

SHAREHOLDER COMMITTEE

10 MARCH 2020

ARKWOOD DEVELOPMENTS – BOWBRIDGE ROAD DEVELOPMENT, NEWARK

1.0 Purpose of Report

- 1.1 To update Members regarding progress in relation to the proposed Bowbridge Road development.

2.0 Background Information

- 2.1 On Shareholder Committee's recommendation, in June 2019 Policy and Finance Committee approved the sale of the land at Bowbridge Road from the Council to Arkwood Developments, the Council's wholly owned development company. The purpose of this sale, and associated funding arrangements, is to facilitate Arkwood's first housing development.
- 2.2 A sale price of £2,350,000 was agreed based on independent valuation. Release of equity funding of £3,321,276 was also confirmed, (equity funding of up to £4million had been approved when the Arkwood was established) and Committee was advised that further loan funding would be calculated once the final design had been determined.
- 2.3 Again on Shareholder Committee's recommendation, on 23 January 2020 Policy and Finance Committee approved the release of additional equity funding of £482,007 to bring the release close to the £4million figure previously agreed. The revised estimate of gross development costs are set out in paragraph 2.1 of the exempt report. It was also agreed for the balance remaining of the capital allocation of £196,717 to be released.
- 2.4 As Committee will be aware, the proposal is for a residential development of 87 dwellings. While planning matters fall outside the scope of this report and the remit of Shareholder Committee, a link to the planning application is included in Background Papers at the end of this report. Planning permission was refused in January 2020; the application is being re-submitted to the Council's Planning Committee in March 2020.

3.0 Update – Land Transfer

- 3.1 The legal work on the land transfer is progressing well and the parties are likely to be in a position to proceed straight away if planning permission is granted in March.
- 3.2 Arkwood has obtained a ground investigation reports indicating areas that will require remediation attention; this is likely to involve excavation and removal of contaminated material. Further details are set out in paragraph 3.1 of the exempt report.
- 3.3 It is anticipated that Arkwood will require related planning and highways matters to be agreed before finalising the land transfer. Work has commenced on agreeing commuted sums that will be secured through a Section 106 agreement, setting out Arkwood's obligations regarding green space and children's provision.

- 3.4 In order to facilitate development Lord Hawke Way will also need to be adopted as highway maintainable at public expense. The terms of the highways agreement have been agreed in principle; further details are contained in paragraph 3.2 of the exempt report.
- 3.5 Committee is asked to recommend to Policy and Finance Committee that authority is delegated to the Director of Governance and Organisational Development in consultation with the Business Manager Finance to finalise the terms of the highways agreement, up to the maximum amounts set out in the exempt report.

4.0 Update – Loan Agreement

- 4.1 In addition to the confirmed equity funding, the intention is for the Bowbridge Road development to be financed by a loan from the Council. Once established, the loan model can also be used for future developments. Further financial details are set out in paragraph 4.1 of the exempt report.
- 4.3 The Council is seeking further specialist advice to ensure the arrangement complies with State Aid rules; i.e. to ensure that the loan arrangement does not distort competition by giving Arkwood an unfair advantage over competitors. It is also seeking specialist legal advice on the structure of the loan arrangement to ensure that the Council has adequate security for the loan and to consider the most appropriate mechanisms for both interest and capital repayments.
- 4.4 The Director of Governance and Organisational Development and the Business Manager Financial Services have already been given delegated authority by Policy and Finance Committee to finalise and enter into the loan agreement on behalf of the Council.

5.0 Equalities Implications

- 5.1 There are no adverse equalities implications in report. The proposed development scheme as detailed in the Company's business case specifically includes provision of residential units for older persons, who are persons with protected characteristics within equalities legislation.

6.0 Financial Implications (FIN19-20/282)

- 6.1 As per Policy and Finance Committee on 23 June 2020 the additional equity has been paid to Arkwood Developments, taking the amount up to £4,000,000.
- 6.2 The cost of the work detailed at paragraph 4.3 is £24,000. A budget has been identified within the Change Management reserve to fund this. This work safeguards the Council's interests regarding the loan agreement, but also will then act as a template for future loan agreements with Arkwood regarding future schemes.

7.0 Community Plan – Alignment to Objectives

- 7.1 Arkwood Developments is referenced in the Community Plan under the objective of accelerating the supply of new homes by delivering 300 new homes by 2020/27.

8.0 RECOMMENDATIONS that:

- (a) the progress made with the development and associated loan agreement and land transfer be noted.**

Reason for Recommendations

To ensure Shareholder Committee is kept up to date and to progress the land transfer and associated matters.

Background Papers

11.6.19 Shareholder Committee - Bowbridge Road Development, Newark - Business Case

27.6.19 Policy and Finance Committee – Arkwood Developments – Bowbridge Road Development Newark

22.1.20 Shareholder Committee – Bowbridge Road Development, Newark, Final Scheme

23.1.20 Policy and Finance Committee – Arkwood Developments Ltd – Bowbridge Road Development Newark

Planning Application <https://publicaccess.newark-sherwooddc.gov.uk/online-applications/applicationDetails.do?keyVal=Q5PBIQLBFYF00&activeTab=summary>

For further information, please contact Sue Bearman sue.bearman@nsdc.info 01636 655935.

Karen White – Director of Governance and Organisational Development