

BRIDGEND COUNTY BOROUGH COUNCIL

REPORT TO COUNCIL

18 JANUARY 2023

REPORT OF THE CORPORATE DIRECTOR COMMUNITIES

LLYNFI DEVELOPMENT SITES – FORMER MAESTEG WASHERY SITE WEST

1. Purpose of report

- 1.1 The purpose of this report is to seek Council approval to enter into a Deed of Variation between Welsh Government and Bridgend County Borough Council (BCBC) that sets out to vary the existing Llynfi Development Sites, Welsh Government Central Capital Retained Fund Loan Agreement dated 12th February 2015.
- 1.2 BCBC are now considering the re-development of only the Former Maesteg Washery West Site for housing development and wish to vary the original Agreement to allow the carrying out of the feasibility works.

2. Connection to corporate well-being objectives/other corporate priorities

- 2.1 This report assists in the achievement of the following corporate well-being objective/objectives under the **Well-being of Future Generations (Wales) Act 2015**:
 - **Supporting a successful sustainable economy** – taking steps to make the county borough a great place to do business, for people to live, work, study and visit, and to ensure that our schools are focussed on raising the skills, qualifications and ambitions for all people in the county borough.
 - **Helping people and communities to be more healthy and resilient** - taking steps to reduce or prevent people from becoming vulnerable or dependent on the Council and its services. Supporting individuals and communities to build resilience, and enable them to develop solutions to have active, healthy and independent lives.
 - **Smarter use of resources** – ensure that all resources (financial, physical, ecological, human and technological) are used as effectively and efficiently as possible and support the creation of resources throughout the community that can help to deliver the Council's well-being objectives.

3. Background

- 3.1 In 2013 DTZ Real Estate Investment Management carried out an analysis of all sites in the Llynfi Valley (mostly brownfield land) that could potentially be brought forward for development but had issues that needed to be overcome before they could be

taken to market. Three sites were identified in the study as Priority 1 Strategic Opportunities for residential-led development (see **Appendix A**):

- The Former Maesteg Washery Site West
- The Former Maesteg Washery Site East
- The Former Maesteg Lower Comprehensive School Site

Utilising this study, a Strategic Outline Case (SOC) was prepared which sought approval from Welsh Government for funding in order to bring forward sites that would provide new homes in the Llynfi Valley, the lynchpin of a thriving, well-connected and engaged community. It was considered that these homes would not be provided through the private sector alone in the current market as there is little or no value in the brownfield sites. It was therefore viewed that intervention would be required by the public sector to make these sites viable for development.

- 3.2 An application was made to the Welsh Government's Central Capital Retained Fund which resulted in Bridgend County Borough Council (BCBC) Regeneration securing a £2.5 million loan with no match funding being required from BCBC.
- 3.3 The Loan Agreement (see **Appendix B**) was signed in February 2015 between Welsh Government and BCBC to enable the Council to deal with physical constraints on the sites, in order to bring them forward for residential development integrated with amenity open space.

The funding was divided as follows:

- Tranche 1 - £100,000 – Feasibility
- Tranche 2 - £2.4 million – Remediation

- 3.4 In March 2015 property consultants, Alder King were commissioned to provide an assessment of the sites with regard to:
 - The value of the sites as existing. This was found to be approximately £150,000 for the Former Maesteg Washery West Site.
 - The current residential market in South Wales and specifically Maesteg with regard to the marketability of the sites. Reports found that national housebuilders would consider the sites subject to being suitably prepared ie. they would need to be ready for development and any risks dealt with. This would include carrying out reclamation, installation of infrastructure and obtaining planning consents. It was envisaged the Former Maesteg Washery West Site could potentially accommodate 66 residential units at an average density of 35 dwellings per hectare.
- 3.5 Consultant engineers Ove Arup & Partners, acting on behalf of the Council undertook a feasibility survey of all three sites and advised the Council to review the end use and mitigation costs on each, as the envisaged magnitude of spend exceeded budget availability and in some cases offered poor value for money. On this basis, the Council were advised not to pursue the re-development of the Former Maesteg Washery East Site, with the Former Maesteg Lower Comprehensive School Site

being deemed as having the potential to be developed by other means, Extra Care Housing (ECH).

It was therefore agreed by the BCBC Llynfi Development Sites Project Board that the Council would progress with the Former Maesteg Washery Site West only.

- 3.6 The site is located within the defined settlement boundary of Maesteg and the BCBC Local Development Plan (LDP) Maesteg and the Llynfi Valley Strategic Regeneration Growth Area SRGA. It is also included within the BCBC LDP Residential Allocations Policy COM1(16) - The Former Maesteg Washery and the BCBC Replacement LDP Housing Allocations Policy COM1(R3) - Maesteg Washery.
- 3.7 On-site meetings with environmental consultants Kier Group & Sanctus were carried out, with both consultants recommending that intrusive site investigation (SI) information be obtained to lower any project risk.
- 3.8 A meeting was held at Civic Offices in November 2018 attended by the Leader, Director of Communities, Local Members and Welsh Government and BCBC Regeneration officers. In order to provide more certainty on scheme risks and costs, it was agreed that BCBC would progress with Tranche 1 (Feasibility) only including the intrusive site investigation (SI) works. It was deemed that this would then allow BCBC to best consider the viability of the site and enable BCBC to make a decision on how to progress with any potential development.
- 3.9 It was evident that in order to obtain the level of SI information required, additional funding would be necessary for Tranche 1 (Feasibility) work in addition to the £100,000 allocated. In May 2020 ministerial approval was obtained, enabling £139,519 of the Tranche 2 funding to be used to finance the costs of carrying out intrusive SI works on the site, and that this amount, plus the original £100,000 Tranche 1 funding, would not be repayable and would convert from a loan and become a grant. This figure was based on a pre tender estimate for carrying out the works. The Council's capital programme was amended to reduce the funding available for capital remediation works under Tranche 2 to £2.260 million (£2.4 million less £139,519 which was to be re-allocated to Tranche 1).

4. Current situation/proposal

- 4.1 Ove Arup & Partners were commissioned by BCBC via the South East Wales Technical and Professional Services (SEWTAPS) framework as consultant engineers to provide expert advice, SI brief production, contract administration, ground investigation interpretation report, remediation strategy and an updated phase 1 study - a review of all existing information highlighting the key technical issues which any remediation will need to address.
- 4.2 The SI works were first tendered in September 2021, following a fully compliant BCBC restricted tender process with tenderers having Safety Schemes in Procurement (SSIP) accreditation and being registered and verified on Constructionline. However the tender return revealed a significant increase in costs to that estimated. Due to the increase in costs, the works were retendered in May 2022 using the same BCBC compliant tendering process, with a reduced scope of works that did not impact on outputs achieved. The successful tender for the SI works, whilst still being greater than the original estimate, demonstrated a true reflection of

costs associated with the additional requirements for contract preliminaries across the industry and the increase in the scope of works required in order to address recent best practice for dealing with ground risks eg. ground gas.

- 4.4 In June 2022, the confirmed consultancy fees and site works costings for Tranche 1 (Feasibility) were sent to Welsh Government by BCBC and an application made that Tranche 1 be increased to £322,589 to reflect the significant increase. This application also proposed that Tranche 1 become a grant as opposed to a loan and entering into a Deed of Variation (DoV) to the original Loan Agreement will reflect this. Welsh Government grants panel approval and subsequent ministerial approval to vary the original Agreement to this effect via a DoV was obtained in July 2022.
- 4.5 In September 2022 a draft DoV was issued by Welsh Government for BCBC comment. Following input from BCBC Legal and Finance Departments, the wording has now been agreed and the final version appended to this report awaits Council approval and acceptance (see **Appendix C**).
- 4.6 Site works progress update:
- 4.6.1 In July 2022 and in order to meet Welsh Government funding deadlines, Quantum Geotechnical were duly appointed as the successful site investigation contractor via the ICC Infrastructure Conditions of Contract, Ground Investigation Version (August 2011).
- 4.6.2 During August and September 2022, the intrusive SI works were undertaken by Quantum Geotechnical. Information letters were sent to adjacent residents informing them of operations on site and residents' queries were collated and coordinated by local members for responses by BCBC Regeneration.
- 4.6.3 The site survey data is currently being analysed and all reports, findings and any future remediation recommendations will be completed by Arup by the end of January 2023 in order for BCBC to consider the viability of the site and any disposal strategy taken.
- If the outcome of the works demonstrate that there is merit in progressing a development scheme, BCBC will propose the remaining monies are returned to Welsh Government by the revised due date of end March 2023 (extension obtained with ministerial approval on 22nd March 2022) with the recommendation that it be converted to a grant for the benefit of a third party developer. Discussions with Welsh Government have indicated that their preference is to work with a Registered Social Landlord (RSL) for the remediation of the site.
 - If the outcome proves that ground conditions are too prohibitive with no likelihood of development, then BCBC will propose the remaining monies are returned to Welsh Government by the revised due date of end March 2023.

5. Effect upon policy framework and procedure rules

5.1 There is no effect on the Council's policy framework and procedure rules.

6. Equality Act 2010 implications

6.1 An initial EIA screening has identified that there would be no negative impact on those with one or more of the protected characteristics, on socio-economic disadvantage or the use of the Welsh language. It is therefore not necessary to carry out a full EIA on this policy or proposal.

7. Well-being of Future Generations (Wales) Act 2015 implications

7.1 This scheme supports the 5 ways of working under the Well-Being of Future Generations (Wales) Act 2015 as follows:

- **Long term** - Maesteg plays a strategic role within the County Borough as a focus point for services, transport and community activity. However, housing choice in the Llynfi Valley is limited, and there is a shortfall in the provision of both larger and smaller dwellings and in both the affordable and private purpose housing markets. The estimated annual need for affordable housing in the County Borough far exceeds the average annual level of general housing completions. Consequently, there are insufficient numbers of homes provided in the Llynfi Valley especially for first time buyers and young families. The Maesteg Washeries West site is seen as an important residential development site which has the potential to offer significant regenerative benefits to the locality through the provision of new housing, with excellent access to public open space.
- **Prevention** – the site is currently a vacant brownfield location with significant site constraints. Its condition currently detracts from the attractiveness of the area given that it adjoins an extensive community woodland/open space – the Spirit of Llynfi Woodland created as part of the lease agreement between National Resources Wales and BCBC.
- **Integration** – Taking into account national and local planning policy framework, BCBC will encourage any future residential led development to focus on delivering:
 - Mixed tenure communities, with an appropriate level of affordable housing;
 - Development that is easily accessible by public transport, cycling and walking;
 - Attractive landscapes around dwellings, with usable open space and regard for biodiversity, nature conservation, flood risk and the area's heritage;
 - Greater emphasis on quality, good design and the creation of places to live that are safe and attractive;
 - The most efficient use of land;
 - Well-designed living environments, where appropriate at increased densities;

- Construction of housing with low environmental impact, reducing the carbon emissions generated by maximising energy efficiency and minimising the use of energy from fossil fuel.
- **Collaboration** – BCBC will collaborate with key public sector partners, various BCBC departments, local residents, Maesteg Comprehensive School and third party developers to ensure successful and sustainable development outcomes.
- **Involvement** – There is a longstanding expectation from the local community and the Council that residential development will be able to come forward at this site, albeit accelerated by further public sector intervention in the form of assistance with land remediation. Ongoing engagement with the community is therefore an important facet of this regeneration project.

8. Financial implications

8.1 At the start of the 2022-23 financial year, spend on feasibility on the scheme totalled £85,847 of the total £239,519 funding available (original £100,000 feasibility funding under Tranche 1 plus the additional £139,519 allocated to Tranche 1 agreed by Welsh Government with ministerial approval in May 2020), leaving a balance of £153,672. The total costs of the remaining planned feasibility work is £236,751, resulting in total feasibility costs of £322,598, which is £222,598 above the initial funding allocated for Tranche 1, or £83,079 above the revised Tranche 1 funding agreed by Welsh Government with ministerial approval in May 2020.

8.2 Welsh Government grants panel and ministerial approval has now been obtained for the revised £222,598 of Tranche 2 (Remediation), in addition to the original £100,000 Tranche 1 (Feasibility), to be used for the feasibility stage and not to be repayable by BCBC, providing that the Council produces evidence to the Welsh Government that this sum has been used by the Council towards the costs of carrying out feasibility works on the Former Maesteg Washery West Site. Evidence of spend is to include, but not be limited to, copies of invoices (for external suppliers) plus screen prints of the Borrower's ledger accounts, in addition to copies of the final reports resulting from the works. This is all included in the Deed of Variation.

8.2 Consequently, the revised breakdown of the £2.5 million original loan is as follows:

	£
	2,500,000 Original Loan
-	<u>322,598</u> Revised Tranche 1 (Feasibility) – Non-repayable Grant
	<u>2,177,402</u> Revised Tranche 2 (Remediation) – Repayable Loan

8.3 The Council's capital programme, last approved by Council in October 2022, included a capital remediation budget of £2.260 million as outlined in paragraph 3.9. The latest capital programme presented to Council in February 2023 shows an updated figure of £2.177 million, which is the original £2.4 million Tranche 2 funding less £322,598 updated Tranche 1 feasibility funding.

9. Recommendation(s)

9.1 Council is recommended to:

- Note the amendment of this scheme's cost and the associated funding in the Capital Programme for the Former Maesteg Washery West Site (Llynfi Valley Development Programme);
- Delegate authority to the Corporate Director Communities to agree and approve the final terms of the Deed of Variation and arrange execution of the same on behalf of the Council subject to such powers being exercised in consultation with the Chief Officer – Legal and Regulatory, HR and Corporate Policy and Section 151 Officer.

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CORPORATE DIRECTOR COMMUNITIES
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Background documents:

None