



Briefing Note

**7.8ha /19 acres of land at Swans Corner,
Nunthorpe TS7 0LA**

TO: Resources Scrutiny & Improvement

DATE: 06/07/2017

FROM: Guy Allen : Strategic Asset Manager

REF:

1.0 PURPOSE

- 1.1 To provide background information for Resources Scrutiny & Improvement Committee regarding the final sale price achieved for the land.

2.0 BACKGROUND

- 2.1 The site was openly marketed and 3 sealed bids submitted to Legal and Democratic Services. The highest bid was £16.2 million after the deduction of the usual 'Abnormals'.
- 2.2 The two highest bids were submitted on a "greenfield" basis ie hypothetically assuming the site is capable of immediate development. The preferred offer from Bellway at £16.2 million had already been reduced by £994,237 to cover the usual range of costs known as "abnormals" to reflect site specific costs including Building Regs compliance, retaining walls, field and other drainage, diversion of rights of way, tree works, water works, substation installation, noise mitigation, etc.
- 2.3 These deductions are 100% normal with the sale of residential development sites to de-risk the purchase from a developer's perspective that is only prepared to accept the risk that the homes do not sell and not risking overpaying for the site.
- 2.4 The offer was also subject to :
- The results of intrusive site investigations.
 - Detailed and implementable planning permission.
 - Confirmed ownership of an unencumbered freehold interest.
 - Further deductions to reflect obligations arising from S106 of the Town and Country Planning Act 1990 and S278 of the Highways Act 1980.
- 2.5 Identified costs relating to the above were submitted by the developer and negotiated at length by the Council and their instructed Agents GVA. Further reductions were agreed and total further deductions of £1.072 million were finally negotiated and agreed. This reduced the contract price to £15.128 million.
- 2.6 S106 costs imposed by the Council as the Planning Authority were £2.573 million, comprising contributions towards :
- Off site Affordable housing : £1,642,000
 - Provision of local Educational improvements : £720,384
 - Local Highways improvements : £207,000
 - Redcar BC/Middlesbrough BC legal costs re the S106 : £4,000

All these costs are deducted from the final payment for the land BUT all bar the £4,000 legal costs are payable to the Council in stages as the site is developed and the houses are built.

- 2.7 The S278 costs imposed by the Highways dept. were agreed at £435,000. - A section 278 agreement (or S278) is a section of the Highways Act 1980 that allows developers to enter into a legal agreement with the council to make alterations or improvements to a public highway, as part of a planning application.
- 2.8 Noise mitigation was also required as part of the planning permission. Costs @ £46,000 were agreed, through the initial sale agreement.
- 2.9 The overall financial picture was :

Original bid (after abnormals)	£16,200,000
Less costs related to Council Requirements:	
a) Site specific works (negotiated)	£1,072,000
b) S106 works (imposed)	£2,573,384 * (Monies recoverable)
c) S278 works (imposed)	£435,737.38
d) Noise mitigation (imposed)	£46,000
Net total Contract price :	£12,072,879 plus S106 of £2,573,384

3.0 RECOMMENDATION

- 3.1 Scrutiny & Improvement to note the above financials and that all bar £4,000 of the S106 monies will be payable to the Council for Affordable Housing elsewhere in the Borough and improvements to the Educational and Highways facilities local to the site.

4.1 FURTHER INFORMATION SOURCES

Property disposal file.

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