

FULL BUSINESS CASE (FBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	LOWDEN CROFT		
Voyager code	CA-02970-25		
Portfolio /Committee	Leaders (Housing Development)	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)*

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 3 new homes through the Birmingham Municipal Housing Trust (BMHT), the Council's brand name for its new build housing development programme, through Lowden Croft.

Lowden Croft is in the Yardley area of the City, 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 (8. miles from the site) and the M42 junction 7A, 5 miles from the site. The development of Lowden Croft will provide additional homes for social rent provided by BMHT with a housing mix of, 3 x 2 bed 4person house type on a generally flat site on an area of 0.10 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 3 houses for social rent in this location will contribute to meeting the demand for affordable accommodation in the South Yardley Ward.

BMHT will develop the site and provide 3 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

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

- Three new dwellings with associated parking and landscaping
- Site area: 0.10 hectares / 0.25 acres brought into use
- 3 x 2-bedroom 4-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 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 (eg for economic and transportation benefits)</i>
Construction of 3 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 of garages	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 managers who will monitor expenditure and outturns monthly via 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 Lowden Croft 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 28th June 2016.

D3. Staffing and TUPE implications:

N/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)	£0.58m	Weekly rent	2 bed £109.94
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	£(0.02)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	(0.02)	(0.02)	(0.79)
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	0.12
Management Costs	0.00	0.00	0.00	0.00	0.00	0.13
Cash-backed Depreciation	0.00	0.00	0.00	0.00	0.00	0.13
HRA Deficit / (Surplus) Contribution	0.00	0.00	0.00	(0.02)	(0.02)	(0.39)
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.01)	(0.12)	(0.24)	0.00	0.00	(0.37)
Net HRA Impact	0.01	0.12	0.24	(0.02)	(0.02)	(0.02)

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	0.02	0.01	0.00	0.00	0.00	0.03

APPENDIX A

Build Costs (including Fees)	0.00	0.10	0.40	0.00	0.00	0.50
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.05	0.00	0.00	0.00	0.05
Total Development Costs	0.02	0.16	0.40	0.00	0.00	0.58
Capital Investment / Renewals ¹	0.00	0.00	0.00	0.00	0.00	0.13
Other Capital Financing (RTB 1-4-1 Receipts)	(0.01)	(0.04)	(0.16)	0.00	0.00	(0.21)
Revenue Contributions from wider HRA	(0.01)	(0.12)	(0.24)	0.00	0.00	(0.37)
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	(0.13)
Total Capital Income	(0.02)	(0.16)	(0.40)	0.00	0.00	(0.58)
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	0.57	0.58	0.60	1.13
Cyclical Investment Reserve	0.00	0.00	0.00	0.01	0.01	0.03
Capital Reserve	0.00	0.00	(0.57)	(0.59)	(0.61)	(1.16)
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	3	0	0	3
Sale Properties	0	0	0	0	0	0
Total Properties	0	0	3	0	0	3

Formal approval to the ongoing capital investment / renewals programme (at a total value of £0.13 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.

E2. Evaluation and comment on financial implications:
E3. Approach to optimism bias and provision of contingency
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 Covid-19 and noted price rises for materials in the construction industry.
E4. Taxation
<i>Describe any tax implications and how they will be managed, including VAT</i>
<p>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.</p> <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/BMHT will incur VAT on the acquisition and installation of such items within HRA dwellings. It is likely, therefore, that the construction of the 3 new dwellings is zero rated but some VAT may be incurred on other services/items that are not ordinarily incorporated in new 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

This considers how project delivery plans are robust and realistic

F1. Key Project Milestones	Planned Delivery Dates
<i>The summary Project Plan and milestones is attached at G1 below</i>	
Planning approval	04/03/2021
Contract award	28/02/2022
Start on site	31/03/2022
Practical completion	13/01/2023
Handover	13/01/2023
Date of Post Implementation Review	13/01/2023
Retention	13/01/2024
F2. Achievability	
<i>Describe how the project can be delivered given the organisational skills and capacity available</i>	
<p>The 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 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.</p>	
F3. Dependencies on other projects or activities	

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: Sarah Edmead / Emmanuel Igenoza

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 e.g. Labour force	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 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:	n/a		

Other Attachments

provide as appropriate

• None

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