

APPENDIX A: Abbeyfields phase 4 – change of tenure from open market sale properties to social rent properties.

FULL BUSINESS CASE (FBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	Abbeyfields phase 4 – change of tenure from open market sale properties to social rent properties		
Voyager code	CA-02336-79 (Abbeyfields)		
Portfolio /Committee	Homes and Neighbourhoods	Directorate	Place, Prosperity & Sustainability
Approved by Project Sponsor	Paul Kitson	Approved by Finance Business Partner	Andrew Healey

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

The Full Business Case (and award of contract) for Abbeyfields Phase 4 was approved by Cabinet on 10 November 2020, in a report entitled, Driving Housing Growth – Building New Homes on the Abbeyfields and Birchfield Estates.

A3. Project Description

The Abbeyfields Phase 4 scheme was originally for 2 social rent homes and 19 open market sale homes.

During the construction of the site it proved impossible to deliver the two planned social units due to unacceptably high costs for diverting existing services which included an 1100-volt electricity cable, a sub station serving the immediate area, as well as gas, telephone, and sewage provisions.

With the changes in the housing market, coupled with cost increases due to material price rises as a result of both Brexit and the impact of COVID on material manufacture and delivery, should the 19 homes remain as open market sale properties, the sale income would be less than the overall development costs. It is therefore necessary to change the tenure from open market sale to social rent properties.

This change of tenure will provide 19 urgently need family homes to help address the demand for social housing in Birmingham.

A4. Scope

The Council will be undertaking the following;

- Construction of new housing
- Highway and Infrastructure: management of the provision of new infrastructure for the new development

A5. Scope exclusions

- Sale and marketing costs
- 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

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B1. Project objectives and outcomes

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

The project contributes to the Council Plan objectives / outcomes by:

- 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 such as Fabric First and building energy efficient homes.
- A Bold Inclusive Birmingham; the new homes 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 be more affordable 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 eg a new building with xm2 of internal space, xm of new road, etc

- 19 homes for social rent with associated parking and landscaping.
- Site area 1.14 Hectares / 2.82 Acres brought back into use.
- 6 x 2bedroom 4 person houses.
- 9 x 3bedroom 5 person houses.
- 4 x 4bedroom 6/7 person houses.

B3. Project Benefits

These are the social benefits and outcomes from the project, eg 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>
Construction of 19 new homes	Relieve some pressure on the temporary accommodation and housing waiting list and providing employment / training opportunities through the build contract.
Land brought back into use following clearance	Provision of affordable housing and improvement of HRA funding stream through rents generated
More homes built towards achieving housing growth targets	Tenants will enjoy high quality life through provision of new housing

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 management who will monitor expenditure and outturns monthly via site project meetings. Progress will be regularly reported to the BMHT Project Board as required.

B5. Stakeholders

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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.

The Full Business Case (and award of contract) for Abbeyfields Phase 4 was approved by Cabinet on 10 November 2020, in a report entitled, Driving Housing Growth – Building New Homes on the Abbeyfields and Birchfield Estates.

C2. Evaluation of key risks and issues

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

The details were included in the Driving Housing Growth – Building New Homes on the Abbeyfields and Birchfield Estates, report to Cabinet on 10 November 2020 and the same continues to apply

C3. Other impacts of the preferred option

Describe other significant impacts, both positive and negative

The benefits of the housing scheme would relieve pressure on the housing waiting list, provide homes to those in temporary accommodation and increase the capital receipts received through a cash flow of rental income to the HRA on a long-term basis.

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 Full Business Case and award of contract for Abbeyfields Phase 4 was approved by Cabinet on 10 November 2020, in a report entitled, Driving Housing Growth – Building New Homes on the Abbeyfields and Birchfield Estates.

D3. Staffing and TUPE implications:

N/A

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Key Inputs			
Construction		Running Costs, etc.	
Total Development costs (Capital and Revenue)	£4.23m	Weekly rent	2 bed £112.68, 3 bed £132.88, 4 bed £158.57
Total Sales Income/Grant	£0.00m	Rent loss - voids / arrears	2.0%
		Annual rent increase	3.0%
RTB activity assumed	None	Management Costs	£1,002
		Repairs Costs	£957
Key Outputs		Capital Works (5-yearly)	£5,226
(Surplus) / Deficit after 30 years	£(0.71)m	Annual Cost Increase	2.5% (CPI 2.0%)

HRA Extract	2020/21	2021/22	2022/23	2023/24	2024/25	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	(0.03)	(0.14)	(0.14)	(5.97)
Voids and arrears	0.00	0.00	0.00	0.00	0.00	0.12
Repairs and Maintenance	0.00	0.00	0.00	0.02	0.02	0.77
Management Costs	0.00	0.00	0.00	0.02	0.02	0.80
Cash-backed Depreciation	0.00	0.00	0.02	0.02	0.02	0.81
HRA Deficit / (Surplus) Contribution	0.00	0.00	(0.01)	(0.08)	(0.08)	(3.47)
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.04)	(1.96)	(0.76)	0.00	0.00	(2.76)
Net HRA Impact	0.04	1.96	0.75	(0.08)	(0.08)	(0.71)

Capital Account	2020/21	2021/22	2022/23	2023/24	2024/25	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	0.05	0.00	0.00	0.00	0.00	0.05
Build Costs (including Fees)	0.00	3.27	0.37	0.00	0.00	3.64
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.00	0.54	0.00	0.00	0.54
Total Development Costs	0.05	3.27	0.91	0.00	0.00	4.23
Capital Investment /	0.00	0.00	0.00	0.00	0.00	0.81

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Renewals ¹						
Other Capital Financing (RTB 1-4-1 Receipts)	(0.02)	(1.31)	(0.15)	0.00	0.00	(1.47)
Revenue Contributions from wider HRA	(0.04)	(1.96)	(0.76)	0.00	0.00	(2.76)
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	(0.81)
Total Capital Income	(0.05)	(3.27)	(0.91)	0.00	0.00	(4.23)
Capital Account (Surplus) / Deficit	0.00	0.00	0.00	0.00	0.00	0.00

Balance Sheet Extract	2020/21	2021/22	2022/23	2023/24	2024/25	2050/51
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 30
	£m	£m	£m	£m	£m	£m
Land & Buildings	0.00	0.00	4.91	5.03	5.15	9.80
Cyclical Investment Reserve	0.00	0.00	0.02	0.04	0.06	0.18
Capital Reserve	0.00	0.00	(4.93)	(5.07)	(5.21)	(9.98)
Net	0.00	0.00	0.00	0.00	0.00	0.00

Properties	2020/21	2021/22	2022/23	2023/24	2024/25	Total Year 0 to Year 30
	Year 0	Year 1	Year 2	Year 3	Year 4	
HRA Social Rent Properties	0	0	19	0	0	19
Sale Properties	0	0	0	0	0	0
Total Properties	0	0	19	0	0	19

Formal approval to the ongoing capital investment / renewals programme (at a total value of £0.81 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.

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E2. Evaluation and comment on financial implications:
E3. Approach to optimism bias and provision of contingency
<p>There are no contingencies identified within the project, however, we would recommend the use of the savings within the original Order of Cost estimate to mitigate against unexpected cost increases such as the impact of Brexit, Covid-19 and noted price rises for materials and labour in the construction industry.</p>
E4. Taxation
<i>Describe any tax implications and how they will be managed, including VAT</i>
<p>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</p> <p>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.</p>

F. PROJECT MANAGEMENT CASE	
<i>This considers how project delivery plans are robust and realistic</i>	
F1. Key Project Milestones	Planned Delivery Dates
<i>The summary Project Plan and milestones is attached at G1 below</i>	
Contract awarded	Jan 2021
Started on site	Apr 2021
Site completion	Sept 2022
12 months defects	Sept 2023
F2. Achievability	
<i>Describe how the project can be delivered given the organisational skills and capacity available</i>	
<p>Birmingham City Council is an award-winning developer of mixed-use residential 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 3600 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.</p>	
F3. Dependencies on other projects or activities	
N/A	
F4. Officer support	

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Project Manager: Terry Webb

Project Accountant: Andrew Healey

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

Paul Kitson – Strategic Director, Place, Prosperity & Sustainability

Andrew Healey – Finance Business Partner, Neighbourhoods

A representative of Housing Development – To be advised

G1. PROJECT PLAN

Detailed Project Plan supporting the key milestones in section F1 above

See F1

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

N/A		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

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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

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

provide as appropriate

• None

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