

POLICY & FINANCE COMMITTEE

2 APRIL 2020

ARKWOOD DEVELOPMENTS – BOWBRIDGE ROAD DEVELOPMENT, NEWARK

1.0 Purpose of Report

1.1 To update Members on progress in relation to the proposed Bowbridge Road development, and to consider the recommendations from the Shareholder Committee on 10 March 2020. This report is to be read in conjunction with the exempt report attached to this agenda.

2.0 Background Information

2.1 In June 2019, the Policy & 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 an 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 On 23 January 2020, the Policy & Finance Committee approved the release of additional equity funding of £482,007 to bring the release close to the total £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 Policy & Finance 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. A revised application is due to be considered by the Council's Planning Committee on 31 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 report indicating limited areas that will require remediation attention. 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 with Nottingham County Council as the Highway Authority; further details are contained in paragraph 3.2 of the exempt report.

3.5 The Shareholder Committee recommended that this Committee be asked to delegate authority 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 Bowbridge Road development is 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 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 model 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 In accordance with the Policy and Finance Committee's approval on 23 June 2019 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 estimated at £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 RECOMMENDATION

That the progress made with the development and associated loan agreement and land transfer be noted.

Reason for Recommendation

To ensure Policy & Finance Committee is kept up to date regarding Arkwood's first housing development at Bowbridge Road and to progress the land transfer and associated matters.

Background Papers

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

For further information, please contact Sue Bearman, Business Manager – Legal Services on 01636 655935.

Karen White
Director of Governance & Organisational Development