

<b>MIDDLESBROUGH COUNCIL</b>	
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<b>Report of:</b>	Director of Regeneration and Interim Director of Finance
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<b>Relevant Executive Member:</b>	Executive Member for Regeneration and Executive Member for Finance
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<b>Submitted to:</b>	Executive
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<b>Date:</b>	14 February 2024
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<b>Title:</b>	The Disposal of Land at Newham Hall for Housing
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<b>Report for:</b>	Decision
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<b>Status:</b>	Public
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<b>Strategic priority:</b>	Physical environment
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<b>Key decision:</b>	Yes
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<b>Why:</b>	Decision(s) will incur expenditure or savings above £250,000
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<b>Subject to call in?:</b>	Yes
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<b>Why:</b>	Non urgent report, placed on Executive work programme
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<b>Proposed decision(s)</b>
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<p>That Executive be asked to:</p> <ol style="list-style-type: none"> <li>a) approve the approach of Middlesbrough Council acting as the master developer for the Newham Hall site - being financially responsible for bringing the site forward for phased disposal and marketing without external intervention or support from Homes England;</li> <li>b) approve the use of the awarded Levelling Up Fund 2 (LUF2) and Towns Fund grants, Strategic Highways Section 106 (S106) Funding, other developer contributions and pre-existing Council capital funding of £4.129m dedicated to Housing Growth or other projects already contained within the current capital programme to unlock and derisk the Newham Hall housing site;</li> <li>c) provides Delegated Authority for the Director of Regeneration in respect of Public Open Space; and,</li> </ol>
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- d) provides Delegated Authority for the Director of Regeneration and Director of Finance for further amendments to the proposed disposal route.

### **Executive summary**

The site at Newham Hall is identified in the Local Plan (2014) for residential development. It is the Council's largest parcel of surplus land at 71ha. With 42ha of net developable land the site has capacity for approximately 1,000 dwellings (Appendix 1).

Although the land has not been marketed for sale, Middlesbrough Council has received two speculative offers for the land in the last three years. More recently, the Council received a Joint Venture proposition from Homes England and entered into an Exclusivity Agreement with them for the period December 2022 - September 2023.

Following assessment of these offers and insights from market research this report seeks approval for Middlesbrough Council to:

- progress with the disposal and marketing of the land independently rather than sell to a third party developer or through a Joint Venture with Homes England and
- to utilise LUF2, Towns Fund grant, Strategic Highways and S106 monies, other developer contributions and Council capital programme resources to undertake site derisking to ensure best consideration for the site at the point of sale.

The disposal of the 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 site exceeds £250,000 it is a key decision.

This report will seek continued delegated authority to be granted for the Director of Regeneration and Director of Finance to ensure a smooth and efficient disposal and delivery process to take place.

The implications of the recommendations 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. The purpose of this report is:
  - a) to detail the Council's preferred route for the disposal of Newham Hall;
  - a) to seek permission to utilise capital and grant to invest in specific infrastructure schemes to 'derisk' the site in order to maximise the capital receipt received by the Council. This will be complimented with the use of designated S106 monies; and,
  - b) to seek permission for Delegated Authority for decisions related to the disposal of the site.

### **Recommendations**

2. It is recommended that the Executive approves:

- a) the approach of Middlesbrough Council acting as the master developer for the Newham Hall site - being financially responsible for bringing the site forward for phased disposal and marketing without external intervention or support from Homes England;
- b) the use of the awarded Levelling Up Fund 2 and Towns Fund grants, Strategic Highways Section 106 Funding, other developer contributions and existing Council capital funding of £4.129m dedicated to Housing Growth or other projects already contained within the current capital programme to unlock and derisk the Newham Hall housing site;
- c) Delegated Authority for the Director of Regeneration in respect of Public Open Space and Land Appropriation process;
- d) Delegated Authority for the Director of Regeneration and Director of Finance for further amendments to the proposed disposal route; and,

### **Rationale for the recommended decision(s)**

3. This report contains financial information considered to be commercially confidential. Where reference is made to these figures, which relate to valuations and identifiable expenditure, specific reference will be provided to the confidential appendix – Appendix A, which accompanies this report. A series of supplementary papers support this report as Appendices. Two have been identified as confidential, as they provide descriptive rationale for the confidential figures.
4. The development of Newham Hall will bring an underutilised Council held asset into far more beneficial use in the future – creating a new community and a high-quality place.
5. Newham Hall is critical to the supply of land for housing development and is in turn critical for supporting economic growth in the town and the delivery of Council services.
6. The disposal of the subject parcel of land is recommended in order to meet the Council's requirements to generate capital receipts and increase annually reoccurring Council Tax revenue streams.
7. The development will produce in the region of 1,000 residential dwellings which will primarily be a mix of Council Tax Bands ranging from B to F. Modelling of the site indicates that upon completion this would generate additional Council Tax income of approximately £2.5m per annum on completion, based on current Council Tax levels.
8. Middlesbrough Council has received three offers for the land in advance of it being marketed for disposal. It is concluded that the presented offers do not demonstrate Best Value for Money (BVM) for the Council, with advice from external, independent property consultants, Knight Frank demonstrating that the Council would likely receive a higher residual land value than those offered.
9. It is proposed that Middlesbrough Council acts independently of third party involvement in disposing of this site. This approach allows the Authority to retain the greatest level of control and independence over the delivery of the site and the procurement of the necessary consultants. It will allow the Council to control the release of development parcels in a timely manner to ensure that the site's disposal is proportionate to market demand and avoid over

supply. It will also reduce the Council's reliance on third parties, protecting the Council from political or economic shocks.

10. Despite its size, and the presence of competing sites, professional advice provided by Knight Frank indicates that there is room in the market for the site to be brought forward at this time.
11. Installation of an electricity connection will allow the Council to derisk the site through increasing the accessibility of the parcels of land available for development, which will in turn expedite the delivery of housing numbers and income. Whilst this reduces risks and upfront investment requirements for developers it places the Council in greater control of the overall disposal allowing multiple phases and products to be developed simultaneously and preventing the site from stalling.
12. The commissioning of due diligence is in line with the Council's own policy to maximise capital receipts. A masterplan is a policy requirement as set out in the adopted Local Plan. It is a valuable tool in the planning and development process. The National Planning Policy Framework (NPPF) emphasises that good design is a key aspect of sustainable development, and that design guides (such as masterplans) should be prepared to provide clarity over design expectations and a framework for creating distinctive places with a consistent and high quality of design. Masterplans are used to ensure high quality schemes are delivered and in line with national planning push for developments to meet local standards of beauty, quality, and design. Poor quality and ill-thought-out developments are a real risk if there is no masterplan in place.

## **Background and relevant information**

### Planning Policy

13. The overall integrity of the Local Plan (2014) depends upon the land supply identified within it being made available. Following Executive approval in 2017 to terminate the Agricultural Tenancy, approval to dispose of the land was granted by Executive in July 2022 via the Asset Disposal Business Case process (Appendix 2 - Confidential).

### Housing in Middlesbrough

14. Middlesbrough's housing offer needs to keep pace with the demands of the market. The release and development of this suburban site will allow that to be achieved; stemming outward migration and making Middlesbrough a more desirable place to live, with a quantity of residential properties that will address the needs of a changing, growing and evolving population.
15. The development of new housing is a key component of the Council being able to achieve financial sustainability through growth in its tax base which generates increased Council Tax income. In addition, the capital receipts generated from sale of land, including housing sites, will support the delivery of the Council Plan and its Medium Term Financial Plan (MTFP).
16. This greenfield site sits in a strong market area, and coupled with a masterplan and outline planning permission it will be a site that generates significant developer demand.

17. It is likely that 3 and 4 bed detached properties will be popular in this suburban location and attract a decent sales price. Properties of this size will probably account for up to 75% of the total property mix with some smaller 2 bed properties (and possibly 1 bed units) accounting for 10 - 15% of the site and bungalows and larger executive homes (4/5 bed) making up the remaining 10 - 15% of the development. 15% affordable housing will also be provided on site.

#### Offers received to Date

18. Middlesbrough Council has received two direct offers from one developer, despite the land not yet being marketed for sale. Both speculative offers received in 2020 and 2021 were evaluated for best consideration using independent advice from Knight Frank and were subsequently declined by the Council.
19. The Council was advised that the offer made by the developer in 2020 did not constitute good value. Whilst it would have provided Middlesbrough Council with a lump sum and uplift over the following years it was deemed that the capital receipt received could be just 50% of the true market value. Their view was that if the Council was happy with the principle of the offer there would be several parties who would be interested in an outright purchase of the site with an overage agreement or promotion agreement; in excess of the offer made by the developer.
20. In 2021, an updated offer was submitted to the Council by the same developer. Knight Frank again concluded that the offer received did not constitute best value for money (BVM) for the Council, stating their belief that the net developable land value was far higher than the maximum value offered.

#### Homes England Proposal

21. Homes England entered into an Exclusivity Agreement with Middlesbrough Council in 2022. They offered to acquire the land from the Council with an upfront payment (Appendix A – Ref 1). This offer is based on agricultural land value, which was not considered by the Council to be the appropriate valuation due to the site being allocated to housing within the Local Plan and as such planning permission for a housing development would be granted by the Council.
22. Homes England's expectation was that Middlesbrough Council would contribute any relevant grant funding towards the scheme. The expectation would be that the £9.912m grant funding secured through the Towns Fund and Levelling Up Partnership would be contributed prior to any financial benefit being shared.
23. Homes England would undertake all of the infrastructure works and once they had recuperated these costs an unqualified overage payment would be provided to the Council.
24. Furthermore, Homes England's masterplan looked to deliver 940 homes on a site capable of delivering in the region of 1,000 units which would have reduced the Authority's long term Council Tax income.

25. The proposal included significant levels of site development and abnormal cost items that skewed the residual land value figure making some proposed development scenarios appear to be economically unviable.

### Land Valuation

26. The valuation figure listed on the Council's Asset Register was revised by Align in March 2023 (Appendix A – Ref 2). This valuation makes assumptions on the timeline for bringing phased land sales forward and the likely abnormal costs applicable to the development being proposed. This valuation therefore does not take into account the fact that the Council will undertake all of the works in an accelerated fashion.
27. Knight Frank provided the Council with a desktop valuation for the site in June 2022. The valuation determined that the site had a residual value (Appendix A – Ref 3), reflecting a net developable acre value (Appendix A – Ref 4). This valuation made no allowances for on and off-site infrastructure and abnormal development costs.
28. Knight Frank provided a further opinion (Appendix 3 - Confidential) on the value of the land (Appendix A – Ref 5) in light of the anticipated costs presented by Homes England, however this did not take into account the fact that the Council has significant grants available to undertake the infrastructure works. Additionally, the valuation was based on 940 units built as opposed to the anticipated number of 1000.
29. In each of the valuations above no consideration was given to the fact that the Council has £14.823m of externally provided resources to undertake the infrastructure works. When acknowledging these funds and the proposed Council capital funding the valuations can be inflated (Appendix A – Ref 6). Although, it does require factoring in that there are contingencies built into the cost assumptions so the enhanced valuations do require tempering down. It would be reasonable to assume (Appendix A – Ref 7) as the total value of the capital receipt to be achieved upon completion.
30. It is therefore the Council's considered view that Best Value would be achieved if the asset was marketed and disposed of without any third party involvement.
31. The current level of residential land value in the UK is linked to the overall state of the economy and confidence of direct and indirect customers actively investing in the housing market. The site will be subject to national market and economic trends with any significant shifts in supply and demand impacting on house prices and land value accordingly. Consequently, the market conditions and demand may require the Council to reduce or even halt development should the housing market stall. In these circumstances, the potential delivery of capital receipts and the flow of recurring Council Tax revenue may be affected. Whilst it is impossible to predict the future impact of market price levels of both land and houses, a proportional percentage reduction could be applied across the board to highlight the likely financial shift in the market if deemed necessary for the purposes of information – with this perhaps being presented as a sensitivity based estimate of values predicated upon a defined percentage range [i.e. 10% to 30%] and provided subject to future market conditions.

## Due Diligence

32. Partial due diligence has been undertaken by Homes England and further due diligence work will be completed during the derisking sites process. Whilst Middlesbrough Council does not feel that the estimates provided by Homes England are over inflated it does take an alternative view of the total cost. It is the Authority's view that a proportion of the stated abnormal costs would either be considered developer costs or interventions that Middlesbrough Council should seek to undertake with grant or capital funding to derisk the site and gain best consideration in terms of land value.
33. As part of the proposed Joint Venture, Homes England sought professional advice from consultants including Mace Consult Ltd, Ramboll and RPS in relation to the cost of infrastructure delivery. A detailed technical due diligence report has subsequently been produced and shared with the Council.
34. The report assessed various infrastructure and delivery costs, including access and movement, ground conditions and surveys, services and utilities, ecology, historic environment, landscape, views and arboriculture and those associated with nutrient neutrality, with the conclusion that £24.200m would be required to undertake all the required works.
35. The Council has reviewed these assumptions and deemed that elements, particularly the costs assumed for ecology, historic environment and landscape, views and arboriculture should be treated as costs that would be required to be borne by the developers. The total of these costs is £4.523m and can be deducted from the Homes England assessment of the abnormal costs that could be funded.
36. There are also costs within the Homes England report which the Council considers to be legitimate abnormal costs, such as drainage, services and utilities and ground conditions and foundations, that are expected to be met by the developer. Whilst these costs will be deducted from any capital receipt they can also be deducted from the Homes England assessment. The total of these costs is (Appendix A – Ref 8).
37. Upon its review of the Homes England report, the Council has however identified certain requirements that it will be required to undertake, such as marketing of the site, planning fees and masterplanning.
38. Taking all into consideration, the costs currently assumed to fully de-risk the site are £16.763m. These costs include contingencies of up to 10%. However, it is anticipated that the infrastructure works will be undertaken over a period of three years and in order to insulate against rising costs of construction, it is deemed appropriate that an additional 10% is added to the overall budget. This would bring the total requirement to £18.438m.
39. The impact on the highway network has been assessed using the authorities Strategic Aimsum Highways modelling. Due to uncertainty around the build out of the Stainton Way Western Extension (SWWE) at the Stainsby site the modelling has projected for a scenario whereby the SWWE is not developed. It was identified that the modelled area would be subject to a significant increase in congestion, lengthier journey times and increased queuing because of the development of the two housing allocations. As per the definition

within the National Planning Policy Framework these impacts could be considered as severe, presenting grounds for the refusal of planning consent. To offset detriment to the operation of the highway network, effectively returning the highway operating capacity to the base situation existent prior to the development of both housing sites, the modelling has highlighted the need for 8 mitigation schemes, two of which are a priority with costs for delivery to be covered by the overall proposed capital allocation to the scheme. Whilst the remaining six schemes are also needed they are not envisaged to be required until 2030 – 2040.

40. The total anticipated costs include (Appendix A – Ref 9) for the provision of the first two junction improvements schemes that are required to be delivered to support a planning application as per advice received from the Highways Authority.

### External Funding

41. In partnership with Redcar and Cleveland Council, Middlesbrough Council successfully bid for £4.812m from LUF2 for infrastructure funding to unlock the Newham Hall housing site. This capital only grant will deliver the South Middlesbrough Accessibility project which will see the delivery of a roundabout on the B1365 creating an access point into the southern aspect of the site and delivery of Phases 1 - 3 of the internal spine road. The opportunity to deliver the internal highway infrastructure in advance of housing development will address a potential coordination based failure based on the likelihood that the site will be brought forward by multiple housebuilders/developers. Furthermore, it will increase the capital receipt received for the site as the infrastructure requirements from developers are reduced.
42. On the 4<sup>th</sup> December 2023 the Towns Deal board approved an allocation of £5.100m from the Urban Living element of the Council's Towns Fund allocation to be utilised within the Newham Hall project. The use of these funds will ensure that the housing outputs required as per the conditions of the grant will be achieved.
43. The Council is in receipt of £3.500m Section 106 funding that is specifically provided for Strategic Highways within the area. There is an additional £0.897m of accrued developer contributions that can be attributed to the project.
44. The total amount of external funding attributed to the project is therefore calculated at £14.309m.

### Disposal Strategy and Rationale

45. Middlesbrough Council sought independent advice in 2020 to determine the best route to market. This outlined the need for a masterplan and design code and concluded that there were five viable options for the delivery and disposal of the site each with their own financial caveats.
46. The Council is advised that a site of this size would benefit from a phased disposal sales strategy which would allow the Council to regulate supply which in turn creates market demand. Through a controlled process of tender releases the Council will be able to control the quality of housing being delivered through the flow of planning permissions granted. The sale of the site on a phased basis would also provide the Council with opportunity to react to market changes and adopt a more flexible, controlled approach to the release or retention



of housing phases. Such an approach has the potential to generate greater income overtime as land values tend to increase over time.

47. Furthermore, this strategy would provide the Council with the ability to maintain control over the flow of recurring Council Tax revenue to a far greater degree than an upfront disposal to a single entity or developer would offer.
48. Importantly the approach would also deter land banking of a critical supply of land for housing development in Middlesbrough. Additionally, it would support the Council's wider strategic aims through quality placemaking with increased access to open space and green infrastructure.
49. Despite the size of the site 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, with plots ranging from 50 units to 300 units disposed of in a phased approach. The phasing will be determined through the development of a bespoke masterplan, supported by due diligence work, which will identify distinct parcels of land with consideration given to the scale and product offering, with each generating a differing net value.
50. In accordance with section 233 of the Town and Country Planning Act 1990 and under section 123 of the Local Government Act 1972(2A) a Public Open Space (POS) notice will be issued using a delegated authority to conclude the outcome of the process.
51. The disposal would be led by Valuations and Estates and predicated on an open and transparent tender based competition, designed to generate best consideration, with interested parties bidding competitively on the open market at regular planned intervals.
52. It would be reasonable to assume that a site of this size will be developed out over a ten year period. Assuming a commencement from the point of booking, procuring and installing the electricity supply the first phase of development could be released for sale with internal spine road, services infrastructure and an outline planning permission in place in 18 - 24 months' time. Follow on phases would come forward for marketing every 12 - 18 months thereafter assuming market conditions allow and that this strategy met the requirements of the Council.

### Infrastructure Requirements

53. Before bringing the site to market Middlesbrough Council will facilitate the upfront delivery of highway and electrical infrastructure.
54. The Highway Authority has advised that in sync with the proposed development timescales for Newham Hall the first two junction improvement schemes need to be delivered to support a planning application. The total anticipated costs include (Appendix A – Ref 13) for the provision of the first two junction improvements schemes that are required to be delivered to support a planning application as per advice received from the Highways Authority.
55. Delivery of the highway infrastructure improvement schemes will prevent infrastructure costs becoming the burden of other developments in the future and the possibility of those costs becoming prohibitive and creating unviable schemes that see housebuilding stymied and

developers relocating to another Local Authority boundary, compromising Middlesbrough's Council Tax receipt.

56. The upfront installation of the electricity provision will present the best opportunity for Middlesbrough Council to maximise the net capital receipt payable for the development and will allow for the site to be disposed of as serviced plots. Additionally, this approach will prevent the development of the site from being stalled and further support the rate at which the phases can be released to the market for sale.
57. It should be noted that the estimated infrastructure costs should only increase in line with inflation unless, for example, statutory requirements alter and the delivery of further costed items become necessary. The unknown rates of inflation may potentially have a negative impact upon the net offer received for development parcels over time.
58. National Highways are a Statutory Consultee and as such will need to be consulted on the proposed development and will need to assess the potential impact of the Newham Hall development on the Strategic Road Network. This may result in the requirement for a financial contribution or investment from MBC to National Highways. In the eventuality that this is required it is proposed that it will be agreed by Delegated Authority unless it amounts to a cost beyond the budget envelope approved for the overall housing scheme.
59. The scheme is likely to require Sustainable Urban Drainage system (SUDs) to attenuate the land to reduce risks from flood events. The responsibility for SUDs is currently placed with the developers, however, maintenance costs may pass to the Local Authority if they choose to adopt the land as open space.
60. Consultation is also underway on the Governments Flood and Water Management Act. Under Schedule 3 of the new proposals, local authorities will be required to adopt and maintain SUDs for new developments.
61. This cost will be fully understood once survey work has taken place to de-risk the site and when the Government either issues further guidance and/or legislates the proposals within the consultation on the Flood and Water Management Act.
62. Should the scheme be introduced ahead of any planning approval for Nunthorpe Grange, site specific costs will be presented to Executive once a preferred bidder is identified and formal approval is sort to dispose of the site.
63. As the Council is to seek outline planning permission before marketing the site s106 monies cannot be accrued from developers. Ordinarily capital deductions would be made from the capital receipt to address education, green infrastructure, local strategic highways and affordable housing. In this instance affordable housing will be delivered wholly onsite and land will be earmarked on site to accommodate future education provision as and when need and demand dictates. Capital will be made available for the longer-term investment in highways and green infrastructure as and when required. This will be achieved by a unilateral agreement or Memorandum of Understanding as part of the outline planning application. It should be noted that the emerging Local Plan may identify additional housing sites which may be required to provide financial contributions towards infrastructure improvements in the future.

## **Other potential alternative(s) and why these have not been recommended**

### Don't sell the land

64. This would result in significant financial implications for the Council, including no capital receipt and no Council Tax revenue growth. Failure to dispose of the land would be contrary to the Local Plan (2014). The overall integrity of the Local Plan depends upon the land supply identified within it being made available; the Council would be open to significant challenge from the housebuilding industry if it were seen to constrain land supply. Furthermore, this approach would result in significant abortive costs for the Council resulting from the due diligence work undertaken to date and the cost of legal proceedings relating to the farming tenancy.

### Sell the land as a whole now

65. Advice from Knight Frank highlights that this approach does not demonstrate Best Value for the Council. The approach would present a vastly reduced land receipt and there would be significant uncertainties around the timescales for delivery which could negatively impact upon Middlesbrough's housing supply and Council Tax income, especially as the land does not currently come with the benefit of an outline planning permission. To undertake this approach would also negate the Council's ability to spend the grants received, which further reduces the Council's net receipt.

### Sell the land without the benefit of outline planning permission or a masterplan

66. It is known that developers will pay for the benefit of a derisked site. Disposal without planning consent would prove financially and strategically detrimental to the Council and prove risky for developers, potentially leading to fewer than normal offers and at a reduced financial rate. A masterplan is a planning requirement for a site of this size. Without both the planning permission and masterplan the ability to manage development and competitively market the land would be significantly reduced.

### Install highways and electricity infrastructure using LUF2 and Towns Fund then sell the land as a whole

67. Whilst this option would derisk the site and provide benefit against the capital receipt it would be less so than the preferred option, as the potential exists to achieve a greater income over time as land values increase. This option also increases the risk of land banking and stagnating the supply of available homes.

### Enter into a JV with Homes England

68. Independent advice and professional analysis consistently draws the conclusion that the proposal to collaborate with Homes England on the disposal and delivery of the Newham Hall housing site does not present Best Value for Money for the Council. Under the terms of the payment mechanism proposed by Homes England, the Council would have only received a capital payment equating to 50% of the land value, further reducing the overall value of the Council's asset from the perspective of best consideration.

Accept Offer made by Independent Developer

69. Independent advice and professional analysis highlighted that both offers made not present Best Value for Money for the Council.

**Impact(s) of the recommended decision(s)**

***Financial (including procurement and Social Value)***

70. The total anticipated costs of £18.438m include construction contingencies and an additional allowance of 10% to protect against further inflationary cost increases. Building Cost Information Construction (BCIS) data is currently forecasting that inflation will add an additional 2.6% to costs to the period March 2025 and a further 4.0% increase from April 2025 to March 2026. Therefore, the proposed additional contingency is considered to be adequate based on the BCIS data.
71. The total cost to derisk the site in the medium term sits at approximately (Appendix A – Ref 14). £14.309m of which has already been identified from external funding sources.
72. The Council is required to provided £4.129m of its own funds in order to fully fund the delivery of this site. These funds already sit within the Council's approved capital programme.
73. £14.282m is available through grants and contributions that have been secured by the Council, therefore in order to fully undertake the required works £4.129m of Council resources would be required. The total project cost and funding availability is summarised within the Cost Category table (Appendix A – Ref 10).
74. In September 2023 the Council received confirmation from Tees Valley Combined Authority (TVCA), via a funding agreement, that £1.400m of Indigenous Growth Fund grant (IGF) was allocated to the Council to be utilised on the East Middlesbrough Community Hub project. This releases £1.400m of Council funding allocated to the project. It is proposed that these Council funds are transferred to the Newham Hall project to part fund the £4.129m Council requirement for the infrastructure works. This proposal does not increase the Council funding within the current approved capital programme.
75. The remaining £2.729m required Council funds can be vired from other projects from the approved capital programme without increasing the Council's overall commitment to the programme. Each of these projects are dedicated to Housing Growth, the table (Appendix A – Ref 11) demonstrates the potential availability within the project.
76. It is proposed that the remaining required £2.729m is funded as per the minimum funding highlighted within the table (Appendix A – Ref 11). However, should the roundabout at Nunthorpe Grange not be required, it is proposed that the £2.729m is transferred equally between the Housing Growth and De-Risking Sites budgets with any remaining budget being retained within the capital programme for future Housing Growth related projects. Any residual available funding relating to Middlesbrough Development Company will be removed from the approved capital programme.

77. Depending upon the need for roundabout at Nunthorpe Grange, the remaining available funding for future Housing Growth projects excluding any remaining balances available from funding committed to Middlesbrough Development Company ranges from £0.837m to £2.637m. This is prior to any uplift provided to the De-Risking Sites budget as part of the capital programme refresh.
78. There will be a requirement to undertake future works in respect of highways junction requirements. The total current cost estimate for these works is (Appendix A - Ref 12). However current traffic modelling suggests that the junctions will be required throughout 2030 to 2040.
79. Given the externally provided valuations, it would be realistic for the Council to expect total capital receipts of (Appendix A - Ref 7) upon completion of the sales.
80. The Council has received offers for the disposal of the site. The table below summarises the offers and compares against the anticipated receipt that the Council will achieve through the preferred method of disposal. The table (Appendix A - 13) demonstrates that the Council's preferred method of disposal significantly increases the net value of the capital receipt when compared to the offers received.
81. The table demonstrates that the Council's preferred method of disposal significantly increases the net value of the capital receipt when compared to the offers received, with an increased receipt of (Appendix A – Ref 14) when compared to the Homes England proposal.
82. It is intended to sell the site in parcels over the period of eight years. With the first capital receipt anticipated to be received towards the latter end of financial year 2025/26.
83. The disposal and development of this site will contribute significantly towards the delivery of the Council Plan and MTFP as the site will generate a significant capital receipt and reoccurring Council Tax income of circa £2.473m through Council Tax upon the completion of the development.
84. The recommended method for disposal of the site is designed to both maximise the value of the capital receipt and ensure that Council Tax receipts are achieved at the most optimum time.
85. The following table depicts the assumed house build rates and the full year effect of the annual increase in Council Tax throughout the course of the development.

**Table 1 – Assumed House Build Rates and Full Year Effect of Annual Increase in Council Tax Income**

	2026/27	2027/28	2028/29	2029/30	2030/31	2031/32	Future Years	Total
Number of Assumed House Builds	15	60	60	60	60	60	685	1000
Annual Full Year Effect Increase in Council Tax (£m)	0	0.037	0.148	0.148	0.148	0.148	1.842	2.473
Cumulative Full Year Effect Increase in Council Tax (£m)	0	0.037	0.185	0.334	0.482	0.631	2.473	

- 86. The Department of Levelling Up, Housing and Communities undertook a consultation in 2021 with respect to the New Homes Bonus (NHB) grant. They have subsequently paid one years growth but not yet indicated its continuation, however they have provided grant for growth in each of the subsequent years. Should this stance continue then the dwellings will contribute towards the net addition to the housing stock that is required in order to qualify for NHB grant payable.
- 87. 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, periodic purchases, and investments in economic growth initiatives. Failure to receive a capital receipt, from this site will stem economic growth and prosperity across the town. In July 2022 Executive approved the Strategic Housing Site Disposals report which included the disposal of this site.
- 88. It is recognised that development of the scale proposed for the site will result in impacts on local infrastructure, some of which is identified elsewhere in this report. In order to enable permission to be granted for any planning application it is important that mitigation is provided to address these impacts, this is usually provided through a S106 Agreement that accompanies any planning permission granted.
- 89. The Council as landowner and Local Planning Authority cannot be both signatories on such an agreement. It is essential therefore to enable the permission to be granted that the Council makes a formal commitment to delivery of the necessary infrastructure at the time that it is required.
- 90. A mechanism will need to be identified to enable this to happen. Without such a commitment in place planning permission will not be forthcoming. In this instance the required infrastructure will include:
  - a) affordable housing (to be determined, depending on whether this is provided on-site);
  - b) off-site highways/transport improvements and mitigation;
  - c) education;
  - d) green infrastructure; and,
  - e) community facilities.
- 91. It is not possible at this stage to identify the exact nature of the infrastructure requirements as these will be determined via the planning application process and will only be identified

through the proper assessment of the application including consultation with infrastructure providers and the community. This assessment will identify the cost (at current values) and timing for delivery of the infrastructure and the contribution required from development of the site.

92. On 13 April 2021, Executive approved the 'Community Benefit Arising from Asset Disposal' report. The report approved an amendment to the Asset Disposal Policy to 'facilitate local communities benefitting whereby a Council owned asset is disposed within their locality above market value'. If 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. As the most recent valuation held does not take the fact that the Council will be undertaking the infrastructure works, a revised valuation has been requested to reflect this.

### ***Legal***

93. 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).
94. 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.
95. 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.
96. The Council's governance processes will be observed accordingly throughout the disposal process.

### ***Risk***

97. The project will contribute towards the following strategic aims and objectives:
- a) Place - Securing improvements in Middlesbrough's housing, infrastructure and attractiveness, improving the town's reputation, creating opportunities for local 2 people and improving our finances; and,
  - b) People - Working with communities and other public services in Middlesbrough to improve the lives of local people.
98. 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:
- a) 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;
  - b) O8-059 - If incorrect assumptions are made in the MTFP this will result in a funding gap requiring further savings to be made; and,

- c) 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.

***Human Rights, Public Sector Equality Duty and Community Cohesion***

- 99. The Impact Assessment, attached as Appendix 4, has concluded that the decisions would not have any disproportionately negative impacts on protected groups.
- 100. The proposed decision does not involve the collation and use of personal data.

***Climate Change / Environmental***

- 101. As part of the Council’s drive to achieve net carbon and in line with One Planet Living, developers will be encouraged to implement energy efficiency measures in line with building regulations, and to reuse and source local materials and labour to reduce transportation impacts.

***Children and Young People Cared for by the Authority and Care Leavers***

- 102. The Impact Assessment demonstrated that this development presents no impact on children and young people cared for by the Authority and care leavers.

***Data Protection / GDPR***

- 103. The proposed decision does not involve the collation and use of personal data.
- 104. The Data Protection Impact Assessment is attached as Appendix 5.

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

Action	Responsible Officer	Deadline
The Council will commence the Land Appropriation	Project Manager / Director of Regeneration	February 2024
The Council will advertise its intentions to dispose of the land via a Public Open Space Disposal advert	Delegated to Director of Regeneration	February 2024
Masterplan consultant will be procured	Project Manager	March 2024
Hybrid Planning Application will be submitted for the road and the housing	Masterplanner	August 2024



Site will be marketed for sale via a formal competitive tender process	Valuation and Estates Manager	April 2025
Defray LUF2 money to install the onsite highways infrastructure	Principal Engineer	September 2025

## Appendices

<b>A</b>	Confidential - Commercially Confidential Figures
<b>1</b>	Newham Hall Redline Boundary
<b>2</b>	Confidential - Asset Disposal Business Case October 2023
<b>3</b>	Confidential - Knight Frank's Draft Appraisal September 2023
<b>4</b>	Newham Hall Impact Assessment
<b>5</b>	Newham Hall Data Protection Impact Assessment

## Background papers

Body	Report title	Date
Council	Middlesbrough Local Plan	November 2014
Executive	Strategic Housing Site Disposals	July 2022

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