

# Lynnsport 1 Cabinet Briefing

David Ousby, Assistant Director

8<sup>th</sup> November 2023

Borough Council of  
King's Lynn &  
West Norfolk



## The Site



Former Astro turf hockey pitch, and open space  
Client and land owner is BCKLWN

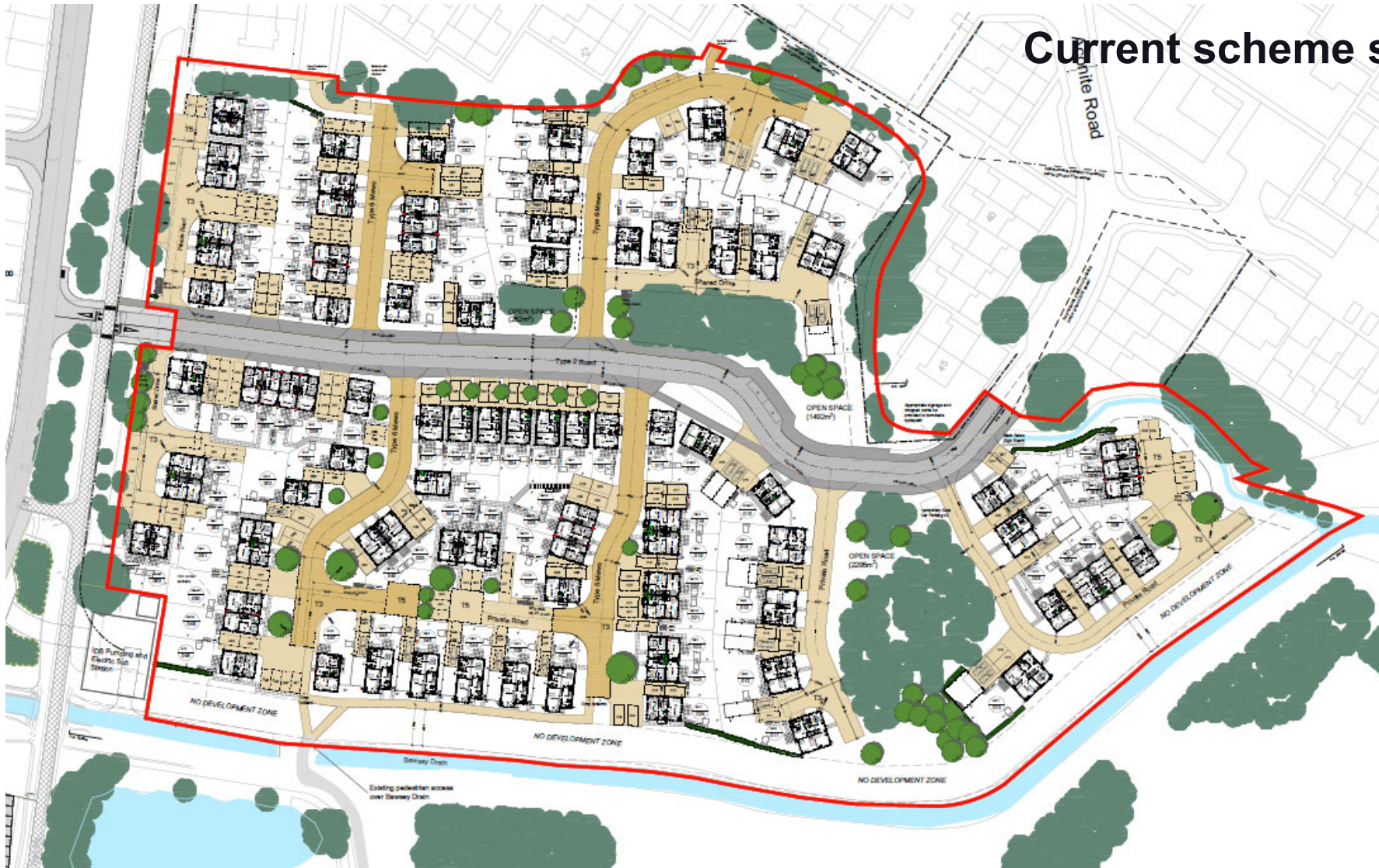
Planning Decision notice dated 7<sup>th</sup> September 2022 (21/00855/FM)

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

# Design development

- 2015 – Lovell DMA outline plan for 112 homes.
- 2016 – Following design development workshops with members a scheme of 82 homes submitted for planning. Consent obtained, but found to be financially unviable
- 2021 – current scheme, 96 homes – improved layout and removal of unnecessary highways infrastructure, improving scheme viability

# Current scheme site layout



# Tenure mix

Tenure	Bedrooms				Total
	1 bed	2 bed	3 bed	4 bed	
Open market		11	30	22	63
Affordable rent	6	4			10
Shared ownership			1		1
First homes		2	1		3
PRS		9	10		19
<b>Total</b>	<b>6</b>	<b>26</b>	<b>42</b>	<b>22</b>	<b>96</b>

## House types



# House types

View 2 - Spine Road



# House types

View 3 - Spine Road (West Entrance)





# House types

View 4 - Spine Road looking down Shared Drive



# House types

View 5 - Spine Road looking across open space



## **Environmental enhancements**

- Scheme to be ASHP with radiators or underfloor heating
- PV agreed to selected plots (30No.)
- All plots EV ready
- Flood resistance and resilience
- Enlarged windows for enhanced natural daylight
- Thermal efficiency over and above building regulations

# 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 period
- The scheme includes 19 PRS homes sold to WNPL at 90% Open Market Value (£470k discount)
- The First Homes are a new form of 'affordable housing' and are sold at 70% of OMV. Unlike shared ownership housing, there is no future revenue potential from the rent on unsold equity, so they reduce the value of the affordable housing offer

# Costs

- General building cost inflation over the period has been 40%
- Abnormal costs, principally ground stabilisation and earthworks, is estimated to cost an additional £3.2m
- Around £405k costs relate the previous planning consent
- The environmental enhancements that will be delivered, over and above Building Regulations, will cost around £250k

# Financial implications

- 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 BCIS index comparison)

	Mean	Median	Lower Quartile	Upper Quartile
Indexed Cost per m2	£ 1,428.08	£ 1,391.88	£ 1,258.76	£ 1,616.07
Cost per m2 for Lynnsport 1	£ 1,308.44	£ 1,308.44	£ 1,308.44	£ 1,308.44






# RISK MANAGEMENT IMPLICATIONS

- 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.

# Risk – Market Values

- 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 2028.
- If the scheme were to start on site in March 2024, the first open market homes would start selling in June 2025 through to completion in March 2027

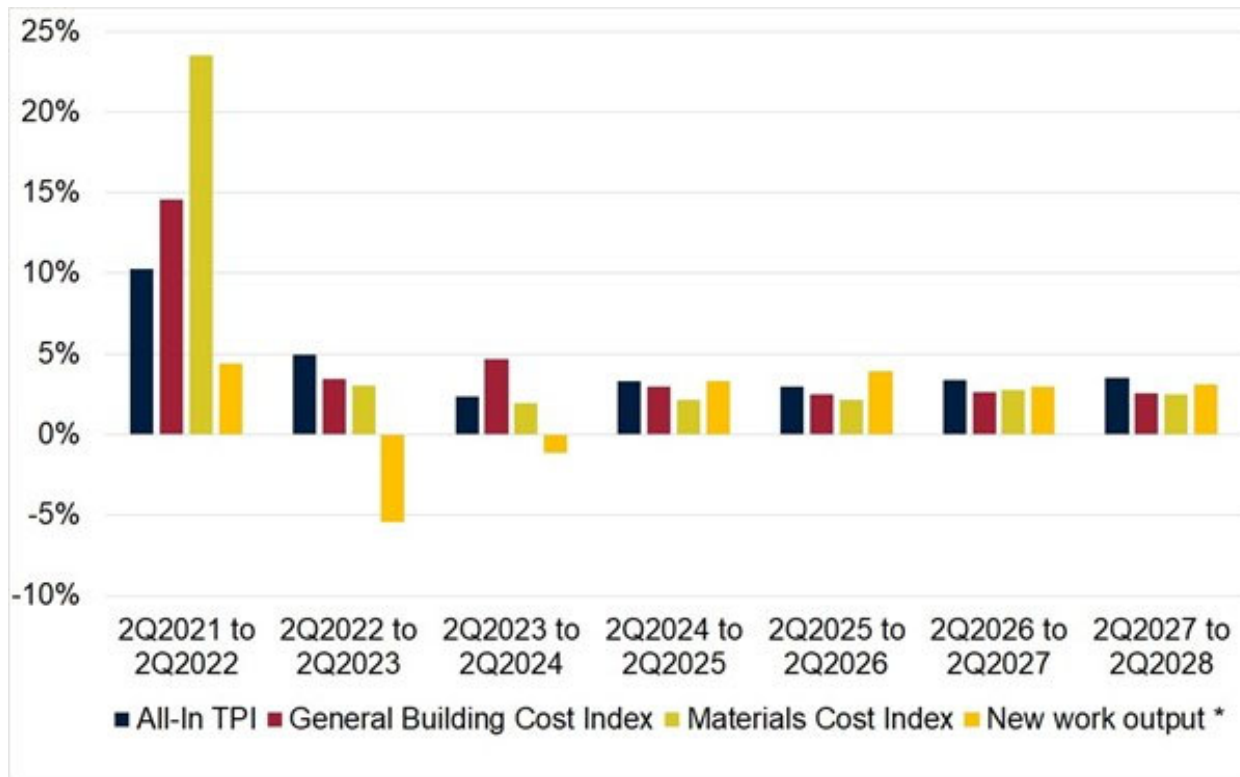
## MAINSTREAM CAPITAL VALUE FORECAST

	2024	2025	2026	2027	2028	5 years to 2028
East of England	 -3.5%	 3.0%	 4.5%	 6.5%	 5.5%	16.7%



# Risk – Cost increase

- The costs presented in this latest update include tender and materials price inflation to March 2024. The outlook is for a more stable cost environment going forward



Tender Prices, Building Costs and Material Costs (BCIS TPI, GBCI and Materials Cost Index annual increase 2Q to 2Q, output is based on the whole year on whole year)

# Risk – Interest Rates

Mortgage rates and PWLB borrowing rates stay high

- Markets are currently pricing a fall in BoE base rates from 5.25% currently to 4.5% in June 2024. BoE forecast the bank rate to be 4.2% by the end of 2026

	2023 Q4	2024 Q4	2025 Q4	2026 Q4
GDP <u>(c)</u>	0.6 (0.9)	0 (0.1)	0.4 (0.5)	1.1
Modal CPI inflation <u>(d)</u>	4.6 (4.9)	3.1 (2.5)	1.9 (1.6)	1.5
Mean CPI inflation <u>(d)</u>	4.6 (4.9)	3.4 (2.8)	2.2 (1.9)	1.9
Unemployment rate <u>(e)</u>	4.3 (4.1)	4.7 (4.5)	5 (4.8)	5.1
Excess supply/ <b>Excess demand</b> <u>(f)</u>	0 (1/4)	-3/4 (-3/4)	-1½ (-1½)	-1½
Bank Rate <u>(g)</u>	5.3 (5.8)	5.1 (5.9)	4.5 (5)	4.2

# Risk – Borrowing requirement to fund development phase

- The peak borrowing requirement in the development phase will be circa £12m. Borrowing will be initially from existing capital supplemented by short term borrowing arrangements. Sale of market housing will repay the bulk of the development borrowing by the end of the development

