

## **POLICY & FINANCE COMMITTEE**

**21 JANUARY 2021**

### **ARKWOOD DEVELOPMENTS LIMITED – LOAN AGREEMENT**

#### **1.0 Purpose of Report**

1.1 To update Members on progress in relation to the Council's loan arrangements with Arkwood Developments Limited.

#### **2.0 Background Information**

2.1 The Committee was last updated on this matter in April 2020. To re-cap, in June 2019, 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, was 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, 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. It was also agreed for the balance remaining of the capital allocation of £196,717 to be released.

2.4 The land transfer has since been completed, planning permission granted, and the development has commenced.

2.5 Work has also progressed in relation to the loan funding for the development. The Council has sought 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.

2.6 The Director of Governance and Organisational Development and the Business Manager Financial Services have already been given delegated authority by Policy & Finance Committee to finalise and enter into the loan agreement on behalf of the Council.

#### **3.0 Proposals**

3.1 The terms are now almost finalised. Once agreed in principle there will be a final review in the context of new state subsidy rules, which replace State Aid rules following Brexit, before the agreement is finalised. A verbal update on this will be provided at Committee if possible. As was always the intention, the loan model will also be used for future developments.

3.2 The Heads of Terms are included as an appendix to the Exempt Report which accompanies this report. The Exempt Report explains the key terms for Committee's information.

#### **4.0 Equalities Implications**

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

#### **5.0 Digital Implications**

5.1 There are no digital implications arising from this report.

#### **6.0 Financial Implications**

6.1 The financial implications are set out in the exempt report.

#### **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 report be noted.**

#### **Reason for Recommendation**

**To facilitate the progress of the housing development at Bowbridge Road by Arkwood Developments Ltd, and future developments by Arkwood Ltd.**

#### **Background Papers**

Policy & Finance Committee report dated 2 April 2020.

For further information please contact Sue Bearman on Ext 5935.

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