

Report to Cabinet

20 July 2022

Subject:	Smethwick Enterprise Centre – declaration surplus to requirements
Cabinet Member:	Cabinet Member Regeneration and Growth, Councillor Peter Hughes
Director:	Director of Regeneration & Growth, Tony McGovern
Key Decision:	Yes
Contact Officer:	<p>Planning Regeneration Team Leader, Hayley Insley Hayley_insley@sandwell.gov.uk</p> <p>Principal Lead: Commercial Property Stefan Hemming Stefan_hemming@sandwell.gov.uk</p>

1 Recommendations

- 1.1 That Cabinet agree to declare the Smethwick Enterprise Centre, Smethwick surplus to requirements in order to facilitate the redevelopment of the site for residential development as part of the Towns Fund programme.
- 1.2 That the Director – Finance be authorised to make the appropriate adjustments to the Revenue Budget to reflect the loss of income, at such time the premises is decanted.



2 Reasons for Recommendations

- 2.1 Currently, the Smethwick Enterprise Centre is only 37% occupied, with the remaining units requiring substantial investment to bring them up to a lettable standard. The rental income from the occupied units does not cover the ongoing maintenance costs.
- 2.2 Department for Levelling Up, Housing & Communities has announced the approval of £23.5m for the projects contained in the Smethwick Investment Plan. The site of the Smethwick Enterprise Centre was submitted as one of the five projects, requiring funding of £2m to facilitate the demolition of buildings and remediation of the land ready for residential development.
- 2.3 In order to progress the Towns Fund project, it will be necessary to declare the Centre surplus to requirements. It will also be necessary to make a change to the Revenue Budget to reflect that the rental commitment in the ledger will not be achievable once the site is brought forward for demolition and redevelopment.



3 How does this deliver objectives of the Corporate Plan?

	<p>Strong resilient communities Objective C2 within the Corporate Plan (2012-2025) states that ‘We will deliver the Towns Investment Plans in West Bromwich, Smethwick and Rowley Regis secured through £64.5m of Town Deal Funding’. This project contributes £2m of that funding if delivered.</p>
	<p>Quality homes in thriving neighbourhoods Objective H1 within the Corporate Plan (2021-2025) is: We will deliver much needed new homes across the borough, especially affordable homes, on our own land and other viable sites in order to help meet the demand for affordable housing in our communities. This proposal will ensure that over 115 new homes are provided to meet the current housing need, including 25% affordable housing.</p>
	<p>A strong and inclusive economy Objective E4 is ‘We will work proactively with our partners at the Local Enterprise Partnership, West Midlands Combined Authority and in central government to take maximum advantage of funding opportunities to secure additional funding for Sandwell regeneration projects’. This project is part of the Town Deal project attracting £4.35m of investment for Smethwick. Objective E6 is ‘We will deliver the agreed Town Deals in collaboration with our partners across Rowley Regis, Smethwick and West Bromwich</p>
	<p>A connected and accessible Sandwell This project is one of many in the Smethwick area that will assist in connecting existing with new development, access to the local public transport services and canal corridor.</p>



4 Context and Key Issues

- 4.1 The Smethwick Enterprise Centre was set up to provide incubator space for start-up businesses to occupy prior to moving on to larger premises when their businesses were more established. However, the centre has been unable to attract the types of businesses that were initially envisaged and currently has only 37.5% occupancy. The remaining units require significant investment to bring them up to a reasonable standard.
- 4.2 The current yearly maintenance of the site is £161,000, and the low rental income of approximately £99,000 per year means that there are insufficient funds to cover the refurbishment of the vacant units. A Condition Appraisal Report, undertaken in June 2021, looked at the minimum improvements required to make the units safe and serviceable, which includes new glazing, electrical rewiring, roofing and structural integrity of each of the buildings. The estimated costs for works to all buildings on site was £2.4m - rising to £3.12m with additional costs.
- 4.3 Many of the occupiers hold leases with a one month or three-month break clause. Whilst there is no obligation on the council to find or fund alternative accommodation for the current occupiers, wherever possible, Council officers will work with them to identify appropriate relocation premises that meet their requirements. The procurement of contractors to undertake the work on site can commence at the same time as the businesses are relocated.
- 4.4 The site was included as one of the projects within the Smethwick Town Investment Plan submitted to Government in October 2020. The project sets out proposals to demolish buildings on site and remediate the land, ready for residential development. This is in line with the site's allocation, for residential use, in the Local Plan. The delivery vehicle for the proposed housing has not yet been agreed.
- 4.5 In March 2021, Government announced a funding package of £23.5m to support the six projects within the Smethwick Town Investment Plan with Full Business Cases to be submitted within twelve months. The Council, along with consultants, prepared the Full Business Cases of five Smethwick projects for submission to DLUHC in March 2022. In May 2022, the Council received notification that the funding had been



awarded to all Smethwick projects, with the Rolfe Street Regeneration project set to receive £2m.

- 4.6 In order to progress the Towns Fund Project, it will now be necessary to formally declare the Enterprise Centre surplus to requirements; and to engage with the current occupiers in order to assist them in finding alternative premises.
- 4.7 There is an annual expenditure for consumables including gas/electric/water, business rates, cleaning, grounds maintenance and security. This is recouped via a service charge for the occupied units. The rental charged is an 'all-inclusive' rent that incorporates a 'pure' rent element, and pro rata service charge element. The current maintenance costs exceed the current rental income and other ad-hoc maintenance costs, such as maintaining the structure of the building. Such costs would obviously fall away should the site be redeveloped. Although this could be considered a saving to the council, Members should also note that it will result in a loss of revenue for the Commercial Estate budget

5 Alternative Options

5.1 Option 1:

The Enterprise Centre continues to operate, as it is currently, with more than half of the units remaining empty and a reduced revenue being received. The Towns Fund project would not progress, resulting in:

- Claw back of £2m of funding by the DLUHC
- approximately 115 new flats and houses (to meet the borough needs) not being delivered and the reputational damage to the council.

5.2 Option 2:

The Enterprise Centre continues to operate, and a budget is identified to fund the refurbishment of the remaining units. As Option 1, the £2m from Towns Fund is clawed back; no housing is delivered; and a significant impact on the Commercial Estate budget.

5.3 Option 3:

The Enterprise Centre is declared surplus, resulting in:

- a saving to the council of the continued maintenance costs of running the facility.



- The Towns Fund project being progressed, leading to the first phase of the wider Rolfe Street regeneration
- a loss in revenue in the Commercial Estate.

6 Implications

Resources:	The demolition of buildings and remediation of the land will be resourced from the Towns Fund allocation of £2m.
Legal and Governance:	<p>There are no specific immediate legal or statutory implications arising from the proposal outlined in this report.</p> <p>The Council's Sale of Land and Buildings Protocol requires the Corporate Landlord to be responsible for the management of land and premises required for operational purposes, which includes:</p> <ul style="list-style-type: none"> • Ensuring that the council's operational property portfolio is fit for purpose, sustainable and in good repair; • Identifying assets surplus to council requirements; • The formulation of business cases relating to the rationalisation and continued improvement of the council's operational property portfolio.
Risk:	<p>A risk assessment has been completed as part of the Towns Fund submission to Department for Levelling Up, Housing and Communities. There was only one significant risk associated with this project which was the potential risk of the costs exceeding the Towns Fund available. This can be mitigated by commencing site investigations as soon into the programme as possible although an initial desktop report did not highlight any major concerns regarding ground contamination. Other funds may need to be sought from partners should costs escalate beyond the contingency contained within the full business case. Not progressing with this project will result in clawback of £2m Towns Fund by DLUHC leading to reputable damage to the council. It will also mean that 115 much needed new homes will not be built to meet current demands.</p>



	Any issues regarding highways, climate change and school planning will be addressed through the relevant channels throughout the demolition and construction periods.
Equality:	An initial screening was undertaken as part of the Full Business Case development for this project. There was an indication that certain groups may be affected by the proposal and a resolution made to undertake a full EQIA once the project was more developed.
Health and Wellbeing:	The demolition and remediation of the land ready for residential development will enable the provision of new homes, including affordable homes, close to public transport routes and access to the green and blue network of open space and the canal network. More sustainable routes for walking and cycling and access to open space will improve resident's health and wellbeing.
Social Value	As part of the Full Business Case submission to government, a monitoring and evaluation plan was included outlining the opportunities for apprenticeships, new construction jobs and other outcomes that would contribute to social value targets for this project. The construction of new homes would also lead to increased spend within the local area by the new residents.

7. Appendices

Appendix A - Smethwick Enterprise Centre location plan

8. Background Papers

None

