

REPORT FROM: HOUSING, HEALTH AND ENGINEERING SERVICES
MANAGER

TO: POLICY AND RESOURCES COMMITTEE

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FURTHER CLOUGH HEAD HOUSING SITE

PURPOSE OF REPORT

To inform the Committee of a successful funding bid and to agree a disposal strategy for the site.

RECOMMENDATIONS

The Committee is asked to:

- (1) Note the award of £1,149,808 grant to provide infrastructure and agree that these works are procured and managed by Pendle's Engineering Team.
- (2) Agree that the site is disposed of in phases to PEARL Together Ltd under an Overarching Development Agreement with delegated authority for the Corporate Director to agree the terms.
- (3) Agree that the disposal is under a negotiated procedure and that the final value is agreed by the Corporate Director.

REASON FOR RECOMMENDATIONS

To enable the grant funding to be spent and the site to be delivered for housing.

ISSUE

Background

1. The Executive agreed on 20th June 2013 that the Further Clough Head site should be considered surplus and disposed of for housing.
2. In 2014 we carried out a 'soft market testing' exercise through a Developer Panel established by the Homes and Communities Agency to understand the level of developer interest and to consider how best to dispose of the site. A number of developers responded that they would not be interested due to the low values in the area or because it was not an area where they

developed. Others said that they may be interested but there were a number of risks such as the presence of previous mine working close to the entrance, the lack of planning permission and the high upfront infrastructure costs of putting in a vehicular access.

3. In order to de-risk the site we have applied, on several occasions, to obtain funding from the Homes and Communities Agency to construct a vehicular access. In recent years their funding has been mainly targeted at areas of higher housing demand than Pendle. It has also been more focussed on loans rather than grants, which does not provide a solution to poor viability in low value areas.
4. We obtained outline planning permission in November 2017 for upto 200 houses and the provision of the access road.

Funding from Homes England

5. The Homes and Communities Agency is now called Homes England. The latest programme that we have bid into is Accelerated Construction and we have now been successful in securing £1,149,808 grant to fund the construction of the access road. The access road needs to be constructed and the funding drawn down by March 2021.
6. As this is being funded through the Accelerated Construction programme there will be a requirement for 2.8 open market housing units to be delivered each month and a minimum of 20% affordable housing. A proportion of the site needs to be delivered through Modern Methods of Construction (MMC). Homes England have specified five different types of MMC with the highest level being fully factory built and fitted out houses that are brought onto site in sections to be fitted together. The lowest level is the use of innovative methods with traditional materials e.g. using polystyrene on site to pour concrete into to create flooring.
7. Homes England have projected a land value of £2,895,000 when the infrastructure is in place, which is £330,000 less than the value in our asset register. If the site is sold for more than that figure then there will be clawback on the basis of 31% of the uplift upto the level of the grant. So for every £1 achieved over and above £2,895,000 Homes England would reclaim 31p.
8. The clawback is based on Homes England assessment of what it will cost to bring the site forward and their percentage funding contribution towards this. Their assessment considers that there will still be a gap in funding even with the grant as their total estimate of abnormals is £3,651,215. Our view is that this is significantly higher than we would expect, but if necessary we would have to reduce the value of the site on disposal to take into account any abnormal costs.

Developer Interest

9. During the time that we were exploring the opportunities for funding with Homes England they carried out their own soft market testing with developers in November 2017. A number of developers said that they would not be interested in Nelson as it was not perceived that there would be sufficient market for their developments and also due to low house prices. A number of affordable housing providers were showing an interest in Nelson but the site would be too large for them to consider taking all of it. It was felt that there would be interest from some developers but this would probably be on the basis of buying the site in phases rather than all at once and on the basis of deferred payment terms. The cost of the upfront infrastructure cost was also a concern.
10. Over the Summer of 2018 Liberata sent out marketing particulars to around 100 developers (private and registered providers) who were either active in Pendle or the surrounding towns, or had shown an interest in developing in Pendle. Expressions of Interest were sought in the

site rather than formal bids and one expression was received. This was from a developer who expressed a desire to work with our Joint Venture PEARL rather than develop the site on their own.

11. Following the establishment of our new Joint Venture (JV) between Pendle, Barnfield and Together Housing (PEARL Together) we have been discussing the site with our JV partners. Both our partners are willing to consider development for a mixture of open market and affordable housing. This would be delivered over several phases so that the market demand for different house types can be established during the first phases and that would determine later phases and land values.
12. In order to meet the delivery requirements of the Accelerated Construction programme Barnfield have been investigating the use of timber frame construction. This would speed up delivery and hence reduce overhead costs but would not impact on the appearance of the properties.

Development Strategy

13. It is proposed that the infrastructure works that will be funded using the grant money are procured and managed by Pendle's Engineering Team. Once the works are complete the land would be sold at market value. This will ensure that there are no State Aid implications.
14. From the marketing exercises detailed above there is a lack of interest from developers and it is proposed that the site is disposed of at market value to PEARL Together. The JV have indicated a willingness to develop the site in line with the requirements of the Accelerated Construction programme. Due to the size of the site it is anticipated that there will be a need to dispose of the land in a series of phases
15. There are a number of development obligations imposed by Homes England as part of the Funding Agreement and it will be necessary to mirror the relevant obligations in any agreement with PEARL Together to protect the Council's interests. It is therefore proposed that disposal will be through an Overarching Development Agreement that covers all phases of the site.

IMPLICATIONS

Policy: The disposal of surplus land is acceptable policy for the Council.

Financial: Disposal of the site will generate capital receipts that will support the capital programme. Additional housing units will also generate revenue income through the Government's New Homes Bonus (NHB) incentivisation scheme.

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

1 – Plan of the site

LIST OF BACKGROUND PAPERS

None