


REPORT TO CABINET

14 October 2020

Subject:	The Redevelopment of King Street, Wednesbury
Presenting Cabinet Member:	Councillor Danny Millard Cabinet Member for Inclusive Economic Growth
Director:	Tammy Stokes Interim Director for Regeneration and Growth
Contribution towards Vision 2030:	
Key Decision:	Yes
Cabinet Member Approval and Date:	Yes
Director Approval:	Yes
Reason for Urgency:	Urgency does not apply
Exempt Information Ref:	Exemption does not apply
Ward Councillor (s) Consulted (if applicable):	Councillors Elaine Costigan, Peter Hughes and Luke Giles have been consulted.
Scrutiny Consultation Considered?	Scrutiny has not been consulted
Contact Officer(s):	Paul Evans, Asset Manager 07581 623033 Paul_evans@sandwell.gov.uk

DECISION RECOMMENDATIONS

That Cabinet:

1. Authorise the Interim Director – Regeneration and Growth to accept the approved land remediation grant from the Black Country LEP to facilitate the initial site works necessary to enable the future redevelopment of the sites identified in the funding application (King Street and Stanhope Road, Wednesbury), utilising the grant funds secured to undertake the remediation and enabling works set out in the bid.
2. Authorise the Director – Law and Governance and Monitoring Officer to enter into or execute under seal, if necessary, the associated Black Country LEP funding agreement on final terms and conditions to be negotiated by the Interim Director – Regeneration and Growth.
3. Authorise the Interim Director – Regeneration and Growth, in consultation with the Acting Section 151 Officer to authorise the award of a contract for the site remediation of the King Street site (site plan Sam/27640/004 refers) to the preferred bidder on receipt of the Black Country LEP grant and following conclusion of the current procurement process, including authority to apply any exemptions or variations that may be required.
4. Authorise the Interim Director - Regeneration and Growth, following the Council's acceptance of the necessary Black Country LEP funding, to seek tenders for the land remediation contract to ready the other grant funded site for housing development at Stanhope Road, Smethwick.
5. Agree - that subject to receiving the necessary Strategic Investment Unit appraisal approval mark of 65, the Interim Director – Regeneration and Growth be authorised to award contracts for the development of five residential units for social rent as part of the agreed Council House build programme and the development of a new health centre of 970 m² (or thereabouts) both on the site identified at King Street, Wednesbury.
6. Authorise the Director – Law and Governance and Monitoring Officer to enter into or execute under seal, if necessary, the initial agreement for Lease and then the occupational Lease with the GP to secure the pre-letting of the new Health Centre on terms and conditions that would ensure the viability of the new build health centre project, such terms to be negotiated by the Interim Director – Regeneration and Growth.
7. Delegate to the interim Director - Regeneration and Growth, in

consultation with the Acting Director of Finance the ongoing responsibility for delivery and management of the project, to follow on from the initial site remediation works, ensuring the timely development of the social rent residential units and the health centre project (if appropriate), including authority to apply any exemptions or variations that may be required.

1 PURPOSE OF THE REPORT

- 1.1 To seek approval to the decision recommendations set out above, to secure grant funding from the Black Country LEP for land remediation and on receipt of the grant funds to progress these specific site works at the earliest opportunity in order to ready the sites for imminent development
- 1.2 To seek approval to the delegations as set out in the decision recommendations specifically to enable the potential development of the King Street site to deliver 5 housing units for social rent and of a new health centre to be leased from the Council to the GP (and underwritten by the CCG), all development is however still subject to a satisfactory Strategic Investment Unit appraisal (i.e. the project must secure an SIU score of 65 or above). If for any reason this score is not achieved a further report to Cabinet will be required for a further decision before any development is progressed on the King Street site other than the initial remediation works.

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 and added to the Council's housing stock, in a town centre location, on a site which has excellent public transport links.

- 2.3 **Ambition Ten. By 2030, Sandwell will 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 which enables the proposed scheme to proceed through a pre-letting agreement, 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 and where possible on land in public ownership. A council led development in this location and scenario appears the optimum solution for getting things done.

3 **BACKGROUND AND MAIN CONSIDERATIONS**

- 3.1 A meeting of the Cabinet on the 18th March 2020 (minute number 70/20 refers) gave authorisation for the Council to apply for Local Enterprise Partnership (LEP) funding for land remediation works to facilitate new development on a Council owned site at King Street, Wednesbury.
- 3.2 Cabinet also approved that subject to a Strategic Investment Appraisal achieving the 65-point pass mark and a successful funding application, the council would progress the development of both the health centre and the building of five houses for the council to rent on the King Street site. This provisional approval was provided subject to a further report back to Cabinet which is now provided and details the successful outcome of the funding application.
- 3.3 It can now be reported that the application for LEP funding passed the initial SIU assessment and that the council has been successful in securing the award of LEP grant funding for the remediation to the two sites (including King Street, Wednesbury and Stanhope Road, Smethwick) that were identified in the original application.
- 3.4 In view of this positive outcome and the conditions of the grant which require funds to be committed, the decision recommended is to formally accept the LEP grant funding and enter into the requisite funding agreements subject to conditions, then on completion of the funding agreement go out to tender for the remediation works and subsequently award the winning tender for the completion of the remediation works.
- 3.5 There is a recommendation in this cabinet report which seeks delegated authority, subject to a successful Strategic Investment assessment to progress the comprehensive development of the King Street site, that is for five houses for social rent in order to deliver the minimum housing units required as part of the LEP land remediation grant.

- 3.6 The Housing Revenue Account business plan, approved by Cabinet on the 8th February 2017 includes a requirement for the provision of quality council owned housing units to replace stock lost under the right to buy. In accordance with this approval the housing element of the King Street scheme will provide five new council owned affordable homes that meet building regulations and current housing requirements.
- 3.7 The report recommendations also set out that as part of the comprehensive redevelopment proposals the intention is also to develop out the remainder of the King Street site for a new Health Centre, this would represent a commercial property investment on the part of the Council in the delivery of a new state of the art facility that would be pre-let to the GP with the rent underwritten by the CCG. The rationale for the Health Centre development being that by using Council land and capital investment it is possible to build and secure control of a new income producing asset with a 'blue chip' tenant and sustainable future use that addresses a real local need. Improving the holistic service offer in the Town Centre.
- 3.8 It is absolutely essential that the long term rental return from the letting of the new health centre is sufficient to warrant the capital investment required to fund the development, the SIU appraisal process is considering this fundamental point in detail and the case for capital investment will be reflected in the scoring. Only in a scenario whereby the Health Centre project business case scores 65 or higher (as a result of the SIU appraisal) will the scheme proceed, if this threshold is not reached a further report will be submitted to Cabinet in order to consider the future of this project
- 3.9 It is expected that the land remediation work at King Street will be completed by March 2021. Subject to an acceptable SIU score the aim is for the health centre development to be in a position to proceed by this time, with the actual on-site construction to commence soon after. The health centre has a forty-two week build programme. The GP and the CCG are comfortable with this timeframe.

4 The Current Position

- 4.1 The LEP have provisionally offered the council a land remediation grant which will ultimately facilitate the delivery of forty-two new housing units across the two sites. The grant funding offer conditions are acceptable but delegated authority is requested in certain areas to ensure we can meet the necessary time scales to secure the grant through the formal completion of the funding agreement.

- 4.2 As set out in the decision recommendations the council is now in a position to go out to tender for the land remediation works relevant to the Kings Street site, the tender brief has been fully assessed and as such the next step is to go to market to secure a contractor to deliver the works in accordance with both the remediation programme set out in the brief and to comply with the conditions of the LEP grant funding agreement.
- 4.3 An outline planning consent has already been granted for the construction of the five houses on the King Street site. It is proposed that the Council develop out these units for social rent, following receipt of a full planning consent, the delivery of these units to be taken forward as part of the Council House build programme.
- 4.4 Soft market testing of the construction sector is complete, and officers are confident that the estimated construction costs of the development included within the business case calculation are accurate. Based on these costs the payback period on the social housing is within agreed parameters and the affordability of the health centre scheme based on these build costs has been factored into the SIU appraisal process.
- 4.5 The Local Enterprise Partnership approved the remediation works grant be offered on the 24th June 2020. The funding conditions which are still subject to agreement include a target date for the completion of the 42 housing units across the two sites, that is 5 units at King Street and 37 units at Stanhope Road, Smethwick is March 2023.

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 Clinical Commissioning Groups (CCG) that they have been unable to progress independently, are located at Rood End, Langley and Dudley Port.
- 5.2 The planning process undertaken 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 business case together with 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 business case for the health centre is being appraised by the Strategic Investment Unit and the development will only progress if the requisite score is obtained
- 7.2 The business case for the health centre project is based on an estimated construction cost inclusive of the land remediation grant and an assumed rent level provisionally set by the district valuer. The intention being that the once built the Council retain the health centre property as an income generating asset, this is considered to be a sound investment on the basis of the level of rent provisionally agreed and the nature of the prospective lease agreement which requires the rent to be underwritten and guaranteed by the Clinical Commissioning Group (CCG).

- 7.3 Now that the LEP land remediation grant has been secured this means that building the five council houses planned at the King Street site is now viable and subject to entering the funding agreement and drawing down the grant, this development can be taken forward as a project within the agreed Council House build programme.

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 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 for the doctors practice at the health centre 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 disadvantaged. 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 For the construction period, 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. The houses will be to energy efficiency standards.
- 12.2 The King Street development 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 on the health centre will allow the council to ensure the facility is effectively maintained to a high standard for the duration of the Lease. Maintenance of landscaping features is being discussed jointly with the adjoining Wednesbury Leisure Centre.
- 12.4 The residential 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 close to the town centre, which has been an eyesore for some years. The health centre and new residential offer will have a positive impact on the locality.

HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

- 12.6 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 for visitors to the health care.
- 12.7 Working in partnership with the CCG, the health centre development has been co-designed to realise the most efficient building both in terms of construction and future ease of use. In this location the CCG are trialling the use of joint admin areas for example which reduces the overall footprint of the building.

- 12.8 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.
- 12.9 The existing procurement route encourages local Small and Medium sized Enterprises to tender for the work in accordance with community wealth building principles.
- 12.10 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.

13 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

- 13.1 Creating a separate sinking fund payable by the tenant in addition to the rent for the long-term maintenance of the building is more sustainable than the current central funding system for building repairs. This will be a clear benefit of this approach when considering the length of the Lease term and this removes any additional pressure being placed on existing budgets, all rental payments can therefore be considered net income.
- 13.2 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.
- 13.3 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.

14 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

- 14.1 Proceeding with a council led, comprehensive re development of the King Street site will demonstrate how the council, working with public sector partners (in this case the CCG,) 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.

- 14.2 The residents of Wednesbury will benefit from a new health centre which will provide a range of services, potentially inclusive of a wider healthy lifestyle option.
- 14.3 The council will have shown, at a national level that by working closely with the CCG a legal framework involving co-design and pre-letting can be put in place that gives the NHS an added option in the development and funding of new smaller scale primary health care provision.
- 14.4 The council, although at a modest level, by working with partner organisations is entering into a new area of property investment targeted at securing sustainable long term income generation. The strategic aim being to reach a future position that ensures the Council's estate is self-financing and producing a net income. The successful delivery of this project would demonstrate the potential ability for the Council to add to its property investment portfolio where it is sustainable to do so and where the level of return and other outcomes warrants the capital allocation.
- 14.5 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.
- 14.6 The provision of affordable housing will also contribute towards the Council's priority of reducing the number of people in temporary accommodation.
- 14.7 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.

15 **APPENDICES:**
Appendix A – Site Plan
Appendix B – Site Plan HRA