

OPTIONS APPRAISAL			
1. General Information			
Directorate	Economy	Portfolio/Committee	Housing and Neighbourhoods
Project Title	BMHT 10 year Development Pipeline	Project Code	(as per Voyager)
Project Description	<p>These proposals sets out a 10 year programme for the development of new homes for both rent and sale through the Birmingham Municipal Housing Trust, the Council's brand name for it new build programme.</p> <p>BMHT was set up by the Council in 2009 to build new Council homes. The changes to the Housing Revenue Account (HRA) subsidy system made by the Government made it financially viable for Local Authorities to build new council homes for the first time in 30 years.</p> <p>Since 2009, BMHT has developed over 3000 homes for sale and rent and has become the biggest housing developer in the City, providing around 25% of all new homes in the City each year.</p> <p>The development of new homes by the Council through BMHT is important for a number of reasons. Firstly, the development of new homes meets the growing need for additional homes in the city and provides a stimulus to the economy through construction related activity in the employment and supply chain sectors.</p> <p>The development of new rented homes also supports the HRA business plan which assumes the development of 300 new rented homes every years. These new homes are important both to offset to some degree the income lost from homes sold under the Right to Buy, but also to maintain the asset value of the rest of the housing stock, most of which is 60+ years old.</p> <p>These proposals are important in setting out the details of the programme for the next 10 years, providing an analysis on which sites will be developed and when, together with balance of homes for rent and sale on each site. Clearly the proposals for the first 5 years are more certain than the last 5 years and will need to take into account the ability to acquire land either internally or externally through a variety of means. The proposals will therefore be subject to review and this approach will allow for a greater degree of certainty and ensures that the financial resources for the development programme can be allocated to a greater degree of certainty.</p> <p>The delivery plan will ensure that 4905 new homes will be provided in the City over the next 10 years, these are 2507 on sites already identified and 2398 on sites to be identified.</p>		
Links to Corporate and Service Outcomes	<p>These proposals will make a direct contribution to both Corporate and Directorate outcomes including the following:</p> <ul style="list-style-type: none"> • Leaders Policy statement 2018 • Council Business Plan and Budget 2018+ • Housing Revenue Account Business Plan 2018+ • Enjoy a high quality of life – by providing high quality new affordable rented homes • Stay safe in a Clean, Green City – by providing homes that will achieve the code for sustainable homes level 4 and improved open 		

	<ul style="list-style-type: none"> spaces • Succeed Economically – by providing employment opportunities for local people • Housing Plan 2010 refresh • Homelessness Strategy 2018
Project Benefits	<p>The construction of the new homes set out in these proposals will provide new homes for growing city, will tackle inequality by providing a range of house types across the city and promote social cohesion across all communities. The construction industry will be stimulated through the Council's house building programme. The construction of affordable housing is important at time of increasing homelessness and waiting list. These new homes will provide households in housing need the opportunity for housing at social rent levels. This programme also provides outright sale homes and this will be used to cross subsidise the cost of the affordable housing but also contributes to housing growth across the city. The tenure and housing mix for each site is dependent upon the local housing market, on the majority of sites a minimum of 50% affordable housing for the council is provided with smaller sites this being 100%.</p>
Project Deliverables	<p>These proposals will see 2708 new homes constructed which will be for a mixture of rent and sale.</p>
Procurement Implications	<p>There are no specific procurement implications associated with these proposals, these will be reported at the FBC approval stage for each site. Sites are procured using a number of different procurement routes depending on the type of housing to be constructed and the nature and size of the site to be constructed and ensure that appropriate contractors tender for the scheme and provide competitive VFM tenders.</p>
Taxation Implications	<p><i>There are no specific taxation implications resulting from this options appraisal.</i></p>
Accountable Body	<p><i>Not applicable</i></p>

Key Project Milestones		Planned Delivery Dates	
Approval of the PDD		October 2018	
Cabinet Report – First full business case for BMHT programme 2019		April 2019	
First schemes start on site		June 2019	
Dependencies on other projects or activities		<ul style="list-style-type: none">• Planning approvals to be obtained for the sites outlined in these proposals• Advertising loss of POS• Availability of land for housing development• Procurement of partners and market sale of new properties• Associated legal agreements to be signed	
Achievability		<p>Birmingham City Council is an award winning developer of mixed tenure residential housing developments through Birmingham Municipal Housing Trust (BMHT).</p> <p>BMHT was set up by the Council in 2009 to build new Council homes. Since 2009, BMHT has developed over 300 new homes for rent and sale. BMHT has a proven track record on delivery and established itself as the biggest house builder in Birmingham, accounting one quarter of all new homes produced annually in Birmingham</p>	
Project Manager		Andrew Hood, Development Manager, Economy Directorate. T: 303 7879. Andrew.Hood@Birmingham.gov.uk	
Project Accountant		Parmjit Phipps, Head of City Finance (HRA) / Tel 303 4752	
Project Sponsor		Waheed Nazir / Director – Inclusive Growth 464 7735	
Proposed Project Board Members		Waheed Nazir / Director Inclusive Growth Colette McCann / Head of Housing Development (Interim) Parmjit Phipps / Head of City Finance (HRA)	
Finance Business Partner (FBP)			Date of FBP Approval
Other Mandatory Information			
• Has project budget been set up on Voyager?			Yes/no
• Issues and Risks updated (Please attach a copy to the PDD and on Voyager)			Yes/no

2. Options Appraisal Records

The following sections are evidence of the different options that have been considered in arriving at the proposed solution. All options should be documented individually.

Option 1	<i>Setting a 10 years development plan of new homes for rent and sale through BMHT</i>
Information Considered	<p>Availability of Council owned land for development</p> <p>The need to support integrity of the HRA business Plan</p> <p>The track record of the Council in delivering new housing schemes</p> <p>Availability of resource, including potential resources from the HRA</p> <p>The rising demand for new homes of all tenures across the city.</p>
Pros and Cons of Option	<p><i>The advantages of using this approach is:</i></p> <p><i>The Council has the advantage on most of the sites of being the land owner, which allows for higher provision of affordable housing and for the scheme to be still financially viable</i></p> <p><i>These proposals will support the HRA Business Plan through the provision of new rented homes which will generate rental income for 60+ years.</i></p> <p><i>The Council will be in more control of the pace of development and quality of the design and build programme, and be in a position to ensure that development of these sites proceeds</i></p> <p><i>The Council will receive capital receipts from the outright sale properties</i></p> <p><i>The Council is able to demonstrate a proven track record of high quality new build properties through the BMHT programme and won many awards since its inception.</i></p> <p><i>Value for money will be gained through competitive procurement processes. In terms of outright sale homes, the approach is to examine the potential financial returns on individual sites. In the main sites in excess of 30 properties do not achieve the benefits of significant financial returns and is not therefore worthwhile. For sites in excess of this an analysis is undertaken to determine the relative returns obtained and whether the council should pursue outright sale homes either on a direct delivery development risk approach or a risk share model with the developer funding the outright sale homes.</i></p> <p><i>What are the Disadvantages/negative aspects of this approach are:</i></p> <p><i>Initial investment will be required from Birmingham city Council before any land receipts are generated.</i></p>
People Consulted	<i>Ward Councillors for the sites affected will be consulted as each site come forward for development</i>
Recommendation	<i>Proceed with this Option</i>
Principal Reason for Decision	<i>This option will ensure the development of 2708 new homes within the city and offers the best financial option for the council because the investment in new affordable homes for the Council enables the council to place families and in housing need and at risk of homelessness into this accommodation and then receive a revenue stream from the rents received for 50 to 60 years and in the event of the right to buy the council will receive a capital receipt from the sale which can then be reinvested into future affordable housing.</i>

Option 2	<i>Land Disposal: This option would involve the council selling the land on the open market for the development of housing – on a site by site basis</i>
Information Considered	<i>Availability of Council owned land for development</i> <i>The need to support integrity of the HRA business Plan</i> <i>The track record of the Council in delivering new housing schemes</i> <i>Availability of resource, including potential resources from the HRA</i> <i>The rising demand for new homes of all tenures across the city.</i>
Pros and Cons of Option	<i>What were the advantages;</i> <i>The council will receive a one off capital receipt for each site</i> <i>What are the Disadvantages:</i> <i>The Council will have no control over the pace of development</i> <i>Developers will seek to maximise profits at the expense of affordable housing provision</i> <i>No new Council properties would be provided to contribute to objectives of the HRA Business plan 2018+</i> <i>Many of the proposed development sites are relatively small and unviable from a commercial perspective</i>
People Consulted	N/A
Recommendation	<i>This option is not recommended</i>
Principal Reason for Decision	<i>New Council properties will not be constructed under this option. Selling land on the open market would have limited control over the quality and timing of new build delivery</i>

Option 3	<i>Disposal of land to Registered Social Landlords</i>
Information Considered	<i>Availability of Council owned land for development</i> <i>The need to support integrity of the HRA business Plan</i> <i>The track record of the Council in delivering new housing schemes</i> <i>Availability of resource, including potential resources from the HRA</i> <i>The rising demand for new homes of all tenures across the city.</i>
Pros and Cons of Option	<i>What were the advantages of this option:</i> <i>New affordable housing would be developed, though this is likely to be offered at higher rent levels than those levied by the Council</i> <i>The Council would have nomination rights to the new properties</i> <i>What are the Disadvantages:</i> <i>Registered Social Landlords typically require discounted or free land from the Council for development of affordable housing resulting in a low level or no receipt to the Council.</i>

	<i>Many of the sites under this proposal would be too small and unattractive to RSLs There would be no new Council properties to contribute to the objectives of the HRA Business Plan 2018+ The Council would have less control over build quality, number of new homes and timing of the development.</i>
People Consulted	N/A
Recommendation	<i>Not Recommended</i>
Principal Reason for Decision	<i>Financially this option is less advantageous to the Council and the lack of control of delivery would mean that there would not certainty that the new homes would be delivered within the 10 year period,.</i>

[Add further options as required]

3. Summary of Options Appraisal – Price/Quality Matrix							
Criteria	Options			Weighting	Weighted Score		
	1	2	3		1	2	3
Total Capital Cost	1	10	10	10	10	100	100
Upfront Revenue Cost	5	7	8	10	50	70	80
Ongoing Full Year Revenue Consequences	10	5	1	10	100	50	10
Capital Receipts	5	10	1	10	50	100	10
Quality Evaluation Criteria e.gs							
1)Meeting Service Requirements	10	3	3	20	200	60	60
2)Contributing to Priorities	10	3	5	20	200	60	100
3)Deliverability	10	3	2	20	200	60	40
Total				100%	810	500	400

4. Option Recommended

Option 1 is recommended

Capital Account	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Total Development Costs	3	20	26	37	12	16	22	17	20	28	201
Financing from Capital Receipts / RTB 1-4-1 Receipts / Affordable Housing S106 / General RTB Receipts / Revenue Contributions from Wider HRA	(3)	(20)	(26)	(37)	(12)	(16)	(22)	(17)	(20)	(28)	(201)
Capital Account (Surplus) / Deficit	0	0	0	0	0	0	0	0	0	0	0

Social Rent Properties	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Pool Farm	0	0	10	40	40	40	0	0	0	0	130
Ward End Park Road	0	0	0	0	0	0	0	0	0	0	0
Stockfield Road	0	10	0	0	0	0	0	0	0	0	10
Highfield Lane	0	0	0	0	0	0	0	0	0	0	0
Hallmoor Road / Gressel Lane	0	0	35	0	0	0	0	0	0	0	35
Mod Pods	0	26	26	26	26	26	26	0	0	0	156
Highgate Road	0	30	0	0	0	0	0	0	0	0	30
Long Nuke Road	0	10	15	0	0	0	0	0	0	0	25
Lyndhurst Final Phase	0	0	0	0	0	0	0	0	0	0	0
Beech and Alfred	0	0	10	24	0	0	0	0	0	0	34
Kestrel Avenue	4	0	0	0	0	0	0	0	0	0	4
Kings Norton	0	0	5	23	0	0	0	0	0	0	28
Bromford Estate sites	0	25	25	0	0	0	0	0	0	0	50
Commonwealth Games village	0	0	0	58	0	0	0	0	0	0	58
Additional New Build	0	0	1	16	24	24	104	95	95	150	509
Total	4	101	127	187	90	90	130	95	95	150	1,069

Sale Properties	19/20	20/21	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	Total
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
Pool Farm	0	0	10	40	40	40	0	0	0	0	130
Ward End Park Road	0	0	0	0	0	0	0	0	0	0	0
Stockfield Road	0	0	0	0	0	0	0	0	0	0	0
Highfield Lane	0	10	0	0	0	0	0	0	0	0	10
Hallmoor Road / Gressel Lane	0	0	0	0	0	0	0	0	0	0	0
Mod Pods	0	0	0	0	0	26	0	0	0	0	26
Highgate Road	0	5	10	0	0	0	0	0	0	0	15
Long Nuke Road	0	10	35	0	0	0	0	0	0	0	45
Lyndhurst Final Phase	0	15	5	0	0	0	0	0	0	0	20
Beech and Alfred	0	0	0	0	0	0	0	0	0	0	0
Kestrel Avenue	0	0	0	0	0	0	0	0	0	0	0
Kings Norton	0	0	5	23	0	0	0	0	0	0	28
Bromford Estate sites	0	10	18	0	0	0	0	0	0	0	28
Commonwealth Games village	0	0	0	0	0	0	0	0	0	0	0
Additional New Build	0	0	0	0	0	0	0	0	0	0	0
Total	0	50	83	63	40	66	0	0	0	0	302

6. Project Development Requirements/Information	
Products required to produce Full Business Case	<p><i>Full business cases will be brought forward for individual schemes which will include:</i></p> <ul style="list-style-type: none"> • <i>Detailed financial costings</i> • <i>Detail scheme designs</i> • <i>Details of specific scheme consultation.</i> • <i>Value for money assessments</i> • <i>Details of project procurement</i>
Estimated time to complete project development	<i>Specific schemes will be taken forward over the 10 year period covered by these proposals up to 2029.</i>
Estimated cost to complete project development	<i>In the main internal staffing resources will be used to develop the full business cases of specific sites, the additional costs being made up of design and project management to provide detailed design and cost information.</i>
Funding of development costs	The pre contract costs are already funded within the HRA business plan

Planned FBC Date	<i>Specific FBCs will go forward for approval from 2019 to 2029</i>	Planned Date for Technical Completion	2029
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