

<b>Open</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> Hunstanton 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 E-mail: <i>corporateprojects@west-norfolk.gov.uk</i> Direct Dial: 01553 616505		Other Officers consulted: chief Executive, Monitoring Officer, S151 Officer			
Financial Implications YES	Policy/ Personnel Implications NO	Statutory Implications YES	Equal Impact Assessment NO Assessment	Risk Management Implications YES	Environmental Considerations NO

**Date of Meeting: 8 February 2023**

## **HUNSTANTON MULTI USER HUB AND TRANSPORT INTERCHANGE**

### **Summary**

A planning application to build 47 apartments on land off Westgate, Hunstanton, with retail units, a new library and adult education facility, was approved in March 2021.

Work to develop this proposal, which would have provided a significant number of new homes for the town on a challenging site, was supported with a grant from Homes England. Around £800,000 was spent on this work, which is significantly less than the £1.5million that would be normal for a scheme of this size (figure based on 15% of a £10.4m scheme).

At the time that the planning application was submitted, Document B (Fire Safety) Volume 1, stipulated a height threshold of 30m before residential buildings required sprinklers. The proposed building would have been below this height. However, changes to Building Regulations (Approved Document B, Volume 11) were published in May 2020, taking effect from November 2020; the revised guidance stated that blocks of flats over 11m height should be provided with sprinklers. The top floor of the proposed unit was over 11m.

At the time, officers felt that it would be possible to proceed with the application and seek a way to resolve the sprinkler issue retrospectively.

However, a month after permission was granted, further regulatory changes – this time to fire standards – were announced.

This, combined with unforeseen rises in construction costs following the Covid-19 pandemic, and more recently forecast falling house prices, has had a material impact on the financial viability of this scheme, and to other Borough Council Major Housing Projects within the Capital Programme.

Officers have therefore been considering alternative options for the site. Matters of note have influenced that thinking:

1. A Neighbourhood Plan for Hunstanton was adopted in June 2022. This plan identifies a the designation of the site in the Neighborhood Plan (Policy M3: Protection of Local Community Facilities).
2. The County Council has indicated funding is available that could be used to support a plan to invest in an improved library / adult education facility (with toilets and a changing place facility), along with investment in an improved bus station and creating an Active Travel Hub.
3. The impact of financial viability of the housing development on the overall Accelerated Construction Programme (ACP).

Having reached the conclusion that the site had become unviable for a variety of reasons as a location for housing, the availability of other government grant for transport, and NCC prepared to fund their own library and to invest in the site as an Active Travel Hub, officers are instead recommending that the Council pursues this option.

### **Recommendation**

**That Cabinet approve the following:**

1. **The Council will not proceed with housing on the bus station site in view of external factors affecting the viability of the scheme and the opportunity to pursue a viable alternative, and will remove the project from the Capital Programme;**
2. **NCC will continue to proceed with the improved library / adult education facility (including the library, toilets, and changing places toilet) on the site enabled with the addition of land owned by the Borough which will include the provision of an area for West Norfolk tourism information (subject to further negotiation);**
3. **NCC will proceed with the Bus Back Better Grant to improve coastal travel, cycle facilities and sustainability, invest to improve the bus station as a transport interchange and to agree terms with Borough Council for the land;**
4. **The Borough Council, supported by Norfolk County Council, to negotiate with Homes England in respect of the ACP funding originally allocated to development of this site.**
5. **The Borough Council will work with all parties on developing a joint strategic approach to regeneration and growth in the wider Hunstanton area through an agreed Masterplan;**
6. **That the Assistant Director for Property and Projects, in consultation with the Portfolio Holders for Property and Finance, S151 officer and Monitoring Officer be given delegated authority to to finalise the legal arrangements for the land.**

### **Reasons for Decision**

**To deliver on the Council's corporate objectives, in partnership with Norfolk County Council, to:**

- **Protect and enhance the environment, including tackling climate change; delivering on the Council's commitment to be carbon neutral by 2035; and**
- **Create and maintain good quality places that make a difference to people's lives.**

## 1. Background

- 1.1. On 18th September 2018 Cabinet recommended to Council that we enter into a contract with Homes England, to accept their accelerated funding grant (ACP) offer to bring this site forward. This funding is given for the purpose of supporting Councils to develop challenging sites that carry significant risks. The principal requirement for the ACP funding grant was that the housing was 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 contract confirmed that the grant was specific to this site.
- 1.2. On 2<sup>nd</sup> February 2021 Cabinet approved the recommendation to enter into a contract with Lovell Partnerships Ltd under the Major Housing Project Contract to deliver this project. The existing decision included a proposed tenure mix of 80% Open Market Sale and 20% Affordable homes. Cabinet also approved the recommendation to enter into a contract with Norfolk County Council that swapped their land and existing library which would include an area for West Norfolk tourism information provision (subject to further negotiation) in exchange for the Council incorporating a new, improved library in the development.

## 2. Details of the scheme

- 2.1. A Planning Application was submitted on 16<sup>th</sup> June 2020 for the *“Construction of public library, retail/services unit (Class E), public conveniences and 47 apartments, with associated infrastructure and landscaping, including demolition of existing buildings at Hunstanton Bus Station, St Edmunds Terrace, Hunstanton, Norfolk”*. Planning committee approval (ref 20/00817/FM) was granted on 22<sup>nd</sup> March 2021.

## 3. Update on Progress

- 3.1. The Borough Council’s development partners, Lovell Partnerships Ltd, undertook further detailed design and a financial reappraisal of the development in preparation for entering into contract to construct.
- 3.2. This took into account a number of external factors that had arisen. These included building regulation / Fire Safety Act changes during the design phase, requiring the installation of a commercial-grade sprinkler system in the library, and a significant increase in material and labour costs as a result of the Covid-19 pandemic and Brexit. Recent announcements have impacted on housing prices and there is an expectation of a fall in house prices over the next two years. The new appraisal resulted in a projected deficit of around £380,000. Although allowances have been made within the viability for materials cost inflation and house price movements, the deficit could rise to £1.5m should costs increase and revenues fall by 5% each respectively.
- 3.3. The Borough Council has, to date, committed £890,000 to designing and planning the housing scheme, of which £776,000 has been invoiced. £799,680 has been committed by Homes England from Accelerated Construction Programme (ACP) Funding. In addition, the Borough Council received £17,022 under the One Public Estate funding to pay for some of the early feasibility works. On a project of this size and scale, it would be normal

to spend in excess of £1.5million up to this point. The Borough Council has therefore minimised its exposure to the costs associated with getting the scheme to this stage.

- 3.4. Should the scheme be aborted due to the viability issues discussed in this report, then Homes England may look to recover their grant if a housing scheme is not developed on this site. The ACP funding agreement with Homes England specifies the funding is restricted to this site.

#### **4. Revised viability**

- 4.1. There are a number of viability factors to be considered on this site.
- 4.2. The primary issue with the existing design is the >11m difference between the lowest floor level and the highest floor level. Under the new building regulations in respect of fire safety, this required a commercial-grade sprinkler on the ground floor, an expensive and complex item to deliver.
- 4.3. The revised concept design to the building would result in the loss of 5 no. residential units and the ground floor retail space (used to mitigate the loss of further residential units), which would reduce the income from the scheme.
- 4.4. At the same time, development costs have increased overall, despite the omission of the top floor, due to cost inflation in materials and other construction costs.
- 4.5. The revised scheme would require a new planning application and would be subject to the consequent risks of more onerous conditions being imposed than on the extant consent, not least the designation of the site in the Neighborhood Plan (Policy M3: Protection of Local Community Facilities).
- 4.6. In September 2022, the Borough Council appointed Wilks Head & Eve to undertake an independent RICS Red Book valuation of the scheme, as requested by Home England.
- 4.7. The valuation report is an independent assessment of the costs and revenues of the revised scheme, resulting in a nil residual value for the land. The report, summarised in **Appendix 1**, shows a significant increase in the value of both the open market and affordable housing from our previous viability estimates.
- 4.8. The report agrees with the latest cost information from Lovell Partnerships Limited (LPL) (from their experience at our other Major Housing Project at Southend Road Hunstanton, currently under construction) suggesting we need to increase our allowance for abnormal and contingency costs by circa £600,000.
- 4.9. The net result is that, although the scheme viability is improved as a result of the valuation report, the cost estimate has increased to the point where the scheme deficit is circa -£379,000. Under the terms of the partnership with LPL, there is no developer profit payable to them for a scheme that does not deliver a positive return.

#### **5. Homes England ACP grant funding**

- 5.1. The ACP grant can be used to fund site enabling and infrastructure works that unlocks barriers to development and allows housing to be developed. In

return for ACP grant funding there are requirements around the pace of construction i.e., utilising Modern Methods of Construction (MMC) and delivery timescales. A key requirement was that all infrastructure and enabling works funded by the grant must be completed by 31st March 2021.

- 5.2. All funding had to also be drawn down on an arrears basis by March 2021. This was subsequently extended until September 2021 to take account of delays during the Covid 19 pandemic. The ACP funding programme recognises the challenges associated with the development of difficult and complex sites.
- 5.3. Where developments are unable to progress Homes England will consider on a case by case basis if the grant is required to be paid back. The Borough Council, with the support of Norfolk County Council, is currently in dialogue with Homes England regarding the grant and await their final decision.

## **6. Active Travel**

- 6.1. An alternative option was presented in August 2022 by Norfolk County Council to retain the site as an improved library / adult education facility (with toilets and a changing place facility), along with investment in an improved bus station and creating an Active Travel Hub. This would match the aspirations of the Town Council for the site.

## **7. Housing Implications**

- 7.1. There is an unmet demand for general needs market housing within the Hunstanton area, with limited opportunities for housing development, and consented schemes generally catering either for the executive homes or retirement housing market.
- 7.2. There are limited alternative sites for general needs housing available for development. The Council is currently building 32 general needs housing apartments (including 20% affordable) at Southend Road, and a further 26 affordable homes are proposed on the site at Waveney Road (Sheepfields).
- 7.3. There are Local Plan allocated sites that have not come forward for development. New sites are being considered by both the Borough and County Councils that were not available until recently
- 7.4. The ACP funding agreement is specific to this site. Homes England have a restriction on title of the land owned by the Borough Council . The affected title plan is shown in Appendix 1.
- 7.5. Both Councils have commenced the development of a joint strategic approach between all stakeholders to consider wider regeneration and growth in the Hunstanton area through an agreed Masterplan will enable a co-ordinated approach to delivery of planned investment by all authorities.

## **8. Financial Implications**

- 8.1. The tranches of funding that have already been drawn from the ACP have supported the development costs incurred to date. Subject to negotiation with Homes England, this funding may need to be repaid.

- 8.2. In the Borough Council's Capital Programme for 2022-23, the Housing Development Schemes would have potentially generated as group a £12.3m surplus to support the Capital Projects within Borough Council.
- 8.3. However, as a result of increased development costs currently quoted at 13.5%, based upon formal reviews to date, this has meant adverse impact on the Capital programme to the tune of £4.4m
- 8.4. Consequently, the Borough Council will need to reconsider the Capital Programme and possible increased cost of borrowing as a result.
- 8.5. If there was a need to repay the £800k to Homes England this would further jeopardise the Borough Council's revenue budget if it were unable to capitalise the scheme expenditure to date (as no asset has been delivered).

## **9. Personnel Implications**

- 9.1. Delivery of the Active Travel Hub (ATH) proposal with an improved library / adult education facility (with toilets and a changing place facility), will not require any additional staff resources for the Borough Council.

## **10. Environmental Considerations**

- 10.1. The overall benefits of an ATH within the site will provide additional multi-modal travel options, reducing the reliance on private car use. There will be additional benefits for ATH delivery in the future with the engagement providing the baseline and business cases for new hubs. Longer-term benefits of the ATH could also include:
  - Improved air quality through increased adoption of sustainable modes of travel and use of electric vehicles – benefitting everyone but especially children and vulnerable people.
  - Reduced carbon footprint of journeys made in the Borough through an increased proportion of trips being made by sustainable modes and electric vehicles.
  - Improved public health through increased active travel.
  - Enabling active and clean connectivity within and between towns in the district as an essential node within the Countywide Local Cycling and Walking Infrastructure Plan (LCWIP).

## **11. Statutory Considerations**

- 11.1. 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. Equality Impact Assessment (EIA)**

- 12.1. No relevant impacts

## **13. Risk Management Implications**

- 13.1. The main risks to the Council associated with agreeing to the housing development scheme are listed below. These are then looked at more fully together with the risk mitigation strategy for each in the subsequent paragraphs.
  - Homes England require ACP funding to be repaid in part or in full

- Unable to reach agreement with NCC on a joint strategic approach to deliver a masterplan approach for growth and regeneration within the Hunstanton area
- Unable to agree terms with NCC and other stakeholders for the use or transfer of land within the Bus Station and Library site

13.2. The table below considers the above risks in more detail

Risk items	Risk Implications and Sensitivity	Level of Risk
Homes England require all or part of the ACP funding to be repaid	<p><b>Risk</b></p> <p>Unable to reach agreement on recycling the ACP funding paid to deliver intended housing on this site</p> <p><b>Sensitivity/Consequences</b></p> <p>The Council has already significantly mitigated this cost as it is approximately half what might have been spent on a scheme of this size. The current worst-case scenario is that ACP funding is repaid in full. The Housing Strategy Manager is leading on negotiations with Homes England and will report back on the progress of these discussions at the meeting.</p>	High
Unable to reach agreement with NCC on a joint strategic approach to deliver a masterplan approach for growth and regeneration within the Hunstanton area	<p><b>Risk</b></p> <p>A joint strategic approach to deliver regeneration and growth with housing in the Hunstanton area is not forthcoming.</p> <p><b>Sensitivity/Consequences</b></p> <p>All stakeholders and interested parties will need to agree the scope and programme for the completion of a Masterplan and approval of the same by the respective Councils. The new Executive Director for Place will be the lead for BCKLWN in developing the Masterplan. The Borough Council's Assistant Director - Regeneration, Housing and Place will support the Executive Director on this going forward, developing an action plan including governance responsibilities in due course.</p>	Medium
Unable to agree terms with NCC for the use or transfer of land within the Bus Station site	<p><b>Risk</b></p> <p>Negotiations with NCC on required sale / lease / easements to enable delivery of ATH / Library extension fail.</p> <p><b>Sensitivity/Consequences</b></p> <p>Assistant Director for Property and Projects will negotiate with NCC over lease of land required for County to deliver their proposed scheme. The extend of the land required is identified within <b>Appendix 1</b>. Homes England currently have a restriction on title of the land owned by the Borough Council.</p>	High

## 14. Declarations of Interest / Dispensations Granted

14.1. None

## 15. Background Papers

- Report to Cabinet 18 September 2018 – Accelerated Construction Programme
- Report to Cabinet 2<sup>nd</sup> February 2021- Hunstanton Bus Station



- Hunstanton Active Travel Hub proposal – NCC – August 2022

## **Appendices**

**Appendix 1– Valuation summary and title plan**

**Appendix 2 – summary cost information**

**Pre-Screening Equality Impact Assessment**

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

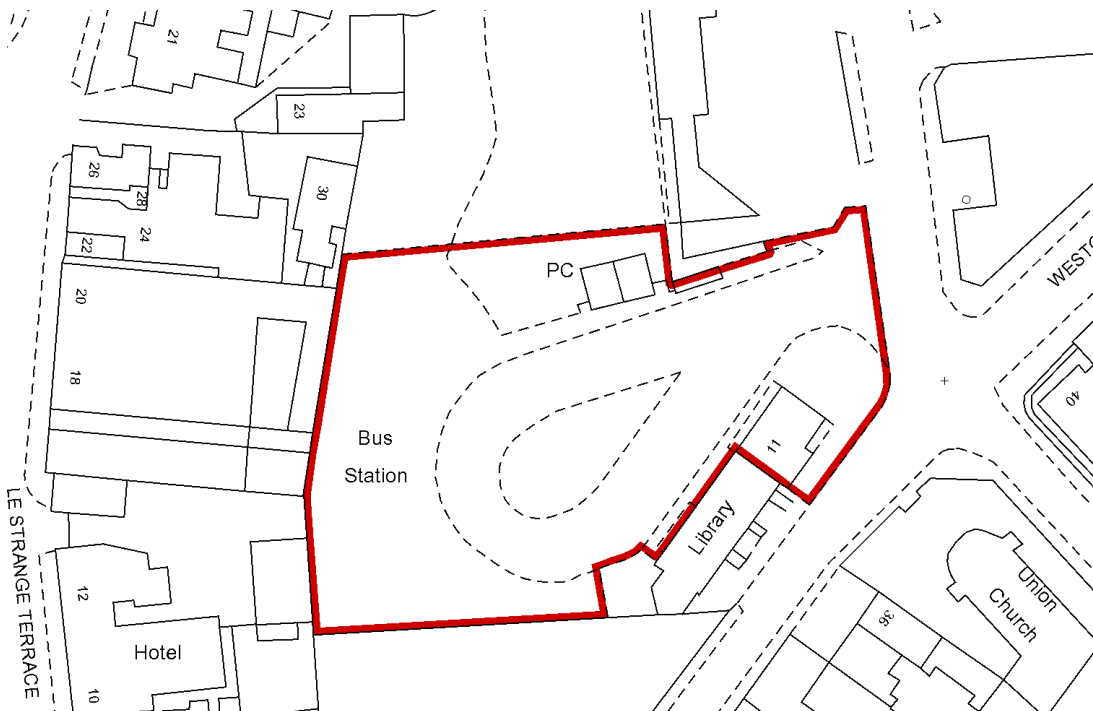


Name of policy/service/function	Hunstanton Multi User Hub and Transport Interchange				
Is this a new or existing policy/service/function?	Existing				
Brief summary/description of the main aims of the policy/service/function being screened.  Please state if this policy/service is rigidly constrained by statutory obligations	An improved library / adult education facility (including the library, toilets, and changing places toilet) on the site enabled with the addition of land owned by the Borough which will include the provision of an area for West Norfolk tourism information (subject to further negotiation)				
<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>		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)				√	
<b>Question</b>	<b>Answer</b>	<b>Comments</b>			
2. Is the proposed policy/service likely to affect relations between certain equality communities	No				

or to damage relations between the equality communities and the Council, for example because it is seen as favouring a particular community or denying opportunities to another?		
3. Could this policy/service be perceived as impacting on communities differently?	No	
4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?	No	Shortage of 'decent' housing in the Borough.
5. Are any impacts identified above minor and if so, can these be eliminated or reduced by minor actions?  If yes, please agree actions with a member of the Corporate Equalities Working Group and list agreed actions in the comments section	No	<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 24/01/2023		

## Appendix 1– Valuation summary and title plan

Wilks, Head & Eve valuation with Affordable Rented values amended to LHA cap rent									
		£,000	allowance	services	yield	£,000	£,000		
<b>private development</b>									
plot 1-38						Capital Value			
1 b2p flat	16	240	100%			240	3,840		
2b3p flat	18	295	100%			295	5,310		
<b>Total private sale</b>		<b>34</b>							
<b>shared ownership</b>									
Plots 39-42									
2b3p flat	3	295	40%		118		354		
			60%		531				
rent on retained equity			2.75%		15	5%	292		
								646	
<b>Affordable Rent</b>		<b>at LHA cap</b>	<b>Rent pa £</b>		<b>net rent £</b>				
1b2p flat	3		5,400	25%	4,050	5%	81	243	
2b3p flat	2		6,900	25%	5,175	5%	104	207	
<b>Total affordable</b>		<b>5</b>							
<b>Total units</b>		<b>42</b>							
<b>Total GDV</b>								<b>10,246</b>	
<b>Funding</b>									
ACP Funding							800		
<b>Total revenue</b>								<b>11,046</b>	
<b>WH&amp; E Costs</b>							10,628		
									418
<b>Lovells cost estimate</b>							<b>11,261</b>		
<b>Development finance</b>							<b>164</b>	<b>- 379</b>	<b>net position</b>



The above Title plan (NK337030) shows land at Bus Station, Hunstanton in Borough Council ownership (subject to restriction on title in favour of Homes England).

## Appendix 2 – summary cost information

<i>Table 2- development costs</i>	Cabinet February 2021 £,000	May 2022 £,000	December 2022 £,000	% change from Feb 2021
Development cost	-£10,415	-£10,584	-£11,260	6.69%
ACP funding	£800	£800	£800	0.00%
Retail unit	£97			
Market Sale	£8,900	£8,230	£9,150	2.81%
Affordable	£963*	£465*	£1,096	13.82%
Land value adjustment**	£372	£0	£0	
Financing cost	£140	£164	£164	
Net surplus	£576	-£1,253	-£379	-37.29%

**February 2021** - 47 dwellings, 2 retail units, Library and public toilets

**May 2022** - 42 dwellings, Library & public toilets. Affordable values from BCKLWN, market values from sales agent (base date December 2021) construction cost Lovell (base date January 2021)

**September 2022** - scheme as May 2022, with Valuer providing market and affordable values. Construction costs updated by Lovells (including incurred costs to date from abortive 47 unit scheme)

Costs that have not been accounted for here are:

- staff overhead costs (included within revenue budget for service area)
- land value (nil as per red book valuation)
- Other BCKLWN overheads (on cost such as ICT, property services, finance, etc. – included within revenue budgets).

\*Previous affordable valuations provided by BCKLWN Housing Development on behalf of West Norfolk Housing Company Ltd. Current Affordable valuation as advised by Independent Valuer

\*\* The report to Cabinet dated 2nd February 2021 included a land value adjustment figure of £372,000

The sensitivity analysis below shows a worst case scenario of £1.5m deficit (best case surplus -£745,000)

		Sensitivity analysis				
		Revenue ,000				
		-5%	-2%	0%	2%	5%
Cost ,000	-5%	£360	£29	-£192	-£413	-£745
	-2%	£703	£371	£150	-£71	-£402
	0%	£931	£600	£379	£158	-£173
	2%	£1,160	£828	£607	£386	£55
	5%	£1,502	£1,171	£950	£729	£398