

Report to:	CABINET
Report of:	DEPUTY CHIEF EXECUTIVE AND STRATEGIC DIRECTOR OF PLACE
Date of Decision:	8 DECEMBER 2014.
SUBJECT:	BIRMINGHAM MUNICIPAL HOUSING TRUST – DELIVERY PLAN 2015-2020.
Key Decision: Yes	Relevant Forward Plan Ref: 525186/2014
If not in the Forward Plan: (please "tick" box)	Chief Executive Approved <input type="checkbox"/> O&S Chairman Approved <input type="checkbox"/>
Type of decision:	Executive
Relevant Cabinet Member:	Councillor Tahir Ali, Cabinet Member for Development, Transport and the Economy
Relevant O&S Chairman:	Councillor Victoria Quinn, Chair of The Birmingham Economy and Jobs, Overview and Scrutiny Committee
Wards affected:	All Wards

1. Purpose of report:	
<p>1.1 To set out the Birmingham Municipal Housing Trust Delivery Plan for 2015-2020 for the delivery of approximately 2,056 new homes of which approximately 1,456 will be new rented Council homes. This programme will be subject to the approval of the Council Business Plan and Budget in February 2015 and subsequent years.</p> <p>1.2 To advise Members of the contribution made by Birmingham Municipal Housing Trust (BMHT) in the delivery of high quality affordable housing and providing housing growth.</p> <p>1.3 In line with the requirements of the Council's Gateway Process, Full Business Cases for the individual sites / schemes will be presented to Cabinet as they are brought forward for development.</p>	
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2. Decision(s) recommended:

Cabinet is recommended to:

- 2.1 Approve the BMHT delivery plan for 2015-2020 as set out within Appendix 2 and delegate approval to the Cabinet Member for Development, Transport and the Economy, in consultation with the Director of Planning and Regeneration to the selection of any substitute and/or additional sites to the Delivery Plan as required to ensure delivery remains within approved budget levels from year to year.
- 2.2 To note that in line with the Council's Gateway Process, Full Business Cases for the individual sites / schemes will be presented to Cabinet as they are brought forward for development.
- 2.3 Delegate authority to the Director of Planning and Regeneration and Director of Finance to submit further applications to the Homes and Communities Agency (HCA) for grant funding and to the Department of Communities and Local Government (DCLG) where opportunities arise for borrowing approval to support future phases of new housing development within the Delivery Plan and to negotiate and accept such funding in the event of such applications being successful.
- 2.4 Give approval for the Director of Planning and Regeneration to carry out site investigation and other preparatory works including submission of loss of Public Open Space notices, Highway Closure applications and Planning Applications up to a value of £2.68 million in respect of any sites outlined in Appendix 4 and any other sites identified in accordance with recommendation 2.1.
- 2.5 Authorise the Director of Planning and Regeneration in consultation with the Cabinet Member for Development, Transport and the Economy to receive the result of the consultations concerning any loss of Public Open Space Notices in accordance with section 123(2A) of the Local Government Act 1972 and to decide whether to proceed with the relevant disposal or construction causing the loss of public open space.
- 2.6 Authorise the Director of Legal and Democratic Services to negotiate, execute and complete all necessary documentation to give effect to the above recommendations.

3. Consultation

3.1 Internal

1. The Cabinet Member for Commissioning, Contracting and Improvement and the Deputy Leader have been consulted regarding the contents of this report and support the proposals coming forward for an Executive Decision.
2. Officers in the Economy Directorate (Legal Services, City Finance, Birmingham Property Services and Housing and Regeneration) have been involved in the preparation of this report

3.2 External

- 3.2.1 Residents in all areas will be consulted as part of the statutory planning application process and their comments taken into account in the determination of the planning applications.

Relevant ward members and Executive Members for the Districts have been consulted and their comments are as follows: Aston members are supportive of the proposals for new homes in their area; Bartley Green members are supportive of the proposals for new homes in their area; Brandwood members are supportive of the proposals for new homes in their area; Erdington members have asked to be consulted as part of the detailed planning for sites within their ward; Kingstanding members have asked that provision of a shop be considered as part of the proposals for Wyrley Birch; Ladywood members are supportive of the proposals for new homes in their area; Longbridge members have highlighted a preference for new houses rather than apartments, and have suggested that the frontages of new homes should face existing stock, while ensuring that there is sufficient space between existing stock and new stock to ensure adequate daylight; Lozells and East Handsworth members are supportive of the proposals for new homes in their area but have pointed out the need for additional school places; Nechells members are supportive of the proposals for new homes in their ward; Shard End members are supportive of the proposals for new homes in their ward; Soho members are supportive of the proposals for new homes in their areas; Stechford & Yardley North members are supportive of the proposals for new homes in their area; members in Sutton Four Oaks and Sutton Vesey have identified the need for consultation with existing residents on the proposals to develop sites within their wards before a decision is made to proceed with sites in their wards; Washwood Heath members are supportive of the proposals for new homes in their area.

4. Compliance Issues:

4.1 Are the recommended decisions consistent with the Council's policies, plans and strategies?

4.1.1 The development of new homes for a growing city is a key objective of the Leader's Policy statement 2014. The development of new affordable housing within the City is in accordance with the objectives of the Housing Revenue Account (HRA) Business Plan 2014+. The proposals also respond to the Leader's Policy Statement Implementation Priorities of:

A fair city - to tackle inequality and deprivation, promote social cohesion across all communities in Birmingham, and ensure dignity, in particular for our elderly and safeguarding for children – by providing new affordable homes, apprenticeships and bursary programme placements.

A prosperous city - to lay the foundations for a prosperous City, built on an inclusive economy – by stimulating the construction industry through the Council's housing building programme.

A democratic city - to involve local people and communities in the future of their local area and their Public Services – by consulting communities about proposals for new development and ensure that new homes meet local needs and localised targeting of training and employment initiatives to complement the house-building programme.

4.1.2 Birmingham Business Charter for Social Responsibility (BBCSR)

The requirement to sign up to the BBCSR will be included in the tender documentation for the sites outlined in Appendix 4. All contractors will have to confirm their full compliance with the Charter terms and will produce action plans that will be monitored as part of the contract management to be carried out during the delivery of the scheme. Details of the apprenticeships to be provided will be reported in Cabinet reports for individual schemes

4.2 Financial Implications

4.2.1 The approved HRA Business Plan and Budget 2014+ assumes 750 new Council rented homes to be built over a 5 year period in order to maintain the value of the Council's HRA asset base and to offset to some degree reductions in property numbers arising from demolition and Right to Buy. The approved HRA Business Plan 2014+ includes resources available to fund this Delivery Plan of £113.67million.

4.2.2 The proposed Delivery Plan now envisages a considerable increase in the number of new rented homes delivered by the Council via the BMHT to 1,456 new homes over this period and the financial consequences of this increase are correspondingly significant. The construction costs of the rented element of the BMHT programme 2015-2020 are estimated at £187.08 million, to be funded from existing capital resources as above (£113.67million), new borrowing under the Local Growth Fund initiative (£11.88million), HCA grant (£3.68million), commuted sums (£0.50million), additional revenue surpluses generated from properties within the Delivery Plan (£17.79million), receipts from the sale of properties (£12.00million), reinvestment of additional retained RTB receipts (£10.80m) and additional revenue funding from the overall HRA over the five year period (£16.76million).

4.2.3 Individual scheme costs and funding arrangements will be refined and scheme designs optimised through the annual Business Plan and Budget setting process, and confirmed through Full Business Case reports on an annual basis for schemes scheduled to commence during each financial year.

4.2.4 Ongoing capital investment to maintain the condition of properties to be constructed will be undertaken as a part of the ongoing HRA capital investment programme, and will be subject to separate annual Full Business Case reports and fully funded through the HRA.

Over the 30 year business planning period it is anticipated that the properties to be constructed will generate a revenue surplus to the HRA of £204.46 million as set out in the PDD (Appendix 1).

4.3 Legal Implications

4.3.1 As the Housing Authority, the relevant legal powers relating to the discharge of the Council's statutory function to provide for its housing need are contained in Section 9 of the Housing Act 1985. Section 174 of the Localism Act enables the Council to retain 100% of the receipts generated from the sale of the new rented homes subsequently sold under the Right to Buy.

4.4 Public Sector Equality Duty

4.5 There are currently around 28,000 people on the Council's waiting list for affordable housing. Many of these people live in overcrowded conditions across the housing sector. Evidence from allocating properties previously developed under the BMHT banner has

revealed the extent of this problem, many families being allocated from accommodation that was too small for their needs.

- 4.6 Through the BMHT programme, the Council delivers homes that reflect the Strategic Housing Market Assessment for Birmingham with an emphasis on 2 Bedroom houses and 4+ Bedroom houses. Whilst there is a clear driver for family homes (and these make up the majority of the new development programme) the programme also looks to meet other needs, such as people without children and elderly residents who wish to down-size from under-occupied homes.
- 4.7 The BMHT Delivery Plan operates city-wide and includes areas where different cultural requirements will need to be reflected in the design of the homes provided. Feedback from previous schemes delivered has been utilised and these will be used in developing the schemes outlined within the BMHT Delivery Plan. New property archetypes need careful consideration in terms of construction affordability and value for money. The Council's house building programme represents a unique opportunity to break the mould of repetitive market house types and meet the specific needs of its diverse population.
- 4.8 A Level 1 Equality Analysis is provided at Appendix 3.

5. Relevant background/chronology of key events:

5.1 In October 2013, Cabinet approved the Birmingham Housing Growth Plan. This document supports the proposed Birmingham Development Plan and sets out the challenges faced by the Council in providing enough homes for a growing city and a number of measures which the Council should take to accelerate the delivery of new homes across the city. The key themes identified in the Housing Growth Plan are set out at Appendix 6.

The Housing Growth Plan recognises that the private sector and the Housing Association movement will continue to play a key role in the provision of new homes. However it also recognises that in recent years, the Birmingham Municipal Housing Trust (BMHT), which is the Council's own delivery vehicle for new homes for both rent and sale, has become the biggest developer in the city. This report presented to Cabinet today focusses specifically on the major role that the Council can play through the BMHT in providing new homes in the city and sets out proposals to increase the scale of development through the BMHT over the period 2015-20.

The timing of this report is significant. On 17 October, Sir Michael Lyons published the results of the Lyons Housing Review which sets out a series of recommendations to increase the supply of new homes across the whole of the UK. Many of the recommendations made in this review mirror suggestions made by the Council in its submission of evidence to the review, and key among these were proposals for an increased role for Local authorities in providing new homes.

Through the Birmingham Municipal Housing Trust (BMHT), the Council is leading the market in the provision of both homes for rent and homes for sale and making the biggest contribution of any single agency to meeting the need for additional homes in the city. Changes made by the Government to the Housing Revenue Account in 2009 and the ability to access grant from the Homes and Communities Agency (HCA) allowed the Council for the first time in nearly 30 years to take on the role of the mainstream provider of new homes in the City. Initially BMHT was conceived merely as the Council's brand identity to develop rented housing, however the Council has also delivered a highly successful sales programme. The ambition for the programme was initially to build up to 300 homes per year of which 150 would be new Council homes. The target for the Council's BMHT programme under this Delivery Plan is to ramp up delivery of new homes to build up to new 450 homes per year of which two thirds will be new council homes.

The Delivery Plan forms part of a wider strategy set out by the Council in its Housing Growth Plan which demonstrates how the Council will provide the new homes that the city needs. The BMHT Delivery Programme will extend well beyond 2020, however this Programme contains those sites which are currently programmed and identified for housing development by the Council as set out in appendix 4. The programme will be organic and as further sites are identified for development the programme will be reviewed annually accordingly.

- 5.2 The key achievements of the BMHT programme since 2009 have been:-
- Completion of over 650 new homes for rent; Over 550 homes sold through the BMHT programme;
 - 1128 new homes starting on site in 2013-14
 - Attracted £30m in grant from the Homes and Communities Agency and a further £11.88m in additional borrowing headroom under the Local Growth fund.

5.3 The BMHT Delivery Plan sets out the key priorities of its development plan for the next 5 years, it provides details of the location of development sites, the number of new homes that will be developed on each site and when these will be completed. The PDD at Appendix 1 identifies the financial commitment of around £230 million required to enable the delivery and ongoing maintenance of these homes. These resources are likely to be augmented by further grant funding from the HCA. This is outlined with Appendix 1 of this report. An overview of the proposed tenure balance and programme is provided at Appendix 5, though as part of the development of the Full Business Cases for each scheme the detailed mix of house types, sizes, and tenures will be refined and reported to Cabinet in due course.

5.4 Some of the sites included within the Delivery Plan are schemes which are already committed within the HCA Affordable Homes Programme 2015-18 and the Local Growth Fund (2015-17) totalling over £17 million. The schemes outlined within the delivery plan will be procured through OJEU, the Homes and Communities Agencies Delivery Partner Panel or the BMHT Contractors Panel, dependent upon the size and type of development for each site to ensure value for money for the Council. Site investigation and feasibility works will be carried out in the first instance by Employers Agents Capita, EC Harris and Acivico who have previously been procured to carry out these services. On expiry of the contracts with Capita and EC Harris in 2016, these services will be reprocured. The BMHT framework contract runs until March 2016, however this is not an exclusive arrangement and the Council has discretion to procure outside of this contract should it feel this is necessary due to the workload of existing contractors or in the interests of increased competition.

5.5 For those schemes identified for a start on site during 2015/16, it is proposed to utilise the existing BMHT framework for the construction of these properties. These arrangement include requirements for the provision of apprenticeships and contributions to the current bursary scheme, calculated by reference to contract values.

5.6 The sites included within the Delivery Plan are all held within the HRA and comprise a mixture of former uses, including obsolete council homes that have been demolished, a small number of sites from the former Housing Market Renewal Area Pathfinder (Urban Living), demolished garage and former depot sites, and amenity land that have been identified for housing development as part of the Housing Growth Plan linked to the Birmingham Development Plan 2031. In many cases, the development of these empty sites will relieve pressure on other HRA budgets associated with their maintenance and security of and reduce management problems associated with vacant land. Many of the sites contained within this programme are small and have a range site constraints which will make the development of these sites highly challenging. In addition the Delivery Plan includes the major housing regeneration and development schemes at Kings Norton, Meadway, Bromford and Yardley Brook.

- 5.7 Training and Employment outputs are a key priority for the Council. Since its inception in 2009, the new build programme has created 200 training and apprenticeship places and it is estimated that the schemes outlined within the Delivery Plan will create around 208 full time apprenticeships.
- 5.8 As well as meeting the housing needs of a growing city, with projections suggesting that 80,000 new homes will be required by 2026, house-building makes a uniquely valuable contribution to the UK economy: £1m of construction spend supports 12 jobs in the building / supply chain sectors; construction imports less than 8% of resources which means more UK Jobs supported and 90 pence of every £1 spend on construction stays in the UK.
- 5.9 Delivery of the new homes as set out as a part of this PDD will be robustly monitored and managed through the Housing Development Project Board, chaired by the Director of Planning and Regeneration.

6. Evaluation of alternative option(s):

- 6.1 The option to dispose of land to either private developers or to Registered Providers (Housing Associations) has been considered. This approach would produce a capital receipt for the Council and associated nomination rights at 100% on first letting and up to 75% thereafter. However, this option is discounted as the HRA Business Plan relies on a development programme of new general needs homes across its 30 year life.
- 6.2 The option to develop all of these sites exclusively with homes for sale has been considered. However this option would also only produce a “one-off” capital receipt whereas the development of the sites with new rented homes for Council will create an ongoing revenue stream to the HRA for the next 60+ years.
- 6.3 The option to land bank the sites pending an upturn in the housing market has been considered in order to maximise receipts. However the Council has an immediate need to generate new homes and it is unclear when the housing market will return to its 2007 levels. Many of the sites in the Delivery Plan are of limited commercial value.

7. Reasons for Decision(s):

- 7.1 The HRA Business Plan 2014+ assumes an ongoing new build programme delivering 2000 new homes in the first 10 years. This proposed Delivery Plan will enable this target to be achieved. All rented homes will be let in accordance with the Council's Allocations Policy via Birmingham Home Choice and all rented homes will be constructed to level 4 of the Code for Sustainable Homes.

Signatures (or relevant Cabinet Member approval to adopt the Decisions recommended):

Chief Officer(s):

Paul Dransfield – Deputy Chief Executive Dated:.....

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Sharon Lea, Strategic Director of Place Dated:.....

Cabinet Member:

Councillor Tahir Ali-Cabinet Member for Development, Transport and the Economy

Dated:.....

List of Background Documents used to compile this Report:

1. Report to Cabinet (April 2012) Housing Stock Replacement Programme
2. HCA and Birmingham City Council Local Investment Plan 2010-14
3. Birmingham Housing Growth Plan
4. Birmingham Strategic Housing Market Assessment 2012

List of Appendices accompanying this Report (if any):

1. Project Definition Document (PDD)
2. BMHT Delivery Plan
3. Level 1 EINA
4. Programme of development sites
5. BMHT Programme Summary 2015-2020
6. Birmingham Housing Growth Plan – Key Themes