

APPENDIX

FULL BUSINESS CASE (FBC)			
A. GENERAL INFORMATION			
A1. General			
Project Title <i>(as per Voyager)</i>	Building New Homes on Pool Farm Estate and Shannon Road site		
Voyager code	CA-02336-86		
Portfolio /Committee	Homes and Neighbourhoods	Directorate	Inclusive Growth
Approved by Project Sponsor	07 Jan 2021	Approved by Finance Business Partner	21 Dec 2020
A2. Outline Business Case approval <i>(Date and approving body)</i>			
1.1.1	The Outline Business Case for the Pool Farm and Shannon Road sites was approved in the report to Cabinet entitled Birmingham Municipal Housing Trust Delivery Plan 2019 - 2029 on 14 th May 2019. The estimated cost of £18.5m was based upon an average cost of homes built by BMHT on other sites. The estimated cost of £32.3m is based upon a cost a fully designed scheme with extensive site investigations and surveys and responding to a need to for increasing the number of larger homes. This represents an increase of £13.8m upon the OBC, An explanation for the additional costs are due to the following issues: <ul style="list-style-type: none">• Providing larger family homes due to ongoing need to deliver these for families on the waiting list, £2.995m• Site Abnormal costs due site levels, £5.1m• Infrastructure costs for drainage and highways, £3.9m• Inflation costs for the contract, £1.8m		
A3. Project Description			
The FBC is seeking approval to commence the construction of up to 267 new homes on the Pool Farm and Shannon Road estate across 7 separate sites. Pre-tender estimates have been obtained for the construction of 163 rented homes and 104 sale homes from the Council’s appointed Employers’ Agent. These sites are available following the clearance of 418 homes with some sites already cleared while rehousing and clearance is still ongoing in other areas.			
A4. Scope			
Birmingham City Council will be undertaking the following; <ul style="list-style-type: none">• Design of Housing Development Scheme• Work with local Ward members, MP, local residents and stakeholders to develop new sustainable housing• Obtaining the Planning approvals for the development of 267 homes• Undertaking site investigations and surveys• The procurement process and award of contract			
A5. Scope exclusions			
<ul style="list-style-type: none">• Sale and marketing costs			

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- Acquisition costs
- 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 aims to deliver:

- The construction of up to 163 new council homes and up to 104 sale homes on the Pool Farm and Shannon Road estate.
- Regeneration of an area affected by poor design and unsatisfactory housing including dated tower blocks which is difficult to manage and which has continually been subject to anti-social behaviour.
- New energy efficient homes which are cheaper to run and which will provide an uplift to the local environment.
- Improve connectivity across the estate by changing the poorly lit paths between roads which attract anti-social behaviour.
- New sale homes and diversity of tenure in areas which have previously been predominantly Council owned.

B2. Project Deliverables

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

163 new Council Houses for social rent as follows:

- 16 x 1 bed apartments – 50m² each unit
- 8 x 2 bed apartments – 61m² each unit
- 16 x 2 bed apartments – 70m² each unit
- 46 x 2 bed houses – 82.6m² each unit
- 16 x 2 bed houses – 86.2m² each unit
- 4 x 2 bed houses – 83.4m² each unit
- 16 x 3b houses – 94.6m² each unit
- 6 x 3b houses – 95.2m² each unit
- 3 x 3 bed houses – 101m² each unit
- 3 x 4 bed houses – 122.6m² each unit
- 11 x 4 bed houses – 122.2m² each unit
- 10 x 4 bed houses – 123.3m² each unit
- 8 x 5 bed houses - 144m² – each unit

104 new sale homes:

- 33 x 2 bed houses – 82.6m² each unit
- 9 x 2 bed houses – 86.2m² each unit
- 4 x 2 bed house – 83.4m² each unit
- 19 x 3b houses – 94.6m² each unit
- 12 x 3 bed houses – 95.2m² each unit
- 14 x 3 bed houses – 101m² each unit
- 9 x 3 bed houses – 108m² each unit
- 3 x 4 bed houses - 122.3m² each unit
- 1 x 4 bed house – 130m² each unit

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B3. Project Benefits	
<i>These are the social benefits and outcomes from the project, eg additional school places or economic benefits.</i>	
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>
Creation of 267 new homes	Creation of up to 50 new full time jobs and training and apprenticeship opportunities
Building Birmingham Scholarship	£133,500 contribution towards Building Birmingham Scholarship
Regeneration of wider area	Remove poorly designed housing and build new homes to improve the wider area and environment
Energy efficient Homes	Benefits will be passed onto occupiers within an area of high economic deprivation and contribute to Route to Zero
<i>For major projects and programmes over £20m: Please see table G5 below.</i>	
B4. Benefits Realisation Plan	
<i>Set out here how you will ensure the planned benefits will be delivered</i>	
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 on a monthly basis via monthly site project and site meetings. Progress will be regularly reported to the BMHT Project Board.	
B5. Stakeholders	
A summary of consultation responses is in the covering Executive Report - appendix C	
C. ECONOMIC CASE AND OPTIONS APPRAISAL	
<i>This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities</i>	
C1. Summary of options reviewed at Outline Business Case	
<i>(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.</i>	
As per A2.	
C2. Evaluation of key risks and issues	
<i>The full risks and issues register is included at the end of this FBC</i>	
A risk register is in the covering Executive Report – appendix C	
C3. Other impacts of the preferred option	
<i>Describe other significant impacts, both positive and negative</i>	
N/A	
D. COMMERCIAL CASE	
<i>This considers whether realistic and commercial arrangements for the project can be made</i>	
D1. Partnership, Joint venture and accountable body working	
<i>Describe how the project will be controlled, managed and delivered if using these arrangements</i>	

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N/A
D2. Procurement implications and Contract Strategy:
<i>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).</i>
The procurement strategy for the Scheme is to carry out a procurement exercise in accordance with the protocol of the Homes England DPP3 framework agreement (or its successor). The tender evaluation criteria to be used will be 40% quality, 25% social value and 35% price.
D3. Staffing and TUPE implications:
Not applicable

Key Inputs			
Construction		Running Costs, etc.	
Total Development costs (Capital and Revenue)	£32.31m	Weekly rent	1 bed £83.01, 2 bed £104.95, 3 bed £126.05, 4 bed £150.82, 5 bed £170.72
Total Sales Income	£2.97m	Rent loss - voids / arrears	2.0%
		Annual rent increase	3.0%
RTB activity assumed	None	Management Costs	£978
		Repairs Costs	£934
Key Outputs		Capital Works (5-yearly)	£5,099
(Surplus) / Deficit after 30 years	£(6.71)m	Annual Cost Increase	2.5% (CPI 2.0%)

HRA Extract	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2027/28	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4		
	£m	£m	£m	£m	£m		
Rental Income	0.00	0.00	0.00	(0.09)	(0.36)	(4.03)	(42.63)
Voids and arrears	0.00	0.00	0.00	0.00	0.01	0.08	0.85
Repairs and Maintenance	0.00	0.00	0.00	0.01	0.05	0.59	6.01
Management Costs	0.00	0.00	0.00	0.01	0.05	0.62	6.29
Cash-backed Depreciation	0.00	0.00	0.00	0.03	0.08	0.66	6.32
HRA Deficit / (Surplus) Contribution	0.00	0.00	0.00	(0.04)	(0.17)	(2.08)	(23.16)
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.13)	(0.52)	(0.73)	(4.52)	(6.47)	(4.08)	(16.45)
Net HRA Impact	0.13	0.52	0.73	4.48	6.30	2.00	(6.71)

Appendix A – Full Business Case (FBC) Building Homes on the Pool Farm Estate and Shannon Road site, Cabinet 09 February 2021.

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Capital Account	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2027/28	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4		
	£m	£m	£m	£m	£m	£m	£m
Pre Contract Costs	0.18	0.74	0.25	0.00	0.00	0.00	1.17
Build Costs (including Fees)	0.00	0.00	1.07	7.89	10.67	11.50	31.13
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.00	0.01	0.00	0.00	0.00	0.01
Total Development Costs	0.18	0.74	1.33	7.89	10.67	11.50	32.31
Capital Investment / Renewals ¹	0.00	0.00	0.00	0.00	0.00	0.24	6.32
Other Capital Financing (RTB 1-4-1 / Affordable Housing S106 / General RTB Receipts)	(0.05)	(0.22)	(0.60)	(3.37)	(4.20)	(4.45)	(12.89)
Revenue Contributions from wider HRA	(0.13)	(0.52)	(0.73)	(4.52)	(6.47)	(4.08)	(16.45)
Receipts	0.00	0.00	0.00	0.00	0.00	(2.97)	(2.97)
Cyclical Maintenance Reserve Release	0.00	0.00	0.00	0.00	0.00	(0.24)	(6.32)
Total Capital Income	(0.18)	(0.74)	(1.33)	(7.89)	(10.67)	(11.50)	(32.31)
Capital Account (Surplus) / Deficit	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Balance Sheet Extract	2019/20	2020/21	2021/22	2022/23	2023/24	2049/50
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 30
	£m	£m	£m	£m	£m	£m
Land & Buildings	0.00	0.00	0.00	6.07	17.91	65.79
Cyclical Investment Reserve	0.00	0.00	0.03	0.10	0.24	1.54
Capital Reserve	0.00	0.00	(0.03)	(6.17)	(18.15)	(67.33)
Net	0.00	0.00	0.00	0.00	0.00	0.00

Properties	2019/20	2020/21	2021/22	2022/23	2023/24	2024/25 to 2027/28	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4		
HRA Social Rent Properties	0	0	0	26	49	88	163
Sale Properties	0	0	0	0	0	104	104
Total Properties	0	0	0	26	49	192	267

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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
Commence tender	March 2021
Contract award	Dec 2021
Planning application submission	Nov 2020
Planning approval	Feb 2021
Start on site	April 2022
Practical completion	Oct 2027

F2. Achievability

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

The 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 of the new homes built in the city since 2011.

F3. Dependencies on other projects or activities

Timing of the project will be dependent on the successful completion of the current clearance programme and the acquisition of 7 owned properties across the estate although an initial phase on the Gildas Avenue and Bentmead Grove areas can commence as it is cleared land.

The key risk remains unforeseen economic consequences of the current Covid-19 pandemic as it may delay the availability of human and material resources.

There is an interdependency of all the elements of this project to deliver a comprehensive and strategic approach.

- Infrastructure works and Highways including stopping up orders for some existing HMPE and footpaths.
- Procurement of development partner.
- Associated legal documents / agreements to be negotiated and signed.
- Completion of Planning conditions.

F4. Officer support

Project Manager: Clive French

Project Accountant: Carl Tomlinson

Project Sponsor: Ian MacLeod

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. Overall Management / monitoring shall be via the Housing Project Board attended by:

Ian MacLeod – Acting Director, Inclusive Growth
 Aniekan Umoren – Interim Assistant Director, Housing Development
 Carl Tomlinson – Interim Finance Business Partner, Neighbourhoods
 Colette McCann – Head of Housing Development

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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

A risk register is appended to the executive report for this project as Appendix C.		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)

Applications for grant or other funding will be submitted if 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 consultation and engagement to review progress
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

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G5. BENEFITS REGISTER

For major projects and programmes over £20m, this sets out in more detail the planned benefits. Benefits should be monetised where it is proportionate and possible to do so, to support the calculation of a BCR and NPSV (please adapt this template as appropriate)

Measure	Annual value	Start date	Impact
<i>List at least one measure associated with each of the outcomes in B1 above</i>			<i>What the estimated impact of the project will be on the measure identified</i>
(a) Monetised benefits:	£		
(b) Other quantified benefits:			
(c) Non-quantified benefits:			

Other Attachments <i>provide as appropriate</i>	
• None	
•	
•	
•	