



Report to: Cabinet Meeting – 21 January 2025

Portfolio Holder: Councillor Paul Peacock, Strategy, Performance & Finance

Director Lead: John Robinson, Chief Executive

Lead Officer: Nick Wilson, Business Manager - Financial Services, Ext. 5317  
 Shanade Bradley, Estates Officer – Corporate Property, Ext. 3100

Report Summary	
<b>Type of Report</b>	<p>Open Report / Key Decision</p> <p><i>There is an exempt version of this report which contains exempt information as defined under Schedule 12A of the Local Government Act 1972, Paragraphs 3 and 5 under which the Cabinet has the power to exclude the press and public if it so wishes.</i></p> <p><i>It is considered that the need to treat the information in this report as exempt outweighs the public interest in disclosure because it contains commercially sensitive information and information which is subject to legal privilege. This information has been redacted in this open report.</i></p>
<b>Report Title</b>	Lowfield Lane Disposal
<b>Purpose of Report</b>	To agree revised terms for the disposal of land at Lowfield Lane, Balderton to Arkwood Developments Ltd.
<b>Recommendations</b>	That Cabinet approve the revised sale price of [REDACTED] for the land at Lowfield Lane, Balderton as detailed in the report, subject to confirmation from Nottinghamshire County Council on the Green Adoption at [REDACTED]; any adjustment in the offer in relation to the Green Adoption sum to be delegated to the Portfolio Holder for Strategy, Performance and Finance for decision.
<b>Alternative Options Considered</b>	Alternative options are set out in paragraphs 2.10 to 2.12 of the report.
<b>Reason for Recommendations</b>	In order to ensure that the Council secures the best consideration for the land which was previously purchased by the Council for residential redevelopment on the basis that it was both a largely allocated housing site and was entirely within the Newark Urban Area where the principle of residential development is acceptable.

## **1.0 Background**

- 1.1 In January 2022, the Policy & Finance Committee agreed to the exclusive disposal of land at Lowfield Lane, Balderton to Arkwood Developments Ltd, for the sum of £4,400,000.
- 1.2 The reason for the decision was to enable the Council's housing development company to purchase their second site to build homes and generate profits to be distributed back to the Council in dividends as set out in the Council's Medium Term Financial Plan. As an allocated housing site in the Council's Development Plan this was preferred to a disposal to the general housing market to provide the Council with greater influence over the quality and sustainability of the homes provided whilst also ensuring a reasonable market value for the land.
- 1.3 Since January 2022 there have been a number of matters which have impacted on the scope and viability of the development. This has included changes to planning guidance (notably car parking guidance requiring greater provision and an increase in S106 developer contributions), the results of more detailed ecological work on the site (resulting in a significant reduction in developable land to protect habitat) a reduction in developable area and inflationary challenges across the development industry which have far outstripped any parallel rises in market returns. On this latter issue Members will be aware that this Council has been affected by such challenges in terms of contractor insolvency (notably Woodheads) and the need for budgetary increases (32 Stodman Street and Clipstone Holdings).

## **2.0 Proposal/Details of Options Considered**

- 2.1 Following the granting of planning permission on 11 November 2024, the Council received a revised offer letter from Arkwood Developments Ltd on 13 December 2024 which proposes a revised offer to purchase Lowfield Lane. The revised offer is made as a result of a number of changes to the proposed scheme for the site through the planning process and wider market conditions which have been outside of the company's control. The revised offer is attached at Appendix A in the exempt report. This sets out a summary of the journey of the planning application and details how the revised offer has been calculated.
- 2.2 The original offer on 10 December 2021 was for ██████ for the land which forecast to achieve a commercial return of ██████ being 10.03% of Gross Development Value (GDV).
- 2.3 Throughout the planning process a number of issues have necessitated changes to the proposed housing layout which has impacted the viability of the scheme. This has included:
  - Retention of biodiversity-rich meadow land, which has significantly reduced the 'developable area' of the site;
  - Retention of further hedgerows, which has resulted in more points of access and locating hedgerows outside of curtilage within public realm which is less efficient from a cost perspective;
  - Removal of parking courtyards and greater car parking requirements which has required layout changes which are less cost efficient

- A widening of the range of house types to better reflect needed housing mix which includes some lower value units;
- An increase in S106 Developer Contributions from those originally anticipated, notably for the replacement of off-site ecological habitat and its associated maintenance for a 30-year period (a total impact of £460,184).

2.4 In addition to amendments specific to the site and planning process the scheme has been affected, as is the case nationally, by unprecedented rises in inflationary costs. Members will be aware that this has affected a number of the Council’s own schemes within its Capital programme. The BCIS index on cost inflation has risen from between December 2021 (the time of the original offer) and December 2024 by circa 13.4%.

2.5 Given the above impacts a revised offer from Arkwood has now been received of [REDACTED]. The detail of the changes in the valuation from Arkwoods perspective are included within exempt Appendix A. This includes changes based on a reduction in the number of deliverable units, an allowance for provision of offsite ecological improvements, increases in costs of the scheme and additional s106 contributions.

2.6 Two further valuations of the land have been commissioned (via Wilks, Head and Eve and Pygott and Crone) by the Council in order to demonstrate that best value is being achieved. The valuations are detailed in the table below. The valuations provided are based on the planning consent that was granted and hence include the constraints now known to be present on the land in addition to the current market conditions. These are attached as Appendices B&C to the exempt report.

Valuer	Value
Wilks, Head and Eve	[REDACTED]
Pygott and Crone	[REDACTED]

2.7 Based on the table above, it is proposed that Arkwood’s revised offer provides the Council with best value for the land for the consideration of [REDACTED].

2.8 Arkwood’s offer is subject to an assumption they have made regarding the Green Adoption by Nottinghamshire County Council (NCC). At the time of offer and writing this report, NCC are yet to respond to Arkwood in relation to their cost of adoption. Arkwood have made an assumption within their appraisal that this cost would equate to [REDACTED]. The offer is therefore conditional that the cost does not exceed [REDACTED]. In the event that it either exceeds or is below [REDACTED] the land value will be adjusted accordingly.

Additional Benefits

2.9 As detailed in the January 2022 Policy & Finance Committee report there are a number of additional benefits to the Council from a sale of the land to Arkwood for market value. This includes an additional [REDACTED] in interest receivable for the loan facility that the Council has in place with Arkwood and an estimated [REDACTED] dividends receivable by the Council on the back of the sale of properties. This is an estimate based on assumptions of the company’s overheads and corporation tax. Any dividends that the Council do receive will not be project specific and will be based on the company’s overall profits from all of its activities.

## Other Options

- 2.10 The Council could refuse the revised offer outright and request Arkwood to proceed to complete the sale on the original terms or seek to negotiate a higher sale value somewhere between the original and revised offers. Neither of these options are considered realistic, deliverable or in the Council's interest. Arkwood has set out its position that it is entitled to terminate the contract for sale in the circumstances if the revised offer is not accepted; Officers consider this position to be justified as the viability of the development has been materially affected due to the factors set out in exempt Appendix A. The revised offer exceeds the independent valuations obtained and detailed at paragraph 2.6 above, therefore it is not considered necessary to seek to negotiate a higher sale value.
- 2.11 The Policy & Finance Committee report of 27 January 2022 explored the alternative option of selling the land on the open market; this option was rejected as it did not deliver the Council's strategic aims of both housing delivery, and financial sustainability relative to the Council's Medium Term Financial Plan provided by Arkwood's involvement. In addition, as the Council's wholly owned company, Arkwood does not seek as high a commercial return as other developers and is therefore able to deliver a more diverse mix of housing including lower value units which generate lower returns, but which are much needed in the community. The position on this alternative option has not changed, in particular with reference to the independent valuations referenced at paragraph 2.6 of this report. The Council's Acquisitions and Disposals Policy allows for disposal to be negotiated with a single party such as Arkwood. There is also a risk that by going to the open market the Council could fail to secure a buyer at all if Arkwood withdraw interest.
- 2.12 The Policy & Finance Committee report of 29 June 2017 confirmed the land purchase based on use for strategic residential development, as most of the land was already allocated for that purpose. The proposal offers the best disposal value that can reasonably be obtained, together with associated benefits of delivering much needed housing especially considering new targets now being introduced by Government, and the Medium-Term Financial Plan benefits already set out in this report. There are no alternative uses that would offer a viable and comparable return which achieves Best Value to the Council as landowner given the constraints of the site.

### **3.0 Implications**

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

### **Financial Implications**

- 3.1 Currently the Council has ██████████ financed within the Capital Programme which is attributable to the sale of this land. The reduction in consideration from the land would therefore not impact the Council's financing of the capital programme and hence would therefore not immediately impact on the Councils revenue account due to additional

borrowing being required. There would however be [REDACTED] less capital receipts available going forward in order to finance future capital activity.

- 3.2 The Council stands to receive [REDACTED] from the sales proceeds for the land and hence this is over and above the market valuation as described at paragraph 2.14. Hence it can be demonstrated that a sale at this revised offer price would constitute best value for the Council. Additionally to this, the borrowing interest receivable would be a revenue income for the Council at [REDACTED]. Further to this, an estimated [REDACTED] in dividends would be receivable in revenue income form, from the [REDACTED] (after overheads and corporation tax have been applied).

### **Legal Implications**

- 3.3 The Council is allowed by virtue of Section 123 of the Local Government Act 1972 and the Council's Acquisitions and Disposals Policy to dispose of land in any manner it wishes, providing the disposal is for a consideration (value) not less than the best that can reasonably be obtained. The report confirms that the proposal meets this requirement. Further, it sets out that the proposal is likely to contribute to the achievement of economic and social wellbeing for the residents of the District, by contributing to the Council's strategic aims of both housing delivery, and financial sustainability.

3.4



- 3.5 If the proposal in this report is approved agreement should be reached to terminate the 2023 contract for sale. A fresh contract for sale should be agreed between the parties; it is anticipated that exchange of contracts and final completion of the sale would take place simultaneously.
- 3.6 Cabinet is the appropriate decision-making body to consider this report.

### **Background Papers and Published Documents**

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Planning Application reference 22/02375/FULM is published: - <https://publicaccess.newark-sherwooddc.gov.uk/online-applications/applicationDetails.do?keyVal=RMMEX6LBG7W00&activeTab=summary>

29 June 2017 Policy & Finance Committee Report

*Exempt Report available for confidential inspection by District Councillors: - 27 January 2022  
Policy & Finance Committee Report*