

# Birmingham City Council

## Report to Cabinet

13<sup>th</sup> December 2022



**Subject:** Druids Heath Estate Regeneration Update

**Report of:** Paul Kitson, Strategic Director, Place, Prosperity & Sustainability Directorate

**Relevant Cabinet Member:** Cllr Ian Ward, Leader  
Cllr Sharon Thompson, Housing and Homelessness  
Cllr Yvonne Mosquito, Finance and Resources

**Relevant O &S Chair(s):** Cllr Sir Albert Bore, Co-Ordinating  
Cllr Mohammed Idrees, Housing and Neighbourhoods  
Cllr Akhlaq Ahmed, 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): Druids Heath & Monymhull		
Is this a key decision?	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, add Forward Plan Reference: 010175/2022		
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 checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
If relevant, provide exempt information paragraph number or reason if confidential: Exempt Appendix 4. Information relating to the financial or business affairs of any particular person (including the Council). There will be an exempt appendix regarding commercially confidential information.		

# **1 Executive Summary**

- 1.1 The Druids Heath Estate (as identified in Appendix 1) has been recognised as an area for comprehensive regeneration that will deliver significant social, economic, community and environmental benefits for the local community, and benefit the wider Birmingham economy.
- 1.2 In December 2021, Cabinet approved the holistic regeneration of Druids Heath, to be delivered in two phases; with land to the north of Bells Lane focussed on Druids Heath east, being phase one and land to the south of Bells Lane, being phase two.
- 1.3 This report seeks further approvals to bring forward a wider masterplanning and investment strategy for the whole of the Druids Heath Estate, rather than being just focussed on Druids Heath East, as currently approved. This recognises the integral role of the community in the regeneration from the outset in shaping their built environment, agreeing the vision and having a voice to achieve place making principles and to ensure the maximum benefits are achieved in regard to delivery options.
- 1.4 Approval is sought to explore the options for delivery for the whole estate to enable partner[s] and the City Council to work closely with the local community to build on previous successful engagement and deliver a sustainable placemaking approach to the regeneration of the whole of the Druids Heath Estate. This will ensure the retained homes and new development are able to meet the carbon reduction targets of the city through opportunities for retrofitting and improved specification to enable deliverable and affordable Route To Zero standards where possible.
- 1.5 This report includes proposals to enable further replacement of homes where the cost of retrofitting has proven to be unviable, strategic demolition and re-provision improves the estate layout or increases density and requests approval to review and extend the local lettings plan to those affected, enabling residents to stay on the estate if they so wish.
- 1.6 This report also seeks authority to ringfence allocations for the new BMHT homes in the wider Druids Heath area to those displaced by the demolition of their homes on the estate, in the first instance.
- 1.7 When properties previously purchased through the RTB scheme become available on the open market we can acquire these through the Property Purchase scheme, however currently they need to be brought up to a standard fit for letting, for 5% of the purchase price. The 5% is a local not statutory limit. Approval is sought to increase the percentage of the purchase value of homes purchased under the Property Purchase scheme in Druids Heath, from 5% to 10% to bring the homes up to a reasonable standard for re-letting.

## **2 Recommendations:**

That Cabinet:

- 2.1 Approves bringing forward phase 2 (Druids Heath South) into the masterplan area so that the whole of the Druids Heath Estate is masterplanned as one.
- 2.2 Approves the extension of the regeneration area boundary (as shown in Plan No.1 attached) to cover the open space of the Chinn Brook Valley and Stratford Upon Avon canal. This will bring the whole area including the opposite embankment of the canal included in the Levelling Up bid into the red line. The provision of a walking and cycling bridge over the canal will enable greater connectivity and reduce reliance on the car or public transport as well as providing opportunities linked to wellbeing such as walking, running and cycling along the canal tow path,
- 2.3 Approves the award of a contract for the provision of employer's agent services for the wider Druids Heath area to WSP (Real Estate & Infrastructure) Ltd by direct award using the NHS Shared Business Services (SBS) Construction Consultancy Services Framework Agreement.
- 2.4 Approves the amendment to the scope of services of the procurement strategy approved in the Druids Heath Regeneration report to Cabinet dated 14<sup>th</sup> December 2021 as detailed in paragraph 7.5.6.
- 2.5 Delegates authority to develop a strategy including the procurement route in consultation with The Leader, Cabinet Member for Housing and Homelessness, Cabinet Member for Finance and Resources for the delivery of the Druids Heath regeneration scheme to the Strategic Director, Place, Prosperity and Sustainability in conjunction with the Assistant Director, Procurement, the Strategic Director of Council Management and the City Solicitor and Monitoring Officer (or their delegates).
- 2.6 Notes the Full Business Case and the award of contract for the delivery of the Druids Heath Regeneration Scheme will be reported to Cabinet for approval.
- 2.7 Approves the extension of the revised and approved Local Lettings Plan to those affected by any further demolition and re-provision.
- 2.8 Approves ringfencing allocations for the new BMHT homes in the wider Druids Heath area to tenants affected by clearance and entitled to return, in the first instance.
- 2.9 Approves the increase of the percentage of the purchase value of homes purchased under the Property Purchase scheme, from 5% to 10% to bring the homes to fit for letting standards within the Druids Heath Estate
- 2.10 Notes the timeline of an Outline Delivery Options Appraisal and Full Business Case which will be presented to Cabinet in summer 2023 following the creation of a vision for the estate.

### **3 Background**

- 3.1 Druids Heath Estate is a purpose-built municipal housing estate. It is made up of four areas, Druids Heath East and South built in the 1960's to the Radburn style layout and later, in the 1970's Pennyacre and Bells Farm which are not designed to the Radburn style layout. Druids Heath is located approximately six miles south of the city centre and lies on the periphery of Birmingham and Bromsgrove local authority boundaries. It is within the Druids Heath and Monyhull Ward and borders Green Belt land within Bromsgrove District Council. It is a predominantly residential area, providing a mixture of low rise and high rise accommodation. The whole estate today has a mixture of private and council housing with around 55% of the former Council housing properties sold under Right to Buy in the Pennyacre area of the estate, 38% in Bells farm, reducing to 21% in the south of the estate and 16% in the east.
- 3.2 The area has good access to the motorway network and local bus services. Local rail services from the centre of the estate are approx. 1.6 miles and 2.2 miles away at Kings Norton and Shirley with the forthcoming Pineapple Road Station on the Camp Hill line 1.7 miles away. Wythall station in Worcestershire is also 2.3 miles away.
- 3.3 In 2018 Cabinet approved the Full Business Case for the Druids Heath scheme, site assembly, demolition, and procurement necessary to deliver a housing led project of 250 homes. Also, in 2019 an Option to Return Policy was approved by Cabinet and a Local Lettings Plan was approved by the Cabinet Member for Homes and Neighbourhoods. The in-principal approval for the demolition of up to 370 low rise properties in Druids Heath was included in with the demolition of five of the thirteen LPS tower blocks in the February 2017 Housing Clearance Programme alongside the demolition of Heath House.
- 3.4 In February 2020, Druids Heath residents requested that the Council revisit the masterplan to deliver a more comprehensive regeneration for Druids Heath.
- 3.5 In December 2021 Cabinet approved the holistic regeneration, of Druids Heath with the north of Bells Lane, focussed on the east of the estate, being approved as phase 1 for masterplanning.
- 3.6 Whilst Druids Heath east may come forward as the first area of delivery in the first stage of development, it is now viewed as essential that the whole estate (Druids Heath North and South) is master planned together to create a cohesive community and a real sense of place, as well as optimising delivery options and phasing opportunities. The importance of bringing forward housing regeneration and renewal of existing housing areas is established in the Birmingham Development Plan [BDP]. Such initiatives will contribute toward delivering the ambitious growth plan and securing sustainable neighbourhoods that are safe, diverse and inclusive. The BDP recognises the importance of taking a proactive approach to such regeneration initiatives between the City Council, delivery partners and residents.

- 3.7 The clearance of obsolete housing began with 50 homes already demolished in Heath House in 2020. Currently Cabinet has approved the demolition of 250 homes in total, in five tower blocks. Saxelby, Kingswood, and Barratts house are vacant, with demolition expected to commence in April 2023, and residents of Hillcroft House are currently being rehoused.
- 3.8 The Druids Heath Regeneration team are working with the Capital Investment Team in order to understand the requirements and cost to make the remaining Large Panel System tower blocks on the estate structurally stable and to understand the options and costs for retrofitting the low-rise housing. As part of the Full Business Case, solutions for the retained stock will be suggested which could include further re-provision on the basis of viability, estate layout improvements and/or options to increase density.
- 3.9 There is a strong community spirit in the area, and a key objective of the regeneration has been to ensure that the community is fully engaged and participates and supports the development of proposals and the delivery. The regeneration objectives have been established through partnership working with the community utilising the regeneration and engagement expertise of The Pioneer Group who have been awarded a contract to undertake community engagement on the whole estate but focussed in the area of the phase 1 Druids Heath North area. Themes have been explored with The Pioneer Group and design principles established.
- 3.10 In order for those displaced by demolition to be able to start to return three small sites adjacent to phase 1 have been developed for social rent, by BMHT with planning applications submitted in October. It is important that the community can see progress and also to see that the Council will honour its commitment for those displaced to have an option to return.
- 3.11 The Council is working with resident groups and organisations and the community on the regeneration initiative to address both social, economic, community and environmental issues to deliver significant benefits for all of the community and the wider Birmingham economy. The regeneration will seek to deliver against an overarching series of objectives as set out in the development brief and masterplan brief. The project is taking an all council approach by working together across all directorates to ensure the best outcomes for the existing and future residents.
- 3.12 Cabinet approved the submission of a Levelling Up Fund bid for Druids Heath on 28 June 2022 to support the delivery of infrastructure improvements including the grounding of the high voltage power lines which would remove the blight of the overhead electricity cables and release considerable land for residential development and a bridge across the Stratford-on-Avon canal to improve connectivity. The bid also included: A community hub to include a new community centre, youth club, sports pavilion, library, commercial space and start up space and investment into the land surrounding the Chinn Brook to bring forward investment. The bringing forward of phase 2, land to the south of Bells Lane, into the masterplanning as a whole estate in phase 1 will support the benefits of the

Levelling Up Fund bid. The outcome of the bid is expected in the autumn with a requirement that some capital spend can be achieved in 2022/23 financial year. All funding provided from the Fund to be spent by 31 March 2025 and by 2025-26 on an exceptional basis.

- 3.13 An Environment and Sustainability Assessment is not included in this report as it seeks to extend the current masterplanning and associated services into the area south of Bells Lane known as Druids Heath South. The subsequent Cabinet Report with Full Business Case will provide a full ESA when the implications of any proposals are known.

## **4 Options considered and Recommended Proposal**

- 4..1 Option 1 – do nothing - not expanding the masterplanning to include the whole estate and the open space around the Chinn Brook valley and canal. Should the council not bring forward the south area and expand the redline to bring in the whole estate then the momentum of resident engagement will be lost alongside the ability to consider opportunities to lever in funding and provide a truly transformational holistic regeneration. It will also significantly reduce delivery options and not achieve the best value for the city or community. Not considering further demolition and re-provision will result in the estate layout and the issues that creates with alleyways and anti-social behaviour etc remaining unresolved. It also loses the opportunity to replace homes that are not viable to retrofit to zero carbon standards and the opportunity to increase the number of homes strategic re-provision will provide. Not undertaking this will not only delay the regeneration further it will result in only half of the estate being consulted on the community led regeneration, will only produce a masterplan focussed on the east of the estate, will not change the estate layout and will not provide the holistic outcome required.
- 4..2 Option 2 – To expand the masterplanning into the south of Bells Lane and extend red line to maximise the opportunities for holistic regeneration and transformative delivery. To consider further re-provision based on improving the estate layout or viability to retrofit to zero carbon standards. This will ensure the whole community have a real say in the regeneration of their estate and that all residents benefit from the opportunities provided. It will also provide the maximum benefits for delivery and funding options making it more attractive for private finance investors and regeneration specialists. This is the recommended option.

## **5 Consultation**

- 5..1 The ward member for Druids Heath and Monyhull has been consulted, as detailed in Appendix 2.
- 5..2 The project will report to the quarterly Housing Strategy Board and monthly to Housing Operation Board. A specific operational Druids Heath Board has been established with operational leads from all council directorates.

- 5.3 A consultation exercise is being undertaken including engaging with a wider group of residents, existing groups, stakeholders and partners in the community and undertaking further collaborative engagement events to ensure that the wider community can influence the masterplan and proposals to regenerate Druids Heath.
- 5.4 Over 1000 engagements with residents have been undertaken to date which has helped to develop a vision statement of a sustainable community and destination where people want to live and engage in social activities. The vision statement has been used to inform the regeneration proposals recommended in the Levelling Up Fund Bid as approved in the Cabinet Report of 28 June 2022.

## 6 Risk Management

6.1.1 The key risks and mitigations are summarised below:

RISKS	MITIGATION
Resource commitment from directorates across the Council.	Work closely with the operational board and report to CLT to ensure issues are identified early, resources can be allocated and resolved.
Difficulty in appointing delivery Partner	Carry out soft market testing, target experienced organisations and agree suitable procurement route.
Any delays in procuring a new EA may affect delivery and result in an incoherent solution to the vision for the area, risk the £20m levelling up bid and cause reputational damage with the community.	Identify a suitable framework and carry out procurement in a timely manner.

6.1.2 A risk register has been attached in Appendix 3.

## 7 Compliance Issues:

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

The development of new homes for a growing city is a key objective of the City Council. The development of new affordable housing within the City is in accordance with the objectives of the Council Financial Plan 2021 - 2025. The proposals also contribute to the delivery of the City Council's core vision and priorities in the Council's Vision and Forward Plan 2018-2022.

7.1.2 The recommended decisions contribute to the Council Plan objectives / outcomes by:

7.1.3 A Bold Prosperous Birmingham; 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 and will help ease pressure on the housing register.

- 7.1.4 A Bold Green Birmingham; the new homes will be built to a high standard of energy efficiency by using the latest technologies and use a range of measures to improve the environment and tackle air pollution by using cleaner technologies such as Fabric First and building energy efficient homes.
- 7.1.5 A Bold Inclusive Birmingham; the new homes will be available to residents affected by the regeneration utilising the local lettings plan and option to return and will include additional homes available for any applicant on the housing register. The regeneration will maintain the community and create a sustainable inclusive neighbourhood.
- 7.1.6 A Bold Healthy Birmingham; 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.
- 7.1.7 A Bold Safe Birmingham; new homes will be developed which will provide a safe, warm, sustainable, and connected neighbourhood in which all communities can thrive.
- 7.1.8 The proposals also align to the statutory policies in the Birmingham Development Plan.
- 7.1.9 Birmingham Business Charter for Social Responsibility (BBC4SR):

Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of these contracts. Tenderers will be required to submit an action plan with their tender that will be evaluated in accordance with the evaluation criteria and the action plan of the successful tenderers will be implemented and monitored during the contract period.

The social value outcomes to benefit the Druids Heath and Monyhull ward and surrounding areas, that tenderers will be required to address will include:

**Local Employment**

- Employment and employability opportunities for the target groups particularly young people.

**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.



### **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 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 additionality 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 The Council's general powers to acquire, appropriate and dispose of land is contained in sections 120 to 123 of the Local Government Act 1972 and the power to dispose of land held for the purposes of housing accommodation is contained in section 32 Housing Act 1985.

- 7.2.2 As the Housing Authority, the relevant legal powers relating to the discharge of the Council's statutory function to review the need for and to provide housing accommodation are contained in sections 8 and 9 of the Housing Act 1985.

### **7.3 Financial Implications**

- 7.3.1 A cost estimate for future professional services requirements referred to in the Procurement Strategy (Appendix 6 in 14 December 2021 cabinet report) are detailed in Exempt Appendix 4. Existing Employers Agent costs were approved in March 2019 and are funded from the BMHT revenue budget. The bringing forward of land to the South of Bells Lane, Phase 2, into the masterplan for delivery of outline planning will increase Employers Agent costs including design, surveys and project management fees.
- 7.3.2 The cost of bringing phase two (Druids Heath south) forward will be funded through the BMHT HRA budget. The EA appointment for works included in the Levelling Up bid, will be funded from the levelling up grant.
- 7.3.3 The costs in respect of the future professional services requirements were approved in the December 2021 Cabinet report. The funding has been included in the draft BHMT business plan for 2022/23. The cost of the employer's agent services will be funded from the HRA budget and detailed in Exempt Appendix 4.
- 7.3.4 Delegation of the strategic and procurement direction requested in 2.4 does not include the requirement to adhere to the Scheme of Delegation for changes to the financial envelope for the programme, which will continue to follow the usual governance route if funding required increases.

### **7.4 Procurement Implications (if required)**

- 7.4.1 The current contract for employer's agent services for the Druids Heath regeneration scheme east area with Capita Property & Infrastructure Ltd, who were acquired by WSP UK Ltd in September 2022, and are known as WSP (Real Estate & Infrastructure) Ltd, is due to expire at the resolution of an outline planning application. Further requirements to include the wider area to include the work for the Levelling Up bid to enable the completion of the Masterplan requires a new contract to be established for these additional activities.

- 7.4.2 The employer's agent services required are as follows

- Lead Consultant
- Architectural services
- Project Management
- Programme Management
- Principal Designer

- Engineering Services
- Party Wall Surveying
- Quantity Surveying
- Liaison between the Council and contractor(s)

The services above are for up to the determination of the outline/hybrid planning application only. A further procurement exercise will take place for services to support the delivery of the regeneration scheme.

7.4.3 It has been identified that calling off the NHS SBS Construction Consultancy Services Framework Agreement is the most suitable procurement route to market on the following basis:

- To undertake a full open procurement process - there is not sufficient time to tender and award a contract to the timescales for the requirement.
- To use a collaborative framework agreement- this was the agreed option on the basis that the framework protocols to call off fit with the Council's timescale, the supplier is the most suitable and using this NHS SBS framework for other commissions advice has been a positive experience.
  - This award will include services up to determination of the outline/hybrid planning application only. A further competitive procurement exercise will take place for services to procure a delivery partner and deliver the regeneration.

7.4.4 The protocol for the use of the NHS SBS Construction Consultancy Framework Agreement is either direct award or a further competition exercise is undertaken with the opportunity to be sent to all framework providers against the lot. It is recommended that the direct award mechanism is used for this contract to WSP (Real Estate & Infrastructure). In accordance with the NHS SBS framework agreement guidance, it is permissible to use direct award where the customer identifies this as the most appropriate route and on the basis that it is an urgent requirement where the delay caused by undertaking a further competition exercise would be detrimental to the outcome. It is an urgent requirement that employer's agent services are undertaken to enable the completion of the masterplan for the wider area. Undertaking a further competition exercise would not maximise the benefits of the delivery options for the wider area and therefore this option was discounted, and the direct award is the recommended route.

7.4.5 Value for money from a direct award is demonstrated by

- **Cost Efficiencies.** The current team is currently working on Druids Heath East and therefore the fee proposal reflects a discounted rate to undertake both phases at the same time.
- **Project Knowledge.** The consultants' team have been involved with Druids Heath since their appointment in 2019 and have a full and detailed knowledge of the project and its history. The teams' familiarity with Druids Heath will maintain the knowledge and information already gained and will ensure communication continues to be effectively maintained to integrate knowledge and come up with coherent, innovative solutions. The teams learning curve from Druids Heath East will be the same transferable skill set and will provide cost and time savings to benefit the delivery of the Druids Heath South programme. Therefore, no familiarisation time is required and the services can commence immediately after contract award.
- **Established Supply Chain.** A number of surveys have been undertaken across the Druids Heath East area. The surveyors have an understanding of the site constraints, reflecting the issues of a large regeneration site, for example, the bore holes and gas monitoring were positioned to suit the topography and an indicative build footprint. This will be reflected across Druids Heath south to ensure a consistent approach.

7.4.6 Details of the financial implications and commercially confidential information are in Exempt Appendix 4.

7.4.7 The scope of the services approved in the Cabinet report dated 14<sup>th</sup> December 2021 for the employer's agent services after the production of the masterplan and to take the project through to delivery and completion were as follows:

- Project Management
- Programme Management
- Site Surveys
- Principal Designer
- Engineering Services (Civil and Mechanical & Electrical)
- Party Wall Surveying
- Quantity Surveying
- Clerk of Works
- Liaison between the Council and contractor(s)

7.4.8 With the updated strategy for the wider Druids Heath area as detailed in this report and to deliver through a partnership or joint venture, there is a requirement service for:

- Project Management
- Programme Management
- Principal Designer
- Party Wall Surveying
- Quantity Surveying
- Clerk of works
- Liaison between the Council, consultants and contractor(s)

- Advise on routes to market and supporting the development of the procurement strategy

7.4.9 Details of the financial implications of the amended scope are in Exempt Appendix 4.

7.4.10 A procurement strategy for the delivery of the Druids Heath regeneration scheme including providing investment and undertaking the construction will be developed and approved in line with paragraph 2.5.

## **7.5 Human Resources Implications (if required)**

7.5.1 Officers from Planning, Development, Transport and Connectivity, City Housing, City Operations, Housing Development, Procurement, Education and Youth Services, Leisure Services, Legal and Finance will need to commit the time of officers throughout the project.

7.5.2 This will include a resource commitment from City Housing, City Operations, Education and Skills, and Council Management to review the provision of assets and services within the area boundary and align them with the Masterplan.

## **7.6 Public Sector Equality Duty**

7.6.1 The initial Equalities Assessment reveals that there is no requirement for a Level 2 equality assessment because although the regeneration of Druids Heath will impact on the community that live there, there is no differential impact as there are existing policies in place within the function areas. A Level 1 equality assessment was included in the Druids Heath Regeneration 14 December 2021 Cabinet report.

## **8 Appendices**

- Appendix 1 – Extended Red Line Plan of regeneration area including open space surrounding Chinn Brook Valley to facilitate the delivery of improvements to open space and support canal bridge as part of Levelling Up Fund Bid.
- Appendix 2 – Consultation
- Appendix 3 – Risk Register
- Exempt Appendix 4

## **9 Background Documents**

- Cabinet Report Housing Clearance Programme 14 February 2017
- Cabinet Report Druids Heath Regeneration 9 October 2018

- Cabinet Report Option to Return Policy for Housing Regeneration Schemes 14 May 2019
- Cabinet Report Druids Heath Regeneration 14 December 2021
- Cabinet Report Levelling Up Fund – Tranche 2 Bids 28 June 2022