

REPORT TO CABINET

Open		Would any decisions proposed: Be entirely within Cabinet's powers to decide NO			
Any especially affected Wards Gaywood Clock Ward	Discretionary	Need to be recommendations to Council		YES	Is it a Key Decision
Lead Member: Cllr Richard Blunt E-mail: <i>cllr.richard.blunt@West-Norfolk.gov.uk</i>		Other Cabinet Members consulted: Leader and Deputy Leader			
Lead Officer: David Ousby E-mail: David.ousby@west-norfolk.gov.uk Direct Dial: 01553 616505		Other Members consulted:			
Other Officers consulted: Management Team Matthew Henry, Duncan Hall, Stuart Ashworth, Ruth Wilson					
Financial Implications YES	Policy/ Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment NO Assessment	Risk Management Implications YES	Environmental Considerations NO

Date of meeting: 3rd August 2021

PARKWAY DEVELOPMENT

Summary

To present a financial viability assessment relating to the development of the COWA housing allocation

To seek cabinet approval to enter into a contract with Lovell to develop approximately 228 homes following the viability assessment set out in this report

Recommendation

That Cabinet approve the following:

1. A new planning application be submitted for a revised scheme of approximately 228 dwellings
2. Capital funding allocation of £45.2m for the development of the site
3. Approve optional environmental enhancements of £1.71m (included within the Capital funding allocation above) as detailed in section 7 of this report

Reasons for Decision

To progress the Major Housing Project:

- To achieve significant delivery of sustainable housing over a 4-5 year period
- To achieve a commercial return to the Council (through Capital and Revenue receipts)
- To stimulate economic activity in the local area through direct and indirect employment
- To create apprenticeships within the local construction industry
- To deliver the pace of construction required by the Accelerated Construction Programme funding.

1. Background

- 1.1. On 18th September 2018 Cabinet recommended to Council, that we enter into a contract with Homes England, to accept their accelerated funding (ACP) offer to bring this site forward. The principal requirement for the ACP funding is that the housing is delivered at 130% of the current market housing delivery rate. The contract was agreed on the basis that this development should be taken forward as part of the Major Housing contract with Lovell Partnerships Limited to facilitate the acceleration of the development.
- 1.2. On 6th August 2019 Cabinet approved the purchase of the College of West Anglia (COWA) land and expenditure of £2,063,000. Cabinet require that, prior to entering into contract to commence development a full report on viability be prepared outlining the cost and revenue assumptions.

2. Details of the scheme

- 2.1. The scheme will provide 'Affordable' dwellings. This is in line with the Council's policy of 15% 'tenure blind' affordable housing homes in King's Lynn. The remaining 85% of homes will be a mixture of For Sale and Private Rented (PRS) properties.
- 2.2. It is proposed that the Affordable and PRS housing will be acquired and managed by the Council's wholly owned companies.
- 2.3. The site is registered with the Government's New Help to Buy scheme. On past schemes, Help to buy has played a significant role, with up to 80% of purchasers taking advantage of the scheme on some sites. The new scheme is more restrictive than the last scheme and runs for 2 years to March 2023. This new scheme will only be available to 'First Time Buyers' , but this is not expected to be an issue with this site.

3. Update on Progress

- 3.1. Planning Committee resolved to grant planning permission for 379 houses at land off Parkway on 15th April 2021. This consent has not yet been issued due to the requirement for third parties to sign the S106 agreement.
- 3.2. Following the recent change in leadership at the Council, officers have been instructed to review this project.
- 3.3. Given the uncertainties surrounding cost benefits of the overall scheme, combined with public concerns over the environmental impact of the scheme and the reduced benefits that the bridge will deliver, Cabinet considered whether to progress the consented scheme or reconsider an alternative.
- 3.4. On 15th June 2021 Cabinet resolved:
 - *Development will not proceed on the Eastern part of the site and that the new road bridge as proposed in the planning application is not constructed*
 - *That a new (or revised) planning application be submitted for the development of the allocated COWA site only*
 - *That the Council seek to work with the local community to explore the options to retain the Eastern area as publicly accessible green space*

- *That the Council seek to re-negotiate the Business Rates Pool (BRP) funding of £2 million to promote active travel and deliver enhanced cycle and footpath access between Fairstead, Hardwick and the Town Centre and the creation of a managed nature reserve*
- *That officers enter into discussions to recast the Town Deal submission to reflect wider connectivity issues within the town and promote active travel.*

4. Programme

- 4.1. The programme for the revised scheme is contained in **Appendix A**
- 4.2. The key stages on the programme (which is governed by the requirements for the ACP funding agreement) are as follows:
- 4.2.1. High Level Appraisal – **Appendix C**
 - 4.2.2. Planning submission – September 2021
 - 4.2.3. Planning consent February 2022
 - 4.2.4. Start on Site June 2022
 - 4.2.5. First plot construction start November 2022
 - 4.2.6. Practical completion October 2025

5. Policy Implications

- 5.1. The WNPL business plan proposes that the Major Housing contract will have a proportion of 20% Private Rental Properties allocated to the scheme. This will be subject to approval by both Cabinet and Council when considering the financial viability appraisal needed to approve commencement of each project. The financial impact of including the PRS properties in lieu of Market Housing are shown in the financial implications below.
- 5.2. A new National Planning Policy Framework was published in July 2018. It sets the planning policy context for local authorities. There is a focus on the provision of new housing, but with a new emphasis on different types of housing need. Among the groups mentioned specifically are people who want to rent their homes. We are asked to assess the need for this tenure and make provision. In this context the use of part of the site for the Private Rented Sector is encouraged.

6. Financial Implications

- 6.1. On the basis of the appraisal carried out, the scheme will deliver a return to the Council of approximately £2.5m (5.6% return) as set out in the High-Level Appraisal (July 2021) as set out in **Appendix C**. A layout of the revised scheme is shown in **Appendix B**.
- 6.2. The tranches of funding that have already been drawn from the ACP (£2,114,716) and BRP (£200,000) will be retained to support the development costs incurred to date.
- 6.3. In terms of viability, there are abnormal costs in relation to the ground conditions, flood risk mitigation and surface water attenuation within this part of Kings Lynn. These additional costs are expected to be in the region of £8,000 per dwelling.

- 6.4. The scheme will incorporate several discretionary environmental enhancements which carry additional costs. Further details of these items are included in **section 7** of this report.
- 6.5. The High-Level Appraisal includes target Value Engineering cost savings to be achieved of £1.1m.
- 6.6. The revenue forecasts are based on current market values. The PRS properties are shown at full open market value. At these values the PRS properties are anticipated to deliver a net yield to WNPL of around 3-4%.
- 6.7. A Post Planning Appraisal will be undertaken in March 2022 (subject to planning) and the financial viability reviewed prior to entering the construction contract. At this point a scheme viability report will be brought back to Cabinet for consideration, including valuation options for the PRS properties.
- 6.8. The current High Level Appraisal is based on the acquisition of 46no. PRS dwellings by WNPL, the acquisition of 34no. Affordable dwellings by WNHCL, with 148no. Open Market sale dwellings.

7. Personnel Implications

- 7.1. The scheme will be delivered by the Corporate Projects team, using the Major Housing Contract with Lovell Partnerships Ltd. As a result, there are no personnel implications.

8. Environmental Considerations

- 8.1. It is proposed that this scheme will deliver a number of environmental enhancements that will reduce the carbon footprint of these dwellings and act as an exemplar scheme for other proposals that will come forward. These enhancements go significantly further than required under planning and building regulations and will cost approximately an additional £1.7m as detailed below
- 8.2. The detailed design of the buildings continues to follow the Council's 'Fabric First' principal, which means that the buildings are built in a way that makes them thermally efficient, no matter what heating source is used.
- 8.3. As with other housing developed in Kings Lynn with our development partner Lovell, these homes will feature enlarged windows to enhance natural daylight within the dwellings, at an additional cost of approximately £1,500 per dwelling.
- 8.4. Photo voltaic panels will be placed within the roof structure for those properties with the best alignment to the sun and will assist with the electrical requirements for the buildings. This will cost approximately £1,500 per dwelling where PV is installed.
- 8.5. All properties will incorporate Air Source Heat Pumps (ASP), with underfloor heating on the ground floor. There will be no mains gas supply to any of the properties. ASPs will provide more efficient and economical heating to the properties, making them cheaper to run, but carry an additional capital cost of approximately £3,000 per dwelling.
- 8.6. Parking for the development is within curtilage where possible. All properties with on plot parking will have the infrastructure required for a 7kW EV charging point. All other parking spaces will have trunking and draw strings

installed from their parking spaces to their dwelling to allow electric charging points to be installed should they be required. Making all dwellings on the development EV ready costs approximately £1,500 per dwelling.

- 8.7. In addition to the above optional environmental enhancements, surface water attenuation issues require the inclusion of lagoons and swales to the southern boundary. These will have environmental benefits for wildlife, but will limit the use of open space in that area. The alternative would be to install storage tanks underground at an additional cost of circa £98,000.
- 8.8. The loss of some trees will be unavoidable; however, trees will be replaced at a rate of 3 for one, which is additional to what would normally be expected for a development of this size.

9. Statutory Considerations

- 9.1. The statutory authority for the proposal is contained in s1 of the Localism Act 2014 and s12 and s95 of the Local Government Act 2003.
- 9.2. This report complies with the terms and conditions of the Councils contract with Lovell for the Major Housing Project.

10. Equality Impact Assessment (EIA)

- 10.1. None (Prescreening report template attached)

11. Risk Management Implications

- 11.1. The main risks associated with agreeing to the scheme are listed below. These are then looked at more fully together with the risk mitigation strategy for each in the subsequent paragraphs.

- Market values fall
- Market values do not increase as expected
- Unable to sell Market Properties
- Costs increase more than expected
- Interest rates rise higher than expected
- Unknown problems are found with the sites
- Cost of enabling works increase

- 11.2. The following paragraphs consider the above risks in more detail

- 11.2.1. Unable to sell Market Properties – before a phase starts, agreements for the disposal of the Affordable units will be in place. It would be highly unlikely that no market sales could be made.

- 11.2.2. Costs increase more than expected – The appraisal is based on current market conditions projected forward for a start on site in June 2022. A large percentage of the costs will be fixed prior to starting any phase the overall viability being appraised on a quarterly basis with Lovell, as is the current practice on all our schemes.

- 11.2.3. Interest rates rise higher than expected – this is an allowable cost and is considered before the go-ahead is given for each project. The current appraisal uses an interest rate of 2.75%, the Council is currently borrowing short term money at or below 0.5%.

11.2.4. Unknown problems are found with the sites – significant investigations have been made on the site including borehole investigations. As a result, it is highly unlikely that any further problems are found with the site.

11.2.5. Cost of enabling works increase – All known costs have been allowed for at this stage, however a pre-commencement appraisal in May 2022 (as shown in the programme in **Appendix A**) will review costs prior to the start on site.

12. Declarations of Interest / Dispensations Granted

12.1. None.

13. Background Papers

- Report to Cabinet 15th June 2021
- CPP presentation (March 2021)
- Report to Cabinet 6th August 2019
- WNPL business plan December 2018

Appendix A - Programme

Parkway Programme	From	To
AGREE MASTERPLAN	Jun-21	
CONSULTANT DESIGNS	Jun-21	Aug-21
FEE PROPOSALS	Jun-21	
REFRESH SURVEYS AND REPORTS	Jun-21	Aug-21
HIGH LEVEL APPRAISAL	Jul-21	
PRE PLANNING VIABILITY	Sep-21	
PLANNING SUBMISSION	Sep-21	
DETERMINATION PERIOD	Sep-21	Jan-22
PLANNING GRANTED	Feb-22	
POST PLANNING APPRAISAL	Mar-22	Apr-22
CONDITION CLEARANCE, DESIGN & PROCUREMENT	Mar-22	Oct-22
PRE COMMENCEMENT APPRAISAL	May-22	Jun-22
START ON SITE	Jun-22	
FIRST PLOT FOUNDATION	Oct-22	
PLOT CONSTRUCTION (Pace dictated by ACP programme dates)	Nov-22	Oct-25
PC ON FINAL UNIT	Oct-25	

Appendix B – 228 dwellings site layout



Appendix C – High Level Appraisal

228

Dwellings

Expenditure	
Total costs	£47,493,828
Revenue	
Total revenues	£47,696,125
Funding	
Accelerated Construction Programme (to date)	£2,114,716
Business Rates Pool (to date)	£200,000
Total funding	£2,314,716
Development return	£2,517,013

Pre-Screening Equality Impact Assessment

Borough Council of
**King's Lynn &
West Norfolk**



Name of policy/service/function	Parkway				
Is this a new or existing policy/service/function?	Existing				
<p>Brief summary/description of the main aims of the policy/service/function being screened.</p> <p>Please state if this policy/service is rigidly constrained by statutory obligations</p>	<p>The creation of 228 new homes of which : -</p> <p style="text-align: center;">15% Affordable 20% PRS 65% Private Sale</p>				
Question	Answer				
<p>1. Is there any reason to believe that the policy/service/function could have a specific impact on people from one or more of the following groups according to their different protected characteristic, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>		Positive	Negative	Neutral	Unsure
	Age			√	
	Disability			√	
	Gender			√	
	Gender Re-assignment			√	
	Marriage/civil partnership			√	
	Pregnancy & maternity			√	
	Race			√	
	Religion or belief			√	
	Sexual orientation			√	
	Other (e.g. low income)			√	
Question	Answer	Comments			
2. Is the proposed policy/service likely to affect relations between certain equality communities	No				

or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?		
3. Could this policy/service be perceived as impacting on communities differently?	No	
4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?	No	Shortage of 'decent' housing in the Borough.
5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions? If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section	No	Actions:
		Actions agreed by EWG member:
<p>If 'yes' to questions 2 - 4 a full impact assessment will be required unless comments are provided to explain why this is not felt necessary:</p> <p>N/A</p> <p>Decision agreed by EWG member:</p>		
Assessment completed by: Name David Ousby		
Job title Assistant Director		
Date 8th July 2021		