

**Meeting date:** 15<sup>th</sup> June 2023

**Report to:** Cabinet

**Report title:** Kingshurst Village Centre Regeneration

**Report from:** Perry Wardle - Assistant Director, Growth and Development

**Report author/lead contact officer:** Andy Duke – Development Manager

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**Wards affected:**

- All Wards |  Bickenhill |  Blythe |  Castle Bromwich |  Chelmsley Wood |  
 Dorridge/Hockley Heath |  Elmdon |  Kingshurst/Fordbridge |  Knowle |  
 Lyndon |  Meriden |  Olton |  Shirley East |  Shirley South |  
 Shirley West |  Silhill |  Smith's Wood |  St Alphege
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**Public/private report:** Public

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**1. Executive Summary**

- 1.1 The purpose of this report is to provide an update on progress and to seek approval for the use of Council reserves and borrowing to progress Phase 1 construction works on the former Mountfort Pub site. This will deliver 25 social rented dwellings and associated highway section agreement works.

**2. Decision(s) Recommended**

2.1 That Cabinet approves the following:

- 2.1.1 To proceed with the refined phasing strategy to contribute to the local need for affordable housing and to respond positively to the challenges of rising inflation and market volatility, as set out in section 3 of this report.
- 2.1.2 To delegate approval to the Director of Economy and Infrastructure, in consultation with the Leader of the Council, to enter into contract with Willmott Dixon for the construction of 25 social rented properties on the former Mountfort Pub site and associated highway section agreement works. This is subject to completion of the value for money appraisal. Prior to entering into contract approve that the Director of Economy and Infrastructure provide a letter of intent to Willmott Dixon to allow instructions to be placed with utility providers.

- 2.1.3 That the costs associated with the award of contract to Willmott Dixon and associated project costs are funded as set out at paragraph 6.3 of this report and in the private appendix.
- 2.1.4 That authority is granted to the Director of Economy and Infrastructure and the Director of Resources and Deputy Chief Executive, in consultation with the Leader of the Council, to agree and sign any contractual arrangements associated with the award of grants from the Brownfield Land Release Fund, WMCA and Homes England, should any of these bids be successful.
- 2.2 To delegate authority to the Director of Economy and Infrastructure, in consultation with the Cabinet member for Environment and Infrastructure to progress the Kingshurst Park and active travel improvements.

### **3. Matters for Consideration**

#### **Background**

- 3.1 The aim of the Kingshurst project is to transform the Village Centre through the delivery of a thriving community and health-led regeneration scheme.
- 3.2 Full planning permission was granted on 27 April 2022 (Planning reference: PL/2021/03072/MAJFDW).
- 3.3 Cabinet has previously received progress updates, most recently on 6 October 2022, where approval was granted for the part demolition of the existing parade and the commencement of associated enabling works. Significant progress has been made since the last report which is summarised in this report.

#### **Acquisitions**

- 3.4 The Compulsory Purchase Order was confirmed on the 17 April 2023, with notices being posted on site and in the necessary media on the 11 May.
- 3.5 All site acquisition in Kingshurst town centre is complete, except for the Diocese of Birmingham land, including the vicarage, which is expected to complete imminently. The vicarage is currently leased and is providing site accommodation to the Willmott Dixon site team.

#### **Development Management**

- 3.6 Onsite demolition and enabling works are progressing well and projected to complete on time and to budget by the end of July 2023.
- 3.7 The UK construction industry is experiencing an unprecedented amount of volatility causing significant price increases and, in some cases, an unwillingness for contractors to quote for works that have a long lead time. This challenge, together with an unsuccessful Levelling Up Fund (Round 2) bid last year, has led to a refined phasing strategy, as set out in Appendix 1.
- 3.8 The rephasing of the wider scheme to address current market conditions includes the proposal to construct 25 social rented dwellings and associated highway works on the

former Mountfort Pub site as Phase 1 of the programme. This housing contract, to be delivered over 12 months, addresses current contractor nervousness of pricing a much longer contract associated with the delivery of the full project.

- 3.9 The Mountfort site will deliver 25 net zero carbon social rented properties, comprising of the following:
- 12 x 1 Bed maisonettes
  - 11 x 3 Bed 4 and 5 person 2 storey houses
  - 2 x 4 Bed 7 person 3 storey houses
- 3.10 Willmott Dixon (WD) is currently appointed under both a Pre-Construction Services Agreement (PCSA) and the JCT minor works enabling contract which the company is currently delivering on-site. The PCSA is almost complete except for the Community, Health and Retail (CHR) building detailed fitout design which is on-going and is expected to complete in late Summer 2023. During the detailed design phase we have identified certain elements of the residential properties that have disproportionate construction costs or maintenance practicalities. We have worked with the contractor to refine the design accordingly.

#### **Wider Development – Kingshurst Park Improvements**

- 3.11 Whilst outside the area of the main project, Kingshurst park, and the linkage to the green spaces through the development, is a key part of the wider scheme. As part of the planning application, park improvements were identified, to provide better facilities for the local community, improving health and wellbeing, increasing the biodiversity within the park and promoting the space within the local green network. Public consultation has been carried out to inform the design for the improvements with a view to procuring a delivery partner in Autumn 2023.
- 4. What options have been considered and what is the evidence telling us about them?**
- 4.1 WD sought to return a stage 2 tender price for the full village centre scheme in November 2022. However, this proved impossible due to a challenging supply chain and difficult market conditions. WD's experience, and other construction sector intelligence, have indicated that if the main contract was phased into smaller packages, with minimum time between tender and mobilisation to reduce supply chain risk, more realistic costs would be forthcoming. This intelligence led to the change in the phasing strategy, outlined in this report.
- 4.2 On the 28 April 2023, WD returned a framework compliant build cost of £6,943,553 (including site abnormalities) to construct 25 net zero homes on the former Mountfort pub site. This represents a base build cost of £255k per unit (excluding abnormalities, externals and infrastructure costs of £0.557m).
- 4.3 WD also provided costs for undertaking highway and water works which are advantageous to complete at the same time as the Mountfort site. By carrying out these works at the same time, it prevents temporary works, duplication and minimises

disruption to residents. These works total £869,984.

- 4.4 As part of this project, the Council has an aspiration for net zero homes. The WD tender supports this aspiration and will deliver homes that are net zero carbon.
  - 4.4.1 The building fabric and heating systems will achieve high levels of low carbon performance. Instead of traditional brick and block external walls, closed panel timber frame has been selected. These will be assembled off site and delivered in sections. This process increases build quality, reduces defects and reduces waste.
  - 4.4.2 The new homes will have an air source heating system, similar to that used at SCH's recent Faulkner Road development. Increased insulation, window and door thermal performance have also been included.
  - 4.4.3 To ensure internal air quality, each unit will utilise mechanical ventilation with heat recovery units to provide fresh filtered air whilst retaining most of the energy that has already been used in heating the building.
  - 4.4.4 Each property will feature PV panels that generate electricity, to offset grid energy usage, dedicated EV charging points and high-speed BT fibre and Virgin Media connections.
- 4.5 A standard (not net zero) build specification would see a minimum saving of £17,500 per unit. There would be a significant reduction in grant funding should Net Zero aspirations be dropped.
- 4.6 The WD tender price has been reviewed and assessed for VFM by independent cost consultants, Baqus. Baqus' assessment is that:
  - (a) The packages that have been tendered are in the main consistently and competitively priced and can be considered market tested.
  - (b) Package costs provided on the whole have been consistently and competitively priced by WD sub-contractors.
  - (c) Initial review of the cost per m2 of the dwellings only (with externals, infrastructure and abnormals removed) is within current market expectations.
- 4.7 The refined phasing plan has also enabled further design considerations to be progressed on the main Community, Health and Retail building (CHR) due to be delivered in Phase 2. Working alongside colleagues in the health system, the CHR building design is progressing.
- 4.8 The options available are as follows:
  - (a) Accept the WD build cost and enter into contract for 25 units on the Mountfort site, as detailed in this report.
  - (b) Undertake an open tender exercise outside of the Construction West Midlands framework. (Note that this option would require resources to undertake a new tender process and result in circa 9 months of no activity on site after the completion of the current demolition works).

(c) Pause the project

4.9 Option (a) is the recommended preferred option. The preferred option includes the recommendation that to mitigate the risk of long lead times a letter of intent be issued to WD to allow for utility works to be instructed prior to contract award and that Kingshurst park enhancements and active travel improvements are delivered concurrently.

## **5. Reasons for recommending preferred option**

5.1 Officers acknowledge the challenges of the current construction environment, but the recommendation to enter into contract with WD to deliver Phase 1 will initiate the regeneration of the village centre using funding available through the Council's Housing Revenue Account and Housing grant.

5.2 In April 2023 there were 2,829 people on the housing register with an identified housing need of which 63% require a home of 2 bedrooms or more. This option will enable the project to help address the shortfall of affordable housing in Solihull and bring the long vacant former Mountfort public house site into use.

5.3 It is expected that during the construction of the Mountfort site, market conditions in the construction industry will settle and the remaining construction phases can be priced with greater surety and confidence. The project team will continue to seek grant funding to contribute to further phases of the project.

5.4 The recommended phased approach enables the project to move forward whilst WD are still active on-site and significantly reduces the costs associated with new preliminary construction works and potentially having to appoint a new contractor.

5.5 A similar phased approach to that proposed was successfully adopted in two earlier Council village centre redevelopment projects in North Solihull: Chelmunds Cross and Smiths Wood.

## **5.6 Next Steps**

5.7 The revised indicative timeline for Phase 1 of the development is as follows:

- May 2023 Kingshurst park engagement
- Late July 2023 Early works demolition complete
- August 2023 Start on site (Mountfort Site)
- September 2024 Mountfort site completion

## 6. Implications and Considerations

6.1 State how the proposals in this report contribute to the priorities in the [Council Plan](#):

Priority:	Contribution:
<p>People and Communities:</p> <ol style="list-style-type: none"> <li>1. Improving outcomes for children and young people in Solihull.</li> <li>2. Good quality, responsive, and dignified care and support for Adults in Solihull when they need it.</li> <li>3. Take action to improve life chances and health outcomes in our most disadvantaged communities.</li> <li>4. Enable communities to thrive.</li> </ol>	<p>Kingshurst Village Centre has the potential to act as a catalyst for wider public service reform focussed on an integrated service offer designed to tackle health inequalities.</p> <p>The project is in an area of relatively high deprivation. Its delivery will directly support disadvantaged communities and is aimed at helping to ensure the local community thrives.</p> <p>The inclusive growth outcomes framework has been developed to define the overarching outcomes for the project, as well as to provide a benchmark that elements of the development proposal can be assessed against.</p>
<p>Economy:</p> <ol style="list-style-type: none"> <li>5. Develop and promote the borough's economy, with a focus on revitalising our town and local centres.</li> <li>6. Maximising the opportunities of UK Central and HS2.</li> <li>7. Increase the supply of affordable and social housing that is environmentally sustainable.</li> </ol>	<p>The redevelopment of Kingshurst Village Centre is a key activity in the Council Plan. It has a direct impact on helping to revitalise North Solihull and its local centres. The development proposals include the provision of new homes, community, health and retail units. The Council's Economic Recovery Plan identifies the successful redevelopment of Kingshurst Village Centre as one of the key investment projects needed to ensure the Borough experiences a sustainable, inclusive and resilient economic recovery from the impact of Covid-19.</p>
<p>Environment:</p> <ol style="list-style-type: none"> <li>8. Enhance our natural environment, improve air quality and reduce net carbon emissions.</li> </ol>	<p>The masterplan and wider development improves the park and enhances the links between it and existing landscaped areas with a landscaped corridor.</p> <p>It is planned that the new housing developments will be net zero carbon.</p>
<ol style="list-style-type: none"> <li>9. Promote employee wellbeing</li> </ol>	<p>None</p>

## **6.2 Consultation and Scrutiny:**

- 6.2.1 In February 2019, Cabinet considered and approved the Kingshurst Village Centre draft Planning Brief for public consultation. Following the consultation, Cabinet considered and approved the Kingshurst Village Centre Planning Brief.
- 6.2.2 The Economic Development and Managed Growth Scrutiny Board considered the regeneration of Kingshurst in September 2017, with a particular focus on engagement. In March 2019, the same Board considered how the project is building in opportunities for all parts of the community to benefit.
- 6.2.3 In December 2019, Cabinet considered and approved the Kingshurst Concept Masterplan and principles set out within the Outline Business Case.
- 6.2.4 Public consultation on the proposed masterplan and outline planning application was undertaken in February 2020. Overall, there was strong community support for the proposed scheme and progress towards a new village centre.
- 6.2.5 In December 2020, Cabinet considered and approved the making of the CPO.
- 6.2.6 In July 2021, Cabinet considered and approved the use of reserves to advance the property acquisitions programme and further architect design fees.
- 6.2.7 In September 2021, the project team undertook public consultation prior to the full planning application submission. This included two outdoor events which were both well attended.
- 6.2.8 Full details of all community consultations undertaken are within the Statement of Community Involvement which was submitted as part of the Full Planning Application (Planning reference: PL/2021/03072/MAJFDW).
- 6.2.9 In March 2022, cabinet considered and approved the use of council reserves to enter into a Pre-Construction Services Agreement with Willmott Dixon.
- 6.2.10 In October 2023 cabinet approved entering into early works and enabling contract with Willmott Dixon.
- 6.2.11 Public Consultation on Kingshurst Park enhancement works scheduled for end of May 2023.
- 6.2.12 Regular ward member and parish council briefings have been held throughout the project.

## **6.3 Financial implications:**

- 6.3.1 The total cost of the scheme, based on the costs submitted by Willmott Dixon and comprising the 25-unit housing development, associated Section 278 and 185 works alongside improvements to the cycleway and park land is £8.214m. A further, detailed breakdown of that cost is included in the private appendix.
- 6.3.2 The cost of £8.214m will be funded from a combination of Housing grant, HRA reserves and a combination of both HRA and General Fund borrowing.

6.3.3 Based on a rounded total project cost of £8.220m, it is recommended that the project be funded as follows:

- (a) The Housing development cost of £6.950m will be funded from a combination of Housing grant and resources from the Housing Revenue Account. Officers have submitted a bid for Housing grant and it is anticipated that it will take a period of six weeks before the result of that bid is confirmed.
- (b) Assuming that bid is successful then the rents from the 25 social rented properties will support borrowing of £2.475m. The HRA capital programme has an uncommitted reserve balance, funded from Right to Buy receipts of £2.816m set aside for the wider Kingshurst project of which £2.075m would then be required to fund this scheme.
- (c) The Section 278,185 and contingency cost of £0.970m relates to works required to bring the wider project site into a developable condition. On that basis, those costs can be funded from a combination of HRA and General Fund resources. At this stage it is proposed to split the costs on a 50:50 basis but this will be reviewed as the project proceeds on a phase-by-phase basis. The HRA element of £0.485m would again be funded from the uncommitted allocation in the HRA capital programme whilst the General Fund element (£0.485m) would be funded from Prudential Borrowing. The annual borrowing costs estimated at £0.027m per annum would be met from the revenue allocation of £0.350m built into the Councils Medium Term Financial Strategy.
- (d) The active travel and park improvement works totalling £0.300m would again be funded from General Fund Prudential Borrowing and would constitute a further £0.013m commitment against the £0.350m revenue allocation in the MTFS.

6.3.4 The table below summarises the funding sources for the total project cost of £8.220m.

Anticipated Housing Grant	£2.400m
HRA Borrowing	£2.475
HRA Reserves (as part of the current HRA capital programme)	£2.560m
General fund Borrowing (section works)	£0.785
<b>Total Funding</b>	<b>£8.220m</b>

6.3.5 Whilst this phase of the project could proceed based on the funding identified above, the implications for future phases of the project need to be acknowledged. If agreed, this element of the project would deliver 25 of the total 78 properties to be built as part of the overall village centre programme. As noted above, the current HRA programme has £2.816m of uncommitted reserves attributable to Kingshurst Village Centre which will reduce to £0.256m should Cabinet approve the proposals set out in this report.



- 6.3.6 In the event that future housing phases require gap funding (after housing grant and borrowing are accounted for) then this could be funded from uncommitted Right to Buy receipts including the RTB “Treasury Share” that the council can keep for stock development purposes. These receipts currently stand at £9.244m and are forecast to reach £11.503m at the end of 2024/25 and £13.762m at the end of 2025/26 which is the end of the current HRA MTFs period.
- 6.3.7 Within the General Fund, the Council’s MTFs has a revenue allocation of £0.350m per annum for this project. To date the Council has committed £0.418m of borrowing to fund the enabling and demolition works that are currently progressing on the site that will be financed from this allocation. That borrowing translates to an annual cost of £0.025m per annum (assuming a 50-year repayment period). The proposal presented here to take on additional borrowing of £0.785m would have an additional annual cost of £0.040m per annum taking the total to £0.065m out of the £0.350 per annum available.
- 6.3.8 Subject to Cabinet’s decision at this meeting, the contract will only proceed once the grant bid is confirmed as successful. Given the overall funding position for the Kingshurst Programme and particularly the HRA element, in the event that the bid proves unsuccessful, officers will return to Cabinet to present further options to be considered for the project. If the bid is successful but the amount awarded is less than that assumed, it is recommended that the project proceeds as long as the shortfall can be met from the £0.256m remaining allocation (as per 6.3.5 above) already approved by Cabinet within the HRA capital programme for the Kingshurst scheme.
- 6.3.9 In addition to the specific project costs identified in this report there is an estimated additional requirement of £0.150m to cover programme management costs for the next twelve months. The MTFs allocation referred to above will be committed to finance borrowing costs over a period of time as future capital development phases are brought forward and as a result will not be fully required in 2023/24. On that basis it is recommended that this £0.150m cost for 2023/24 is met from that budget.
- 6.3.10 In carrying out the public consultation for the park improvements, there is no legal obligation to proceed on to the construction phase. However, if the scheme does never proceed as planned then the design costs incurred could prove abortive in part or in full.

#### **6.4 Legal implications:**

- 6.4.1 With regards to the specific recommendations set out in this report, all procurement requirements will be completed in a manner that is compliant with both the Council Rules for Contracts and all relevant procurement legislation.
- 6.4.2 Legal advice will continue to be sought to ensure full compliance with the Subsidy Regime through the development of the Financial Case and in respect of all property acquisitions and land transactions.

#### **6.5 Risk implications, including Risk Appetite:**

- 6.5.1 A risk register for the scheme is maintained in accordance with the UK Central Project Management Framework and corporate risk management process.

6.5.2 Willmott Dixon's Stage 2 return includes a section on current risks as identified from the contractor point of view. These risks will be investigated and added to the project risk register and updated during the construction period. The project will maintain a site-specific construction risk register throughout the build period.

## **6.6 Equality implications:**

6.6.1 A full Fair Treatment Assessment has been undertaken to assess the impact on protected groups of the making of the CPO and the implementation of the CPO scheme, in line with the Equality Act 2010.

6.6.2 The Fair Treatment Assessment will be monitored and reviewed throughout the project development to ensure that any future impact can be measured and mitigated against as necessary; the FTA is available on request.

## **6.7 Linkages to our work with the West Midlands Combined Authority (WMCA), the Local Enterprise Partnership or the Birmingham & Solihull Integrated Care System (ICS):**

6.7.1 The Kingshurst Village Centre Regeneration project is a UKC Infrastructure Project, part of the wider WMCA project portfolio and has received support and funding from WMCA to date.

6.7.2 The ICS is leading the development of the Integrated Health and Wellbeing Hub that forms part of the CHR as part of this development.

## **7. List of Appendices referred to**

7.1 Appendix 1 – Indicative Phasing Plan

7.2 Appendix 2 – Phase 1 Cost breakdown PRIVATE

## **8. Background papers used to compile this report**

8.1 N/A

## **9. List of other relevant documents**

9.1 N/A