

FULL BUSINESS CASE (FBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	Development of Housing at Dawberry Fields Road		
Voyager code	LV0019-26		
Portfolio /Committee	Housing and Homelessness	Directorate	Place, Prosperity & Sustainability
Approved by Project Sponsor	Paul Kitson	Approved by Finance Business Partner	Carl Tomlinson

A2. Outline Business Case approval *(Date and approving body)*

The Outline Business Case for the scheme was included in the options appraisal appendix of the Birmingham Municipal Housing Trust (BMHT) Delivery Plan 2019-2029 report to Cabinet on 14 May 2019.

A3. Project Description

The Full Business Case is seeking approval to commence the construction of 55 new homes for social rent at Dawberry Fields Road, Brandwood & King's Heath Ward. The development will be on two cleared sites that were appropriated into the HRA in March 2021 and March 2017 via a report to Cabinet.

The scheme will be the Council's first development built to Passivhaus energy efficiency standards and the scheme will be monitored and evaluated to learn lessons for future Passivhaus schemes. The scheme will also be a fully accredited Passivhaus development. Pre-tender estimates have been obtained for the construction of 55 new homes from the appointed Employers Agent, Arcadis (UK) Ltd.

A4. Scope

Birmingham City Council will be undertaking the following;

- Design of housing development scheme
- Work with stakeholders to develop new sustainable housing
- Obtaining planning approval for the development of 55 new homes
- Undertaking site investigations and surveys
- The procurement process and contract award
- Contract management of the build programme

A5. Scope exclusions

- Site assembly and clearance costs
- Future management of social rent properties
- Discharge of planning conditions

B. STRATEGIC CASE

This sets out the case for change and the project's fit to the Council Plan objectives

B1. Project objectives and outcomes

The case for change including the contribution to Council Plan objectives and outcomes

The project contributes to the Council objectives, such as:

- A Bold Prosperous Birmingham; 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 and will help ease pressure on the housing register.

- A Bold Green Birmingham; the new homes will be built to a high standard of energy efficiency by using the latest technologies and use a range of measures to improve the environment and tackle air pollution by using cleaner technologies and building energy efficient homes.
- A Bold Inclusive Birmingham; the new social housing will be available to any applicant on housing register.
- A Bold Healthy Birmingham; 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 provide social rented housing for residents and offer a higher quality of life, leading to better health outcomes.
- A Bold Safe Birmingham; new homes will be developed which will provide a safe, warm, sustainable, and connected neighbourhood in which all communities can thrive.

B2. Project Deliverables

These are the outputs from the project e.g. a new building with xm2 of internal space, xm of new road, etc

The scheme will deliver 55 new homes for social rent, consisting of the following:

House Type (Site A)	No of units for this house type	GIA per unit
2B4P House	9	80.8 SQM
3B5P House	10	93.8 SQM
4B7P House	10	123 SQM
House Type (Site B)	No of units for this house type	GIA per unit
2Bed 3person Flat	6	63.1 SQM
2Bed 4Person Flat	20	72.1 SQM
Total number of dwellings	55	

B3. Project Benefits

These are the social benefits and outcomes from the project, e.g. additional school places or economic benefits.

Measure	Impact
<i>List at least one measure associated with each of the objectives and outcomes in B1 above</i>	<i>What the estimated impact of the project will be on the measure identified – please quantify where practicable (e.g. for economic and transportation benefits)</i>
Energy efficient homes	The new properties will be built to Passivhaus energy efficiency standards which will significantly contribute towards Route to Zero
Creation of 55 new homes	The scheme will contribute towards reducing the demands on the housing register.
Regenerating the area	The scheme will improve the local environment and benefit the local economy by providing employment / training / apprenticeship opportunities through the build contract
Building Birmingham Scholarship (BBS)	The scheme will contribute £27,500 to the BBS bursary scheme

For major projects and programmes over £20m:

N/A

B4. Benefits Realisation Plan

Set out here how you will ensure the planned benefits will be delivered

The Council Houses will be delivered by the Council's well established and award-winning

Birmingham Municipal Housing Trust (BMHT). The project will be managed by experienced project managers who will monitor expenditure and outturns via monthly site project meetings. Progress will be regularly reported to the BMHT Project Board as required.

B5. Stakeholders

Please see table G4 below

C. ECONOMIC CASE AND OPTIONS APPRAISAL

This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities

C1. Summary of options reviewed at Outline Business Case

(including reasons for the preferred option which has been developed to FBC)

If options have been further developed since the OBC, provide the updated Price quality matrix and recommended option with reasons.

As per A2

C2. Evaluation of key risks and issues

The full risks and issues register is included at the end of this FBC

A risk register is in the covering Executive Report – Appendix D

C3. Other impacts of the preferred option

Describe other significant impacts, both positive and negative

N/A

D. COMMERCIAL CASE

This considers whether realistic and commercial arrangements for the project can be made

D1. Partnership, Joint venture and accountable body working

Describe how the project will be controlled, managed and delivered if using these arrangements

N/A

D2. Procurement implications and Contract Strategy:

What is the proposed procurement contract strategy and route? Which Framework, or OJEU? This should generally discharge the requirement to approve a Contract Strategy (with a recommendation in the report).

The procurement strategy for the Scheme is to carry out a further competition exercise in accordance with the protocol of the Homes England's Dynamic Purchasing System (DPS) Framework Agreement. The tender evaluation criteria to be used will be 40% price, 20% social value and 40% quality.

D3. Staffing and TUPE implications:

N/A

Key Inputs			
Construction		Running Costs, etc.	
Total Development costs	£14.84m	Weekly rent	2 bed £102.18, 3 bed £134.18, 4 bed £152.17
Total Sales Income	£0.00m	Rent loss - voids / arrears	2.0%
		Annual rent increase	7% 2023/24 then 3.0% ongoing
RTB activity assumed	None	Management Costs	£1,028

Appendix A – Full Business Case (FBC) – Dawberry Fields Road Development

APPENDIX

		Repairs Costs	£981
Key Outputs		Capital Works (5-yearly)	£5,357
(Surplus) / Deficit after 30 years	£0.88m	Annual Cost Increase	2.5% (CPI 2.0%)

HRA Extract	2021/22	2022/23	2023/24	2024/25	2025/26	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4	
	£m	£m	£m	£m	£m	£m
Rental Income	0.00	0.00	0.00	0.00	(0.15)	(15.17)
Voids and arrears	0.00	0.00	0.00	0.00	0.00	0.30
Repairs and Maintenance	0.00	0.00	0.00	0.00	0.03	2.17
Management Costs	0.00	0.00	0.00	0.00	0.03	2.28
Cash-backed Depreciation	0.00	0.00	0.00	0.00	0.06	2.29
HRA Deficit / (Surplus) Contribution	0.00	0.00	0.00	0.00	(0.03)	(8.13)
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.06)	(0.12)	(2.02)	(4.43)	(2.38)	(9.01)
Net HRA Impact	0.06	0.12	2.02	4.43	2.35	0.88
Capital Account	2021/22	2022/23	2023/24	2024/25	2025/26	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4	
	£m	£m	£m	£m	£m	£m
Pre Contract Costs	0.09	0.20	0.07	0.00	0.00	0.36
Build Costs (including Fees)	0.00	0.00	3.30	6.97	3.96	14.23
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.00	0.00	0.25	0.00	0.25
Total Development Costs	0.09	0.20	3.37	7.22	3.96	14.84
Capital Investment / Renewals ¹	0.00	0.00	0.00	0.00	0.00	2.29
Other Capital Financing (RTB 1-4-1 Receipts)	(0.03)	(0.08)	(1.35)	(2.79)	(1.58)	(5.83)
Revenue Contributions from wider HRA	(0.06)	(0.12)	(2.02)	(4.43)	(2.38)	(9.01)
Receipts/Grant	0.00	0.00	0.00	0.00	0.00	0.00
Cyclical Maintenance Reserve Release	0.00	0.00	0.00	0.00	0.00	(2.29)
Total Capital Income	(0.09)	(0.20)	(3.37)	(7.22)	(3.96)	(14.84)
Capital Account (Surplus) / Deficit	0.00	0.00	0.00	0.00	0.00	0.00

Balance Sheet Extract	2021/22	2022/23	2023/24	2024/25	2025/26	2051/52
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 30

APPENDIX

	£m	£m	£m	£m	£m	£m
Land & Buildings	0.00	0.00	0.00	0.00	13.98	26.57
Cyclical Investment Reserve	0.00	0.00	0.00	0.00	0.06	0.55
Capital Reserve	0.00	0.00	0.00	0.00	(14.04)	(27.12)
Net	0.00	0.00	0.00	0.00	0.00	0.00

Properties	2021/22	2022/23	2023/24	2024/25	2025/26	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4	
HRA Social Rent Properties	0	0	0	0	55	55
Sale Properties	0	0	0	0	0	0
Total Properties	0	0	0	0	55	55

Formal approval to the ongoing capital investment / renewals programme (at a total value of £2.29 million over the coming 30 years) will be sought in due course as a part of the overall HRA capital programme as details of elemental investment needs emerge over time.

E2. Evaluation and comment on financial implications:

The financial viability of the scheme shows a deficit of £0.88m over a thirty years' period, however, it is pertinent to highlight the scheme will break even in year 32. Also, a Passivhaus scheme will always be more costly to build than a traditional scheme due to the significant additional build specification. There is a need to factor in the benefits to both the tenant and landlord, and the contribution that this scheme will make to the challenges of route to zero and the on-going cost of living crisis. Cost per unit for Passivhaus is £271,872 between a traditional build at £256,918 per unit. Therefore, gross build cost perspective average between Passivhaus and Traditional is £14,954 per unit.

E3. Approach to optimism bias and provision of contingency

There is a 20% tolerance in the FBC if the scheme cost is above the pre-tender estimate. However, in the unlikely event that the tolerance is exceeded then the specification will be reviewed to achieve any required savings.

E4. Taxation

Describe any tax implications and how they will be managed, including VAT

The construction of new dwellings is zero rated for VAT purposes. Zero rating extends to services in the course of construction of new dwellings but does not include professional and supervisory services, except where those services are provided as part of a single "design and build" contract for the construction of new dwellings. Furthermore, zero rating does not extend to items that are not ordinarily incorporated in new dwellings such as domestic appliances, e.g., cookers, fridges, washing machines etc., or garden buildings, e.g., sheds. As such, BCC will incur VAT on the acquisition and installation of such items within HRA dwellings

The letting of HRA dwellings is a statutory function of BCC and thus non-business. As such, BCC can reclaim VAT incurred on its development, provision, and management of new HRA dwellings without any adverse VAT implications for BCC. However, the VAT treatment of such income and expenditure should be confirmed prior to commencement of the project.

For the homes for sale, the land transfer value is exempt from VAT and any VAT on the Council's

cost associated with and transfer is exempt input tax that counts towards the Council's 5% partial exemption limit.

F. PROJECT MANAGEMENT CASE

This considers how project delivery plans are robust and realistic

F1. Key Project Milestones

The summary Project Plan and milestones is attached at G1 below

Planned Delivery Dates

Planning approval	May 2023
Commence Tender	May 2023
Contract Award Report	Oct 2023
Start on site	Jan 2024
Practical completion	Mar 2026
12 months Defects	Mar 2027

F2. Achievability

Describe how the project can be delivered given the organisational skills and capacity available

Birmingham City Council is an award-winning developer of mixed-use residential developments through Birmingham Municipal Housing Trust (BMHT).

BMHT was set up by the Council in 2009 to build new council homes. Since 2009, BMHT has developed over 3500 new homes for rent and sale. BMHT has a proven track record on delivery and established itself as the biggest housing developer in Birmingham by completing 25% out of all the new homes built in the City since 2011.

F3. Dependencies on other projects or activities

The key risk remains unforeseen consequences of the impact of inflation, the conflict in Ukraine, the availability and costs of human and raw material resources.

There is an interdependency of all the elements of this project to deliver a comprehensive and strategic approach, which includes, infrastructure works and highways, procurement of development partner, associated legal documents / agreements to be negotiated and signed, and completion of planning conditions.

F4. Officer support

Project Manager: Shahid Iqbal

Project Accountant: Carl Tomlinson

Project Sponsor: Paul Kitson

F5. Project Management

Describe how the project will be managed, including the responsible Project Board and who its members are

The project will be managed in house by Council officers from the Housing Development Team. Overall management / monitoring shall be via the Housing Project Board:

Paul Kitson – Strategic Director, Place, Prosperity & Sustainability Directorate

Colette McCann – Head of Housing Development

Carl Tomlinson – Interim Finance Business Partner – City Operations & City Housing

G. SUPPORTING INFORMATION

(Please adapt or replace the formats as appropriate to the project)

G1. PROJECT PLAN

Detailed Project Plan supporting the key milestones in section F1 above

See F1 for project milestones.

G2. SUMMARY OF RISKS AND ISSUES REGISTER

Risks should include Optimism Bias, and risks during the development to FBC

Grading of severity and likelihood: High – Significant – Medium - Low

The risk register is appended to the executive report for this project as Appendix D.

Risk after mitigation:

Risk or issue	mitigation	Severity	Likelihood
1.			
2.			
3.			
4.			
5.			
6.			

G3. EXTERNAL FUNDING AND OTHER FINANCIAL DETAILS

Description of external funding arrangements and conditions, and other financial details supporting the financial implications in section E1 above (if appropriate)

N/A. However, applications for grant and/or other funding will be submitted when the appropriate opportunity arises.

G4. STAKEHOLDER ANALYSIS

Stakeholder	Role and significance	How stakeholder relationships will be managed
Ward members	Active lead ward representative, interest of constituents/ Council - High	In house through dialogue and engagement / consultation
Local community	Residents - High	On-going resident information
Planning Officer	Consultant/ advisory - High	Regular design team meetings to review progress
Contractor	Delivery/Operational -High	Monthly site meetings throughout the scheme
Architect	Consultant/advisory/Designer - High	Periodic meetings, formal professional relationship
Engineers	Consultant/Advisory -High	Periodic meetings, formal professional relationship

Other Attachments

provide as appropriate

• None

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