the security of the income stream have been factored into the FBC calculations.
- 3.10 To enable progression of the above and to facilitate the development of five new affordable houses, for rent, at the site Cabinet are requested to endorse the agreement of land remediation funding with the Black Country LEP and once any such funding agreement is completed, accelerate delivery of the new homes element of the development through the acceptance of appropriate tenders for this housing scheme and the submission of a full planning application.

#### **4 The Current Position**

- 4.1 The design of the Health Centre development is now complete and conditional planning consent was granted on the 8th May 2019 (DC/19/63265) refers.
- 4.2
- 4.3 An outline planning consent has also been granted for the construction of four two bedroomed and one three bedroomed houses on all that element of the site not required to facilitate the new Health Centre development. It is proposed that Council would seek tenders to development these units as part of the Council House build programme.
- 4.4 Soft market testing of the construction sector is complete, and the Council is confident that the estimated construction cost of the development included within the FBC calculation is accurate and affordable. The housing units and the new Health Centre subject to the final FBC for the Health Centre development could potentially be built concurrently, allowing for a comprehensive development on this town centre site.
- 4.5 An application to the Local Enterprise Partnership to fund the ground remediation works at King Street has been submitted. A decision from the Black Country LEP is expected on the 23<sup>rd</sup> March 2020, with the formal grant condition offer letter in April 2020. The FBC and associated Financial Appraisal by the Council's Strategic Investment Unit cannot be formally completed until there is final and binding confirmation of the LEP funding.

- 4.6 The CCG are confident that the rental level required to make the FBC viable can be agreed with the district valuer, as the necessary rental rate per square metre has already been authorised by the district valuers office within this region for similar schemes in recent times.
- 4.7 The CCG at their own risk have commenced detailed discussions with the Spires GP practice and the Sandwell and North West Birmingham NHS Hospitals Trust to enter into an agreement for lease to enable the space to be built. The Council will not start the development until the formal agreement for lease is signed and completed.

## **5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)**

- 5.1 The Cabinet Member for Inclusive Economic Growth has been consulted and is supportive of the proposals. Following consultation with stakeholders there is an ambition from the CCG to establish if there is the possibility of developing more health centres working with the Council and using a similar delivery model, the schemes identified by the CCG that they have been unable to progress independently, are located at Rood End, Langley and Dudley Port.
- 5.2 The planning process undergone to secure the requisite permissions for the development schemes ensured that there was consultation with residents. In addition to this there have been regular media enquiries and responses. Elected members in the area have also been keeping residents updated on progress.
- 5.3 We have ensured that the NHS staff affected by the proposal, specifically the GP staff at the Spires practice and the district nurses at the Woods Mesty Croft Clinic have been consulted and also involved in the Health Centre design process.

## **6 ALTERNATIVE OPTIONS**

- 6.1 Option one. Do nothing. There is evidenced need to improve health provision in the area. The Council is not willing to extend the planning consent for the current temporary Spires Practice located at Albert Street, Wednesbury.
- 6.2 Option Two. Merge the GP practice with the other two practices in the area. Following investigation this is not considered physically possible and any redevelopment of these sites is constrained.

- 6.3 Option three. Use a third-party developer. The CCG discounted this option, on cost grounds before asking the council if it would consider developing the health centre and leasing this. The council did consider selling “the scheme off plan” to a developer. This might reduce the financial risk, but the Council and CCG would lose control over the delivery process and timeframe. Procurement of a developer would likely further delay this project, if we took this option.
- 6.4 A review of the project and the FBC as well as the possibility of working on the delivery of additional health centres may result in the council re considering the option outlined in 6.3, in the future.

## **7 STRATEGIC RESOURCE IMPLICATIONS**

- 7.1 This project and the associated FBC is being appraised by the Strategic Investment Unit of the Council’s strategic finance team. This work cannot be concluded until we have certainty on the LEP grant. The project has a robust risk assessment. A copy of the risk report can be found as appendices C.
- 7.2 The FBC for the project has an estimated construction cost and an assumed rent level provisionally set by the district valuer. It is further assumed that grant is available to resolve the known ground conditions. These assumptions will be refined once the grant is secured in advance of the final Strategic Investment Unit appraisal and will be outlined in the future Cabinet report.
- 7.3 The financial model is based on an annual rent increase in line with retail price index (rpi) uplifts. Taking this factor into account the FBC sees the health centre FBC, having realised repayment and going into surplus between year 11 and year 14 of the lease period. The overall FBC is forecast to make a substantial surplus over the full extent of the Lease period, this detail will be set out in more detail in the future Cabinet report.
- 7.4 The tenants will be responsible for the up keep of most internal elements of the building. The Council’s Landlord responsibility will extend to mainly external elements and will be 100% funded by an annual service charge to the tenants. A sinking fund for the building will be created.

## **8 LEGAL AND GOVERNANCE CONSIDERATIONS**

- 8.1 Local Authorities have the power under the local Authorities land act (1963) to erect any building and construct or carry out works on land for the benefit or improvement of their area.

- 8.2 The general powers of competence (localism act 2011) provides that the local Authority has the power to do to do anything that individuals may need, provided they do not break other laws.
- 8.3 State aid rules. The promotion of wellbeing is a council duty. A development by the local authority for the purposes of its functions would fall out of state aid rules. The council is discharging public service obligations through the provision of suitable accommodation, so no advantage is being gained.
- 8.4 The lease will grant the tenants protection under the terms of the landlord and tenant act (1954) meaning they will have a right to renewal and the end of the lease.
- 8.5 The land at King Street allocated for the council houses will be appropriated from the council's general fund, to the housing revenue account.

## **9 EQUALITY IMPACT ASSESSMENT**

- 9.1 A screening equality impact assessment in relation to the proposals has been completed. It was determined that a full assessment was not required as no groups or individuals were going to be disadvantages. The assessment can be found as appendix D.

## **10 DATA PROTECTION IMPACT ASSESSMENT**

- 10.1 There are no data protection implications identified.

## **11 CRIME AND DISORDER AND RISK ASSESSMENT**

- 11.1 During works site security will be the responsibility of the main contractor.
- 11.2 The scheme design has carefully considered issues around potential crime and disorder. This was an important aspect of the staff workshops.
- 11.3 The construction itself will have a focus on building security.
- 11.4 The project will be on a based-on risk mitigation approach.

## **12 Sustainability OF PROPOSALS**

- 12.1 The design of the health centre is based on the most efficient heating system possible within the cost envelope. Apart from the central Admin area for example, the building will have natural ventilation. The building will have a high energy efficiency rating.



- 12.2 The King Street site has been planned to make full use of sustainable drainage. There are good links to public transport.
- 12.3 Income from the service charge will allow the council to ensure the facility is maintained to a good level for the long term. Maintenance of landscaping features is being discussed jointly with the adjoining Wednesbury Leisure Centre.
- 12.4 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.
- 12.5 The development of the site brings back into use a long-term derelict site, which has been an eyesore for some years. The new homes will be built to current Building Regulations which will be energy efficient and sustainable in the longer term

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

- 13.1 The health centre at King Street will replace an outdated clinic at Woods Mesty Croft and a temporary building at Albert Street. The central location of King Street will allow better access to health care.
- 13.2 With the CCG, we have designed a more efficient building, which will be cheaper to use. The CCG are trailing joint admin areas for example.
- 13.3 At some wider level discussions, are already taking place with the adjoining leisure centre, to work together for health prevention and moving forward the social prescribing agenda. Car parking for health centre staff will be provided at the adjacent leisure centre, subject to lease with the Leisure Trust.
- 13.4 The existing procurement route encourages local Small Medium Enterprises to tender for the work.
- 13.5 The proposed housing investment also has a central role acting as a lever for stabilising markets and creating sustainable communities. It could also bring additional benefits to objectives including those concerned with education, training, health and crime.

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

- 14.1 Creating a separate sinking fund for the building is more sustainable than the current central funding system for building maintenance. This will be a benefit when considering the length of the Lease term.

- 14.2 It will be likely that Sandwell Leisure Trust will be providing some facilities management functions for the health centre, opening and closing the building for example. Income derived from this and the provision of car parking will offset the council management fee to the Leisure Trust.
- 14.3 At a strategic level. The council development of a health centre helps to modernise and diversify the council's commercial portfolio. Moving forward the council may wish to work with the CCG and other partners to develop more health centres and look at progressing and using innovative funding mechanisms for more new mixed use developments such as the one at King Street.

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

- 15.1 Proceeding with a council led, comprehensive re development of the King Street site will demonstrate how the council, working with public sector partners can resolve long standing site issues and facilitate a much needed and high-quality Health Centre development and accelerate the delivery of new 'Council House Build' Social Housing
- 15.2 The residents of Wednesbury will benefit from a new health centre which will provide, potentially a wider healthy lifestyle option.
- 15.3 The council will have shown, at a national level that legal processes can be put in place that gives the NHS an added option in the development of new smaller scale primary health care provision.
- 15.4 The council, although at a modest level is entering a new area of property investment which it has the potential to add to in the future.
- 15.5 There are approximately 6000 people on the Council's Housing Register seeking affordable homes. The building of council homes will assist in reducing both the number of people on the Housing Register and the number of people who are homeless.
- 15.6 The provision of affordable housing will also contribute towards the Council's priority of reducing the number of people in temporary accommodation.
- 15.7 The building of new council homes contributes towards the Council tackling the under-occupation of family houses, in the borough and to make better use of its existing housing stock.

- 16 **APPENDICES:**  
**Appendix A – Site Plan**  
**Appendix B – Site Plan HRA**  
**Appendix C – Risk Register**  
**Appendix D – Options Appraisal**  
**Appendix E - EIA**