

## FULL BUSINESS CASE (FBC)

### A. GENERAL INFORMATION

#### A1. General

<b>Project Title</b> <i>(as per Voyager)</i>	<b>CLEMENTS ROAD</b>		
<b>Voyager code</b>	CA-02970-22		
<b>Portfolio /Committee</b>	Leaders (Housing Development)	<b>Directorate</b>	Place, Prosperity & Sustainability
<b>Approved by Project Sponsor</b>	Paul Kitson	<b>Approved by Finance Business Partner</b>	Andrew Healey

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

Appendix – Options Appraisal, of the Birmingham Municipal Housing Trust (BMHT) Delivery Plan 2019-2029 report to Cabinet on 14 May 2019.

#### A3. Project Description

The proposal sets out a programme for the development of 4 new homes through the Birmingham Municipal Housing Trust (BMHT), the Council's brand name for its new build housing development programme, through Clements Road

Clements Road is in the Yardley area of the City, off Blakesley Mews 4.5 miles east from Birmingham City Centre and has good links in and out of the City. Motorway links include the M6 junction 5 (4. miles from the site) and the M42 junction 7A, 7 miles from the site. The demolition of the unused garages and the development of housing on Clements Road will provide additional homes for social rent provided by BMHT with a housing mix of 1 x 2 bedroom 4 person house type, 3 x 3 bed 5 person house type on a relatively flat site on an area of 0.1 hectares and approximately 0.25 acres.

The development aims to adopt principles of Lifetime Homes and inclusive design standards through the provision of being used safely and easily by as many people as possible without separate provision. This includes people with differing disabilities, elderly people, and parents/guardians of young children. The proposal to build 4 houses for social rent in this location will contribute to meeting the demand for affordable accommodation in the Yardley West & Stechford Ward.

BMHT will develop the site and provide 4 new homes for social rent, together with associated infrastructure, parking, and landscaping.

#### A4. Scope

The Council will be undertaking the following:

- Highway and Infrastructure: management of the provision of new infrastructure for the new development
- Procurement and contract management for the construction of the housing 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*

### 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*

- Four new dwellings with associated parking and landscaping
- Site area: 0.1 hectares / 0.25 acres brought into use
- 1 x 2-bedroom 4-person dwelling
- 3 x 3-bedroom 5-person dwellings
- Provision of 200% car parking space
- This project will provide small / medium sized homes for priority need tenants

### 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 <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 (eg for economic and transportation benefits)</i>
Construction of 4 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
<i>For major projects and programmes over £20m:</i>	
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 managers who will monitor expenditure and outturns via monthly site project meetings. Progress will be regularly reported to the BMHT Project Board.

**B5. Stakeholders**

See G4 below.

**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 Clements Road scheme was included in the BMHT Delivery Plan 2019-2029 report approved by Cabinet on 14 May 2019 under 'Additional New Build' – Appendix 12, and the preferred option was for BMHT to develop the site. The preferred option continues to apply.

**C2. Evaluation of key risks and issues**

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

See risk register below.

**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 procurement route for this housing scheme was to carry out a further competition exercise using the Council's Dynamic Purchasing System (DPS) for the Development of Housing on Small Sites approved by Cabinet on 28<sup>th</sup> June 2016.

**D3. Staffing and TUPE implications:**

N/a.

## APPENDIX A

### E. FINANCIAL CASE

*This sets out the cost and affordability of the project*

#### E1. Financial implications and funding

##### Key Inputs

Construction		Running Costs, etc.	
Total Development costs (Capital and Revenue)	£0.82m	Weekly rent	2 bed £109.94, 3 bed £127.39
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	£(0.14)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	
Rental Income	0.00	0.00	(0.01)	(0.03)	(0.03)	(1.17)
Voids and arrears	0.00	0.00	0.00	0.00	0.00	0.02
Repairs and Maintenance	0.00	0.00	0.00	0.00	0.00	0.16
Management Costs	0.00	0.00	0.00	0.00	0.00	0.17
Cash-backed Depreciation	0.00	0.00	0.00	0.00	0.00	0.17
<b>HRA Deficit / (Surplus) Contribution</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.01)</b>	<b>(0.03)</b>	<b>(0.03)</b>	<b>(0.65)</b>
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.01)	(0.17)	(0.34)	0.00	0.00	(0.51)
Net HRA Impact	0.01	0.17	0.33	(0.03)	(0.03)	(0.14)

## APPENDIX A

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	
Pre-contract Costs	0.01	0.01	0.00	0.00	0.00	<b>0.02</b>
Build Costs (including Fees)	0.00	0.19	0.56	0.00	0.00	<b>0.75</b>
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.05	0.00	0.00	0.00	<b>0.05</b>
<b>Total Development Costs</b>	<b>0.01</b>	<b>0.25</b>	<b>0.56</b>	<b>0.00</b>	<b>0.00</b>	<b>0.82</b>
Capital Investment / Renewals <sup>1</sup>	0.00	0.00	0.00	0.00	0.00	<b>0.17</b>
Other Capital Financing (RTB 1-4-1 Receipts)	(0.00)	(0.08)	(0.22)	0.00	0.00	<b>(0.31)</b>
Revenue Contributions from wider HRA	(0.01)	(0.17)	(0.34)	0.00	0.00	<b>(0.51)</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>(0.17)</b>
<b>Total Capital Income</b>	<b>(0.01)</b>	<b>(0.25)</b>	<b>(0.56)</b>	<b>0.00</b>	<b>0.00</b>	<b>(0.82)</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	0.88	0.90	0.92	1.75
Cyclical Investment Reserve	0.00	0.00	0.00	0.01	0.01	0.04
Capital Reserve	0.00	0.00	(0.88)	(0.91)	(0.93)	(1.79)
<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	4	0	0	4
Sale Properties	0	0	0	0	0	0
<b>Total Properties</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>4</b>

Formal approval to the ongoing capital investment / renewals programme (at a total value of £0.17 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.

<b>E2. Evaluation and comment on financial implications:</b>
<b>E3. Approach to optimism bias and provision of contingency</b>
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.
<b>E4. Taxation</b>
<i>Describe any tax implications and how they will be managed, including VAT</i>
There is no VAT associated with the build costs, however, there is a possibility that the sheds provided in rear gardens are subject to VAT and can be claimed by the developer. 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/BMHT will incur VAT on the acquisition and installation of such items within HRA dwellings. It is likely, therefore, that the construction of the 4 new dwellings is zero rated but some VAT may be incurred on other services/items that are not ordinarily incorporated in new dwellings.  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.

<b>F. PROJECT MANAGEMENT CASE</b>	
<i>This considers how project delivery plans are robust and realistic</i>	
<b>F1. Key Project Milestones</b>	<b>Planned Delivery Dates</b>
<i>The summary Project Plan and milestones is attached at G1 below</i>	
Planning approval	<b>04/03/2021</b>
Contract award	<b>28/02/2022</b>
Start on site	<b>31/03/2022</b>
Practical completion	<b>13/01/2023</b>
Handover	<b>13/01/2023</b>
Date of Post Implementation Review	<b>13/01/2023</b>
Retention	<b>13/01/2024</b>
<b>F2. Achievability</b>	
<i>Describe how the project can be delivered given the organisational skills and capacity available</i>	
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 the new homes built in the City since 2011.	
<b>F3. Dependencies on other projects or activities</b>	

## APPENDIX A

There is an interdependency of all the elements of this project to deliver a comprehensive and strategic approach, which includes, Infrastructure works and Highways, associated legal documents / agreements to be negotiated and signed, and completion of planning conditions.

### F4. Officer support

**Project Manager:** Emmanuel Igenozu / Sarah Edmead

**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 BCC officer(s). Overall Management / monitoring shall be via the Housing Project Board attended by:

Paul Kitson – Strategic Director, Place, Prosperity & Sustainability

A representative of Housing Development – To be advised

Andrew Healey – Finance Business Partner

## 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*

Project Start on Site Date: 31/03/2022  
Duration build on site: minimum 40 weeks  
Project completion: Jan 2023  
Retentions: Jan 2024

### 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*

Risk or issue	mitigation	Risk after mitigation:	
		Sever-ity	Like-lihood
1. Unforeseen construction risks due to ground conditions	Negotiate with contractor, review with scheme EA to verify and challenge risk and cost	4	3
2. Delays due to availability of materials and labour causing delays in construction timetable as a result of Covid-19 / Brexit	Seek to transfer risk to contractor	5	4
3. Increasing material and labour costs – industry information shows all materials increasing in cost weekly above anticipated inflation rates	Seek to pass risk to contractor or minimise cost increases by advance purchasing by contractor	5	4

**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

**G4. STAKEHOLDER ANALYSIS**

Stakeholder	Role and significance	How stakeholder relationships will be managed
Ward member	Active lead ward representative, interest of constituents/ Council - High	In house through dialogue and engagement / consultation
Local community	Residents - High	Access to planning portal, consultation engagement and officer contact
Planning Officer	Consultant/ advisory - High	In house consultation and meetings
Contractor	Delivery/Operational -High	Contractual relationship – Considerate Contractors Scheme
Architect	Consultant/advisory/Designer - High	Periodic meetings, formal professional relationship
Engineer	Consultant/Advisory -High	Periodic meetings, formal professional relationship
Housing Project Board	Management/Monitor Housing Delivery - High	Provision of progress reports as required

**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 <b>each</b> of the outcomes in B1 above</i>			<i>What the estimated impact of the project will be on the measure identified</i>
<b>(a) Monetised benefits:</b>	£		
<b>(b) Other quantified benefits:</b>			
<b>(c) Non-quantified benefits:</b>	n/a		

**Other Attachments**

*provide as appropriate*

- None

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