

FULL BUSINESS CASE (FBC)

A. GENERAL INFORMATION

A1. General

Project Title <i>(as per Voyager)</i>	Building New Homes – Gressel Lane with energy saving technologies		
Voyager code	CA-02970-48		
Portfolio /Committee	Homes and Neighbourhoods	Directorate	Inclusive Growth
Approved by Project Sponsor	Ian MacLeod	Approved by Finance Business Partner	Carl Tomlinson

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

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

This is a Full Business Case for Gressel Lane scheme development and includes 2 options,

- **Option 1** - 36 houses for construction (all rent) and all will have the energy saving technologies
- ERDF will fund 50% of the technologies on 30 houses with the Council funding the remaining 50%.
- The Council will fund 100% of the cost of the technologies on the remaining 6 houses.
- Cost - £7.65m
- Funding streams – part funded by the Council and part funded by ERDF
- **Option 2** 36 houses for construction (all rent) with 18 traditional build and 18 with new technologies
- Council will fund 18 houses with new technologies.
- The remaining 18 houses will be traditional builds without the new technologies.
- Cost - £7.05m
- Funding streams – all funded by the council

This scheme supports the Council's Route to Zero Strategy which was presented to Cabinet in January 2021. The costs for this scheme are higher than a traditional BMHT build due to the energy saving technologies including solar panels, electricity storing batteries and air or ground source heat pumps.

A3. Project Description

The Full Business Case is seeking approval to commence the construction of up to 36 new homes in Gressel Lane, Hodge Hill. This site is available following a land appropriation from Education. Pre-tender estimates have been obtained for the construction of 36 rented homes with energy saving technologies from the Council's appointed Employers' Agent.

This scheme contributes to the City's Route to Zero Strategy and the commitment to reduce carbon emissions and limit the climate crisis. It includes energy saving technologies, with solar panels on the roof, providing a renewable energy source. Air or ground source heat pumps, which generate heat from the air and from the ground through a converter system. The use of battery storage system which stores the energy from the solar panels in the batteries for use in the evenings, as well as the daytime for the tenants.

This scheme lowers carbon emissions with the elimination of gas within the properties which

reduces the use of fossil fuels and support the climate crisis. The use of renewable technologies and air/ground source heat pumps is required as electricity is more expensive than gas and these technologies, help to keep electricity affordable for the tenants.

ERDF funding is being applied for which if successful would be a contribution of up to £521,078, which is 50% of the cost towards the energy saving technology on 30 of the new properties, including the monitoring and reporting of the renewable technology after it has been installed.

If the bid is successful, the HRA will fund the remaining 6 fully and all 36 properties will be built with the energy saving technologies. If the bid is unsuccessful, the number of properties trailing the technologies will reduce to 18 to keep the scheme affordable to the Housing Revenue Account.

Once the tenants have moved in the scheme will be monitored and evaluated, and this information will help to form a way forward for more similar schemes on a city-wide basis.

A4. Scope

Birmingham City Council will be undertaking the following;

- Design of Housing Development Scheme
- Work with local Ward members, MP, residents and stakeholders to development new sustainable housing
- Bidding for ERDF monies to help fund the energy saving technologies with match funding from BCC
- Obtaining the Planning approvals for the development of 36 Houses
- Undertaking site investigations and surveys
- The procurement process and award of contract
- Agree build programme with the contractor
- Monitoring and evaluation of the scheme once the tenants have moved in

A5. Scope exclusions

ERDF funding is being applied for which if successful would be a contribution of £521,078, which is 50% of the cost towards the energy saving technology on 30 of the new properties, the other 50% of the cost for the technology will be meet by the Housing Revenue Account.

If the bid is successful, the HRA will fund the remaining 6 fully and all 36 properties will be built with the energy saving technologies. If the bid is unsuccessful then 18 properties will have the energy saving technology.

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 aims to deliver:

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.

- The construction of up to 36 new council homes with energy saving technology for social rent
- Regeneration of a vacant site that will uplift the area
- The delivery of a pilot project that will be monitored and evaluated, lessons learnt, to support delivery of similar schemes city- wide
- With the phasing out of gas by 2025 in the Future Homes Standard Consultation document

October 19. This is a future government requirement and with electricity costing more than gas, this scheme supports tenants

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

36 new Council Houses with energy saving technologies for social rent as follows:

Each property will have solar panels, air or ground source heat pumps, electricity storing batteries

The Walmley House type -	8 x 2 bed 4 person houses	82.6m2 each unit
The Weoley House type-	4 x 2 bed 4-person house	82.2 m2 each unit
The Moseley House type -	2 x 2 bed 4-person house	80.4 m2 each unit
The Harbone House type -	10 x 3 bed 5-person house	94.9m2 each unit
The Highgate House type -	2 x 3 bed 5-person house	94.9 m2 each unit
The Northfield House type -	4 x 4 bed 7-person house	123.9 m2 each unit
The Edgbaston House type -	2 x 5 bed 8-person house	142.5m2 each unit
The Edgbaston House type -	2 x 5 bed 8-person house	141.6m2 each unit
6 Bed House	- 1 x 6 bed 10-person house	168m2 each unit
6 Bed House	- 1 x 6 bed 10-person house	168.9 m2 each unit

New Roads on the development measures approximately - 307.5 meters

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 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 (e.g. for economic and transportation benefits)</i>
36 New homes	Providing employment
Regenerating the area	Improving the local environment
Providing a scheme that will be monitored and evaluated	Learning lessons and providing more similar schemes on a city-wide basis
Provision of energy saving technology	Supporting tenants by keeping fuel bills down and supplying renewable energy from solar panels and stored in the batteries for use in the evening as well as during the daytime
Provision of apprenticeships	Employment and training opportunities for young people

B4. Benefits Realisation Plan

Set out here how you will ensure the planned benefits will be delivered

This scheme is fully social housing which makes it more affordable than private renting and provides secure, long-term tenancies for families.

The council houses will be the first delivered by the council which will have a range of energy saving technologies which include: solar panels, battery storage and air or ground source heat pumps. These technologies will both reduce carbon emissions and support tenants living in them with well insulated and renewable energy sources. Other benefits include supporting tenants from keeping out of fuel poverty and the health benefits of living in a new build property.

The scheme will be delivered by the award-winning Birmingham Municipal Housing Trust (BMHT).

The project will be managed by experienced Project management 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.

B5. Stakeholders

Please see table 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.

As per A2.

C2. Evaluation of key risks and issues

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

A risk register is in the covering Executive Report – appendix C

C3. Other impacts of the preferred option

Describe other significant impacts, both positive and negative

- Providing the Council with a pilot scheme using a range of energy saving technologies
- This scheme will be monitored and evaluated by recording the energy usage by tenants and this information will help inform further new housing schemes city-wide
- With the phasing out of gas due to the governments Future Homes Standard Consultation October 19, targets for climate change, this scheme will support tenants with the use of renewable energy, helping to keep fuel bills affordable for tenants

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 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.

D3. Staffing and TUPE implications:

Not applicable

Key Inputs			
Construction		Running Costs, etc.	
Total Development costs (Capital and Revenue)	£7.65m	Weekly rent	2 bed £113.73, 3 bed £130.93, 4 bed £150.82, 5 bed £162.60, 6 bed £177.09
Capital grant	£0.47m	Rent loss - voids / arrears	2.0%
Revenue grant	£0.05m	Annual rent increase	3.0%
RTB activity assumed	None	Management Costs	£978
		Repairs Costs	£934
Key Outputs		Capital Works (5-yearly)	£5,099
(Surplus) / Deficit after 30 years	£(3.81)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	(0.11)	(0.27)	(0.32)	(13.51)
Revenue grant income	0.00	(0.01)	(0.02)	(0.02)	0.00	(0.05)
Voids and arrears	0.00	0.00	0.00	0.01	0.01	0.27
Repairs and Maintenance	0.00	0.00	0.01	0.03	0.04	1.46
Management Costs	0.00	0.03	0.05	0.07	0.04	1.61
Cash-backed Depreciation	0.00	0.00	0.03	0.04	0.04	1.53
HRA Deficit / (Surplus) Contribution	0.00	0.02	(0.04)	(0.14)	(0.19)	(8.69)
Revenue contributions from wider HRA (to fund capital investment shown below)	(0.10)	(0.46)	(4.19)	(0.06)	(0.08)	(4.89)
Net HRA Impact	0.10	0.48	4.15	(0.08)	(0.11)	(3.81)

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	
Pre Contract Costs	0.14	0.02	0.01	0.00	0.00	0.17
Build Costs (including Fees)	0.00	0.72	6.26	0.39	0.11	7.48
POS & Infrastructure Costs (including Commuted Sum)	0.00	0.00	0.00	0.00	0.00	0.00
Total Development Costs	0.14	0.74	6.27	0.39	0.11	7.65
Capital Investment / Renewals ¹	0.00	0.00	0.00	0.00	0.11	1.46
Other Capital Financing (RTB 1-4-1)	(0.04)	(0.22)	(1.88)	(0.12)	(0.03)	(2.30)
Revenue Contributions from wider HRA	(0.10)	(0.46)	(4.19)	(0.06)	(0.08)	(4.89)
Grant	0.00	(0.06)	(0.20)	(0.21)	0.00	(0.47)
Cyclical Maintenance Reserve Release	0.00	0.00	0.00	0.00	(0.11)	(1.46)
Total Capital Income	(0.14)	(0.74)	(6.27)	(0.39)	(0.11)	(7.65)
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	2049/50
	Year 0	Year 1	Year 2	Year 3	Year 30
	£m	£m	£m	£m	£m
Land & Buildings	0.00	0.00	7.62	9.69	18.88
Cyclical Investment Reserve	0.00	0.03	0.07	0.11	0.07
Capital Reserve	0.00	(0.03)	(7.69)	(9.80)	(18.95)
Net	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	30	6	0	36
Sale Properties	0	0	0	0	0	0
Total Properties	0	0	30	6	0	36

Formal approval to the ongoing capital investment / renewals programme (at a total value of £0.11 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	17 Dec 2020 approval gained
ERDF Bid submission	8 January 2021 bid submitted
ERDF confirmation of Bid – successful or not	April 2021
Commence Tender	April 2021
Contract Award	September 2021
Start on site	January 2022
Practical completion	June 2023
12 month Defects	June 2024

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 3000 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 site is a cleared site and available. The project will deliver 36 homes with the energy saving technology if the ERDF bid is successful. If the bid is not successful then 18 properties will have energy saving technologies and 18 will be without.

If the ERDF bid is successful, the terms and conditions of the bid and monitoring and records will be kept in line with ERDF requirements.

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. Infrastructure works and Highways, procurement of development partner. Associated legal documents / agreements to be negotiated and signed. Completion of Planning conditions.

F4. Officer support**Project Manager: Bali Paddock****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

Aniekan Umoren – Interim Assistant Director, Housing Development

Carl Tomlinson – Interim Finance Business Partner, Neighbourhoods

Colette McCann – Head of Housing Development

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 C.**

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.

ERDF monies are being applied for, which will come with standard terms and conditions.

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	
•	
•	
•	