

Briefing Note: Warrington Local Plan EiP Supplementary Statement

Our ref Representor ID UPSVLP 0410
Date 21st October 2022
To Warrington Local Plan Programme Officer
From Home Builders Consortium

Subject Supplementary Statement in response to post-submission documents CD09, CD09a, CD29, CD29a, CD29b and CD30

1.0 Introduction

- 1.1 Lichfields was instructed by a Consortium of leading developers and housebuilders, namely Ashall Property, Barratt Developments (Barratt Homes and David Wilson Homes), Metacre Ltd, Satnam Developments and Story Homes [the Consortium], to make representations on its behalf to the Warrington Updated Proposed Submission Local Plan 2021 to 2038 (September 2021) [WUPSVLP].
- 1.2 This Note has been prepared on behalf of the Consortium in response to the submission of a number of additional documents by Warrington Borough Council [the Council] during the EiP Hearing sessions in September 2022. These included:
- 1 CD09 Note to Warrington Local Plan EiP inspectors;
 - 2 CD09a Western Link Information;
 - 3 CD29 Matter 6a Note on Western Link funding;
 - 4 CD29a Matter 6a letter from Faisal Rashid MP;
 - 5 CD29b Matter 6a Response to Faisal Rashid MP; and,
 - 6 CD30 Matter 6a Western Link delivery programme - EiP Update.
- 1.3 These documents primarily relate to the viability (or otherwise) of the proposed Western Link Road, without which the 1,335 dwelling allocation at Warrington Waterfront is undeliverable.

2.0 Analysis

- 2.1 The WUPSVLP confirms in paragraph 10.1.7 that the delivery of Warrington Waterfront is entirely dependent on the Western Link Road:

“Development cannot come forward until the funding and the programme for the delivery of the Western Link have been confirmed.”

- 2.2 The Council's Matter 6a Statement clarified that the original scheme costs of the Western Link had increased following a 'Gateway Review' of the scheme. The additional documents subsequently submitted to the EiP by the Council aim to shed further light on the latest view of the costs of the Western Link Road, and how it will be funded.
- 2.3 **CD09a** comprises of a number of key historical documents including:
- A letter from the Department for Transport (dated 10th April 2019) confirming the “*maximum capped funding contribution of up to £142.5m towards the estimated total scheme cost of £210.7m*”, subject to a range of conditions including that no further funding will be provided by the Department. The contribution is also “*subject to the future availability of the funding*”.
 - The Minutes of the Meeting of the Council's Executive Board on 13th November 2017 formally adopted the Western Link Road Preferred Route as an approved scheme. It also includes the report that was submitted to the Executive Board concerning the Link Road (referred to as Agenda Item 4) which clarifies (on page 26) that the total scheme cost is £212.74m. This means there continues to be a funding gap. The Council states on page 30 of its report that it is proposing to borrow this money to part-fund the project:

*“It is proposed that the New Homes Bonus from plots K4, K5 & K8 identified in the Local Plan and **an increase in business rates from Port Warrington would be used to directly service the capital and interest on borrowing.** The DfT expects that local authorities would part fund any scheme and the council has identified this funding stream from future development to service the necessary borrowing. The interest on the borrowing is estimated to be £43.18m over 40 years on £70.20m of prudential borrowing.” [Our emphasis]*
- 2.4 CD09a is clear that without the business rate uplift attributable to Port Warrington, there would be a significant prudential borrowing shortfall of around £83m, once allowances have been made for interest liability over 40 years (and once New Homes Bonus and receipts from Land Sales totalling £30.7m had also been netted off the revenue liability).
- 2.5 However, as is set out in paragraph 3.12 of the WUPSVLP, Port Warrington and the Business Hub (both of which were intended to contribute to the Western Link) were removed as Green Belt allocation sites following the consultation on the previous Proposed Submission Version Local Plan (2019).
- 2.6 This means that the Council has had to identify alternative funding to plug this gap. Furthermore, the gap has widened due to inflationary cost pressures.
- 2.7 This is summarised in document CD09, which states that:
- “Between September 2021 and September 2022 a Gateway Review has been undertaken on the scheme and this has identified that due to the extreme inflationary pressures and in particular exceptionally high construction price inflation rates (which were already in place and which have been exacerbated by the Russia – Ukraine war), that the latest cost estimate which the Council has supplied to the DfT amounts to **c.£269m, an increase of c.£57m on the previous £212.7m estimate.**” (CD09, page 1).*

- 2.8 The remainder of CD09 suggests that despite the £57m increase in costs, the Council remains committed to the Western Link and is “*exploring all possible sources of additional funding including from the Department for Transport and other sources mentioned such as CIL or Business Rate Retention and as part of this all other funding options will be explored*”.
- 2.9 **Document CD29** provides updated details on this potential funding source and alternative modelling for the Council’s contribution to the Western Link project. Although the results of this modelling were not previously before the Examination, CD29 states that the Business Rates [NNDR] contribution could be met in full without reliance on NNDR income from developments on Warrington Waterfront and in particular Port Warrington and the Commercial Hub.
- 2.10 The Council refers to a financial model which shows the NNDR funding being drawn from planned developments at Omega. This alternative financial model demonstrated that some 70% of the predicted NNDR receipts from Omega would be needed to provide the required NNDR contribution. This is summarised as ‘*Scenario 2 - Borrowing and Repayment – ‘decoupling’ the Waterfront Development*’.
- 2.11 Whilst the scheme costs would not differ from before (£70.21 of Council capital borrowing, plus £43.18m interest liability on that borrowing totalling £113.39m), the paper states that: “*the required NNDR funding could be derived from the receipts from the Omega development with the required funding needing around 70% of the anticipated NNDR income from this development. This would replace the NNDR income from the Warrington Waterfront development*” [CD29, page 2].
- 2.12 Appendix A to the note states that this would equate to the provision of **£77.53m** of NNDR receipts from Omega over a period of 34 years to 2055/56.
- 2.13 The Council again confirms that: “*At this time the funding sources referred to above are those which are to be used to fund these scheme and that further to this the Council remains fully committed to the delivery of the Warrington Western Link scheme and is **exploring all possible sources of additional funding including from the Department for Transport and other sources mentioned such as CIL or Business Rate Retention and as part of this all other funding options will be explored***” [CD29, page 2, Lichfields’ emphasis].
- 2.14 CD29 is the first document in the public domain that we have seen to have mentioned the Omega option. The ‘alternative scenario’ that was apparently modelled which included this, does not seem to be anywhere in CD09a *Western Link Information*, which the Council put before the Inspector, and which reported the Outline Business Case [OBC] outcomes in depth. Furthermore, we are not aware of any Executive Board / Cabinet resolution that agrees to the use of £77.5m of NNDR receipts from Omega over the next 34 years.

- 2.15 Even if the Omega option is a tenable one, there remains a shortfall in funding for the Link Road. The Table below summarises the Council’s latest position:

Table 1: Total Project Cost to WBC and Repayment Profile of the Western Link Road

	Estimated Cost / Payback	Source:
Original Western Link Cost (2017)	£212,700,000	CD09
Uplift due to Inflation (2022)	£269,000,000	CD09
DfT Funding Contribution	£142,500,000	CD09
a) Funding Gap without Council contribution (2022)	£126,500,000	CD09 / Lichfields
Cost to WBC		
WBC Capital Borrowing (2017)	£70,210,000	CD29, extracted from 2017 Outline Business Case
Total Interest on Borrowing (in 2017 OBC)	£43,180,000	
Additional construction cost due to inflation (2022)	£56,290,000	CD09
b) Total Project Cost to WBC:	£169,680,000	Note: <u>Excludes</u> interest liability on the additional £56m construction costs
WBC Repayment Profile		
New Homes Bonus & CIL	£9,500,000	CD09a, adapted from 2017 Outline Business Case
Omega NNDR	£77,530,000	CD29, Appendix A: Omega NNDR – Predicted NNDR Income Profile
Receipts from Land Sales	£21,200,000	CD09a, adapted from 2017 Outline Business Case
c) Total Repayment Profile:	£108,230,000	CD29 / Lichfields
Remaining Funding Shortfall (b-c):	-£61,450,000	Lichfields

- 2.16 It is clear that even with the replacement of the NNDR from Port Warrington with 70% of the Omega’s future NNDR contributions, a substantial shortfall remains.
- 2.17 Furthermore, the evidence submitted by the Council in CD29 fails to allay the Inspectors’ concerns. The costings referred to in that document, and replicated in the Table above, are out of date, as they are based on the 2017 OBC. The costs have not been updated to reflect the latest interest rate rises; nor do they reflect the reduced time horizon for the borrowing (with Omega’s NNDR expected to deliver £77.3m over 34 years (CD29, Appendix 1), rather than Port Warrington’s £86.4m over 40 years as per the OBC).
- 2.18 The indicative shortfall in Table 1 above, based on the Council’s own figures, may or may not worsen depending on these factors but **it is for Warrington Borough Council to fully evidence the funding of the Western Link Road and they have failed to do this**. The data set out in CD29 cannot be relied upon as a consequence.

Conclusion

- 2.19 On the basis of the Council’s own data, and even if the premise that it is able to draw upon £77.5m of business rates from Omega is accepted, then there is still a significant funding gap before the Western Link Road can be delivered. The Council has therefore failed to fully evidence how the road can be funded. Without this road, then the 1,335 dwellings earmarked for Warrington Waterfront are undevelopable.

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The only solution is to identify additional sites to be allocated for housing in the Local Plan, either to counterbalance the loss of Warrington Waterfront, and / or to make a contribution towards making up the Western Link's funding shortfall.