

**Birmingham City Council**  
**Report to the Leader of the Council**  
27 February 2024



**Subject:** Acceptance of Homes and Communities Agency Grant – Perry Barr Regeneration Scheme and Druids Heath Regeneration

**Report of:** Strategic Director Place, Prosperity and Sustainability

**Relevant Cabinet Member:** Cllr John Cotton, The Leader of the Council

**Relevant O &S Chair(s):** Cllr Jack Deakin, Finance & 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): Perry Barr, Aston, Birchfield, Druids Heath & Monymhull		
Is this a key decision?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, add Forward Plan Reference:		
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 type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
If relevant, state which appendix is exempt, and provide exempt information paragraph number or reason if confidential:		

**1 Executive Summary**

- 1.1 This report seeks approval for the Council to accept a grant of £0.220m from the Homes and Communities Agency trading as Homes England to support and facilitate the pipeline of housing development in the region. The grant will enable the Council to fund and undertake site surveys and appraisals that are required for two regeneration schemes in Perry Barr and Druids Heath.

## **2 Recommendations**

That the Leader of the Council

- 2.1 Approves the acceptance of a revenue grant of £0.220m from Homes and Communities Agency trading as Homes England (HE) to undertake site investigations and project appraisal in accordance with the grant conditions set out in the offer letter (as attached at Appendix 1).
- 2.2 Approve expenditure of up to £0.190m for site investigations at the Perry Barr Phase 2 and Phase 3 sites.
- 2.3 Approve expenditure of up to £0.030m to undertake valuation of 3rd party land interests in the red line boundary of the Druids Heath regeneration scheme.
- 2.4 Authorises the Interim City Solicitor & Monitoring Officer to negotiate, execute and complete any necessary legal documentation to give effect to the above recommendations, including preparing, negotiating, and sealing any necessary documents and grant agreements.

## **3 Background**

- 3.1. In order to support and facilitate the pipeline of housing development in the region, HE has made available a grant of £0.220m to the Council as detailed in Appendix 1, Grant Offer Letter. The grant will enable the Council to fund and undertake site surveys and appraisals that are required for the regeneration schemes in Perry Barr and Druids Heath.

### **3.2. Perry Barr Regeneration Scheme**

- 3.2.1 The HE grant will provide up to £190,000 to fund technical due diligence work and a series of site and ground investigation surveys at Perry Barr Regeneration Scheme Phases 2 (5 plots) and 3 (2 plots) to inform the site remediation strategy to enable the unlocking of the sites with the potential to deliver up to 800 new homes, which would be marketed to potential buyers to generate a substantial capital receipt for the Council.
- 3.2.2 The Perry Barr Regeneration scheme (PBRS) is a large, complex, multi-phase, residential-led mixed-use real estate development programme. The Perry Barr masterplan identifies 5,000 homes to be brought forward across the area.
- 3.2.3 The Updated RFBC (Revised Full Business Case approved by Cabinet in July 2021) included for proposals to undertake additional demolition and remediation work required to make the wider phased sites suitable for market disposal and/or future development, contributing to the delivery of the masterplan.
- 3.2.4 There is currently a significant risk in relation to potential issues with ground conditions and any unknown below ground contamination across Phase 2 and Phase 3 Sites, also known as Coppice Site, Oscott Gardens, Holford Drive (Phase 2) and Crown and Cushion and Birchfield Road Shops (Phase 3).

- 3.2.5 Were the Council to proceed with marketing these sites without undertaking the proposed site investigation works would be likely to result in developers submitting offers that included higher rates of risk pricing likely to overstate the costs associated with any remediation works. This would result in the down valuing of the sites compared to their underlying market value.
- 3.2.6 The site surveys and ground investigations will inform remediation strategies and cost estimates for the actual remediation works required. This will allow the Council to take a more informed approach when appraising offers for the marketed plots.

### **3.3 Druids Heath Regeneration**

- 3.3.1 The HE grant will provide up to £30,000 for expenditure to undertake a RICS standard valuation of 3<sup>rd</sup> party land interests at Druids Heath to include any compensation payments.
- 3.3.2 Druids Heath is a purpose-built municipal housing estate that is located approximately six miles south of the city centre and lies on the periphery of Birmingham and Bromsgrove local authority boundaries.
- 3.3.3 The HE funds are proposed to fully fund the provision of valuation advice of 3<sup>rd</sup> party land interests at Druids Heath to include any compensation payments. The commission includes the following activities.
- Market analysis
  - Advice on residential capital/rental values
  - Advice on affordable housing value assumptions
  - Advice on value for non-residential uses
  - Advice on placemaking/regeneration value uplift assumptions
  - Commentary on the emerging masterplan including mix and typologies.
  - Working with Arcadis to feed into the financial modelling work.
  - Valuation advice to support the programme of buy-backs of former council homes sold under the Right to Buy.

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

- 4.1 **Do Nothing:** By not accepting the HE grant, the Council will have to find the funds from its own resources. This will not be possible given the Council's current financial position. In order to carry out the works the schemes are reliant on external sources to progress these works. Therefore, this option was rejected.
- 4.2 **Recommended Option:** Accept the grant. This will enable the commissioning of the professional services which are essential to progress with requirements of the schemes in this report. The redevelopment of the sites will support the growth ambitions for the Council's corporate objectives for which the acceptance and spending of this grant supports.

## 5 Consultation

5.1 N/A

## 6 Risk Management

6.1 The HE grant is available for expenditure during this financial year (2023/24) only. If the grant is not accepted in time to draw the funds before end of this financial year, all costs associated with the site surveys and ground investigations at Perry Barr, and the valuation advice at Druids Heath will have to be funded by the Council.

6.2 In order to mitigate the risk of slipping on the programme of drawdown for the expenditure, the s151 approval was obtained in advance on 18<sup>th</sup> January 2024 for the expenditure, and relevant services have been procured to ensure that all works can progress as soon as the authority to accept the grant is obtained and the grant agreement is executed.

## 7 Compliance Issues:

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

7.1.1 These Schemes will make a direct contribution and are consistent with The Council's Corporate Plan 2022 to 2026 main priorities (as updated in December 2022) priorities and outcomes as outlined below:

- **A Bold Prosperous Birmingham:** Making sites available for development to Registered Providers and their Partners will allow the Council to capitalise on inward investment, increase the supply of affordable housing and enable successful development to help regenerate communities.
- **A Bold Healthy Birmingham:** the provision of new affordable housing types will improve the health of citizens by ensuring safe, sustainable, and suitable homes are delivered. This includes homes for those who have both physical and mental health issues. This also includes those experiencing homelessness.
- **A Bold Green Birmingham:** the provision of new homes will go some way to meet the City's commitment to route to zero will be delivered. The new homes will be built to modern standards to the Council's specification.
- **A Bold Inclusive Birmingham:** the new affordable homes will be allocated under the Council's policy and help families affected by the cost-of-living crisis as the homes will be built to new higher quality and EPC standards saving money on energy bills.
- **A Bold Safe Birmingham:** the provision of new affordable homes will ensure they are "secure by design" and will contribute to safer neighbourhoods.

7.2 Legal Implications

7.2.1 Section 11 Localism Act 2011 contains a general power of competence which permits the Council to accept the grant funding and enter into the repayable grant agreement.

### 7.3 Financial Implications

7.3.1 There are no ongoing revenue implications for BCC as result of this grant. The work will be fully funded by the grant funding, which includes no unduly onerous funding conditions.

7.3.2 The financial summary is shown below.

Expenditure type	Estimated Costs (£)	Estimated expenditure date
Site survey and remediation strategy (Perry Barr Regeneration Scheme)	Up to £0.190m	15 March 2024
Valuation Reports (Druids Heath Regeneration)	Up to £0.030m	15 March 2024

The proposed expenditure was approved by the s151 Spend Control Board on 18<sup>th</sup> January 2024.

### 7.4 Procurement Implications (if required)

7.4.1 There are no procurement implications as a result of the recommendations of this report. The services are below the procurement threshold will be procured in accordance with the Council's Constitution and Procurement and Contract Governance Rules.

### 7.5 Human Resources Implications (if required)

7.5.1 There will be no significant Human Resources implications as a result of the recommendations within this report. The schemes will be managed by BCC officers.

### 7.6 Public Sector Equality Duty

#### 7.6.1 **Perry Barr Regeneration**

The equalities implications for the development of the Commonwealth Games Village were set out in the report to Cabinet dated 14 November 2017, updated in June 2018 and then again in March 2019 and presented as part of the approval of the FBC jointly by Cabinet Member and Chief Officer, on 6 June 2019, and the same continues to apply. The report was further updated in March 2021 and no material considerations were identified and continue to apply to the report recommendations as they do not have any adverse impact on the protected characteristics and groups under the Equality Act 2010.

#### 7.6.2 **Druids Heath Regeneration**

The Equality Analysis EQUA723 for the development was undertaken under the Cabinet report on 14<sup>th</sup> December 2021, 'Druids Heath Estate Regeneration Update'. The recommendations in the report do not have any adverse impact on the protected characteristics and groups under the Equality Act 2010.

## **8 Appendices**

- 8.1 Appendix 1 Homes England Offer Letter

## **9 Background Documents**

- 9.1 Cabinet report Birmingham 2022 – Update on the Perry Barr Regeneration Scheme FBC 27 July 2021
- 9.2 Cabinet report, 'Druids Heath Estate Regeneration Update' 14<sup>th</sup> December 2021