

BIRMINGHAM CITY COUNCIL

PUBLIC REPORT

Report to:	CABINET
Report of:	Strategic Director of Economy
Date of Decision:	18 October 2016
SUBJECT:	DRIVING HOUSING GROWTH – BUILDING NEW HOMES ON THE BROMFORD ESTATE
Key Decision: Yes	Relevant Forward Plan Ref: 002354/2016
If not in the Forward Plan: (please "tick" box)	Chief Executive <input type="checkbox"/> Approved O&S Chairman Approved <input type="checkbox"/>
Type of decision:	Executive
Relevant Cabinet Member:	Councillor Peter Griffiths, Cabinet Member for Housing and Homes
Relevant O&S Chairman:	Councillor Victoria Quinn – Housing and Homes
Wards affected:	Hodge Hill

1. Purpose of report:

1. To seek approval for the Options Appraisal for a major new house building programme on the Bromford estate, to be taken forward by the Council's house building arm, the Birmingham Municipal Housing Trust (BMHT).
2. To accept grant funding from the Homes and Communities Agency (HCA) and Local Enterprise Partnership (LEP) towards the cost of providing flood defences to the River Tame adjacent to this estate which will safeguard existing homes and businesses and enable the development of much needed new homes for the citizens of the city.
3. To release development funding to progress these proposals to Full Business Case.

2. Decision(s) recommended:

Cabinet is recommended to:

- 2.1 Approve the Options Appraisal for the redevelopment of cleared sites on the Bromford estate to build 225 new homes (168 for affordable rent and 57 for sale) at an estimated cost of £27.89m.
- 2.2 Approve the release of £0.66m of development funding to progress the scheme to Full Business Case, which will be brought back to Cabinet in Autumn 2017 for approval.

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- 2.3 To approve acceptance of grant funding from the HCA, LEP, or any other appropriate grant programmes, towards the cost of the flood defence work on the adjacent River Tame to be undertaken by the Environment Agency (EA).
- 2.4 Subject to the receipt of grant monies authorise the Strategic Director of Economy to make a payment of up to £2.58m to the EA to facilitate the Bromford estate section of the flood defence works for the Rive Tame.
- 2.5 Note the procurement process for the selection of development partners for the sites within the Bromford estate, utilising the HCA DPP2 procurement framework.
- 2.6 Authorise the Strategic Director of Economy to receive the result of any consultations regarding the loss of Public Open Space notices in accordance with Section 123 (2A) of the Local Government Act 1972 and to decide whether to proceed under S122(2A) in consultation with the Cabinet Member for Housing and Homes.
- 2.7 Delegate to the Director of Property the approval to negotiate terms on a voluntary basis for the acquisition of the former Comet Public House site for the development of new homes, subject to the acquisition and redevelopment of this site being financially viable.
- 2.8 Authorises the Head of Transportation to develop the highways proposals and progress the preferred option to detailed design.
- 2.9 Authorise the Acting City Solicitor to negotiate, execute and complete all necessary documentation to give effect to the above recommendations including the execution and completion of the appropriate way-leaves and easements and highway agreements required for this development of the land identified within the planned development at Appendix 1.

3. Consultation

3.1 Internal

- 3.1.1 Hodge Hill Councillors and the Executive Member for Hodge Hill District have been consulted in the preparation of this report, and support the report being presented to Cabinet for an executive decision.
- 3.1.2 The Acting Strategic Director of Place and the Service Director Housing Transformation have been consulted regarding the contents of this report and supports the recommendations.
- 3.1.3 Officers in Legal Services, City Finance, Birmingham Property Services and Housing have been involved in the preparation of this report. The Council's Resilience and Drainage team has been consulted on all key flood related issues and proposals affecting the council's relationship with the EA.

3.2 External

3.2.1 Residents and stakeholders in areas affected by the proposed flood defence work and properties adjacent to the development sites will be consulted as part of the statutory planning application process, the EA Flood Risk Management Process, and any statutory road closure processes. Resident & Stakeholder comments are taken into account in the determination of future planning applications, flood defence schemes or highway closure proposals.

4. Compliance Issues:

4.1.1 The development of new homes for a growing city is a key objective of the Council Business Plan 2016+. The development of new affordable housing within the City is in accordance with the objectives of the Housing Revenue Account (HRA) Business Plan 2016+:

Fairness 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.

Prosperity - 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.

Democracy - 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, education and employment initiatives to complement the house-building programme.

4.1.2 Birmingham Business Charter for Social Responsibility (BBCSR)

Compliance with the BBC4SR is a mandatory requirement that will form part of the conditions of the construction contracts for the new homes developed on these sites. Tenderers for the building contracts will submit an action plan with their tender that will be evaluated as part of the tender process and the action plan of the successful tenderer will be implemented and monitored during the contract period. It is anticipated that up to 23 training / apprenticeship opportunities will be provided as part of these proposals based on the assumption of one apprenticeship per £1m of housing build value.

4.2 Financial Implications

- 4.2.1 The estimated total capital construction cost of this development is £27.89m, which includes the contribution towards the flood defence works of £2.58m. This development will be funded from HRA revenue contributions (£22.71m), capital receipts from properties sold on this development (£2.60m) and grants (£2.58m). The latter is the financial contribution the EA requires to secure the bulk of the funding from Central government for this phase of the Tame River Flood Strategy. The initial feasibility of the flood defence works has been carried out by the Defence Environment Agency at a cost of £0.15m, funded from revenue New Points Growth Grant. The Options Appraisal document for the overall development is attached as Appendix 2. The development funding required to progress this proposal to Full Business Case stage (£0.66m) will be funded from HRA revenue contributions.
- 4.2.2 The future running costs of the properties and areas of public realm retained within the HRA will be met from the ongoing rental income to be derived from the new build properties. This will result in an overall revenue surplus, excluding funding of the construction costs to the HRA over 30 years of £17.50m. The HRA is expected to break-even or make a surplus each year, following construction, from the proposals in this report.
- 4.2.3 The financial viability of these proposals is based on the social housing rent policy that was outlined by the Chancellor of the Exchequer on 2/7/15 (i.e. that rents will be reduced by 1% per annum from 2016-17 to 2019-20). The working assumption is that rents will then revert back to CPI+1% after 2019-20 (currently projected at 3% per year). However, should rents not increase at this rate, it is anticipated that efficiency savings within the HRA will be needed to ensure that the scheme breaks even.
- 4.2.4 Where new highway is required to enable these sites to be redeveloped to support the housing construction described in this report then such development costs and ongoing maintenance costs will be met by the HRA. Appropriate permissions to construct highway will also be required. Opportunities will be explored to align any changes to the highway as a consequence of each new development to the Highways Management & Maintenance PFI (HMMPFI) programme of works to minimise costs of delivery.

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 sold under the Right to Buy.
- 4.3.2 The legal power to dispose of land held within the Housing Revenue Account (HRA) is contained within Section 32 of the Housing Act 1986, General Consent A.
- 4.3.3 The sites affected by the report are all the Council's ownership with the exception of the Comet Public House site which is subject to acquisition and can be identified by Fixed Asset Reference numbers FAR 01323, PAL 04814, FAR 04073, FAR 02499, PAL 06596, PAL 03345, FAR 04598.

4.4 Public Sector Equality Duty

- 4.4.1 There are currently around 25,000 people on the Council's waiting list for affordable housing. Many of these people live in overcrowded homes across the housing sector. Evidence from allocating properties previously developed under the BMHT banner has revealed the extent of the problem, many families being allocated from accommodation that was too small for their needs].
- 4.4.2 Through the BMHT programme, the Council provides homes that reflect the Strategic Housing Market Assessment for Birmingham with an emphasis on 2 bedroom 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. Local need, site restrictions and financial viability are taken into account when determining the exact mix of homes and typologies to build on each site.
- 4.4.3 The BMHT Delivery Plan for 2015-20 included an Equality Impact Analysis and was agreed by Cabinet in December 2014 which operates city-wide. It includes areas where different cultural requirements will need to be reflected in the design of the homes provided. Feedback from previous schemes 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 and have now been refined into the BMHT standard house types catalogue. 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.

5. Relevant background/chronology of key events:

- 5.1 In October 2014 Cabinet approved the Driving Housing & Employment Growth Through The City Deal Public Assets Accelerator report, which contain proposals for the development of approximately 10 acres of HRA land and part fund the EA's proposals for the development of Flood Defences which would protect residents within Bromford from the risk of river flooding. The proposals set out within this report for the regeneration of the Bromford Housing estate represent the culmination of joint working between the City Council, the EA and the HCA. The development of cleared sites on the estate has long been delayed because of the potential threat of flooding from the adjacent River Tame. It should be noted that as the development of regeneration proposals for the area have progressed additional potential development sites, located mainly outside of the flood plain, have been identified for inclusion.
- 5.2 This is one of a number of challenging sites that are subject to major physical constraints which have historically been discounted for development because of the substantial difficulties and expense in bringing them forward, but which the Council, with the help of the HCA, EA and other public bodies, is now tackling in response to the shortage of land suitable for the development of new housing in the city..
- 5.3 The EA has developed a scheme to undertake major flood defence work to the stretch of the River Tame adjacent to the Bromford estate which will reduce the potential risk from flooding from the river to an acceptable level to allow development. These works will be undertaken by the EA and will be funded by a combination of funding from the EA and from the HCA through the Public Asset Accelerator Programme, the Greater Birmingham and Solihull LEP unlocking sites programme or a combination of both. The EA's proposals are currently in draft form and have yet to be the subject of public consultation.

- 5.4 The flood defence work proposed for the River Tame offers considerable benefits in addition to allowing the cleared land on Bromford to be brought forward for housing development. This work will also substantially reduce the risk of flooding from the river for up to 3,400 residents on and adjacent to the estate. It will safeguard nearby businesses including major employers Jaguar/Land Rover from the risk of river flooding, it will also safeguard the major train line underneath the M6 from the risk as well. Overall this flood defence work has considerable benefits to homes and businesses in the area.
- 5.5 As a result of the demolition of a number of tower blocks, and making use of other small sites held within the HRA, there is sufficient land available on the estate to enable the development of up to 225 new homes (168 for affordable rent and 57 for sale). In addition the site of the former Comet Pub has been vacant for several years and approval is sought to acquire this as part of the overall regeneration for the estate. It is envisaged that development on this site could commence in late 2017-18. The development of new homes for both rent and sale will be carried out by the Council's House building arm, the Birmingham Municipal Housing Trust. There are high levels of overcrowding and strong demand for new homes in East Birmingham, and the development of new homes in the city is accordingly a high priority for the development of new homes. Cabinet has already approved proposals for a major regeneration scheme at the Meadway in Stechford and North Yardley, and proposals are in development for a major housing development in the Shard End ward.
- 5.6 The flood defence work will allow further opportunities for the wider regeneration and redevelopment of the Bromford estate to be examined and these could be progressed where appropriate with the potential and flooding removed and no longer providing a constraint to these aspirations.
- 5.7 The procurement of developers for these sites will be undertaken through the HCA's DPP2 procurement framework. The use of DPP2 will be a condition of any grant funding from the Homes and Communities Agency. The framework itself is an effective procurement route, having been previously used to procure a number of large housing development schemes. It is anticipated that tenders will be evaluated on a 60% quality including social value and 40% price basis with the successful tenderer required to pay the Birmingham Living wage and sign up to the requirements of the Birmingham Business Charter. At this stage it is anticipated that the sites will be procured on a phase by phase basis but this will be subject to further soft market testing with potential contractors from the DPP2 framework. The use of the DPP2 framework and the scale of the contracts to be tendered would not be suitable for SME contractors.

6. Evaluation of alternative option(s):

- 6.1 Do nothing, the flood defence work can remain unfunded, leaving the estate and surrounding businesses at high risk of river flooding, and in addition the new homes will not be provided.
- 6.2 Sell the sites on the open market – if sold on the open market the sites would be undevelopable without the works provided by the Environment Agency..
- 6.3 Sell the sites to an Registered Social Landlord, however it is unlikely that an RSL would have financial resources or appetite to take on a scheme of this scale
- 6.4 The sites could be developed with a higher element of outright sale, however the initial view from developers is that the appetite for sales risk on this estate is low.

7. Reasons for Decision(s):

- 7.1 The recommended approach will remove the risk of river flooding from existing homes and businesses and deliver much needed new homes for the Bromford estate. It would also enable further regeneration, investment and redevelopment on the Bromford estate and remove the restrictions placed on this by the risk of flooding. In addition, it would encourage adjacent businesses to undertake further investment and therefore encourage job creation to take place

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

Waheed Nazir
Strategic Director of Economy:

..... Dated:.....

Councillor Peter Griffiths
Cabinet Member for Housing and Homes:

..... Dated:.....

List of Background Documents used to compile this Report:

Unlocking Additional Housing Growth Through The City Deal Public Assets Accelerator –
Cabinet 21 October 2013
BMHT Delivery Plan for 2015-20 – Cabinet 8 December 2014
Relevant Officer's file(s) on the matter, save for confidential documents

List of Appendices accompanying this Report (if any):

- 1. Site Plans
- 2. Options Appraisal

