

REPORT TO CABINET

Open (Appendix 2 exempt)		Would any decisions proposed:			
Any especially affected Wards	Mandatory/	Be entirely within Cabinet's powers to decide		YES/NO	
	Discretionary /	Need to be recommendations to Council		YES/NO	
	Operational	Is it a Key Decision		YES/NO	
North Lynn					
Lead Member: Cllr Beales E-mail: <i>cllr.alistair.beales@west-norfolk.gov.uk</i>			Other Cabinet Members consulted: Leader and Deputy Leader		
			Other Members consulted: Cabinet		
Lead Officer: David Ousby E-mail: <i>david.ousby@west-norfolk.gov.uk</i> Direct Dial: 01553 616505			Other Officers consulted: Executive Directors, Chief Executive, Monitoring Officer, S151 Officer		
Financial Implications YES/NO	Policy/ Personnel Implications YES/NO	Statutory Implications YES/NO	Equal Impact Assessment YES/NO If YES: Pre-screening/ Full Assessment	Risk Management Implications YES/NO	Environmental Considerations YES/NO
If not for publication, the paragraph(s) of Schedule 12A of the 1972 Local Government Act considered to justify that is (are) paragraph(s)					

Date of meeting: 6th February 2024

LYNNSPORT 1 (VALENTINE PARK) DEVELOPMENT UPDATE

Summary

An update on the Lynnsport 1 development, seeking final approval to proceed with the scheme.

Recommendation

Cabinet Resolves:

1. To proceed with the Lynnsport 1 development to deliver 96 homes with Lovell Partnership Limited (LPL) under the Major Housing Partnership Development Management Agreement (30 April 2015).
2. That the Executive Director (Place), in consultation with the Portfolio Holder for Business and Monitoring Officer be given delegated authority to approve the final terms of a Project Partnering Contract (PPC) 2000 with LPL to deliver this project.
3. That the Council shall dispose of the properties in accordance with the tenure mix as set out in Table 2 of the report. In line with the corporate strategy.
4. Pending the transfers referred to at resolution 3 above, the affordable and private rented tenures may be leased to WNHC and WNPL respectively.

Recommendation to Full Council

5. To approve the Capital budget estimate as detailed in section 5 and appendix

2 of the report.

Reason for Decision

- Deliver housing of a range of tenures to meet local needs
- 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.
- 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. This site is the last of the Lynnsport housing sites following the successful completion of Cowper Place (Lynnsport 3), and Dewside (Lynnsport 4 & 5), and the latest scheme being delivered as part of our Major Housing Programme delivered through a Development Management Agreement (DMA) with Lovell Partnerships.
- 1.2. The latest approved planning consent (21/00855/FM) permits the development of 96 homes. This is a revision of the designed and consented scheme of 82 homes (16/02227/FM), improving the layout with a more efficient use of space. This has improved the Borough Council's ability to deliver the maximum amount of housing, and therefore, improve the viability of the scheme without impacting on its overall quality.
- 1.3. The land has been under the council's ownership for over 70 years. This is a King's Lynn allocated site, under Policy E.1.7
- 1.4. Prior to their relocation as part of an earlier phase of the Major Housing Programme, the site was used as a hockey pitch. It currently serves as a compound and site offices for Lovell's operations within the town, associated with Borough Council projects.
- 1.5. The reason for prioritising other Lynnsport schemes in advance, thus leaving Lynnsport 1 for later, was the need to construct the Lynnsport Way and Greenpark Avenue links, now successfully built and under the adoption process with the Norfolk County Council (NCC). The Lynnsport 1 scheme and the delivery of housing was one of the outputs that supported the New Anglia Local Enterprise Partnership's funding of the scheme.
- 1.6. 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), representing 65% and 20% of the properties, respectively.
- 1.7. It is proposed that the Affordable and PRS housing will be disposed to and managed by the council's wholly owned companies: West Norfolk Housing Company (WNHC) and West Norfolk Property Ltd (WNPL), respectively.

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 Contract (PPC 2000).

2. PROGRESS TO-DATE

2.1. A Section 106 agreement for the site has been agreed and entered by all necessary parties. Pre-commencement planning conditions have been either submitted or are under preparation to be submitted for discharge prior to works commencing.

2.2. Detailed design development has been progressed including house designs, utility infrastructure designs, and highways designs.

2.3. Utility companies have been engaged and necessary applications/ sectional agreements have been progressed.

2.4. Lovell Partnerships Ltd undertook an exercise with the local Academy Trust, West Norfolk Academies Trust to select a marketing name to the development. The name "Valentine Park" was selected after John Sutherland Valentine, engineer for the railway line between King's Lynn and Hunstanton, which once ran adjacent to the proposed development site.

2.5. Lovell have undertaken a full financial adjudication of the site outlining all anticipated risks, costs, income sources, and grant funding opportunities. Their cost estimate is included in the **Error! Reference source not found.** (Appendix 2).

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

3. OPTIONS CONSIDERED

3.1. The original application (16/02227/FM), which has now lapsed, proposed to deliver 82 homes, as per breakdown shown on Table 1 below:

<i>Table 1 - Tenure distribution on original application</i>		Bedrooms			
		2	3	4	Total
Tenure	Open Market	15	36	19	70
	Affordable Rent	8			8
	Shared Ownership		4		4
	Total	23	40	19	82

3.2. The current application (21/00855/FM), proposes to deliver 96 homes, as per breakdown shown in table 2 below:

<i>Table 2 - Tenure distribution on current application</i>		Bedrooms			
		1	2	3	4

Tenure	Open Market		11	30	22	63
	Affordable Rent	6	4			10
	<i>First Home</i>		2	1		3
	Shared Ownership			1		1
	<i>Private Rental</i>		9	10		19
	Total	6	26	42	22	96

3.3. The benefit of the current scheme is that it is designed to:

- minimise resource consumption
- maximise design quality
- improve construction quality and efficiency
- increase social inclusion and participation
- improve quality of life, and
- achieve long-term economic viability

3.4. **Tenures:**

Two new tenures have been added (First Homes & Private Rental);

Affordable Housing Provision:

- . The development will deliver 14 affordable homes (15% of the total, split into Affordable Rent, First Homes and Shared Ownership) First Homes are discounted homes for first time buyers who meet certain eligibility criteria. The discount, eligibility criteria and terms of use are secured by a Section 106 agreement The affordable rent and shared ownership homes are intended for the council's wholly owned Affordable Housing Company (WNHC); the establishment of which was approved by Cabinet on 28th June 2016.

Private Rented Units (PRS):

- The development will deliver 19 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 8th January 2019 ,and it is also in line with current Housing Needs Assessment .
- The potential for this site to deliver additional PRS homes is limited by the number of available plots that would be suitable for conversion from open market sale to private rent. The council can reserve an option to lease some of the properties intended for open market sale to West Norfolk Property Limited for PRS lettings, depending on market conditions and demand. Recommendations on the mechanism for transferring the properties to the wholly owned housing companies has been made to Cabinet on 15th January 2024

3.5. **Environmental enhancement items:**

Cabinet agreed the Climate Change Strategy and Action Plan at its meeting on 21st September 2021. The Lynnsport 1 project will support the Strategy by investing in environmental benefits. These include:

- “EV-ready” charging points for all properties (ducting and cabling installed in preparation for home buyer);
- Enlarged windows to enhance natural daylight;
- Maximisation of Solar PV throughout the scheme – 30 Units;
- Air Source Heat pumps throughout, in lieu of gas central heating;
- Thermal efficiency / insulation above Building Regulations requirements.

4. POLICY IMPLICATIONS

4.1. The site will help deliver on a range of the council’s priorities and objectives, in accordance with the Corporate Strategy 2023-2027:

Promote growth and prosperity to benefit West Norfolk:

- Increase the number of good quality new homes and associated infrastructure built through direct provision by working with registered social landlords and private sector developers, by delivering this allocated site, including the delivery of the council’s Affordable Housing in line with the King’s Lynn & West Norfolk Housing Needs Assessment (2020).

Protect our environment:

- Lead by example by reducing our own carbon emissions and considering our impact on the climate with all our projects and initiatives. 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.

Efficient and effective delivery of our service:

- Provide value for money through efficient and effective service delivery, as well as focus our capital expenditure on priority areas.

Support our communities:

- Promote and maintain attractive public open spaces across the borough for all to enjoy and that are accessible, as well as 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.

5. FINANCIAL IMPLICATIONS

5.1. The table in (exempt) appendix 2 sets out the current cost estimate against the initial budget figures provided by Lovell in their 2015 DMA estimate. Some of the principal cost changes are as follows:

- **Revenues**

- The initial 2016 application was revised, and a new application submitted in 2021, increasing the number of dwellings from 82 to 96. The initial 2015 appraisal of 112 homes was found not to be achievable.
- Market sales values have increased by 50% over the period¹
- The First Homes are a new form of 'affordable housing' and are sold at 70% of OMV.

- **Costs**

- General building cost inflation over the period has been 40%²
- Abnormal costs not factored into the 2015 viability, principally ground stabilisation and earthworks, is estimated to cost £3.2m
- Around £405k is the abortive costs of the previous planning consent
- The environmental enhancements that will be delivered, over and above Building Regulations, will cost around £250k

5.2. The current Capital Budget for the project is £20,816,539, including historical spend. This report seeks approval to increase the Capital budget to £24.38m.

5.3. Overall, scheme costs have risen due in part to inflation, but also the challenging ground conditions within King's Lynn, and these have been partially offset by house price inflation. The development costs are consistent with those experienced on recent developments (Nar Valley Park, Salters Road) and estimated (Florence Fields), as evidenced in the council's cost consultant report GBA associates.

5.4. The change between the initial appraisal in the 2015 DMA and the current valuation and revised Capital Programme are shown in appendix 2.

5.5. The total capital spend to date (including £130k received from NCC for land to build the Greenpark Academy) is £1.095m, as detailed in table 3 below:

¹ Nationwide Building Society

² Source: Office for National Statistics - Construction Output Price Indices

Table 3 – spend to date

Lynnsport 1 spend to date (October 2023)		£,000
BCKLWN direct costs		(125)
CIL / S106		(2)
Corporate project team overheads - including GBA fees		(142)
Lovell DMA fees		(939)
NCC contribution for land, Greenpark Academy		130
offsite contributions		(13)
Total costs to date		(1,095)

5.6. S106 Commitments

The Lynnsport 1 project has generated £61,982 in S106 funding detailed in 4 below, which have been invested in off-site provisions:

Table 4 - S106 Commitment Items

Item	£
Improvements to Lynnsport Neighbourhood Equipped Area of Play (NEAP)*	39,502
Habitats Monitoring and Mitigation Strategy Contribution	5,280
The River Gaywood Restoration Contribution – Rivers Trust Enhancement (HLF Project)*	10,000
Increasing capacity of local libraries service	7,200
Total	61,982

* Undertaken as part of original Lynnsport planning application (16/02227/FM), but costs transferred to these proposals.

6. PERSONNEL IMPLICATIONS

6.1. 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.

6.2. Staff costs and other overheads are included within the council's revenue budget and are not separately capitalised.

7. ENVIRONMENTAL CONSIDERATIONS

Environmental considerations, as Photovoltaic Solar Panels, Air Source Heating, Electric Car Charging, and other environmental technologies are core to the site's design approach, as outlined in sections 4.4 above.

8. STATUTORY CONSIDERATIONS

8.1. 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.

8.2. This report complies with the Terms and Conditions of the council's contract with Lovell for the Major Housing Project.

9. EQUALITY IMPACT ASSESSMENT (EIA)

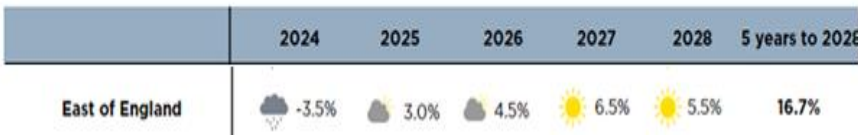
No relevant impacts, as per Pre-Screening Equality Impact Assessment, on page 10.

10. RISK MANAGEMENT IMPLICATIONS

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 anticipated interest rates;
- Borrowing requirement to fund the development phase.

Table 5 below presents the risk assessment for this scheme:

Table 5 Risk items	Risk Implications and Sensitivity	Level of Risk														
Market values fall	<p>Risk</p> <p>In terms of market values, these are anticipated to fall by 3.5% in 2024, with an overall growth of 16.7% in the 5 years to 2028³.</p> <p>Sensitivity/Consequences</p> <p>The sales valuations are based on current market values, which have fallen by 1.8% over the 12 months to December 2023⁴. The first open market sales on this site are due in Q2 2025, by which time Market values are forecast to have recovered, with further growth expected into 2026 as the scheme reaches completion.</p> <p>MAINSTREAM CAPITAL VALUE FORECAST</p>  <table border="1" data-bbox="406 1384 1268 1518"> <thead> <tr> <th></th> <th>2024</th> <th>2025</th> <th>2026</th> <th>2027</th> <th>2028</th> <th>5 years to 2028</th> </tr> </thead> <tbody> <tr> <td>East of England</td> <td>-3.5%</td> <td>3.0%</td> <td>4.5%</td> <td>6.5%</td> <td>5.5%</td> <td>16.7%</td> </tr> </tbody> </table>		2024	2025	2026	2027	2028	5 years to 2028	East of England	-3.5%	3.0%	4.5%	6.5%	5.5%	16.7%	Medium
	2024	2025	2026	2027	2028	5 years to 2028										
East of England	-3.5%	3.0%	4.5%	6.5%	5.5%	16.7%										
Market values fail to increase as expected	<p>Risk</p> <p>The anticipated growth over the 5 years to 2028 does not materialise- property prices either stagnate or fall in real terms</p> <p>Sensitivity/Consequences</p> <p>Housing markets are cyclical, but demand for housing remains strong. The council will retain the option of transferring properties from the open sales market into the private rented market to mitigate this risk.</p>	Low														

³Savills Residential Property Market Forecasts, January 2024

⁴ Nationwide House Price Index, January 2024


Table 5 Risk items	Risk Implications and Sensitivity	Level of Risk
Higher than anticipated interest rates	<p>Risk</p> <p>Mortgage interest and Public Works Loan Board (PWLB) rates continue to increase impacting on the affordability of the scheme</p> <p>Sensitivity/Consequences</p> <p>Markets are currently pricing a Bank of England(BoE) base rate cut to 4% by the end of 2024 with no further increases anticipated, and rates remaining at this level until core inflation is seen to fall within acceptable parameters. BoE Base rate changes have an impact on PWLB rates. Opportunities for temporary leasing or temporary borrowing will be explored to mitigate this in the interim.</p>	Low
Borrowing requirement to fund the development phase	<p>Risk</p> <p>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>Sensitivity/Consequences</p> <p>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 council will explore opportunities to mitigate the cost of debt through debt/equity and leasing arrangements</p>	Low
Cost increase more than anticipated	<p>Risk</p> <p>Build costs exceed the contingencies allowed for within the Lovells contract price, and/ or other unknown additional / abnormal costs materialise.</p> <p>Sensitivity/ Consequences</p> <p>Tender price inflation has been built into the contract estimates, provided by Lovell, and these have been scrutinised by the council's own cost advisors. Costs will be monitored, updated and reported on frequently in order to ensure corrective action can be taken as required.</p>	Medium

11. DECLARATIONS OF INTEREST / DISPENSATIONS GRANTED

None

12. BACKGROUND PAPERS

Major Projects Cost Analysis Report, February 2023 – G Baxter Associates

Question	Answer	Comments			
Pre-Screening Equality Impact Assessment		Borough Council of King's Lynn & West Norfolk			
Name of policy/service/function	Lynnsport 1				
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.	The creation of 96 new homes, of which: 15% Affordable (14 units); 20% Private Rental (19 units); 65% Private Sale (64 units). No				
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)			√	

<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>	<p>Yes/ No</p>	
<p>3. Could this policy/service be perceived as impacting on communities differently?</p>	<p>Yes/ No</p>	
<p>4. Is the policy/service specifically designed to tackle evidence of disadvantage or potential discrimination?</p>	<p>Yes/ No</p>	
<p>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</p>	<p>Yes/ No</p>	<p>Actions:</p>
		<p>Actions agreed by EWG member:</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:</p>		
<p>Assessment completed by:</p>	<p>David Ousby</p>	
<p>Job title:</p>	<p>Assistant Director, Programme & Project Delivery</p>	
<p>Date:</p>	<p>20th December 2023</p>	

Appendix 1 - Site Plan/ Proposed Design



