

# Report to Cabinet

**24 November 2021**

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| <b>Subject:</b>         | The Redevelopment of the Carrington Road/<br>School Road Area, Friar Park - Acceptance of<br>Tender and Change of Funding Source  |
| <b>Cabinet Member:</b>  | Cabinet Member for Quality Homes and<br>Neighbourhoods,<br>Cllr Zahoor Ahmed  |
| <b>Director:</b>        | Director Regeneration and Growth<br>Tony McGovern<br>Director Housing<br>Gillian Douglas  |
| <b>Key Decision:</b>    | Yes   |
| <b>Contact Officer:</b> | Partnerships and Programme Manager<br>Alan Martin<br><a href="mailto:alan_martin@sandwell.gov.uk">alan_martin@sandwell.gov.uk</a> |

## 1 Recommendations

- 1.1 That approval be given to change the funding source for this scheme from the Shared Ownership and Affordable Homes Programme administered by Homes England approved at Cabinet meeting 16<sup>th</sup> May 2018 (minute number 75/18) to Right to Buy 1-for-1 Capital receipts.
- 1.2 That approval be given to bring forward the development of Phase 4 of the scheme, 0.158 hectares with council owned homes in accordance with the approval at Cabinet 4<sup>th</sup> March 2020 – The redevelopment of Carrington Road School Road area, Friar Park (Minute 60/20 refers) as part of a single contract.
- 1.3 That the Director Regeneration and Growth be authorised to accept the tender of Deeley Construction Ltd, in the sum of **£7,128,724.00** for the



Construction of 10x 2 bed bungalows, 20 x 2 bed flats and the retail block at Carrington road, Friardale Road and School Road, Friar Park, which includes Phases 2- 4 of the scheme as tendered using the Homes England DPP3 Framework.

- 1.4 That a further budget of £1,400,000 is allocated above the contract sum to accommodate (if required):
  - project management and associated fees.
  - possible future increased market inflation on construction materials that may arise during the project programme
- 1.5 That the Director of Finance and the Director of Housing allocate resources totalling £8,528,724 from the Housing Revenue Account (HRA) capital programme, including an allocation of £3,411,889 from the unallocated balance of 1-4-1 replacement receipts
- 1.6 That the Director of Law and Governance and Monitoring Officer be authorised to enter into or execute under seal any documentation in relation to award of the contract and/or other agreements as may be deemed necessary.
- 1.7 The Director of Regeneration and Growth in consultation with the Director of Finance and subject to confirmation of the funding rules applicable, to submit an application for funding to the WMCA. A further report to be submitted to Cabinet before accepting any grant award.

## 2 Reasons for Recommendations

2.1 The Carrington Road/School Road area of Friar Park had been in decline for many years and any intervention by the Council needed to be very comprehensive to deal with a number of very complex and inter related circumstances specific to the area. The area could be broken down into two bespoke areas – a cleared vacant site and a shopping parade/commercial area which each presented different obstacles to be overcome:

- Cleared vacant site was the subject of considerable antisocial behaviour in the form of youths congregating and considerable fly tipping. Although the site has some remediation issues it was capable of development in isolation with bungalows. This would result in the bungalows being in a very poor environment, isolated and not



overlooked as they would be surrounded by rear garden fencing and the rear of the commercial premises that were either derelict and vacant or occupied but in serious disrepair.

- The shopping parade had been subject to piecemeal historical demolition of premises that were structurally unstable, had vacant premises that were suffering from antisocial behaviour, and a number of viable local businesses that had operated from the site for many years. Although the Council owned the freehold to the shops they were subject leaseholds that contained repairing covenants which placed the responsibility of maintenance on the leaseholders. The Council could enforce the repairs through legal dilapidations, but, this was not considered the best course of action as the properties were in such a state of disrepair they were not worthy of investment. This was further complicated by several sub tenancies granted by the leaseholders that also had to be considered.

2.2 Due to these specific circumstances it was apparent that a holistic approach was needed to regenerate the area that did not only consider the new build opportunity but also took into account the additional resources required to:

- acquire all legal interests and demolish obsolete property
- support local businesses to relocate and continue to operate
- maintain the local amenity and develop a replacement convenience store
- consider existing residents rights of way and negotiate alternative access and road closures
- tailor the new build housing requirements to meet needs and demands of the area
- programme the new build works to minimise disruption to local residents
- open up the area to provide a better residential environment for the proposed new bungalows on Friardale Road
- remediate the site to deal with poor ground conditions
- deliver the aspirations to develop a pilot scheme to introduce modern environmentally friendly space heating technologies (Air Source Heat Pumps) in the new council accommodation to inform the councils future asset management strategy.

2.3 The comprehensive redevelopment of the Carrington Road/School Road scheme (as approved by Cabinet approval 16 May 2018 - minute 75/18



refers) was always intended to be delivered in 4 distinctive phases of development:

- Phase 1 - Acquisition of the outstanding head leasehold interests on Carrington Road to bring the development site into the complete freehold ownership of the Council:
- Phase 2 - The construction of 12 bungalows and associated improvements to the public realm on Friardale Close.
- Phase 3 - The demolition of 16a / 18 School Road and the construction of the new retail block to deliver 225 sq m of retail accommodation with associated first floor council apartments and parking court on School Road.
- Phase 4 - Once negotiations have been completed to acquire the leasehold interests and the properties are in full council ownership then demolition of the remaining units will commence. The tenants of 38 / 38a Carrington Road subject to new lease arrangements being agreed will be offered relocation into the new retail block. The last phase of council house build will also be completed to deliver a number of units across the remaining area of the site on Carrington Road.

2.4 The original phasing was due to the uncertainty regarding the timescale that would be required to acquire a number leasehold interests. If these interests could not be acquired through agreement a Compulsory Purchase Order would be required and the Council would have no control of timescales. In order to secure an early start on site the phasing allowed an early start with phases 2 and 3 and then phase 4 could be delivered at some point in the future when all legal interests had been acquired.

2.5 The negotiations with the leaseholders were progressing very well so a decision was made to delay the tendering of phases 2 and 3 until phase 4 could be added and the whole scheme could be tendered as one contract. Tendering all phases within one contract is likely to give economies of scale and a reduced tender sum. Acquisition of the outstanding head leasehold interests on Carrington Road are now complete and all in the complete freehold ownership of the Council (Phase 1 complete) allowing phase 4 to proceed.



- 2.6 Cabinet approval 16 May 2018 (minute 75/18 refers) gave approval for the construction of circa 12 bungalows (subject to planning consent) and the construction of the new retail block to deliver 225 sq m of retail accommodation with associated first floor council apartments and parking court on School Road (Phase 3) subject to grant funding from the Shared Ownership and Affordable Homes Programme administered by Homes England being approved. The success of the negotiations to purchase the leasehold interests by agreement negating the need for compulsory purchase and the ability to bring forward phase 4 resulted in not submitting a bid to Homes England from the Shared Ownership and Affordable Homes Programme as it is now more financially beneficial to the Council to fund the scheme through Right to Buy 1-for-1 replacement receipts. The funding sources for all schemes within the Council New Build programme are constantly monitored to ensure that the most beneficial funding source is selected, that all Homes England grant commitments are achieved and that all RTB capital receipts are allocated to prevent any loss of the receipts due to not expending them within the designated time periods. There has been no loss of Homes England grant funding and all current grant funding is allocated to other schemes.
- 2.7 Given the complexities around the phasing of the construction of this site and other abnormal costs, it is recommended that if applicable an application is made to the West Midlands Combined Authority to determine whether any additional gap funding can be secured to deliver this scheme. An application will be made in line with the WMCA's single commissioning framework.
- 2.8 Should the above application be successful, accepting the funding will be subject to a further report to Cabinet which will also detail any changes to the overall financial composition of the project for further approval.
- 2.9 Procurement and Contract Procedure Rules 2018-2019 clause 16.2 provides authority to the Cabinet to award contracts above the value of £250,000.
- 2.10 Expression of Interest documents were issued to the DPP3 framework in December 2020, and four contractors responded.
- 2.11 The estimated budget cost of the services was **£8,500,000.00**



- 2.12 Two companies returned tenders within the stipulated date.
- 2.13 The tenders were evaluated on an 80:20 (price:quality) most economical, advantageous tender basis.
- 2.14 The scores for the evaluation are:

| Tenderer                | Price Score | Quality Score | Total Score |
|-------------------------|-------------|---------------|-------------|
| Deeley Construction Ltd | 80.00       | 17.00         | 97.00       |
| XXXX Ltd                | 75.88       | 7.00          | 82.88       |

- 2.15 The tender of Deeley Construction Ltd., in the sum of **£7,128,724.00** has been checked and found to be technically and arithmetically correct.
- 2.16 The successful contractor will work with officers from Urban Design and Building Services in the management of the construction works.

### 3 How does this deliver objectives of the Corporate Plan

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|  | <p><i>Quality homes in thriving neighbourhoods</i></p> <p>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.</p> <p>The provision of this proposed scheme will provide <b>Homes that meet people's needs</b>. Sandwell's population is growing, and people need quality housing that fits their requirements.</p> <p>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 provides energy efficient buildings, in furtherance of the aims of the Environmental Policy and Climate Change Strategy for Sandwell.</p> |
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## *A strong and inclusive 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

## 4 Context and Key Issues

- 4.1 This scheme will provide 10 x 2 bed bungalows in Friardale Road, 20 x 2 bed flats at Carrington road/School Road and the retail block in School Road. The new council-owned affordable homes will meet Building Regulations and current housing requirements.
- 4.2 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.
- 4.3 Subject to the approval and completing contractual arrangements it is envisaged that works could commence January 2022 and complete September 2023.
- 4.4 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.

4.5 It should be noted that the full impact of the current Covid 19 pandemic and Brexit on the construction industry and its supply chain is still unknown. It is apparent that schemes that are currently on site are experiencing delays to contract programmes due to changes in working practices as a direct result of risk assessments and safe working procedures being implemented. Extended programmes have cost implications to contractors due to increased preliminary costs and overheads. There is also emerging evidence that some material costs are increasing above the rate of inflation again because of safe working procedures being implemented within the manufacturing process and difficulties with transportation. The extent to which contractors will price this risk in current and future tender price returns is uncertain at present and something that the Council will be monitoring. Currently, we are monitoring a 20 to 30% rise in tendered items and an average of 20% increase on overall tenders in very recent returns and this is predicted to continue or even rise into 2022.

## 5 Alternative Options

- 5.1 Add this site to the Homes England funding programme to accord with the previous recommendation of Cabinet – all current Homes England funding is allocated to other sites and it is more financially advantageous for the council to use to the Right to Buy Receipts to deliver this scheme.
- 5.2 Do not proceed with this scheme – considerable pre-construction work has already been completed and demolition of the recently acquired properties must be completed for health and safety reasons. Following



demolition if works do not proceed the council will be left with the management of an underutilised vacant that is capable of development and the public expectation that a scheme will proceed.

## 6 Implications

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| <p><b>Resources:</b></p>            | <p>The Cabinet meeting on 16 May 2018 approved the allocation of adequate resources to fund the Construction of Houses and retail area at Friardale Road and School Road (Phases 2 and 3). The minute 76/18 refers.</p> <p>The Cabinet meeting 5<sup>th</sup> March 2020 approved the allocation of adequate resources to fund the Construction of 17 flats at Carrington Road/ School Road area (Phase 4) The minute 60/20 refers).</p> <p>Resources of £2.2m have been allocated towards phase 2 of the original scheme profile in 2021/22. There are also unallocated resources within the HRA capital towards new build in 2021/22 of £5.1m that have been reprofiled to future years. Funding for the project will therefore be allocated in 21/22 totalling £8.529m (inc £700k risk allowance).</p> <p>The payback period of the project without any other funding would be 41 years to break even with full payback achieved within 54 years at interest rate of 2.2%. There is balance of time limited 1-4-1 receipts totalling £7.4m available for use towards building new homes. These receipts can fund 40% of the overall scheme costs. By utilising £3.411m of this balance the overall payback period is reduced to 40 years, with an in-year break even position achieved in year 22. This is within the 40 year time period used for new build repayments.</p> |
| <p><b>Legal and Governance:</b></p> | <p>Procurement and Contract Procedure Rules 2016-2017 clause 16.1 provides authority to the Cabinet to award contracts above the value of £250,000.</p>   |



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|                              | <p>The Council has to comply with the Public Contracts Regulations 2015 and the Council's own Procurement and Contract Procedure Rules 2016/17. This report confirms that this tender exercise has been conducted in accordance with the required procedures.</p> <p>Confirmation is being sought that 1 for 1 receipts and WMCA funding can be used together as match on the same site. This could impact on the success of the application made to the WMCA for gap funding.</p>  |
| <b>Risk:</b>                 | <p>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.</p> <p>A risk assessment has been undertaken and no "red" risks were reported.</p> <p>This report does not relate to the collection of personal information and therefore a privacy impact assessment is not required.</p> |
| <b>Equality:</b>             | <p>An Equality Impact Screening Assessment has been completed and has not highlighted any equality issues.</p>  |
| <b>Health and Wellbeing:</b> | <p>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.</p> <p>The provision of this proposed scheme will provide <b>Homes that meet people's needs</b>. Sandwell's</p>   |



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|                     | population is growing, and people need quality housing that fits their requirements.   |
| <b>Social Value</b> | The development of this scheme will support <b>investing in businesses, people and jobs</b> 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. |

**7. Appendices**

None

**8. Background Papers**

Report to Cabinet 16<sup>th</sup> May 2018 - The Redevelopment of the Carrington Road/ School Road Area, Friar Park (Minute 75/18 refers)

Report to Cabinet 5<sup>th</sup> March 2020 – The Redevelopment of Carrington Road School Road area, Friar Park (Minute 60/20 refers)

