

Birmingham City Council

Report to Cabinet

10 November 2020



Subject: Driving Housing Growth – Building New Homes on the Abbeyfields and Birchfield Estates

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

Report author: Andrew Hood, Housing Development Manager,
0121 303 7879
Email Address: Andrew.Hood@birmingham.gov.uk

Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Birchfield, Erdington.		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 007687/2020		
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
Exempt Appendices B and C		
If relevant, provide exempt information paragraph number or reason if confidential: Exempt information paragraph 3. Information relating to the financial or business affairs of any particular person (including the council)		

1 Executive Summary

- 1.1 The report seeks to obtain approval for the Full Business Case (FBC) for the construction of 39 homes on cleared housing sites on the Abbeyfields estate and

the Birchfield estate. In addition, it seeks approval for the award of contracts for the construction of 39 homes following the completion of the procurement exercises for the two sites.

2 Recommendations

- 2.1 Approves the revised FBC for the development of sites at the Abbeyfields estate and the Birchfield estate. The FBC is attached as Appendix A.
- 2.2 Approves the award of contract to Jessup Brothers Ltd following a further competition exercise using the Homes England Delivery Partner Panel 3 (DPP3) Framework Agreement for the construction of 21 homes (19 for outright sale and 2 for rent) at the Abbeyfields estate in Erdington. The details on the contract award are outlined in the Exempt Appendix B.
- 2.3 Approves the extension of the Council's Dynamic Purchasing System for Housing Development for Small Sites for a period of up to twelve months whilst the future procurement strategy for BHMT schemes is developed.
- 2.4 To approve the award of contract to J Harper & Sons (Leominster) Ltd following a further competition exercise using the Council's Dynamic Purchasing System (DPS) for the construction of 18 open market sale homes at Birchfield through the Council's Forward Homes brand. The details on the contract award are outlined in the Exempt Appendix C.
- 2.5 In the event that the homes for sale at Birchfield or Abbeyfields become unviable for outright sale delegates approval to the Acting Director, Inclusive Growth in consultation with the Cabinet Member for Homes and Neighbourhoods, to switch the tenure of these homes to social rented properties for the City Council, subject to the availability of funding.
- 2.6 Authorises the Acting Director, Inclusive Growth to seek consent from the Secretary of State under Section 174 of the Localism Act 2011, to exclude the new council properties developed through these proposals 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.
- 2.7 Authorises the Acting Director, Inclusive Growth to receive the result of any consultations regarding the loss of Public Open Space notices in accordance with Section 123 (2A) of the Local Government Act 1972 and to decide whether to proceed under Section 122(2A) in consultation with the Cabinet Member for Housing and Neighbourhoods.
- 2.8 Authorises the Acting Director, Inclusive Growth to develop the highways proposals and progress the preferred option to detailed design.
- 2.9 Authorises the Acting Director, Inclusive Growth to submit and process all necessary Highway Closures and notices required to facilitate the development

of sites highlighted in the FBC and to enter into any appropriate agreements for alterations to highway access to the sites.

- 2.10 Delegates to the Acting Director, Inclusive Growth the power to amend or vary by 10% the development boundaries of any of the sites
- 2.11 Delegates authority to the Acting Director, Inclusive Growth to submit applications to Homes England (HE), West Midlands Combined Authority (WMCA), the Ministry of Housing, Communities and Local Government (MHCLG), or any other funding agency, where opportunities arise for grant funding and/or borrowing approvals to support future phases of new housing development.
- 2.12 Approves any prudential borrowing required by the City Council to allow for the residential development of the sites outlined within this report.
- 2.13 Authorises the Interim City Solicitor (or their delegate) to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 The regeneration of the former Lyndhurst estate now known as Abbeyfields has been ongoing for the past decade, and the remaining site for development is the subject of this report. Originally this phase of development was for 19 homes for outright sale, however, it was agreed to vary the previous phase because of constraints affecting 2 rental units and these 2 rental units will now be delivered as part of this final phase for Abbeyfields. The site will comprise of 2 x 2 bedroom 4 person houses for social rent and the 19 outright sale units comprising of 6 x 2 bedroom 4 person houses, 9 x 3 bedroom 5 person houses, and 4 x 4 bedroom 6/7 person houses.

The previous phases of the former Lyndhurst Estate provided a total of 249 new homes for rent and sale of which 148 homes were for social rent and 101 homes were for sale on the open market.

- 3.2 In addition, this final phase of development on Abbeyfields will also include a football pitch and Multi-Use Games Area (MUGA) which are the planning commitments from the redevelopment of the estate. These costs are included in the FBC for the scheme in Appendix A. The site plan of the Abbeyfields scheme is attached at Appendix F (site plans).
- 3.3 The proposed development on Birchfield is the final aspect of development at the Birchfield estate. This phase of development involves the construction of 18 properties for outright sale and will comprise of 6 x 2 bedroom 4 person houses and 12 x 3 bedroom 5 person houses. The earlier phase of development at Birchfield provided 68 new homes of which 53 were socially rented properties for the Council. The site plan of the Birchfield scheme is attached as Appendix F (site plans).

- 3.4 The site is close to the Perry Barr regeneration scheme and this development will also benefit from the improvements to Perry Barr train station and Sprint services from Perry Barr and make the scheme more attractive to prospective purchasers.
- 3.5 Although an appraisal of the schemes has been undertaken and demonstrates the viability of outright sale through the Council's Forward Homes brand, due to the fragile and unpredictable nature of the housing market currently, it is recommended that the Council has the ability to switch the tenure on these properties to social rent properties for the Council should outright sale properties be deemed unviable following changes to the housing market. There would be no procurement implications if this change were to occur.
- 3.6 The FBC which includes the cost of development at Birchfield is attached with Appendix A.
- 3.7 The Council's Forward Homes brand will be used to sell the outright sale homes, and the Council will award contracts for estate agency services to assist in this process approved under Chief Officer delegated authority. The costs of the estate agency services are included within the FBC for the schemes.

4 Options considered and Recommended Proposal

- 4.1 To award the contract – this is the recommended proposal to enable the development of housing and to contribute to the Council's house building target.
- 4.2 Not to award the contract – this is not an option as it would not enable the Council to meet its commitments for house building.

5 Consultation

- 5.1 The proposals have been developed in consultation with Ward Councillors, and their comments are detailed in Appendix D, Consultation Plan.

6 Risk Management

- 6.1 A risk management assessment has been undertaken. Please see attached Appendix E.

7 Compliance Issues:

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

- 7.1.1 The development of new affordable housing within the city is in accordance with the objectives of the housing revenue account (HRA) Business Plan 2020+.
- 7.1.2 The proposed sites support 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 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 schemes will make a direct contribution and are 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 Charter for Social Responsibility. This will be secured 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.

7.1.5 Birmingham Business Charter for Social Responsibility (BBC4SR)

Abbeyfields

Jessup Brothers Ltd is an accredited signatory to the BBC4SR and has produced an action plan with commitments proportionate to the value of this contract. The commitments will be managed and monitored during the contract period.

Social Value Commitments

Jessup Brothers Ltd.'s commitment include to creating 6 new full-time jobs, 2 apprenticeships, 4 work or voluntary placements. In addition, work experience placements will be offered as well as working with local schools and community groups.

Birchfield

J Harper & Sons Ltd is an accredited signatory to the BBC4SR and has produced an action plan with commitments proportionate to the value of this contract. The commitments will be managed and monitored during the contract period.

Social Value Commitments

J Harper & Sons Ltd.'s commitments include 1 creating 2 full time local employment opportunities, 2 new apprenticeships, and 5 work placements. In addition, opportunities for work experience and working with local schools, business and community groups will be undertaken.

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 1 of the Localism Act 2011 contains the Council's general power of competence; Section 111 of the Local Government Act 1972 contains the Council's subsidiary financial powers in relation to the discharge of its functions.

7.2.3 Section 120 of the Local Government Act 1972 contains the Council's land acquisition powers; and the Highways Act 1980 contains the highway closure and diversions.

7.2.4 Birmingham Municipal Housing Trust (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.

7.2.5 The exempt appendices are considered to be in the public interest as they contain commercially sensitive information of a financial or business nature, which if disclosed to the public could be prejudicial to a named, individual or company.

7.3 Financial Implications

7.3.1 The overall estimated capital cost of the development at the Abbeyfields and Birchfield sites are set out within the FBC at Appendix A is £8.1m, which are estimated to be incurred up to 2022/23. These costs include £4.5m for Public Open Space planning obligations, which are planning commitments for the overall phases of the Abbeyfields scheme and £0.2m for Highways planning obligations.

7.3.2 This represents a net additional cost of £4.3m on what was included in the Housing Revenue Account (HRA) Business Plan 2020+, and a corresponding increase of £3.5m on the estimated sales receipts bringing it to £8m. This is largely due to the change in approach in building all the sales properties through the Council's Forward Homes brand as outright sales.

This development will incur short term prudential borrowing of £1.3m, to smooth timing differences, which will be repaid in 2022/23 from surplus sales receipts. The remainder will be funded from Housing Revenue Account (HRA) revenue contributions, Right to Buy (RtB) one for one receipt, RtB general receipts, and Affordable Housing Section 106 contributions.

7.3.3 The future running costs of the 2 social rented properties and areas of public realm retained within the schemes in the full business case will be met from ongoing rental income derived from the new build properties. This will result in an overall revenue surplus to the HRA over 30 years of £0.3m.

7.3.4 In the event that the homes for sale at Birchfield or Abbeyfields become unviable for outright sale any approval to switch the tenure of these homes to social rented properties will need to be financially reassessed.

7.3.5 The financial viability of the proposals is based on the social housing rent policy of Consumer Price Index (CPI) + 1 %.

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 and ongoing maintenance will be met by the HRA. Appropriate permission to construct highway will also be required.

7.3.8 There are no financial implications for the extension of the DPS as this will be reported in any call-off of a specific scheme.

7.4 Procurement Implications (if required)

7.4.1 Abbeyfields Phase 4

The procurement strategy for the Abbeyfields estate was outlined within the Outline Business Case approved in the Cabinet Report titled, Birmingham Municipal Housing Trust Delivery Plan 2019 – 2029 on 14 May 2019.

This approved the procurement approach to use the Homes England Delivery Partner 3 (DPP3) Framework Agreement. The tender evaluation criteria used was 40% quality, 10% social value and 50% price.

An Expression of Interest was issued on 21 May 2019 via the DPP3 portal to the framework suppliers with the return date of 28 May 2019. Three suppliers responded expressing an interest in tendering for the opportunity. In accordance with the framework protocol, there was no requirement to carry out the sifting brief as there were less than five expressions of interest

and Invitation to Tender documentation was issued to the three tenderers on 07 November 2019 with an extended return date of 31 January 2020. One tender response was received by the deadline. The detail of the evaluation process is contained within Exempt Appendix B.

7.4.2 Birchfield Phase 2

The procurement strategy for the Birchfield estate was outlined within the Outline Business Case approved in the Cabinet Report titled, Building Birmingham: Full Business Case - delivering the BMHT Housing Development Programme 2017-19 with SME House-Builders dated 30 December 2017.

This approved the procurement approach to use the Council's Dynamic Purchasing System (DPS) procedure. The tender evaluation criteria used was 30% quality, 20% social value and 50% price.

The Invitation to Tender documentation was issued to the DPS suppliers on 28 November 2019 and with a return date of 07 February 2020. One tender response was received by the deadline. The detail of the evaluation process is contained within Exempt Appendix C.

7.4.3 Extension of the Dynamic Purchasing System (DPS)

A DPS is an entirely electronic procurement approach for setting up and maintaining an 'approved list' of contractors and suppliers. A DPS is set up using the restricted procedure under the Public Contract Regulations 2015 (PCR 2015) and further in accordance with Regulation 34 of the PCR 2015. The DPS operates as an 'open system' in that new suppliers can join at any time during its duration, subject to passing the selection criteria. It is permissible to extend the DPS's duration.

The DPS is due to expire on 30th October 2020 and there remains a requirement for a procurement route for smaller BMHT sites of up to 15 properties. It is recommended that the DPS is extended for a further period of up to twelve months whilst the procurement strategy for BMHT developments is finalised. The strategy for BMHT developments is being reviewed for all types of schemes from 2 units upwards and there are a number of external factors key to the decisions that are needed to inform the strategy. Some of which still isn't currently known as other public bodies are in mid-tender processes for options that need consideration. The procurement strategy for BMHT developments will be reported to Cabinet in due course.

7.5 Human Resources Implications (if required)

7.5.1 None.

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 schemes 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 (FBC)
- 8.2 Exempt Appendix B (Abbeyfields)
- 8.3 Exempt Appendix C (Birchfield)
- 8.4 Appendix D – Consultation Plan
- 8.5 Appendix E – Risk Register
- 8.6 Appendix F - Site Plans

9 Background Documents

- 9.1 Cabinet Report 14 May 2019 Birmingham Municipal Housing Trust Delivery Plan 2019-2029.
- 9.2 Cabinet Report Building Birmingham: Full Business Case - delivering the BMHT Housing Development Programme 2017-19 with SME House-Builders dated 30 December 2017.

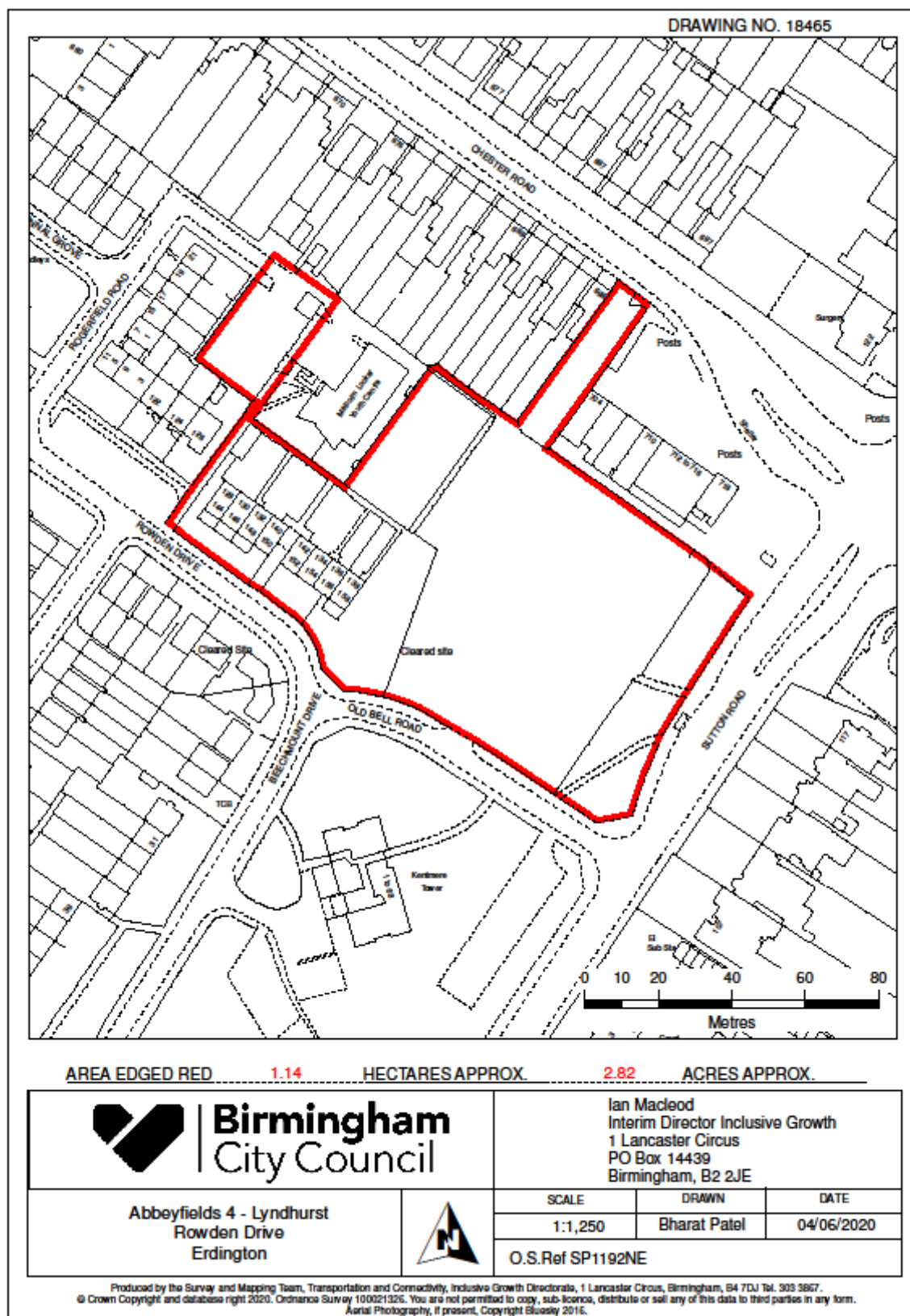
Appendix D – Consultation Plan

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Appendix E – Risk Register

Risk No	Risk description	Risk mitigation	Residual / current risk			Additional steps to be taken
			Likelihood	Impact	Prioritisation	
1.	Costs increase during construction period.	Ensure robust contract management process are in place. Review and challenge all proposed cost increases.	Medium	High	Tolerable	Costs continually reviewed in conjunction with project team.
2.	Delays due to site conditions	Site surveys are carried out at an early stage. Work closely with partner organisations to avoid delays.	Medium	High	Tolerable	Contingency built into all contracts where difficult ground conditions have been identified.
3.	Corona Virus and Brexit Delays, cost increases, impacts of availability of human resources and materials	Continual monitoring of the latest situation. Review contract terms and conditions to ensure relevance. Seek to transfer risk of cost increases to third parties. i.e. contractor	High	High	Unavoidable	Regularly review the situation
4.	Tender prices not being held due to any delay in authority for project being obtained	Contractors have been contacted and have confirmed that tender prices will not be increased.	Medium	High	Tolerable	Ensure authority is achieved without any significant delay

Appendix F – site plans. Abbeyfields Phase 4.



Appendix F – site plans. Birchfield Phase 2

