Borough Council of
King's Lynn &
West Norfolk

Regeneration and Development Panel
Tuesday, 28th November, 2023 at 5.00 pm
in the **Council Chamber, Town Hall, Saturday Market Place, King's Lynn**

Reports marked to follow on the Agenda and/or Supplementary Documents

1. **Cabinet Report - Finance Models Proposal for the Loan Facility for Council Companies** (Pages 2 - 116)

   Members of the Corporate Performance Panel and Environment & Community Panel are invited to attend the meeting for this item of Business.

Contact
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Email: democratic.services@west-norfolk.gov.uk

DRAFT - REPORT TO CABINET

<table>
<tr><td colspan="2">Open (appendices exempt if they contain commercially sensitive information)</td><td colspan="4" rowspan="2">Would any decisions proposed :

Be entirely within Cabinet's powers to decide ~~YES~~/NO
Need to be recommendations to Council ~~YES~~/NO

Is it a Key Decision YES/~~NO~~</td></tr>
<tr><td>Any especially affected Wards</td><td>Mandatory/

Discretionary /

Operational</td></tr>
<tr><td colspan="3" rowspan="2">Lead Member: Cllr Beales
E-mail: cllr.alistair.beales@west-norfolk.gov.uk</td><td colspan="3">Other Cabinet Members consulted: Leader, Deputy Leader, Finance Portfolio Holder</td></tr>
<tr><td colspan="3">Other Members consulted: Cabinet</td></tr>
<tr><td colspan="3">Lead Officer: David Ousby
E-mail: david.ousby@west-norfolk.gov.uk
Direct Dial:01553 616505</td><td colspan="3">Other Officers consulted: Executive Directors, Chief Executive, Monitoring Officer, S151 Officer</td></tr>
<tr><td>Financial Implications
YES/~~NO~~</td><td>Policy/ Personnel Implications
YES/~~NO~~</td><td>Statutory Implications
YES/~~NO~~</td><td>Equal Impact Assessment
YES/~~NO~~
If YES: Pre-screening~~/ Full Assessment~~</td><td>Risk Management Implications
YES/~~NO~~</td><td>Environmental Considerations
~~YES~~/NO</td></tr>
<tr><td colspan="6">If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)</td></tr>
</table>

Date of meeting: 5th December 2023

COUNCIL COMPANY FUNDING – WEST NORFOLK PROPERTY LIMITED (WNPL) AND WEST NORFOLK HOUSING COMPANY LIMITED (WNHC)

Summary

This paper needs to resolve the current position as follows:

- Properties leased from the Council to the companies need to be offered for transfer (sale) into the companies freehold (subject to Company Board agreement);
- New and clear funding criteria needs to be in place to support the transfer and to meet governance requirements

Recommendation

<u>Cabinet Resolves:</u>

- <u>To agree the Funding for Companies structure as set out in this paper</u>
- <u>To agree for the Council to 'offer' the drawdown facility to the companies as set out, subject to the due diligence as outlined;</u>
- <u>To give delegated authority to *[Portfolio Holder / Shareholder Committee / Executive Director / S151 officer / Monitoring Officer / others as resolved by Cabinet] to agree the final terms of the funding agreements with the housing companies*</u>

<u>Recommendations to Full Council:</u> *That Council be recommended to approve the funding for the council owned housing companies as set out in this Cabinet report*

Reason for Decision

1. To deliver on Council Corporate Objectives:

- Promote growth and prosperity to benefit West Norfolk;
- Protect our environment;
- Efficient and effective delivery of our services; and,
- Support our communities.

2. To deliver affordable and private rented housing for acquisition by the council's wholly owned housing companies to support the delivery of council corporate objectives.

1. Executive Summary

This paper brings together the advice the council has received form legal, financial and tax advisors on the funding of the council housing companies. It proposes the financing arrangements for West Norfolk Property Limited (WNPL) to allow the company to purchase from the council the private rented (PRS) properties in its portfolio, and the future pipeline of properties being delivered through the councils Major Housing Programme (MHP). It updates the financing arrangements for West Norfolk Housing Company Limited (WNHC), which expired in March 2023, to allow that company to continue to purchase properties, both from the MHP and elsewhere.

The paper sets out the total amount of borrowing available that the council can provide to support the housing companies, and the details of the funding agreements between the council and the companies.

The report and its recommendations are currently under review by consultants Grant Thornton. Their finding will be incorporated in the final version of this report submitted to Cabinet. The timescale for this work is due to complete by 30th November and is set out below:

Week	Key Activities/ deliverables
W/C 6 November	Briefing call Fieldwork
W/C 13 November	Fieldwork **Delivery Milestone 1** Weekly call with Council
W/C 20 November	Weekly call with Council Issuing of draft report at the end of this week (24th)
W/C 27 November	Review and feedback from Council via call Issuing of final report **(Milestone 2)** as agreed with officers, ready for presentation to members (30th)

2. Background

2.1. West Norfolk Property Limited (WNPL)

WNPL was incorporated in April 2018 and was set up to acquire properties from the Borough Council of King's Lynn and West Norfolk (the Council), to let for private rent to residents of the Borough. In January 2019, Cabinet approved the business plan for WNPL, including the principle of retaining for private rent 20% of the homes developed by the Council through the Development Management Agreement with Lovell Partnerships Limited. Delegated authority was also given to agree the financing arrangements for the freehold transfer of the properties from the Council to WNPL.

The details of the financing arrangements were not resolved prior to the first stock being transferred to WNPL. To facilitate the transfer of properties into the company, in September 2020 a lease agreement for the term of 4 years based on 70% of gross rent until such time as the loan agreement was agreed between the council and the company. The first PRS properties were leased to WNPL in November 2020, with a total of 27 PRS properties joining the portfolio from November 2020 to April 2021.

Managing agents (Touchstone) and legal services (Howes Percival) for the company were procured in 2021, and a Service Level Agreement (SLA) between the council and the company was also agreed.

Between June 2022 and June 2023, a further 47 PRS properties from the council's Nora 4 (Nar Valley Park) development were leased to the company. One of the original 27 properties was transferred at open market value to West Norfolk Housing Company in 2023 to provide accommodation funded through the Local Authority Housing Fund. The number of properties in the portfolio is currently 74 dwellings.

The performance of the portfolio is reported through a KPI dashboard, which summarises key metrics including rent collected, voids, bad debts and management and maintenance costs. The gross to net revenue ratio is around 16.5%. In addition to the management and maintenance costs, the company is charged for services provided by the council through the SLA (approx. £54k per annum)

2.2. West Norfolk Housing Company (WNHC)

WNHC was incorporated in 2016 and set up to increase capacity in the social housing sector to deliver new affordable housing in the Borough and to provide a vehicle to help meet the Council's priorities particularly in relation to accommodation for homeless households. It was registered as a not-for-profit Registered Provider of Social Housing in 2018.

The Company has acquired 47 affordable homes to date (35 rent and 12 shared ownership). The Company also leases 7 flats from the council at 37 Broad Street which are used to help meet the Council's statutory homelessness duties to provide temporary accommodation.

The company's properties are managed and maintained by Broadland Housing Association under a mix of leases and management contracts.

To date, the principal way in which the Company has acquired new affordable homes has been through debt finance provided by the Council with loans of £3.2m currently outstanding. The company's £10m loan facility with the Council expired in March 2023. The increase in the Bank of England Base Rate had meant that the interest rate of 4.5% above the Bank of England base rate, with the interest rate for each drawdown fixed at the time of each drawdown, was no longer financially viable for the company when acquiring new stock.

This has meant that the Company has had to make alternative temporary arrangements to acquire units on the NORA 4 developments including agreeing to defer payment on several units.

The company is due to acquire an additional 73 homes from the Council up until 2026-27. The estimated value of these homes is circa £7.9m

The Company acquires S106 affordable housing units based on the capitalised income from the properties minus costs such as management and maintenance. This is typically around 50% of open market value. This is the standard methodology for valuing S106 units in the affordable housing market and reflects that the homes are secured as affordable housing in perpetuity.

The price offered by West Norfolk Housing Company is benchmarked against other affordable housing transactions and data held by the council.

The Company may be able to obtain grant funding from Homes England to deliver additional affordable housing both on the Council's developments and elsewhere. This funding would only be available where the affordable housing is not a requirement of planning policy. Discussions with Homes England regarding access to grant funding are ongoing.

3. Current position

The council has obtained financial advice from Link Group Treasury Services, tax advice from PS Tax, and advice from Ensors Accountants on appropriate Loan to Value (LTV) percentages to use for property acquisitions for the housing companies. Governance advice has been provided by Anthony Collins Solicitors, leading to the formation of a Shareholder Committee for the council companies. These reports are attached at **Appendix 1.**

The advice has informed the options for financing arrangements set out below.

3.1. The Council as Funder for the Companies – Funding Mechanism

It should be recognised that the companies are able to approach other funders other than the Council. Whilst the Council holds 100% of the shares in the companies, the Boards have Director responsibilities to those companies to ensure they are run well. The duties of a Director are outlined in the Companies Act 2006 and include promoting the success of the company and exercising reasonable care, skill and diligence.

This paper outlines an effective 'offer' to those companies and it is for the Board of those companies to decide to accept/ drawdown on that offer.

It is recommended that a 'drawdown facility' is put in place with pre-agreed finance for the separate companies to call upon when required and agreed by the respective Boards with due diligence on affordability as outlined made at the time of a 'call' to drawdown.

3.2. Prudential Borrowing – The Prudential Code

Section 2 of The Local Authorities (Capital Finance and Accounting) (England) Regulations 2003 requires Local Authorities to have regard to the Prudential Code when complying with the duty under section 3 of the Local Government Act 2003 – the duty to keep under review how much it can afford to borrow.

The finance team in the council has reviewed the current Capital Programme and advised that the “maximum” borrowing limit for external debt for the council is £64.5m. Referred to as the Operational Boundary, in CIPFA guidance, this is the limit for external borrowing, with the exception that headroom for a further £5m exists in the “Authorised Limit”, but that is intended for very short-term borrowing such as overdrafts for cashflow purposes.

As outlined in the Council Budget and MTFS (Medium Term Financial Strategy) currently the council has £10m of external debt finance taken out in 2007 through Barclays Bank at a fixed rate of 3.81% which is fixed for 70 years and due to expire in 2077.

Therefore, the Council effectively has £54.5m of potential external debt financing available before it meets it’s Prudential Borrowing ‘ceiling’ as determined in accordance with statute and guidance by the s.151 statutory officer.

The council is budgeted to have £3.497m for capital expenditure in earmarked reserves as at 31 March 2024 and so will look to balance any capital requirement using a mix of reserves and borrowing from external markets to support the capital programme requirement. This means that it is possible that not all of the ‘drawdown facility’ will be required from external finance. This balance will be managed in accordance with the Treasury Management Strategy and in liaising with the s151 officer (AD Resources) to ensure that this is held within acceptable limits.

The S151 officer, as statutory officer, has advised that the maximum prudential lending facility for Housing Companies is £50m. For illustration, this could be made up as follows:

- West Norfolk Housing Company (WNHC) - £14m
- West Norfolk Property Limited (WNPL) - £36m

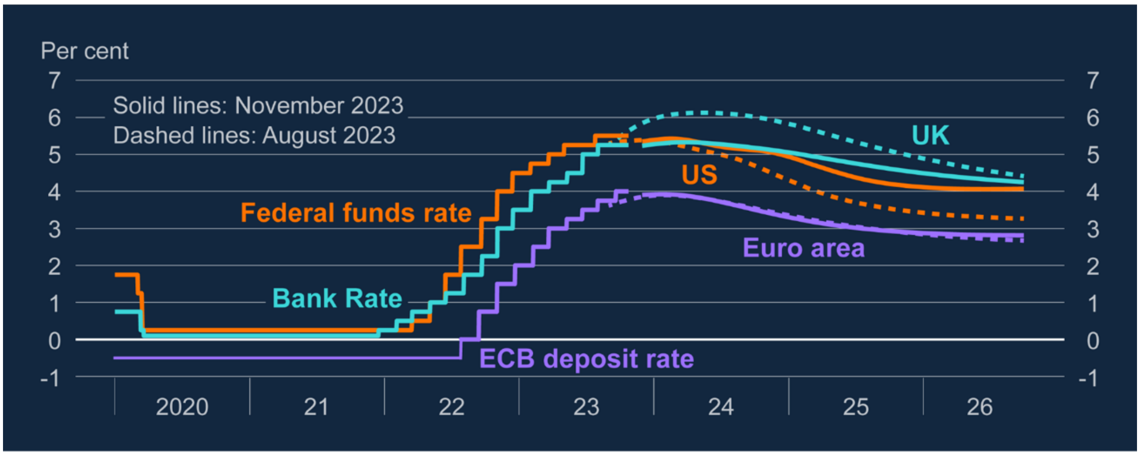
This would leave £8m capital available for other requirements (for example, enterprise zone infrastructure and other capital programme development costs).

3.3. Prevailing Economic Conditions

The most recent Bank of England Monetary Policy Report (November 2023) found that:

- Maintaining higher interest rates are working to reduce inflation;
- Inflation has fallen and is expect to fall further this year and next;
- Interest rates will be kept high enough for long enough to get inflation back to the 2% target

It is to be expected therefore that interest rates will remain at the current level until inflation begins to fall in line with the current BoE outlook.



Interest rates are at or close to the peak of their market-implied paths in the US, euro area and UK (source: BoE, November 2023)

3.4. Advice on Loans to Companies – Lending Criteria

External advice has been taken regarding the lending criteria that the Council should use when acting as lender to companies. Two options have been presented as follows:

1) EU Reference Base Rate. This is based on an initial reference rate as set under European Commission legislation. Additionally, where a company has limited or no credit history, the interest rate should be increased by 400 base points and where the loan exceeds 1 year, a further 2 base points should be added to reflect the additional administration required. This results in an interest charge to the company of 9.11% made up as follows (at 30 September 2023):

   - State aid reference rate – 5.09%
   - Limited credit history – 4.00%
   - Loan beyond 1 year – 0.02%

2) The Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022. These regulations set out the requirements for determining an interest rate on a loan that might reasonably have been expected to be available on the market. It sets a base rate according to the length of the loan and then looks at the creditworthiness of a company as rated between satisfactory to strong. There are 3 levels of satisfactory to consider based on the level of risk of loss in the event of a default on the loan. Applying this results in an interest charge to the company of 6.5% which is made up as follows:

   - Length of Loan @ 25 years – 3.1%
   - Creditworthiness as satisfactory with loss in the event of default as more than 60% or not known – 3.4%

When considering the above options, it has been recommended that the Subsidy Control Regulations are preferable to the EU Reference Base Rate as the Competition Markets Authority would not regard the latter as a determinative in their decisions on this issue. However, it should be noted that the Subsidy Control Regulations were written when the Bank of England (BoE) interest rate was set at 3% and there is no mechanism in the legislation to track against BoE base rate which is now 5.25%. It is also noted that the length of loan only goes up to 25 years and the calculated loan rate of 6.5% provides less than 1% margin against the PWLB loan rate of 5.63% which does not allow sufficient risk margin for the council (see section 3.6 for the council's proposal to build a risk reserve).

Taking all of the above into consideration, the following sets out the recommendation for a suitable basis for a loan facility to the companies which would be to use the higher of the following:

- The loan rate as set out in the Subsidy Control (Gross Cash Amount and Gross Cash Equivalent) Regulations 2022 (currently maximum of 6.5%); or
- PWLB rate plus 2% (currently 7.63%)

This would mean that the council is covering its position in applying the Subsidy Control Regulations but also allowing for a margin against PWLB rates so the council can set aside an amount in a risk reserve. It also allows some flexibility for the loan rate to reduce as interest rates fall or to adopt the Subsidy Control rate at such time when it is appropriate to do so in line with a fall in BoE base rate which is currently forecast to reduce to 2.5% in 2027. It is also recommended that the loan facility allows for a review of the creditworthiness of the companies when the servicing of their loan arrangements are more established and they can take advantage of a lower mark-up rate.

3.5. Drawdown Facility and Lending Criteria

As part of this the lending criteria for loans to companies will include:

- Loans will be available for up to 90% LTV (or as advised following advice from Grant Thornton);

- The loan will also allow up to a further 7.5%[1] of total LTV for the first 5 years (to be reviewed at years 2-5) to be used to support the company in its initial 'start-up' company phase;

- Subject to review of the Business Plan of the company and suitable plan re: affordability & repayment to ensure that cash-flow allows for the company to remain sustainable over the long term (10 years) and meeting its repayment requirements. The business plan should also outline an acceptable 'exit plan' in order to meet its obligations;

- The Council will place a charge against the properties in relation to the loan as security for up to the full market value of the properties;

[1] To be updated following Grant Thornton review

- Funding will only be available for where the Council has a controlling interest in the Company:

- The interest charged and conditions for the loans will differ depending on the situation of the companies, risk and where the activities of the company meet key objectives of the Council (e.g. homelessness), notwithstanding other conditions set out in this paper (i.e. sustainability). An illustrative outline is provided below for WNHC and WNPL;

- Interest will be at the prevailing rate obtained by the Council plus a 'risk-premium' as advised;

- The Council reserves the right to withdraw future funding through the facility.

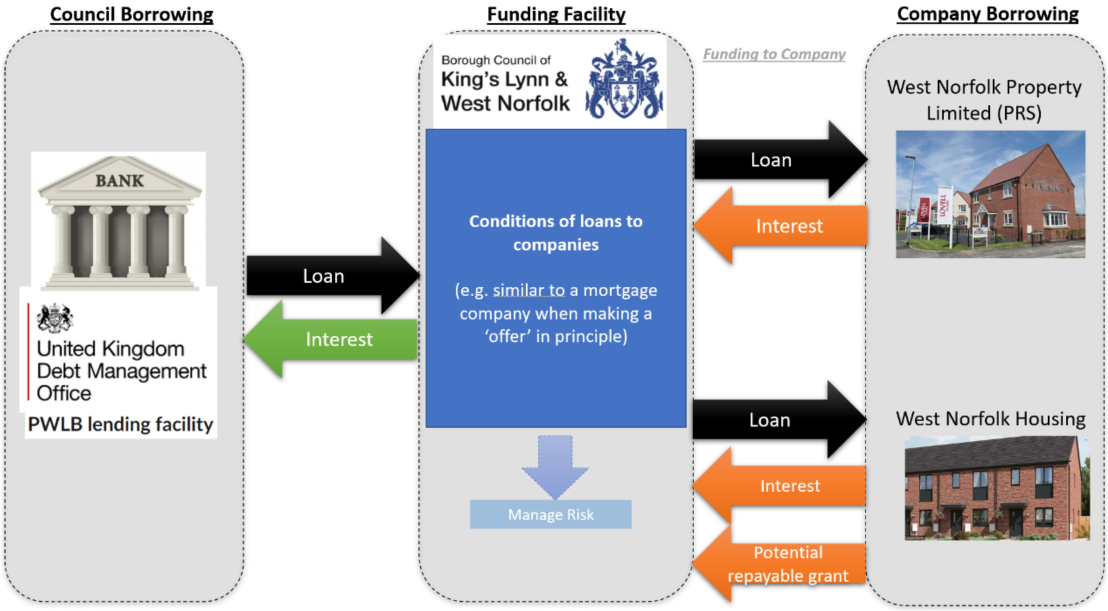
3.6. Risk Reserve

The council will hold a 'risk reserve' of at least [%][2] of income generated through the interest rate differential between the Council and the Company i.e. between the % charged to the Companies and the interest rate paid by the council on borrowing. The % and total fund required to be defined by the S151 Officer. This will be held to manage the risk around the uncertainty in the market in the short to medium term and support the Council/ shareholder to help mitigate some of the risks.

3.7. Overall Flows of Finance for Lending

The diagram below sets out the relationships between the housing companies, the councils borrowing and the funding facility between the council and the companies. The actual interest rates used will be determined following the advice from external consultants Grant Thornton:

[2] Percentage to be advised following review report by Grant Thornton



3.8. Affordability to the Companies

This section to be finalised, setting out the range of options available to the council and the companies, and the financial and tax considerations of the same. [3]

4. Companies Funding Requirements

4.1. WNPL - Transfer of Existing Stock (£14.18m) – Council Financial Treatment of Funds from Transfer

The 'current stock' (currently leased by the council to the company) has a value of £14.18m and is currently fully funded and owned as an asset of the Council. Table 1 below includes acquisition of this stock by the company and the funding for this should be included in the value of the loan to the company.

The delay in capital receipts for these properties is currently diminishing the Council's cashflow and ability to invest. It is therefore desirable that the company include the cost / value of the existing portfolio within the loan draw down facility. This will improve the Council's cashflow, working capital and funding for internal borrowing for its future capital programme.

The Open Market Value of the portfolio is circa £15.8m[4], with gross rent of approximately £824,000 per annum, representing a gross yield of 5.2%.

Future PRS stock from Parkway and Lynnsport 1 developments will increase the portfolio to 139 properties with an estimate Open Market Value (OMV) of £29.1m

[3] Following review report by Grant Thornton
[4] July 2022 Red Book portfolio valuation

Table 1 – WNPL portfolio (existing and pipeline)

Scheme	Units	OMV (£m)	90% OMV (£m)	Total development costs (£m)
Existing portfolio	74	15.8	14.2	12.3
Parkway	46	8.8	7.9	*8.6**
Lynnsport1	19	4.5	4	*4.3**
Total	**139**	**29.1**	**26.1**	***25.2***

**= estimated maximum development cost*

Initially the company's net revenue will be insufficient to repay the loans on the full value of the properties if drawn down from the facility at the current advised loan rate, therefore the need to have the option to have sufficient 'headroom' within the draw down facility to allow additional borrowing by the company to service the debt repayments. Alternative options may include a debt / equity financing model for the companies (to be detailed in section 3.8 above following advice from Grant Thornton).

4.2. WNHC

Due to WNHC being a Registered Provider of Social Housing delivering Affordable Housing, certain exemptions may be met in relation to Subsidy Control. This would mean that the Council has the ability to provide grant funding to WNHC to fund new Affordable Housing. Therefore the Council could fund WNHC through a mixture of repayable grants with no interest and loans at an appropriate rate. This can then provide an overall blended rate. Further due diligence is required to confirm whether the exemption would be met.

Modelling carried out for the company suggest that in order to ensure viability for the company, the blended rate would need to be no higher than 5.25%. Based on current interest rates, this blended rate could be reached using a 70/30 split of loan and repayable grant. However, consideration would also need to be given to the Council's own rate of borrowing. The current appropriate PWLB rate would be 5.27%[5]

It is proposed that the Council provides WNHC with 2 separate facilities:

- A loan facility equal to circa 70% of the companies total funding requirement. This facility should include flexibility for the company to take out interest only or repayment loans at fixed or variable rates as long as defined covenants set by the Council are complied with.

- A repayable grant facility equal to circa 30% of the total funding

[5] 23/11/23 PWLB Standard Fixed Interest Rates Over 40 not over 40½ years, maturity, less 20 basis point concessionary rate. To be finalised following grant Thornton review.

requirement.

This would enable the company to draw down an appropriate mix of grants and loans depending on market conditions and the company's circumstances at the time. It is anticipated that the proportion of grant funding drawn down would fall as interest rates are reduced. The Council will set parameters setting limits on the maximum proportion of total drawdowns to be grants.

Table 2 – WNHC portfolio (existing and pipeline)

WNHC funding requirements		
Scheme	**Units**	**£m**
Nora 4	7	0.661
LAHF 1	16	1.611
Parkway	34	3.549
Lynnsport 1	10	0.822
Southend Rd	6	0.500
LAHF 2	7	0.775
plus existing borrowing	47	3.257
Total	**127**	**11.165**

5. Policy Implications

The long term funding of WNPL to manage private rented properties allows the council to intervene in the private rented market and set a high standard for the quality of housing and management with longer term family friendly tenancies.

Similarly the investment in WNHC ensures that the Council has a vehicle to deliver affordable housing in the borough and meet the Council's housing priorities.

6. Financial Implications

Rent income and capital values will increase over time, whilst borrowing costs are fixed (based on maturity loans).

The financial implications for the council are that it will have a commitment to borrow capital to finance the housing company portfolios for the longer term, thereby restricting capital available for investment in other areas. The risk is mitigated by the extent to which the companies are able to dispose of properties (or portfolios) on the open market, with WNPL able to dispose of the portfolio either as investments or with vacant possession, at open market values.

For WNHC, the funding agreement the liquidity of the portfolio (the ability to dispose of the properties) is limited by the Existing Use Value (EUV) of the properties as affordable rented or shared ownership homes.

7. Personnel Implications

The WNPL portfolio is managed via agents (Touchstone), and a SLA exists to recover council staff costs

The WNHC portfolio is predominantly leased to Broadland Housing Association – due to expire in March 2029 - and an SLA exists to recover council staff costs.

8. Environmental Considerations

The high standard of homes acquired by the housing companies from the MHP sites ensures the portfolio will contribute towards net zero for the council with low running costs for tenants due to high EPC ratings, ensuring less disposable income required on household energy bills and therefore less stress on affording rental payments.

9. Statutory Considerations

Latest HM Treasury guidance is that they will support the use of PWLB finance by wholly owned council housing companies where the council has set up a housing strategy to address housing shortages in its area.[6]

9.1. Subsidy Control (previously State Aid)

The Council will be disposing of the properties under section 123 Local Government Act 1972, which generally provides that a local authority may dispose of land in any manner it wishes. Under the General Disposal Consent (England) 2003 local authorities can dispose of land for less than best consideration, on condition that the undervalue does not exceed two million pounds, and where the authority considers that this will contribute to the promotion or improvement of economic, social or environmental well-being in its area.

10. Equality Impact Assessment (EIA)

(Pre screening report template attached)

11. Risk Management Implications

Table 3 **Risk items**	**Risk Implications and Sensitivity**	**Level of Risk**
Market values fall	**Risk** In terms of market values, these are anticipated to fall by 11% in 2023, with an overall growth of 3% in the 5 years to 2027. Within the Major Housing Programme, there are 32 properties due to complete in May 2024 at Southend Road Hunstanton, 6 of these are affordable homes for WNHC. There are no PRS properties on this scheme, and no other properties of any tenure due to complete before the end of 2024 **Sensitivity/Consequences** The sales valuations are based on current market values, which are due to fall in the near term but recover in the medium term.	Medium

[6] PWLB Guidance to Applicants, HM Treasury, June 2023

Table 3 **Risk items**	**Risk Implications and Sensitivity**	**Level of Risk**
Market values fail to increase as expected	**Risk** The anticipated growth over the 5 years to 2027 does not materialise- property prices either stagnate or fall in real terms **Sensitivity/Consequences** Housing markets are cyclical, but demand for housing remains strong. The council will retain the option of disposing of properties into the private rented market to mitigate this risk. A more detailed assessment of house price forecasts in included within **Appendix 4**	Low
Higher than anticipated interest rates	**Risk** Mortgage interest and PWLB rates continue to increase **Sensitivity/Consequences** Markets are currently pricing BoE holding the base rate rise 5.25% with no further increases anticipated, and rates remaining at this level until core inflation is seen to fall within acceptable parameters. Base rates have a direct impact on PWLB rates.	Low
Borrowing requirement to fund the development phase	**Risk** Council is required to use PWLB borrowing to support the development of the scheme, and to fund the purchase of properties for the wholly owned companies **Sensitivity/Consequences** PWLB rates are considered to be at the peak of the cycle. The risk can be mitigated by the council borrowing at short term rates from other local authorities, at rates generally below current PWLB. Over the longer term the options for borrowing are: 1. Public Works Loan Board (PWLB) between 1-50 years. This can be based on interest only or have some form of repayment of the principle. An application form is submitted and generally the funding is received in 5 days. 2. Pension funds will also lend to local authorities. These are typically used on a forward funding basis and helps to manage risk if the council knows that there is a need to borrow in future and knows how much is required. The forward interest rate curve will be used to assess the applicable rate to be charged. Currently there are no interest rate reductions built into the curve to reflect any downturn in future interest rates so there is currently no benefit in looking at this option but it could be considered in a year's time as the position is likely to change once inflation comes down and stabilises. Typical entry level is £30m which does not have to be in one loan payment. This can be drawn down in tranches over time. The arrangements tend to be on an annuity basis as these organisations tend to buy long dated gilts. They will look at the credit rating of a local authority and many local authorities do not have one. Those that do will have paid to have their rating. There is also a tendency to use Moody's metrics to assess the rating of a LA and these organisations will carry out their own due diligence and they will determine the pricing according to their own assessment. A local authority can borrow from PWLB at gilt plus 80 basis points so they will benchmark against that based on the authorities position so it is a fairly subjective approach that is undertaken. It is also worth noting that there are no recent transactions evident in the market since early 2022 as authorities are holding back and using short term solutions.	Low

Table 3 **Risk items**	**Risk Implications and Sensitivity**	**Level of Risk**
	3. Bonds – The council could not issue in our own name as these are in general around £200m plus. The council would need its own credit rating which can cost circa £40k and it is unlikely that the council would get any better terms than PWLB at the moment. 4. UK Municipal Bond Agency – activity has gone quiet. The last report issued stated that they were not able to compete with PWLB. However, they would want more assurance and would drill down into more detail to ensure the council's business case stacks up and the loan can be repaid. Due to the issue of more and more local authorities in headlines for the wrong reasons, this has the potential to add more risk to pricing based on previous experience.	

12. Declarations of Interest / Dispensations Granted

13. Background Papers

(Definition : Unpublished work relied on to a material extent in preparing the report that disclose facts or matters on which the report or an important part of the report is based. A copy of all background papers must be supplied to Democratic Services with the report for publishing with the agenda)

Appendix 1 – Reports from Link, Ensors & PS tax

Appendix 2 – WNPL assumptions, portfolio & dashboards

Appendix 3 – WNHC assumptions, portfolio & dashboards

Appendix 4 – PRS market forecasts for rents and capital value

Appendix 5 – PRS sensitivity analysis

Pre-Screening Equality Impact Assessment	Borough Council of King's Lynn & West Norfolk
Name of policy/service/function	
Is this a new or existing policy/ service/function?	New / Existing (delete as appropriate)
Brief summary/description of the main aims of the policy/service/function being screened. Please state if this policy/service is rigidly constrained by statutory obligations	

Question	**Answer**				
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? Please tick the relevant box for each group. NB. Equality neutral means no negative impact on any group.		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)				

<table>
<tr><th>Question</th><th>Answer</th><th colspan="2">Comments</th></tr>
<tr><td>2. Is the proposed policy/service likely to affect relations between certain equality communities 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?</td><td>Yes / No</td><td colspan="2"></td></tr>
<tr><td>3. Could this policy/service be perceived as impacting on communities differently?</td><td>Yes / No</td><td colspan="2"></td></tr>
<tr><td>4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?</td><td>Yes / No</td><td colspan="2"></td></tr>
<tr><td rowspan="2">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</td><td rowspan="2">Yes / No</td><td colspan="2">Actions:</td></tr>
<tr><td colspan="2">Actions agreed by EWG member:

…………………………………………</td></tr>
<tr><td colspan="4">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:

Decision agreed by EWG member: …………………………………………………..</td></tr>
<tr><td>Assessment completed by:

Name</td><td colspan="3"></td></tr>
<tr><td>Job title</td><td colspan="3"></td></tr>
<tr><td>Date</td><td colspan="3"></td></tr>
</table>

Appendix 1

Reports from Link, PS Tax and Ensor Included here

Appendix 2

Financial appraisal assumptions and outputs for WNPL business case modelling

Appendix 3

WNHC assumptions

Appendix 4

Private Rental Market analysis

Sensitivity analysis & Scenario Testing [to be provided here]

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Private Rental Market analysis

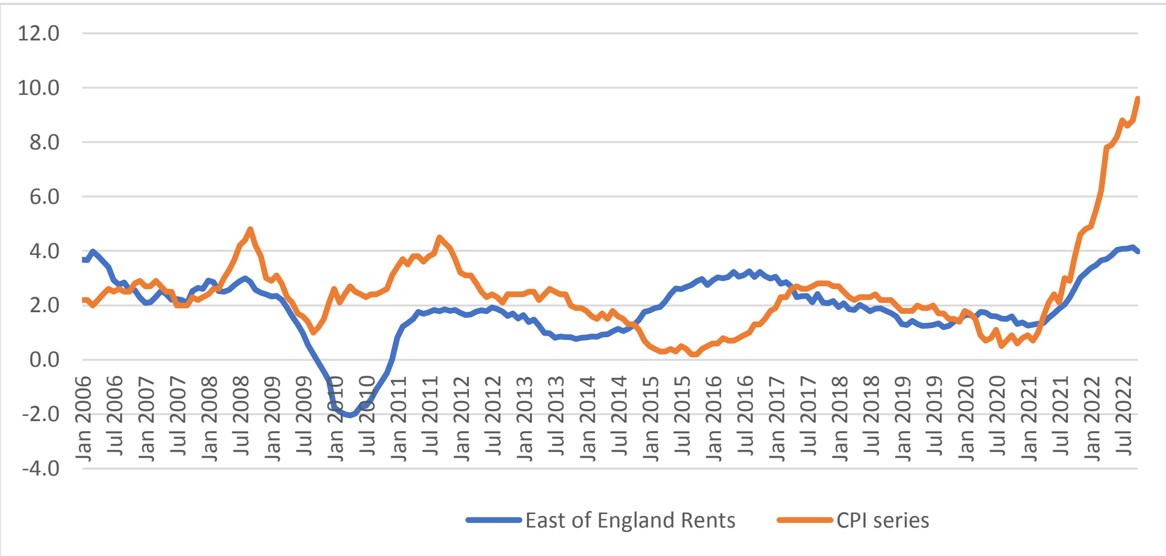
Rental growth has been strong in recent years and is forecast to rise by 18.8% over the 5 year period from 2022 – 2026. Historic rental price data from 2006-2022 has shown an average annual increase of 1.8%, with rents falling between 2009-2010, during the financial crash, but otherwise increasing around 2% per annum.

MAINSTREAM RENTAL VALUE FORECAST

	2022	2023	2024	2025	2026	5-year
UK rental growth	5.5%	3.7%	3.2%	3.2%	3.0%	19.9%
London rental growth	6.5%	4.0%	3.5%	3.5%	3.0%	22.2%
UK excluding London rental growth	5.0%	3.5%	3.0%	3.0%	3.0%	18.8%
UK income growth	3.9%	3.5%	3.1%	3.1%	3.0%	17.6%

Source: Savills Research
N.B. These forecasts apply to average rents in the second hand market. New build rental values may not move at the same rate.

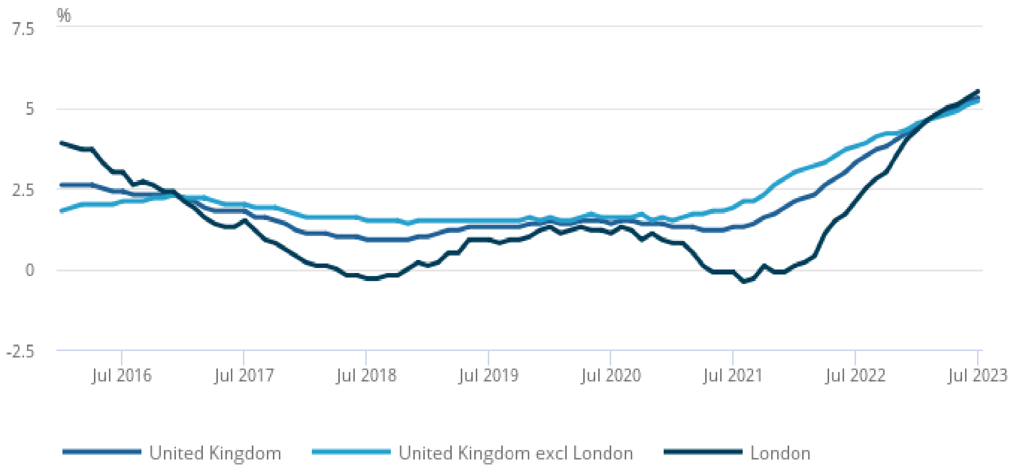
Over the same period, CPI rose by an average of 1.5% per annum. There is a strong correlation between wage inflation and private rent inflation. In the 12 months to July 2023 the UK annual private rental price change rose to 5.3%



Appendix 4

Figure 1: The UK annual private rental price percentage change rose to 5.3% in the 12 months to July 2023

Index of Private Housing Rental Prices percentage change over 12 months, UK and London, January 2016 to July 2023



Source: Index of Private Housing Rental Prices from the Office for National Statistics

Capital values are forecast to increase by 3% over the 5-year period from 2023 to 2027.

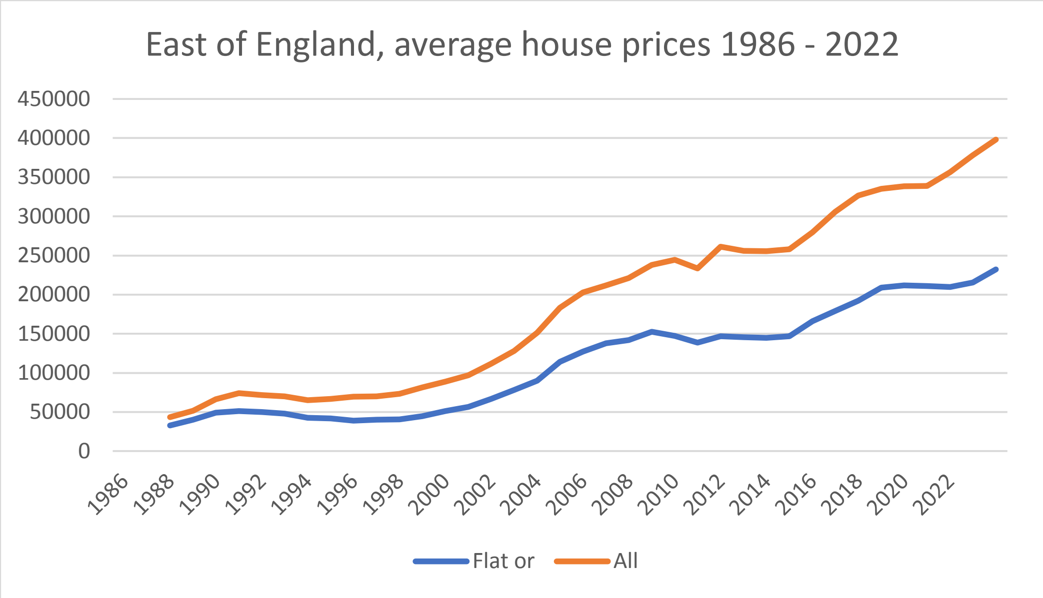
House Price Forecast

	2023	2024	2025	2026	2027	5 years to 2027
UK	-10.0%	1.0%	3.5%	7.0%	5.5%	**6.2%**
North West	-8.5%	2.5%	4.5%	7.5%	6.0%	**11.7%**
Yorkshire and The Humber	-8.5%	2.5%	4.5%	7.5%	6.0%	**11.7%**
North East	-8.5%	2.5%	4.5%	7.5%	6.0%	**11.7%**
Wales	-8.5%	2.0%	4.5%	7.5%	6.0%	**11.1%**
Scotland	-9.0%	2.0%	4.0%	7.5%	5.5%	**9.5%**
East Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	**8.9%**
West Midlands	-9.0%	1.5%	4.0%	7.5%	5.5%	**8.9%**
South West	-10.0%	1.0%	3.5%	7.0%	5.5%	**6.2%**
South East	-11.0%	0.0%	3.0%	6.5%	5.5%	**3.0%**
East of England	-11.0%	0.0%	3.0%	6.5%	5.5%	**3.0%**
London	-12.5%	-1.0%	2.0%	6.0%	5.0%	**-1.7%**

Source: *Savills Research*

Note: These forecasts apply to average prices in the second hand market. New build values may not move at the same rate.

Over the period from 1986 – 2022 the average increase in values for flats and apartments in the East of England is 6% per annum[1]



Taken together, over a 25-year period, it would be realistic to anticipate rental growth of 2% per annum and capital growth of 3% per annum.

[1] ONS House price simple averages dataset annual tables 20 to 30 (table 26)

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