

**SALE OF LAND ADJACENT TO STOKE ROAD**  
**REPORT OF DEPUTY CHIEF EXECUTIVE (CORPORATE**  
**DIRECTION)**



Hinckley & Bosworth  
Borough Council

*A Borough to be proud of*

**WARDS AFFECTED: ALL WARDS**

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1. **PURPOSE OF REPORT**

1.1 To update members on the current position regarding the sale of land adjacent to Stoke Road (Former Boys Club) to Morris Homes.

1.2 For members to confirm the sale as negotiated in the agreed terms with Morris Homes.

2. **RECOMMENDATION**

2.1 Members confirm the sale of the land adjacent to Stoke Road for the sum of £2.3m and on the terms set out in paragraph 3.16 below

3. **BACKGROUND**

3.1 The land lies close to the junction between Tudor Road and Stoke Road towards the northern perimeter road (Normandy Way) of Hinckley and was formally known as the Stoke Road Boys Club. The site in question is divided in two by a service road that links Richmond Park Primary School. The total site area equates to 5.26 acres which includes the LCC owned access driveway.

3.2 The land adjacent to Stoke Road was highlighted in the 2005 disposal strategy and identified as a site with residential development potential. The valuation for the site based upon residential values in January 2006 totaled £3,600,000 based upon the site being sold in its entirety.

3.3 This valuation in January 2006, of £3.6 million excluded any abnormal, onerous or exceptional costs. i.e demolition costs of the building, services at appropriate levels and capacity for the developments connection, the school access "that the County Council will not otherwise seek to benefit from the development of the site by way of ransom", S106 contribution costs and unexpected ground conditions leading to increased costs of construction.

3.4 On July 20<sup>th</sup> 2007 a report from the Head of Culture and Development titled Hinckley Club for Young People Project was presented to Executive.  
report Exec12

*"To inform Executive Members on progress of the scheme to date to relocate Hinckley Club for Young People and to seek agreement to further develop this scheme".*

Within this report the sale of the Stoke Road site was recommended for a net £2m capital receipt. The report identified the land identified would therefore provide a capital gain from the sale.

- 3.5 On 29th March 2007, Hinckley and Bosworth Borough Council entered into an agreement with Morris Homes Limited to release the option they had previously secured over the Atkins Site so that the development of the exiting new premises for North Warwickshire and Hinckley Collage could proceed. A further agreement granted Morris Homes the option to purchase the land at Brodick Road, Hinckley. In the event that this option was not exercised Morris Homes benefitted from a pre-emption agreement whereby the Borough Council was required to give Morris Homes first refusal of any land to be sold by the Council prior to 29<sup>th</sup> March 2012 which could be developed with a minimum of 50 residential units.
- 3.6 A report to Scrutiny Commission on the 11<sup>th</sup> October 2007 considered the Hinckley Club for Young People again with the sale of Stoke road being identified in the body of the report.  
report SC49
- 3.7 Finance and Audit Services Select Committee met on the 17th December 2007 and heard the report of the Director of Finance regarding the Capital Programme 2007/2008 to 2010/2011. Three key land disposals were referred to and included the Land at Stoke Road.  
report FASC41
- 3.8 On February 18th 2008, the Hinckley Club for Young People project was given approval to proceed by members of the Executive. The report identified the legal implications of the disposal of the land at Stoke Road. The report Highlighted that the disposal of the open space at Stoke Road would need to be in line with the procedure in S123 (2A) of the Local Government Act 1972; that is the disposal would need to be advertised for two successive weeks in the local press and any representations received as a result of the advertisements would need to be considered before confirming the disposal of the land. The advertisement of the proposed sale was placed in the Hinckley Times on the 9<sup>th</sup> and 16th December 2010. No representations were received as a result of the advertisement.  
report EXEC57
- 3.9 Finance and Audit Services Select Committee on the 17th March 2008 endorsed the support already confirmed for the project to relocate Hinckley Club for Young People to Richmond Park. The report confirmed that, preparations to sell the land off Stoke Road for the maximum capital receipt would commence shortly.  
report FASC53
- 3.10 By 30th March 2009 Morris Homes had not exercised their option over Brodick Road, Hinckley and the conditions of the pre-emption agreement were initiated. The Estates and Asset Manager was charged to identify the likely sites that would satisfy the minimum requirement of developing 50 residential units within the Authorities land holdings. The following sites were identified -
- Hinckley Leisure Centre Coventry Road  
Council Office Depot Site Middlefield Lane  
Land adjacent to Stoke Road Hinckley  
The Council Offices site at Argents Mead
- 3.11 The valuation of Stoke Rd was updated on the 21st December 2009 to £2,565,000, around £487,642 per acre based upon the same assumptions identified in the earlier report. The valuer stated that as a result of the financial crisis of 2007 and 2008 demand for residential development fell away steeply with very few if any transactions completing over this period. We had current evidence relating to the sale of a development site in Hinckley for the sum equivalent to £500,000 per developable acre

- 3.12 On 23rd February 2010 negotiations towards a conditional contract for the sale of Stoke Road began with Morris Homes based upon the revised valuation and need to release this Council from the pre-emption agreement with Morris Homes. This required Morris Homes to carry out their own site investigations and apply for planning approval for their proposed scheme.
- 3.13 On 14th February 2011 a report to Finance and Audit Select Committee confirmed detailed negotiations were taking place on the sale of the former Stoke Road Boys Club Site.  
report FASC46
- 3.14 As a comparison on land values Scrutiny Commission on the 8th September 2011, discussed comparative land values in relation to any potential development of Argents Mead. The view of Lambert Smith Hampton view was that it is very difficult to assess current market values in light of (i) lack of current market evidence, and (ii) the lack of property being brought to the market at current "bottom of the market" conditions. LSH said it was therefore reasonable to apply c.£0.5m/acre (£1.25m/hectare) to Argents Mead.  
report SC14
- 3.15 Negotiations for a Conditional Contract with Morris Homes were concluded on 27<sup>th</sup> May 2011. This contract stated the sale would be conditional on the grant of acceptable planning permission and the Council being able to give vacant possession of the site.

The purchase price was agreed at £2.3 million and it was agreed that there would be no reduction in this price as a result of S106 contributions  
Section 106 attached and break down is:-

- Affordable Housing – (13 units)
- Play and Open Space – (£124,611.50)
- Education – (£128,486.12)
- Public Transport – Travel Packs at £50.18; Bus Passes at £325.00 per pass and £3,852.00 per bus stop.

or abnormal conditions. The payment would be split on the following basis:

- a) £230,000 deposit paid immediately but to be held to until completion
- b) £1,035,000 paid on completion
- c) £1,035,000 paid 12 months after completion

For the period between completion and final payment the land is subject to a legal charge in favour of the Council to secure the monies due to the Council

Morris Homes were also required as a part of the sale to make the link road between Stoke Rd and Richmond Park Primary School up to an adoptable standard and relocate the entrance to the site in order to allow school busses to use the access. A footpath was also required to be extended to allow safe pedestrian access to the school along with timed /automated school gates to be fitted at the access to the school.

- 3.15 In responding to the enquiry by the Council's Estates and Assets Manager to confirm "best value" for the land at £2.3million for the sale of the site Sturgis, Snow and Astill confirmed by email on 4th July 2012 that the value reported in December 2009 was £2,565,000 (Two Million Five Hundred and Sixty-Five Thousand Pounds). They also drew attention to the specifics of the report that included the following assumptions:-

“Our valuation assumes there to be no exceptional ground conditions requiring unconventional foundation design nor unusual building costs or costs associated with servicing the site.

It is assumed that the most cost-effective means of retaining access to third party land (including the School) at the rear of the site can be implemented”.

Sturgis Snow and Astill concluded that “in practice I’ve never known a developer confirm that there are no unusual costs of development. ***I am not surprised therefore that the sale figure is a little lower than the value reported (notwithstanding the time differential)***”.

As a part of the year end accounting process Price Waterhouse Coopers LLP agreed to the fair value of the site.

3.18 On February 23rd 2012 an update on progress made on the sale of Stoke Road was given to the members of the Asset Management Strategy Group advising that planning consent has now been granted for this site and the disposal at £2.3m would move ahead – payment to be phased as development proceeds.

3.19 The sale to Morris Home is now to be completed on the terms as set out above in paragraph 3.16 on 3<sup>rd</sup> January 2013, subject to confirmation by the Council.

#### 4.0 **FINANCIAL IMPLICATIONS [IB]**

4.1 It was agreed by Council on February 24 February 2011 that the receipt would underpin the capital programme. Therefore receipt from the site has already been committed to finance the capital programme. The amount of £2,300,000 was detailed in the Portfolio holders Finance Statement presented at the same meeting.

4.2 In accordance with Financial Procedure rules Members are requested to agree the receipt from the sale of the site totalling £2,300,000. Stage receipts are as follows:-

Receipt 1 £230,000 received 27/5/11 (being held as a deposit )

Receipt 2 £1,035,000 due 3/1/13

Receipt 3 £1,035,000 due 3/1/14

4.3 The valuation of £2,300,000 was confirmed with Sturgis Snow & Astill as part of year end accounting process. Price Waterhouse Coopers LLP as part of their annual audit, agreed to the fair value of the site.

#### 5. **LEGAL IMPLICATIONS [AB]**

The conditions set out in the conditional agreement with Morris Homes have now been met and the requirement to advertise the sale for two weeks under S123(A) Local Government Act 1972 have been complied with.

#### 6. **CORPORATE PLAN IMPLICATIONS**

The sale of the land adjacent to Stoke road will complete the Club for Young People project which provided for a high quality and valued community facility in Hinckley. The disposal has been identified in the Asset Management disposal strategy.

7. **RISK IMPLICATIONS**

Management of significant (Net Red) Risks		
Risk Description	Mitigating actions	Owner
By not agreeing to the sale of the land, the Council would be exposed to serious risk of litigation and considerable costs, a much lower valuation (lower 'best value') and significant reputational damage.	Confirm agreement at this meeting	Council

8. **KNOWING YOUR COMMUNITY – EQUALITY AND RURAL IMPLICATIONS**

Future development of the land is in accordance with planning policy for residential development within Hinckley. In preparation of the land sale a planning application has been approved.

The development will improve access to Richmond Primary School allowing direct access via an adoptable standard road and pedestrian link.

9. **CORPORATE IMPLICATIONS**

By submitting this report, the report author has taken the following into account:

- Community Safety implications
- Environmental implications
- ICT implications
- Asset Management implications
- Human Resources implications
- Planning Implications
- Voluntary Sector

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Background papers: REPORT NO. EXEC12, REPORT NO. SC49 REPORT NO FASC41, REPORT NO FASC47, REPORT NO SC87, REPORT NO. EXEC57,REPORT NO FASC53, REPORT NO FASC28,REPORT NO FASC35, REPORT NO FASC38, REPORT NO FASC39, REPORT NO FASC46, REPORT NO C47, REPORT NO SC14

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