

REPORT OF: FINANCIAL SERVICES MANAGER

TO: EXECUTIVE

DATES: 17th MARCH 2016

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MATTERS REQUIRING FINANCIAL APPROVAL

PURPOSE OF REPORT

This report outlines a matter requiring consideration by the Executive under the Council's Financial and Contract Procedure Rules and seeks agreement for the Council to provide a funding guarantee to the Homes and Communities Agency should loan funding be secured by PEARL2 under the Builders Finance Fund (BFF) for the Clitheroe Road housing scheme.

RECOMMENDATIONS

The Executive is requested to approve a funding guarantee of £1,510,050 for the BFF loan on the Clitheroe Road scheme noting that the Council would rank as the 'third' guarantor behind PEARL 2 and Barnfield Investment Properties.

REASONS FOR RECOMMENDATION

To seek approval from the Executive on a specific matter that has financial implications for the Council.

ISSUE

1. The Executive has previously agreed to the disposal of the Council owned Clitheroe Road site in Brierfield to PEARL2 for a new housing development and the entering into of a Development Agreement with PEARL2 for the scheme. Full planning consent was granted in April 2015 for the 36 new homes as part of first phase of development and outline planning consent for a second phase.
2. The Homes and Communities Agency's (HCA) £525million Builders Finance Fund (BFF) was re-opened in 2015 and in response a bid for loan funding was re-submitted by Pearl2. The BFF is a loan fund that has been made available by HCA to support the delivery of housing by private developers. The fund is intended to address difficulties in accessing development finance faced by some house builders and to help speed up and restart small housing developments that have slowed down or stalled completely.

3. Success on securing funding is dependent upon a start in 2016, planning consent being in place, and the scheme achieving good value for money for the taxpayer. Total funds must be drawn down by 31 March 2017.
4. Pearl 2 was successful in being shortlisted and as part of the current 'due diligence' stage for BFF funding the HCA are now seeking a guarantee from the Council. The Council's guarantee would only be called upon after Pearl 2 (as first guarantor) and then Barnfield Investment Properties (as second guarantor) has been called. If the Council agrees to provide this guarantee, it will support PEARL's strong case for the Builders Finance Fund loan, by providing the necessary security for the HCA and reduce the interest rate on the loan.
5. If BFF loan funding is secured PEARL 2 will proceed with the delivery of the scheme in Spring 2016.

IMPLICATIONS

Policy

The housing scheme supports the Council's housing policies of ensuring sufficient quantity, quality, and appropriate type of housing supply.

Financial

If secured, the BFF loan for the housing scheme will be paid to PEARL 2 Ltd.

The financial implications are that the Council may be required (after PEARL 2 and Barnfield Investment Properties Ltd guarantees have been called upon in that order) to provide £1.510m for the Clitheroe Road housing scheme.

Given the structure of the Council's joint venture arrangement with Barnfield Investment Properties (BIP) the Council's maximum exposure if PEARL 2 is called on to fund the guarantee is 30% equivalent to £453k with BIP funding the balance. Based on the scheme's forecast cashflows it is projected that the loan will be fully discharged by June 2018.

Legal

The Council will be required to provide a legally binding commitment to provide the guarantee to the HCA for the scheme.

Risk Management

As highlighted above, the Council's guarantee would only be called upon after both PEARL2 and Barnfield Investment Properties guarantees have been called upon.

Health and Safety

There are no health and safety implications arising from the contents of this report.

Climate Change

There are no climate change implications arising directly from the contents of this report.

Community Safety

There are no community safety issues arising from the contents of this report.

Equality and Diversity

There are no equality and diversity issues arising from the contents of this report.

APPENDICES

None

LIST OF BACKGROUND PAPERS

None