

Report of:	Executive Member for Regeneration Executive Member for Finance and Governance Director of Regeneration and Culture Director of Finance
Submitted to:	Executive
Date:	12 July 2022
Title:	Strategic Housing Site Disposals - Part A
Report for:	Decision
Status:	Public
Strategic priority:	Physical environment
Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £150,000 and have a significant impact in two or more wards
Urgent:	No
Why:	

Executive summary

The report is about the disposal of sites in South Middlesbrough, which are allocated in the Housing Local Plan (2014), in accordance with the Council's Asset Disposal Process, and to inform Executive of the next steps to take these sites to market.

The development of the identified sites will bring surplus, vacant and underutilised Council held assets into far more beneficial use in the future – creating new communities and high quality places.

The disposal of the subject parcels of land is recommended in order to meet the Council's requirements to generate capital receipts, increase annually recurring revenue streams and, as the value of the individual sites exceeds £150,000, is a key decision.

There are significant implications of any options that involve the Council not disposing of these sites for housing development. The overall integrity of the 2014 Local Plan depends

upon the land supply identified within it being made available, and the Council would be open to significant challenge from the housebuilding industry if it were seen to constrain land supply.

The implications of the recommendations of Part B of this report have been considered by the appropriate officers of the Council and are set out in the main body of this report.

Purpose

1. To seek Executive approval for the disposal of sites in South Middlesbrough, which are allocated in the Housing Local Plan (2014), in accordance with the Council's Asset Disposal Process, and to inform Executive of the next steps to take these sites to market.

Background and relevant information

2. Middlesbrough's population has grown in recent years, as the number of new developments has increased and the wider housing offer has started to improve. Despite Middlesbrough's modest growth the housing offer in the town lacks key types of products that would allow the area to keep pace with national demographic trends.
3. There is strong continued demand for new homes in Middlesbrough and as such the town requires a significant supply of new housing development over the next decade.
4. The Elected Mayor of Middlesbrough has a stated ambition to attract an additional four thousand people to live in the town centre in order to boost businesses and increase vibrancy. The Urban Living programme will fulfil the needs of more aspirational (predominantly young) people, who prefer to live near to their place of work, cultural and leisure opportunities, bars, restaurants and transport hubs, but it must be part of a balanced housing offer across the town.
5. Many residents aspire to own a new home for a variety of lifestyle reasons, including the post pandemic desire for more spacious properties. This puts pressure on Middlesbrough's housing markets and consequently, new developments are required to satisfy the demands of an increasingly aspirational population.
6. The development of new housing is a key component of the Council being able to set a sustainable budget, as the capital receipts from housing sites, along with the subsequent Council Tax are the key components of the Medium Term Financial Plan. For this reason, any proposed housing site disposal would ensure that house builders were unable to "land bank" sites.
7. Ensuring that the right mix of housing is developed and delivered at the most appropriate time is vital to continuing the levels of service delivery required by residents across the town, whilst also achieving balance in the market to create neighbourhoods that will provide valued homes for future generations in the town.

Bringing Allocated Sites Forward for Sale and Development

8. The approach to developing future housing in Middlesbrough is based on the following objectives:

- a) providing quality homes that improve living standards;
 - b) providing homes that meet local need, based on thorough community engagement;
 - c) continuing modest population growth to support the wider aspirations of the Town;
9. When selling land to facilitate housing development there are a number of objectives the Council needs to balance. These include:
- a) securing genuine placemaking, in line with community aspirations;
 - b) achieving quality and maximising the potential for green spaces and environmental sustainability;
 - c) minimising the impact on the town's infrastructure;
 - d) ensuring house builders can't "land bank" sites;
 - e) delivering housing units quickly;
 - f) maximising the capital receipt achieved; and,
 - g) maximising Council Tax.
10. Depending upon the site and the circumstances, the balance may shift more towards one particular objective or approach, but all would remain relevant to each disposal decision.
11. The Council's approach to housing site disposals is based on maximising capital receipts through 'de-risking' sites by:
- a) undertaking Public Open Space and Land Appropriation process;
 - b) undertaking ongoing community engagement / consultations;
 - c) undertaking site investigation works to assess ground conditions;
 - d) developing design guidance or masterplans to control the end product;
 - e) applying for outline planning permission to establish key principles; and,
 - f) marketing the site competitively.
12. Sites are brought to the market in a way that balances market capacity and demand, secures best value capital receipts, ensures quality place making and balances construction and infrastructure requirements. Sites are normally disposed of via an open market sale using a formal tender process, however a small number of alternative disposal options occasionally present as more lucrative approaches due to the size and nature of a particular site.
13. If the recommendations of Part B of this report are approved, the sites will be marketed and further reports will be presented to Executive seeking approval for a sale to a preferred developer.

Community Engagement

14. Developments in the south of the town are necessary to meet the towns housing needs. However, the development of sites in this area can be very sensitive, and need to be brought forward with a programme of thorough community engagement.
15. The sites allocated within the approved 2014 Local Plan will be brought forward in a way which involves major opportunities for residents to be actively engaged in the future design of sites at an early stage and also ensuring a greater emphasis can be put on

place making and delivering quality schemes. This will include engagement with local representative organisations, parish councils, and interest groups such as the Middlesbrough Alternative Planning Partnership.

16. Extensive community involvement will also be a feature of the process to develop the next iteration of the Local Plan.

South Middlesbrough – Allocated Housing Sites

17. The 2014 Housing Local Plan allocated three Council owned greenfield sites for development in the south of the town of a size and quality to sufficiently address the identified gaps at the upper end of the housing market and meet buyer aspirations. Site plans are attached as Appendix 1

Hemlington North (1.7 acre allocated site – 25 to 30 units)

18. Located at the junction of Stainton Way and the B1365 on the fringes of urban Middlesbrough, the site totals approximately 0.7 hectares in size and is predominantly laid to grass.
19. The site constitutes the north eastern most tip of the wider, Hemlington Grange site, which is identified in the Middlesbrough Housing Local Plan (November 2014) as a strategic urban extension.
20. Hemlington North is considered appropriate for approximately 25 to 30 affordable residential dwellings with vehicular access to the site to be provided from Hemlington Village Road.
21. Hemlington North was initially earmarked for development by the Council's Housing Company, MHome (now Middlesbrough Development Company) but, following MDC's change in direction (to facilitate Urban Living), it is proposed that the site will be marketed.
22. In preparation for the proposed disposal to MHome, site investigations were undertaken and design guidance has been produced and consulted upon.

Next Steps

23. If the Executive approves the recommendations of Part B of this report, disposal of public open space and land appropriation processes will be undertaken, prior to the site being marketed for sale.
24. An Asset Disposal Business Case is appended to Part B of this report.

Hemlington Grange South (17.6 acre allocated site – Circa 150 units)

25. The 7.05 ha site is located towards the southern fringe of Middlesbrough and is considered appropriate for 130 to 150 dwellings. The site constitutes the south eastern most section of the wider Hemlington Grange site, which is allocated in the adopted Middlesbrough Housing Local Plan (November 2014) as a strategic urban extension comprising 1,230 dwellings and 8 ha of employment land. To date detailed planning permission has been granted for 981 dwellings of which over 400 have been built.

26. Vehicle access shall be solely through the Hemlington Grange site to the north, which has already been constructed to the site boundary. No vehicular access will be permitted from the B1365.

27. Housing Local Plan Policy H23 requires that the site should be developed for three and four bedroom detached and semi-detached houses and Design Guidance has been consulted upon and adopted.

Next Steps

28. If the Executive approves the recommendations of Part B of this report, site investigations will be undertaken, Public Open Space and Land Appropriation processes will be commenced and outline planning permission will be sought before carrying out an open market disposal process.

29. An Asset Disposal Business Case is appended to Part B of this report.

Newham Hall (175 acre allocated site – at least 1,000 units)

30. Located at the southern edge of suburban Middlesbrough off the B165 between Hemlington and Stokesley the 71 hectare site is the Authority's most strategically significant housing site with a capacity for at least 1,000 dwellings. It is anticipated that this site will attract significant interest from a number of national and regional house builders.

31. The land was farmed under an agricultural tenancy, which was terminated by Middlesbrough Council April 2018. Lettings of the land continue under a Farm Based Tenancy, which has a short termination process and does not subject Middlesbrough Council to any further compensation claims.

32. The development of this site will significantly contribute towards the delivery of the MTFP and will improve Middlesbrough's overall housing offer; ensuring there is sufficient supply of high quality housing which will prevent out migration, meet housing need and support Middlesbrough's overall economic growth.

33. For a site of this size, which is expected will be delivered over the next 10 to 15 years, a masterplan and design code will be developed, in consultation with the community, to establish the principles of design and parameters of place making.

34. The vision for this site is that of a development largely comprised of 3 and 4 bed family housing in a high quality landscaped setting, taking advantage of the numerous woodlands within and on the edge of the site. This will be complemented by a primary school and community open space, creating a new, high quality neighbourhood with an enhanced education offer in the Coulby Newham ward.

35. Marton West Beck will form a green asset that is part of a network of green recreational and wildlife corridors linking into the wider network connecting into the town centre. The residential area will also benefit from an internal network of green infrastructure links combining footpaths and cycleways in a landscaped setting connecting neighbourhoods within the development.

36. Despite its size, and the presence of competing sites, professional advice indicates that there is room in the market for the site to be brought forward at this time. A site of this

scale will have a two to three year lead in for delivery, which provides a buffer to allow any negative shifts in the housing market caused by macroeconomic factors to be absorbed.

37. For a large, strategic site of this nature it is appropriate to engage specialist advice from a consultant with experience of bringing forward multi-phased residential sites. The initial part of the commission will be to build upon an initial option appraisal undertaken by Knight Frank, which will ensure that the Council will maximise the capital receipt from the sale of the site, and deliver a disposal programme that is well paced and market facing.
38. The disposal and marketing strategy will require consideration of a number of technical and professional components and will therefore be developed as this information is collated during the outline planning process rather than expressed prior. The proposed disposal route will consider delivery constraints, need, cost and delivery mechanism for primary infrastructure works, responses to soft marketing testing, a profile of the likely quantum and timing of developer contributions and an understanding of the high level site wide viability.
39. The marketing and disposal strategy will cover internal client related matters concerning procurement, subsidy control and best value, together with legal matters associated with contractual structures that protect the Council's interest. The document will set out the strategy for avoiding price "chipping", minimising the conditionality of bids and driving the timescale for delivery. It will cover the evaluation of bids and how to use that process to deliver the Council's objectives. Critically the marketing and disposal strategy will propose an evidence-based approach to the phasing based on the findings from all of the related work streams as outlined here.

Next Steps

40. If the Executive approves the recommendations of Part B of this report, Public Open Space and Land Appropriation processes will be progressed, site investigations will commence, a masterplan will be developed in consultation with the community, and the preferred route for disposal will be determined.
41. The recommendations of Part B of this report will seek approval for delegated authority to be granted for the Directors of Regeneration and Finance to agree the preferred route for disposal following consultation with the respective Executive Members.
42. An Asset Disposal Business Case is appended to Part B of this report.

What decision(s) are being recommended?

43. The following is asked of Executive:
 - a) that the information contained in Part A of the report be noted; and,
 - b) that the decision be taken once all the financial or exempt information contained in Part B of the report has been considered.

Rationale for the recommended decision(s)

44. The development of the identified sites will bring surplus, vacant and underutilised Council held assets into far more beneficial use in the future – creating new communities and high quality places.
45. The three Council owned sites are critical to the supply of land for housing development and are in turn critical for supporting economic growth in the town and the delivery of Council services.
46. The disposal of the subject parcels of land is recommended in order to meet the Council's requirements to generate capital receipts, increase annually recurring revenue streams.
47. With interest in Middlesbrough's sites strong, and a buoyant property market nationally, it is timely to bring these three sites forward for development, to ensure that the maximum capital receipt is achieved and that the Council's MTFP is delivered.
48. Middlesbrough's housing offer needs to keep pace with the demands of the market. The release and development of these sites will allow that to be achieved; stemming outward migration and making Middlesbrough a desirable place to live, with a quantity of residential properties that will address the requirements of a changing, growing and evolving population.
49. Furthermore, these sites are allocated in the 2014 Local Plan and must be brought to market to avoid the Plan being compromised, and potentially challenged by developers if the Council are seen as constraining the overall land supply.

Other potential decision(s) and why these have not been recommended

50. The recommendations of Part B of this report seek Executive approval for the disposal of sites in South Middlesbrough, which are allocated in the Housing Local Plan (2014). There are significant implications of any potential decisions that would result in the Council not disposing of these sites for housing development. The overall integrity of the Local Plan depends upon the land supply identified within it being made available, and the Council would be open to significant challenge from the housebuilding industry if it were seen to constrain land supply.
51. The Council's approach to housing site disposals is based on maximising capital receipts by 'de-risking' sites by undertaking site investigation works, producing design guidance or masterplans, gaining outline planning approval and competitively marketing sites. The Council could elect not to 'de-risk' the sites prior to marketing, but it would result in a reduced capital receipt.
52. The proposed disposals identified above represent the most advantageous route for that site, based on the information currently available.

Impact(s) of the recommended decision(s)

Legal

53. The Council will follow the relevant legal processes when disposing of sites, the nature of which will depend on the presence of any existing designations (such as allotments or public open space).

54. The process of disposing of sites requires significant input from Legal Services and Procurement, as the process is inherently contractual in nature and the Council needs to achieve Best Consideration in respect of any asset disposal.

55. The disposal process has various steps within it that tie in with Council governance processes (such as the use of Asset Disposal Business Cases), and these will be observed accordingly.

Strategic priorities and risks

56. The recommended decisions of Part B of this report are consistent with the strategic priority for the Physical Environment to work closely with local communities to protect our green spaces and make sure that our roads, streets and open spaces are well-designed, clean and safe.

57. The following high level risks identified in the Strategic and Directorate Risk Registers, will be reduced as a consequence of the market intervention enabled by the recommended decisions of Part B:

- a) O1-005 - If poor economic growth occurs, then this will reduce public and private sector investment in the town, including town centre retail, housing development and business.
- b) O1-045 – If the Housing Programme does not meet the projected targets then this can have a negative impact on the assumptions within the MTFP.
- c) O8-059 - If incorrect assumptions are made in the MTFP this will result in a funding gap requiring further savings to be made.
- d) O1-029 - Insufficient Council Tax Band D+ properties are built to enable Middlesbrough to retain its economically active population resulting in further population decline and impact upon the MTFP.

58. The buoyancy of the overall housing market will always present an effect on the receipts achieved, and the timing of future Council Tax income coming on stream. The balance between the need to maximise value and secure receipts while market conditions remain good forms a key part of the decision around the nature and timing of these disposals, and are a key factor in reducing the overall risk to the Council's financial management.

Nutrient Neutrality

59. In March 2022, Natural England issued the Council with advice regarding development proposals with the potential to affect water quality resulting in adverse nutrient impacts on habitats sites. In accordance with the advice, which applies to all residential schemes of one dwelling or more, the Council's planning Service has placed a moratorium on planning decisions on all schemes within this scope, until the issues and required mitigation are better understood.

60. The timescales given in this report for the submission and approval of outline and full planning applications are subject to adequate and appropriate mitigation measures being established to enable the moratorium on planning decisions to be lifted.

Human Rights, Equality and Data Protection

61. The Impact Assessment, attached as Appendix 2, has concluded that the decisions recommended in Part B of this report would not have any disproportionately negative impacts on protected groups.

62. The proposed decisions do not involve the collation and use of personal data.

Financial

63. The sale of land for housing has a number of financial implications for the Council.

64. There will be costs incurred in the process of de-risking and marketing sites. As detailed previously, the investment in de-risking the sites seeks to maximise the capital receipt gained. These costs will be met from the approved Housing Growth Programme and De-risking Sites budgets, Should significant capital investment be required, for instance for the up-front provision of infrastructure, which exceeds the approved budgets, further Executive approval will be sought.

65. Capital receipts secured from the sale of housing sites are used to fund the Council's Capital Programme and the critical investments within it. These investments include 'business as usual' activity from periodic purchases through to investments in economic growth initiatives. The timing of the capital receipts secured is critical to the timing of the Council's proposed capital investments.

66. On the 13th April 2021, Executive approved an amendment to the Asset Disposal Policy to enable local communities to benefit from a Community Levy, when a Council owned asset is disposed within their locality above market value. In the event that an asset achieves a price in excess of the projected market value, 3% of the capital receipt will be made available for local community use for the ward in which the asset is located.

67. In addition to any deduction for Community Benefit, further capital deductions will also need to be made from the capital receipt of each site in lieu of S106 contributions due to the Council's position as landowner. Estimates of the sums applicable to each site are given in Part B of this report.

68. The Council's Medium Term Financial Plan is dependent upon the income achieved through the growth in Council Tax, secured from each housing site. This income funds a significant proportion of the Council's revenue spending, and the recent growth in housing numbers across the town has ultimately enabled key services to be protected. Further housing growth would continue to protect key services through a time of rising inflation. The anticipated unit numbers from each site have been factored into the housing trajectory projections.

69. The Council may also receive New Homes Bonus payments depending on the outcome of a consultation on the future of the bonus, from 2022/23 onwards, which considers options for reforming the programme to provide an incentive which is more focused and targeted on ambitious housing delivery.

70. Disposal of the land removes the Council's liability for future holding costs in relation to the responsibility for, and maintenance whilst it remains unutilised.

Actions to be taken to implement the recommended decision(s)

Action	Responsible Officer	Deadline
<u>Hemlington North</u>		
Market site	Project Manager	October 2022
Executive approval for Preferred Developer	Project Manager	February 2023
Full planning approval	Project Manager	June 2023
Legal completion	Legal	July 2023
First housing completions	Project Manager	July 2024
<u>Hemlington Grange South</u>		
Submit outline planning application	Project Manager	October 2022
Outline planning approval	Planning Committee	February 2023
Market site	Project Manager	February 2023
Executive approval for Preferred Developer	Project Manager	August 2023
Full planning approval	Project Manager	March 2024
Legal completion	Legal	March 2024
First housing completions	Project Manager	March 2025
<u>Newham Hall</u>		
Submit outline planning application	Project Manager	December 2022
Outline planning approval	Planning Committee	March 2023
Market site	Project Manager	April 2023
Executive approval for Preferred Developer	Project Manager	September 2023
Full planning approval	Project Manager	March 2024
Legal completion	Legal	April 2024
First housing completions	Project Manager	April 2025

Appendices

1	Site Plans
2	Impact Assessment

Background papers

Body	Report title	Date
None		