

## **Record of Decision**

### **Purchase of Land at St James' Road, Northampton**

#### **Appendix A**

#### **Background**

- 1.1 The tram, later bus, depot on St James' Road, Northampton was developed by the Northampton Corporation, passed to Northampton Borough Council in 1974, and with the sale of the Northampton Bus Company passed into the ownership of Stagecoach. In 2014, it was acquired with the assistance Northampton Borough Council (which briefly held the ownership) by Church's Shoes for the purpose of extending Church's manufacturing capacity. The site has been vacant for over ten years and is contributing to the negative perception and environment for the town.
- 1.2 The site has an area of 1.83 ha (4.5 acres) and is significantly (0.71Ha, 1.8 acres) covered in buildings. Apart from the transport office at the front of the site and the original tram depot façade, these have limited character or value.
- 1.3 Church's did not develop the site as intended and decided to market it for sale.
- 1.4 Proposals for a range of uses have come forward on the site including for residential and commercial uses. The most likely commercial uses that have been proposed are for open storage and distribution uses. While in planning terms commercial uses are supported this is a vast departure from the use as an extension of the Church's factory, for which the land was originally sold.
- 1.5 Open storage and distribution uses present a risk to the local area detracting from the appearance creating issues around safety for the residential neighbourhoods and not meeting the wider needs of the council through supporting high quality employment spaces or residential needs
- 1.6 Through the Council's engagement with developers and our internal teams on the site, housing has been looked at as one of the potential uses identified as the preferred use on this site given that it has potential to meet housing needs on a strategic brownfield site, helping to ensure people had suitable places to live and minimising the need for the use of greenfield land for housebuilding. However, there appeared to be a material risk the land would end up being use for low-grade industrial or storage uses. Whilst these may be permissible in planning terms, they would not support the regeneration and place shaping of the area. In subsequent conversations with planning colleagues, they have informed us that the site may be identified as a residential site in the emerging West Northamptonshire Local Plan.
- 1.7 The Council submitted an offer of £3.000 million (m) for the site, which was subject to a decision by cabinet and full council. This has been accepted by Church's. If the

purchase concludes, the Council would also be likely to need to pay Stamp Duty Land Tax (SDLT) of £0.140m and would incur in the order of £0.010m in legal and other professional fees.

- 1.8 A further £0.150m will be required to undertake further due diligence, design development and professional fees related to the procurement of a development partner for the site. Therefore, a budget of £3.300m would be required. There is no existing budget suitable for this purpose.
- 1.9 The Council has received updated ground contamination reports (Hydrock Report Review and Recommendations May 2023) which was independently assessed to identify the costs to undertake the required interventions (Quantem Northampton Bus Depot Site Remediation & Clearance June 2023). The Council also received flood risk information from the landowner but as these dates back to 2015, the Council has commissioned an updated report and is waiting for the Environment Agency to respond.
- 1.10 There has been local interest in seeking to have the former bus depot building listed through Historic England (HE). HE has stringent criteria for buildings to become listed and there is a chance that any of the buildings on the Former Bus Depot will become site listed. However, the risk remains that an application is made by local groups for the site to be listed which would have a negative impact on the development opportunity of the site, costs and timescales. A second form of listing is through the Council's 'local listing'. The council reviewed this site as part of its draft local list and only the former ticket office on the corner of the site is considered significant enough to feature in the Council's draft local list.

### **Appraisal of Land Value**

- 1.11 The Council appointed external consultants to undertake due diligence on the site and looked at the potential development capacity to assess the value. It is considered that this site is best suited for residential uses that would support the regeneration and place shaping of this area of Northampton. A number of potential scheme variations have been looked at including different mixes of housing typologies including levels of commercial floorspace within the site to optimise the outcomes.
- 1.12 The site has been vacant for over ten years and is contributing negatively to the overall appearance and environment of the town. The vision and aspiration for the site is to deliver a high-quality and flagship residential scheme providing economic, social and environmental benefits for the surrounding communities as well as contributing to the overall appearance of Northampton and West Northants as a whole. The intention is that quality would be achieved through strong design as well as including consideration of the overall sustainability of the development.
- 1.13 There is a risk that the site could go to a developer who wants the end use to be for distribution and warehousing. This is not what the Council considers to be an appropriate for this site given its location and the opportunity it has to positively contribute to the town. It is acknowledged that planning enforcement is a tool available

to the Council but there are concerns about its effectiveness in controlling development or use on site.

- 1.14 The appraisal work shows that the site could have a value between £1.5m and £2.0m depending on the specific mix of uses included within the scheme. These values take into account the estimated cost to remediate the site. If the Council was unable to deliver development on the site, the loss would thus be in the order of £1.8m (at the higher end). However, this loss should not be realised (see below) and should be considered only as 'worst case' risk outcome, if the Council was unable to develop the land.
- 1.15 Whilst of course savings would be sought, this scheme is not recommended as an invest to save project for the Council. Rather the purchase is recommended to ensure the positive regeneration impacts that this site would bring to the local communities.
- 1.16 The proposal would be for the Council to develop, or secure the development of, the land. The revenue impact of £3.3m capital expenditure taken on an annuity basis over 60 years (as is reasonable for a land purchase) would be £198k pa<sup>1</sup>. Provided revenue savings or income generation at least equalled the financing costs no loss would be suffered.
- 1.17 Homes England has the benefit of a covenant on part of the site that gives it benefit of the uplift in value if the site was used for residential uses, there is a clawback provision to the benefit of Homes England who receive 100% of the value uplift for uses that are residential. There have been discussions with Homes England regarding the removal of this covenant or minimising the financial impact. Whilst Homes England has not confirmed agreement, it has been receptive and is open to discussions. If the removal of the covenant is not possible, the masterplan for the site could look at limiting residential use in order to ensure that the Council is not adversely impacted by the restriction.
- 1.18 The Council appointed Savills to undertake the appraisal work on the site. They found that the optimal mix to generate the highest land value for residential uses would be only retaining a small level of commercial within the former Transport Office building located on the South East corner whilst using the remainder of the site for residential uses, which would allow up to 79 houses.
- 1.19 Savills have also assumed that the clawback allowance can be removed via negotiation with Homes England. If this was achieved, it would give a value of the site of approximately £2m.

	Housing led – 79 houses
<b>100% Open Market</b>	£1,960,000
<b>100% Affordable</b>	£1,950,000

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<sup>1</sup> Using 5.80% interest rate, the PWLB rate for fixed rate loans of 50 years for greater duration as of 29<sup>th</sup> September 2023.

- 1.20 This would mean that the Council would need to pay £1m more than the indicative land value for use as residential to regenerate the site. Savills note that if the land is able to be remediated using grant funding, then their opinion is that the site would then have a market value for residential development in the order of £3,000,000.
- 1.21 Savills also considered the employment/existing use value of the site. There may be scope for storage use in the existing building and the storage market is currently in high demand. This may push values further, to in the order of £2,000,000 - £2,500,000 as an investment with secure income.

### Potential Benefits of the Scheme

- 1.22 The primary benefit of acquiring the site is to have full control over what development and uses can take place on the site in future.
- 1.23 The site sits on the boundary of Sixfields and Dallington & Spencer wards. There are areas of high deprivation surrounding the site with the Spencer and St James neighbourhoods. The former is the second most deprived and the latter the seventh most deprived within the whole of West Northamptonshire. Both are within the top 5% most deprived neighbourhoods nationally.
- 1.24 There is the potential to deliver a benchmark, exemplar scheme that sets a new standard in the local area within affordable and mixed housing tenures. The Council would seek to use the site to raise the standard in terms of design and sustainability. This will need to be tested as the scheme for the site is developed as there may be a trade-off between the quality that can be delivered, and the costs incurred.
- 1.25 Some of the largest pressures faced locally are those of affordable and suitable housing types for our residents. The current Council housing register waiting list is 4452 with a further circa 600 households currently in temporary accommodation.
- 1.26 The site has the potential to help ease these pressures and the majority of the housing within the scheme could be tenure types where the Council is facing most pressure. These would be affordable rent, social rent, shared ownership, or other affordable tenures.
- 1.27 The delivery of affordable housing on this site may contribute towards meeting housing need across West Northamptonshire and reducing the costs the Council incurs providing temporary accommodation.
- 1.28 Alongside this a small number of Council-owned temporary accommodation units could be provided on-site if appropriate. Both approaches would help reduce the use of expensive nightly-charged accommodation which the council currently uses to meet some of the need for temporary accommodation. Indicative current costs are outlined below:

Size	Net cost to Council	Net cost	Net cost per unit
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	(nightly)	(monthly)	(annual)
2 bedrooms	£33	£994	£11,929

- 1.29 To use the extreme case, if all 78 houses provided on the site allowed people to be moved out of temporary accommodation (not all to this site; cascade moves could achieve the same effect), the saving in temporary accommodation costs would be around £930k pa. Of course, the costs in achieving these savings would need to be taken into account. Current typical costs per unit delivered are £150k, allowing a rough estimate of costs of provision of £11.7m. This would represent an annual revenue impact (on the same bases as above) of £702k, and thus an annual savings of £227k. Taking the revenue effect of the land purchase costs into account would give an overall annual saving of £30k pa.
- 1.30 It is stressed that these figures are inevitably crude and uncertain at this stage, but nonetheless they give a sense of the likely scale of outcomes.
- 1.31 Some level of specialist housing provision may also be factored into the housing delivery on this site to offer more cost-effective and customer-focused housing solutions for adult social care and NCT (Northamptonshire Children s Trust) customers e.g., cluster homes for people with learning disabilities, or accommodation for care leavers.
- 1.32 This site may make a contribution towards the wider Council financial pressures and transformation of service delivery, in particular housing and adult social care and children’s placements. Currently West Northamptonshire is reflecting the situation nationally with increasing levels of homelessness and rough sleeping.
- 1.33 Through the delivery of 79 new homes on this site, taking the blended rate for Council Tax Band A & B properties would generate £120,678 per year for the Council. It is possible that some homes might be rated at a higher band and also through the design development process, density might be able to be increased on the site. Of course, the residents of these houses would also use services and thus generate costs for the Council.

## Potential Gap Funding Opportunities

### Home England

- 1.34 Homes England is keen to invest in West Northamptonshire and strategic discussions are currently taking place between the Council and Homes England over a number of sites which include the potential for this area to apply for funding through the Brownfield Infrastructure Fund (BIF). BIF is grant funding specifically aimed at unlocking brownfield sites such as the former bus depot.

### Brownfield Land Release Fund

- 1.35 As well as the support from Homes England the Council also has a track record of securing significant sums from the Brownfield Land Release Fund to support the remediation of complex sites such as this, with the Council receiving £750,000 this year for the 35-45 Abington Street development and £400,000 last year for the delivery of a smaller residential scheme on New South Bridge Road. The next round of Brownfield Land Release Funding from OPE will be in January-March 2024.

## **Enterprise Zone**

- 1.36 This site is also within the Waterside Enterprise Zone (EZ). There is potential that the EZ could contribute to the revenue costs associated with taking the site through design development and procurement as well as the possibility of providing capital funding to assist with land remediation and site assembly. Whilst the current arrangement for the EZ would be unlikely to enable this, governance arrangements around Enterprise Zones are currently changing with the policy from the Government to transfer economic development leadership from LEPs (Local Enterprise Partnerships) to councils. This may mean this becomes an opportunity for the Council to secure funding towards suitable development of the site.

## **Risks and Issues**

- 1.37 Land purchases and regeneration schemes will always carry an inherent level of risk due to the unforeseen changes in circumstances; it is not possible to carry out land purchases and development without some level of risk. Key risks and issues are summarised below.
- 1.38 Flooding – the site falls within flood zones two and three (development difficult or impossible to justify) but is located within a defended area meaning this is possibly mitigated to flood zone one (development generally acceptable). There may be the need for further flood defences to minimise residual risk from surface water flooding.
- 1.39 Overage – there is a clawback provision to the benefit of Homes England who receive 100% of the value uplift for uses that are residential. The clawback is triggered by implementation of planning permission (for change of use or development of the property) or by disposal with planning permission.
- 1.40 Ground issues and contamination – the hydrocarbon contamination from historic use appears to have been mostly remediated, however there may be some residual issues. Prior to the construction of the tram/bus depot, the site was used as an ironworks; this may have left a range of materials and ground conditions. While some ground investigation for the site has been undertaken with the information provided to the council, there is still risk for elements that may have been missed or underestimated that may be more expensive than assumed, reducing net values or increasing the level of grant funding required.
- 1.41 Asbestos – asbestos containing materials have been identified across the site, this would need to be removed by a specialist contractor prior to demolition or

development. These costs are not yet fully understood and may be more than assumed, reducing net values or making the site unviable.

- 1.42 Demolition costs – in the absence of former tenders or other detailed assessment, the assumed demolition costs are uncertain, and may be higher. This would reduce the net value of the site or make the site unviable.
- 1.43 Planning (general) – the site falls within a safeguarded employment area within the local plan. The policy supports the change of use to alternative non-employment generating uses only if evidence can be provided to demonstrate that the existing use and other employment generating uses are not viable. Evidence to be supplied includes “details of active marketing undertaken over a continuous period of 12 months which shows that the site has been actively and extensively marketed for employment use and that no suitable interest has been expressed.” In subsequent conversations with planning colleagues, they have informed us that the site may be identified as a residential site in the emerging West Northamptonshire Local Plan. Paragraph 123 of the National Planning Policy Framework also supports a flexible approach to use of allocated site, in particular (a) to “use retail and employment land for homes in areas of high housing demand, provided this would not undermine key economic sectors or sites or the vitality and viability of town centres...”
- 1.44 Planning (conservation) – There is a risk that the site, or parts of it, could end up being locally listed or nationally listed. Whilst this would not be a significant issue for the Transport Office, as it is planned to retain this, any listing would cause significant issues on the rest of the site. Even if the site is not listed, the National Planning Policy Framework (NPPF) still requires consideration of the significance of non-listed heritage assets, which this is. This may mean some parts, or all of the existing structure need to be retained. This is likely to harm values (whether revenue or capital). There is a local campaign running to preserve the buildings and have them listed.
- 1.45 Other costs – there is currently a business rates liability on the site of c£60k a year. This would be reviewed to see whether the liability could be removed or reduced, and once preparation works start on site, this could also reduce the payment to the VOA (Valuation Office Agency). There are also costs associated with holding the site, such as security, these would be funded through the Enterprise Zone budget.

## Finance

- 1.46 As set out above there are a number of financial and non-financial risks associated with the site some of which could lead to further financial liabilities.
- 1.47 However, as detailed earlier in the report, the maximum financial exposure currently assumed is £1.8m. This should be treated as the cost of being able to own, control and regenerate the site as the Council wishes. Without incurring this cost the Council would have no control over the site and is informed that it would likely to be used for logistics and storage which goes against what we are trying to achieve for this area of Northampton.

- 1.48 As set out above there is also a risk in respect of the Homes England (HE) clawback. The Council has had positive discussions where (HE) has indicated a willingness to forego all or part of its overage as well as to look at increased grant levels to work with the Council to deliver an exemplar scheme within Northampton. The position is not yet agreed, and it is of course possible that part or all of the restrictive covenants will be repayable. As a result, the position will need to be carefully monitored.
- 1.49 Having stated the above, there are several factors that should be considered that will reduce this overall regeneration premium and a number of them have been set out in the report. These include:
- Application for grant funding that has not been factored into the scheme.
  - Release of the clawback liability from Homes England which potentially would increase the value of the land.
  - Additional Council Tax receipts (received annually) to offset costs depending on site development.
  - Additional business rates receipts (received annually) depending on site development.
  - Combination of additional business rates and Council Tax receipts depending on site development.
  - Potential reduction in temporary accommodation costs across the Council.
- 1.50 It should also be considered that once this site has been regenerated there would be a boost to the local economy with more money spent with local businesses.
- 1.51 Homes England: The Council has engaged with Homes England and had positive discussions where it has indicated a willingness to forego all or part of its overage as well as to look at increased grant levels to work with the Council to deliver an exemplar scheme within Northampton. The position is not yet agreed, and it is of course possible that part or all of the restrictive covenants will be repayable.

## Legal

- 1.52 Section 120 of the Local Government Act 1972 authorises the Council to purchase land by agreement:
- “For the purposes of:
    - a) any of their functions under this or any other enactment, or
    - b) the benefits, improvement or development of their area”
- 1.53 The general power of competence in the Localism Act 2011 provides the Council with the power to do anything that individuals generally may do subject to the restrictions and/or limitations which are specified in the Act.
- 1.54 In addition, section 111 of the Local Act 1972 provides the Council with the power to do anything (whether or not involving expenditure, borrowing, or lending of money or



the acquisition disposal of any property or rights) which is calculated to facilitate, or is conducive or incidental to the discharge of any of the Council's functions.

- 1.55 To eliminate the risk of challenge it is important to ensure that in reaching a decision in respect of the above proposal as outlined in full above, it is key that the Council should be able to demonstrate that as part of its decision-making process it considered to all relevant matters.