



Report to: Cabinet Meeting - 14 May 2024

Portfolio Holders: Councillor Paul Peacock, Strategy Performance & Finance
Councillor Matthew Spoons, Sustainable Economic Development

Director Leads: Sanjiv Kohli – Deputy Chief Executive & Director - Resources
Matt Lamb – Director, Planning & Growth

Lead Officers: Neil Cutteli, Business Manager - Economic Growth & Visitor Economy, Ext. 5853
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Report Summary	
Type of Report	Open Report (with exempt appendix), Key Decision
Report Title	Newark Towns Fund Update
Purpose of Report	To provide an update and proposal for next steps in the delivery of the Newark Towns Fund Programme.
Recommendations	<p>That Cabinet:</p> <ul style="list-style-type: none"> a) note the report; b) for the Newark Gateway/SiSCLog Towns Fund Project: <ul style="list-style-type: none"> i. agree to pause the Newark Gateway/SiSCLog Towns Fund project until such time as a viable solution for the relocation of Newark Lorry Park and redevelopment of the Newark Gateway site can be presented back to Cabinet; ii. subject to i) above, agree to informing the Newark Town Board of the decision to pause the Newark Gateway/SiSCLog development, noting that the £4.294m of Towns Fund money allocated to this project will be reallocated to existing undelivered Towns Fund projects by Newark Towns Board, as delegated to its Chair and s151 Officer;

<p>Recommendations</p>	<p>c) for the Stodman Street Phase 1 (32 Stodman Street) and Phase 2 (St Marks Place)</p> <ul style="list-style-type: none"> i. subject to approval of the Newark Towns Board Chair and s151 Officer (in accordance with paragraphs 2.3 below), that the Council reallocates the £4.294m as follows: £790,000 towards Stodman Street Phase 1; £310,000 to the Gatehouse and £3.194m of the remaining budget towards a Stodman Street Phase 2, as detailed below; ii. subject to c(i) above, to delegate to the Director - Resources in consultation with the Director - Planning & Growth authorisation to submit a Project Adjustment Form to Government seeking formal authorisation to re-allocate the Newark Gateway/SiSCLog grant to the Stodman Street Phases 1 & 2 and to Newark Castle Gatehouse; iii. approve, subject to c(i) an uplift of the Stodman Street and Newark Castle Gatehouse budgets within the Capital programme by £790,000 and £310,000 respectively; iv. delegate to the Director - Resources and Director - Planning & Growth authority to continue negotiations to establish an appropriate purchase price and funding package for Stodman Street Phase 2 (St Marks Place), subject to c(i) and c(ii) above and subject to a further update to Cabinet on 4 June; <p>d) for the A46 Bypass and the existing Newark Lorry Park</p> <ul style="list-style-type: none"> i. a further report to will be brought to Cabinet on the implications of the A46 Bypass including the specific short and long term impact to the existing Newark Lorry Park as a result of the Bypass.
<p>Alternative Options Considered</p>	<p>The Gateway/SiSCLog scheme is not financially viable at present. A lesser scheme cannot be grant-funded without the relocation of the lorry park. The £4.294m of Towns Fund monies allocated to this Towns Fund project will therefore be retained by government unless recycled by agreement to other Towns Fund projects.</p>
<p>Reason for Recommendations</p>	<p>Stodman Street Phase 1 (32 Stodman Street) remains a key priority for this Council (as reflected in successive Community Plans), the Newark Towns Board, and Government and the reallocation of £790,000 of the £4.294m to deliver due to unforeseen market price rises is considered appropriate. The same is true for the Newark Castle Gatehouse project, for which an additional ask of £310,000 is also required.</p> <p>Stodman Street Phase 2 (St Marks Place) is a key emerging priority for intervention through the emerging Newark Town Masterplan & Design Code and emerging Newark Town</p>

	Investment Plan 2 (TIP2), as detailed elsewhere on this agenda. It is therefore considered appropriate to reallocate the remaining balance of £3.194m of Towns Fund 1 towards the cost of acquisition.
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1.0 Background

- 1.1 In November 2019 the Government identified Newark as one of the 101 towns that would be eligible to apply for a £25m Town Fund Grant to increase economic growth with a focus on regeneration, improved transport, better connectivity, better skills opportunities and enhanced culture. The Government asked Towns to create a Town Board that was inclusive of partners from the private and public sector and create an Investment Plan for where and how the grant funding would be used. In July 2020 Newark & Sherwood District Council submitted a five-year Investment Plan on behalf of the Newark Town Board that identified ten priority projects. The Investment Plan was approved in May 2021 and the full £25m grant was offered by the Government. The programme of projects included the Air & Space Institute, Construction College, YMCA Community Activity Village, Stodman Street Regeneration, Castle Gatehouse, Cycle Town, Newark Gateway (Sisclog) and Newark Heart Project and required the funding to be spent by March 31st 2026.
- 1.2 The following Towns Fund projects have, so far, been delivered successfully:
- Air & Space Institute (ASI) - open with students attending courses.
 - Construction College Centre of Excellence - operational supporting people into qualifications in gas engineering, plumbing, bricklaying and electrical engineering.
 - The YMCA Community Activity Village - complete and fully operational
 - The Cycle Town Project - four Brompton Hire cycle hubs are operational
- 1.3 A number of other Council-led projects are in various stages of development:
- 32 Stodman Street – the demolition phase is in progress, with the build phase to follow shortly.
 - Castle Gatehouse – planning permission is secured with a decision on the last remaining grant funding contribution expected shortly via the Heritage Lottery Fund.
 - Newark Heart Project – events are ongoing with design and negotiation taking place with Newark Town Council with respect to enhancing Newark Market Place
 - Newark Gateway/SiSCLog – work has concluded on the Council’s review of the viability of this project, as detailed below.
- 1.4 It is also worth noting that whilst funded from the Levelling Up Fund R1, Members will also be aware that work on the Newark Southern Link Road has also started, with completion expected in late 2025.
- 1.5 The Council therefore has a reputable track record of delivering on government funded projects; whether Towns Fund or LUF. This positions the Council well for its application for Long Term Plan for Towns Fund (LTPpTF)

2.0 Updates and Options

Gateway/SiSClog

- 2.1 The redevelopment of the land surrounding the cattle market was identified as a Gateway opportunity for redevelopment in the original Town Fund Bid. This site currently consists of the existing Lorry Park, and the remaining vacant site of the old Cattle Market. The site has welcomed the recently constructed Air & Space Institute, and a proportion of the northern part of the site will be used for the extension and improvement of the A46 with National Highways. To enable the redevelopment of the remainder of the site, Town Fund Grant was allocated towards creating development plateaus such that key sectors including logistics, manufacturing and engineering could be targeted with a focus on creating a cluster economy. To achieve this the relocation of the Lorry Park was a dependent factor, and Officers have been working with key partners to identify an appropriate site and financial package to secure this. Preferred sites were identified as around the A17/Newark Showground area. Full costing of a new Lorry Park, and an option appraisal were undertaken on each site, which would also allow for an opportunity to increase the capacity of the Lorry Park.
- 2.2 In assessing and appraising the financial return (detailed in the exempt Appendix), with challenging inflationary costs and rates of borrowing there is no current viable option that would yield a financial return to the Council, at very least at the same level of current income and maintain a payment for the required borrowing of development. Officers are therefore recommending that the proposed relocation of the Lorry Park is paused until such a time that the viability of making such a scheme is acceptable. This makes it impossible to redevelop the Gateway between 2024 and the required spend of the Town Fund Grant allocated of £4.4m by March 2026. It is therefore proposed that the Gateway scheme is paused, and the grant allocated is redistributed, in accordance with Town Fund guidance to another identified Town Fund Project.
- 2.3 Newark Town Board are currently overseeing the delivery of the Town Investment Plan with a grant allocation of £25m from the Government. On 27 March 2024 at the Newark Town Board Meeting it was agreed that delegated authority would be given to the Chair of the Board and Section 151 Officer at Newark & Sherwood District Council to undertake Project Adjustment Requests for a repurposing of grant funding to other Town Fund Project(s) if the Council were to decide to pause the Newark Gateway/SiSClog scheme.

Retained Newark Lorry Park

- 2.4 If a lorry park relocation is not viable at the current time there will be a need to consider how a retained lorry park will operate and perform against the backdrop of the A46 Bypass works. It is expected that the Development Consent Order for the A46 Bypass will be submitted to the Planning Inspectorate within the coming weeks. Once this is submitted there will be inevitable impacts on the lorry park, including loss of land, loss of lorry park spaces (and associated income), and relocation of the existing access/egress to the site. There will need to be compensatory payments and/or physical works undertaken (such as a relocated access for example) by National Highways in mitigation of such impacts. There will also be likely impacts for the Council's landholding and wider town during the implementation of the works. A further report on the A46 Northern Bypass and associated impacts will be presented to a future Cabinet.

Newark Castle Gatehouse

- 2.5 Newark Castle is arguably the town's most iconic landmark with these exciting plans set to open up more of its history and heritage for residents and visitors alike, whilst bringing footfall to the town centre.
- 2.6 The Council will shortly be able to make a public announcement on its NLHF application which, if successful, unlocks Town Fund money to bring the scheme to fruition. The Council recently undertook a tender exercise to identify the design team to lead the delivery of the scheme, with those returns coming back higher than had been forecast – reflecting some of the pricing volatility in the market. It is recommended that the additional fees of £310,000 are allocated from the Town Fund. This is subject to the BCR remaining above 1.4.

Stodman Phase 1: 32 Stodman Street (Former Marks & Spencer's)

- 2.7 The redevelopment of the former Marks & Spencer on Stodman Street is an intervention required to breath new life into the area with a mixed use residential and retail offer. The planning application and Full Business Case were approved in March 2022 and a procurement exercise followed in July – October 2022 to select a build contractor. At that time with increased costs and rising inflation on energy, aggregate, timber, and labour no contractor sought to tender a price on a fixed term contract over 24 months. The Council therefore considered alternative approaches.
- 2.8 In February 2023 a specification for a 2-stage procurement was created with a first contract being let on the demolition with a latter build phase. A contractor was appointed in May 2023 on this 2-stage basis. Demolition works have commenced alongside ongoing and updated tender exercises.
- 2.9 It is clear that a funding gap now exists between the contractor price and previously approved budget detailed within the Capital program. A value engineering exercise is ongoing at the time of writing but there is likely a need for additional grant support of £790,000.
- 2.10 It is recommended that the Council seeks the delegated authority of the Newark Towns Board Chairman and s151 Officer to close this gap with an additional Towns Fund 1 grant, taken from the £4.4m originally allocated to the Newark Gateway/SiSCLog scheme. This would affect the Benefit Cost Ratio (BCR) negatively, but it would still be above 1.4 and thus be an appropriate use of public grant monies.

Stodman Phase 2: St Marks

- 2.11 Members will be aware from the last Cabinet meeting of the Council's interest in the St Mark's Shopping Centre, which occupies a total site area of 3.53 acres (1.43 hectares). The holding is effectively split into 2, a northern portion comprising predominately heritage rich assets and a southern portion comprising a later 1960's intervention. Key anchor tenants include WH Smith, The Works, Barclays New Look, NCP and Poundland.

- 2.12 The St Marks asset has been identified as a key opportunity area for repurposing as part of the Newark Town Investment Plan (TIP1, 2020), emerging Newark Town Centre Masterplan & Design Code, and emerging Long-Term Plan for Towns Fund Investment Plan (TIP2).
- 2.13 Members will be aware of the due diligence works now commissioned. It is considered further work is required in the anticipation that a purchase price can be agreed with the landowner. This will include an ability to call upon a facilities management resource to undertake relevant facility, tenant, and vacancy management of the asset in the lead up to, and initial ownership of the asset should the Council decide to proceed.
- 2.14 Alongside this Officers will continue to explore an appropriate Maximum purchase price and any relevant conditions upon which any offer to purchase should be made. A further report will be provided to the June Cabinet in this regard. This will include an ability to utilise up to £3.194m of re-allocated Towns Fund grant, as detailed above.

3.0 Recommendations

Newark Gateway Project

- 3.1 The development of the land at the Gateway site to Newark is dependent on the relocation of the Lorry Park, and the supporting financial returns that this generates for the Council. At the present time a relocation is not financially viable given the borrowing rates and current development costs.
- 3.2 The recommendation is therefore that the Council pauses the redevelopment of the Gateway and requests that the Newark Town Board (via the Chair and s151 Officer) and Government (via a Project Adjustment Request) that the grant funding is reprofiled as follows:
- (a) £790,000 additional grant towards Stodman Street Phase 1 (32 Stodman Street);
 - (b) £110,000 additional grant to fund additional Architect and Design fees for the Newark Castle Gatehouse and £200,000 for archaeological design impacts
 - (c) £3.194m additional grant towards Stodman Street Phase 2 (St Marks)
- 3.3 The above is also subject to achieving a minimum BCR of 1.4.

4.0 Implications

In writing this report and in putting forward recommendations, officers have considered the following implications: Data Protection; Digital & Cyber Security; Equality & Diversity; Financial; Human Resources; Human Rights; Legal; Safeguarding & Sustainability and where appropriate they have made reference to these implications and added suitable expert comment where appropriate.

Financial Implications (FIN24-25/6703)

- 4.1 The Council has allocated £4.4m (£4.2m Capital, £0.2m Revenue) Towns Fund Grant for Newark Gateway / SiSclog and in turn a relocated lorry park. Due to the none-viability of this scheme as highlighted in the exempt Appendix. Total spending for the Newark Gateway / Sisclog project is £0.106m, the remaining funds of £4.2m Capital and £0.094m revenue will be reallocated as per below:

4.2 The Capital Programme for 2024/25 includes a scheme for the Newark Gateway (SISCLOG) for £4.2m (the capital element of the grant). It is proposed that this be removed and reallocated as follows:

- a) £790,000 if this is to be reallocated to Stodman Street Phase 1, increasing the overall budget to £11,890,000.
- b) £310,000 to Castle Gatehouse, increasing the overall budget to £4,335,150.
- c) With the remaining £3.194m (of which £0.094m is currently revenue) available to progress Stodman Street Phase 2 (St Marks) subject to relevant approvals.

4.3 The changes to the Capital Programme in relation to a) and b) above do not have any further financial implications on the Council.

5.0 Legal Implications

5.1 In accordance with the Council's Acquisitions and Disposals Policy, any future purchase of the St Marks site would be a Strategic Development Acquisition, tested on the basis of final outcomes and a full options appraisal being carried out. The Investment Purposes criteria in the Policy would also be relevant in the short to medium term and should therefore be taken into account before any purchase is finalised. Due diligence requirements for acquisitions are set out in paragraphs 3.2 to 3.5 of the Policy, and any future report proposing acquisition will include the required information or clearly set out reasons for an exception being proposed.

Background Papers and Published Documents

Except for previously published documents, which will be available elsewhere, the documents listed here will be available for inspection in accordance with Section 100D of the Local Government Act 1972.

Newark Town Board [website](#) for:

- Town Investment Plan, July 2020
- Stodman Street Committee/Cabinet Reports
- Stodman Street Update – 21 February 2023
- Brownfield Land Release Fund, Stodman Street, 16 June 2021
- 32 Stodman Street Development, 13 January 2021
- Stodman Street Delivery Vehicle, 1 April 2021
- 32 Stodman Street, 20 February 2020

Committee/Cabinet Reports:

- Economic Development Committee – 19 January 2022 – Newark Town Fund Update
- Policy & Finance Committee 27 January 2022 – Newark Town Fund Update and Approvals
- Policy & Finance – 17 March 2022
 - o Towns Fund Update
 - o Cultural Heart Update
 - o Newark Gateway Update
- Economic Development 23 March 2022
 - o Towns Fund Projects Update
- Cabinet – 7 June 2022, Newark Town Fund Update and Lorry Park Relocation Options

Long Term Town Fund Guidance, 2023