
ECONOMIC DEVELOPMENT, ENVIRONMENT AND INFRASTRUCTURE SCRUTINY PANEL

A meeting of the Economic Development, Environment and Infrastructure Scrutiny Panel was held on 11 April 2018.

PRESENT: Councillors Storey, (Chair), Arundale, Branson, Higgins, McGloin and Walters

PRESENT BY INVITATION: Councillor Sharrocks, Chair of Overview and Scrutiny Board

OFFICERS: P Clarke, S Lightwing

APOLOGIES FOR ABSENCE were submitted on behalf of Councillors Hussain, Lewis, Saunders.

DECLARATIONS OF INTERESTS

There were no Declarations of Interest at this point in the meeting.

17/38 **MINUTES - ECONOMIC DEVELOPMENT AND INFRASTRUCTURE SCRUTINY PANEL - 14 MARCH 2018**

The minutes of the meeting of the Economic Development and Infrastructure Scrutiny Panel held on 14 March 2018 were taken as read and approved.

A Panel Member requested a copy of the first draft of the Review of Car Parking, as discussed at the last meeting. The Chair undertook to arrange circulation of the document to all Panel Members.

17/39 **HOUSING DELIVERY VEHICLES (HDVS)**

The Head of Planning presented information in relation to Middlesbrough's Local Plan and how housing linked into infrastructure.

The Local Plan was a statutory document which had to be prepared in accordance with the legislation in the National Planning Policy Framework (NPPF). Middlesbrough was one of the first Authorities to publish its Local Plan and have it adopted. The current NPPF was in the process of being reviewed by the Government and there was a strong focus on housing delivery for sustainable development, as well as supporting economic growth.

The Local Plan was a technical document rather than a promotional one, to support the Council's housing aims. The Local Plan had to be based on a robust evidence base and passed by an Inspector. Key to the evidence base was an assessed need for housing and identifying a range of sites. The Council had to maintain a 5 year deliverable land supply and identify specific, developable sites for at least a 10 year period, preferably 15 years. Middlesbrough's current Local Plan looked forward from 2012 to 2029.

If the Council was unable to demonstrate a 5 year land supply, Developers would be able to dictate where new housing was built and the Council could lose control over applications. Not only where new developments were built but also the quality of new developments and any Section 106 agreements.

The Local Plan set out type, size and mix of housing as well as the design and layout. In Middlesbrough there was a 15% Affordable Housing Requirement, meaning that 15% of housing on all sites had to be classed as affordable. The Government was in the process of changing the definition of "affordable" to make it much wider and include private rented properties and lower value properties in that definition. Given the way the market was in Middlesbrough, there would be more potential for affordable housing going forward than under the previous definition.

Consideration also had to be given as to what infrastructure was required to support housing, not only within the site itself, but around it. For example: highways, transportation, open

space, sports provision, education, water and drainage. Although it was very difficult to project 10 to 15 years in advance, it was important to try and make provision. The Council also tried to bring transport solutions forward to ensure housing developments succeeded.

In terms of how housing need was identified within the current Local Plan, there was a solid evidence base which covered space, design, housing, employment and education, among other factors. The Strategic Housing Market Assessment looked at the overall number of houses needed in the Borough. Middlesbrough had been identified as a self-contained housing market area, and did not include neighbouring authorities. Ministry of Housing, Communities and Local Government (MHCLG) household growth projections, based on Office for National Statistics (ONS) population projects were used as the starting point for the Assessment. Adjustments based on known local factors affecting the projections, future jobs forecasts and market signals were factored into the calculations. The Objectively Assessed Need (OAN) in the current Local Plan was 410 dwellings per annum (net minimum).

In 2012 Middlesbrough's Local Plan was based on a scenario of a static population to meet its own population needs in terms of growth. Two elements made up population growth: natural change, for example, births and deaths; and migration both inwards and outwards. The strategy of the Local Plan was based on zero migration. Whilst Middlesbrough had a steady natural increase, it had a greater outward migration than inward. The inward migration tended to be international migrants, whereas the outward migration tended to be economically active people. People had migrated out because the housing product they required was not readily available at that time. The strategy had been successful in retaining that population.

The next task was to identify where the houses needed to be. The Local Plan Proposals Map showed where the sites were to support the growth figure in terms of housing requirements from 2012 to 2029, which was 6,970 dwellings. This figure was based on 410 dwellings per annum. 850 houses were already built or in the planning system. A significant contribution of housing requirements had been identified to the south of the town in areas such as Stainton and Nunthorpe. At the same time, regeneration in the north of the town, in areas such as Acklam Green, Gresham and Middlehaven, needed to be supported. It was a balancing act to achieve both by looking at ways of using the housing development in the south to support regeneration in the north of the town. An HDV was one tool that could be used to drive forward housing developments in those areas that Developers were not interested in. The Council could use its own housing delivery vehicle in such an area, to produce something to support housing strategy in the Local Plan.

The Local Plan identified the sites and the minimum number of units that should be delivered. Masterplans showed site relationships in more detail for example, where the houses were positioned, design, quality, access points and road widths. Areas for open space were also allocated, and policies within the Local Plan could specify areas that needed to be protected, for example for education provision in the future.

From 2012 to 2029 Middlesbrough had identified an allocation of 7538 dwellings. (The 5500 figure in the Investment Prospectus did not include 2038 houses which would be built between 2017 and 2029). In order to allow for delays in sites coming forward, or the projected house numbers not being built, there was an additional 10% allocation to allow flexibility.

Having an HDV could speed up delivery. On a site with one Developer you would expect 35 houses to be built per annum, with two Developers 50, and with 3 Developers approximately 75. Some sites delivered more quickly and an example was given of the site of the old Middlesbrough Teaching Learning Centre, where Gleeson's were delivering about 55 houses per annum. The site was proving very popular in meeting market demand. Sites at Stainsby and Brookfield were also delivering 40 to 50 houses per year which was significantly above what had been planned for. In total approximately 500 houses per year were being built which was significantly higher than the 410 figure so the challenge for the Council was to ensure that the sites it owned were being brought forward to meet that level of growth. One of the key things about an HDV was that it could bring greater variety and high quality developments on sites that Developers were not interested in.

From a planning perspective an HDV had a number of advantages to assist in delivering the

Council's strategy more effectively, raising the design agenda and building houses where they were required. Including post-2019 there were almost 9,500 in the Local Plan. This did not include any potential windfall sites which might come forward and were not allocated in the Local Plan. At the present time Middlesbrough had a 7 year land supply which was unusual for a Local Authority.

As part of the Local Plan an Infrastructure Delivery Plan was produced which looked at the requirements to support the Local Plan proposals including: open space, affordable housing, transport, highways, education, utilities and community facilities. Consideration was given as to how critical these requirements were to the development, the likelihood of the development, funding sources and the impact if it was not delivered.

Infrastructure tended to be delivered and funded in numerous different ways. An example was given of any roads which were essential to the planning application being funded by a Developer. Section 106 agreements or financial contributions could be required from the Developer for off-site infrastructure works, as part of the planning application. This tended to be highways improvements and education contributions. Other funding sources included the Council, Government and Homes England.

As part of the current Local Plan, it had been identified that two new strategic local roads were required to deliver housing in the south of the town. However, it was also critical to identify when those roads were required. If they were not built at the appropriate time, planning applications might be refused because the infrastructure was not there. Therefore efforts were made to assess when housing would come forward and try to programme when infrastructure needed to be in place.

It was also difficult to project the education requirements for new developments. Children's Services would make assessments on their education requirements but due to parental choice, academies etc, it was very difficult to predict over the long term. Within the Local Plan, provision had been made for where those facilities could be provided. Where a Section 106 Agreement was required on a large development, the fees were usually phased and the money usually had to be spent within 5 to 7 years from receipt of payment. Since the Section 106 Agreement was for the life of the development, it would increase by the rate of inflation. Developers therefore sometimes wanted to pay the contribution early. Children's Services would decide whether a new school was required or improvements to existing facilities should be made.

All planning applications assessed the impacts on the existing transport system. If it was established that a new housing development would have an unbearable impact on the highway network, either the cost of mitigation could be met by the Developer, or, the site would not be allocated for housing. Each application required an assessment to show the impact. The Local Plan was reviewed every 5 years and infrastructure requirements were taken into account and based on best assessments and the individual sites coming forward. If those impacts changed, just because a site was allocated it did not always mean planning permission would be granted.

With a HDV it was likely that the Council would concentrate on sites that it owned. Developers generally worked on the principle of paying 20% land owner costs and making 20% profit. If the infrastructure costs pushed the value above those margins, the Developer would say the site was not viable. The infrastructure costs would generally get squeezed from the land owner's value rather than the profit. A HDV did not have the profit or land owner costs to meet so the opportunity was there to invest more in sites in terms of the facilities, open spaces, and scale and size of the properties.

New houses were generally about 30% smaller now than those built in the 1970s. A HDV would provide an opportunity to build a bigger unit which would be more marketable. Another policy objective of a HDV could be affordable housing. The current requirement on new developments was 15% affordable housing. The requirement for affordable housing across the Borough had been identified as 45% but in reality, sites could only support a 15% contribution and remain viable. Again, using an HDV, 45% affordable housing could be a figure to aspire to.

It was highlighted that when the Local Plan was drafted, Middlesbrough's population was being lost to neighbouring areas. However, feedback from Developers of one site in Middlesbrough was that about 60% of people moving into the new houses were from Middlesbrough. A HDV would give the Council an opportunity to meet the needs of the wider population rather than specific sub set.

With a HDV there was also an opportunity to develop housing that addressed issues of sustainability and environmental impact. Some Councils had been able to build houses which were passive or carbon neutral, so had no impact on the environment. These houses were relatively cheap to buy and offered a model of good practice and good design, which in turn engendered a culture to improve standards.

Other Local Authorities were now getting their Local Plans adopted and Middlesbrough would have to compete with sites which, in marketing terms, were more desirable. Middlesbrough needed to look at other areas and developments and work out how to make its sites more attractive to Developers.

A HDV was an opportunity to introduce uniqueness. It still had to make a profit to re-invest but there was an opportunity from the outset to design in a way that was sustainable and use high quality materials. Quite often people just wanted to buy a house which was a basic box, was affordable, and had its own garage, as well as good schools nearby. Education provision was a big driver and people would pay more for a house where they could access a good school.

A key challenge facing the Council going forward was how to meet housing need with the land available and regenerate areas. New office developments, the Snow Centre, Middlehaven development would all drive up the need for housing in the urban area. Developer interest in those areas was quite low, so a HDV could go into those areas where Developers would not take the risk. A HDV had a significant role in not just delivering houses but delivering high quality housing and acting as a catalyst for further development.

Reference was made to the Urban Pioneers Scheme in Middlehaven and whether the project would be expanded. It was confirmed that one of the priorities in Middlehaven was finishing off the park to create the "heart" of Middlehaven and linking it with the town centre. Again, this was an area where Banks and Developers were not keen to invest but a HDV could take some of that risk.

With regard to consultation with neighbouring Local Authorities, as part of the Strategic Housing Market Assessment the Council had to identify a housing market area. The previous assessment had been carried out across the Tees Valley, however the current assessment only looked at Middlesbrough. This was due to the fact that Stockton and Redcar and Cleveland were still preparing their own Local Plans and had only identified their own areas. However, there was a statutory responsibility for Local Authorities to co-operate on issues including housing and transport infrastructure. A lot of traffic passed through Middlesbrough on the way to other areas of the Tees Valley. Local Authorities could object to each other's planning applications on highways grounds but did not have the right of appeal. It was noted that good relationships existing with neighbouring Authorities in terms of planning. The Tees Valley Combined Authority also considered transport at a strategic level and factored housing into their discussions. Some discussion had taken place regarding the possibility of a Park and Ride Scheme at Nunthorpe in consultation with Redcar and Cleveland Council.

At the last meeting, the Panel had received information about other Authorities who had their own HDVs and had been strongly advised that selling land to a third party was not a good way to do it. The Head of Planning stated that the most important thing when setting up an HDV was to be clear about the required objectives. Once the HDV was successful there would always be an opportunity to diversify. An HDV could help with social regeneration and the Investment Strategy by looking at city scale development. The new town centre office development and Snow Centre would make these areas more attractive for people to live. Another issue was accommodating cars outside houses without destroying the street-scene. On street parking had to be available but with a good quality design.

A HDV could drive this agenda because someone needed to take the first step. If it was a success, other people would invest in the area.

AGREED that the information was received and noted.

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ANY OTHER URGENT ITEMS WHICH IN THE OPINION OF THE CHAIR, MAY BE CONSIDERED.

OSB Update

The Chair gave a verbal update on items discussed at the Overview and Scrutiny Board meeting held on Tuesday 10 April 2018.

Scrutiny

As this was the last meeting before the Annual Council Meeting, the Chair thanked all present for their contributions during the last Municipal Year. It had been proposed that, for next year, the Economic Development and Infrastructure Scrutiny Panel would merge with the Environment Scrutiny Panel. The Chair suggested that at the first meeting of the new Panel there could be a review of the work of both Panels during past year, as well as discussion about the work programme for 2018-2019.

NOTED