

Sandwell Towns Fund Superboard Rolfe Street Canalside Regeneration Full Business Case

20 January 2022

Subject:	Rolfe Street Canalside Regeneration Full Business Case
Presenter:	Alan Taylor – Chair for Smethwick Local Board Hayley Insley – Sandwell Council
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1. Recommendations

- 1.1. To receive and agree the final Full Business Case for Smethwick Rolfe Street Canalside Regeneration, including the project equality impact assessment, environmental impact assessment and monitoring and evaluation plan.
- 1.2. To recommend the submission of the Full Business Case to the Assurance Panel and subject to successful appraisal, submission of the Project Summary Document to DLUHC.
- 1.3. To note that in the event that the Full Business Case appraisal leads to minor amends/ points of clarity being required, these will be addressed by the Project Lead in conjunction with the Chair of the Local Board, the Chair of the Superboard and the Assurance Panel.
- 1.4. To note that in the event that the appraisal leads to a recommendation of substantial changes to the Full Business Case, these will be addressed by the Project Lead in conjunction with the Chair of the Local Board, the Chair of the Superboard and the Assurance Panel.

2. Purpose of the Report

- 2.1. To present the Full Business Case for the Smethwick Rolfe Street Canalside Regeneration project for agreement including an equality impact assessment, environmental impact assessment and monitoring and evaluation plan.



3. Background and Main Considerations

- 3.1. On 3 March 2021, Heads of Terms for a Town Deal for Smethwick were offered by Government. This included an offer of an overall funding package of £23.5m. The Heads of Terms offer is subject to the appraisal and approval of a Full Business Case for each project and the submission of a Summary Document (one per project) by 24 March 2022.
- 3.2. The Town Deal for Smethwick was signed on 24 March 2021.
- 3.3. Details of the projects put forward for Smethwick Town Deal were re-confirmed with Government in the form of a Project Confirmation Table. These were considered by Superboard on 17 May and submitted following approval from the Council's S151 Officer.

4. Full Business Case Contents

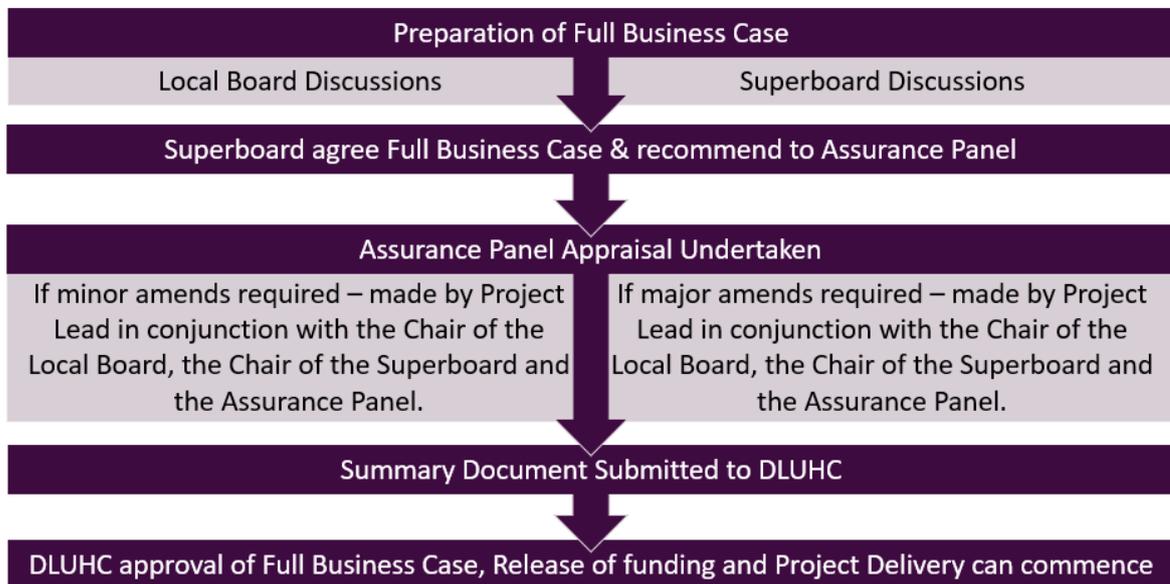
- 4.1. The Towns Fund Business Case Guidance, December 2021, outlined that Towns Fund Full Business Cases should be compliant with the HMT Treasury Green Book (2020). This sets out that Full Business Cases should address five cases; Strategic Case, Economic Case, Commercial Case, Financial Case and Management Case.
- 4.2. Preparing a project business case using the five-case model provides decision makers and stakeholders with a proven framework for structured thinking and assurance that the project: Provides strategic fit and is supported by a compelling case for change, will maximise public value, is commercially viable, is affordable and is funded and can be delivered successfully by the organisation and its partners
- 4.3. Sandwell's Towns Fund Full Business Cases have been prepared according to this model.
- 4.4. Following Cabinet approval on 24 November 2021, an Assurance Panel has been established comprising the Town Deal Board Chair, Director of Regeneration and Growth, Director of Finance (Section 151 Officer) and Cabinet Member for Regeneration and Growth, to appraise Full Business Cases.

5. Submission of Project Summary Documents to DLUHC

- 5.1. Once a Full Business Case has been approved by the Assurance Panel, a Summary Document will be prepared and submitted to DLUHC for review before funding is released. At which point Terms and Conditions of the grant will be provided.



- 5.2. The Summary Document contains an overview of each Business Case, how it has been appraised, and confirmation that key conditions from the Heads of Terms have been addressed (where applicable).
- 5.3. The Chair of the Superboard will be a signatory on the Summary Document.
- 5.4. An outline of the process for approval of a project Full Business Case is as follows:



6. Smethwick Rolfe Street Canalside Regeneration Full Business Case Summary

Project Description

- 6.1. The Rolfe Street Canalside Regeneration project will demolish existing structures located at Smethwick Enterprise Centre, Rolfe Street and remediate the land to provide a stand-alone development ready site, which will provide much needed housing and potential space for small enterprises, to support the wider regeneration of the town and link to the opportunities around the Midland Met University Hospital and the Towns Fund Midland Met Learning Campus.

Summary of Strategic Case

- 6.2. The Smethwick Enterprise Centre hoped to provide business incubator space whereby businesses would start up, or move in when small and then move on once they had expanded and established themselves. The centre has been unable to attract the types of businesses that was initially envisaged and currently only has 37.5% occupancy, at rents that are too low for the centre to remain a commercially sustainable asset for the Council. The low occupancy and lack of revenue has led to under-investment and the building is falling into a state of disrepair.



- 6.3. Further to the issues facing the Centre, the wider area is in need of regeneration. The development of the Midland Metropolitan University Hospital, which will serve the Black Country and West Birmingham, is a significant investment that is expected to be a catalyst for further development for the wider local area. In addition, the Towns Fund Midland Met Learning Campus project will be built to support the hospital, and will be built adjacent to the new building, which will also provide demand given it will attract hundreds of students.
- 6.4. The site is currently surrounded (and occupied) by small and medium sized enterprises that are located there because of the low rents available and good highway, rail and cycle links. Given the area has a rail station however, with rapid access to Birmingham New Street Station, it is considered by the SMBC planning team that the land is better suited for housing.
- 6.5. Rolfe Street is surrounded by several canals. The waterways could be used as a feature that attracts residential development, yet the historic uses of the canal (moving goods) are still present in the land use despite it no longer being required by the industry located there. The Midland Metropolitan University Hospital, and its adjacent Learning Campus, will include multiple community and public spaces on its frontage and along the canal which will make better use of the green and blue infrastructure.
- 6.6. The Rolfe Street Canalside Regeneration project has been developed utilising historic engagement activities and documentation including Sandwell's Vision 2030 and Inclusive Economy Deal that establish the strategic direction of Sandwell.
- 6.7. Recent engagement with residents and businesses has demonstrated a clear demand for new, affordable housing. Consultation also demonstrated regeneration plans must take into consideration the wider economic benefits for local people in terms of jobs, increase demand for local amenities and opportunities to businesses.
- 6.8. The project has been brought forward as part of the Smethwick Town Deal through its contribution to the town priority of Deliver more housing.
- 6.9. The project links to the wider strategic objectives of Sandwell Vision 2030; Healthier for longer and safer; Excellent public transport to the region and beyond; and Major new housing along major transport routes. The project also links to the Inclusive Economy Deal, Grove Lane Masterplan and Smethwick's Corridor Area Framework.



Summary of Economic Case

- 6.10. The Rolfe Street Canalside Regeneration project will kickstart regeneration and deliver a stand-alone development ready site, after which 115 homes and apartments, 25% of which are affordable will be delivered through a Joint Venture partnership. The project will help close Sandwell's local housing need build deficit, improve the image of the area and increase land values of local sites for residential purposes so that additional housing in the area is brought forward by the market.
- 6.11. The site will provide much needed housing in Sandwell at a strategically important and accessible location, a short walk to Smethwick town centre, within a 10-minute train journey to Birmingham City Centre via Rolfe Street Station, and within 15 minutes' walk of the new Midland Metropolitan University Hospital.
- 6.12. The Benefit Cost Ratio (BCR) calculation for this project is 2.70. The Green Book advises that a BCR of above 2.0 is high Value for Money (VfM), meaning this scheme offers very high VfM.
- 6.13. The main risks have been identified for the project and are being proactively managed through regular risk review and escalation, as required. The main risks are as follows: -
- *Delays due to Covid-19*
 - *Costs exceed Towns Fund allocation*
 - *Impact on the Commonwealth Games*
 - *Failure to achieve planning permission*
 - *Delays due to unforeseen ground conditions*
 - *Shifts in market conditions make proposals commercially unviable to be delivered through a JV Partnership.*
 - *Further site surveys find unexpected site contaminations leading to cost escalations.*
 - *Delays/ slippages as a result of approvals and DLUHC approvals*

Summary of Management Case

- 6.14. The project management is resourced through Sandwell Council and will be overseen by the Project Manager who will report frequently to the Programme Management Office, Smethwick Local Board and Sandwell Superboard.



- 6.15. The delivery of this project is not dependent upon the delivery of any other TIP projects, however will complement the Smethwick Walking and Cycling Infrastructure Project, Grove Lane Regeneration Project and Midland Met Learning Campus Project.

Summary of Financial Case

- 6.16. The project value is £1.88m funded by Towns Fund. The funding will be used to procure demolition contractors to undertake the necessary demolition on site, related surveys and intrusive site investigations, and procurement of qualified specialists in groundworks to undertake remediation of the site ready for development of residential units.
- 6.17. Any requirement for long term investment will be dependent on the final disposal strategy pursued. The disposal strategy at this time is for all houses to be sold on completion of the project. Under this disposal strategy there will be minimal implications on the SMBC balance sheet.
- 6.18. However, if it is determined, in consultation with the developer, that the council wishes to hold a proportion of the new housing stock (e.g. a proportion of affordable rent or shared ownership stock), the implication of this investment decision will need to be assessed at the time. This decision will require supplementary approval from both the Towns Fund board and SMBC Cabinet. A decision made by the Council's Cabinet will have followed SMBC due diligence processes.

Summary of Commercial Case

- 6.19. Deliver and procurement for this project will take place in phases.

Demolition and remediation: Procurement via the Sandwell Demolition Framework (2019-2023). The Framework aims to provide value for money and has a selection criterion based upon 60% Quality and 40% price. The framework is an NEC4 contract utilising Options A, C and E.

- Option A – Period Contract with Activity Schedule. This is the mini-tendered option and is similar to a Lump sum contract.
- Option C – Target Contract with an Activity Schedule. This is the Direct Award option and has an added option of early engagement with the contractor to develop the scheme together or undertake upfront surveys.
- Option E – emergency works.



Construction and build: Procurement via the Multidisciplinary Technical Services Framework 2019-23

- 6.20. Specific social value targets and/or requirements to be included as part of the contract evaluation. Conditions will include requirements to engage with work experience placements, new starters (apprenticeships or paid employment), graduates or equivalent, jobs created, engagement with schools/ community, where possible.

Equality Impact Assessment

- 6.21. A draft equality impact assessment has been conducted and appended. The equality impact assessment has identified no negative impacts for any groups with protected characteristics. The assessment is currently undergoing a sense check. The outcome of which will be reported to the board in February 2022.

Environmental Impact Assessment

- 6.22. An Environmental Impact Screening assessment has been undertaken and is appended. The assessment is currently undergoing a sense check. The outcome of which will be reported to the board in February 2022.

Project Adjustment

- 6.23. Any project changes within the Towns Fund need to be formally submitted to DLUHC as a project adjustment request, following discussion with Sandwell's allocated Towns Fund Area Lead. Changes are recorded via a Project Adjustment Form outlining the changes made, rationale and detail of consultation to communicate changes.
- 6.24. Following financial appraisal, the project has reduced the number of residential unit outcomes. A Project Adjustment Form has been prepared for the Rolfe Street Canalside Regeneration project to record the following changes: -

Original Output/ Outcome	Revised Output/ Outcome
125 residential units	115 residential units
1ha land remediated	No changes to report
40 construction jobs	No changes to report
Improved perceptions of place by residents	No changes to report
Land values raised	No changes to report



- 6.25. The Project Adjustment Form will also include a revised Towns Fund Ask of £2m following the withdrawal of Albion Family in the Park project. The Full Business Case will be updated by the PMO in conjunction with the project lead and tabled at February 2022 Superboard.

Appendices

Smethwick Rolfe Street Canalside Regeneration Full Business Case document including:

- Draft Equality Impact Assessment
- Draft Environmental Impact Screening assessment
- Consultation and Engagement Plan
- Risk Register
- Monitoring and Evaluation Plan

Source Documents

- Smethwick Rolfe Street Canalside Regeneration Project Confirmation Table
- Smethwick Town Deal Heads of Terms
- MHCLG Business Case Guidance, December 2020
- MHCLG Monitoring and Evaluation Guidance, April 2021

