

LAND AT MILL ROAD, OVER: TRANSFER AND FINANCING

To: Commercial & Investment Committee

Meeting Date: 18 January 2019

From: Deputy Section 151 Officer

Electoral division(s): Longstanton, Northstowe & Over

Forward Plan ref: N/a Key decision: No

Purpose: To consider a site owned by the County Council in Over; disposal to This Land following an option agreement, financed by loan from the Council & for connected purposes.

Recommendation: The Committee is invited to delegate to the Deputy Section 151 Officer, in consultation with the Chairman of the Committee, the authority to

a) Agree disposal of the site described in section 1 to This Land, further to a decision of Cabinet in 2012, and in accordance with the arrangements described in section 2;

b) Agree to provide loan financing and equity investment to This Land, to enable the acquisition, in line with arrangements described in the appendix.

| <i>Officer contact:</i> | <i>Member contacts:</i> |
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| Name: Tom Kelly Post: Head of Finance Email: Tom.Kelly@cambridgeshire.gov.uk Tel: 01223 703599 | Name: Joshua Schumann Post: Chair of Commercial & Investment Committee Email: Joshua.schumann@cambridgeshire.gov.uk Tel: 01223 706398 |

1. BACKGROUND

- 1.1 Following a decision by the then Cabinet of the County Council in January 2012, an option agreement was entered into with a developer for a site comprising approximately 1.59ha in the North East of Over (South Cambridgeshire). The land is currently used as a paddock and is defined by hedgerow boundaries on all four sides (→)
- 1.2 In 2012, the Council considered its interests were best served at this location by agreeing an option with a private developer who would make a modest upfront capital payment, and develop the land at its own risk through a potentially expensive and time-consuming Planning process. In return the developer had the first option to purchase the property, or to otherwise gain benefit from the uplift in value resulting from their endeavours.



2. RECENT DEVELOPMENTS

- 2.1 The developer obtained reserved matters planning approval for 53 residential units on the land at Mill Road, Over on 18 June 2018. 40% affordable housing is stipulated.
- 2.2 The developer previously approached CCC about the possibility of directly disposing of the site on the open market, as opposed to the developer purchasing the site under the terms of the option agreement, as the developer had decided against developing the site themselves. Following negotiation, it was agreed that the developer would surrender their option agreement dated 8 November 2012, on completion of a Land Agreement (completed as of 16 November 2018) which would formalise the sale of the site with the benefit of reserved matters planning permission either to CCC's nominated party or on the open market, by CCC as freeholder, and to split the proceeds. This mirrors the terms and conditions of the option agreement – in order for the developer to recoup their fees in obtaining planning permission for residential development and a proportion of the uplift in value of the site.
- 2.3 Prior to the site being marketed openly, This Land (as CCC's nominated party) was offered the opportunity to acquire the site. An external valuation of the site was undertaken by a registered valuer (Savills) which determined the freehold value of the site subject to the benefit of reserved matters planning permission for 53 residential units (see Appendix). Formal Heads of Terms for the sale were issued to This Land on 20 November 2018. As per the timetable agreed within the Land Agreement, This Land had a month to formally agree to the purchase from notification. This Land formally notified CCC of its wish to purchase the site on the 20 December 2018. Completion of the sale would now need to occur imminently, under the terms of the Land Agreement.

3. FINANCING THIS LAND ACQUISITION

- 3.1 The This Land companies are ultimately wholly owned by the County Council and operate

on an arms length basis to deliver a commercial return from housing development. The business model for This Land finances the company initially through loans and equity investment provided by the County Council. In the short and medium term the Council will receive interest on the loans advanced, with repayment of those loans and an overall return on its investment over the longer term. To date, the Committee has agreed activation of £67m of loans to This Land for the acquisition of property and development. As at January 2019, £13m of this remains pending in relation to a site acquisition and £8m for the purposes of construction.

- 3.2 This Land have submitted an investment case in support of advancing further loan finance to enable acquisition of the site at Over. Further details are available in the confidential appendix. The investment case demonstrates a favourable return and it is considered advantageous to nominate This Land as the Council additionally benefits from loan interest (derived from development proceeds) as well as the capital receipt for the land in its current condition.

4. ALIGNMENT WITH CORPORATE PRIORITIES

4.1 Developing the local economy for the benefit of all

Promoting housing development benefits the economy, providing homes for people to live in Cambridgeshire and jobs associated with construction, planning and accommodation delivery.

4.2 Helping people live healthy and independent lives

There are no significant implications for this priority.

4.3 Supporting and protecting vulnerable people

There are no significant implications for this priority.

5. SIGNIFICANT IMPLICATIONS

5.1 Resource Implications

The report above sets out details of significant implications in section 2 and 3 and in the confidential appendix.

5.2 Procurement/Contractual/Council Contract Procedure Rules Implications

No significant implications.

5.3 Statutory, Legal and Risk Implications

The Council has followed its policy in relation to disposal at best consideration, in this case using the established process of using an external independent valuation rather than a sale through the open market. Risks related to the development are set out in the appendix.

5.4 Equality and Diversity Implications

No significant implications.

5.5 Engagement and Communications Implications

No significant implications.

5.6 Localism and Local Member Involvement

No significant implications further to the grant of planning permission. In line with our usual approach notification is given of This Land transactions to the Local Member.

5.7 Public Health Implications

No significant implications.

| Implications | Officer Clearance |
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| Have the resource implications been cleared by Finance? | Yes Name of Officer: T Kelly |
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| Have the procurement/contractual/ Council Contract Procedure Rules implications been cleared by the LGSS Head of Procurement? | Not applicable further to original option agreement |
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| Has the impact on statutory, legal and risk implications been cleared by LGSS Law? | Yes Name of Officer: M McMurtry |
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| Have the equality and diversity implications been cleared by your Service Contact? | Yes Name of Officer: T Kelly |
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| Have any engagement and communication implications been cleared by Communications? | Yes |
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| Have any localism and Local Member involvement issues been cleared by your Service Contact? | Yes |
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| Have any Public Health implications been cleared by Public Health | Not applicable |

7. SOURCE DOCUMENTS

| Source Documents | Location |
|---|---|
| Cabinet Meeting (January 2012) leading to the agreement of an option at Over. | https://www2.cambridgeshire.gov.uk/committees/minutes/committees/Meeting.aspx?meetingID=386 |