

REPORT OF: **HOUSING, HEALTH AND ECONOMIC DEVELOPMENT SERVICES MANAGER**

TO: **EXECUTIVE**

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USE OF BROWNFIELD SITES FUND

PURPOSE OF REPORT

To propose how the Brownfield Sites Fund should be used.

RECOMMENDATIONS

- (1) To agree that the Brownfield Sites Fund is used in a way that is appropriate to an individual site.
- (2) That further reports are brought back to Executive to seek approval for funding on individual sites.

REASON FOR RECOMMENDATION

To ensure that the fund is used in the most effective way

ISSUE

1. Members have set up a Brownfield Sites Fund to assist in making the development of brownfield sites, in particular housing sites, more viable. There is £1.5m within the approved 2015/16 Capital Programme for the Fund.
2. The Government has pledged to prioritise development of previously used land over the next five years. They are proposing that Local Development Orders (LDOs) should be introduced for 90% of brownfield sites that are suitable for housing. Suitable is likely to mean that they are free of constraints, viable and deliverable. LDOs effectively give planning permission in principle for specific kinds of development on a defined site, which means that compliant proposals do not require planning applications. If LDOs are made

a requirement then a further report will be brought to Executive at the appropriate time setting out the implications for Pendle. It is however not clear what the relationship between the requirement to have LDOs on sites and the proposed new Zonal System which appear in effect to achieve the same outcome.

3. The Government does not wish the planning process to hinder the development of brownfield sites, but there are a number of other reasons why brownfield sites are difficult to develop. These can include:
 - Abnormal costs due to the need to demolish existing buildings and deal with contamination
 - Lack of viability due to abnormal costs and low house prices
 - Unrealistic expectations of owners about land values
 - The site is in more than one ownership
 - Lack of developer interest due to location or level of risk
 - Lack of ability to gain development finance

In many cases it will be a combination of factors that prevent development taking place.

Targeting the funding

4. The Brownfield Sites Fund could be used in several ways to encourage development:
 - a) To make Pendle owned sites viable
 - b) To assist PEARL to make further schemes viable on privately owned sites
 - c) To fund private landowners/developers to make their sites viable
5. As there is only limited funding we would want to target it in the most effective way to maximise the amount of development over the next 3-5 years. To achieve this the funding will need to be spread across a number of sites, to take into account the likely speed of development on each site. Where possible we would want to bring in additional funding from other public or private sector sources to allow the fund to be used across more sites.

Possible Additional Funding

6. Homes and Communities Agency (HCA) have indicated, since the General Election, that a government fund to bring forward brownfield sites may be introduced. We have not wanted to commit our own funding too soon in case it could be used as match funding for any new government funding. In 'Fixing the foundations: Creating a more prosperous nation' (July 2015) the Government has stated that the UK has been incapable of building enough homes to keep up with growing demand. This harms productivity and restricts labour market flexibility, and it frustrates the ambitions of thousands of people who would like to own their own home. The government will:
 - introduce a new zonal system which will effectively give automatic permission on suitable brownfield sites

- take tougher action to ensure that local authorities are using their powers to get local plans in place and make homes available for local people, intervening to arrange for local plans to be written where necessary
 - bring forward proposals for stronger, fairer compulsory purchase powers, and devolution of major new planning powers to the Mayors of London and Manchester
 - extend the Right to Buy to housing association tenants, and deliver 200,000 Starter Homes for first time buyers
 - restrict tax relief to ensure all individual landlords get the same level of tax relief for their finance costs.
7. The document also states that in the Spending Review there will be further steps to re-focus Department for Communities and Local Government (DCLG) budgets, focussing on supporting low cost home ownership for first time buyers.
8. Following on from the publication of this document a new Starter Homes Initiative has been launched that will be targeted at brownfield sites. The intention is to provide Starter Homes to young first time buyers at a 20% discount from market value. Nationally there will be £26m available for HCA to acquire brownfield sites to bring them forward for development and a further £10m towards assisting sites, predominantly in Council ownership, to be brought forward. The £36m will be allocated on a competitive basis and full details of this are expected in September. This may provide additional funding opportunities for Pendle and we are in discussions with HCA about the potential to access this funding when the Prospectus, with full details of the bidding criteria, is released in September.

Options for Allocating Funding

9. If we use the Brownfield Sites Fund to provide funding to PEARL or private schemes there are several possible options for how this might work:

Option 1 - Grant

10. ***Provision of an agreed maximum level of grant, based on gap between costs and values.*** This would help to make a scheme viable. There would be an option for us to require clawback of some, or all, of the grant if profits were significantly higher than anticipated. There would be no option for recycling funding unless there was clawback.

Option 2 – Loan

11. ***Provision of an agreed maximum level of loan.*** This option would only work if the scheme was viable. There are other options for organisations to access loan finance (such as the Builders Finance Fund administered by HCA) so our loan would only be useful if it was offered on terms that were more beneficial to other sources. There is the option for recycling funding into other sites when loan payments are made.

Option 3 – Equity

12. ***Pendle Council take an equity share in the development proportionate to our investment.*** This would mean that we are sharing the risk with developer. There is the

option for recycling funding into other schemes, depending upon the eventual costs/sales values of the scheme.

Option 4 - Combination

13. There could be a mix of the above options, for instance a combination of some grant and some loan if there was a small viability gap and problems with accessing finance.

Conclusions

14. Each brownfield site will have its own particular issues around ownership, viability and deliverability so a 'one size fits all' approach to the fund may not be appropriate. There also needs to be an element of flexibility with the funding in case it's availability as match funding helps us to secure additional government funding. At this stage it seems appropriate to look at sites individually to decide what approach is best for that individual site. Further reports would be brought back to Executive in relation to individual sites to propose how the fund should be used.

IMPLICATIONS

Policy: None directly arising from this report

Financial: The 2015/16 Capital Programme includes £1.5m of funding for Brownfield Sites. If funding is paid to private companies it would be classed as State Aid so we would need to ensure that it did not breach any European State Aid regulations. It is expected that it would be offered under the De minimis or Regional Aid Exemptions, but further advice may need to be sought.

Legal: None directly arising from this report

Risk Management: None directly arising from this report

Health and Safety: None directly arising from this report

Sustainability: None directly arising from this report

Community Safety: None directly arising from this report

Equality and Diversity: None directly arising from this report

APPENDICES

None

LIST OF BACKGROUND PAPERS

'Fixing the foundations: Creating a more prosperous nation' (July 2015)

<https://www.gov.uk/government/publications/fixing-the-foundations-creating-a-more-prosperous-nation>