Report to Planning Committee 12 February 2026

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Report Summary			
Application No.	14/01978/OUTM		
Proposal	Middlebeck – Affordable Housing Review (S106)		
Location	Middlebeck, Newark		
Applicant	Urban and Civic	**Agent**	Stantec
Recommendation	To inform the Planning Committee Members of the outcome of the review of the first S106 affordable housing review. The report is for noting and has also been reported to Senior Leadership Team. Note the report in accordance with the Key Objective in the Community Plan to 'Increase Housing Supply and Standards'		

1.0 Background

1.1 Middlebeck is a strategic site consented under planning permission 10/01536/OUTM for up to 3,150 homes with subsequent commercial, leisure and school developments, as well as the additional infrastructure including the Southern Link Road (SLR) linking the A46 to the west with the A1 to the east.

1.2 In 2015 consent was granted for a variation to the original permission (and S106 legal agreement) to change the phasing of the development to allow development to start at the A1 end first and amending some of the contributions within the S106 relating to the sports provision, affordable housing agreed quantum and phasing of the SLR. Details of the original and revised affordable housing quantum are explained below.

1.3 Original S106 2011

1.4 First Tranche (1000 dwellings) of the development will be 7.5% affordable provision and for the remainder of the Development will be 20% (still less than the policy requirement of 30%) unless viability information is submitted demonstrating that this should be reduced. If viability is claimed, then this should be submitted prior to the first occupation of the 800th, 1300th, 1800th, 2300th, and 2800th dwellings (known as Viability Triggers). If the Council, as Local Planning Authority, concludes that viability challenges exist to justify a reduction in affordable housing (as is the case for all decision-making), a revised affordable percentage will be agreed.

1.5 Revised S106 2015

1.6 The First Tranche remains at 7.5% for the first 1000 dwellings, however beyond this for the remainder of the development the number of units for affordable housing is 11.5%.

1.7 Revised S106 2020

1.8 First Tranche remains at 7.5% for the first 1000 dwellings, however for the remainder of the development will be 0% unless at the next review portion (1000th dwelling with every 500 trigger thereafter), a target Internal Rate of Return (ungeared internal rate of return inclusive of growth), is achieved at 15%. For awareness an IRR is used for master developer sites as this given the need for both the master developer and housebuilders to receive reasonable profits. For sites which do not follow the master developer model, which are traditionally smaller and do not need strategic-level infrastructure to unlock them a simple GDV model is used, typically requiring 17.5-20% profit for the housebuilder. In very simple terms large scale strategic ‘Urban Expansion Sites’ require very significant and costly up-front site infrastructure, meaning profits are not realised until significantly into the development.

1.9 As at the time of writing the report, Middlebeck has Reserved Matters approval for 927 dwellings with, as of October 2025, 623 dwellings occupied. Key Phase 1 of the allocation, which is located to the east of the site, is practically completed in terms of residential development, with development moving in to Key Phase 3 with Miller Homes currently onsite. Parcels to the west of the site, in Key Phase 2 have gone out to market, with one volume housebuilder proceeding to contracts. This would then take the number of dwellings over the 1000, which is the First Tranche. Onsite at present, and consented, the affordable housing is spread across the site as follows:

AR = Affordable Rent

SO = Shared Ownership

FH = First Homes

	S106 Requirement		**Provision**		**Who?**	**Residual**
1 Bed House/Flat	2no. AF	2no. SO	2 & 2		Millers	0 no.
2 Bed house/flat	20no. AR	10no. SO	14no. AR	8no. SO	Millers	6no. AR 2no. SO
	3no. FH		2no. FH	1no. FH	Bellway & Millers	0 FH

2 Bed bungalow	4no. AR	2no. SO	3no. AR	2no. SO	Millers	1no. AR
3 Bed house	14no. AR	10no. SO	11 no. AR	6 no. SO	Millers	3no. AR 4no. SO 0no. FH
	3no. FH		2no. FH	1no. FH	Bellway & Millers	
4 Bed house	2no. SO 3no. FH		2no. SO 2no. FH		Millers Millers	0 no. AH 1no. FH
Total	**75no.**		**58no.**			**17no.**

Assessment against the Affordable Housing Delivery Plan (S106)

Therefore, the remainder of 17 units from the initial 1000 dwellings (7.5%) would still be provided, and given the marketing carried out, this would be within Key Phase 2, therefore making affordable units in all three phases. This is however subject to Reserved Matters approval being granted. The mix of dwellings and the tenure would need to accord with the above table, which is fixed through the S106 and the Affordable Housing Delivery Plan.

2.0 Proposal/Options Considered and Reasons for Recommendation

2.1. As part of the latest S106, the Master Developer, Urban and Civic, have submitted financial information for the Council to undertake a viability appraisal of the 'Review Portion' (500 dwellings) to determine the Second Tranche of affordable housing requirements. The plan below shows the Parcels in green, showing the First Tranche of dwellings, and the Parcels in red, showing the expected Second Tranche.

2.2.

2.3. The review has been undertaken by Mercer & Co, who is independent of the Council and Urban and Civic. Their report takes in to account all the financial information from U&C including land receipts, value of all completed development, anticipated/actual sales value, rental income from commercial uses and S106 costs.

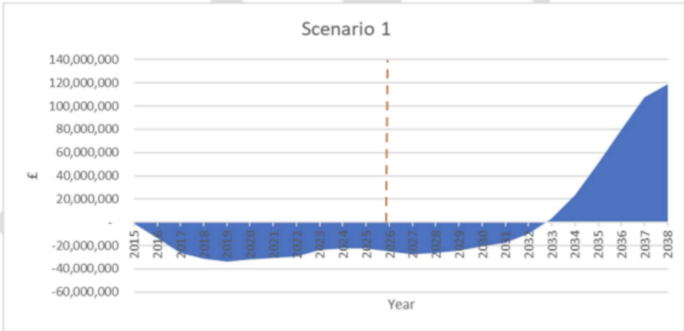
2.4. As part of the review, the following scenarios were investigated:
1. Baseline position using figures as submitted by Urban & Civic.
2. Our view.

3. A ‘goal-seek’ to establish by how high sales process would need to increase before a 15% IRR is achieved.

2.5. <u>Scenario 1</u>

2.6. U&C have calculated an IRR of 9.5%.

Represented graphically, the ‘net cash’ position under this scenario can be depicted as follows:



2.7. Note: the vertical orange line above depicts the current time period (Q4 2025) and shows the net cash position still being negative (£25.27m) and not turning positive until Q4 2032.

2.8. <u>Scenario 2</u>

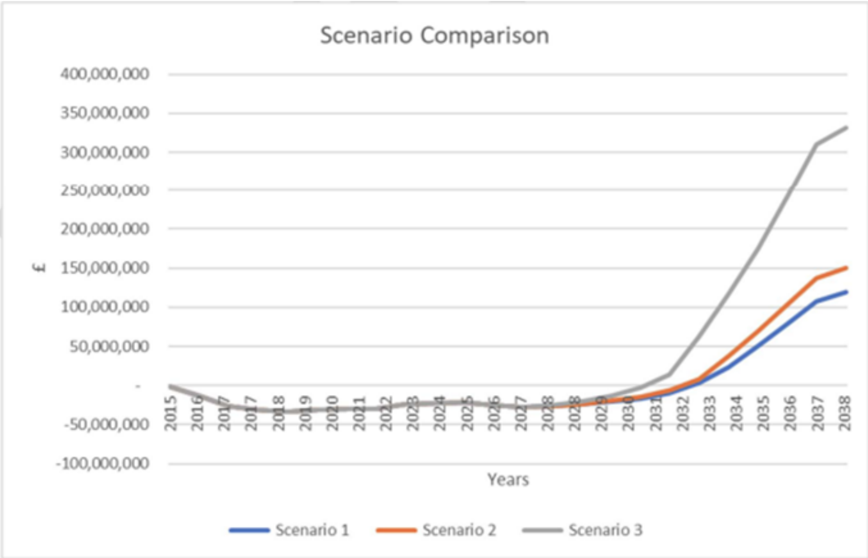
2.9. Mercer has adopted the same approach as U&C but with some amendments to House Price Inflation, Residual Land Value Inflation and Rental Income continuing from Gannet’s Café. With these adjustments, the IRR would achieve 10.68%.

2.10. <u>Scenario 3</u>

2.11. In order to achieve an IRR of 15% we have modelled a ‘goal seek’ scenario by varying house price inflation only. House price inflation would need to increase by 8.7% per annum for all future years of the development. This obviously also assumes no commensurate inflationary rises with build costs.

3.0 Financial Summary

3.1 The graph below compares the relative ‘net cash’ position for each scenario.

3.2 

3.3 An IRR of 15% is highly dependent on the house price sale and the predicted house price inflation over the term. Scenario 2 (orange) suggests that this inflation will rise at 4.11% per annum over the next 5 years. Scenario 3 (grey) suggests it would need to rise by 8.7% per annum (from now - Q4 2025 to June 2037) if a 15% IRR is to be achieved. If current market forecasts are accurate for the next 5years at 4.11%, this would take them to November 2030, meaning a house price inflation would need to be significantly higher than the 8.7% to achieve a 15% IRR by June 2037. This is considered unlikely, and it is considered unlikely that any Affordable Housing would be deliverable for the remainder of the project. However, the Third Review portion (1500 – 2000 dwellings) would still apply and U&C would need to submit a new Viability Review to the Council for independent review. However, given the build rates it is not expected that this would be until around 2031.

3.4 The heavily loaded front-end expenditure incurred by U&C has meant that it is unlikely in the remaining years of the development that an IRR of 15% will be reached, given the current economic climate and forecasts over the next 5 years.

3.5 Whilst the conclusions above are disappointing, the Council has followed extant viability guidance, the route detailed within the planning consent (specifically the S106 agreement) and the advice of the independent expert. The initial S106 was in 2010/2011 just as consequences of the financial crisis hit, which stalled the development for many years until 2014. Subsequent to this the general material costs of the development have also increased, with the main portion of cost increases being related to infrastructure and the increased pressure to deliver this coupled with the under estimation of the initial cost of the delivery of the SLR, hence the funding has been sought and granted from Homes England, LEP, NCC and NSDC.

3.6 This isn’t a report that we cannot agree to as the S106 is clear that if within a review portion the conclusion is that the IRR is below 15%, then it is accepted as the procedure for the next 500 dwellings. The Council is working hard to seek the delivery of the other development within the allocation, notably the commercial developments, which would seek to improve to profitability of the site, however this is a long process. There are other ways that the Council are helping to deliver and improve the wider area, and thus improve the health and pride or community spirit of those residents. This includes seeking to deliver the Hawton Mill (Middlebeck Basin) site as a 'community hub' for sport which will improve the sports offer locally and deliver sports facilities out of the flood zone for the benefit of all.

4.0 Implications

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

Legal Implications - LEG2526/8074

This report is for noting. Planning Committee is the appropriate body to consider the content of this report. A Legal Advisor will be present at the meeting to assist on any legal points which may arise during consideration of the application.

BACKGROUND PAPERS
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.

Application case file.