

MIDDLESBROUGH COUNCIL

Report of:	Director of Regeneration and Interim Director of Finance
Relevant Executive Member:	Executive Member for Regeneration and Executive Member for Finance
Submitted to:	Executive
Date:	24 July 2024
Title:	The disposal of land at Hemlington Grange West
Report for:	Decision
Status:	Public
Council Plan priority:	A successful and ambitious town
Key decision:	Yes
Why:	Decision(s) will incur expenditure or savings above £250,000
Subject to call in?:	Yes
Why:	Non-urgent report, placed on Executive forward work programme.

Proposed decision(s)

To seek Executive approval to de-risk and dispose of the Hemlington Grange West site in accordance with the Council's Asset Disposal Process, and to inform Executive of the next steps to take the site to market.

Executive summary

Hemlington Grange West is a Council owned site of circa 20.05 acres (8.11 ha) and is currently identified in the Housing Local Plan (2014) as part of the Hemlington Grange mixed use allocation.

The site was originally envisaged as being a location for business use, but the outcome of an Employment Land Review has been determined that there is no demand in this location.

The site has subsequently been allocated in the Draft Local Plan 2024 for the development of approximately 170 dwellings and a new Local Centre.

This report seeks approval for the Council to progress the disposal and marketing of the land and to utilise funds within the capital programme to undertake de-risking of the site to ensure that the capital receipt is maximised.

The proposed residential development will bring a surplus, vacant and underutilised Council held asset into far more beneficial use, creating new communities and high-quality places. As well as improving Middlesbrough's overall housing offer, development of the land will also ensure that there is a sufficient supply of housing to meet need, preventing outward migration and supporting Middlesbrough's overall economic growth.

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 site exceeds £250,000 it is a key decision.

This report will also recommend that delegated authority is granted for the Directors of Regeneration and Finance to approve the outcome of the Disposal of Public Open Space and Land Appropriation processes.

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.

The appropriate asset disposal business case is appended but contains exempt information such as the sites current valuation.

1. Purpose

- 1.1 To seek Executive approval for the disposal of Hemlington Grange West, which is allocated in the Housing Local Plan (2014) and Draft Housing Local Plan (2024), in accordance with the Council's Asset Disposal Process, and to inform Executive of the next steps to take the site to market.

2. Recommendations

- 2.1 It is recommended that the Executive approves:
- a) the de-risking, marketing and disposal of the Hemlington Grange West housing site; and,
 - b) provides Delegated Authority for the Director of Regeneration and the Director of Finance, following consultation with the respective Executive Members, to approve the Public Open Space (POS) and Land Appropriation process.

3. Rationale for the recommended decision(s)

- 3.1 The development of Hemlington Grange West will bring a surplus, vacant and underutilised Council held asset into far more beneficial use in the future, creating a new community and a high-quality place.
- 3.2 With interest in Middlesbrough's housing sites continuing to be strong, the disposal of the subject land is recommended in order to meet the Council's requirements to generate capital receipts and increase annually recurring streams from Council Tax.
- 3.3 Middlesbrough's housing offer needs to keep pace with the demands of the market. The release and development of this site 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.

4. Background and relevant information

General Overview

- 4.1 Hemlington Grange West is a Council owned site of circa 20.05 acres (8.11 ha) and is currently identified in the Housing Local Plan (2014) as part of the Hemlington Grange mixed use allocation. A site plan is attached as Appendix 1.
- 4.2 The site was originally envisaged as being a potential location for business use, but the outcome of an Employment Land Review has been determined that there is no demand in this location.
- 4.3 The site has subsequently been allocated in the Draft Local Plan 2024 for the development of approximately 170 dwellings and an appropriately scaled Local Centre.

The site will provide a mix of dwelling types and sizes, including bungalows, that complements and enhances the choice and quality of housing in the local area.

- 4.4 Vehicular access for the site will be taken from Hemlington Grange Way, whilst incorporating access to the adjacent Holme Farm allocation for vehicles, pedestrians, and cyclists. Footpaths will also be provided to link into the wider network.

Project Status

- 4.5 Hemlington Grange West has been formally established as a Level 1 project, identifying the strategic importance to the Council. The Council's Programme and Project Management Framework (PPMF), underpins the achievement of its strategic objectives.

Housing Need

- 4.6 Demand for new homes continues to strengthen and the town requires a significant supply of new housing developments over the next decade to allow the town to keep pace with local demand and national demographic trends. Middlesbrough's Draft Local Plan, which has been informed by a Local Housing Needs Assessment (LHNA), identifies a requirement for the delivery of 400 net additional dwellings per annum between 2022 and 2041.
- 4.7 The LHNA identifies that the largest need is for three-bedroom properties but recognises that many households will aspire to larger dwellings with a higher number of bedrooms than the minimum requirement, for a variety of reasons but increasingly to provide a study for home working and retain economically active households.
- 4.8 The disposal of the Hemlington Grange West site presents an opportunity to provide the housing that people want in a popular location to prevent population decline, which is a major barrier to Middlesbrough's economic growth.

Financial Need

- 4.9 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 key components of the MTFP.
- 4.10 The residential dwellings envisaged will primarily be a mix of Council Tax Band C & D. Assuming an average of Band C, this would generate £0.358m of council tax income per year upon completion.

Next Steps

- 4.11 With approval to dispose, the Council will continue with the approach of maximising capital receipts through the 'de-risking' of the site by:
- a) undertaking Public Open Space and Land Appropriation process;
 - b) adopting Development Guidance that will establish design and development expectations;

- c) undertaking community engagement / consultations through the planning process;
- d) undertaking site investigation works to determine ground conditions;
- e) apply for outline planning permission to establish the principle of development; and,
- f) market the site competitively.

4.12 By adopting the above approach, it will allow the site to be taken to the market via a competitive disposal process that maximises the capital receipt and ensures quality place making.

Budget

4.13 A budget of £0.250m has been identified from the approved Housing Growth capital allocation to fund the outline planning application and the site surveys required to “de-risk” the site and maximise the capital receipt.

4.14 The stated capital allocation also includes a budget of £0.050m to address any issues arising from the planning requirement to achieve Bio-Diversity Net Gain.

4.15 Although unlikely, should any significant additional capital investment be identified through the de-risking of the site which exceeds the existing approved budgets, further approval will be sought before proceeding with the land sale.

Potential Ongoing Costs

4.16 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.

4.17 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.

4.18 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.

4.19 Should the scheme be introduced ahead of any planning approval for Hemlington Grange West, site specific costs will be presented to Executive once a preferred bidder is identified and formal approval is sought to dispose of the site.

5. Other potential alternative(s) and why these have not been recommended

Don't sell the land

5.1 This would result in an inability to realise a planned capital receipt and in ability to grow the council tax income base. Failure to dispose of the land would be contrary to the current and draft Local Plans.

Sell the land prior to de-risking the site.

5.2 Previous market and disposal advice for other sites indicates that this approach does not demonstrate Best Value for the Council. The approach would realise a reduced capital receipt and there would be significant uncertainties around the timescales for delivery as the land does not have an outline planning approval.

Sell the land without outline planning permission.

5.3 It is known that developers will pay for the benefit of a de-risked site. Disposal without outline planning consent would increase the risk for developers, potentially leading to fewer than normal offers and at a reduced financial return.

Sell the land without undertaking Due Diligence or adopting Design Guidance.

5.4 The Council's proven financial approach to housing site disposals is based on maximising capital receipts by 'de-risking' sites. This involves undertaking site investigation works, producing design guidance and gaining outline planning approval to competitively marketing sites.

Enter a Joint Venture

5.5 As the Council is the sole owner of the site and has the capital budget to fund the due diligence and outline planning application, professional analysis concludes that collaboration with external partners on the disposal does not represent Best Value.

6. Impact(s) of the recommended decision(s)

7. Financial (including procurement and Social Value)

7.1 The disposal of Hemlington Grange West will contribute towards the MTFP via the income achieved through growth in the Council Tax base. It will also generate a capital receipt that is required within the MTFP to support the future funding of the Council's Capital Programme and the Transformation Programme.

7.2 Council Tax income funds a significant proportion of the Council's revenue spending and the recent growth in housing numbers across the town results in permanent growth in the council tax base and increases this income stream which contributes towards the delivery of all Council services. It is anticipated that the development will be a mix of properties in Council Tax Bands C and D. Assuming an average Council Tax rating of Band C, the site is expected to generate additional Council Tax of £0.358m per year upon completion of the development. The table below depicts the anticipated build out rates of the units and the accumulated full year effect of additional Council Tax receipts.

	2027/28	2028/29	2029/30	2030/31	2031/32	2032/33	2033/24	Total
Assumed Build Out Rates	15	30	30	30	30	30	5	170
Accumulative Full Year Effect Of Council Tax Receipts		-£0.032	-£0.095	-£0.158	-£0.222	-£0.285	-£0.348	-£0.358

- 7.3 Should DLUHC determine the continuation of New Homes Bonus Scheme in the medium term, the additional 170 dwellings will contribute towards the net addition to the housing stock that is required in order to qualify for the receipt of new homes grant.
- 7.4 Hemlington Grange West is held on the Council's Asset Register. The approved Asset Disposal Business Case (ADBC) is attached at Appendix 2, however, exempt valuation information referring to the expected current use value per acre (*Ref A: Value per Acre, Exempt from Publication Appendix 3*), the total current use value (*Ref B: Total Value, Exempt from Publication Appendix 3*), the total value of the proposed disposal (*Ref C: Total Value – Proposed Disposal, Exempt from Publication Appendix 3*) and the value per acre of the proposed disposal (*Ref D: Value per Acre – Proposed Disposal, Exempt from Publication Appendix 3*) have been redacted. The redacted figures are contained within the table in Exempt from Publication Appendix 3. This information has been identified as exempt to protect the commercial value of the site in any future competitive sale process.
- 7.5 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. The MTFP includes planned capital receipts of £44.7m in order to fund planned capital investment in the capital programme and the Council's Recover, Reset Deliver Transformation Portfolio. This disposal contributes towards the achievement of the required funding.
- 7.6 Disposal and redevelopment of the site will support the objective of delivering economic growth and prosperity across the town.
- 7.7 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 financial mitigation is provided to address these impacts, this is usually provided through a S106 Agreement that accompanies any planning permission granted.
- 7.8 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.
- 7.9 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.

- 7.10 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.
- 7.11 On the 13th April 2021 Executive 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 more than 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.
- 7.12 There will be costs incurred to de-risk the site and the subsequent site marketing. As detailed, investment in de-risking sites seeks to maximise the capital receipt gained. The additional cost to de-risk the site, as set out in this report, is estimated at £0.250m.
- 7.13 If sites are not de-risked by the Council prior to selling, there is a risk that developers will bid significantly less than value of the site as they will take a prudent approach in respect of assessing risk. Therefore, by de-risking the site, the Council, whilst having to fund costs up-front, should benefit in the longer term through increased capital receipts.
- 7.14 All procurement exercises will be undertaken in compliance with Middlesbrough Council's Financial and Contract Procedure rules.

8. Legal

- 8.1 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).
- 8.2 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.
- 8.3 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.
- 8.4 The Council's governance processes will be observed accordingly throughout the disposal process.

9. Risk

- 9.1 The disposal of Hemlington Grange West for housing development project will contribute towards the following ambitions in the Council Plan 2024 to 2027:
- a) A successful and ambitious town – The disposal will help ensure that housing provision meets the needs and aspirations of the town's residents.

- b) Delivering best value – The disposal of the site will assist with the requirement to set a balanced revenue budget and Medium-Term Financial Plan by generating additional Council Tax and a capital receipt.

9.2 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.
- c) O1-029 - Insufficient Council Tax C and D properties are built to enable Middlesbrough to retain its economically active population resulting in further population decline and impact upon the MTFP.

10. Human Rights, Public Sector Equality Duty and Community Cohesion

The Impact Assessment, attached as Appendix 3 has concluded that the decisions would not have any disproportionately negative impacts on protected groups.

11. Climate Change / Environmental

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.

12. Children and Young People Cared for by the Authority and Care Leavers

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

13. Data Protection

The proposed decision does not involve the collation and use of personal data.

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

Action	Responsible Officer	Deadline
POS & Land Appropriation	Housing Officer / Legal Services	30/08/2024
Site Investigation Work	Housing Officer	20/10/2024
Development Guidance	Housing Officer / Consultant	25/12/2024
Outline Planning	Housing Officer / Planning / Design Services	03/04/2025
Market the Site	Housing Officer / Valuation and Estates	01/08/2025
Executive Approval to Dispose	Housing Officer	29/09/2025
Exchange Contracts with Developer	Housing Officer / Legal	02/01/2026
Legally Complete	Housing Officer / Legal	16/08/2026
Developer Starts on Site	Developer	19/09/2026
First Completions	Developer	14/09/2027

Appendices

1	Site Plan
2	Asset Disposal Business Case - Redacted
3	Exempt From Publication – Valuation Figures
4	Impact Assessment

Background papers

Body	Report title	Date
Council	Middlesbrough Local Plan	November 2014
Council	Middlesbrough Draft Local Plan	January 2024

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