



Cabinet
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South Norfolk Community Infrastructure Fund Application – Easton Community Centre

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Portfolio: Stronger, Greener Economy

Ward(s) Affected: Easton

Purpose of the Report:

Easton Parish Council is seeking approval to utilise the South Norfolk Community Infrastructure Fund and draw-down Community Infrastructure Levy (CIL) receipts ahead of projected payment dates to a value of £500,000 in order to fund and complete the ongoing build of the Easton Community Centre.

Recommendations:

1. Cabinet to reject the Easton Parish Council £500,000 application to the Community Infrastructure Loan Fund.

1. Summary

- 1.1 Easton Parish Council is seeking approval of a £500,000 loan from the Community Infrastructure Loan Fund to put towards the on-going delivery of a multi-use community centre off Marlingford Road in Easton.
- 1.2 The loan application does not meet the eligibility criteria for the Community Infrastructure Loan Fund, which is the reason for the recommendation within this report.
- 1.3 Significant support has been offered to this project. In October 2022, South Norfolk Council agreed to provide Easton with a £500,000 grant via the Co-Investment Fund which was paid to Easton in full on 03 July 2023.
- 1.4 In February 2023 Easton Parish Council was also awarded a £505,000 grant from the Greater Norwich Growth Board's Greater Norwich Infrastructure Fund. Grant Claim 1, valued at £283,128 was paid on 27 October 2023. Grant Claim 2 of £216,871 was paid on 02 November 2023 to total £500,000 with £5000 of administrative costs forming the balance.

2. Background

- 2.1 The Site Specific and Policies document relating to the Easton Neighbourhood Plan (2017 – 2042) details Policy EAS1. This policy lists in outline, the delivery of improved facilities which includes a new village hall.
- 2.2 Planning application No. 2014/2611, submitted by Easton Landowners Consortium Joint Venture LLP, put forward proposals for the delivery of Policy EAS1 and outline planning permission for 890 new dwellings, extension of the primary school, new village hall, retail store, allotments, and public open space. Permission was granted in November 2016.
- 2.3 The s106 legal agreement associated with the Outline Permission 2014/2611 for the housing development reserved an area of 0.16ha for the construction of a village hall.
- 2.4 A Reserved Matters application ([2021/2168](#)) for the Village Hall was approved on 13th September 2022.
- 2.5 In January 2022, SNC Cabinet agreed to establish the Community Infrastructure Loan Fund. The scheme is designed to support significant, community led, capital infrastructure projects of benefit to a wider community by forward funding schemes in areas which will receive future, local Community Infrastructure Levy (CIL) receipts. For financial year 2023/2024 there is £1,100,000 is available to Parish and Town Councils.
- 2.6 There is policy and structure to how and when CIL is paid by developers - you can see more information about this on the Councils website, here: [Paying CIL – Broadland and South Norfolk \(southnorfolkandbroadland.gov.uk\)](#).
- 2.7 In summary, CIL is first paid within 60 days of the development commencing. For small sites with a total CIL due less than £24,999 this will be one payment within the 60 days.

However, as sites/ and total CIL due increases, CIL is then paid in instalments of up to 4. The instalments are set out as a percentage of the total. For large sites, as in the case of certain Persimmon phases in Easton, where total CIL is over £2,000,000, for example, 15% of total CIL would be due within 60 days of commencement. Payment 2 – would be another 15% within 270 days of commencement. Payment 3 would be the next 20% within 540 days of commencement and payment 4, would be a final balloon payment of the remaining 50% within 720 days of the commencement.

2.8 This CIL apportionment paid to Parish/ Town Council (15% or 25% of the total CIL due depending on status of Neighbourhood Plan) is then paid by SNC to the Parish/Town in 2 payment windows through the year, April and October. This payment will relate to relevant receipts that the district has received over the preceding 6 months,

2.9 The eligibility requirements of the Community Infrastructure Loan Fund are as follows:

- applicants must be due to receive CIL receipts from developments and phases which have or about to commence on site – this is required to replenish the Community Infrastructure Fund.
- this fund is not to be used alongside the Community Action Fund.
- projects must be able to demonstrate deliverability and an implementable operational plan.
- funding will not be awarded for project scoping or feasibility work.
- applicants must demonstrate response to a need in their Parish/Town and adjacent areas.
- Repayment of the loan in full, including interest must be within a 10-year period.
- Interest will be applied daily from the start of the loan agreement at the prevailing Bank of England base rate.

2.10 Easton Parish Council is the first applicant to this fund.

3. Current position/findings

3.1 At the point of application to both the GNGB and the SNC Co-Investment Grant for funding (see items 1.3 and 1.4) the estimated project cost was £1,505,204. SNC officers supported Easton Parish Council with applications to both grants, which were submitted in tandem.

3.2 Easton Parish Council were to oversee the construction of a new village hall as per the Reserved Matters application ([2021/2168](#)). Following a full tender process, in January 2023 Easton Parish Council entered a building contract with WT Construction for a contract sum of £1,988,200. This was higher than the project cost reported at application to the GNGB and SNC Co-Investment Grant, but an improvement on the cost estimates received from cost consultant Richard Utting Associates (RUA), estimating the project cost at £2,288,000.

3.3 At this time, Easton Parish Council also identified their intention to reduce costs to achieve a final project cost of £1,800,000. This is £188,200 less than the agreed contract sum and £488,000 less than the cost advice provided by RUA.

- 3.4 On 3rd May 2023 Francis Woodcock, Chief Financial Officer (CFO) for Easton Parish Council provided a funding note that stated the following:

'As Responsible Financial Officer for Easton Parish Council, I can confirm that the co-investment funding of £500,000 for this project can be met on an ongoing basis from the Council's capital reserves. These reserves have been created from monies generated by the sale of land owned on Dereham Road, Easton, together with CIL receipts relating to the Persimmon Housing Scheme development, currently under construction within the Village.'

- 3.5 As the correspondence on the 3rd May 2023 was unclear, SNC officers requested further clarification from Francis Woodcock, CFO for Easton Parish Council. On 7th May 2023, he confirmed in writing that the remaining funding required to deliver the project (over and above the two grants provided by the GNGB and SNC Co-Investment Grant Fund) was available to Easton:

'..is being met on an ongoing basis from Easton capital reserves that have been accrued via CIL receipts and local land sales'

- 3.6 On 16th May 2023 SNC was informed by Easton Parish Council that the principal contractor – WT Construction – had gone into administration. A process was then followed to terminate the construction contract and secure the site.

- 3.7 Easton Parish Council worked with their advisors and proposed to novate the existing contract with WT Construction to the groundworker, KMC Civil Engineering, by way of Letter of Intent. It was therefore proposed by Easton Parish Council that KMC Civil Engineering would become the main contractor to complete the project.

- 3.8 On 9th June 2023, RUA (acting for Easton), at SNC request, produced a cost update for the project. It was the first undertaken since January 2023. This appraisal identified a significant rise in costs with the estimate then at £2,573,033. This estimate reflected both market conditions (inflation), the impact of the principal contractor failing, and the delays and costs associated with employing a new contractor.

- 3.9 On 12th June 2023, at SNC request, Francis Woodcock CFO for Easton Parish Council responded to the revised cost estimate from RUA with confirmation that despite the now increased cost estimate of £2,573,033, the funding for the project was still available to Easton:

'the balance thereafter of the overall and total project costs will be met on an ongoing basis from Easton capital reserves that have been accrued via CIL receipts and local land sales. This ensures that the total project costs of £2,573,033 detailed by Richard Utting Associates LLP in their revised cost estimate communicated on the 9th June 2023 will be met in full'

- 3.10 On 15th August 2023 an email was received from Easton Parish Council confirming that KMC Civil Engineering, who had been continuing primary works under a letter of intent, had gone into administration. SNC were subsequently informed that a new 'phoenix' company KMC Contracting would be taking over site management from KMC Civil Engineering.

3.11 On 24th August 2023 Easton Parish Council provided South Norfolk with a document named 'Easton receipt' which showed a final estimated project cost of £2,597,123.

3.12 The estimated project cost (at £2,597,123) was detailed be funded by the following means:

1. Co-Investment Grant Fund:	£500,000
2. GNGB Grant:	£505,000
3. CIL receipt 1 paid:	£88,818.55
4. CIL receipt 2 paid:	£88,818.55
5. CIL receipt 3 paid:	£118,424.74
6. CIL receipt 1 OCT payment	£296,061.84
7. Future CIL payments phase 2,3,4	£1,000,000.00
TOTAL	£2,597,123.68
8. EPC cash reserves	£500,000.00

3.13 The 'Easton receipt' document, as shown above also identified £500,000 of Easton cash reserves allocated to the project. SNC officers were sent a narrative from Easton to the document, as follows:

'We are awaiting two prices before we can state a final price however the final price will be around £2 m with a contingency of £200,000 if needed. The extra funds as stated before will come from Persimmon Homes phase 1 CIL payment £592,123 final payment due on or before 28 October 2023. The remaining will be funded as a loan from our capital reserves and repaid against Persimmon Homes phase 2 development. See attached'.

3.14 Two further cost documents were then sent to SNC on 2nd October 2023, a 'costs to finish project' summary that estimated the final costs to be £2,492,357 including £150,000 project contingency. The second document named 'funding streams' identified how the project would be funded. The estimated project cost (at £2,492,357) was to be funded by the following means:

Co-investment:	£500,000
GNGB Grant:	£505,000
EPC CIL:	£596,000
CIL Loan:	£500,000
EPC loan from reserves:	£391,357.91
TOTAL	£2,492,357.91 inc. contingency

3.15 This was the first-time funding had been identified via the Community Infrastructure Loan Fund as being required to meet the overall budget requirements.

3.16 Following the above, an application to the Community Infrastructure Loan Fund was also then submitted by Easton Parish Council on the 2nd October 2023.

3.17 The Growth Delivery team has received (and appraised) this application to the Community Infrastructure Loan Fund and the application is included at **Appendix 1**.

- 3.18 The availability of this fund is directly linked to developments that are CIL liable in the relevant parish or Town. In the case of Easton, it relies on the ongoing Persimmon development planning reference 2014/2611.
- 3.19 At the outset, outline permission was granted for 890 homes (2014/2611) and was designed to be delivered across 5 phases as follows:
- 3.19.1 Phase 1 (2020/0962) (290 homes) is presently being built. All the CIL for this phase has been paid to SNC and also now Easton Parish Councils proportion - to a total of £592,123.
 - 3.19.2 Phase 2 comprising 114 dwellings: planning application currently pending determination (application reference 2021/1612). Expected start on site late 2024.
 - 3.19.3 Phase 3 and 4 comprising 350 dwellings: planning application pending determination (application reference 2021/2417). Expected start on site late 2028.
- 3.20 There is also a full application (ref 2021/2652) for two drainage basins, which is pending determination and held by Nutrient Neutrality due to this being linked to the overall drainage scheme for phases 3 and 4 which does have implications on the timeline with further potential delays as a consequence of this.
- 3.21 **Appendix 2** is the Persimmon design code compliance statement, which details the reduction of planned housing numbers for the overall development. The original application was for 890 homes, this has previously been reduced to 780 and subsequently reduced again to the present figure of 754 homes. The impact of this reduced number of homes will be a reduced CIL income for both South Norfolk/ GNGB and Easton Parish Council.
- 3.22 Based on the above, once Phase 1 completes there will be 464 new homes still to be delivered on site.
- 3.23 Easton Parish Council has so far received on average £2,034 per home for Phase 1. Assuming another 464 homes are delivered, CIL receipts (Easton's proportion of the total CIL due) will be in the region of £765,000 (excluding index linking) due to be received between 2025 and 2033.
- 3.24 Based on the current build-out rates, the following income is expected for Phases 2, 3 and 4:
- 3.24.1 CIL from Phase 2 is expected to be paid between 2025 and 2026 at a value in the region of £230,000. This figure is Easton's proportion of the total CIL due. This timeline would see part payment of the loan capital in years 3 and 4 of the loan.
 - 3.24.2 CIL from Phase 3+4 is expected to be paid between 2029 and 2033 at a value in the region of £535,000. This timeline would see further capital payments against the loan balance in years 7, 8 and 9 of the loan.
- 3.25 Item 2.7 demonstrates the eligibility requirements of the Community Infrastructure Loan Fund. This loan application has been assessed against the eligibility requirements and the criteria of concern are discussed in the following points.

- 3.26 The first criteria are that loans under the scheme will only be offered against developments (including the relevant phases) which have commenced on site. This is not the case for the application from Easton Parish Council, which is forecasting loan repayment using CIL forecasts for phases of development which are yet to receive full planning permission and have no commencement on site date.
- 3.27 The second criteria is for the loan to be repaid within a 10-year period. Item 3.24 demonstrates that Easton Parish Councils likely repayment ability in this time has uncertainty.
- 3.28 Based on the above, there is a chance, with planning and market variables as well as other potential delivery issues that may arise in this extended period that South Norfolk District Council is not able to have full confidence that Easton Parish Council will be able to repay the loan in full, including the interest accrued over the 10-year period.
- 3.29 Considering this risk, SNC officers have sought to explore additional options and security on repayment of the loan were it to be offered.
- 3.30 An option presented for providing additional security to SNC was for Easton Parish Council to increase their precept to a necessary value to secure loan repayments within the 10-year period. Easton Parish Council rejected this option, following a meeting and correspondence on 26th October 2023.
- 3.31 Finally, Cabinet should note that under the terms of the Community Infrastructure Loan Fund, interest will be accrued daily at the prevailing Bank of England base rate. For context, at the current Bank of England base rate (5.25%) a loan of £500,000 would accrue interest in Year 1 of £26,250.

4. Proposed action

- 4.1 As discussed in items 3.27 – 3.30, Easton Parish Council do not meet the eligibility requirements of the Community Infrastructure Loan Fund and therefore the proposed action is to reject this application.

5. Other options

- 5.1 Agree to the loan: under this option, SNC would provide a loan to Easton Parish Council despite the above eligibility items and concerns around repayment. In this event, the proposed Heads of Terms would be as follows:
- 5.1.1 Loan amount: £500,000.
 - 5.1.2 Interest: accrued daily at the prevailing Bank of England base rate.
 - 5.1.3 Repayment timescales: 10-years.
 - 5.1.4 Repayment method: CIL income from the relevant phases of the Easton development.
- 5.2 In the event a Cabinet decision is made to offer the loan, prior to the confirmation to Easton, legal advice would need to be sought, please see item 6.2.

- 5.3 Easton Parish Council could seek to secure a loan from other sources such as the Public Works Loan Board which would be at comparative rates.
- 5.4 Easton Parish Council could submit a change request application to the GNGB and seek additional funding to cover increased project costs within a certain range. However, the figure of £500,000 sought in this CIL loan application would significantly exceed a level acceptable to the Greater Norwich Infrastructure Fund and would require a new application.

6. Issues and risks

- 6.1 **Resource Implications** – if the loan is approved, the proposal requires £500,000 to be drawn down from the Community Infrastructure Loan Fund. This is budgeted for within the Council's capital programme. There will be some officer resource required to monitor the loan Facility Agreement and interest calculations etc.
- 6.2 **Legal Implications** – SNC are presently pursuing legal action against NP Law in relation to the wording associated with the original S106 agreement on the development (permission reference 2014_2611). If Cabinet decide to offer the loan to Easton, further legal advice will need to be sought to prevent any risk to the active legal case.
- 6.3 **Equality Implications** – an equality impact statement has been provided by the applicant as part of the application process. Please see Appendix 1.
- 6.4 **Environmental Impact** – an environmental impact assessment has been completed through the planning application process. The building is being delivered to high environmental standards.
- 6.5 **Crime and Disorder** – the construction of a new Community Centre in Easton will have minimum impact on levels of crime and disorder.
 - 6.5.1 The opening hours of the Community Centre will be between 08.00 and 23:00. Extended hours will be by licence only.
 - 6.5.2 An area of the centre will be available to 'blue light' organisations 24/7 via security code access for respite and as a facility for charging vehicles.
- 6.6 **Risks** – if the loan is not offered, there is a risk that Easton Parish Council will have insufficient funding available to complete the project in the short term.
- 6.7 If the loan is offered, as previously discussed there is limited security on when the CIL from ongoing development will be paid. The forecasting in this report is the best available information at the current time. There is a risk that CIL receipts are not generated and paid within the long-stop period of 10 years, leaving an outstanding balance due to SNC. In this scenario SNC could either demand repayment or provide an extension to the loan term.
- 6.8 Rising construction costs represent an on-going risk to the delivery of the project. This risk has not been mitigated through Easton Parish Council's chosen procurement

route, which is construction management by Easton Parish Council. As a result, if the loan is offered there may still be future funding shortfalls that will need to be met to complete the project.

7. Conclusion

- 7.1 Easton Parish Council has applied for a £500,000 loan through the Council's Community Infrastructure Loan.
- 7.2 The application has been appraised in line with the loan scheme criteria and, as the application does not meet the eligibility requirements of the scheme, approval of the request is not recommended.

8. Recommendations

- 8.1 Cabinet to reject the Easton Parish Council £500,000 application from the Community Infrastructure Loan Fund.

9. Appendices

Appendix 1: Easton Community Infrastructure Fund application

Appendix 2: Persimmon design code compliance statement