



BIRMINGHAM: **DELIVERING DEVELOPMENT IN A** **CONSTRAINED CONTEXT**

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INTRODUCTION

Birmingham is a city of opportunity, and a city experiencing an unprecedented period of growth and transformation. The city has a vibrant and diverse economy, a thriving culture and is experiencing strong infrastructure investment. This potent cocktail has become a magnet for new businesses, residents, and international development.

However, in recent months the city has been mired by controversy with the Council issuing a section 114 notice, indicating that they cannot finance their forecast expenditure. This note explores Birmingham's importance in the national economy and its potential for ongoing transformation through widespread private investment during a period of public financial constraint.

THE STORY SO FAR:

For over a century, Birmingham has been the second-largest city in England and a key driver of employment. Its post-war history has been one of challenge as it dealt with de-industrialisation¹ and the wicked issue of inner-city social deprivation. In recent years, the city has been transformed, becoming a hub of cultural diversity, innovation, and creativity. This process of transformation has been encapsulated by the flagship regeneration projects of the Bull Ring, Brindley Place and by the renewal of key elements of its urban fabric, such as the city's canals. It has five leading global universities and strong connections to the global economy, indicated by the success of the Commonwealth Games in 2022.

Birmingham has been widely credited as undergoing a renaissance:

- From the period of 2016-2021, Birmingham received the second-highest planning applications for residential development outside of London².
- In 2020, its GVA was **£59.1** billion, the third highest in the UK³.
- The development of phase 1 HS2 guarantees ease of access to London whilst securing capital income investment into the city, resulting in a **£6.2** billion increase in the economic output of the city⁴. It is estimated that the development alone will create **36,000** jobs.

CHALLENGES FOR BIRMINGHAM:

Despite these widespread achievements, there remain significant challenges facing Birmingham:

- It has the largest count of unemployment for any city in the country⁵.
- Only **30%** of the city's residents have a degree, an extraordinarily low figure for one of the nation's key economic centres.
- The productivity gap between Birmingham and London is **37%**, compared to **25%** between Paris and Toulouse (Note France also has an economy relatively focused on a predominant capital city).
- Despite the preferences of the service industry to focus on the central economies in Britain, Birmingham has poor productivity and poor connectivity between its economic centre and its surrounding areas. Birmingham's centre accounts for **11%** of the total job share for the city⁶.

Whilst the semantics of the "Levelling-Up Agenda" seem to have shifted through the development of this parliament, there remains a widespread recognition of the importance of improvements to Birmingham's socio-economic reality, both for the city's residents and the subsequent impact that this can have on the national economy. The Resolution Foundation⁷ in its plan to end the stagnation of Britain describes Birmingham (alongside Manchester) as too big to fail. They label investment within Birmingham to secure high-value service industries a key element of improving the country's productivity; in part through improving transition and access between the successful city centre and the surrounding areas.

There is a clear polarisation between the successful renaissance of the city centre and ingrained issues in many of the inner-city areas and suburbs of the city. The planning system has played a key role in the city's success and continues to be vital to ensure the outcomes that residents need.

WHAT DOES THE S114 NOTICE MEAN IN PRACTICE?

On the 5th of September 2023, Birmingham City Council issued a S114 notice as the council anticipated a gap of **£87** million between income and expenditure for the current 2023/24 financial year, in addition to **£760** million in backdated equal pay claims.

A section 114 notice means the council cannot make new spending commitments⁸. The Section 151 Officer made an update to the cabinet on the 14th of November 2023⁹. They concluded that:

“The authority is no longer in a position to embark on any significant prudential borrowing with a consequent impact on all capital programmes that are not 100% funded by external to council resources.”

This has significant implications for the delivery of regeneration and investment in the city.

HOUSING DELIVERY

The delivery of housing and wider regeneration investment is key to the city as it provides a vital source of income (through S106, CIL), and meets with the Council’s key strategic objectives for the spatial future of the city.

The financial constraints stemming from the S114 notice will have a further impact on this. Ensuring the continuation of key projects is essential for the city's prosperity and growth.

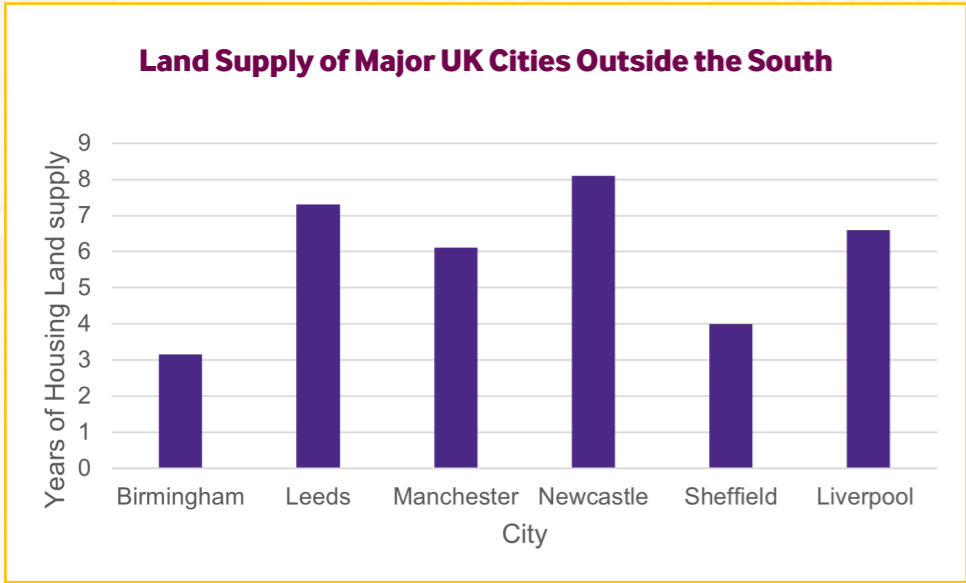


Figure 1: Land Supply of Major UK cities outside of the South.

As can be seen in Figure 1, the city has the lowest housing land supply¹⁰ out of any of the core cities outside the South of England, including comparable economic centres such as Leeds and Manchester. However, it should be noted that, in part, this is a result of Birmingham having a relatively tightly drawn boundary with limited opportunities beyond the existing urban area to identify further development sites. The delivery of housing is a key source of revenue for any city and the failure in this regard is further depriving residents of the city of the services that they need.

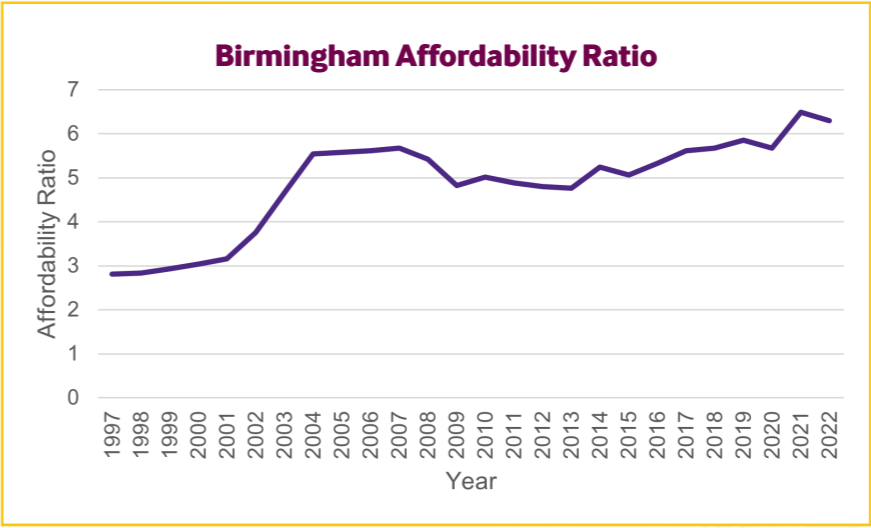


Figure 2: Birmingham Affordability Ratio Over Time.

The city's affordability ratio has increased to **6.3** times the average earnings, making it increasingly challenging for residents to afford housing. Whilst this is below the **8.3** average ratio for England, it is still lower than other core cities in England as shown in Figure 3.

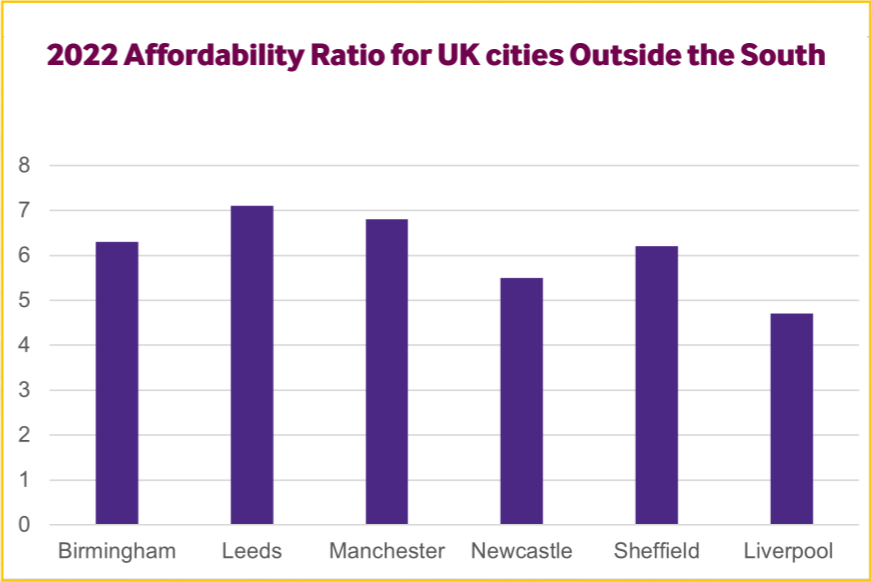


Figure 3: Affordability Ratios for England’s Core Cities

One of Birmingham’s advantages alongside its central location is its relative affordability which serves to make it attractive to prospective employees compared to other centres, notably Leeds, Manchester and of course London. In the long term, a surge in housing costs threatens to erode this advantage and create a perfect storm of economic and social challenges. Expanding the availability of both market-rate and affordable housing is crucial, not just for the Council’s financial stability and the city’s physical infrastructure. It also serves to boost overall productivity and maintain the quality of life for residents. These factors, in turn, will enhance the city’s attractiveness as a place to live compared to its competitors.

The Council’s 2021 Annual Monitoring Review¹¹ found the following:

- A land supply of **3.99** years (derived from a requirement using the Standard Method) now that the plan is over five years old.
- A housing delivery test score of **167%**.
- A total of 4,567 affordable dwellings were completed in the period 2011/12 – 2021/22 against a requirement of **9,690** (**48%** of the target). In addition, 5205 affordable dwellings were sold through right-to-buy across the same period¹².

We believe that Birmingham has the potential to overcome these challenges to redefine its role as a leading city in both the UK and the world. It has a proud history of innovation, resilience and diversity which feeds directly into its dynamic vibrant present.

WHAT ARE THE SOLUTIONS?

Boosting supply

Ultimately boosting the supply of housing in the city is of vital importance. It offers the opportunity to provide funding sources for the Council’s key services, improve affordability for the city’s residents, boost productivity, and provide meaningful improvements to the character of the built environment.

The Birmingham Local Plan was adopted in 2017. Whilst this is certainly not a substantial period, it is over 5 years old and so considered in planning terms to be dated. The council are looking to bring forward the following documents as part of their long-term approach to planning for housing delivery in the city.

LDS (Local Plan):

Key Milestones	Timescales
Evidence gathering / Sustainability Appraisal scoping	June 2021
Issues and Options consultation (Regulation 18)	October / November 2022
Preferred Options consultation (Regulation 18)	June-July 2024
Publication/ Pre-submission consultation (Regulation 19)	February 2025
Submission (Regulation 22)	June 2025
Examination (Regulation 24)	Autumn 2025
Receipt of Inspector’s Report (Regulation 25)	Autumn 2026
Adoption (Regulation 26)	Autumn/Winter 2026

Figure 4: Birmingham City Council Local Development Scheme as of October 2023.

THE EMERGING BIRMINGHAM LOCAL PLAN

The emerging Birmingham Local Plan will replace the adopted Birmingham Development Plan. The process for plan-making in England is currently operating with considerable uncertainty following the Government’s proposed reforms to plan-making and the wider National Planning Policy Framework.

The Council have already pushed back the timetable for the LDS with adoption now targeted for Autumn/Winter 2026, rather than Summer 2026 (as per the timetable of October 2022). Existing capacity to deliver **70,871** new homes in the city has been identified to date. The Council are currently considering options to to deliver the remaining **78,415** shortfall to meet the overall housing requirement of **149,286** homes. S106 agreements and CIL from the delivery of new development will aid the council’s investment in infrastructure and services¹³.

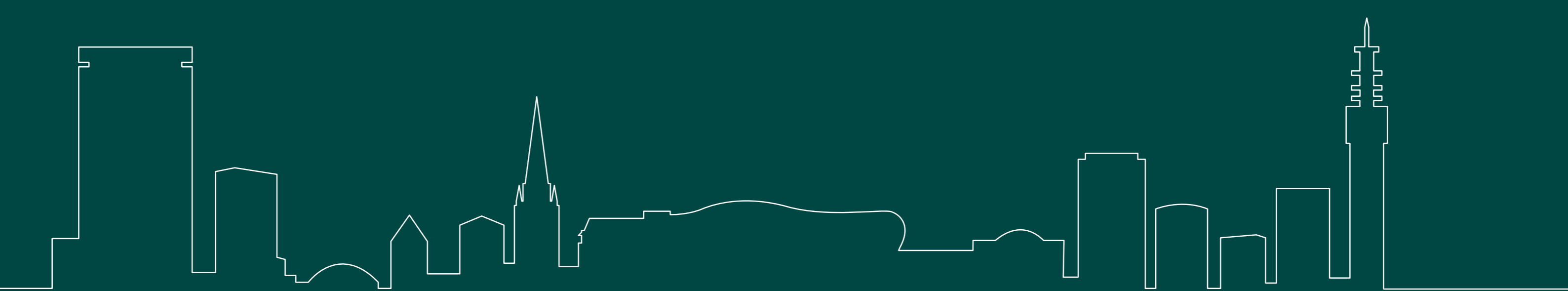
OUR FUTURE CITY: DRAFT CENTRAL BIRMINGHAM FRAMEWORK 2040

The ‘Our Future City: Draft Central Area Framework’¹⁴ will, on adoption, provide a 20-year strategic vision for central Birmingham encompassing the following transformative measures:

- The doubling of green spaces to levels with **200km** of Active Travel Routes, fostering a more sustainable urban environment.
- **80%** increase in the city centre’s current employment capacity, driving economic growth and job creation.
- **35,000** new homes with a **250%** increase in density closer to continental standards and addressing housing needs.

The framework’s central concept is the expansion of the central area beyond the inner-city ring road, encompassing the wider residential areas to the North, East, South and West. This strategic expansion will effectively enhance the central area’s capacity, channelling productive investment into historically disadvantaged communities. This serves as a dramatic upscaling of the spatial vision of the city outlined in the Big City Plan.





“Birmingham is still calling,”

said a pop-up ad from National Express as I read the morning news on my laptop. The clash and confusion in my mind cleared quickly. I remembered that yesterday afternoon, when all lines from Euston to Birmingham were closed and fellow travellers were feeling as though they were going straight to hell, I had hurriedly started checking all other options for my last journey out of London for 2023. I needed to go you see. If I had stayed, there would have been trouble.

In the end, Euston and the train lines reopened and I was able to make my festive getaway without resorting to coach travel. I hadn't booked the train in vain. Yes, Birmingham was still calling and despite a somewhat torrid 2023 for the nation's second city, Birmingham will still be calling for years to come.

There is an uphill climb for the council and its partners in 2024 though. In 2023, Birmingham City Council suffered the ignominy of having to issue not one but two section 114 notices – an effective bankruptcy order meaning that a council can no longer meet its financial obligations and needs government assistance. The root of the financial problems at Birmingham City Council is an equal pay claim that has been building up for decades and will cost the council **£760m** to settle. An IT contract that ballooned in cost by **£80m** is also contributing to the pain, but would have been manageable without the pay claim.

The council's leadership team and government appointed commissioners are putting together a budget for 2023/24 that will include large rises in council tax and some very large cuts to local services. To compound these problems, Birmingham is a city with acute levels of deprivation where council services are desperately needed. The council, the largest in Europe, is the seventh most deprived local authority area in the country. One in four residents live in income deprivation. The constituency of Birmingham Hodge Hill has the highest fuel poverty rates, the highest child poverty rates, and the second highest unemployment rate of any constituency in the country.

The good news is that the council has a strong leadership team with a new leader in John Cotton who is determined to turn the situation around, and a chief executive and director team who are among the best in the country. The combined authority and Mayor of the West Midlands, Andy Street, will have a big role to play as well. The key for all will be to stimulate growth and regeneration in sustainable ways that benefit the council coffers and include the hard-pressed residents.

The fact that the city is open for business is not up for debate. The politicians in the area are still smarting from Rishi Sunak's decision to stop HS2 from extending north of Birmingham but the line will still join the city up with the centre of London. Government and private sector investment is still flowing in. Improvements to local public transport systems including the extension of the tram network will boost productivity, as will investments in other areas such as the broadband and 5G networks.

These programmes will help the council to raise funds through the sale of property assets that are holding their value despite uncertainty around the national economy. Nurturing and developing partnerships with the private sector will also be vital. The council simply cannot deliver big projects alone now. They will need institutional investors and proven business partners on board to deliver schemes that can both alleviate cost pressures in areas such as housing, children's services and health and social care while generating long term revenue streams through rental income.

There are huge opportunities waiting in Birmingham for those with the imagination, drive and resources to deliver projects in the city. At Cratus, we are still excited about Birmingham and its potential for growth. In 2024 we'll be working with our partners to help forge the relationships and champion the country's second city.



Dan Humphreys,
Cratus Group

Cratus
group

HOW HAS THE ROLE OF THE COUNCIL CHANGED FOLLOWING THE S114 NOTICE?

Birmingham City Council has committed to a revised Emergency Budget for 2023/2024. Spending controls have been put in place, restricting any spending on anything apart from essential services. For a service to be essential, it must meet one of the following criteria¹⁵:

- It delivers a clear and referenced statutory obligation.
- It delivers a cashable saving compared to current spending within a quantified time period.
- It is already legally committed.
- It is required to safeguard vulnerable citizens.
- Or it is fully funded by an external grant, if partially funded it must be considered against the above.

Whilst the Planning and Compulsory Purchase Act 2004 sets out that each local planning authority must identify its strategic priorities and have policies to address these in the development plan, this does not translate as a statutory duty to have an up-to-date local plan¹⁶. In addition, the processing of planning applications may be constrained by these measures if the capacity of the planning department and internal specialist consultees is reduced.

To deliver its vision for the city, the following measures may be required:

- A more private-sector led vision¹⁷: The city has a strong track record of successful public-private partnerships delivering several flagship schemes, with the vision for such schemes in the past being led by the Council. To address reduced capacity within the Council it should seek to act in a more convening role, bringing together landowners and developers to enable them to prepare the vision for an area.
- Increased use of Planning Performance Agreements : These are agreements negotiated between a local planning authority and an applicant for an additional fee. This will aid the delivery of key projects and secure funding for their consideration by officers. Moreover, it would encourage a greater level of cooperation and collaboration.
- Working collaboratively with other authorities¹⁸: Birmingham is located in the West Midlands and subsequently needs to maintain strong partnerships with other local and regional bodies which have their own financial ability to support the delivery of development in the region. In March 2023, the West Midlands Combined Authority was granted a significant sum of **£500 million** for the delivery of affordable housing and the regeneration of brownfield sites, allowing it to take a role more similar to Homes England going forward¹⁹.

Whilst the Council is entering a period of constraint following the section 114 notice, there remains significant scope to engage in its vision of regeneration for the city, moving investment beyond the city centre into the wider central area and to the benefit of its communities. Doing so would, in the long-term, play a key role in the refinancing of the council through future Business Rates and Council Tax receipts and it should work with its partners in the private and public sectors to do so.

CONCLUDING THOUGHTS:

1

Birmingham City Council faces significant financial constraints which poses a challenge to its regeneration ambitions. Following the signing of the section 114 notice, it will now have to prioritise core services that it is required to deliver, ultimately affecting how the Council can deliver against its ambitions outlined in the Future City Framework. Whilst there has been strong delivery of housing historically, the pipeline of sites in the city has become increasingly exhausted as key sites have been built out, with the Council now having a poor land supply position. In addition, the delivery of affordable housing has been poor. The council needs to boost its supply of homes, but it faces challenges to do so.

2

Despite this, within the emerging Birmingham Local Plan and Draft Future City Framework, there is a vision of a city that would be rejuvenated and bring more equitable outcomes for its deprived inner-city. The vision held here of densification, increased active transport and urban-greening has the potential to transform Birmingham's role in the national economy and as a place to live and work. To deliver this vision given the constraints, the Council will have to engage with private-sector and other local bodies to work in partnership.

3

Birmingham is a city that has faced significant difficulties in its post-industrial era with poor connectivity, lack of skilled workers and low productivity characterising the city. Through the regeneration of key sites in line with the framework, working with private partners will give the Council access to streams of revenue to aid the funding of services and make positive impacts on the lives of residents across the city, beyond the areas identified as places for growth in future-city framework and the emerging local plan.

The Council's financial constraints presents a challenge to the development, but through the utilisation of the planning system and working in partnership, Birmingham City Council can still achieve its goals of regeneration and increasing prosperity for its residents. Birmingham has the potential to overcome its challenging circumstances and redefine its role as a leading city in the UK. However, to realise this potential, Birmingham needs strong and visionary leadership, both from its local politicians and from its wider civic and business sectors. It also needs to clearly define its relationships with neighbours in the regions and with the central government to effectively secure resources and powers to address challenges and pursue these opportunities.

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ABOUT RPS

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Alex Clarke
Graduate Planner

T: +44(0)121 513 0109
E: alex.clarke@rpsgroup.com