



REPORT FROM: DIRECTOR OF PLACE

TO: EXECUTIVE

DATE: 22nd June 2023

Report Author: Tony Brown
Tel No: 01282 878938
E-mail: Anthony.Brown@liberata.com

DISPOSAL OF LAND AT FURTHER CLOUGH HEAD TO PEARL TOGETHER

PURPOSE OF REPORT

To advise Members of the disposal of the above Council owned land.

RECOMMENDATIONS

That Members note the proposed disposal price and potential for the transfer of a reduced site area to PEARL Together and to give delegated authority to the Director of Resources to agree a delayed capital receipt for the site.

REASONS FOR RECOMMENDATION

To achieve a capital receipt and to facilitate the development of the land in question.

BACKGROUND

1. The Policy and Resources Committee at its meeting held 28th May 2019, approved the disposal of 10.10 hectares of the Council's land at Further Clough Head, as shown with a thick black boundary line on the attached plan within Appendix 1, to PEARL Together, a joint venture company of which the Council is a partner.
2. The Committee resolved that the disposal would be via a negotiated procedure and that agreeing the land value was to be delegated to the Corporate Director.
3. The Council is a partner in PEARL Together, with Barnfield Construction and the Together Housing Group with the aim of carrying out residential development with affordable housing.

4. Homes England provided a grant of £1.15M towards the costs incurred constructing the road and certain infrastructure costs into the site on the basis that the new scheme constructs 129 houses.

ISSUE

5. A development appraisal has been submitted to the Council by PEARL Together, based upon estimates relating to the potential gross development value of the completed scheme, the total costs of design, construction and fees and charges that would be payable in relation to the transfer of the land and the disposal of the completed properties. The residual to purchase the land from the Council is £500,000, which it would receive upon completion of the legal transfer. The transfer would also have provision for an additional payment if the development generates a profit.
6. The site itself is a difficult and costly site to develop, due to the topography, abnormal ground conditions and engineering issues, requiring substantial levelling of the site and the construction of major retaining walls, which must be addressed as part of the development process.
7. Liberata, the Council's property advisers, have examined the appraisal provided by PEARL Together and advised that the estimates within the appraisal appears to reflect current material and labour costs for construction and the anticipated market value of the completed properties. The increased costs for the abnormals, relating to the engineering issues, have also been examined by the Council's Engineering Manager and again appear to be in line with current labour and material costs.
8. Considering the appraisal provided and following discussions with PEARL Together's professional advisers as to the development costs, the residual available to purchase the land at £500,000 is considered to be reasonable.
9. Initially the scheme proposed the construction of approximately 200 properties, however due to the difficult ground conditions the scheme now proposes the construction of 129 properties in total, of which 26 will be affordable. Homes England have confirmed that the reduced output is acceptable and do not require any of the grant funding to be clawed back for this change in house numbers.
10. During the site investigation process abandoned mine shafts on the site have been identified as being present, however the exact location of one of the shafts has not yet been pinpointed and further investigations are being undertaken. If the exact location cannot be determined, then the area where the mineshaft is thought to be located may have to be retained by the Council as fenced off landscaped area. This should not affect the consideration being paid to the Council but will result in an amended disposal area.
11. PEARL Together are keen to commence work on the site, with a start date on site anticipated in late 2023. Members are asked to note the land value and authorise the Council's Property lawyer to proceed with the transfer when the

parties are satisfied that the mine shaft location has been identified and the land boundary agreed.

12. PEARL Together Ltd have also intimated that they will seek further shareholder investment in to the company to cash flow the scheme. In anticipation of this, Members are asked to give delegated powers to the Director of Resources to agree a delayed to the capital receipt being paid whilst the scheme is being developed.

IMPLICATIONS

Policy: The Council as partner of PEARL Together works to provide new mixed housing development to the benefit of local residents.

Financial: The Council aims to maximise capital receipts for land disposals at best value. The Council has financial liabilities to Homes England in relation to the grant funding and outputs. Delaying the capital receipt allows Pendle Borough Council to provide share holder funds in to PEARL Together Ltd.

Legal: The Council has entered into covenants with Homes England relating to the development of the land and legal liabilities to achieve outputs.

Risk Management: Risks associated with the development lie with PEARL Together of which the Council is a partner.

Health and Safety: The development is being carried out by PEARL Together and all Health and Safety issues relating to the construction phase and development would lie with the Joint Venture Company. Health and Safety risks associated with any land which may be retained by the Council as affected by the presence of abandoned mineshaft will lay with the Council and this land will be fenced off with warning notices, if the shaft can't be located and capped.

Climate Change: None

Community Safety: See Health and Safety above.

Equality and Diversity: Affordable housing will be provided for local residents.

APPENDICES – Location plan as marked.

LIST OF BACKGROUND PAPERS

None