

REPORT TO CABINET

Exempt – taken as open		Would any decisions proposed :			
Any especially affected Wards North Lynn	Discretionary	Be entirely within Cabinet's powers to decide		NO	
		Need to be recommendations to Council		YES	
		Is it a Key Decision		YES	
Lead Member: Cllr Peter Gidney E-mail: <i>cllr.Peter.Gidney@West-Norfolk.gov.uk</i>		Other Cabinet Members consulted:			
		Other Members consulted:			
Lead Officer: Dale Gagen E-mail: <i>dale.gagen@west-norfolk.gov.uk</i> Direct Dial: 01553 616505		Other Officers consulted: Management Team, Duncan Hall, Ruth Wilson			
Financial Implications YES	Policy/ Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment NO Assessment	Risk Management Implications YES	Environmental Considerations NO
If not for publication, the paragraph of Schedule 12A of the 1972 Local Government Act considered to justify that is paragraph 3					

Date of meeting: 16th March 2021

SALTERS ROAD

Summary

On 18th September 2018 Cabinet recommended to Council, that we enter into contract with Homes England to accept their accelerated funding offer to bring this site forward. The contract with Homes England 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.

This report updates Members on the progress made, together with how it is hoped that this scheme will be delivered in partnership with Freebridge and how this reduces the sales risks associated with the site.

Recommendation

1. That the Council enters a contract with Lovell Partnerships Ltd under the Major Housing Contract to deliver this project.
2. That the Council agrees to sell all properties to Freebridge Community Housing (FCH) as laid out in this report.
3. If terms cannot be agreed with FCH the scheme is delivered as set out in paragraph 2.4

Reason for Decision

1. To develop this site using the Major Housing contract with Lovell Partnerships Limited.
2. To allow the scheme to be developed using traditional methods.

1 Background

- 1.1 On 18th September 2018 Cabinet recommended to Council, that we enter into contract with Homes England to accept their accelerated funding offer to bring this site forward. 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 The Council along with its partners have tried to develop this site previously on at least 2 occasions, where it failed due to the sites financial viability. As a result of the Government funding, we have been able to design a scheme that links the older part of the North Lynn estate to the new properties the Council has built off Green Park Avenue, upgrades Salters road so that it can be adopted by the NCC, making access to existing properties more easy and deals responsibly with the flood status of this area of Kings Lynn.
- 1.3 In 2018 when the Housing Minister visited Kings Lynn, the Council explained to him how it wanted to help Freebridge accelerate their delivery of new housing units to help plug the need for 'Affordable' housing units in the town. This is the first site that we will be working in partnership with Freebridge where all 78 units will be sold at an agreed price agreed before contracts are signed with Lovell. In the event that a satisfactory price cannot be agreed, then the site will be progressed with a mixture of market sales, PRS and 'affordable' units.

2 Update on Progress

- 2.1 The housing mix for the site has been agreed between the Council and Freebridge. The price Freebridge is able to pay has been agreed in principle based on the pre planning appraisal. Subject to the post planning appraisal confirming that this price, then the scheme will go ahead on the mix shown at paragraph 2.3 below. If not then again subject to the scheme meeting the financial viability the scheme will go ahead with the mix shown at paragraph 2.4 below. Members should note that this scheme will make little or no profit for the Council other than the land value shown in section 4 of this report.
- 2.2 At the time of this report the following actions have taken place : -
 1. Foul and surface water systems have been agreed with AW
 2. The ground solution for the proposal has been agreed and priced.
 3. An accelerated development grant has been agreed.
 4. House values, tenures and specifications have been agreed and incorporated into the appraisal.
- 2.3 The proposed tenure for the scheme is as follows : -

27% Social Rent
73% Shared Ownership

2.4 If terms cannot be agreed with Freebridge then the tenure will change to the following : -

45% Market Sales
40% PRS Units
15% Affordable

3 Policy Implications

3.1 It has been previously proposed that any new sites (other than the Marsh Lane and Lynnsport sites) developed under the Major Housing contract will have a proportion of Private Rental Properties allocated to the scheme. This was subject to approval by both Cabinet and Council when considering the initial appraisal needed to approve commencement of each project. However by working in partnership with Freebridge we are able to accelerate deliver, without impacting on market prices. This is an important risk mitigation issue, as it reduces the sales risk associated with the excellerated delivery of units at a time when the market will be dealing with the aftermath of the COVID pandemic.

3.2 In the event that a deal is struck with Freebridge Community Housing for all the units on the site then, this site will have no Private Rental Properties allocated to the scheme. Should the deal fail to be agreed then 40% of this site will be made up by PRS units.

4 The following table shows the appraisal for the site.

Item	Description	Appraisal £	Notes
<u>Property Numbers</u>			
1	Social Rent	57	
2	Shared Ownership	21	
3	Total Units	78	
<u>Revenue</u>			
4	Homes England Grant	1,065,550	
5	Freebridge	13,878,000	
6	Total Receipts	14,943,570	
<u>Costs</u>			
7	Build Costs -	13,927,500	

8	Development Expenses	613,950	
9	Sales & Marketing	50,000	
10	Land Payment	0	Zero land value
11	CIL/S106	34,000	
12	Finance costs	218,120	
13	Total costs	14,843,570	
14	Net Surplus	100,000	

4.2 Finance costs are charged at 3 %, actual finance costs are currently around 0.5%. The difference is used to fund project staff, with any surplus going to the Councils revenue account as part of the Finance adjustment.

5 Personnel Implications

5.1 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.

6 Environmental Considerations

6.1 The detailed design of the housing units continues to follow the Council's 'Fabric First' principal, which means that the buildings envelopes are built in a way that makes them thermally efficient, no matter what heating source is used.

6.2 Within the housing units we propose to use a mixture of technologies to heat and power the buildings. Traditional efficient gas central heating systems will heat the houses. With 52 properties having Photo voltaic panels placed on the roof structure.

6.3 Parking for the development is predominately within the curtilage of the properties, with properties being equipped with Electric Car Charging ports.

7 Statutory Considerations

7.1 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.

7.2 This report complies with the terms and conditions of the Councils contract with Lovell for the Major Housing Project.

8 Equality Impact Assessment (EIA)

(Pre screening report template attached)

8.1 None

9 Risk Management Implications

9.1 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.

1. Market values fall
2. Market values do not increase as expected
3. Unable to sell Market Properties
4. Unable to let Private Rental properties
5. Costs increase more than expected
6. Interest rates rise higher than expected
7. Unknown problems are found with the sites
8. Cost of enabling works increase

9.2 The following paragraphs consider the above risks in more detail.

9.2.1 Market values fall - the implications of this depends on the timing of the fall and the amount of the fall compared to the estimated values assumed in the various bids. If prices fall part way through a phase Members will be made aware and a decision would need to be made on the action to take. This risk is totally mitigated should the deal with Freebridge go ahead.

9.2.2 Market values do not increase as expected – The current appraisal is based on market values that are currently being achieved on phase 3. No allowance has been made for increases or decreases in market values at this time. A view on the launch values have been made taking account of the current market at the time of this report. Again, this risk is totally mitigated should the deal with Freebridge go ahead.

9.2.3 Unable to sell Market Properties – before a phase starts agreements for the disposal of the Affordable and PRS units will be in place. It would be highly unlikely that no market sales could be made. The proposal for the site is for only 37 market homes to be made available for sale. In the last 3 phases we have sold in excess of 40 units each year they have been available. Market conditions currently suggest that this experience should continue, however if this changed the units could be let instead. Again, this risk is totally mitigated should the deal with Freebridge go ahead.

9.2.4 Unable to let Private Rental properties – Under current market conditions this is highly unlikely to happen. It is intended to let our properties using a 3 year lease, which is likely to appeal to those who are unable to purchase properties. The properties will be slightly larger than the norm and have low running costs. All of these items should make these properties much more attractive than others on the market. Again, this risk is totally mitigated should the deal with Freebridge go ahead.

9.2.5 Costs increase more than expected – The phase appraisal is based on current market conditions projected forward for the phase. 90% of the costs will be fixed prior to a decision being made to start the phase.

9.2.6 Interest rates rise higher than expected – this is an allowable cost and is considered before the go-ahead is given for each phase. Although these costs are minimal to the scale of the project, should they result in a phase not being viable the Council would have the ability to halt the scheme. The current appraisal is set at 3%, the Council is currently borrowing short term money at or below 0.5%.

9.2.7 Unknown problems are found with the sites – significant investigations have been made on the site including borehole investigations. To remediate the site the top 3m has been removed and replaced. As a result it is highly unlikely that any further problems are found with the site.

9.2.8 Cost of enabling works increase – All known costs have been allowed for.

10 Declarations of Interest / Dispensations Granted

10.1 Cllr B Long has declared a pecuniary interest as a Member of Freebridge Community Housing Board.

11 Background Papers

Pre-Screening Equality Impact Assessment

Borough Council of
King's Lynn & West Norfolk



Name of policy/service/function	Salters Road				
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 78 new homes of which : -</p> <p style="text-align: center;">100% Affordable</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 (eg low income)			√	

Question	Answer	Comments
<p>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?</p>	No	
<p>3. Could this policy/service be perceived as impacting on communities differently?</p>	No	
<p>4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?</p>	No	Shortage of 'decent' housing in the Borough.
<p>5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions?</p> <p>If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section</p>	No	<p>Actions:</p>
		<p>Actions agreed by EWG member:</p> <p>.....</p>
<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: Allison Bingham</p>		
<p>Assessment completed by:</p> <p>Name Dale Gagen</p>		
<p>Job title Assistant Director</p>		
<p>Date 18th February 2021</p>		