

LETTER TO MR MAX CALLER & COMMISSIONERS

23 September 2024

Mr Max Caller CBE
Lead Commissioner
Birmingham City Council
Victoria Square
Birmingham, B1 1BB

Subject: Financial Risks of the Ladywood Regeneration Project

Dear Mr Max Caller and Commissioners,

I am writing to formally express my concerns regarding the financial risks associated with the Ladywood Regeneration Project. Given Birmingham City Council's Section 114 notice, effectively declaring bankruptcy, it is crucial that the financial implications of this ambitious project are thoroughly understood before further commitments are made. While the Ladywood Regeneration Project is hailed as one of the most significant housing redevelopment initiatives of this generation, it presents substantial financial and operational risks that could severely impact the Council's already strained resources.

1. Council Capacity, Land Assembly Costs, Structural Repairs

In the last 12 months, there has been scant evidence to suggest that Birmingham City Council possesses the capacity or financial resilience to manage a project of this scale. The £176 million quoted in the 2023 June Cabinet Report for land assembly, including compulsory purchase orders (CPOs) and compensations, is insufficient according to independent research threatening the acquisition of land necessary for the project's continuation. Furthermore, the structural costs associated with retaining and refurbishing seven 1960s tower blocks have not been adequately accounted for. They do not form part of the planned agreement with St Joseph Homes (Berkeley Homes Plc), as indicated in cabinet documents, adding another layer of financial risk. There are real possibilities the developer will not provide the funds for adequate land assembly and structural repairs leading to substantial costs for the public purse.

2. Financial Implications of Developer Withdrawal and Blight Notices

The potential withdrawal of the developers, St Joseph Homes (Berkeley Homes Plc), presents a significant financial risk to Birmingham City Council. Developers often withdraw from regeneration projects. This project is so large in scale that no other developer was willing to take it on, resulting in the use of an extraordinary single bidder process. In the event of developer exit, the Council would be legally obligated to cover the costs associated with CPO payouts, placing additional strain on its already stretched finances. Moreover, the land of several thousand residents has been blighted because of the regeneration for over six months. Residents are now seeking legal advice about how to compel the Council to buy their homes. Blight notices represent substantial financial risk to the Council that does not appear to have been considered.

3. Viability of Market-Sale Homes and Affordable Housing

For the regeneration to be cost-neutral for the public purse, new buildings must sell. This does not appear to be happening inside the regeneration zone. JQ Rise apartments, the first completed tower

block within the red lines, are struggling to sell. The prices for these units have already been reduced, underscoring the risk that the market for new two-bed properties in Ladywood may not be as robust as expected. This directly threatens the delivery of affordable homes, as proceeds from the sale of market homes are meant to subsidise them. Without these sales, the project risks failing to meet its promises for affordable and social housing, leaving the Council open to financial and legal costs because they continue to be unable to meet their own housing obligations. As you are likely aware, the housing crisis in Birmingham is stark. As of now, **23,054 households** are on the housing register, needing homes, while **4,991 households** are in temporary accommodation.

There is an overwhelming demand for social and affordable housing, but the reliance on market sales to subsidise these homes in a weak market creates significant financial risks. The Birmingham Housing Strategy 2023-28 highlights that 54% of households cannot afford market-rate housing without subsidies. However, between 2011 and 2021, only 51% of the affordable housing target was achieved, with 4,395 affordable dwellings completed out of a required 8,607. If the current estimated annual need for affordable housing in Central Birmingham persists, the city centre will require 23,560 affordable homes over the next 20 years. This significant shortfall in affordable housing raises serious questions about the viability and relevance of the project's current approach in addressing these urgent needs.

4. Financial Costs of Environmental Concerns and Legal Challenges

The mass demolition of existing properties for new construction raises serious concerns about embodied carbon and sustainability. This has been the topic of previous successful legal challenges elsewhere in the country. Given the Council's commitments to environmental responsibility (become net zero carbon by 2030), the current approach contradicts these principles. There are viable alternatives that could preserve over 90% of existing properties, significantly reduce embodied carbon, and still meet housing density requirements while increasing social and affordable housing availability. Although we have told the Council about these options, they have indicated they do not wish to consider them.

5. Economic Implications of Poor Resident and Stakeholder Engagement

The stakeholder engagement process has been significantly flawed, leaving many Ladywood residents feeling unheard. This has resulted in sustained local, national, and international media attention, large private donations to fund legal challenges associated with the regeneration project, and the lack of support for the project by leading politicians and academics. There is increasing dissatisfaction with the scope and direction of the project, as numerous local voices have raised concerns about the lack of transparency and inadequate communication from the Council. This has deepened mistrust within the community and, without sufficient resident buy-in, could undermine the project's chances of reaching a successful outcome. There have been a high number of Freedom of Information requests and complaints made with at least two complaints to external regulatory bodies currently under investigation.

6. Market Forces Affecting Alternative Regeneration Proposals

It is especially concerning that alternative approaches, which pose fewer financial, legal, and environmental risks, have not been thoroughly explored. As one of the largest regeneration projects in Europe, this project has all the hallmarks of being too substantial in scope. Concerningly, there was no market competition in selecting the preferred developer, which can lead to sub-optimal outcomes. Parliamentary documents suggest that local projects should be scaled down to encourage greater market competition, but this did not occur.

Scaling down the project to a more manageable scope could mitigate this risk and provide much-needed relief to the Council, which is already grappling with serious financial challenges and is clearly struggling. The community wants regeneration but not in this form. Already, draft proposals have been reviewed that would preserve most existing properties while increasing the provision of

affordable and social housing, achieving the required density, and incorporating essential transport infrastructure, such as a new railway station. These options offer a more sustainable and financially viable solution that merits serious consideration.

Conclusion

Overall, the Council's financial situation and capacity to support the Ladywood Regeneration Project presents significant financial and operational risks. While regeneration in Ladywood is undoubtedly needed, it should not come at the cost of effectively erasing much of the area, repeating the mistakes documented by Canon Norman Power in his 1960s book 'The Forgotten People'. The current book being written about the Ladywood Regeneration must show that lessons from the past have been learnt. In its current form, there is a real concern that the project could place additional strain on the Council's financial resources while delivering limited benefits to the City. We strongly urge a formal review of the project and the exploration of alternative proposals that represent a more efficient use of the Council's scarce resources. This includes assessing embodied carbon to ensure a financially and environmentally sustainable approach so that the interests of both Ladywood residents and the wider city are genuinely prioritised.

I respectfully request a formal response outlining how these concerns will be addressed moving forward.

Yours sincerely

George Smith
Also on behalf of Ladywood Unite
Ladywood Unite Volunteer
www.ladywoodunite.com