

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

TO: **EXECUTIVE**

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Report Author: **Julie Whittaker**
Tel. No: **(01282) 661038**
E-mail: **julie.whittaker@pendle.gov.uk**

PROPOSED PEARL2 – TOGETHER HOUSING JOINT VENTURE

PURPOSE OF REPORT

To seek agreement to a proposal from Together Housing to form a Joint Venture Partnership with PEARL2 to increase development of new open market and affordable housing in Pendle

RECOMMENDATIONS

- (1) To agree the principle of a proposed Joint Venture between PEARL2 and Together Housing Group.
- (2) To receive a further report setting out the proposed Heads of Terms of the Joint Venture.

REASON FOR RECOMMENDATIONS

To support the development of new open market and affordable housing in Pendle.

ISSUE

1. PEARL2, one of our Joint Venture Partnerships with Barnfield Investment Properties, have developed affordable housing for Together Housing on a number of sites. This has generally been on a fairly ad hoc basis. PEARL2 has recently been approached by Together Housing Group to see if a more formal Joint Venture could be established with them to deliver a mix of open market and affordable housing schemes. The aim would be to deliver a minimum of 500 houses over the next five years.
2. Setting up a Joint Venture (JV) with Together Housing would aid cashflow for PEARL2 (and hence Pendle Council) and allow more sites to be brought forward, both for open market and affordable housing. PEARL2 borrows what funding it can to develop schemes but funders normally require a level of expenditure to take place by the developer before their funding can be accessed. This expenditure is split so that Pendle Council puts in 30% and Barnfield 70%. Putting in place a JV with Together Housing would, in effect, reduce

Pendle's contribution to 15%. At a time of reducing budgets this would ensure the progression of development schemes that we may not have otherwise been able to fund through our existing arrangements.

3. Together Housing Group receives grant funding from the Homes & Communities Agency towards the delivery affordable housing across a number of local authorities and it does not necessarily have to be spent in Pendle. The JV will ensure that a significant amount of this funding will be secured within Pendle.

General Principles of the Joint Venture

4. PEARL2 Board and Together Housing Group (through their Harewood Board) have agreed the principle of a JV but will both require further details to be submitted. The Executive are now being asked to agree to the principle of a JV, to be delivered along the lines set out below:

Structure

5. Together Housing are proposing a 50/50 JV with PEARL with an equal share of risk and reward. Options for how the JV will be established are still being explored but could involve Together Housing joining PEARL2 or a separate JV company being established. The legal and financial implications of the different options need to be explored further before a recommendation can be made to the respective Boards/Executive about the best approach.

Representation

6. Together Housing would require equal voting rights with PEARL in any company that was established, although not necessarily equal numbers of Board members. The representation on any new JV Board will need to be considered further as part of the consideration of the structure of the company.

Funding

7. Together would put in an equal amount of funding to PEARL2. For schemes which are underway they would retrospectively pay 50% of the costs incurred to date. Loan funding would be obtained from whichever source offered the most competitive rates. This could potentially be Homes & Communities Agency Homebuilding Fund, Lancashire County Council Growing Places or bank funding. The land would be provided as security.

Profit

8. Each site would need to be viable in its own right. A profit level of at least 8% would need to be achievable, in line with the current PEARL2 model. Profit from earlier schemes would be reinvested back into the company to reduce the need for borrowing on future schemes, unless both parties agreed to take funding out of the JV.

Affordable Housing

9. A number of the schemes are expected to deliver affordable housing. It is proposed that Together Housing have first option to buy these properties, at an agreed price. If they did not wish to purchase them the JV would have the option of selling them to another Registered Provider or selling them as open market housing (subject to any planning requirements for affordable housing).

10. Staffing

In line with existing PEARL arrangements, where Barnfield and Pendle Council put in staff time to develop projects at no charge to the company, Together Housing will do the same. Arrangements will need to be agreed for other support such as accountancy and administration of Board meetings.

11. Together are happy that Liberata are given first option for architectural services as they have carried out initial feasibility work on the provisional programme. They would wish to procure an Employers Agent jointly with PEARL for projects which are not yet underway.

Provisional Programme

12. A provisional programme has been drawn up that would deliver 705 units over 5 years for a mixture of open market and affordable housing. This includes sites that are currently owned and are being developed by PEARL along with sites in Pendle Council and private ownership. The full list of proposed sites is set out in Appendix 1. Each site would need a detailed appraisal to be carried out to establish its viability and negotiations would need to take place with the relevant owners to agree a land value. Therefore some of these sites may not proceed but others may come forward that could be added in to the programme at a later date.
13. The first phase of the programme would include the schemes that PEARL2 are currently developing at Clitheroe Road, Oak Mill and Carry Lane. Further work is being carried out to look at the phasing of future sites. It will need to be agreed how the decision making will work for progressing with future sites, but that will depend upon the JV structure.

Conclusion

14. The proposed JV would allow PEARL to increase housing development in Pendle through bringing in another partner with additional resources. It would also secure funding for affordable housing that may otherwise have gone to other boroughs.

IMPLICATIONS

Policy: None directly arising from this report

Financial: Additional funding will be brought in by Together Housing to fund more schemes than PEARL2 would be able to do at present.

Legal: A new legal structure will need to be put in place between PEARL2 and Together Housing

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

Appendix 1 – Provisional Development Programme

LIST OF BACKGROUND PAPERS

None

PROVISIONAL DEVELOPMENT PROGRAMME 2018-2023

Site	Ownership	No. of properties			Current Position
		Total	Open Market	Affordable	
Clitheroe Road, Brierfield (Foxhills)	PEARL2	35	35		Construction work has started
Carry Lane, Colne (Phase 2)	PEARL2	21	21		Planning permission has been obtained
Oak Street Mill, Colne (Langroyd Place)	PEARL2	32	32		Site preparation is underway
Bright Street, Colne	Pendle Council	12		12	A planning application could be submitted later in the year
Leach Street, Colne	Pendle Council	16		16	Report to Executive on 24 th August asking for the site to be declared surplus, subject to consultation with the Area Committee
Colne Health Centre	Pendle Council	6		6	A Planning application is to be submitted shortly
Further Clough Head, Nelson	Pendle Council	100	40	60	A planning application has been submitted. The site would accommodate upto 200 houses over a longer time period
Bankhouse Road, Nelson	Pendle Council	32		32	A CPO is still required to assemble all the site
Halifax Road, Brierfield	Pendle Council	42	30	12	The site has been declared surplus by Pendle's Executive
Byron Road, Colne	LCC/Together Housing	36	18	18	Negotiations needed with LCC
Various (5 sites across Pendle)	Private	373	181	192	Negotiations are at various stages with landowners – commercially sensitive so details of the individual sites are not included
	Total	705	357	348	