

Appendix 1

Birmingham City Council

Homes Overview and Scrutiny Committee

14 March 2024



Subject: Affordable Housing
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1 Affordable Housing Need & Strategic Context

- 1.1 From a housing perspective, Birmingham is a unique environment. Birmingham City Council is one of the largest landlords in Europe, with a stock profile of just under 60,000 properties. Whilst this seems like a substantial supply, the reliance on social housing outweighs the demand.
- 1.2 The demand for affordable housing across the local authority area is extremely high. With a higher-than-average waiting list and families in temporary accommodation, it is a key priority and aim to accelerate affordable housing delivery.
- 1.3 The number of families with dependent children is more significant in Birmingham than other core cities which means there is a need for more accommodation options for large families.
- 1.4 This is against a backdrop of losing circa 600 homes annually through the Right to Buy from the Council's own social rented stock.
- 1.5 The Birmingham Development Plan (BDP) identifies the shortfall in current affordable homes within the city, setting out a challenging delivery target of 19,400 new affordable homes by 2031.
- 1.6 The Housing Strategy 2023-28 identifies as Priority 1 the requirement to deliver a strong supply of genuinely affordable new homes in the city, with key commitments to:
 - 1.6.1 accelerate the delivery of affordable housing across the city.
 - 1.6.2 invest in partnerships to increase innovation.
 - 1.6.3 play a key role in re-shaping the market, making best use of stock.

- 1.7 The strategy provides a commitment to accelerating the delivery of new affordable homes in the city and recognises that there is a need for a collective effort from all small and large RPs, including direct delivery by the Council to bolster the supply of affordable housing, moving away from having just one major player delivering one tenure type.
- 1.8 This strategy is a platform and an opportunity for providers and developers with different expertise and specialisms to work together to meet the varied needs of our communities.

2 Affordable Housing Supply and challenges

- 2.1 Affordable housing covers a range of cross-tenure products including discount market sale and shared ownerships homes as well as rented products like social and affordable rent homes which tend to be those that traditionally come to mind when considering affordable housing.
- 2.2 In order to deliver a truly affordable housing market in Birmingham we need to utilise the full spectrum of affordable options that best meets the needs and aspirations of those people on low incomes and helps to achieve sustainable communities.
- 2.3 Affordable homes are funded through several sources, outlined below are those which the council has deployed, the financial viability of schemes remains one of the key challenges to the delivery of affordable homes.
 - 2.3.1 Right to Buy receipts
 - 2.3.2 HRA funding including borrowing
 - 2.3.3 Cross-subsidy through market sale products
 - 2.3.4 S106 off-site contributions
 - 2.3.5 Affordable Housing Grant (Homes England)
 - 2.3.6 Other public body funding, for example Brownfield Land Release Fund, West Midlands Combined Authority and City Deal Homes England
- 2.4 The supply of new affordable homes comes from a variety of sources in the UK. No single delivery route can meet the housing need of an Authority. Areas where delivery output is highest are those that have a diversity of delivery working in partnership with each other to address need.
- 2.5 A recent survey of Local Authorities undertaken by The Bartlett School of Planning UCL was published in their January 2024 Local Authority Direct Provision of Housing: Fourth Research Report which evidenced the broad range of delivery approaches that local authorities are utilising to support new affordable provision

- 2.5.1 having housing strategies with multiple actions planned or specific housing delivery action plans.
 - 2.5.2 actively supporting housing association or other registered provider partners, developments planned on council-owned sites (including small sites and garage sites)
 - 2.5.3 buying back former RTB properties
 - 2.5.4 taking on S.106 properties where Registered Providers are not interested.
 - 2.5.5 use of the council's housing company
 - 2.5.6 having a housing company which is a Registered Provider and can access Homes England grants.
 - 2.5.7 use of council-owned sites in partnership (for example working with registered providers on vacant land)
 - 2.5.8 an empty homes purchase scheme and direct purchase of existing housing
 - 2.5.9 building under the Housing Revenue Account (HRA)
 - 2.5.10 using the Public Works Loans Board
 - 2.5.11 building out rural exception sites
 - 2.5.12 proactively targeting stalled sites
 - 2.5.13 working directly as an authority on land purchase and assembly.
- 2.6 The report highlighted that whilst some local authorities are delivering directly through their general fund and/or HRA and through their wholly owned companies, many were in fact delivering through partnerships and joint ventures with Registered Providers and private developers and with other public sector organisations, in particular Homes England.

Detailed below are the approaches in Birmingham.

2.7 Direct Delivery

- 2.7.1 BCC has been building new council homes under the brand name Birmingham Municipal Housing Trust (BMHT) since 2009 and has delivered 3600+ new homes during this time.
- 2.7.2 This accounts for 45% of all affordable housing completions since its inception in 2009
- 2.7.3 Approximately 60% of these new homes have been for social rent for council tenants, with the remaining 40% for market sale to help scheme viability and provide balanced tenure mixes on larger developments.
- 2.7.4 Whilst the Council has an established programme of direct delivery by the Housing Revenue Account, the delivery through this route alone cannot meet

the city's need. This is recognised in the Housing strategy and the level of housing the Council can afford to deliver in its HRA has been considered through the business plan presented to Cabinet in January 2024.

2.8 Registered Providers & Housing Associations

- 2.8.1 The Council have been successful in the delivery of social rented homes, however, this has an impact on other registered providers (RPs) and developers who have been unable to benefit from initiatives such as discounted land sales and has subsequently seen fewer alternative affordable tenures delivered compared to other cities.
- 2.8.2 RPs do continue to have a presence across the city, making up just over 40,000 units. The RP portfolio ranges from small community based providers like Bournville Village Trust to large scale providers like Midland Heart and Clarion etc. Historically, the Council and RPs have worked in isolation to deliver their respective targets, encouraging growth wherever possible.
- 2.8.3 it is recognised that there is a need to consider Council and RP stock together as a total portfolio, making up just over 100,000 units across the city. Failure to do this means development across the city suffers.

2.9 Planning Policy & Section 106

- 2.9.1 A Planning Obligation (known as a S106 agreement) is sometimes attached to a planning application in order to meet the City's overall requirement for affordable housing, an element of affordable housing is required on sites of 25 dwellings or more.
- 2.9.2 BCC's current Planning Policy seeks to achieve 35% affordable homes on these sites.
- 2.9.3 The delivery of a policy compliant 35% affordable housing on developer-led s106 sites is often not achieved, with historical averages around 10%. This is being addressed by the Planning Service and will be increased, but viability challenges will always remain, especially due to external commercial factors such as the cost of development.

3 Our Approach

- 3.1 Set within the context of increasing demand for affordable housing, the need to accelerate delivery and the new HRA business plan a report was approved at Cabinet in January 2024 which outlined the approach of BCC to progress development of affordable housing on sites it currently owns that are identified for affordable housing.
- 3.2 The sites included in the report range from larger regeneration schemes, to standalone housing developments and smaller infill sites.

- 3.3 The Building Birmingham Report follows an earlier report from May 2023 which sought to approve the disposal of eight sites for affordable housing and establish the principle for the sale of the Council's freehold interest in identified surplus land to Registered Housing Providers and / or Developer Partners
- 3.4 The approach builds on that approval and identifies the next sites for disposal and delivery. It identifies routes for delivery of affordable housing on Council owned land supported through partnership and investment from other parties. Land for housing development has already been identified below comprising land that can accommodate over 1,000 new homes.
- 3.5 Considering a range of delivery routes will enable stakeholders to secure additional inward private investment and Homes England grant into the city. It will also facilitate the ability to offer different tenure types such as Shared Ownership and Rent to Buy. Registered Providers and their contractor partners have large development portfolios and a variety of different specialisms from sheltered housing to supported accommodation.
- 3.6 There are also private RPs/ pension fund investment models that can be explored within this option, again bringing investment into the city and builds on the Council's commitment to be 'Open for Business' and has welcomed several partners and investors into the city.
- 3.7 The report identifies alternative routes for the delivery of affordable housing on these sites which could be one of the following four options:
- 3.7.1 to dispose of sites/land for affordable housing/work in partnership to Registered Providers of Social Housing (RPs) with nominations agreement back to the Council. On larger sites, this is likely to generate land receipts.
 - 3.7.2 Identify opportunities for other routes (private finance) to fund affordable housing which may include new innovative ways of working.
 - 3.7.3 Enter into Development Agreements (following a compliant procurement process) with developer/ contractor partner.
 - 3.7.4 Dispose of sites where suitable to other public sector bodies such as Homes England or West Midlands Combined Authority particularly where additional benefits can be gained (such as grant funding, enhanced standards, wider master-planned area etc) on the basis of affordable housing delivery.
- 3.8 Diversifying and broadening our approach will allow the Council to accelerate the delivery of affordable homes on the identified sites and assist the city in meeting its housing target without immediate impact on HRA finances and Council resources.
- 3.9 This change in direction from a reliance on direct delivery also strengthens our partnership approach with key stakeholders in the RP, public and private sector with BCC playing a key enabling role in the acceleration of affordable housing delivery.

4 Next steps

- 4.1 Each of the sites identified within the Building Birmingham report will undergo an options appraisal which will recommend the most appropriate route for delivery focusing on maximising, where possible, the affordable outputs for each site.
- 4.2 Further approvals relating to each site will come forward either via Delegated Authority Reports or to the Cabinet Committee – Property
- 4.3 Noting the comments provided by the Commissioners there is further work required to ensure there are key robust gateways in place in the disposal/commercial processes.
- 4.4 The future governance arrangements must also include regular reporting on a quarterly basis on progress as sites come forward for delivery, as well as the management of risks identified to the programme.
- 4.5 Performance monitoring measures for the revenue targets & development agreements will be required to ensure that the Council achieves the financial outcomes and housing outputs identified for each site.

5 Background Documents

- 5.1 The Housing Strategy 2023-2028
- 5.2 Affordable Housing – Sites for Disposal Report to Cabinet May 2023
- 5.3 HRA Business Plan – Cabinet report 16 January 2024
- 5.4 Building Birmingham: Development Strategy for Various Housing Sites – Cabinet Report 16 January 2024