

Report to Cabinet

22 June 2022

Subject:	Council House Build Programme approval of sites and amendment to funding sources
Cabinet Member:	Cabinet Member for Housing Councillor Charn Singh Padda
Director:	Director of Regeneration and Growth, Tony McGovern Director of Housing, Gillian Douglas
Key Decision:	Yes
Contact Officer:	Alan Martin, Housing Partnerships and Programme Manager Alan_martin@sandwell.gov.uk

1 Recommendations

- 1.1 That Cabinet approve the allocation of sites contained within Appendix 1 for the Council New Build programme for the provision of new Council affordable rent housing accommodation in order to meet the external funding requirements for Homes England grant and Right to Buy 1-4-1 replacement generated from the sale of HRA dwellings under Right to Buy.
- 1.2 That Cabinet approve the proposed or amended funding sources and delivery sequence of the remaining development opportunities within the council's new build programme for the schemes funded utilising Homes England grant and Right to Buy 1-4-1 replacement. Future reports will be presented to Cabinet for those individual schemes where the detailed costs are yet to be established.
- 1.3 That the Director Regeneration and Growth in consultation with the Director of Housing and Director of Finance be authorised to amend funding sources available from the balance of 1-4-1 replacement receipts or Homes England to ensure the most appropriate use of



funding for the schemes to ensure expenditure of Homes England funded within the contracted timescales and ensure the use the time limited receipts generated from the sale of properties.

- 1.4 That the Director Regeneration and Growth in consultation with the Director of Housing and Director of Finance be authorised to substitute alternative sites to achieve the required housing/funding outcomes should the schemes contained within Appendix 1 prove not to be viable in terms of value for money or deliverable within the prescribed funding timescales.
- 1.5 That the Director Regeneration and Growth in consultation with the Director of Housing and Director of Finance be authorised to continue to develop a future Council house build pipeline and ascertain feasibility of available sites to ensure availability of sites for future Right to Buy 1-4-1 receipts and other funding opportunities.

2 Reasons for Recommendations

- 2.1 The Council is able to develop future sites, subject to planning permission, as part of the new strategic approach to provide more and better housing in the borough.
- 2.2 At its meeting 06 April 2016 Cabinet approved Changing the Housing Landscape in Sandwell Summary programme for Council House New Build (Minute no 61/16 refers). The appendix of the report gave identified sites to develop 636 properties as part of the Council's initial new build programme. The approval also authorised the Director Regeneration and Economy in consultation with the Director of Neighbourhoods be to substitute alternative sites to achieve the required housing outcomes should the schemes prove not to be viable in terms of value for money.
- 2.3 The HRA investment programme, agreed on 18 October 2017, identified a budget line for growth of high quality council owned housing stock to replace units lost under the right to buy (Minute no. 1/13 of the joint meeting of Strategic Resources and Jobs & Economy).
- 2.4 The Council is contractually committed with Homes England (HE) though the New Ways of Working Strategic Partnership 1 Programme (Extended to 31/03/25) to deliver 195 units through the Matrix Partnership. HE has permitted Matrix to re-forecast starts in 2022/23



subject to demonstrable steady progress throughout 2022/23 (i.e. this is at HE discretion). In order to demonstrate steady progress HE and Matrix group are currently programming latest start on site for Q3 2022/23. The latest start can slip to March 2023 but the latest completion must be March 2025 subject to meeting agreed progress against programme as stated above, which will be monitored monthly in 2022.

- 2.5 Sandwell signed the Right to Buy 1-4-1 retention agreement on 1st January 2014. Since this date, receipts of £27.7m have been retained to invest in replacement stock. Recently MHCLG have revised the terms of use of these receipts to enable them to be used within 5 years and they can make up to 40% of the new build costs and also placed restrictions on 'single property purchases' with a cap based on the number of new units started each year. This is 50% for 2022-23, 40% for 2023-24 and 30% for 2024-25 onwards. The first 20 units purchased are excluded from this cap.
- 2.6 Each of the individual sites will require Cabinet approval (if not already approved). As many of the schemes do not have detailed design and planning permission assumptions have been made on the number of units delivered so an element of over programming has been included. On schemes yet to gain approval once detailed design is complete and there is more clarity on the actual costs of the developments and the number of units to be built a strategic financial appraisal will be undertaken. There is therefore, a risk that schemes may not be able to proceed (if they do not achieve a satisfactory Strategic Investment Unit appraisal approval mark of 65 or above) as they are dependent on the outcome of the financial appraisals of the individual scheme designs and financial modelling.
- 2.7 In summary, the recommendations contained within this report will re-align the Council's short term new build programme in order to meet the council's contractual requirements with Homes England and also contribute to ensuring Right to Buy 1-4-1 receipts are utilised within the required time periods. The Council will continue to complete feasibility works on any future new build opportunities as part of a pipeline programme to ensure availability of sites for future Right to Buy 1-4-1 receipts and other funding opportunities. If any sites encounter issues that will prevent delivery within the designated timescale other sites will be substituted, if available. This will be monitored to ensure the most appropriate use of funding for each scheme.



2.8 The development of the proposed council sites with new homes will result in the following benefits:

- reducing the amount of vacant, under-utilised land within its ownership which is incurring maintenance costs;
- increasing the numbers of authority owned stock which will ease pressure on our existing housing;
- replacing housing stock lost through Right to Buy;
- increasing income to the Housing Revenue Account;
- 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 to target forecasts.
- Linking to the work of Think Local and Find-it-in-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.



3 How does this deliver objectives of the Corporate Plan?

	<p>Best start in life for children and young people</p> <p>These new build properties will provide accommodation which better meets the needs of young families allowing / enabling for a better home educational environment</p>
	<p>People live well and age well</p> <p>The new properties will be built to the Building Regulations standard M4(2) "Accessible and Adaptable" which allows for easy adaptations of the properties and takes into consideration ease of access to the dwellings. The schemes will also if possible include some M (4)3 full wheelchair compliant standard for people with specific needs.</p>
	<p>Quality homes in thriving neighbourhoods</p> <p>The redevelopment of under-utilised sites with modern residential accommodation will improve the asset base of the borough by providing much needed affordable housing.</p> <p>The provision of these proposed schemes will provide Homes that meet people's needs. Sandwell's population is growing, and people need quality housing that fits their individual requirements.</p> <p>The development of these sites will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve quality developments that set the highest architectural standards, and which provides energy efficient buildings, in furtherance of the aims of the Environmental Policy for Sandwell.</p>
	<p>A strong and inclusive economy</p> <p>The development of these schemes 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.</p>



4 Context and Key Issues

4.1 Consultation

Public consultation on each of the sites will be undertaken as part of the Statutory Planning process.

4.2 Sustainability

The development of these sites will be guided by the Local Planning Authority in accordance with approved planning and development guidance. This will seek to achieve developments of a quality that set 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 and Climate Change Policy for Sandwell.

4.3 Delivery

Sandwell Council has contracted with Homes England under the extended 2016/21 Strategic Partnerships 1 programme to build 195 units with grant funding. Within this funding allocation Sandwell has 5 units completed and 32 units currently on site. If any sites encounter issues that will prevent delivery within the designated timescale other sites will be substituted.

4.4 Currently the remainder of the Sandwell programme is due to start on site Q1-Q3 2022/23, Homes England has further discretion to allow starts up until March 2023 on a small number of schemes (subject to adequate progress on the remainder of the programme) with completion by March 2025.

4.5 These schemes will all utilise Homes England extended 2016/21 Strategic Partnerships 1 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 programme which can be used should these sites deliver more properties than are required under the Homes England programme or the schemes cannot be delivered within the time periods of the programme. This will be monitored to ensure the most appropriate use of funding for the scheme.



- 4.5 The properties once completed will be managed and maintained by the council and all the associated costs will be met from within the Housing Revenue Account.
- 4.6 The income generated from the rent will also go back into the Housing Revenue Account.

5 Alternative Options

- 5.1 As part of the appraisal process the following options were considered:

Option A – Dispose of the sites on the open market or to a Registered Provider.

The Disposal of the sites on the open market or to a Registered Provider would not provide new Council affordable rented properties and would result in the Council not being able to comply with contracted grant and financial agreements. If the schemes are not developed with the agreed timescales and funding envelope there is potential that the Council's Developer Status with Homes England will be affected which could result loss of future Homes England grant. If the Council does not comply with the terms and conditions of the Right to Buy 1-4-1 retention agreement there is potential that the Council would have to repay the retained sums (plus interest) that have not been expended within the required time periods.

Option B – Develop the sites utilising other funding sources

There is potential to deliver these schemes over a longer period of time by further utilising other funding sources such as Right to Buy 1-4-1 receipts or section 106 commuted sums for affordable housing. This would leave a shortfall in the Council's contracted Homes England extended 2016/21 Strategic Partnerships 1 programme resulting in the Council's developer status with Homes England being affected which could result loss of future Homes England grant.

Both Option A and Option B have the potential of having a long term detrimental effect on the Council being able to access Homes England Grant funding as a Developer Partner should the contracted timescales of the Strategic Partnerships 1 programme not be met. For this reason both of these options have been discounted.



6 Implications

<p>Resources:</p>	<p>Resources totalling £184m were allocated by Cabinet on 18th October 2017 for the period 2017 to 2027 to increase the number of homes within the HRA stock. The associated financing costs of these resources are built into the HRA projections.</p> <p>The rents charged on the properties will be affordable rents, which are up to 80% of market rent. This is in line with the recommendations approved by Cabinet on 14th November 2018 whereby all new build properties rent will be set as an affordable rent.</p> <p>The completed properties will be managed within existing resources from within the HRA.</p>
<p>Legal and Governance:</p>	<p>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.</p> <p>Pursuant to the Localism Act 2011 (Ss 1 – 7), Local Authorities have a general power of competence to do anything that individuals generally may do.</p> <p>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 rules are complied with.</p>
<p>Risk:</p>	<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. Based on the information provided it is the officers’ opinion that for the initial risks that have been identified,</p>



	<p>arrangements are in place to manage and mitigate these effectively.</p> <p>The current assessments have been completed and have identified two “red” risks that need to be reported at this stage. These relate to the overall programme re-profile not being approved by Cabinet and individual sites being removed from the programme. Both of these are substantial risks to the Council’s ability to achieve the contracted and financial commitments with the specified timescales. Actions have been put in place to mitigate this risk.</p>
Equality:	An Equality Impact Assessment screening exercise has been carried out and a full Equality Impact Assessment is not required.
Health and Wellbeing:	<p>Currently these sites are vacant and under-utilised. The redevelopment of these sites with modern residential accommodation will improve the asset base of the borough by providing much needed affordable, high quality, energy efficient housing.</p> <p>This will result in creating sustainable communities, create wealth, tackle poverty, improve health and wellbeing and reduce certain types of anti-social behaviour and crime.</p>
Social Value	The development of these schemes 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.



7. Appendices

7.1 Appendix 1 Council House Build Programme.

8. Background Papers

8.1 Report to the Cabinet Member for Strategic Resources and Jobs & Economy, 21st November 2013 - Minute no. 1/13 refers

8.2 Report to the Cabinet Member for Strategic Resources and Jobs and Economy, 29th October 2014 Changing the Housing Landscape in Sandwell (Key Decision Ref. No. C043) Minute no 75/14 refers

8.3 Report to The Cabinet, 6th 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

8.4 Report to The Cabinet, 7th 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.

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

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

