



REPORT OF: HOUSING, HEALTH AND ENGINEERING SERVICES
MANAGER

TO: POLICY AND RESOURCES COMMITTEE

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PEARL JOINT VENTURE COMPANIES DEVELOPMENT ACTIVITY

PURPOSE OF REPORT

To provide an update on development activity being carried out by our PEARL Joint Venture companies.

RECOMMENDATION

To note the ongoing and planned development activity of the PEARL Companies.

REASON FOR RECOMMENDATION

To keep the Committee informed of progress with the PEARL companies.

ISSUE

1. This report gives an update to the Committee on the development activity of our four PEARL Joint Venture Companies during 2021/22 and sets out what is proposed during 2022/23.
2. Since they were established our PEARL Joint Ventures have completed work on 13 schemes totalling £47m. This has resulted in 246 new houses being built or brought back into use and 9,516sqm (102,000sqft) of commercial floorspace being built or refurbished. Work is continuing on three schemes totalling around £45m including our major regeneration scheme at Brierfield Mill 'Northlight'. A further 6 schemes are in the pipeline and due to start this year or in later years.
3. During the Covid pandemic work was allowed to continue on construction sites, although there were some delays due to the need for social distancing on site and when

construction staff needed to isolate. Over the past year the availability of materials and the cost increases of those materials has been a major issue across the construction industry. The cost of many materials such as roof tiles and steel have risen by over 20% in 2021/22.

4. All existing contracts that have been let to Barnfield are fixed price contracts so the risk of cost increases for these schemes lies with Barnfield. For schemes that have been in the pipeline it has been more challenging to ensure viability and this has resulted in the need for redesign and value engineering which has delayed progress.

PEARL/PEARL2/PEARL (Brierfield Mill)

5. Our three Joint Venture companies with Barnfield Investment Properties have continued to deliver a range of housing and mixed use schemes over the last year.

Housing

6. The housing development at the Oak Mill, Colne site (known as **Langroyd Place**) has been completed and all of the 32 properties have been sold.
7. The 12 apartments at the former **Colne Health Centre** site that were being constructed for the Peter Birtwistle Trust (a Registered Charity and Housing Association based in Colne) have been completed and are now occupied. This is the second scheme developed for the Trust following the earlier development of 12 bungalows at Carry Lane which is known as the East Lemes scheme.
8. Work has continued on the second phase of the Carry Lane housing site in Colne, adjoining East Lemes. This scheme (known as **Greenfields View**) consists of 21 houses for sale on the open market. 18 houses have now been sold and the kitchens and bathrooms are being put into the remaining properties to allow Barnfield to complete the development and move off site.
9. Future housing activity will now be delivered through PEARL Together.

Retail

10. The Colne Health Centre scheme also includes retail units on the ground floor. One of these has been leased to the Pendle Community Credit Union (PCCU), who were formerly tenants of PEARL at Shackleton Hall Arcade. The other two retail units are being marketed.
11. All the retail space that was refurbished in earlier years at **Hartley Square** and **Shackleton Hall Arcade** in Colne is currently let and providing a good income for PEARL.

Offices

12. The office market over the last year has continued to be challenging and occupancy at the ACE Centre in Nelson remained low. The lease for the office space in the building has now been disposed of by PEARL to Business First who will be carrying out a refurbishment of the space to provide modern flexible space. They have been encouraged to invest in Nelson following the success of their business space at Northlight (set out below).

Brierfield Mill 'Northlight'

13. The Committee has previously been informed that the Burnley FC in the Community Leisure Box scheme, the Lancashire Adult Learning centre and the In Situ arts centre have been completed and are now occupied and canalside moorings have also been constructed.
14. The first phase of the residential scheme involving the creation of 40 apartments in the northern half of the main mill for open market sale has also been completed. 32 of the 40 residential units have now been sold, 3 are reserved and 5 are still to sell. The second phase of a further 45 apartments, in the southern half of the mill, is under construction and there have been 2 sales and 7 reservations.
15. The business space in the northern half of the main mill, developed for Business First and providing offices ranging from 150 to 1,000 sqft as well as meeting rooms and co-working space, is now fully let. Business First have also exchanged contracts on space in the southern half of the main mill and are considering how best to fit this out.
16. There has been a range of interest in the space in Building 2 (the northlight building to the rear of Lancashire Adult Learning) and in the former engine house and this space is expected to accommodate a mix of uses. Heads of Terms have been agreed with two businesses and negotiations are underway with other potential users.
17. There will be some residual space fronting onto the central spine road which provides opportunities for small scale retail uses to serve the people who are living, working or visiting the site. It is important that any retail on the site does not affect the viability of Brierfield Town Centre. A public realm scheme will be undertaken by Pendle Council (jointly funded by the Council and Lancashire County Council) on Bridge Street to encourage people from the mill to use the town centre.

Lomeshaye Extension Phase 1

18. Policy & Resources Committee agreed on 19th March 2019 to dispose of land at Lomeshaye Extension Phase 1 to PEARL2 to develop industrial units. It has taken some time to establish the full range of abnormalities on site, including Environment Agency requirements to deal with flood risk, before a land value could be agreed.
19. The land value has now been agreed as £724k with an additional £306k towards the electricity provision to ensure that there is a sufficient supply to the site to attract manufacturing companies. The disposal will also include an overage provision, as set out below, so if the final profit is above 10% the above the following overage provisions will apply.
 - Developers Profit up to 10% allocated to PEARL2
 - Developers Profit between 10% and 15% allocated to Pendle Borough Council
 - Developers Profit over 15% allocated to PEARL
20. The Lease and Agreement for Lease are close to being finalised and an overage agreement is being drafted.
21. Pendle Council Engineers have been managing the construction of a road into the site and the provision of services (gas, water and electricity) funded by £3m from Lancashire LEP and Lancashire County Council (LCC) and this is almost completed. Additional 'green and blue' infrastructure works are also being undertaken including riverbank

stabilisation, upgrading footpaths/bridleways and landscaping works on the wider estate, funded through £570k of European ESIF funding and these works are planned for completion by September 2022.

22. A planning application was submitted by PEARL2 for the proposed development when negotiations were underway with a Pendle based engineering company that were looking to relocate. The company decided to relocate elsewhere on Lomeshaye and revised plans are now being submitted to secure planning permission.
23. The timescale originally agreed with the LEP and LCC to undertake the development has slipped. The original grant funding agreement required a start on site of April 2021 and we are now projecting September 2022, which is being discussed with the LEP. The final deadline for achieving floorspace and jobs outputs through funding from the LEP is March 2025, so that is still achievable. The floorspace target is 90,000sqft and we currently expect to overachieve this. The job target is 140 safeguarded and 50 created, but this is very dependent upon the end user(s) for the building.

PEARL TOGETHER

24. Our latest Joint Venture with Barnfield and Together Housing, PEARL Together, is now on site with its first scheme and further schemes are in the pipeline.

Harrison Drive, Colne

25. The Harrison Drive scheme involves the construction of 79 homes and these will all be owned and managed by Together Housing for affordable rent. The houses will include renewable energy technology measures including Photovoltaic (PV) solar panels and Ground Source Heat Pumps.
26. Work has started on the site and completion will be by the end of 2022.

Further Clough Head

27. Pendle Council obtained outline planning permission in 2017 for 200 houses at Further Clough Head. PEARL Together subsequently received Reserved Matters approval for the first phase of 98 houses and had expected to start on site during 2021/22. Following further site investigation and design work it became apparent that a scheme of 200 units would not be viable on such an undulating site and taking into account the recent increase in building costs. It is now anticipated that a reduced number of properties will be developed and more of the site will be retained as open space. A further Reserved Matters planning application will be submitted shortly. There will still be a minimum of 20% affordable homes.
28. The site is owned by Pendle Council and will be sold to PEARL Together under a Development Agreement, as previously agreed by Policy & Resources. Negotiations on land value have been put on hold until a scheme has been finalised, but we are aiming to agree terms and dispose of the site during 2022/23 so that development can start this year.
29. Pendle Council have received funding from Homes England under the Accelerated Construction programme to put in the road and services infrastructure and these works have completed. The funding agreement is being re-negotiated with Homes England due to the anticipated reduction in numbers and delays to a start on site.

Former O'Hagan Court, Brierfield

30. The O'Hagan Court site is a cleared site owned by Together Housing. A planning application has been approved to construct 10 bungalows on the site for affordable rent. A start on site was anticipated during 2021/22 but this has been delayed due to the need to satisfy Environment Agency requirements and to ensure that the scheme is viable. A start is now expected during 2022/23.

Spring Mill, Earby

31. The site is privately owned but terms have been agreed to acquire it. A public consultation event and leafletting was undertaken by PEARL Together in September 2021 and the chief concerns related to traffic, infrastructure and drainage all of which will be dealt with as part of the planning process. Following the consultation process some changes were made to introduce bungalows and some changes made to the layout.
32. The draft scheme includes 53 homes, including 4 bungalows and upto 13 affordable homes. The planning requirement is for 3 affordable units so the scheme provides an additional 10 over and above that requirement. A planning application will be submitted in the next few weeks.

Bankhouse Road, Nelson

33. Policy & Resources Committee agreed on 17th March that PEARL Together be chosen as the preferred developer to create an Extra Care scheme on the site, subject to agreement over land value and future ownership of assets on the land. PEARL Together are now working with Lancashire County Council, as commissioners for care and support, to draw up a more detailed proposal for the site. Consultation will be undertaken with the local community to assess level of demand in order to refine a scheme that meets both need and demand.

Colne Market Hall/Bus Station Redevelopment

34. Policy & Resources Committee agreed on 20th January 2022 that PEARL Together be chosen as the preferred developer subject to the signing of a Development Agreement. PEARL Together are now looking at options for the site and attending the Colne Market Forum meetings to discuss proposals.
35. This project is due to receive £3.057m of gap funding from Levelling Up Fund which needs to be spent by March 2025 so it is intended that a planning application be submitted during the year.

SUMMARY OF FINANCIAL POSITION

36. Appendix 1 sets out the overall financial position of the PEARL companies at 31st March 2022. Pendle have provided loans totalling £2,365,126.56 which has accrued £554,167.31 in interest.
37. Our approach has been to leave our loan funding within the PEARL companies as a way of cashflowing schemes in a cost effective way which reduces the need to borrow to fund developments. The loans are currently accruing interest and will continue to do so until repaid.

38. The total debt in the companies is currently £13.8m. The companies hold £19m in stock so we are expecting to recoup the loans in full at an appropriate time.

IMPLICATIONS

Policy: None directly arising from this report

Financial: Included in the main body of the report

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

APPENDIX

1- PEARL Financial Position

LIST OF BACKGROUND PAPERS

Previous reports to Policy & Resources Committee as set out in this report

APPENDIX 1 – PEARL FINANCIAL POSITION

Overall Position As at 31th March 2022

	PEARL	PEARL2	PEARL BM Ltd	PEARL Together Ltd	Total
Gross Profit/Loss for Year	250,849	686,926	(181,298)	111,508	867,985
Net Profit/Loss after Tax	55,642	430,651	(231,224)	84,237	339,306
Fixed Assets & Stock	3,741,463	1,962,220	12,764,502	589,451	19,057,636
Cash	314,224	46,505	0	302,641	663,370
Outstanding Loans					
Pendle Borough Council*	796,685 30%	1,454,156 30%	541,249 30%	127,204 15%	2,919,294
Barnfield Investment Properties Ltd	1,876,177 70%	3,388,019 70%	1,260,555 70%	296,692 35%	6,821,443
Together Housing Group				424,080 50%	424,080
PEARL2	1,251,531		1,420,000		2,671,531
Bank Loan	1,026,644				1,026,644
Total	4,951,036	4,842,175	3,221,804	847,976	13,862,992

* - of which					
Principal	569,997.00	1,192,343.56	480,536.00	122,250.00	2,365,126.56
Accrued Interest	226,688.03	261,812.64	60,713.03	4,953.60	554,167.31

Colne Health
Centre
Colne Shopping Centre
ACE Centre *

Quaker Heights
Spinners View
Langroyd Place
Lomeshaye Phase 1**

Brierfield Mill

Further Clough Head
Harrison Drive
O'Hagan Court
Spring Mill

* - Sold

** - To be acquired