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Tuesday, 14 January 2020

Chairman: Councillor D Lloyd

Members of the Committee:

**Councillor L Brailsford
Councillor B Clarke-Smith
Councillor K Girling
Councillor P Peacock**

MEETING: Shareholder Committee
DATE: Wednesday, 22 January 2020 at 5.30 pm
VENUE: Civic Room One, Castle House, Great North Road, Newark NG24 1BY

You are hereby requested to attend the above Meeting to be held at the time/place and on the date mentioned above for the purpose of transacting the business on the Agenda as overleaf.

If you have any queries please contact Helen Bayne on helen.bayne@newark-sherwooddc.gov.uk.

AGENDA

	<u>Page Nos.</u>
1. Apologies for Absence	
2. Declarations of Interest by Members and Officers and as to the Party Whip	
3. Declarations of any Intentions to Record the Meeting	
4. Minutes of the Meeting held on 17 September 2019	4 - 6
Items for Decision	
5. Development Land Availability	7 - 9
Items for Noting	
6. Minutes from the Board Meetings of Arkwood Developments	10 - 11
(i) 2 October 2019	12 - 14
(ii) 4 November 2019	15 - 17
7. Exclusion of Press and Public	
<p>To consider resolving that, under section 100A (4) of the Local Government Act 1972, the public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.</p>	
8. Arkwood Development - Business Plan	18 - 49
9. Bowbridge Road Development - Final Scheme	50 - 53
10. Arkwood Board Meeting Minutes - 3 September 2019	54 - 57

Agenda Item 4

NEWARK AND SHERWOOD DISTRICT COUNCIL

Minutes of the Meeting of **Shareholder Committee** held in the Civic Suite, Castle House, Great North Road, Newark NG24 1BY on Tuesday, 17 September 2019 at 5.30 pm.

PRESENT: Councillor D Lloyd (Chairman)

Councillor L Brailsford, Councillor B Clarke-Smith and Councillor P Peacock

APOLOGIES FOR Councillor K Girling (Committee Member)

ABSENCE:

13 DECLARATIONS OF INTEREST BY MEMBERS AND OFFICERS AND AS TO THE PARTY WHIP

There were no declarations of interest.

14 DECLARATIONS OF ANY INTENTIONS TO RECORD THE MEETING

NOTED that a recording would be undertaken by the Council.

15 MINUTES OF PREVIOUS MEETING HELD ON 11 JUNE 2019

The Minutes of the meeting held on 11 June 2019 were approved as a correct record and signed by the Chairman.

16 MINUTES OF THE ARKWOOD BOARD MEETINGS

The Committee noted the minutes of the Arkwood Developments Board meetings held on 25 June and 1 August 2019.

17 COUNCIL AND COMPANY TAXATION

The Committee considered the report of the Business Manager – Financial Services which sought to inform the Shareholder Committee of the taxation implications for Arkwood Ltd., as the Council's wholly owned development company and any associated taxation implications for the Council.

Paragraph 3.0 of the report detailed the proposals in relation to Stamp Duty Land Tax, Corporation Tax, VAT and PAYE/NIC implications for the Company (and Council).

AGREED (unanimously) that the report be noted.

18 ARKWOOD DEVELOPMENTS PROGRESS REPORT

The Committee considered the report of the Director – Governance & Organisational Development which sought to keep Members updated on Arkwood Developments' progress and the Company's financial position.

Paragraph 3.0 of the report set out the proposals and financial position with the key activities listed as: progression at Bowbridge Road to agreed timescales; development of the Company's website and social media accounts for future communications and sales; and the undertaking of a preliminary viability assessment for a future development site. Arkwood Development's Managing Director was in attendance at the meeting and presented to Members details of the Bowbridge Road Development.

It was noted that the Company were undertaking other activities to develop the business and to ensure the targets set within their Business Plan were met.

AGREED (unanimously) that:

- (a) the update regarding progress on Arkwood Developments activities be noted; and
- (b) the Company's financial position be noted.

19 EXCLUSION OF PRESS AND PUBLIC

AGREED (unanimously) that under Section 100A(4) of the Local Government Act 1972, the press and public be excluded from the meeting for the following items of business on the grounds that they involve the likely disclosure of exempt information as defined in Part 1 of Schedule 12A of the Act.

20 MINUTES OF ARKWOOD MEETINGS - EXEMPT APPENDICES

The Committee considered the exempt minutes of the Arkwood Developments Board meetings held on 25 June and 1 August 2019.

(Summary provided in accordance with Section 100C(2) of the Local Government Act 1972)

21 ARKWOOD DEVELOPMENTS PROGRESS REPORT - EXEMPT APPENDIX

NOTED the exempt appendix of the Arkwood Developments Progress Report.

Meeting closed at 5.55 pm.

Chairman

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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SHAREHOLDER COMMITTEE

22 JANUARY 2020

DEVELOPMENT LAND AVAILABILITY

1.0 Purpose of Report

- 1.1 To present to Members Arkwood Development's land pipeline and potential implications in the delivery of the approved 500 units.

2.0 Background Information

- 2.1 The business case for the establishment of a development company was approved by the Policy & Finance Committee in January 2018, the purpose for setting up Arkwood Developments was to deliver on the commitment made within the Council's Community Plan and to provide additional revenue streams to the district council. In the early phase of the company's inception it will achieve this by developing new homes predominantly for market sale.
- 2.2 Arkwood Development's business plan was approved at the June Shareholder's Committee. In the business plan it sets out the sites earmarked for development to deliver the approved 500 units.

3.0 Land Availability

- 3.1 To assist Arkwood in firming up their pipeline of land availability, an exercise has recently been concluded to identify suitable landholdings within the District Council's ownership, both across the general fund and housing revenue account. We have identified that while the Council does have some modest landholdings, the majority of these are unsuitable for development, either due their location outside of the urban boundary or their existing allocation as public open space.
- 3.2 Within the Council's ownership there are currently 4 sites deemed as suitable for delivery in the next 3 years; which have an existing allocation for housing, all of which are currently being progressed for delivery. Research shows that it can take 2-3 years from the initial identification of a site until the first housing completion and we are fortunate in this regard to have readily available sites within our ownership.
- 3.3 The outturn of the exercise however, is that the delivery plan now identifies a shortfall of 54 units for the full 5 year programme to deliver 500 units. It should also be noted that this is based upon all current sites progressing to expected timescales and delivering the predicted 446 units. Typically a developer would have a land pipeline that has the flexibility to substitute opportunities should sites be delayed, either through the planning process or become unviable to deliver; both of which are not uncommon. In addition developers would have a land surplus of 50% above their target figures to enable the work programmes to be accelerated or decelerated as required.

- 3.4 The conclusion to be drawn is that there is a need to acquire further land suitable for development, to fulfil the projected shortfall in the next 5 years. The land would need to have an existing allocation for housing, due to the timescales for delivery and recognising that the next round of site allocations, will not occur for another 3-4 years. Colleagues in the Planning Department have confirmed that they currently have a flexible supply of land allocations within the district; and would not be looking to add to this until the Core Strategy is due for renewal.
- 3.5 In 2011 the Council adopted their Core Strategy for the Local Development Framework, which was revised in 2017 and adopted again as the Amended Core Strategy in 2019. The Council takes a proactive approach to development and has allocated land parcels suitable for new build housing development. This is an efficient way of streamlining the planning process however, it also means that the majority of the sites within the district that have an existing housing allocation have already been secured by developers, leaving limited sites available to purchase.
- 3.6 Whilst there will doubtless still be opportunities coming to the market place within the district; prior to the next round of planning allocations, these will be limited in number and given the scarcity likely to attract a premium price. Timescales to secure additional sites are key given the previous point that it takes approximately 2-3 years for a site to deliver units and there is also no guarantee that any sites which do come onto the market will meet Arkwood's viability requirements.
- 3.7 A means of addressing the current shortfall within the development pipeline would be to broaden the area in which Arkwood operates to include neighbouring districts. This would open up opportunities not only to purchase sites outright, but also to potentially work with other local authorities to establish if they have suitable development land and require a partner to unlock sites.
- 3.8 Benefits to operating in neighbouring districts are that we could continue to use a local supply chain, ensuring that money spent is re-invested in the local Newark & Sherwood economy.

4.0 Equalities Implications

- 4.1 There are no equalities implications in this report, as the subject matter involves the provision of a land supply for the Council's development company and does not impact upon persons with protected characteristics .

5.0 Financial Implications (FIN19-20/5898)

- 5.1 Any development that the company seeks to enter into, whereby there is a borrowing requirement from the Council will continue to follow the same robust process as the current scheme. This will mean that a Business Case will be presented to this Committee in order to recommend to Policy & Finance a funding mix for each development. This would then lead to a scheme created in the Council's Capital programme and depending on the funding mix, may include an element of up front equity funding and a loan facility.

5.2 Wherever the development may take place, a Business Case must be presented to the Shareholders Committee where additional funding to develop the site is required. At that point, the financial implications of any proposed development will be presented to the Committee.

6.0 Community Plan – Alignment to Objectives

6.1 The Company is referenced in the Community Plan under the objective of accelerating the supply of new homes by delivering 300 new homes by 2026/27.

7.0 Comments of Director

7.1 It is vital that the Council consider how best to secure a pipeline of developable sites at this early stage to ensure that the business plan objectives it has set for its development company, over its five-year programme, can be achieved.

8.0 RECOMMENDATION

That approval be given for Arkwood to explore land availability within neighbouring local authority areas.

Reason for Recommendation

To enable Arkwood to meet their business plan.

Background Papers

25 January 2018 – Policy & Finance Committee, establishment of a development company

11 June 2019 – Shareholder Committee, Arkwood Business Plan

For further information please contact Edward Langtry, Capital Projects Manager, Commercialisation & Major Projects Business Unit on ext 5210.

Karen White

Director – Governance & Organisational Development

SHAREHOLDER COMMITTEE

22 JANUARY 2020

MINUTES FROM THE BOARD MEETINGS OF ARKWOOD DEVELOPMENTS

1.0 Purpose of Report

1.1 To note the minutes from the Board Meetings of Arkwood Developments Ltd. held on 3 September, 2 October and 4 November 2019.

2.0 Background Information

2.1 The Governance Agreement between the District Council and the Company states that the Company should provide copies of Board Minutes to the Shareholder Committee following each Board meeting.

3.0 Proposals

3.1 The Company has held three Board meetings since the previous shareholder Committee and the minutes are attached as **Appendices** to this report. Please note that the Minutes from the meeting held on 3 September are exempt and can be found at Agenda Item No. 10.

3.2 The Board minutes include an update on the Bowbridge road development update which will be presented to December's Shareholder Committee and an update on the future project pipeline.

3.3 Items of note for the Shareholder Committee are on the forward plan such as a Progress Update on Company activity.

3.4 The next meeting of the Board is scheduled and in accordance with the Governance Agreement, a representative from the Council has been invited to attend.

4.0 Equalities Implications

4.1 Where appropriate, equalities implications have been considered in relation to the information contained within the relevant Company reports and minutes.

5.0 Financial Implications

5.1 There are no direct financial implications arising from this report.

6.0 Community Plan – Alignment to Objectives

6.1 The Company is referenced in the Community Plan under the objective of accelerating the supply of new homes by delivering 300 new homes by 2026/27.

7.0 RECOMMENDATION

That the Minutes from the Board Meetings of Arkwood Developments be noted.

Reason for Recommendation

To note the minutes from the Board Meetings of Arkwood Developments.

Background Papers

Nil.

For further information please contact Natalie Cook, Projects Officer, Commercialisation & Major Projects Business Unit on ext 5275.

Karen White

Director - Governance & Organisational Development



MINUTES OF THE BOARD MEETING	
Meeting Date	2 October 2019
Present:	
Board Directors	Andy Dewberry (AD) – Managing Director, Deborah Johnson (DJ), Sanjiv Kohli (SK), Rob Main (RM) and Mark Stevenson (MS) – Non-Executive Director and Chairman.
Company Secretary	Nigel Hill.
Declarations of Interest	There were no declarations of interest.
Apologies	Apologies for absence were received from Cllr. Tim Wendels.
Also in Attendance	Karen White representing Newark & Sherwood District Council and Edward Langtry – Capital Projects Manager at Newark & Sherwood District Council.
Decisions	
Minute No. 84 <u>Minutes of the Board Meeting held on 3 September 2019</u> Resolution: AGREED these were a true record of the meeting.	
Minute No. 85 <u>Project Pipeline and Timescales</u> AD presented a report in respect of the proposed project pipeline for delivering 500 new homes within 5 years, as identified in the Company’s Business Plan. He advised that there was now a requirement to test the robustness of the pipeline given that the Bowbridge Road development was now progressing. The pipeline opportunities identified within the Business Plan were identified in Appendix 1 to the report. AD advised that collectively the sites identified in Appendix 1 could deliver in excess of the 500 units. However, due to the sales rates and timescales required to get certain sites ready for	

delivery, a gap of approximately 100 units had been identified within the first five years, which would need to be supplemented by additional land acquisition.

Appendix 2 to the report identified the work undertaken by Edward Langtry, the Council's Capital Projects Manager, which was an initial appraisal of any potential development sites which may be of interest to the Company. Edward presented an aerial view and brief explanation of each of the potential sites identified in Appendix 2. For each possible site Edward advised if the land was in general fund or HRA ownership, current usage, approximate size, potential numbers of units and any existing planning allocation.

In respect of the Lowfield Lane site AD reported that he had now agreed an approach to progress this with the Council. The Board considered that 250 units on this site was more appropriate and the site could be split into separate parcels, but acknowledged that the site was likely to take longer to develop than Bowbridge Road. MS stated that this site required a clear action plan to bring forward for development. In addition the business needed to understand its growth profile and target number of units to be delivered each year.

Resolution

AGREED that AD review the additional sites identified in more detail, update the project pipeline accordingly and circulate to the Board.

Minute No. 86

Bowbridge Road Development – Progress Update

AD presented a report which gave an update on the Bowbridge Road development. He advised that activities were on track with the full planning application having been submitted on 27 September 2019 and work was now progressing with the formal land purchase which was anticipated would take 4 to 5 weeks to complete. Next steps to progress were developing the specification and tender documents, prepare a marketing plan and develop the Company website to support this.

AD also provided an update in respect of the viability appraisal given that the value engineering had now been completed. The Board considered three options and considered that the favoured option to be put to the Council was a 14% return which provided a healthy £2.1m profit (overall land plus development profit of just under £4.5m) but also offered the opportunity to build approximately £117k as a contingency.

MS stated that it was now necessary for AD to consider a procurement strategy.

Resolution

AGREED that the progress in respect of the development be noted.

Minute No. 87

Business Plan – Key Actions and Timescales

AD presented a report which provided the Board with an initial appraisal of the key elements of the Business Plan. The report extracted key actions from the current plan which were a mix of short medium and longer term issues for progression. The Board confirmed their support for this approach with the next step being to prepare a suite of more detailed individual action plans for

the completion of elements which require attention within the next six months.

MS considered that understanding the financial position was a further element which needed to be recorded as a key action. This would set out headline income and expenditure inclusive of sales trajectory and cash flow. SK offered to work directly with AD on these financial elements in the Business Plan.

The Board also considered the level of staff resources which would be required to deliver the aims of the Business Plan. The resource requirement could be categorised into marketing; land acquisition; contract; construction; sales and after-sales. A future staff requirement projection was set out in the report. The Board emphasised that it was essential that the builder was fully aware that they would be accountable to Arkwood. The Board also felt that it may not be appropriate to combine the roles of sales and project management and it wasn't an option to compromise on recruiting the requisite calibre of staff.

AD advised that draft initial action plans will be brought to the next meeting of the Board.

Resolution

AGREED that the proposed approach, actions identified and action plan template to monitor the onward delivery of key Business Plan activities be approved.

Minute No. 88

Bowbridge Road Development – Site and Unit Type Naming

AD put forward a discussion paper in relation to naming the site and house types, which would be required ahead of the marketing of the site. Initial discussions in respect of the site name focussed on referring to 'The Avenue' in some form and in respect of house names it was felt that a separate label would be required for the retirement bungalows.

Resolution

AGREED that this be further considered at the next meeting.

Meeting closed at 6.39 pm



MINUTES OF THE BOARD MEETING	
Meeting Date	4 November 2019
Present:	
Board Directors	Andy Dewberry (AD) – Managing Director, Deborah Johnson (DJ), Sanjiv Kohli (SK), Rob Main (RM), Mark Stevenson (MS) – Non-Executive Director and Chairman, and Cllr. Tim Wendels (TW).
Company Secretary	Nigel Hill.
Declarations of Interest	There were no declarations of interest.
Apologies	There were no apologies for absence.
Also in Attendance	Karen White (KW) representing Newark & Sherwood District Council.
Decisions	
Minute No. 89 <u>Minutes of the Board Meeting held on 2 October 2019</u>	
Resolution: AGREED these were a true record of the meeting.	
Minute No. 90 <u>Bowbridge Road Development Update</u>	
<p>AD presented a report which provided a summary / key action tracker in respect of the Bowbridge Road development. AD advised that the planning application was scheduled for determination by the Council on 14 January 2019. One issue which had arisen in respect of planning, was linked to contamination at a single point on the site, and AD reported that discussions were being held with the Council in order to find a resolution which did not require a fresh full site investigation report.</p> <p>AD also provided an update in respect of Section 106 developer contributions. One area which still required resolution was in relation to the provision and maintenance of play areas. He suggested that worst case scenario, this would have a cost implication of £170k. AD also updated the Board on other key delivery points including the detailed drainage design, procurement strategy,</p>	

specification and tender documentation and sales and marketing. MS stated the importance of undertaking due diligence in respect of procurement.

In respect of the viability appraisal, AD advised that the revised business case and cash flow, produced with WTP gave a return of 12.6% gross profit, but still maintained a strong degree of prudence and contingency. MS stated that there was a need to understand the realisation of profits at completion of sales, however this needed to take account of costs and overheads. There was an appreciation that these figures would show a loss until houses were sold on the site. AD was requested to undertake such an assessment with the Council.

The report also provided an update in respect of the land purchase. AD advised that he was awaiting confirmation of the adoption position of Lord Hawke Way but KW confirmed this was an issue the Council had to resolve and not the company. AD also reported that Browne Jacobsen had uncovered some Section 106 items linked to the wider site which were being investigated and would need resolving before the land purchase could be completed.

Resolution

AGREED that the viability appraisal and cash flow forecast for finalising the Bowbridge Road final business case be approved for submission to the Council for approval and onward borrowing agreement.

Minute No. 91

Future Project Pipeline Update

AD presented a report which built upon the work carried out at the last meeting and brought forward an updated position relating to land available for development, delivery timescales, development costs, projected profits, projected overhead returns and projected additional land requirements. Appendix 1 to the report highlighted those sites which had the potential for development and those which were unlikely to be developable. Appendix 2 to the report highlighted in greater detail sites which required further discussion with the Council to firm up timescales and delivery numbers. Appendix 3 gave an updated five year delivery plan indicating the projected work plan based upon potential development opportunities to deliver 500 units over this time frame.

AD stated that the Company did require some certainty from the Council in relation to the availability of sites prior to any viability work being undertaken. KW confirmed that it was the Council's desire to explore these sites further with the Company.

When reviewing Appendix 3, MS considered that the Company were slightly thin in respect of future development opportunities, as such there may be a requirement to acquire land, for which a systematic approach would be required. It was noted that the Company would require a land acquisition strategy going forward given there was a need to have a reliable land bank for when the Company starts to have overhead costs. SK suggested that the Company could explore land availability with neighbouring local authorities.

The Board also gave consideration to a revised Business Plan. It was agreed that this should be taken forward to the Council's December meeting of the Shareholder Committee. It was considered that simple detail should be put in the plan even if this were subject to change. The key was to cover headline profit and loss and cash flows. SK agreed to assist AD with forward

projecting such figures in the Business Plan.

Resolution

AGREED that the Board note the work undertaken on the future pipeline.

Minute No. 92

Bowbridge Road Development – Site and Unit Type Naming

Further to the last meeting AD presented a report which provided the Board with the opportunity to contribute to the naming of the Bowbridge Road development as a whole plus the naming of individual unit types.

The Board supported the proposed site name as ‘The Avenues’ and suggested that individual unit types be named after villages in the District.

In addition, AD advised that work had now started on marketing of the site with Richard Watkinson.

Minute No. 93

Any other Business

Tax Advisors

SK referred to a late letter he had circulated to the Board from PSTAX, which set out terms of engagement for them to provide VAT advice to Arkwood. SK reported that the first stage in the process would be for PSTAX to provide a report to the Board setting out the key tax issues for Arkwood’s activities. Given the competitive cost (between £7,700 and £8,900) SK confirmed that he had engaged PSTAX accordingly and their report was expected for the next Board Meeting.

In addition, SK referred to the Company having to potentially being able to justify loans given to them by the Council and to be able to respond to any HMRC enquiries made in relation to any land valuations. SK confirmed that the Company did have appropriate notes on file to be able to justify the valuation of the Bowbridge Road site so this was defensible.

The Board considered that the Company should buy land direct and the issues raised by SK should be accounted for in the proposed land acquisition policy.

Meeting closed at 6.33 pm

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A of the Local Government Act 1972.

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