

## FULL BUSINESS CASE (FBC)

### A. GENERAL INFORMATION

#### A1. General

<b>Project Title</b> <i>(as per Voyager)</i>	Building Birmingham – Highgate Road Development		
<b>Voyager code</b>	CA-02336-87		
<b>Portfolio /Committee</b>	Homes and Neighbourhoods	<b>Directorate</b>	Inclusive Growth
<b>Approved by Project Sponsor</b>	Ian MacLeod	<b>Approved by Finance Business Partner</b>	Carl Tomlinson

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

The Outline Business Case for Highgate Road was approved in the report to Cabinet entitled Birmingham Municipal Housing Trust Delivery Plan 2019 - 2029 on 14<sup>th</sup> May 2019. The original scheme was for 30 homes, however, an opportunity to increase the density of the site has resulted in an increase in the scheme to 61 units which has resulted in an increase to the initial scheme costs. The estimated cost of the development is £12.23m.

#### A3. Project Description

The Full Business Case is seeking approval to commence the construction of 61 new homes in Highgate Road, Sparkbrook & Balsall Heath East Ward. This site is a cleared site and was appropriated into the HRA in March 2018 via a report to Cabinet. Pre-tender estimates have been obtained for the construction of 61 homes for social rent from the appointed Employers' Agent, Capita.

#### 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 61 new homes
- Undertaking site investigations and surveys
- The procurement process and contract award
- Completion of build programme

#### 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*

#### 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:

- 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.

- A city that takes a leading role in tackling climate change; the new homes will be built to a high standard of energy efficiency by using the latest technologies.
- 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 on the proposed sites. New homes will help ease pressure on the housing active applicants on the housing register which is currently around 16,955.
- 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 (BCC4SR). This will be achieved through the procurement of the build contract.
- Birmingham is a fulfilling city to age 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 offer a higher quality of life leading to better health outcomes.
- Birmingham is a great, clean and green city to live in; the scheme will 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.

## 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 61 new homes for Social rent, consisting of the following:

House Type	Area in m2	No of units for this house type	Total Area in m2
2B4P FOD (Flat Over Drive)	70.0	3	210.0
2B4P Flat	74.8	11	822.8
2B4P Corner Flat A	83.9	1	83.9
3B5P Corner Flat B	96.3	2	192.6
3B6P Mansion Flat A	97.2	5	486.0
3B6P Mansion Flat B	100.1	10	1001.0
3B6P Flat C	111.5	4	446.0
<i>Communal</i>	<i>750.0</i>	<i>N/A</i>	<i>750.0</i>
2B4P Weoley House	81.2	5	406.0
2B4P Weoley House (i)	84.4	2	168.8
4B7P House	130.4	4	521.6
5B8P House	144.0	8	1152.0
6B9P House	164.2	6	985.2
<b>Total number of dwellings</b>		<b>61</b>	<b>7226</b>

## 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 <b>each</b> 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 61 New homes	Providing employment / training / apprenticeship

	opportunities through the build contract and contributing towards reducing the demands on the housing register.
Regenerating the area	Improving the local environment and benefiting the local economy
Building Birmingham Scholarship	£30,500 contribution towards bursary scheme as a result of this scheme
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:</i> N/A	
<b>B4. Benefits Realisation Plan</b> <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.	
<b>B5. Stakeholders</b>	
Please see table G4 below	
<b>C. ECONOMIC CASE AND OPTIONS APPRAISAL</b> <i>This sets out the options that have been considered to determine the best value for money in achieving the Council's priorities</i>	
<b>C1. Summary of options reviewed at Outline Business Case</b> <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	
<b>C2. Evaluation of key risks and issues</b> <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 D	
<b>C3. Other impacts of the preferred option</b> <i>Describe other significant impacts, both positive and negative</i>	
N/A	
<b>D. COMMERCIAL CASE</b> <i>This considers whether realistic and commercial arrangements for the project can be made</i>	
<b>D1. Partnership, Joint venture and accountable body working</b> <i>Describe how the project will be controlled, managed and delivered if using these arrangements</i>	
N/A	
<b>D2. Procurement implications and Contract Strategy:</b> <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% price, 20% social value and 40% quality.	
<b>D3. Staffing and TUPE implications:</b>	

N/A

Key Inputs			
Construction		Running Costs, etc.	
Total Development costs	£12.23m	Weekly rent	2 bed £100.20, 3 bed £107.11, 4 bed £164.06, 5 bed £178.76, 6 bed £196.21
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	£(2.25)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	0.00	(0.12)	(0.35)	(17.90)
Voids and arrears	0.00	0.00	0.00	0.00	0.01	0.30
Repairs and Maintenance	0.00	0.00	0.00	0.02	0.05	2.40
Management Costs	0.00	0.00	0.00	0.02	0.06	2.51
Cash-backed Depreciation	0.00	0.00	0.00	0.04	0.07	2.52
<b>HRA Deficit / (Surplus) Contribution</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.04)</b>	<b>(0.16)</b>	<b>(10.17)</b>
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.18)	(0.04)	(2.02)	(3.79)	(1.89)	(7.92)
Net HRA Impact	0.18	0.04	2.02	3.75	1.73	(2.25)

# Appendix A – Full Business Case (FBC) – Highgate Road Development

## APPENDIX

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	0.18	0.04	0.00	0.00	0.00	<b>0.22</b>
Build Costs (including Fees)	0.00	0.00	3.36	6.32	1.10	<b>10.78</b>
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.00	0.00	0.00	1.23	<b>1.23</b>
<b>Total Development Costs</b>	<b>0.18</b>	<b>0.04</b>	<b>3.36</b>	<b>6.32</b>	<b>2.33</b>	<b>12.23</b>
Capital Investment / Renewals <sup>1</sup>	0.00	0.00	0.00	0.00	0.00	<b>2.52</b>
Other Capital Financing (RTB 1-4-1 / Affordable Housing S106 / General RTB Receipts)	0.00	0.00	(1.34)	(2.53)	(0.44)	<b>(4.31)</b>
Revenue Contributions from wider HRA	(0.18)	(0.04)	(2.02)	(3.79)	(1.89)	<b>(7.92)</b>
Receipts/Grant	0.00	0.00	0.00	0.00	0.00	<b>0.00</b>
Cyclical Maintenance Reserve Release	0.00	0.00	0.00	0.00	0.00	<b>(2.52)</b>
<b>Total Capital Income</b>	<b>(0.18)</b>	<b>(0.04)</b>	<b>(3.36)</b>	<b>(6.32)</b>	<b>(2.33)</b>	<b>(12.23)</b>
<b>Capital Account (Surplus) / Deficit</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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	0.00	4.95	12.70	24.13
Cyclical Investment Reserve	0.00	0.00	0.00	0.04	0.11	0.59
Capital Reserve	0.00	0.00	0.00	(4.99)	(12.81)	(24.72)
<b>Net</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>

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	0	43	18	61
Sale Properties	0	0	0	0	0	0
<b>Total Properties</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>43</b>	<b>18</b>	<b>61</b>

Formal approval to the ongoing capital investment / renewals programme (at a total value of £2.52 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.

**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	July 2021
Commence Tender	July 2021
Contract Award Report	February 2022
Start on site	July 2022
Practical completion	July 2024
12 months Defects	July 2025

**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 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, 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: 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

Colette McCann – Acting Assistant Director, Housing Development

Carl Tomlinson – Interim Finance Business Partner, Neighbourhoods

**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)*

Applications for grant 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 <i>provide as appropriate</i>	
• None	
•	
•	
•	