

Birmingham City Council

Report to Cabinet

16 March 2021



Subject: Building New Homes – Development of Housing at Gressel Lane

Report of: Ian MacLeod, Acting Director - Inclusive Growth

Relevant Cabinet Member: Councillor Ian Ward, Leader
Councillor Sharon Thompson, Cabinet Member for Homes and Neighbourhoods
Councillor Tristan Chatfield, Cabinet Member for 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): Glebe Farm and Tile Cross Ward | | |
| Is this a key decision? | <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
| If relevant, add Forward Plan Reference:008294/2021 | | |
| 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 seeks to obtain approval for the Full Business Case (FBC) for this exciting scheme for the construction of 36 new homes for rent at Gressel Lane, Glebe Farm and Tile Cross Ward. The scheme will include the requirement for

the inclusion of energy saving technologies as a pilot for Birmingham Municipal Housing Trust (BMHT).

- 1.2 The report seeks approval for the procurement strategy and commencement of the procurement activity for the development of housing for the Scheme. Cabinet was advised of the forthcoming procurement activity in the Planned Procurement Activity report dated 21st July 2020 and this report supersedes that decision as detailed in paragraph 7.4.1.
- 1.3 The report seeks advance approval and for the acceptance and spend of European Regional Development Grant (ERDF) of up to £521,078 subject to the bid being approved. A decision on the bid is expected by April 2021.

2 Recommendations

- 2.1 Approves the FBC attached to this report as Appendix A for the Scheme, and delegates any changes to the FBC for the Scheme financial expenditure of up to 10% to the Interim Assistant Director, Housing Development.
- 2.2 Approves the procurement strategy and commencement of the procurement activity for the housing development and associated works for the Scheme using the Homes England Delivery Partner Panel 3 Framework Agreement or its successor.
- 2.3 Delegates the approval of the contract award for the Scheme to the Acting Director, Inclusive Growth in conjunction with the Assistant Director, Development and Commercial (or their delegate), the Interim Chief Finance Officer (or their delegate) and the City Solicitor (or their delegate) subject to the costs being within the FBC approval in accordance with paragraph 2.1.
- 2.4 Authorises the Acting Director, Inclusive Growth to seek consent from the Secretary of State under Section 174 of Localism Act 2011, to exclude the new council properties developed through the Scheme from the Right to Buy pooling requirements, and to ensure that any capital receipts generated from any future sale of homes under the Right to Buy are retained by the Council for reinvestment in future housing delivery.
- 2.5 Authorises the Assistant Director, Transport and Connectivity to grant technical approval of the Scheme highways proposals and progress the preferred option to detailed design which will be the responsibility of the appointed contractor.
- 2.6 Authorises the Acting Director, Inclusive Growth to submit and process all necessary highway closures and notices required to facilitate the Scheme highlighted in the FBC and to enter into any appropriate agreements for the creation, improvement and alterations to highway access to the sites.
- 2.7 Delegates to the Acting Director, Inclusive Growth the power to amend or vary the development boundaries by 10% for the Scheme.
- 2.8 Delegates authority to the Acting Director, Inclusive Growth to submit funding applications to Homes England (HE), West Midlands Combined Authority

(WMCA), the Ministry of Housing, Communities and Local Government (MHCLG), European Regional Fund or any other funding agency.

- 2.9 Approves the acceptance of grant and spend from the European Regional Fund of up to £521,078, subject to approval of the bid.
- 2.10 Authorises the City Solicitor (or their delegate) to take all steps necessary for the preparation of any documents, including the appointment of references to carry out land ownership enquiries and to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3 Background

- 3.1 The proposed development at Gressel Lane is located to the rear of 3 storey flats at 90 – 100 Gressel Lane on the land that was formerly part of Tile Cross Academy (see site plan at Appendix B).
- 3.2 The Site lies 5.5 miles north of Solihull town centre, 7.5 miles to the south of Sutton Coldfield town centre and 5.7 miles to the east of Birmingham city centre.
- 3.3 The Council has accepted that climate change is a threat to the city and its residents and has set a carbon reduction target to address this. The Route to Zero (R20) programme includes a Housing element, requiring changes to future and existing housing stock to reduce its carbon output from heating and hot water.
- 3.4 Domestic heating and hot water accounts for around 22% of greenhouse gas emissions in the UK (LETI Climate Emergency Design Guide). To address this BMHT is reviewing its specification for new build homes in order to minimise the number of residential buildings requiring retrofit to meet the carbon targets. The goal is to achieve net zero carbon emissions in the new build programme by 2030.
- 3.5 The UK has set in law a target to bring all its greenhouse gas emissions to net zero by 2050. This is for both new and existing homes. New homes being built now and in the next 5 -10 years will still exist in 2050 and therefore we must ensure that the energy efficiency standards we set for them put us on track to meet the 2050 target set. To meet the net zero carbon target, a significant proportion of future energy demand must be met from alternative sources than gas, oil or other fossil fuels. In the spring of 2019 Government announced they will introduce a Future Homes Standard which would mandate the end of fossil-fuel heating systems in all new housing from 2025. This will include not using gas in new homes. Electricity is currently more expensive than gas and this project is a trial to help to keep tenants out of fuel poverty.
- 3.6 This scheme is a pilot project that will trial energy saving technologies including solar panels and battery storage, and, air and ground source heat pumps. After the properties have been built and tenants have moved in the performance of the build form and technology will be monitored and evaluated, using both hard and soft measurements including actual energy used and resident interviews. The

findings will provide guidance for the development of future Birmingham Municipal Housing Trust schemes city wide.

- 3.7 The scheme will build 36 properties which includes, 2,3, 4, 6 bedrooms and each will have technology that will work on that particular house type. The properties are expected to achieve an EPC rating of B or a high B.
- 3.8 Consultation was undertaken in the local area and with the local Councillors, please see appendix D.
- 3.9 An expression of interest for European Regional Development Fund money was submitted and has been successful. A second stage bid was submitted by the closing date of 8 January 2021.
- 3.10 If the bid is successful, the Council will receive up to 50% of the cost towards the energy saving technology for 30 properties, which is up to £521,078 and will be subject to ERDF's standard terms and conditions. The Council will match fund the cost of the 30 properties new technologies and will also fully fund the remaining 6 properties.
- 3.11 The Council is expecting to be informed if the bid is successful by April 2021. If the bid is unsuccessful, the Council will fully fund 18 of the properties with the energy saving technology and build 18 as traditional BMHT properties.
- 3.12 After completion of the property and tenants have moved in, information and education will be provided both to the Council maintenance teams and to the tenants moving into the new properties.
- 3.13 Monitoring and evaluation will be independently carried out, with the tenants, so that lessons can be learned, and further schemes of this nature will benefit from any changes and improvements that are made from this evaluation exercise. Research is being carried out into energy recording devices that will record tenant's energy usage to support the collation of this information.

4 Options considered and Recommended Proposal

- 4.1 Option 1: If the bid is successful, the Council will receive up to 50% of the cost towards the energy saving technology for 30 properties, which is up to £521,078 and will be subject to ERDF's standard terms and conditions. The Council will match fund the cost of the 30 properties new technologies and will also fully fund the remaining 6 properties.
- 4.2 Option 2: If the ERDF bid is unsuccessful, to develop the scheme as outlined in this report through Birmingham Municipal Housing Trust (BMHT) with energy saving technology for 18 properties and 18 traditional build without the energy saving technologies.
- 4.3 To do nothing – this is not an option as the scheme will contribute to the Council's target for new homes for the city and also the BMHT 10 years delivery plan.

5 Consultation

5.1 Please see Appendix D, Consultation Plan.

6 Risk Management

6.1 Please see Appendix C, Risk Register.

7 Compliance Issues:

7.1 How are the recommended decisions consistent with the City Council's priorities, plans and strategies?

7.1.1 The scheme is in accordance with the objectives of the housing revenue account (HRA) Business Plan 2021+.

7.1.2 The scheme on the proposed site supports 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 scheme is in line with the Council's Route to Zero Strategy approved by Cabinet in January 2021. The Strategy commits to reducing the city's carbon emissions and limit climate crisis.

7.1.4 The scheme will make a direct contribution and is consistent with the Council's Plan 2018 – 2022 (as updated in 2020) priorities and outcomes as outlined below:

- 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.
- 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. 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.

7.1.5 Birmingham Business Charter for Social Responsibility (BBC4SR)

7.1.5.1 Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of this contract. The successful tenderer will submit an action plan which will be implemented and monitored during the contract period.

7.1.5.2 The social value outcomes to the benefit of the Glebe Farm and Tile Cross Ward and the surrounding areas, tenderers will be required to address will include:

Local Employment

- Employment and employability opportunities for the target groups particularly young people.
- To provide a donation of £500 for every property built to support the Building Birmingham Scholarship to assist young professionals within the construction industry.
- A strong local employment offer with the focus on the hardest to reach groups particularly focused on the residents in Glebe Farm and Tile Cross Wards and surrounding area. Based on the value of the scheme, it is reasonable to expect up to 7 full time equivalent employment / apprenticeship opportunities.

Buy Local

- Spend to be, as practically as possible, with local, small and medium enterprises as well as social enterprises within a 30 mile radius of the scheme.
- 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 will include a requirement for tenderers to seek a quotation from Shelforce to ensure they have the opportunity to price for this Scheme.

Partners in Communities

- Bidders and their supply chain will need to utilise their community reach and focus their outcomes on community cohesion with sensitivity to local demographics.
- Working with schools to focus on increasing attainment and employment options for those students facing disadvantage.
- A robust understanding and methodology for community engagement.

Good Employer

- Provide good employment practices to increase the staff employability and quality of employment.
- Demonstration of the provision of in-depth training for their employees in equality, diversity and inclusion.
- Good practices around areas including collective representation, zero-hour contracts, whistle blowing policies.
- The payment of the Real Living Wage down the supply chain is a mandatory requirement in accordance with the Council's policy.

Green and Sustainable

- Plans for a carbon neutral position and what activities they are undertaking to achieve that additional to the specification including details relating to transport, recycling, materials used and offsetting.

Ethical Procurement

- The outcomes sought under this theme relate to the treatment of **subcontractors** in terms of payment and training.
- Evidence will be required as to how the bidder is ensuring that the materials used are sourced ethically.

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 17 of the Housing Act 1985 grants local authorities the relevant powers to enact Compulsory Purchase Order powers.
- 7.2.3 Section 1 of the 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.
- 7.2.4 The City Council carries out transportation, highways and infrastructure work under the relevant primary legislation including the Town and Country Planning Act 1990, Highways Act 1980, Road Traffic Regulation Act 1984, Traffic Management Act 2004, Transport Act 2000, and other related regulations, instructions, directives, and general guidance, and the Highways Act 1980 contains the highway closures and diversions.
- 7.2.5 BMHT will enter into a memorandum of understanding with the Local Highway Authority to facilitate the improvement of existing areas of highway maintainable at public expense, that will be affected by the development proposals.

7.3 Financial Implications

- 7.3.1 The total estimated cost of the proposed development is £7.7m, to be completed in 2024/25. The scheme will be funded from ERDF grant, HRA revenue contributions, Right to Buy one for one receipts and Affordable Housing Section 106 contributions. The cost of development is included in the HRA Business Plan 2021+. If the grant bid to ERDF is unsuccessful then the cost of the development will reduce to £7.1m.
- 7.3.2 The future running costs of the properties and areas of public realm retained will be met from ongoing rental income.
- 7.3.3 The financial viability of the scheme proposal is based on the Government's social housing rent policy that rents will increase annually by the Consumer Price Index (CPI) + 1 % for the next 4 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 the 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. If a property is sold under Right to Buy within 5 years, where grant has been received for energy saving technology on that property, the grant will need to be refunded. The amount of grant to be refunded is apportioned, depending on the year that the property is sold.

7.4 Procurement Implications

7.4.1 Procurement Strategy

The Outline Business Case for the Gressel Lane site was approved in the Birmingham Municipal Housing Trust Delivery Plan 2019 - 2029 report to Cabinet on 14th May 2019.

Cabinet was advised of the forthcoming procurement activity in the Planned Procurement Activity report dated 21st July 2020 and this report supersedes that decision as the scheme cost was higher than originally forecast.

It is recommended that a further competition exercise is carried out in accordance with the protocol of the Homes England Delivery Partner Panel 3 (DPP3) framework agreement – Midlands Lot.

The DPP3 framework agreement is specifically for the development of housing with a suitable breadth of suppliers with pre-agreed terms and conditions that is considered to deliver better value for money than an open tender or any other framework agreement and has been used successfully for the delivery of a number of similarly large BMHT housing development schemes. The evaluation criterion to be used is 40% quality, 20% social value and 40% price.

7.4.2 ERDF Funding

The status of the ERDF application will not be confirmed at the time the Council commences the procurement exercise for Gressel Lane. Therefore, as part of the pricing evaluation for this tender exercise, tenderers will be asked to submit two pricing schedules based on the following two options:

- Option 1 – 36 homes for rent with energy saving technologies funded from the ERDF grant.
- Option 2 – 36 homes for rent; 18 homes with energy saving technologies and 18 without these features.

The success of the ERDF funding application will determine the chosen option and will be detailed in the subsequent contract award report.

7.5 Human Resources Implications (if required)

- 7.5.1 The project will be staffed from BMHT internal resource with support from the Council's Employer Agent, Arcadis LLP for the scheme.

7.6 Public Sector Equality Duty

- 7.6.1 There are currently around 16,955 active applicants on the Council's affordable housing register. 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 An initial Equality assessment, Ref: EQUA601 is attached as Appendix E. A full Equality Assessment has not been undertaken as it is considered that the proposals of this report do not have any adverse impact on the characteristics and groups protected under the Equality Act 2010.

8 Appendices

- 8.1 Appendix A – Full Business Case
- 8.2 Appendix B – Site Plan
- 8.3 Appendix C – Risk Register
- 8.4 Appendix D– Consultation Plan
- 8.5 Appendix E – Equality Impact Assessment

9 Background Documents

- 9.1 Route to Zero Strategy Cabinet Report January 2021
- 9.2 Birmingham Municipal Housing Trust Delivery Plan for Development of Housing for the period 2019 – 2029, May 2019.