

Birmingham City Council

Report to Cabinet

Date 14 May 2019



Subject: BIRMINGHAM MUNICIPAL HOUSING TRUST DELIVERY PLAN 2019-2029

Report of: DIRECTOR, INCLUSIVE GROWTH

Relevant Cabinet Member: Councillor Ian Ward - Leader, Councillor Sharon Thompson – Homes and Neighbourhoods, Councillor Tristan Chatfield - Finance and Resources.

Relevant O &S Chair(s): Councillor Penny Holbrook – Housing and Neighbourhoods
Councillor Sir Albert Bore –Resources

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Are specific wards affected?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No – All wards affected
If yes, name(s) of ward(s): Bartley Green, Castle Vale, Shard End, Moseley, Harborne, Glebe Farm and Tile Cross, Sutton Reddicap, Nechells South		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 004869/2018		
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential :		

1 Executive Summary

1.1 The report sets out the Birmingham Municipal Housing Trust (BMHT) Delivery Plan for 2019-2029. This programme will be subject to the Council's Business Plan Budget which was approved by Cabinet on the 12 February 2019 and subsequent Business Plan budgets.

- 1.2 The report advises members of the contribution made by Birmingham Municipal Housing Trust (BMHT) in the delivery of high quality affordable housing and providing housing growth.
- 1.3 In line with the requirements of the Council's gateway process, delegates approval for the full business cases for the sites / schemes identified in the Options Appraisal at Appendix 12, to the Leader and the Cabinet Member for Finance and Resources, jointly with the Director, Inclusive Growth and the Chief Finance Officer as they are brought forward for development.
- 1.4 This report seeks approval for the 3 final full business cases for development schemes at: Monmouth Road, Farnborough Road and the construction of 54 new homes using a modular form of construction at various Sites
- 1.5 Approves the Options Appraisal as outlined in Appendix 12.

2 Recommendations

That Cabinet:

- 2.1 Approves the BMHT delivery plan for 2019-2029 as set out within the Options Appraisal in Appendix 12 and delegates approval to the Director, Inclusive Growth or his delegate to the selection of any substitute and / or additional sites required to the delivery plans to ensure delivery remains within approved budget levels from year to year and subject to consultation with local ward members
- 2.2 Delegates authority to approve the full business cases and authority necessary to deliver the schemes contained within the Options Appraisal, to the Leader and the Cabinet Member for Finance and Resources, jointly with the Director, Inclusive Growth and the Chief Finance Officer. The Assistant Director Housing Development will on an annual basis provide a progress report to Cabinet on all schemes approved under their delegation.
- 2.3 Delegates authority to the Director, Inclusive Growth to submit further applications to Homes England (HE) and West Midlands Combined Authority (WMCA) and the Ministry of Housing, Communities and Local Government (MHCLG) where opportunities arise for grant funding and / borrowing approvals to support future phases of new housing development within the options appraisal and to negotiate and accept such funding in the event of such applications being successful.
- 2.4 Approves the Full Business Cases (FBC) for Monmouth Road and Farnborough Road schemes and their associated procurement strategies as set out in Appendix 1, together with the proposals for modular homes as set out within Appendix 13 and delegates authority to the Director, Inclusive Growth in consultation with the Assistant Director Commissioning and Procurement (or their delegate), the Chief Finance Officer (or their delegate), City Solicitor (or their delegate) to approve the award of contracts for these sites.

- 2.5 Approves the commencement of procurement activities for the:
- Monmouth Road, Bartley Green and Farnborough Road, Castle Vale schemes using the Homes England (HE) Delivery Partner Panel 3 Framework Agreement as detailed in Appendix 1 .
 - Modular construction sites under a further competition exercise using the Council's Dynamic Purchasing System (DPS) for housing construction.
- 2.6 Delegates to the Director, Inclusive Growth in consultation with the Chief Finance Officer (or their delegate) and the City Solicitor (or their delegate), approval to sell on commercial terms 24 affordable homes at the Farnborough Road scheme to the Pioneer Group or other Registered Social Landlord.
- 2.7 Authorises the Director, Inclusive Growth in consultation with the Leader to enter into negotiations with land owners to acquire land for housing development for the BMHT development programme, enter into joint arrangements / partnerships with Homes England, housing developers, investors, Registered Social landlords and land owners to take forward housing development proposals which will provide housing for the BMHT programme. The specific details of these to be approved by the Leader and in consultation with the Director, Inclusive Growth.
- 2.8 Authorises the Director, Inclusive Growth, in consultation with the Assistant Director Commissioning and Procurement (or their delegate), the Chief Finance Officer (or their delegate), the City Solicitor (or their delegate) to commence procurement activities and award contracts for any external Legal and Conveyancing work should there be exceptional business need to support the delivery of this programme and there is not the resource available internally.
- 2.9 Authorises the Director, Inclusive Growth to seek consent from the Secretary of State under Section 174 of the Localism Act 2011 to exclude the new properties to be constructed from Right to Buy pooling requirements, to ensure that any capital receipts generated from the sale of homes under the Right to Buy are retained by the Council.
- 2.10 Authorises the Director, Inclusive Growth, to receive the result of any consultations concerning 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 with the relevant disposal or appropriation under Section 122 (2A).
- 2.11 Authorises the Director, Inclusive Growth to submit and process all necessary Highway Closures and notices required to facilitate the development of sites highlighted in Appendix 1 of this report and to enter into any appropriate agreements for alterations to highway access to the sites.
- 2.12 Delegates to the Director, Inclusive Growth the power to amend or vary the development boundaries of any of the sites.
- 2.13 Authorises the City Solicitor to negotiate, execute and complete all necessary documentation to give effect to the above recommendations including the

execution and completion of all appropriate wayleaves, easements and highway agreements required for the development of the sites listed in Appendices 2-11

3 Background

- 3.1 On 8 December 2014, Cabinet approved the Birmingham Municipal Housing Trust Delivery plan 2015-20, which set out the BMHT development proposals up to 2020. Due to the success of delivering new homes under this programme but also the additional demand for new sites, the BMHT development programme now needs to be brought up to date in order to deliver the new homes for rent and sale that will be needed in Birmingham over the next ten years.
- 3.2 The Council's Housing Growth Plan recognises the role that the private sector and the Housing Association movement will continue to play in the provision of new homes. However it is also recognised that the role of the BMHT [Birmingham Municipal Housing Trust], which is the Council's own development delivery vehicle for new homes both for rent and sale (and has become the biggest developer in the city). This report sets out proposals for BMHT development over the period 2019-2029. The Housing Revenue Account (HRA) Business Plan 2019 includes a new build programme of 2,708 new homes for rent and sale over the next 10 years at an estimated cost of £346m. This 10 year programme includes schemes that have been approved, together with Full Business Case schemes to be approved in this report and schemes included in the Option Appraisal (see Appendices 12 and 13).
- 3.3 The BMHT [development programme] has had the benefit of a considerable land bank which is now substantially developed, however the clearance and demolition programme approved by Cabinet on the 14 February 2017 will provide additional sites for the BMHT programme and in addition the Council has continued to appropriate development land opportunities from the general fund to the housing revenue account to augment this land supply. The introduction of modular homes as part of the programme, will also enable HRA sites which are unsuitable for traditional forms of house building to be used for housing development.
- 3.4 The sites at Farnborough Road and Monmouth Road are key components of the 2019-2029 development programme. Monmouth Road is the latest phase of an extensive housing development programme in the Bartley Green ward.
- 3.5 A first phase of development sites for modular construction sites comprising 54 homes across 8 sites has been identified. Acting as lead consultant on behalf of the Council, Arcadis LLP has undertaken a cost estimate of these schemes which has been included in an overall financial envelope that is set out in the FBC at Appendix 13 for approval as part of this report. The site plans for the modular homes are attached as Appendices 4,5,6,7,8,9,10 and 11.
- 3.6 The Monmouth Road site is now substantially cleared with 4 tower blocks already demolished and clearance and demolition of the remaining flats nearing

completion. The Council has now submitted a planning application for the development of 77 new homes on this site.

- 3.7 Farnborough Road was appropriated from the general fund to facilitate the development of the new Greenwood Academy school, which was completed in September 2017. As part of the development of the new school, Secretary of State approval was obtained for the residential development of the former school site. The former school has been demolished and a planning application has been submitted and will be determined shortly for 124 new properties. The scheme will see 40 properties built for social rent (BMHT), 24 properties for affordable rent which will be sold at a commercial rate to Pioneer Group (which includes Castle Vale Community Housing) and 60 houses offered for general sale. The Radburn layout of the estate is being improved simultaneously through the proposals with the Pioneer Group that gives better access to the proposed development and greater density and value. Any surplus income from sales will be recycled to subsidise future building of BMHT properties. The site plan for Farnborough Road is attached as appendix 3.

4 Options considered and Recommended Proposal

- 4.1 Disposal of land on the open market – This option is discounted as HRA land is currently earmarked for the ongoing delivery of the BMHT programme.
- 4.2 Deliver new homes for Outright sale – This option is discounted on the basis that the delivery of a balanced housing development with the need to achieve a significant proportion of affordable homes to respond to growing problems of homelessness and the housing waiting list.
- 4.3 Deliver the Housing in line with the proposals in this report – This will ensure that significant affordable housing is produced, profits for outright sale homes are used to cross subsidise affordable housing and housing growth achieved through delivery of the programme.

5 Consultation

- 5.1 Ward and Parish Council Members of the Monmouth Road, Farnborough Road and modular construction sites have been consulted on the contents of the report and their comments are outlined in Appendix 14. Ward members will be consulted in those wards affected by development proposals.
- 5.2 Officers in Legal Services, Procurement, Finance, Birmingham Property Services, Parks and Housing Development have been involved in the preparation of this report
- 5.3 Where planning applications have yet to be made, relevant Ward and Parish Councillors will be further consulted on the detailed proposals of each scheme in the 2019-2029 development programme. Local residents will be formally

consulted regarding the specific proposals through each site as part of the statutory process which forms part of the planning approval process.

6 Risk Management

6.1 Any form of housing development carries an element of risk and Housing Development are familiar with mitigating against these. The main risks associated with development are design and planning risk, commercial risk and financial risk. The Council has completed over 3000 homes since 2009 and have a number of measures in place to mitigate against these risks. These include standard house types which are familiar to both the Planning Department, these mitigate against design and planning risk. We use external consultants who provide key cost control for each development and also site investigations and in this way mitigate against commercial and financial risk.

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 2019+.

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 This project will make a direct contribution to both Corporate and Directorate outcomes including the following:

- 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 and sale on the proposed sites. New homes will help ease pressure on the housing waiting list that currently has around 10,500 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 Business Charter for Social Responsibility. This will be secured through the procurement of the build contracts.

- Birmingham is a fulfilling city to age well 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 will offer a higher quality of life leading to better health outcomes.

7.1.5 Birmingham Business Charter for Social Responsibility (BBC4SR)

7.1.5.1 Monmouth Road and Farnborough Road Schemes and Modular Construction Sites

Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of these contracts. Tenderers will be required to submit an action plan with their tender that will be evaluated in accordance with the procurement strategy set out in Appendix 1 and the action plan of the successful tenderers will be implemented and monitored during the contract period. In addition, in recognition of the Council's policy to support sheltered workshops and its commitment to promote such firms who employ People with Disabilities, the tender invitation will include a requirement for contractors to seek a competitive quotation from Shelforce for the supply of windows and doors. Whilst this does not mandate contractors to use Shelforce, it will ensure they have the opportunity to price for these opportunities.

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 Localism Act 2011 contains the Council's general power of competence; Section 111 of the Local Government Act contains the Council's subsidiary financial powers in relation to the discharge of its functions; Section 120 of the Local Government Act 1972 contains the Council's land acquisition powers; and the Highways Act 1980 contains the highway powers in relation to highway closure and diversions.

7.3 Financial Implications

7.3.1 The estimated total capital cost of the proposed developments in the Full Business Case for the Monmouth Road, Farnborough Road, and Mod Pod

sites attached at Appendix 13 is £29.8m. The developments will be funded from Housing Revenue Account (HRA) revenue contributions, Right to Buy (RtB) one for one receipts, RtB general receipts and Affordable Housing Section 106 contributions. The estimated overall cost of the 10 year development plan is £346.3m should the programme be developed in its entirety. The Options Appraisal for the 10 year plan is attached as Appendix 12. Specific details of each scheme will be presented to Cabinet.

7.3.2 The future running costs of the 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 £12.7m.

7.3.3 The financial viability of the proposals is based on the social housing rent policy that following the 1% reduction in 2019-20, rents will then revert to Customer Price Index (CPI)+1% in 2020/21 for the next five years.

7.3.4 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 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.

7.3.5 Where new highway is required to enable these 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. Opportunities will be explored to align any changes to the highway as a consequence of each development to Highways Management and Maintenance PFI (HMMPFI) programme of works to minimise costs of delivery to the schemes.

7.3.6 With reference paragraph 2.6 recommendation with regards approval to sell on commercial terms 24 affordable homes at Farnborough Road scheme to the Pioneer Group or other registered social landlord, this will be subject to a financial evaluation of the commercial deal based on the conclusion of the procurement process.

7.4 **Procurement Implications (if required)**

7.4.1 Monmouth Road Scheme

The proposed procurement route is to undertake a further competition exercise using the Homes England (HE) Delivery Partner Panel 3, as detailed in Appendix 1. The procurement strategy appended to this report will be approved by Cabinet as part of this report.

7.4.2 Farnborough Road Scheme

The proposed procurement route is to undertake a further competition exercise using the Homes England (HE) Delivery Partner Panel 3, as detailed in Appendix 1 The procurement strategy appended to this report will be approved as part of this report. 1.

7.4.3 Modular Housing

The modular construction sites will be procured under a further competition exercise using the Council's Dynamic purchasing system (DPS) for housing construction .

7.5 Human Resources Implications (if required)

7.5.1 None

7.6 Public Sector Equality Duty

7.6.1 There are currently around 10,500 people living on the Council's waiting list for affordable housing. 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 the Delivery Plan. 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.

7.6.3 Through the BMHT programme, the Council provides homes that reflect the Strategic Market Assessment for Birmingham with an emphasis on 2 bedroom houses and 4+ bedroom houses. Whilst there is a clear driver for family homes (and these make up the majority of the new development programme) the programme also looks to meet other needs, such as vulnerable people without children and elderly residents who wish to down-size from under-occupied homes. Local need, site restrictions and financial viability are taken into account when determining the exact mix of homes and typologies to build on each site.

8 Appendices

8.1 List of Appendices accompanying this Report (if any):

- 1 Procurement Strategy

- 2. Monmouth Road site plan
- 3. Farnborough Road site plan
- 4 Alderpits Road Mod Pod site
- 5 Cadine Gardens Mod Pod site
- 6 Capern Grove Mod Pod Site
- 7 Gerardsfield Road Mod Pod Site
- 8 Holbeche Road Mod Pod Site
- 9 Kellett Road Mod Pod site
- 10.Packington Avenue Mod Pod Site
- 11.Ravenall Close Mod Pod Site.
- 12. 2019-2029 10 year Options Appraisal
- 13. FBC for Monmouth Road, Farnborough Road, and modular housing sites
- 14. Consultation Schedule

9. Background Documents

9.1 Cabinet Report - Birmingham Municipal Housing Trust Delivery Plan – Dec 2014

Appendix 1

Procurement Strategy for the Monmouth Road and Farnborough Road Schemes

Service Requirements

The development of the Monmouth Road and Farnborough Road sites including the construction of new housing, infrastructure and market sale of new properties, as detailed in paragraphs 3.6 and 3.7 of the public report.

Procurement Options

To carry out one procurement process for both schemes – this option was discounted on the basis that no economies of scale or efficiencies would be realised by tendering these schemes together due to their geographic nature.

To carry out a procurement process - using a collaborative framework agreement demonstrates better value for money therefore this option was discounted.

To use a collaborative framework agreement – The Homes England (HE) Developer Panel 3 (DPP3) Framework Agreement is a specialist framework agreement for the development of housing with suppliers that are suitably capable and competent for schemes of the size required for the site. This framework agreement has been satisfactorily used by BMHT for a number of schemes previously. This is the recommended option.

Procurement Approach

Duration

The contract for Monmouth Road will be for a period of 5 years commencing from 2019 until the completion of the scheme.

The contract for Farnborough Road will be for a period of 5 years commencing from 2019 until the completion of the scheme.

Scope and Specification

The scope and specification for both schemes is as following:

- Work with the Council on the overall master plan for the area and develop detailed design proposals for the area;
- Apply for detailed planning permissions for individual plots for new housing/infrastructure, and discharge all planning conditions and obtain other statutory approvals;
- Liaise with the Council and appointed consultants;
- Build the affordable housing and open market sale properties in line with agreed specification supplied;
- Provide training and employment opportunities including apprenticeships as per the requirements of the Council;
- Co-ordinate alongside other works which may run concurrent with the proposed development in the area;

- Provide new highway infrastructure to adoptable standards supported by commuted sums.

Tender Structure (Including Evaluation and Selection Criteria)

The protocol to use the framework agreement is a three stage process:

- Stage 1 – Expressions of Interest (3 days response period)
- Stage 2 – First Line Sift (5 days response period)
- Stage 3 – Invitation to Tender (10 weeks response period)

Stage 1 – Expressions of Interest

Expressions of interest will be requested from the 42 suppliers to register their interest in the opportunity.

Stage 2 – First Line Sift

Documentation will be sent out to the suppliers that expressed an interest requesting information as to their experience and suitability to deliver the housing for the lot applied for. This assessment will be scored and the top 3 suppliers will proceed to the Invitation to Tender stage.

Stage 3 – Invitation to Tender

Invitation to tender documentation will be issued to the top 3 suppliers for each lot. Tenders will be issued in accordance with the phasing plan for each lot.

Tenders will be evaluated using the indicative quality / social value / price balance in accordance with a pre-determined evaluation model. The quality element will account for 40%, social value 20% and price 40%. This quality / social value / price balance has been established having due regard to the corporate document 'Evaluating Tenders' which considers the complexity of the services to be provided and the degree of detail contained within the contract specification.

Tenders will be evaluated against the specification in accordance with the pre-determined evaluation model described below:

Quality (40% Weighting)

Criteria	Sub-Weighting
Technical Competency	15%
Design / Build Quality and Specification	25%
Management of the Programme	30%
Organisational Management & Resources	25%
Health & Safety	5%
Total Sub- Weighting	100%

Tenderers who score less than 60% of the quality threshold i.e. a score of 300 out of a maximum quality score of 500 marks will not proceed to the next stage of the evaluation.

Social Value (20% Weighting)

Criteria	Sub-weighting
Local Employment	20%
Buy Local	15%
Partners in Communities	20%
Good Employer	20%
Green and Sustainable	15%
Ethical Procurement	10%
Total Sub-Weighting	100%

Tenderers who score less than 40% of the social value threshold i.e. a score of 200 out of a maximum quality score of 500 marks will not proceed to the next stage of the evaluation.

Price (40% Weighting)

Tenderers will be required to price on the basis of a JCT design and build contract. Tenderers for the housing element of the scheme will be expected to state their proposed cost for constructing the new council properties plus the guaranteed minimum price to be paid for the land on which the successful developer will construct and sell the homes for outright sale.

Overall Evaluation

The evaluation process will result in comparative quality, social value and price scores for each tenderer. The maximum quality score will be awarded to the bid that demonstrates the highest quality. The maximum social value score will be awarded to the bid that demonstrates the highest social value. The lowest price will be given the maximum score. Other tenderers will be scored in proportion to the maximum scores in order to ensure value for money and the proposed contract will be awarded to the first ranked tenderers.

3.3.1 Evaluation Team

The evaluation of tenders will be undertaken by officers from BMHT and representatives from the Employer's Agent, supported by the Corporate Procurement Services.

3.1 Indicative Implementation Plan

Monmouth Road

Cabinet Approval (Strategy)	May 2019
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ITT Issued	June 2019
ITT Return	Sept2019
Evaluation Period	Sept to November 2019
DPR Approval (Award)	December 2019
Contract Award	January 2020
Contract Start	January 2020

Farnborough Road

Cabinet Approval (Strategy)	May 2019
ITT Issued	June 2019
ITT Return	September 2019
Evaluation Period	September to August November
DPR Approval (Award)	December2019
Contract Award	January 2020
Contract Start	January 2020

3.2 Service Delivery Management

3.5.1 Contract Management

The contracts will be managed operationally by the Development Manager, Housing Regeneration and Development.