

WEST NORTHAMPTONSHIRE COUNCIL

CABINET

13th June 2023

**CABINET MEMBER RESPONSIBLE FOR FINANCE:
COUNCILLOR MALCOLM LONGLEY**

Report Title	Disposal of Land at London Road, Daventry
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List of Approvers

Monitoring Officer	Catherine Whitehead	17/05/2023
Chief Finance Officer (S.151)	Martin Henry	17/05/2023
Other Director	Stuart Timmiss – Executive Director Place, Environment and Economy. Simon Bowers – Assistant Director, Assets and Environment.	27 March 2023
Head of Communications	Becky Hutson – Head of Communications	

List of Appendices

None

1. Purpose of Report

- 1.1 To seek authority to agree to the disposal of land off the A45 London Road, Daventry via a hybrid promotion agreement (which is a combination of an option and a promotion agreement) or, if necessary, via a further open market process.

2. Executive Summary

- 2.1 West Northamptonshire Council (WNC) holds the freehold interest in approximately 0.7 ha (1.8 acres) of low-grade agricultural land located off the A45 London Road Daventry. It is approximately a mile from Daventry town centre. This site forms part of the EC9 Daventry South East Gateway, being a much larger site of circa 33.8 ha (16.7 acres) which was allocated by the Daventry District Settlements and Countryside Local Plan (Part 2) in February 2020. This Local Plan policy is intended facilitate regeneration and renewal for Daventry and enhance the employment opportunities through the potential provision of business uses or uses ancillary thereto up to 10,000 sq. m per unit.
- 2.2 Ownership of most of the site is held by four landowners who have employed a local agent to market it. These have worked collaboratively, originally with Daventry District Council (DDC), and now WNC, to promote the site. The Council's interest was referenced in the marketing whilst retaining its distinction from the consortium. However, as its land is an integral part of any development it has been agreed that the consideration from the disposal of the complete site would be apportioned based on gross equalisation. This is considered to fairly reflect the value of each landowner's part in the whole.
- 2.3 Following an aborted freehold sale in autumn 2022 due to changes in the wider economy the site has subsequently been presented for disposal on the basis of a hybrid promotion agreement (which allows the promoter to de-risk the site, promote it, and require a sale to the best bidder provided the minimum financial value is met); it is considered that this provides the best opportunity to price maximisation. On this basis, the promoter will be required to secure a satisfactory outline planning permission and then acquire the land from the collective landowners on predefined basis and time scale. Should this arrangement fail for any reason disposal via the open market is proposed.

3. Recommendations

- 3.1 It is recommended that Cabinet authorises the Assistant Director Assets & Environment in consultation with the Finance Portfolio Holder to agree terms for the disposal of land off the A45 London Road, Daventry and complete any documentation required to implement this, in accordance with the constitution and the following:
- a) A hybrid promotion agreement with GC No. 19 Limited or another company associated with Godwin Developments should be entered into to promote and facilitate the disposal of the Site via the open market.
 - b) Should the agreement not be achieved for any reason or elapse, disposal would be directly via the open market.
 - c) The consideration should not be less than the pro-rata minimum purchase price or such a figure that reasonably represents market value.

4. Reason for Recommendations

- 4.1 The land is surplus to requirements and was being held with longer term development aspirations in mind. The site has been actively marketed jointly with the other associated landowners. The disposal would fulfil the objectives of good estate management.

- 4.2 The redevelopment of the Site would see a key strategic area of Daventry developed which would align with the proposed West Northamptonshire Spatial Vision, Strategic Plan Objective 13: Economic Advantage.
- 4.3 To generate a capital receipt for the Council in the short term, which would be difficult to obtain if it were not included as part of the larger development opportunity.
- 4.4 To comply with the obligations on the Council to obtain the best consideration reasonably obtainable in a freehold land disposal.
- 4.5 As a hybrid promotion agreement, all costs associated with promotion of the site, such as planning fees, agents, and legal fees are paid by the promoter.
- 4.6 The Council has a degree of security knowing that it can expect a minimum consideration when the site is disposed and therefore there is a minimum degree of risk to the local authority.

5. Report Background

London Road Site

- 5.1 The Council holds the freehold interest in approximately 0.7 ha (1.8 acres) of low-grade agricultural land located off the A45 London Road Daventry. It is approximately one mile from Daventry town centre. This site forms part of the EC9 Daventry South East Gateway being a much larger site of circa 33.8 ha (16.7 acres) which was allocated by the Daventry District Settlements and Countryside Local Plan (Part 2) in February 2020. This Local Plan is intended to facilitate economic development and regeneration for Daventry and enhance the employment opportunities through the provision of what were then described as B1 (b, c), B2 or B8 uses (broadly, manufacturing, storage, and distribution), or uses ancillary thereto, up to 10,000m² per unit.
- 5.2 Ownership of most of the site (excluding the Landmark Hotel and the Autogreen vehicle recycling site, and the Council's land) is held by four landowners who employed a local agent to market it. These have worked collaboratively, originally with DDC, and now WNC, to promote the site. The Council's interest was referenced in the marketing whilst retaining its distinction from the consortium.
- 5.3 As the Council's land is an integral part of any development it has been agreed that the consideration from the disposal of the complete site would be apportioned based on gross equalisation. This means that the value for the whole site is divided by the total area and then multiplied by the area of each landowner's land to calculate the value it is to receive. This allows for the fact that within any development some land is used for purposes not directly generating income e.g., roads or landscaping but this is still essential for the overall scheme to work. In this case the Daventry Wood site was excluded from equalisation as it is not developable. This approach is considered to fairly reflect the value of each landowner's part in the whole, including the value of the Council's land.

Marketing and disposal

- 5.4 Following marketing of the site the deadline for offers concluded on 29th March 2022. This produced attractive offers. Accordingly, in July 2022 Cabinet authorised freehold disposal of the Council's part of the land, in co-ordination with the other landowners, to a third party. However, due to changes in the wider economy and a subsequent rise in interest rates the successful applicant was unable to obtain funding for the acquisition and could not proceed.
- 5.5 The site has subsequently been presented for disposal via a hybrid promotion agreement. It was considered that this method of disposal offered the best opportunity for maximising the capital receipt. On this basis 14 applications were received with the best offer from Godwin Developments who intend to promote the site via GC No. 19 Limited, which is a company formed for this project then market the site with the benefit of planning permission. Under the terms of their offer the promoter would be granted an agreement term of four years, which could be extended on reasonable grounds. The intention would be that satisfactory outline planning permission for the development was secured within two years, followed by a disposal.
- 5.6 It would be a condition of the contract that the promoter will actively maximise value and the net developable acreage to obtain the optimum development scheme. Approval from the landowners prior to submission of any planning application will also be needed. This will act as a further safeguard to ensure best consideration. On the realisation of a satisfactory outline planning permission the promoter will have a two year 'sale window' to dispose of the site under the terms of the agreement.
- 5.7 The purchase price would be calculated using a formula set out the in the agreement. This provides for the price to be market value for a serviced site with outline planning permission, less 'deductible expenditure' and 'infrastructure costs'.
- 5.8 The promoter has allowed a total of £10.77m for anticipated infrastructure costs and this is to be treated as a cap. Deductible expenditure is expected to be in order of £1.019m and may change. However, in any event the purchase price cannot fall below a set minimum purchase price. This is £23m overall, £1.145m per net acre, subject to the results of ground investigations. If the promoter is unable to secure at least this level of receipt, the owners (including the Council) would not be obliged to accept a sale via the agreement. However, it is considered that this may rise significantly, as the wider economy improves. Based on minimum figures this would generate a capital receipt for the Council of circa £1.284m.
- 5.9 If this sale window expires, the other landowners have agreed that their collective interests would be sold on the open market. This appears a sensible approach.

6. Issues and Choices

- 6.1 The Council has a number of choices at this point.
- 6.2 (1) Do nothing at this time – At present the Council's land offers little benefit either from a financial or economic perspective to the Council. It is currently held on a tenancy at will to an adjoining landowner (one of the other landowners in the consortium) at a peppercorn fee for storage. Therefore, its future even for this use is limited should development proceed.

- 6.3 (2) Agree to the proposed promotion agreement – If the Council’s interest was included as part of the larger development, its disposal would assist in the realisation of a capital receipt likely to be more than what could be realised if the land was disposed in isolation. This is likely to remain the case even if the proposed hybrid promotion agreement was not to deliver a disposal. In addition to obtaining a significant capital receipt the inclusion of the Council’s land would assist and facilitate the development of one of strategic sites in area which would align with one of the objectives of the Council as set out in the Settlements & Countryside Local Plan. The development would also result in inward investment, job creation and economic growth.
- 6.4 (3) Seek a separate disposal – For the reasons given above, this is considered unlikely to maximise financial returns. It is also likely to frustrate the development of this allocated development site, contrary to the Council’s planning policy intentions.
- 6.5 None of the options has a material adverse impact on people with different protected characteristics or otherwise adversely affects the Council’s equality duties.
- 6.6 It is therefore concluded that proceeding with a disposal alongside the landowner consortium (option 2) represents the best option for the Council.

7. Implications (including financial implications)

7.1 Resources and Financial

- 7.1.1 The consideration expected under the hybrid promotion agreement or freehold sale is in excess of its current asset value, at a minimum of circa £1.284m.
- 7.1.2 As part of the hybrid promotion agreement all legal costs would be covered by the promoter, consequently it would be advantageous to use external resources to ensure that the legal process is harmonised between all vendors. It is expected that Ladders will be appointed due to their prior involvement in the site and their status as retained solicitors for the other Vendors.
- 7.1.3 The Council will also be entitled to a percentage of the Vendors Agent Monitoring Fees (which is a Deductible Expense). The Council will receive 40% of these Fees. This is to ensure that the disposal proceeds in accordance with the Contract. These are expected to be £20k per annum in total, representing £8k pa for the Council apportioned on this basis.

7.2 Legal

- 7.2.1 The general power of disposal is contained in section 123 of the Local Government Act 1972, which gives a local authority the power to dispose of land held by it in any manner it wishes provided that the local authority achieves the best consideration that can reasonably be obtained.
- 7.2.2 The process undertaken in conjunction with the other landowners is designed to secure the highest financial value for the land, taking into account amount, certainty, and speed of receipt. As such, it should achieve the best consideration reasonably obtainable.

7.3 Risk

7.3.1 GC No. 19 Limited is a company recently created by Godwin Developments to facilitate this project and no guarantees will be provided by Godwin Developments should GC No. 19 Limited fail to fulfil its contractual obligations. This is possible, notably if the financial case for the development was to falter. This significant risk would be mitigated by ensuring that the planning application is made as joint application. This would ensure the vendors (including the Council) would have a current outline planning permission for the site, which they could present to the market, should the company fail, or the agreement fall away for any other reason.

7.3.2 Risk would also be mitigated by the payment of an agreement fee of £225,000 to the vendors upon signing of the Agreement. This will be apportioned on pro rata basis between the vendors.

7.3.3 It is clearly possible that the other vendors might choose to not proceed, but this seems unlikely given the interest they have shown in bringing their land forward for development.

7.4 Consultation and Communications

7.4.1 The predecessor Council, Daventry District Council consulted via the Daventry District Settlements and Open Plan, which allocated this site for development.

7.5 Consideration by Overview and Scrutiny

7.5.1 None.

7.6 Climate Impact

7.6.1 The sale of the land of the A45 London Road, Daventry would enable development which is likely to have a climate impact. However, whilst the Council has goals to secure net zero it is not practical to prevent all development whilst the steps to achieve this are put in place. Even if the Council refused to dispose of its land for development (contrary to its own local plan policies) it is likely development would still take place, albeit in a sub-optimal form. Therefore, it is considered that climate impacts do not suggest the disposal should not proceed.

7.7 Community Impact

7.7.1 By proceeding with the disposal of the land off the A45 London Road, Daventry the Council would be facilitating in the realisation of the economic development and job creation in the Daventry area whilst realising significant capital receipts for areas of land which as they stand offer little towards the goals of the Council.

8. Background Papers

8.1 None