

## REPORT TO CABINET

<b>Open (Appendices 3, 5-7 exempt)</b>		Would any decisions proposed: Be entirely within Cabinet's powers to decide NO Need to be recommendations to Council YES Is it a Key Decision YES			
<b>Any especially affected Wards</b> Gaywood Clock Ward	Discretionary				
Lead Member: Cllr Richard Blunt E-mail: <i>cllr.richard.blunt@West-Norfolk.gov.uk</i>		Other Cabinet Members consulted: Leader and Deputy Leader			
		Other Members consulted: Cabinet			
Lead Officers: David Ousby / James Grant E-mail: <i>corporateprojects@west-norfolk.gov.uk</i> Direct Dial: 01553 616505		Other Officers consulted: Chief Executive, Monitoring Officer, S151 Officer, Interim Projects Technical & Delivery Advisor, Executive Director (Environment & Planning)			
Financial Implications YES	Policy/ Personnel Implications YES	Statutory Implications YES	Equal Impact Assessment YES	Risk Management Implications YES	Environmental Considerations YES
Exempt appendices are not for publication. Paragraph 3 of Schedule 12A of the 1972 Local Government Act is considered to justify that information relating to the financial or business affairs of any particular person (including the authority holding that information).					

**Date of meeting: 17<sup>th</sup> January 2023**

### **TITLE - PARKWAY DEVELOPMENT UPDATE**

#### **Summary**

**An update on the Parkway Development Scheme, seeking final approval to proceed with the development**

#### **Recommendations:**

- 1. That Cabinet recommends to full Council that it approves an amendment to the Capital budget estimate from £48.367m to £54.462m, as detailed in section 9 of the report through a revised Capital Programme.**
- 2. That the Executive Director (Development Services), in consultation with the Portfolio Holder for Development & Regeneration and Monitoring Officer be given delegated authority to approve the final terms of a Project Partnering Contract (PPC) 2000 with Lovell Partnership Limited (LPL) under the Major Housing Partnership Development Management Agreement (30 April 2015) to deliver this project.**
- 3. That the Council shall dispose of the properties as set out in Table 1 of the report, with the affordable and private rented tenures transferred to the Council's wholly owned subsidiaries West Norfolk Housing Company Limited (WNHC) and West Norfolk Property Limited (WNPL).**
- 4. That the Executive Director (Development Services), in consultation with the Portfolio Holder for Environment, the Portfolio Holder for Development & Regeneration, and the Monitoring Officer, determine the future management arrangements for the proposed wildlife and environment site to the East of the development.**

### **Reason for Decision**

- **To deliver on council corporate objectives:**
  - **Delivering growth in the economy and with local housing**
  - **Protecting and enhancing the environment, including tackling climate change; deliver on the council's commitment to be carbon neutral by 2035;**
  - **Improving social mobility and inclusion through stimulation of economic activity in the local area;**
  - **Creating and maintaining good quality places that make a difference to people's lives.**
- **To deliver affordable and private rented (PRS) housing for acquisition by the council's wholly owned housing companies to support the delivery of council corporate objectives;**

## **1. Background**

- 1.1. On 18th September 2018 cabinet recommended to Council, that it 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. The ACP funding totals £2,124,716.
- 1.2. In addition to the ACP funding, the development is supported by funding from the Business Rates Pool (BRP) of £200,000. Both the ACP and BRP funding have already been paid to the Council.
- 1.3. On 6<sup>th</sup> August 2019 cabinet approved the purchase of the College of West Anglia (COWA) land and expenditure of £2,063,000 to progress the development prior to a further report on the overall; viability of the scheme.
- 1.4. 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.
- 1.5. It is proposed that the Affordable and PRS housing will be disposed to and managed by the Council's wholly owned companies
- 1.6. On 3rd August 2021 cabinet considered a report to reduce the scheme from 379 units to a smaller site of up to 228 dwellings, removing the need to develop the adjacent wetland site and construct a bridge over the railway line. This followed concerns and objections to the previously consented scheme. Cabinet resolved that:
  - A new planning application be submitted to a revised scheme of up to 228 dwellings,
  - Capital funding allocation of £45.2m for the development of the site
  - Approve optional environmental enhancements of £1.7m (included within the Capital funding allocation above) as detailed in section 8 of the report.
- 1.7. Since August 2021 significant design development has been undertaken. In parallel there has been significant cost inflation in both the material and labour market. Whilst there has been growth in house sales values in this period, the current global economic situation could lead to a recession and a fall in house values
- 1.8. Lovell Partnership Ltd (LPL) are currently engaged to undertake all necessary pre- development under our existing Development Management Agreement (30 April 2015). To proceed with construction works the council is required to enter a Project Partnering Contact (PPC 2000).

## **2. Update on Progress**

- 2.1. Since the last update to cabinet on the 3<sup>rd</sup> of August 2021 significant work has been undertaken by the Corporate Projects Team and LPL to prepare the scheme for implementation.

- Planning Consent (21/01837/FM) was approved on the 29<sup>th</sup> March 2022 for a scheme of 226 units (**Appendix 1 – Site Plan**).
- A tenure breakdown as detailed within Table 1 has been set.

Table 1 - Tenure Split

Bedrooms					
Tenure	1	2	3	4	Total
Open Market	0	30	78	38	146
Affordable Rent	8	6	8	2	24
Shared Ownership	0	5	5	0	10
Private Rental	15	21	10	0	46
<b>Total</b>	<b>23</b>	<b>62</b>	<b>101</b>	<b>40</b>	<b>226</b>

- A Section 106 agreement for the site has been agreed and entered into by all necessary parties.
- Pre commencement planning conditions have been discharged or awaiting discharge having been submitted.
- Detailed design development has been progressed including house designs, utility infrastructure designs, and highways designs. This includes voluntary carbon reduction measures and environmental enhancements over and above current regulatory standards.
- Utility companies have been engaged and necessary applications / sectional agreements have been progressed.
- LPL undertook an exercise with the local High school, King’s Lynn Academy, to select a marketing name to the development. The name “Florence Fields” was selected after Florence Green, an English woman who at the time of her death was thought to have been the last surviving veteran of the First World War from any country, having served in the Woman’s Royal Air Force. Florence lived in King’s Lynn from 1920 to the end of her life in 2012.
- LPL have undertaken a full financial adjudication of the site outlining all anticipated risks, costs, income sources, and grant funding opportunities. Heir High Level Appraisal is included in **Appendix 3**.

2.2. Designs, investigations, and other due diligence has therefore progressed to a point in which development can commence and start on site.

2.3. An assessment of the investment value of the PRS housing and the impact of the acquisition / revenue cost is included in **Appendix 5** of this report.

### 3. Programme

- 3.1. An updated program for the revised scheme can be seen below. The key stages on the programme (which is governed by the requirements for the ACP funding agreement) are as follows:

Table 2 – Development Programme

ACP funding agreement dates	Original date	Revised date
Start on site of housing development	March 2021	Jan 2023
Start on site of first housing unit (foundation laid)	May 2022	June 2023
Practical Completion (Building Control sign-off final housing unit)	March 2026	July 2026

#### 4. Wider Benefits of the Development

- 4.1. Cabinet agreed the Climate Change Strategy and Action Plan at its meeting on 21 September 2021. The Parkway project will support the Strategy by investing in environmental benefits. These include
- EV Charging points to all properties
  - Enlarged windows to enhance natural daylight
  - Maximisation of Solar PV throughout the scheme
  - Air Source Heat pumps throughout in lieu of gas central heating
  - Thermal efficiency / insulation above Building Regulations requirements
- 4.2. Investment in these measures will not only support the council’s climate change agenda but provide benefits to the new home occupants, particularly with rising energy costs. The final cost of these measures, currently estimated at £1.7m is likely to exceed £2m. The increased cost is included within the LPL contract contingency sums shown in the capital programme estimate table in **Appendix 4** of this report.
- 4.3. Section 5 below details the arrangements for the designation and management of a proposed wildlife site as part of the investment in the Parkway project.
- 4.4. The Parkway project will generate £193,744 In S106 funding detailed in table 3 below, which will be invested in off site open space provision and sustainable travel.

<i>Table 3 – S106 contributions</i>		£
Off Site Commuted Sum Payment		71,464
Sustainable Travel Contribution (£530 per dwelling)		119,780
Travel Plan Review Fee		2,500
<b>Total</b>		<b>193,744</b>

- 4.5. Delivery of 226 high quality, environmental advanced new housing, of mixed tenure, will provide homes to meet the increasing local demand. Through the Council’s wholly owned housing companies West Norfolk Housing Company (WNHC) and West Norfolk Property Ltd (WNPL) the Council will be able to influence and provide homes to meet the increasing demands for housing across all tenure groups. The need for both Private Rented and Affordable Housing is evidenced in the Council Housing Needs Assessment 2020.
- 4.6. Delivery of 226 new homes will support the Council’s revenue budget in that each Band D equivalent property generates £2,000 per annum as detailed in **Table 4** below

<i>Table 4 – average Band D (2022/23) Council Tax precepts for 226 new homes</i>	£
Norfolk County Council	342,831
Police & Crime Commissioner	65,088
BCKLWN	31,498
Parish & Town Councils	12,615
Special Expenses	3,343
<b>Total</b>	<b>455,374</b>

## **5. Proposed wildlife and environment site**

- 5.1. The land to the east of the development site, originally secured for housing under the original Parkway planning consent, has been removed from the housing scheme. A planning pre-commencement condition (condition 25), to provide a scheme for habitat enhancement and associated management and a programme for implementation, will be discharged prior to start on site. An allowance of £50,000 is included within the development costs for surveys, planting, and habitat improvement.
- 5.2. Proposals for the future management of the wildlife and environment site are currently under discussion external trusts that may be able to take responsibility for the site future management.
- 5.3. The proposals have been developed in partnership with Norfolk Wildlife Trust (NWT) – who share the Councils’ environmental aspirations for the site and bring significant experience and knowledge to the project.
- 5.4. The Corporate Project team are undertaking investigations into the best way to manage the site moving forward in consultation with the Council’s Public Open Space Team and will assess options and recommendations for the Portfolio Holder for Environment to consider that provides the best ongoing value to the council and secures the goals for this important area of land.

## **6. Acquisition of land from 3<sup>rd</sup> parties**

- 6.1. The exact location of the Northeast Boundary of the site, adjacent to King’s Lynn Academy (owned by Norfolk County Council), has been disputed. The actual fence line is not aligned to the registered boundary, and there are areas in which both parties’ registration shown ownership.
- 6.2. As part of our due diligence, prior to entering contract with LPL, the team has identified that part of our proposed development site extends onto land owned by Norfolk County Council (NCC). There is a risk that, should agreement not be made with the County Council, that the gardens to some of the properties will fall outside of the demised title.
- 6.3. Whilst the Corporate Projects team is in dialogue with the County Council and believe the transfer of the disputed land will be agreed, if the agreement is not forthcoming, the planning consent can be amended to ensure no works take place on land owned by NCC. This would not require the movement of any properties, roads, or key infrastructure within our design. It would result in around 17 properties gardens being made around 3m shorter. Smaller gardens may result in slightly lower disposal values.

## **7. Transfer of land to 3<sup>rd</sup> parties**

- 7.1. Within housing developments of this scale, there will be parcels of land that

do not fall within any dwelling's demise, but which exist for the benefit of those households. These areas, typically unadopted roads serving a discrete area of the site, will be transferred to management companies set up for the purpose of transferring the responsibilities for managing these areas to the residents they serve. The demise of these parcels to the residents will be through the discharge of a freehold covenant contained within the relevant property titles, through the scheme of delegation by the Executive Director in consultation with the Portfolio Holder.

- 7.2. In addition to the above, there will be parcels of land where an interest will need to be given to other authorities and statutory undertakers. This will include adopted highways and footpaths, and foul and surface water pumping stations. These interests will be granted through a freehold covenant contained within the relevant property titles, through the scheme of delegation by the Executive Director in consultation with the Portfolio Holder.

## **8. Policy Implications**

- 8.1. The site will help deliver on a range of Corporate Business Plan priorities and objectives: –
- Delivering growth in the economy and with local housing by delivering this local plan site allocation, including the delivery of the council's Affordable Housing Policy through a compliant delivery of 15% affordable housing
  - Protecting and enhancing the environment, including tackling climate change, by implementing the council's carbon reduction strategy. The environmental enhancements included within the design of the scheme will help to deliver on the council's commitment to be carbon neutral by 2035
  - Improving social mobility and inclusion through stimulation of economic activity in the local area through direct and indirect employment, and the creation of apprenticeships within the local construction industry
  - Creating and maintaining good quality places that make a difference to peoples lives, through improving open and green spaces that are accessible for all that promote active lifestyles and clean travel options, both within the site and by connecting surrounding neighbourhoods to green travel corridors throughout the town. This will in turn help to improve the health and wellbeing of our communities
- 8.2. The development will deliver 34 affordable homes for the council's wholly owned Affordable Housing Company (WNHC), the establishment of which was approved by Cabinet on 28<sup>th</sup> June 2016.
- 8.3. The development will deliver 46 private rented homes (20% of the total) for the council's wholly owned Private Rented Housing Company (WNPL). The retention for private rent of a minimum of 20% of the housing units developed by the council on large urban sites over 50 units was approved by Cabinet on 8<sup>th</sup> January 2019
- 8.4. 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.

- 8.5. As set out in paragraph 9.19 below, the Council is advised that the proposed disposal to WNHC would be at a undervalue of ca. £1.2m. However, as set out above, the Council considers that the transfer to WNHC promotes a number of policy objectives which justify the disposal at an undervalue, consistent with government guidance on the General Disposal Consent.
- 8.6. Accordingly, the disposal to WNHC would also be subject to section 29 of the Subsidy Control Act 2022, as a Subsidy for Services of Public Economic Interest. The Council would assign and entrust WNHC with the task of using the undervalue towards providing social housing for people failed by the commercial housing market.
- 8.7. Due to economic changes, the amount that WNHC can offer the council for the affordable properties has lowered. An Independent Valuation report dated 3rd November 2022 commissioned by the council (**Appendix 6**) determines a higher valuation for the affordable housing, based on comparable market evidence.
- 8.8. Disposing of the affordable housing to WNHC, at the values given at the date of the valuation report, as shown in **table 5** below, would therefore be at an undervaluation of £1.2m. The actual value at disposal will be subject to further independent valuations by both the council and WNHC.

<i>Table 5 - Affordable Housing Undervalue</i>	000s
WNHC offer	£3,681
Independent Red Book valuation	£4,906
<b>Undervalue amount</b>	<b>£1,225</b>

## 9. Financial Viability Assessment

- 9.1. Total capital expenditure (including commitments) as of December 2022 on the Parkway development to date is shown in **table 6** below.
- 9.2. The Bridge and Road costs relate to the previous planning application for 379 dwellings, granted on 15th April 2021. A report to Cabinet on 21st August 2021 set out the reasons for a revised scheme that excluded a new road bridge and the development of the eastern part of the consented scheme. The costs that cannot be recovered have been absorbed into the project costs are shown in **table 6** below as Bridge and Road Costs.
- 9.3. The pre contract development work on the revised scheme, including costs for work on the design of the previously consented scheme that could be reused, are included above. Main contract works will not commence prior to cabinet approval.
- 9.4. The council's direct costs, comprising mostly engineering consultancy fees in relation to the Bridge & Road costs that are not included within the LPL contract are shown. Legal and valuation fees are shown separately below.
- 9.5. The acquisition cost of the COWA site Land was approved by cabinet on 6th August 2019.
- 9.6. The Corporate Project Team overheads, including the council's external Quantity Surveyor (GCBA) fees to date are included.
- 9.7. Against these costs, the council has received the ACP (£2,124,716) and BRP (£200,000) funding.



<i>Table 6 – expenditure to date</i>	<b>£,000</b>
Bridge and Road Costs	1,799
DMA / DSP Fees (pre contract with Lovell)	1,596
PPC / Costs (main contract with Lovell)	0
BCKLWN Direct Costs	390
Sales, Marketing & Legal	24
Land (adjustments or purchase costs)	1,040
Off Site Contributions (CIL, 106, 287, etc.)	0
Corporate Project Team Overheads – including GCBA Fees	235
<b>Total expenditure to date</b>	<b>£5,084</b>
<b>Total funding received to date (ACP and BRP)</b>	<b>£2,135</b>
<b>Total net cost to date</b>	<b>£2,949</b>

- 9.8. The Corporate Projects Team met with LPL on the 22nd of September 2022 to undertake a full financial adjudication of the scheme. The proposed PPC 2000 is not a fixed price contract - all costs are estimates and subject to change. The Council does however review and approve each subcontractor package prior to entering to ensure the best cost has been achieved
- 9.9. As has been noted within previous reports, there are significant abnormal costs associated with groundworks on the Parkway site, resulting in high build costs. Ground levels needs raising for flood risk mitigation, foundations will need piling, and there are significant water attenuation systems required to manage surface water. A list of abnormal items and their estimated costs is included within the Valuation Report (**Appendix 7**)
- 9.10. **Table 7** below summarises the estimated capital position against that reported to cabinet in August 2021. Since then, there has been significant inflation impacting on the capital requirements of this scheme, however in parallel house price increases have partially mitigated these costs. A more detailed summary including details of significant LPL tender cost increases is included in **Appendix 4**
- 9.11. The current outlook from LPL's Chief Estimator for materials and sub-contractor prices is included in **Appendix 2**. In view of this outlook, the cost estimate summary in **table 7** below includes significant inflation allowances and plot contingencies, where packages of works have not yet been fully costed or agreed. The High-Level appraisal of the LPL contract and revenue forecast is included in **Appendix 3**.
- 9.12. The total LPL tender cost increase is consistent with the General Building Cost Index (GBCI) published in the BCIS quarterly briefing on building costs and tender prices, showing an increase of 14.3% for the year to 2Q2022 (included in **Appendix 2**).

<i>Table 7 – Summary Capital Programme Estimate</i>	Current Estimate	January 2022 Estimate	Movement
<b>Total Development Costs</b>	<b>£48,367</b>	<b>£54,462</b>	<b>£6,095</b>
<b>Total Revenues</b>	<b>-£47,309</b>	<b>-£51,938</b>	<b>-£4,629</b>
<b>Total Funding</b>	<b>-£2,315</b>	<b>-£2,315</b>	<b>£0</b>
<b>Return before financing</b>	<b>-£1,257</b>	<b>£209</b>	<b>£1,466</b>
<b>Borrowing costs</b>	<b>-</b>	<b>£674</b>	<b>£674</b>
<b>Development Return after financing</b>	<b>-£1,257</b>	<b>£883</b>	<b>£2,349</b>

- 9.13. The estimate above includes the cost of development interest of £674,000– the financing costs of the development – from January 2023 through to completion in 2026. The

development cashflow model calculating the development interest is included in **Appendix 6**.

- 9.14. Potential target savings opportunities of circa £771,000 have been identified, as shown in the summary in **Appendix 4**. These mostly related to groundworks and foundation design, which may be achieved once LPL are mobilised on site and the ground conditions have been assessed. These potential savings have not been taken in the total costs at this stage.
- 9.15. The estimate has not included additional revenue generated from the sale of “Inspirations” - those items sold to the incoming occupants (including carpets). Data from sales at NORA 4 indicates an allowance of £1,000 per open market property would be a conservative estimate.
- 9.16. Disposal of the PRS homes to WNPL has been factored in the LPL High Level Appraisal shown in **Appendix 3** at a discount of 10% of Open Market Value, based on a bulk purchase discount, which has an impact on the anticipated revenues. The principle of a 10% discount on market value (which would deliver significant savings on legal fees) and the reasons to support it were detailed in the business plan for WNPL which accompanied the report to council on 8<sup>th</sup> January 2019.
- 9.17. The independent valuation report (**Appendix 6**) presents a higher market value for the PRS, albeit without applying a discount of 10% for a bulk purchase arrangement,
- 9.18. The actual value at disposal will be subject to a further independent valuation by both the council and WNPL, on a Fair Value basis. For the purpose of the financial appraisal, the total development cost for the PRS dwellings has been calculated as **£9,453,000** (pro-rata total development costs) and the impact of the investment by the council into PRS properties through WNPL has been presented in **Appendix 5**.
- 9.19. The scheme retains the environmental enhancements identified in the August 2021 Cabinet report, over and above the requirements to comply with Planning and Building Regulations, including:
- EV Charging points to all properties
  - Enlarged windows to enhance natural daylight
  - Maximisation of Solar PV throughout the scheme
  - Air Source Heat pumps throughout in lieu of gas central heating
  - Thermal efficiency / insulation above Building Regulations requirements

## **10. Personnel Implications**

- 10.1. The scheme will be delivered by the Corporate Projects team, using the Major Housing Contract with LPL. As a result, there are no personnel implications. Staff costs and other overheads are included within the council’s revenue budget and are not separately capitalised.

## **11. Environmental Considerations**

- 11.1. Environmental considerations remain unchanged since the previous cabinet report, with Photovoltaic Solar Panels, Air Source Heating, Electric Car Charging, and other environmental technologies remaining core to the sites design approach as outlined in sections 4, 5 and 9 above.

## **12. Statutory Considerations**

- 12.1. 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.

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

### 13. Equality Impact Assessment (EIA)

13.1. No relevant impacts

### 14. Risk Management Implications

14.1. The main risks associated with proceeding with the development are as follows:

- Market values fall
- Market values fail to increase as expected
- Cost increase more than anticipated
- Higher than anticipate interest rates
- Borrowing requirement to fund the development phase

14.2. **Table 8** below assess the risk implications, sensitivity and level of risk.

<i>Table 8</i> <b>Risk items</b>	<b>Risk Implications and Sensitivity</b>	<b>Level of Risk</b>
Market values fall	<p><b>Risk</b> 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. Should the scheme start on site in January 2023 as intended, it is unlikely that more than 7 properties will be completed by the end of the 2023 financial year, limiting exposure to a downturn in property prices.</p> <p><b>Sensitivity/Consequences</b> The sales valuations are bases on current market values, which are due to fall in the near term but recover in the medium term.</p>	Medium
Market values fail to increase as expected	<p><b>Risk</b> The anticipated growth over the 5 years to 2027 does not materialise- property prices either stagnate or fall in real terms</p> <p><b>Sensitivity/Consequences</b> 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 <b>Appendix 5</b></p>	Low

<i>Table 8</i> Risk items	Risk Implications and Sensitivity	Level of Risk
Costs increase more than anticipated	<p><b>Risk</b> Build costs exceed the contingencies allowed for within the LPL contract price, and or other unknown additional / abnormal costs materialise</p> <p><b>Sensitivity/Consequences</b> Significant site investigations, due diligence and supply chain engagement, along with forecast easing of tender inflation shown in the GBCI index (included in <b>Appendix 2</b>), give some confidence that prices will not increase beyond the LPL contract price. Likely savings of £771,000 have been identified. Should costs and revenues increase / decrease by 5% respectively, a worst-case scenario could result in a loss of circa £5m, with a best-case scenario delivering a surplus of circa £4.6m. Capital estimates will be regularly monitored and reported to cabinet. The estimated development return shown in this report is the best estimate that can be provided to members at this point in time.</p>	Medium
Higher than anticipated interest rates	<p><b>Risk</b> Mortgage interest and PWLB rates continue to increase</p> <p><b>Sensitivity/Consequences</b> Markets have priced in future interest rate rises with an increasing number of mortgage products available that are on rates that are decreasing. Current PWLB rates for 25-year maturity loans are stable at around 4.48%. BoE recession forecasts make it unlikely to support prolonged increases in base rates.</p>	Low
Borrowing requirement to fund the development phase	<p><b>Risk</b> 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</p> <p><b>Sensitivity/Consequences</b> The peak debt during the development phase is around £15m, due to cash inflows from sales offsetting expenditure, with the net position at the end of the development near neutral. The borrowing for WNHC to acquire the affordable housing (which represents 6.1% of the total development costs) is agreed at 4.5% above BoE base rate, which insulates the council from the borrowing requirement risk. The WNPL financial viability assessment shows a return on investment to the council and is included in <b>Appendix 5</b></p>	Low

## 15. Conclusions

15.1. The proposed development will deliver on a number of corporate objectives:

- Delivering growth in the economy and with local housing
- Protecting and enhancing the environment, including tackling climate change
- Improving social mobility and inclusion, and
- Creating and maintaining good quality places that make a difference to people's lives

- 15.2. Should the scheme not proceed, the council will have expended £4.5m on the site. There would be a risk that, in addition to the expenditure to date, Homes England would seek to recover the Accelerated Construction Funding of £2.125m, depending on what the future plans are for the development site.
- 15.3. The council is under a contract with Homes England to deliver the housing at a pace determined by the Accelerated Construction Programme agreement. If there is a delay in progressing with the scheme, Homes England would determine that the council is in breach of the funding agreement, and may take remedial action, including recovery of grant funding.
- 15.4. Should the council seek to dispose of the site to a 3rd party for development, this may be an option, however recovery of the £4.5m expended to date could be challenging, given the projected out turn costs set out in table 4.

## **16. Declarations of Interest / Dispensations Granted**

16.1. None

### **Background Papers**

Report to Cabinet: 3rd August 2021

Report to Cabinet 21 September 2021 - CAB46 - Climate Change Strategy and Action Plan 2021 – 2024

Affordable Housing Policy April 2011

Housing Needs Assessment 2020

SITE ALLOCATIONS AND DEVELOPMENT MANAGEMENT POLICIES PLAN Adopted September 2016

Report to Cabinet 28<sup>th</sup> June 2016 – CAB33 -Affordable Housing Company

Report to Cabinet 8<sup>th</sup> January 2019 – CAB111 – West Norfolk Property Company – Governance and Business Plan

Report to Cabinet 6<sup>th</sup> August 2019 – CAB37 – Parkway Accelerated Construction Scheme

### **Appendices**

Appendix 1 – Site plan

Appendix 2 - Lovell Partnerships Materials & Subcontractor Q3 Outlook & BCIS index

Appendix 3 - Lovell High Level Appraisal (exempt)

Appendix 4 – Capital Programme Estimate Table

Appendix 5 - WNPL – Parkway PRS portfolio financial viability assessment (exempt)

Appendix 6 – Development Cashflow (exempt)

Appendix 7 – Red Book Valuation (exempt)

**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			
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		The creation of 226 new homes of which : -  15% Affordable 20% PRS 65% Private Sale			
<b>Question</b>		<b>Answer</b>			
<p><b>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 <b>according to their different protected characteristic</b>, for example, because they have particular needs, experiences, issues or priorities or in terms of ability to access the service?</b></p> <p>Please tick the relevant box for each group.</p> <p>NB. Equality neutral means no negative impact on any group.</p>					
				√	
				√	
				√	
				√	
				√	
				√	
				√	
				√	
				√	
				√	
<b>Question</b>	<b>Answer</b>	<b>Comments</b>			
<b>2. Is the proposed policy/service likely to affect relations between certain equality</b>	No				

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?		
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	<b>Actions:</b>
		<b>Actions agreed by EWG member:</b> .....
<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 29/11/2022		



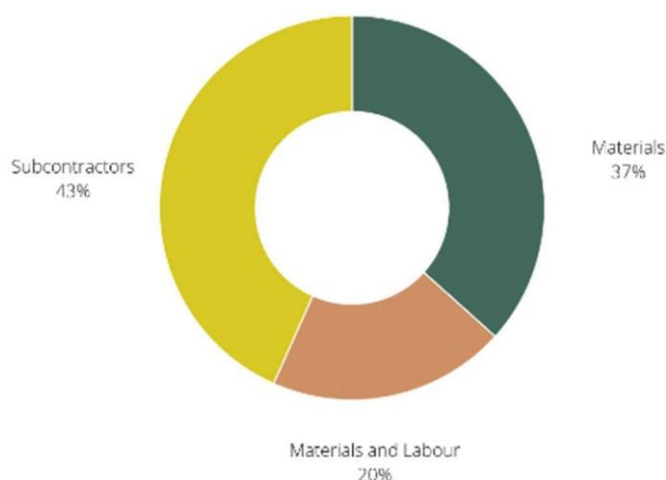
# Appendix 1 – Site Plan





## Appendix 2

### Lovell Partnerships Materials & Subcontractor Q3 Outlook



With output & demand continuing to grow we are unlikely to see any changes in the shorter term, looking further ahead Q2/Q3 next year could start to see a different outlook as whilst the demand for housing will still be there, the non-housing & private sector work is predicted to slow down.

#### Materials

Summary below of materials and few key points worth noting, usually the January increases could be expected to be 3 to 4% but from the notifications being received we can expect significant increases. These are being due to energy cost increases, shortage of raw materials which increases demand which contribute to increase.

The only exception seems to be timber which has reduced from prices seen earlier in year and no further increase being predicted in the short term.

- Timber – No increases expected, prices have reduced from earlier in year
- Bricks – Currently increasing on monthly basis, latest from Forterra in following link [Forterra Price Increase](#).
- Blocks – See below for example below on a standard Durox block how prices have been jumping in recent years, the 12% increase was implemented earlier this year

Product	2018	2019	2019.5	2020	2021	2021.5	2022
Durox 3.6n	8.44	9.16	9.41	9.48	9.78	11.81	13.64

(and another **12+%** to come!).

- Roof Tiles – Wienerberger suggesting an increases of 18.90% on Clay tiles, 17% on concrete tiles in December 2022
- Pre-Cast Concrete products – 9.75% increase from 1<sup>st</sup> January 2023, this effects pipework, kerbs, paving slabs, manhole rings etc.
- British Gypsum – from 1<sup>st</sup> January 2023 products increasing between 12 to 17%, this effects plasterboard, plaster, sealers etc.
- Insulations – Knauf insulations have announced increases between 7.3 & 9.3% on glass mineral type insulations coming into effect from 1<sup>st</sup> April 2023, Celotex have 10% increase on PIR products from 1<sup>st</sup> March 2023

## **Sub-Contractors**

On issuing tender enquiries we are still not getting the level of returns of pre-covid due to the high volume of opportunities however there is a feeling that we are now starting to see a change and sub-contractors are getting nervous as we enter 2023. Below is summary from recent feedback and conversations with our supply chain.

- Groundworks – Keen to look at new jobs, resource issues starting to ease
- Brickwork – Labour resource levels still not matching demand, so rates still remain high
- Carpentry – Labour resource still causing problems we are looking at new contractors to ease pressure on current
- Roof Tiling – Similar to brickwork in that very busy, labour shortages and materials prices still causing concern
- Electrical – Level of new enquiries has dropped, keen to start looking at new work
- Mechanical – Again we are looking to introduce new contractors to supply chain to help ease pressure on current
- Decorators – Not quite as bad as the other trades noted
- Plasterers – Ditto roof tiling, materials prices about to rise again and labour shortage concerns

22nd November 2022

**Darren Brannigan**

**Chief Estimator**

**LOVELL**

A MORGAN SINDALL GROUP COMPANY

Update on the Quarterly briefing, September 2022

16-Sep-2022

**Update on the BCIS Quarterly briefing of building costs and tender prices**

September 2022

**BCIS update of tender prices and building costs**

The General Building Cost Index (GBCI) for 2Q2022 has been revised slightly upwards to 432 from 431, and now shows costs rising by 5.6% compared with the previous quarter, and by 14.3% on an annual basis.

The BCIS All-in Tender Price Index (TPI) for 3Q2022 has been revised down to 366 from 371, the figure published in the August 2022 edition of BCIS Quarterly briefing - five year forecast of building costs and tender prices. Prices rose by 1.4% compared with the previous quarter, and by 8.0% compared with a year earlier. The revised index for 3Q2022 is based on the new TPI Panel Index. The panel reported that contractors were keen to maintain their order books which resulted in keen pricing for suitable projects while the spread of tenders received was widening. Contractors were more able to manage inflation by pre-ordering materials and this was resulting in earlier requests for information. Prices of materials continue to move upwards, with fuel and energy prices having the largest impact. Prices for imported European goods continue to escalate and affect trade pricing.

In September, the UK government announced an estimated £150bn support package for businesses and households struggling with record high energy costs. Confirmation of the six-month business support scheme is due in November and there is concern for the end of this month when many businesses reach the end of their fixed price contracts.

The Office for National Statistics (ONS) reports the total volume of new construction orders (excluding infrastructure) in 2Q2022 fell by 13% compared with the previous quarter, or by 16% compared with the same quarter in 2021.

The labour market remains tight with the current cost of living crises continuing to put upward pressure on costs. Availability of suitable labour remains a long-term issue for construction.

The forecast of building costs has been adjusted upwards for 2024, mainly driven by an expectation of increase in wages due to labour shortages and rising living expenses.

*Table 1: BCIS Forecast of building costs*

Year on year	Forecast	
	Aug 2022	Sep 2022
2Q2022 to 2Q2023	+3.2%	+3.2%
2Q2023 to 2Q2024	+3.6%	+5.8%
2Q2024 to 2Q2025	+3.0%	+3.4%
2Q2025 to 2Q2026	+3.2%	+2.9%
2Q2026 to 2Q2027	+2.2%	+2.4%

Source: BCIS

The forecast of tender prices has been revised down for 2023 due to reported efficiencies in procurement, softening in the materials price growth and increased competition to maintain order books. An upwards adjustment for 2024 is mainly driven by an expected increases in labour costs. Over the remainder of the forecast period, annual percentage changes remain at similar levels.

*Table 2: BCIS Forecast of tender prices*

Year on year	Forecast	
	Aug 2022	Sep 2022
2Q2022 to 2Q2023	+5.5%	+4.4%
2Q2023 to 2Q2024	+4.7%	+6.9%
2Q2024 to 2Q2025	+3.8%	+4.2%
2Q2025 to 2Q2026	+2.7%	+2.6%

Year on year	Forecast	
	Aug 2022	Sep 2022
2Q2026 to 2Q2027	+2.4%	+2.1%

Source: BCIS

The BCIS new work output forecast remains unchanged from August 2022 publication.

Table 3: Summary of forecasts

	Percentage change 2Q on 2Q				
	2022 to 2023	2023 to 2024	2024 to 2025	2025 to 2026	2026 to 2027
TPI	4.4%	6.9%	4.2%	2.6%	2.1%
GBCI	3.2%	5.8%	3.4%	2.9%	2.4%
New work output*	+4.9 (2022)	+2.0 (2023)	+2.8 (2024)	+2.4 (2025)	+3.0 (2026)

\* Constant prices 2019

## Appendix 4 – Capital Programme Estimate Table

<i>Estimated Capital Programme Position</i>	Current Estimate	Jan 2023 Estimate	Movement
Expenditure	000s	000s	000s
Land Acquisition	£1,040	£1,040	£0
Bridge & Road Abortive Costs	£1,790	£1,790	£0
BCKLWN Direct Costs	£400	£568	£168
Lovell Tender Cost (including marketing and sales costs) -	£45,137	£51,064	£5,927
<b>Significant LPL tender cost increases:</b>	<b>000s</b>		
Contingencies and risk allowance	£2,532		
Materials cost inflation allowance	£1,250		
Provisional allowance for UKPN HV Diversions	£870		
Site levels – increased to gain Environment Agency approval	£350		
Additional flood doors / windows required to meet EA approval for flood resistance	£475		
S278 works – the Highways Authority require a more extensive package of works -	£450		
<b>Total LPL Tender Price Movement</b>	<b>£5,927</b>		
<b>Total Development Costs</b>	<b>£48,367</b>	<b>£54,462</b>	<b>£6,095</b>
<b>Revenues</b>			
Open Market Sales	-£35,612	-£40,413	-£4,801
Affordable rented Houses	-£2,441	-£2,231	£210
Shared Ownership Homes	-£1,363	-£1,351	£12
Private rented Homes	-£7,893	-£7,943	-£50
<b>Total Revenues</b>	<b>-£47,309</b>	<b>-£51,938</b>	<b>-£4,629</b>
<b>Funding</b>			
ACC	-£2,115	-£2,115	£0
Business rates Pool	-£200	-£200	£0
<b>Total Funding</b>	<b>-£2,315</b>	<b>-£2,315</b>	<b>£0</b>
<b>Return before financing</b>	<b>-£1,257</b>	<b>£209</b>	<b>£1,466</b>
Borrowing costs	-	£674	£674
<b>Development Return after financing</b>	<b>-£1,257</b>	<b>£883</b>	<b>£2,349</b>
<b>Target savings</b>	<b>000s</b>		
Groundworks contingency	£625		
Inspirations (carpets, upgrades etc.)	£146		
<b>Total target savings</b>	<b>£771</b>		