



Report to: Cabinet - 23 July 2024

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

Director Lead: Sanjiv Kohli, Deputy Chief Executive & Director for Resources  
Matt Lamb, Director of Planning & Growth

Lead Officer: Neil Cuttell, Business Manager (Economic Growth & Visitor Economy)  
Mark Eyre, Business Manager (Corporate Property)

Report Summary	
<b>Type of Report</b>	Open Report, Key Decision
<b>Report Title</b>	32 Stodman Street Development
<b>Purpose of Report</b>	To update members on the progression of the 32 Stodman Street Project and to seek consequential revisions to the capital programme.
<b>Report Recommendations</b>	<ol style="list-style-type: none"> <li>1. To Note the Report and;</li> <li>2. In accordance with approval from Newark Towns Board that the Council receives a further £990,000 (in addition to the £790,000 supported by Cabinet on 14 May 2024) of the Town Fund One grant towards Stodman Street Phase 1.</li> <li>3. Subject to 2 above, to delegate to the Director – Resources &amp; Deputy Chief Executive in consultation with the Director - Planning &amp; Growth authorisation to submit a Project Adjustment Form to Government seeking formal authorisation to re-allocate the £1.78m of previously allocated Newark Gateway/SiSCLog grant to the 32 Stodman Street Phase One project.</li> <li>4. Subject to approval of 2 &amp; 3 above, to increase the budget in the Council’s Capital Programme to £12,880,000 financed by the additional grant allocation.</li> </ol>
<b>Alternative Options Considered</b>	There are two further options for a decision with this project;

	<ol style="list-style-type: none"> <li>1) To use borrowing to fund the identified gap within the development cost. This option has been discounted as the level of borrowing used to date would mean the income generation from the development would be significantly below the total borrowing costs.</li> <li>2) To not undertake the project; This option is not recommended as it will leave a partially developed site vacant within the town centre. This would also mean returning grant funding already received, and allocated to this project, to be returned to Government.</li> </ol>
<p><b>Reason for Recommendations</b></p>	<p>The project directly aligns to the objectives within the Community Plan of:</p> <ol style="list-style-type: none"> <li>1) Increase the supply, choice &amp; standard of housing,</li> <li>2) Raise people’s skills levels and create employment opportunities for them to fulfil their potential,</li> <li>3) Celebrate and invigorate community spirit, pride of place and sense of belonging.</li> </ol> <p>The recommendations will ensure delivery of the project as set out in the approved, original full business case of March 2022.</p>

## 1.0 Background

- 1.1 The 32 Stodman Street Project is to regenerate a large retail space into a mixed-use development in Newark Town Centre and was a priority project that has funding allocated within the Town Fund Programme 2021-2026. The project was identified as an opportunity to repurpose a vacant site following the departure of Marks & Spencer in late 2019, and the Council had acquired the retail unit in March 2020. The Council was made aware through research in Summer of 2020 that an oversupply of retail floorspace existed in Newark, and following marketing of the vacant site for over 12 months no interest in the site was secured. The proposal to redevelop the site into a mixed-use development started with the instruction to architects and surveyors in October 2020 to develop a planning application and understand the requirements for delivery, which included design & mechanical, archaeology, acoustic, water and drainage, utilities provision and associated infrastructure.
- 1.2 As members will be aware, following approval of the Town Investment Plan in May 2021 a full ‘green book’ business case was approved by the Town Board and Council in March 2022 and planning permission was obtained for 29 residential units and 2 retail units. 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 for a 24-month period. The Council therefore considered alternative approaches.
- 1.3 In February 2023, a specification for a 2-stage procurement process was created with a first stage contract being let on the demolition with a latter, second stage build phase. A contractor was appointed in May 2023 on this 2-stage basis. Demolition works have

completed and updated tender exercises identified a final cost. The Council's Housing Development Manager who is managing this project carried out some value engineering to bring the construction cost down. This was £790,000 above the approved budget and on 14th May 2024, Cabinet received a report seeking an increase to the budget to accommodate the requirements of the completed tendering process. This request was approved and initial phase 2 works were started with archaeological works commencing. This increase approved £790,000 of extra grant funding to deliver the scheme and reduced the Benefit Cost Ratio (BCR) to 2.2. The BCR identifies the level of investment returned for every £1 of public money used. Therefore, a BCR of 2 would return £2 for every £1 of public funds invested. There is now an additional request of £990,000 as set out in the recommendations that would reduce the BCR further to 1.7. This BCR is still above the threshold of 1.4 required by Government to demonstrate good value for money. In supporting the additional £990,000 of grant Newark Town Board have made clear their expectation that no further grant funding requests for the 32 Stodman Street scheme are expected.

- 1.3 The proposed £990,000 additional costs are principally due to unforeseen and unexpected archaeology works resulting from recent findings post 14 May 2024. There has also been an increase in the cost of connecting utilities, plus finalisation of the specification. The need for an additional contingency sum has been identified through the evolution and complexity of the project post demolition. It is, therefore, now necessary, that a contingency budget is renewed to also include provision for costs of access over neighbouring properties whilst the site is being developed. This cost is still to be negotiated with the owners of neighbouring properties. However Officers understand that the renewed contingency budget will be sufficient to meet this cost.
- 1.5 The Council approved £790,000 on the 14<sup>th</sup> May 2024. Therefore, the additional request of £990,000 will mean a total additional grant ask of £1,780,000.

## **2.0 Proposal/Details of Options Considered**

- 2.1 The proposal is to use a proportion of the grant allocation provided to the Gateway Scheme identified within the 2020 Town Investment Plan to resource the Stodman Street Development. This follows increasing costs since the full business case was approved in March 2022, and the replenishment of the contingency budget.
- 2.2 The other options considered and discounted included; not proceeding with the development of the scheme and using further borrowing. These options are not recommended as they will have negative secondary implications including the return of the Town Fund Grant to Government, and increased costs on the Council in the servicing of debt post development.

## **3.0 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 (FIN24-25/8563)

- 3.1 The budget in the Capital Programme was £11,100,000 for Stodman Street, the financing of which is shown below:

<b>Funding Source</b>	<b>£</b>
Towns Fund Accelerated Funding	284,000
One Public Estate	284,000
Towns Fund Allocation (from £25m)	2,200,000
Shared Prosperity Funding	400,000
Change Management Reserve	500,000
Borrowing	7,432,000
<b>Total</b>	<b>11,100,000</b>

- 3.2 It was approved at Cabinet on 14 May 2024 that £790,000 additional Towns Fund Grant and a further proposed £990,000 (a total of £1,780,000) is allocated to the scheme, taking the overall budget to £12,880,000.
- 3.3 If approval is given to use the available grant to fund this project, taking the allocation from the Towns Fund £25m from £2,200,000 to £3,980,000 then there will be no further implications on the Council. However, if the alternative to increase the borrowing is approved, this will cost an additional £124,600 a year for 50 years in revenue for Minimum Revenue Provision and Interest.

## 4.0 Background Papers and Published Documents

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
- Economic Development 23 March 2022
  - o Towns Fund Projects Update

Long Term Town Fund Guidance, 2023