

REPORT FROM: HEAD OF ECONOMIC GROWTH

TO: EXECUTIVE

DATE: 12th MARCH 2024

Report Author: Iftikhar Bokhari
Tel. No: 01282 662006
E-mail: iftikhar.bokhari@pendle.gov.uk

BANKHOUSE ROAD, NELSON

PURPOSE OF REPORT

To provide an update on progress and seek approval for an alternative housing scheme.

RECOMMENDATION

Executive agrees to progress the development of Bankhouse Road, Nelson, through PEARL Together as a general needs affordable housing scheme.

REASON FOR RECOMMENDATION

To progress the development of the site for an affordable housing scheme.

BACKGROUND

1. On 16th December 2021 the P&R Committee noted that £200,000 of Brownfield Land Release Fund had been obtained to support the development of the Bankhouse Road site in Bradley. At that point the site had remained vacant for over a decade.
2. The Committee agreed that proposals should be sought from Housing 21 and PEARL Together for delivery of an Extra Care scheme on the site so that a preferred developer could be chosen.
3. Following a procurement process, PEARL Together was appointed as the preferred developer in March 2022.
4. The options to develop the site for an extra care scheme were investigated by PEARL Together and financial options were tested. This report provides a progress update on these schemes.
5. A report was presented to the PEARL Together Board on 18th January 2024, at which point it was agreed that an extra care proposal was not viable and that alternative options for the site be explored.

Update

6. Following consideration of a number of options and financial appraisals, it has been found that the development of an extra care scheme with approximately 35 units is not currently financially viable, as it would require approximately 81 units to make the scheme financially viable.
7. This is due to an increase in build costs of around 25% following the Covid-19 pandemic and recent inflationary cost increases across the economy. The financial appraisal from Together Housing shows the extra care scheme to have a deficit of £3.1m and with a payback period of 91 years. For a scheme to be viable, Together Housing require this to be a maximum of 35 years.
8. Whilst developing a case for the scheme, officers have investigated the options to reduce costs through modern methods of construction (MMC), which involves the use of pre-fabricated structural components. However, the financial appraisal suggests that this approach would give no significant savings which would enable the scheme to bridge the financial gap. In addition to this, the general increase in material and labour costs have meant that a number of companies which are suppliers of offsite construction (MMC) are struggling to be financially competitive when compared to the traditional build method.

Other Options considered.

9. Options considered to help bridge the financial gap include approaches to Lancashire County Council (LCC) and Homes England (HE).
10. LCC considered the scheme but was not able to offer any financial support. They require a scheme which would reach a minimum of approximately 81 units to be considered viable. It is not possible to develop a scheme of this scale on the site.
11. At the present time HE does not have a funding programme to financially support an extra care scheme.
12. Chorley Council was approached to understand how they had delivered their recent extra care scheme. The financial model used by Chorley was with the support of a funding partnership including Homes England, Lancashire County Council and S106 contributions. The remainder was funded through borrowing by Chorley Council; around £5million, which is thought to be around 56% of the overall project costs. This was done as a long-term investment designed to generate an income to the council and sufficient return on their investment.
13. Another local example is the 93 apartment scheme in Burnley, developed by Calico Housing Group. The site offer in Burnley is larger than the one on Bankhouse Road and situated in the grounds of Burnley General Hospital. The scheme had a number of partners including the NHS, Burnley Council and LCC.

14. To get closer to replicating the Burnley scheme, Bankhouse Road would require a greater number of units and the benefit of a funding partnership. The Burnley scheme was undertaken during a different funding climate and the same funding opportunities are no longer available. Also to put such a partnership together would not be possible within the timescales available to us.

Challenges

15. The Brownfield Land Release Fund (BLRF) funding conditions for the Bankhouse Road land release do not specify that the development needs to be exclusively an extra care scheme; the funding does allow an alternative of a general needs affordable housing development. The funder does therefore provide flexibility to explore a secondary option.
16. However, it is a requirement of the funding that the site is transferred for development by March 2024, to the developer; PEARL Together.
17. Officers are in discussion with the funder to explain the challenges in developing the site and are seeking to extend the current funding commitment from the BLRF. Without this time extension of the funding, we would face a funding gap for site remediation, which would likely cause the scheme to remain unviable.
18. The revised milestones anticipate a transfer of the land by September 2024, with an estimated commencement date of works beginning January 2025, with completion by the end of 2026.

Recommendation

19. To give approval for taking the site forwards for development as a general affordable housing scheme, through the existing PEARL board. As opposed to an extra care scheme, as previously agreed.
20. The funding structure of a housing scheme is less complex than an extra care scheme and therefore could be more financially viable. As per section 5, this is currently being explored with PEARL Together. The details of the scheme of housing would be subject to these viability assessments.
21. If approval is not given, the site will remain undeveloped.

IMPLICATIONS

Policy: development of Bankhouse Road will support the need for housing in the borough and help to meet the priorities of the Pendle Council Corporate Plan

Financial: External infrastructure funding for the scheme is time limited and may need to be returned if suitable progress is not made.

Legal: 1. The transfer of land to PEARL Together, within agreed timescales which satisfies the funder. 2. Requirement to meet biodiversity net-gain obligations within the development design.

Risk Management: Regular meetings to be held with PEARL Together to understand emerging viability and options coming forwards for housing needs and design.

Health and Safety: None

Sustainability: Sustainability will be considered in the design of a housing scheme, but implementation would be subject to financial viability.

Community Safety: None

Equality and Diversity: None

APPENDICES - Map of Bankhouse Road site

LIST OF BACKGROUND PAPERS - None