

Birmingham City Council

Report to Cabinet

09 February 2021



Subject: Driving Housing Growth – Building New Homes on the Pool Farm Estate and Shannon Road site

Report of: Acting Director - Inclusive Growth

Relevant Cabinet Member: Councillor Ian Ward, Leader
Councillor Sharon Thompson, Cabinet Member for Homes and Neighbourhoods
Councillor Tristan Chatfield, Cabinet Member for Finance and Resources

Relevant O & S Chair(s): Councillor Penny Holbrook, Housing and Neighbourhoods
Councillor Sir Albert Bore, Resources

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Kings Norton South		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007902/2020		
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Does the report contain confidential or exempt information?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential:		

1 Executive Summary

- 1.1 The report seeks to obtain approval for the Full Business Case (FBC) for the construction of up to 267 new homes on cleared housing sites on the Pool Farm Estate and Shannon Road site in Kings Norton (the Scheme).

- 1.2 The report seeks approval for the strategy and commencement of the procurement activity and delegated approvals for the contract award for the Scheme.

2 Recommendations

- 2.1 Approves the FBC attached to this report as Appendix A for the Scheme, and delegates any changes to the FBC for the Scheme financial expenditure of up to 10% to the Interim Assistant Director, Housing Development.
- 2.2 Approves the strategy and commencement of the procurement activity for the housing development and associated works for the Scheme using the Homes England Delivery Partner Panel 3 Framework Agreement (or successor Homes England Framework Agreement).
- 2.3 Delegates the approval of the contract award for the Scheme to the Acting Director, Inclusive Growth in conjunction with the Assistant Director, Development and Commercial (or their delegate), the Interim Chief Finance Officer (or their delegate) and the City Solicitor (or their delegate) subject to the costs being within the FBC approval in accordance with paragraph 2.1.
- 2.4 Authorises the Acting Director, Inclusive Growth to seek consent from the Secretary of State under Section 174 of Localism Act 2011, to exclude the new council properties developed through the Scheme from the Right to Buy pooling requirements, and to ensure that any capital receipts generated from any future sale of homes under the Right to Buy are retained by the Council for reinvestment in future housing delivery.
- 2.5 Authorises the Acting Director, Inclusive Growth to utilise Compulsory Purchase Order (CPO) powers in accordance with Section 17 of the Housing Act 1985 and /or Section 226 of the Town and Country Planning Act 1990, and Section 13 of the Local Government (Miscellaneous Provisions) Act 1990 where required to facilitate the scheme.
- 2.6 Authorises the Acting Director, Inclusive Growth to consider the result of any consultations regarding the loss of any Public Open Space notices in accordance with Section 123 (2A) of the Local Government Act 1972
- 2.7 Authorises the Assistant Director, Transport and Connectivity to grant technical approval of the Scheme highways proposals and progress the preferred option to detailed design which will be the responsibility of the appointed contractor.
- 2.8 Authorises the Acting Director, Inclusive Growth to submit and process all necessary highway closures and notices required to facilitate the Scheme highlighted in the FBC and to enter into any appropriate agreements for the creation, improvement and alterations to highway access to the sites.
- 2.9 Delegates to the Acting Director, Inclusive Growth the power to amend or vary the development boundaries by up to 10% for the Scheme.

- 2.10 Delegates authority to the Acting Director, Inclusive Growth to submit funding applications to Homes England (HE), West Midlands Combined Authority (WMCA), the Ministry of Housing, Communities and Local Government (MHCLG), or any other funding agency to facilitate the scheme if required.
- 2.11 Authorises the City Solicitor (or their delegate) take all steps necessary for the preparation of any compulsory purchase orders which will be needed, including the appointment of references to carry out land ownership enquiries and to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 The proposed development at Pool Farm Estate is the final part of the regeneration project in Kings Norton involving the 3 Estates of Primrose Hill, Pool Farm, and Hawksley. On 24 September 2007, Cabinet approved a major regeneration programme involving the demolition of 875 homes on the Primrose and Pool Farm Estate and the construction of approximately 1000 new homes, a new retail offer, and the construction of a new area of public open space.
- 3.2 The proposals for the Pool Farm Estate and Shannon Road outlined within this report, represent the final phase of the Kings Norton regeneration programme approved in 2007, and this phase will see the development of up to 267 new homes, of which, 163 will be for social rented homes for the Council and 104 new homes being for outright sale.
- 3.3 The original plan, included in the Outline Business Case (OBC) that was approved as part of the Birmingham Municipal Housing Trust Delivery Plan 2019 - 2029 report to Cabinet on 14th May, was to construct 150 homes for social rent and 130 homes for sale; a total of 280 new homes. The change in figures for sale and rent has followed a detailed financial analysis of the scheme, which included the viability of outright sale in each phase of development. The analysis concluded that outright sale in certain phases was unviable because of the low property value in the area combined with the high cost of development and as result this reduced the level of outright sale.
- 3.4 This scheme also includes 20% larger homes (4 bed or more) within the delivery of the new council homes. This is in response to a lack of larger homes for families on the housing waiting list and inevitably this comes at an additional cost to the scheme. In addition, the fully designed scheme has established costs for site abnormalities associated with challenging levels on the estate requiring extensive retaining features. There are also increased costs for new infrastructure. More details are included in Appendix A.
- 3.5 The clearance programme for Pool Farm Estate is still on going with some parts of the Estate now cleared and available for development while clearance of other areas is still required. On this basis it is proposed that the development programme for Pool Farm Estate will be on a phased basis with detailed planning

approval obtained on some sites and outlined planning approval obtained on the remaining sites with the Scheme procured on this basis. The Council will also ensure that a Compulsory Purchase Order (CPO) is in place to assist site assembly should this be required.

- 3.6 The Pool Farm Estate represents a substantial challenge in development terms with the Estate located in an area of significant changes in levels and any new development will require extensive retaining features to enable development to take place. A detailed assessment of the development proposals has been undertaken to assess the viability of specific development plots and following that study the proposals will be on the basis of approximately 60% social housing and 40% outright sale. The site plan for the scheme is attached as Appendix B to this report.

4 Options considered and Recommended Proposal

- 4.1 To develop the Scheme as outlined in this report through Birmingham Municipal Housing Trust (BMHT) and with resources for the development being made available through the Housing Revenue Account (HRA) business plan. This is the recommended proposal.
- 4.2 To do nothing – this is not an option as the scheme will contribute to the Council’s target for new homes for the city and also the BMHT 10 years delivery plan.

5 Consultation

- 5.1 The local Ward Member has been briefed on the contents of the report and is supportive of the scheme and Social Value outcomes. Please see Appendix D, Consultation Plan.

6 Risk Management

- 6.1 Please see Appendix C, Risk Register.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council’s priorities, plans and strategies?

7.1.1 The Scheme is in accordance with the objectives of the proposed Housing Revenue Account (HRA) Business Plan 2021+.

7.1.2 The development of the proposed sites supports the delivery of the core objectives of the Birmingham Development Plan (BDP) which was adopted by the Council on 10 January 2017 to increase housing growth.

7.1.3 The Scheme proposed new homes will work in line with the Council’s emerging, “A Waste Strategy for Birmingham” policy document by developing plans that aim to reduce the amount of waste that is created,

reusing and recycling what we can, and recovering energy from any remaining waste where possible.

7.1.4 The Scheme will make a direct contribution and is consistent with the Council's Plan 2018 – 2022 (as updated in 2019) priorities and outcomes as outlined below:

- Birmingham is an aspirational city to grow up in; new homes will be developed which will provide a safe, warm, sustainable and connected neighbourhood in which our children can thrive.
- Birmingham is a great city to live in; the Council is committed to the development of enough high-quality new homes to meet the needs of a growing city, and the proposals within this report to accelerate housing growth in the City by providing new homes for rent on the proposed sites. New homes will help ease pressure on the housing waiting list that currently has around 13,000 people registered as in housing need.
- Birmingham is an entrepreneurial city to learn, work and invest in; activity within the construction sector will create jobs and apprenticeships in the city, and activity within the supply chain industries, supporting the local economy through the Birmingham Business Charter for Social Responsibility. This will be achieved through the procurement of the build contracts
- Birmingham is a fulfilling city to age in; the links between health and housing are well recognised. New thermally efficient, economical to run new homes which are designed to high standards of quality and internal space standards will be more affordable for residents and offer a higher quality of life leading to better health outcomes.
- Birmingham is a great, clean and green city to live in; the scheme will use a range of measures to improve the environment and tackle air pollution by using cleaner technologies such as Fabric First.

7.1.5 Birmingham Business Charter for Social Responsibility (BBC4SR)

7.1.5.1 Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of this contract. The successful tenderer will submit an action plan which will be implemented and monitored during the contract period.

7.1.5.2 The social value outcomes, after engagement with the Ward Member, to the benefit of the Kings Norton South ward and the surrounding areas, tenderers will be required to address with tangible and measurable commitments which will include:

Local Employment

- A strong local employment offer with the focus on hardest to reach groups particularly focused on the residents in the Kings Norton South Ward and surrounding areas. Based on the value of the scheme, it is reasonable to expect between 25 – 40 full time equivalent employment / apprenticeship opportunities.
- Employment and employability opportunities for the target groups particularly young, BAME, NEET, care leavers and ex-offenders.
- To provide a donation of £500 for every property built to support the Building Birmingham Scholarship to assist young professionals within the construction industry.

Buy Local

- We would expect spend to be with local, small and medium enterprises as well as social enterprises within a 30 miles radius of the site. Any expenditure outside of the 30 mile radius will need to be justified.
- In recognition of the Council's policy to support sheltered workshops and its commitment to promote such firms who employ People with Disabilities, the tender will include a requirement for tenderers to seek a quotation from Shelforce to ensure they have the opportunity to price for this Scheme.

Partners in Communities

- Bidders and their supply chain will need to utilise their community reach and focus their outcomes on community cohesion with sensitivity to local demographics and dynamics, working with existing charities, in particular around homelessness.
- Working with schools and colleges to promote the Science, Technology, Engineering, Mathematics (STEM) agenda for girls.
- Working with schools will need to focus on increasing attainment and employment options for those students facing disadvantage.
- Volunteering, fundraising, donations and supporting local, relevant community organisations.

- A robust understanding and methodology for community engagement.

Good Employer

- Provide good employment practices to increase the staff employability and quality of employment.
- Demonstration of the provision of in-depth training for their employees in equality, diversity and inclusion.
- Good practices around areas including collective representation, zero-hour contracts, whistle blowing policies
- The payment of the Real Living Wage down the supply chain is a mandatory requirement in accordance with the Council's policy.

Green and Sustainable

- Plans for a carbon natural position and what activities they are undertaking to achieve that additional to the specification including details relating to transport, recycling, materials used and offsetting.

Ethical Procurement

- The outcomes sought under this theme relate to the treatment of subcontractors in terms of payment and training.
- Evidence will be required as to how the bidder is ensuring that the materials used are sourced ethically.

7.2 Legal Implications

7.2.1 As the Housing Authority, the relevant legal powers relating to the discharge of the Council's statutory function to provide its housing need are contained in Section 9 of the Housing Act 1985.

7.2.2 Section 17 of the Housing Act 1985 grants local authorities the relevant powers to enact Compulsory Purchase Order powers.

7.2.3 Section 1 of the Localism Act 2011 contains the Council's general power of competence; Section 111 of the Local Government Act contains the Council's subsidiary financial powers in relation to the discharge of its functions.

7.2.4 The City Council carries out transportation, highways and infrastructure work under the relevant primary legislation including the Town and Country

Planning Act 1990, Highways Act 1980, Road Traffic Regulation Act 1984, Traffic Management Act 2004, Transport Act 2000, and other related regulations, instructions, directives, and general guidance, and the Highways Act 1980 contains the highway closures and diversions.

- 7.2.5 BMHT will enter into a memorandum of understanding with the Local Highway Authority to facilitate the improvement of existing areas of highway maintainable at public expense, that will be affected by the development proposals.

7.3 Financial Implications

- 7.3.1 The total estimated cost of the proposed development is £32.3m. The cost is an increase of £13.8m on the estimated cost in the OBC as a result of the need to provide a larger proportion of larger homes, increased site abnormalities due to the site levels, increased costs for drainage and highways, together with an increase in the cost of inflation due to the length of time for completion of the development.
- 7.3.2 In the event that the tenders come back above the estimated cost of the proposals, a process of value engineering to reduce costs within the financial envelope outlined above will be undertaken to ensure that the scheme can proceed. However, if, after the process of value engineering has been completed, and the scheme remains above the financial envelope agreed within this report, a further Cabinet approval will be required.
- 7.3.3 The development will be funded from a combination of property sales income, Housing Revenue Account (HRA) revenue contributions, general and 1-4-1 Right to Buy receipts, as well as Affordable Housing S106 contributions. The scheme forms part of the overall BMHT programme which is included in the HRA Business Plan 2021+, part of the Council's Business Plan and Budget 2021+ report, which is subject to approval at the Council meeting on 23 February 2021.
- 7.3.4 The future running costs of the rented properties and associated areas of public realm will be met from ongoing rental income.
- 7.3.5 The financial viability of the Scheme is based on the Government's social housing rent policy that will increase annually by the Consumer Price Index (CPI) + 1 % in the next 4 years.
- 7.3.6 The new Council rented homes will be subject to the Right to Buy cost floor regulations, which mean that for the first 15 years following the completion of the new homes, any tenant purchasing their Council property through the Right to Buy will be obliged to pay the Council the full construction cost of the property, irrespective of any discount to which they may be entitled under the Right to Buy legislation.

7.3.7 Where new highway is required to enable sites to be redeveloped to support the housing construction described in this report then such development costs will be met by the HRA.

7.4 Procurement Implications

7.4.1 The OBC for the Pool Farm and Shannon Road sites was approved in the Birmingham Municipal Housing Trust Delivery Plan 2019 - 2029 report to Cabinet on 14th May 2019. It is recommended that a further competition exercise is carried out in accordance with the protocol of the Homes England Delivery Partner Panel 3 (DPP3) framework agreement – Midlands Lot.

7.4.2 The DPP3 framework agreement is specifically for the development of housing with a suitable breadth of suppliers with pre-agreed terms and conditions that is considered to deliver better value for money than an open tender or any other framework agreement and has been used successfully for the delivery of a number of similarly large BMHT housing development schemes. The evaluation criterion to be used is 40% quality, 25% social value and 35% price.

7.5 Human Resources Implications (if required)

7.5.1 The project will be staffed from BMHT internal resource with support from the Council's Employer Agent, Currie and Brown Ltd for the scheme.

7.6 Public Sector Equality Duty

7.6.1 There are currently around 13,000 people on the Council's waiting list for affordable housing and this includes 3,000 people who are currently homeless and in temporary accommodation. Many of these people live in overcrowded conditions across the housing sector. Evidence from allocating properties previously developed under the Birmingham Municipal Housing Trust (BMHT) banner has revealed the extent of this problem, many families being allocated from accommodation that was too small for their needs.

7.6.2 The BMHT delivery plan for 2015-20 included an Equality Impact Analysis and was agreed by Cabinet in December 2014 which operates City-wide. It includes areas where different cultural requirements will need to be reflected in the design of the homes provided. Feedback from previous schemes delivered has been utilised and these will be used in developing the Scheme as outlined within this report. It is considered that a further Equality Impact Analysis is not required for the recommendations in this report as they do not disclose any adverse impact on the protected groups not covered in this report.

8 Appendices

8.1 Appendix A – Full Business Case

- 8.2 Appendix B – Site Plan
- 8.3 Appendix C – Risk Register
- 8.4 Appendix D – Consultation Responses

9 Background Documents

- 9.1 Cabinet Report: Birmingham Municipal Housing Trust Delivery Plan for the Development of Housing for the period 2019 – 2029.

