

REPORT TO CABINET

05 June 2019

Subject:	Delivery of a comprehensive residential redevelopment at the Bescot/Friar Park, Wednesbury site
Presenting Cabinet Member:	Cabinet Member for Inclusive Economic Growth
Director:	Executive Director - Neighbourhoods - Alison Knight Director Regeneration and Growth – Amy Harhoff
Contribution towards Vision 2030:	
Key Decision:	Yes
Forward Plan (28 day notice) Reference:	SMBC04/05/2019
Cabinet Member Approval and Date:	Councillor Lloyd
Director Approval:	Alison Knight – Executive Director Neighbourhoods Director Regeneration and Growth – Amy Harhoff
Reason for Urgency:	Urgency provisions do not apply
Exempt Information Ref:	Exemption provisions do not apply
Ward Councillor (s) Consulted (if applicable):	Ward councillors have not been consulted
Scrutiny Consultation Considered?	Scrutiny consultation has not been undertaken
Contact Officer(s):	Tammy Stokes tammy_stokes@sandwell.gov.uk 01215694876 David Harris

DECISION RECOMMENDATIONS

That Cabinet:

- 1) Authorise the Director - Regeneration and Growth, in consultation with the Executive Director - Neighbourhoods and Director – Law and Governance and Monitoring Officer, to enter into an agreement with the West Midlands Combined Authority to develop a collaborative delivery approach to facilitate a comprehensive residential redevelopment of the Bescot/Friar Park site.
- 2) Receive a further report setting out the details of the agreed Master plan and proposed disposal strategy for the site as referred to in Resolution 1) above in the summer of 2020.

1 PURPOSE OF THE REPORT

- 1.1 This report sets out the details of an Agreement between the SMBC and the West Midlands Combined Authority (WMCA) to enable the parties to work together collaboratively to deliver a master-plan and disposal strategy of the Bescot/Friar Park site for comprehensive residential redevelopment.
- 1.2 The agreement is dependent and predicated upon the acquisition and remediation of the former sewage works, currently owned by Severn Trent, by the WMCA and the assembly of a comprehensive development site. The part of the overall development site currently controlled by Severn Trent (now transferred to their development subsidiary, Midland Land Portfolio Limited MLPL) that the WMCA propose to acquire is shown on the plan SAM/18880/027. It is then proposed that the Council and the WMCA, pursuant to the terms of the Agreement with WMCA, would work together to prepare a Masterplan for the site, jointly secure Outline Planning Permission and agree a detailed delivery and marketing strategy for the joint site. The WMCA has stated that agreement on heads of terms with SMBC for a contractual joint venture agreement is considered essential to give the WMCA sufficient comfort to proceed with its strategic acquisition of the Severn Trent site given the site history and known constraints. The Severn Trent site is known to contain sewage sludge up to seven metres deep with potential gas production and contamination with heavy metals.

It is considered unsuitable for foundations for construction and it is suggested that the sludge be moved and encapsulated with a capping layer into a bund as part of a redevelopment strategy. There are however potential future environmental liabilities associated with the acquisition.

- 1.3 The Agreement provides ongoing collaboration through to delivery on agreed core principles and strategies have now been discussed in detail between the two parties and agreed in principle. SMBC having been advised in this regard by development specialists Thomas Lister.
- 1.4 Cabinet approval is now sought to enter into the Agreement with the WMCA.
- 1.5 Council officers have previously sought to secure a collaborative agreement with Severn Trent without success and this has prevented the comprehensive redevelopment of the site.

2 IMPLICATION FOR THE COUNCIL'S AMBITION

- 2.1 Ambition 7 – Create environments in the six towns where people choose to live. “Sandwell will have significant numbers of new homes built close to key transport routes”.
- 2.2 The combined site is considered to have an approximate development capacity of over 750 dwellings which would make a significant contribution to the Council's housing delivery targets.

3 BACKGROUND AND MAIN CONSIDERATIONS

- 3.1 The proposed Bescot/ Friar Park redevelopment is on a site of approximately 26 hectares in the north of Sandwell, close to its border with Walsall. It is in dual ownership with the Council owning approximately 14 hectares and the other 12 hectares (approximately) owned by a development subsidiary of Severn Trent plc, Midland Land Portfolio Limited. The site shown on plan SAM/18880/027 is a Black Country Core Strategy strategic housing allocation and it has a primary allocation in the Site Allocations and Delivery Development Plan for predominantly residential use. The scale of the site presents an opportunity to deliver a development that will have a transformational effect on the area. The combined site is considered to have an approximate development capacity of over 750 houses.

Internal calculations to inform the revised Core Strategy estimate that Sandwell needs to deliver 1,450 homes per annum, a significant challenge in an area with much lower than average house prices and marginal viability for housing development in some areas. It is considered that the Bescot/ Friar Park site as the largest residential allocation in the Development Plan, has the potential to make a significant contribution towards this delivery target and make a significant contribution to the broader regeneration for the area.

- 3.2 The land owned by Severn Trent is however the site of a historic sewage works that ceased operation in the 1980's. Intrusive site investigations have confirmed that issues such as the cleaning and potential removal of contaminated earth, would be required to enable its redevelopment for residential use. Notwithstanding these issues, Severn Trent are still expecting to receive a capital receipt for their land. Negotiations have therefore been carried out previously with Severn Trent to seek a joint agreement to deliver the comprehensive redevelopment of the site for residential purposes, an agreement however was not possible.
- 3.3 Given the strategic importance of this site coupled with the viability issues outlined, the Council have submitted a proposal for financial assistance from the WMCA to enable it's delivery. Sandwell is the 3rd largest area within the WMCA area and as this site has the ability to contribute significantly to our collective regional targets, the WMCA expressed interest in the potential redevelopment. Subsequently the WMCA have offered assistance in partnership with Sandwell Council with the preparation of a Masterplan and the acquisition of the Severn Trent site. Our objective therefore is to assemble the site into public ownership and to assist in its delivery for residential redevelopment by providing additional funding for remediation. It is considered that without the intervention of the WMCA funding, which secures both the acquisition and the remediation, the potential for the comprehensive redevelopment of the site and the opportunity to dramatically increase the quality and pace of housing delivery in the region could be significantly reduced.

4 THE CURRENT POSITION

- 4.1 The WMCA obtained initial approval from The WMCA Investment Board on the 18th February 2019. Funding was allocated to the WMCA to acquire and remediate the site. As such, the council was not required to enter into a grant agreement however the acquisition of the Severn Trent site was conditional on the completion of an Agreement with SMBC to guide future disposal.

The cost of acquisition was awarded on an investment basis meaning the Agreement will require that when the site is sold, this is to be repaid (should there be sufficient value in the site). The remediation funding was awarded as grant and therefore is not repayable.

- 4.2 Land ownership was considered the most effective measure of ensuring the deliverability of the site in accordance with the core strategic objectives of the WMCA Housing and Land Programme and the key regeneration and development priorities of SMBC. The scale of the site enables a positive demonstration of intent to the housing market, which will in turn influence confidence for future proposals from land owners and developers and accelerate delivery of the regions housing supply to meet targets.
- 4.3 Under the terms of the proposed Agreement the land, as a potential large development site, will be de-risked and reframed as a market facing opportunity through the preparation of a masterplan and remediation strategy. This will be further enhanced by the submission of a planning application in the autumn and securing outline planning approval. This will support a high quality inclusive scheme offering a phased approach featuring a range of tenures and varying price points. Operating Principles enshrined within the Housing Deal and the Garden City principles will be applied raising value and quality benchmarks for the sub-region. Following approval of the masterplan, the WMCA will appoint a contractor to undertake the remediation works through 2020. A development mechanism and partner(s) will be selected during this phase to secure reserved matters approval and develop out the scheme with the delivery of the first phase of new homes expected to be in 2021.

5 CONSULTATION (CUSTOMERS AND OTHER STAKEHOLDERS)

- 5.1 The former Cabinet Member for Regeneration & Investment was consulted on this proposal, and he supported the redevelopment of this vacant site to bring it back into beneficial use and contribute significantly towards the Council's need for additional housing.
- 5.2 The redevelopment of this site is subject to planning approval and as such consultation with customers and stakeholders will form part of this process.

6 ALTERNATIVE OPTIONS

- 6.1 The Council could market its land as available independently for residential development. However, this would produce a scheme with a much-reduced capacity, would prevent the integration of the sites into the surrounding neighbourhood in a comprehensive satisfactory manner and would leave a large area of underused land that given the ground constraints would in all probability remain undeveloped.

7 STRATEGIC RESOURCE IMPLICATIONS

- 7.1 A full financial appraisal has not yet been undertaken on the project proposals but the financial implications of the Agreement have been reviewed.
- 7.2 The Agreement with the WMCA requires match funding from SMBC , as a contribution towards the costs of producing a development master-plan for the site. SMBC's match funding contribution will be funded through remaining grant received from the Homes England Large Sites and Housing Zone Capacity Fund of £50,000.
- 7.3 The Council's Legal Services have confirmed that whilst the Agreement does not contain any further specific obligation on SMBC to provide further funding (other than that detailed in 7.2 above), it is acknowledged that there are provisions included in the agreement that may commit the Council to further cost by implication. However, the distribution of proceeds following the disposal of the combined site should allow for such costs (excluding costs associated with entering the Agreement) to be recovered.
- 7.4 The Agreement includes planning approval to be secured for the site. Estimated costs for securing outline planning approval for the site are in the region of £44,000. Sandwell MBC will need to fund these costs from existing revenue resources within Regeneration & Economy, until the sale of the land generates a capital receipt, from which the costs could be recovered.
- 7.5 Estimated costs for legal and agency services cannot be determined until the development master-plan has been produced and the delivery vehicle for the project finalised. Current capital accounting regulations allow for the costs 'directly attributable to land disposals', e.g. legal and sales marketing costs, to be financed from the sale receipts generated. It is therefore anticipated that a proportion of the legal and agency costs may be met from future sale proceeds.

However, an alternative funding source will need to be identified to meet any additional costs that cannot be met from sale proceeds of the site.

- 7.6 As detailed in the Agreement, the distribution of proceeds from the disposal of the combined site will require the land to be pooled in the first instance and then proceeds distributed as follows:
- 7.7
- a) Both parties will recover costs incurred in delivering planning, securing developer, monitoring, legal and agency
 - b) WMCA will recover site acquisition cost only with the remediation as grant
 - c) SMBC will recover its site value based on an independent valuation calculations and subject to RICS valuation
 - d) WMCA will recover additional costs incurred in dealing with sludge
 - e) Any surplus will be shared between the parties on a 50/50 basis.
- 7.8 Development consultants, Thomas Lister have advised the Council on the proposal and have provided potential sale valuations for the site. Based on the information provided, it is anticipated that the value of the capital receipt from the disposal of the land will be sufficient to cover the WMCA acquisition cost and the current land value of the council owned site.
- 7.9 The development of the site will generate additional revenue income for the Council in the form of Council Tax and New Homes Bonus. It is estimated that additional council tax income of £800k per annum could be generated from the provision of 750 new homes on the combined site, as opposed to £500k from the addition of 480 homes if only the Council owned part of the land was developed. However, it is noted that the development of the combined site will take longer than if the Council owned site was sold in isolation, due to necessary remediation of the site currently owned by Severn Trent. Consequently, this could delay the generation of any additional revenue income stream to the Council for up to 10 years (as per the Agreement).
- 7.10 The element of investment from the WMCA that is repayable has been explicitly captured as solely their land value. Any grant for remediation is treated separately and considered non-repayable for the purposes of the distribution of any proceeds.
- 7.11 A full financial appraisal will be undertaken on the project following the production of the development master-plan, which will propose an indicative scheme and phasing plan.

8 LEGAL AND GOVERNANCE CONSIDERATIONS

- 8.1 Local authorities have powers under the Local Government Act 1972 to dispose of land and powers under the Local Authorities (Land) Act 1963, for the benefit or improvement of their area, erect any building and construct or carry out works on land. The General Power of Competence (Localism Act 2011) provides that a local authority has the power to do anything that individuals generally may need - provided they do not break other laws.
- 8.2 Section 123 of the Local Government Act 1972 imposes a statutory duty on local authorities that land should be sold for the best consideration reasonably obtainable.

9 EQUALITY IMPACT ASSESSMENT

- 9.1 The remediation works and subsequent redevelopment are subject to planning approval, and as such customers and stakeholders will be consulted.

10 DATA PROTECTION IMPACT ASSESSMENT

- 10.1 There are no data protection implications identified at this point.

11 CRIME AND DISORDER AND RISK ASSESSMENT

- 11.1 During the works site security will be the responsibility of the lead contractor.
- 11.2 The Police will be consulted on any redevelopment proposals to seek to ensure that issues of crime and disorder will be minimised.

12 SUSTAINABILITY OF PROPOSALS

- 12.1 Disposal of the Bescot/Friar Park site eliminates the council's maintenance liability and it is Government policy that local authorities should dispose of surplus land wherever possible.
- 12.2 The Sandwell Inclusive Growth Deal and Integrated Delivery plan will underpin Sandwell's Vision 2030. The deal based strategy will seek to drive both economic growth and ensure that residents benefit from this growth. It will identify the key sectors and locations for growth, alongside regeneration, housing, skills, transport and infrastructure opportunities across our six towns.

The Inclusive Growth deal will be a strategic lever to bring inward investment into Sandwell and increase productivity levels and the economic resilience of the Borough. The project pipeline will include the priority regeneration schemes to deliver comprehensive housing, industrial and employment led developments across Sandwell including the Bescot/Friar Park site.

13 HEALTH AND WELLBEING IMPLICATIONS (INCLUDING SOCIAL VALUE)

13.1 Any subsequent development proposals will be subject to social planning conditions.

14 IMPACT ON ANY COUNCIL MANAGED PROPERTY OR LAND

14.1 Disposal of Sandwell's freehold interest in the land shown on Plan No. SAM 18880/027.

15 CONCLUSIONS AND SUMMARY OF REASONS FOR THE RECOMMENDATIONS

15.1 Proceeding with the joint venture agreement with the West Midlands Combined Authority will enable the council to bring a vacant site back into beneficial and sustainable use and contribute significantly towards the Council's housing targets.

16 BACKGROUND PAPERS

16.1 None.

17 APPENDICES:

Site Plan SAM/18880/027
Proposed Timeline