

POLICY & FINANCE COMMITTEE

25 JUNE 2020

NEWARK SOUTHERN LINK ROAD UPDATE

1.0 Purpose of Report

- 1.1 To update Members on the importance of completing the currently part constructed (phase 1) Newark Southern Link Road (SLR) and progress on securing a funding package for delivery.

2.0 Background

Site Context

- 2.1 Across the current local plan period up to 2033 the population of the District is expected to grow by c14,359. The Amended Core Strategy (adopted January 2019) targets the Newark Urban Area as the main location for new housing and employment growth, accommodating 60% of the district's overall growth up to 2033. The 3 Sustainable Urban Extensions (SUEs) at Land South of Newark (now widely known as Middlebeck), Land East of Newark and Land around Fernwood are central to delivering this strategy.
- 2.2 Land East is expected to be subject to a planning application by the end of this calendar year (subject to Covid impacts). Housebuilding is now taking place at Fernwood and Middlebeck. Middlebeck is capable of delivering up to 3,150 new homes, a range of community facilities, a new country park and 49 hectares of commercial development land, creating c5000 jobs. Phase 1 of the SLR is complete, save for the A1 roundabout. This allows for the construction of up to 599 dwellings (Avant, Bellway, and Countryside who are now building out have consented schemes for 542 dwellings). No further dwellings are permitted by the Middlebeck planning permission (14/01978/OUTM) until further phases (or preferably all) of the SLR is delivered.
- 2.3 The SLR first featured prominently in the proposals that led to this site forming part of the 2006 Newark Growth Point submission. Members will be aware of the nature of Strategic Urban Extension sites, often requiring considerable, up-front and occasionally disproportionate (compared to smaller sites delivered by volume house-builders) infrastructure costs. Middlebeck was no exception. This was in addition to the scheme being developed during the last recession, including provision for the SLR to be delivered in 3 phases. The 'master' developers Urban&Civic secured a conditional £11.2million loan agreement from the Homes & Communities Agency (now Homes England) to fund delivery of Phase 1 of the SLR. Whilst the costs involved outstripped this loan, work on the SLR commenced in 2017, allowing the current house builders to start delivering new homes. Phase 1 of the project will deliver 699 no. of houses. It is clear that funding for the remainder of the SLR remains a significant obstacle to its delivery, with overall costs going beyond what is reasonably manageable by a developer. This Council and the LEP have already previously identified this, committing grant towards the SLR. This still leaves a shortfall. This shortfall has been subject to ongoing discussions between Homes England, Nottinghamshire County Council, the LEP, and ourselves with a proposed funding solution having now been identified in principle.

Infrastructure Funding Gap

- 2.4 Current calculations for the cost of delivering the SLR stand at £62.1 million. Homes England and Urban&Civic are working on an intervention package which will likely comprise loan and grant to significantly close this funding gap.

Organisation	Contribution (£m)
LEP (committed)	6
NSDC (proposed)	5
NCC (proposed)	5
U&C	7.1
HE/U&C 'intervention package' (gap expected to be closed)	39
SLR Cost	62.1

- 2.5 It is expected that a final agreement will be reached between Homes England and Urban&Civic before the end of the calendar year.
- 2.6 Working closely with the County Council as the Highways Authority, ongoing dialogue has led to an agreement in principle to provide additional grant with District and County capital funds, recognising the significant long term benefits and value for money that delivering the SLR will provide, not least the Council Tax revenue and business rates that stand to be generated from the completion of the Middlebeck development.
- 2.7 It is recommended that the NSDC contribution to the SLR be £5m in total (increasing the current £2.5 agreed contribution). Discussions are underway with the County Council seeking their financial support. They are aware of the proposed resolution contained in this report.
- 2.8 If this funding cannot be secured and the SLR is not delivered there will be significant implications for the highways network, for housing delivery, and for the council tax base at a Town, District and County Council level. These issues are summarised below.

Potential Benefits and Implications of Failing to Deliver the Southern Link Road

Benefits of the SLR

- 3.1 The need for and the benefits of the SLR have been extensively rehearsed since Newark achieved Growth Point status in 2006. The headline benefits of the SLR include:
- Reducing congestion throughout the Newark Urban Area as a result of increased road capacity and routing options for road users;
 - Unlocking the development of up to 3150 new homes and the creation of around 5000 jobs on the employment land component of the Middlebeck development;
 - Increased road capacity to support delivery of other residential development opportunities in Newark;
 - Delivering flood alleviation and land drainage solutions in an area at high risk of flooding;
 - Delivery of extensive additional open space including a new country park and sports facilities

- The SLR is viewed by Highways England as a committed scheme, with modelling work underpinning the business case that has seen government approval of the proposed A46 upgrade as part of the strategic Road Improvement Scheme factoring in the associated traffic flows; and
- A projected £80m increase in Council Tax revenue over a 20 year period¹.

Implications of Failing to Deliver the SLR

3.2 In contrast to the clear benefits of delivering the SLR it is imperative that the implications of failure to deliver the road are recognised. Although the levels of growth proposed for Newark under the Growth Point agenda were ambitious in 2006 the appetite to deliver new housing in Newark is being driven by Government requirements and the market as housebuilders are taking up the available development plots at Middlebeck and Fernwood, along with other opportunity sites as they come forward. The consequences of failure to deliver the Southern Link Road are therefore potentially significant:

- **Strategic implications:** Middlebeck is a development ‘commitment’ and has now been formally established in adopted planning policy for over 10 years. As such, a great deal of other strategy work within the wider region is predicated on the anticipated delivery of the SLR. The recently announced A46 upgrade assumes the SLR is completed;
- **Road network implications:** without the SLR the levels of planned growth at Fernwood, which can continue even if the SLR is not developed further, would lead to unacceptable delays and congestion across the surrounding road network;
- **Planning implications:**
 - **Decision making:** without the SLR further development at Middlebeck would not be achievable, potentially resulting in being unable to meet future growth requirements. This would impact the Council’s five year housing land supply, with the knock-on effect being the likelihood of being forced to support unplanned housebuilding in less desirable locations;
 - **Plan making:** the above scenario would require the Council to prepare a new Local Plan and it would be extremely difficult to re-allocate this level of housing growth elsewhere within the District without impacting natural and cultural heritage assets. Similarly, with large swathes of land around Newark being at high risk of flooding, alternative locations capable of accommodating commensurate levels of growth are limited. The area of search would therefore need to consider other communities;
- **Regeneration implications:** these include the near-site impacts of not providing the uplift envisaged for the surrounding existing community through provision of new employment opportunities, open spaces, and community facilities. Knock-on effects that would be felt more widely include the loss of job creation and business growth opportunities;

¹ Council tax revenues split between County and District Councils

- **Reputational implications:** there remains a public expectation that the SLR is delivered, as are its associated benefits. A failure to develop the SLR further would inevitably reflect not just on this Council but on Urban&Civic, the highway authorities and funders.
- **Financial implications:** Loss of Council Tax to this Council and Nottinghamshire County Council totalling circa 80m (NSDC share circa £6.366m). In addition, the underlying assumptions of the devolution agreement with Newark Town Council factor in the expansion of Newark and its tax base for the Town and District Councils

4.0 Equalities Implications

- 4.1 The SLR is identified as a key piece of infrastructure in the Council’s Development Plan and Community Plan. Preparation of the former (in the form of the Amended Core Strategy) required that all policies were subject to appraisal against the Integrated Impacts Assessment (IIA). The IIA incorporates a Sustainability Appraisal, Strategic Environmental Assessment, Equalities Impact Assessment (EqIA) and Health Impact Assessment (HIA). The EqIA is a way of demonstrating the District Council is fulfilling the requirements of the Public Sector Equality Duty contained in section 149 of the Equality Act 2010.
- 4.2 IIA Objective 18 specifically addresses matters relating to equality being intended ‘To ensure that there is equality of opportunity and that no individuals or groups are disadvantaged or discriminated against because of race, sex, disability, religion or belief, sexual orientation, gender reassignment, maternity and pregnancy, marriage or civil partnership, age, or social inequality’. IIA Objectives 2 (Health) and 5 (Sustainable Communities) are allied to this, addressing respective matters of improving health/reducing health inequalities and ensuring that development is focused in sustainable locations where community facilities and services, housing and employment uses are integrated, promoting social cohesion and interaction, and facilitating healthy lifestyles.
- 4.3 Policies relating to delivery of the SLR, including safeguarding its approved route (Spatial Policy 7) all scored positively supporting the objectives (+) or providing a potentially significant beneficial impact (++). By association therefore, the proposal to provide funding for the delivery of the remaining stages of the SLR is considered to support or have significant beneficial impacts on the local community. Maximising the potential opportunities for sustainable transport choices to be made by all and ensuring that major development is well located for convenient access by non-car modes can help support equality of opportunity.

5.0 Financial Implications (FIN20-21/5190)

- 5.1 The Council has a capital contribution to the Southern Link Road of £9,519,215 approved within its current capital programme. This is made up of £7,000,000 as a grant from the Local Enterprise Partnership and £2,519,215 allocated by the Council. To date £1,019,215 has been incurred in terms of costs in design works with Urban and Civic.

- 5.2 Paragraph 2.4 above states a current funding requirement to complete Phase 2 and 3 of the SLR of £62.1m. Urban&Civic and Homes England are in advanced negotiations to close an expected maximum funding gap of £39m via a mixture of loan and grant facility, alongside. Urban&Civic also providing further capital funding of £7.1m.
- 5.3 As proposed above at paragraph 2.7, in order to secure the delivery of the Southern Link Road, there will be a requirement for the Council to invest further funds. In order to meet the additional contribution of £2.5m, the Council would seek to fund this from the Change Management reserve. There are sufficient unallocated funds within that reserve to meet this funding requirement. We would seek to match the NSDC contribution with a £5m grant from Nottinghamshire County Council. This equates to an overall contribution from NSDC towards the delivery of the road of 8%.
- 5.4 The benefits and implications of not delivering the road are set out above at section 3. Specifically in terms of financial benefits, the increase in Council Tax receipts is estimated to be £6.366m (for the Council) of the £80m identified at section 3 above over the 20 year period post the start of the development.
- 5.5 The financial implication of not delivering the road will also impact on the devolution arrangements with Newark Town Council. The original devolution agreement was set out in 2015, and sought to deliver net annual savings of £260,000 to the District Council.
- 5.6 The agreement was predicated on the delivery of further housing within the area of Newark, in order to raise the tax base to ensure that the assets devolved could be funded from the precept raised by the Town Council. The agreement stated that over the 20 years of the devolution agreement from 2015, the District Council would grant a maximum of £3.78m to the Town Council in order to assist with the funding of the devolved assets. The annual value could be uplifted dependent on the difference between the estimated tax base for the year compared with the actual tax base. The overall commitment over the 20 years would still be capped at £3.78m even if annual contributions were higher than the original estimate.
- 5.7 Including the year 2020/21 the Council has paid £1,551,080 to the Town Council which is £257,077 more than the original estimate. This spans the 6 years since the beginning of the agreement. This is due to the delay in the delivery of the SLR and as such the delay in the building of the houses.
- 5.8 Based on current increases in tax base (hence without delivery of the Road) the £3.78m would be exhausted by year 12 of the agreement (6 years from now). The additional payment for 6 years puts pressure on the Councils MTFP, as the anticipated reductions in budget originally sought will not materialise. Beyond 6 years from now, there will be serious implications on the finances of the Town Council as it continues to fund the activities in relation to the devolved functions.
- 5.9 The agreement also states, that where the estimated tax base is not delivered at year 20 (the end of the devolution agreement) the District Council would continue to make grant payments until such time as the estimated tax base for year 20 is reached.

6.0 Community Plan – Alignment to Objectives

6.1 Delivery of the SLR is highlighted as a specific action point within the Community Plan objective of improving transport infrastructure to reduce congestion and facilitate growth. Achieving this objective will have multiple knock-on effects for other plan objectives, specifically accelerating the supply of new homes at Land South of Newark. In reducing congestion on the town's roads, as indicated earlier in this report, delivery of the SLR has great potential to support the enhancement of the town centre, while delivery of the employment land will facilitate new jobs in the district that will contribute to increased opportunities for greater social mobility.

8.0 RECOMMENDATIONS that:

- a) **the Council commits an overall capital contribution of £5,019,215 (funded by existing resources) towards the delivery of the SLR, subject to the following:**
 - i. **Agreement from NCC to match the Council's contribution towards the SLR of up to £5m;**
 - ii. **Confirmation from Homes England and Urban&Civic that an intervention package has been agreed between them that will allow for full delivery of the SLR, subject to the funding already committed by NSDC and the LEP, and to the maximum collective contributions from NCC and NSDC of £10m (split 50%/50%); and**

- b) **the Director – Planning & Growth, in consultation with the Business Manager - Legal Services, be given delegated authority to enter into an agreement with Urban&Civic, subject to satisfaction of a) above to agree appropriate milestones for the release of monies to deliver the full SLR.**

Reason for Recommendations

To secure the full delivery of the Newark Southern Link Road and unlock significant benefits of reduce congestion, accelerated housing deliver, employment, recreation, and education provision. In doing so, delivery of the SLR will prevent service consequences in terms of financial, community, and highway impacts.

Background Papers

Nil

For further information please contact Tim Dawson on Ext 5769 or Matthew Norton on Ext 5852.

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