



<b>Report to:</b>	Cabinet	<b>Date:</b> 09 March 2022
<b>Subject:</b>	Proposed Redevelopment of Fletcher Fold Bury to Deliver Affordable Low Carbon Homes	
<b>Report of</b>	Cabinet Member for Housing Services	

## Summary

This report proposes arrangements for delivery of a housing scheme at Fletcher Fold, Bury. The scheme for 26 affordable homes was approved in principle by Cabinet on 11th November 2020. Since then, the Council has successfully bid for Brownfield Land Funding to undertake land remediation works at the site. Those works have now been completed on time and within budget.

Provision of £4m for the scheme was approved as part of the Capital Programme approved by the Council on 23rd February 2022.

This report now proposes that the scheme be delivered by Six Town Housing. The report contains the details of the proposed partnership with Six Town Housing, including the financial arrangements and seeks approval to proceed with the scheme on that basis.

## Recommendations

That Cabinet:

1. Approves the principle of the Fletcher Fold housing scheme being developed by Six Town Housing, on the basis of the financial and governance arrangements set out in this report.
2. Notes that provision of £4m has been made for this scheme in the Council's approved Capital Programme.
3. Delegates authority to the Director of Housing after consultation with the Chief Executive, the Executive Director of Finance, the Director of Law and Governance and the Cabinet Member for Housing Services to approve the detailed proposals to be submitted by Six Town Housing.

## Reasons for recommendations

1. To facilitate the Council's brownfield first approach to housing delivery and reduce the Council's revenue costs for holding, maintaining and securing long-term disused sites.
2. Delivery of the priorities of the Council's Housing Strategy being to increase the supply of new housing and the delivery of affordable homes.

3. Delivery of low carbon sustainable homes.

### **Alternative options considered and rejected**

1. Do nothing: Bury has high levels of need for affordable housing and supply is required in the marketplace. This is a brownfield site suitable for housing in an area of high demand, to do nothing would not be an option.
2. Market the site: The proposed scheme would not be delivered in the current housebuilding marketplace and, there are overage and clawback mechanisms in the Brownfield Housing Grant contract that would negate any capital receipt to the Council.
3. Dispose of the site to a Registered Housing Provider to deliver a similar scheme. This would take away a degree of control but would reduce the Council's risk. It would not support provide any financial support to the Housing Revenue Account.

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### **Report Author and Contact Details:**

*Name: Geoff Little*

*Position: Chief Executive*

*E-mail: [g.little@bury.gov.uk](mailto:g.little@bury.gov.uk)*

*Paul Beardmore*

*Position: Strategic Advisor Housing*

*Email: [p.beardmore@bury.gov.uk](mailto:p.beardmore@bury.gov.uk)*

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## 1. Background

- 1.1 Fletcher Fold is a 1.8-acre brownfield Council owned site off Fletcher Fold Road / Goshen Road BL9 9RX and was the former location of the Millwood School that has since relocated to School Street, Radcliffe. The site is now cleared and the former school buildings were demolished in 2018.



- 1.2 At its meeting on 11 November 2020, the Cabinet approved a scheme for affordable houses to be developed on the Fletcher Fold site. In accordance with that decision, plans have been drawn up utilising the Joint Venture (JV) North Framework, of which Bury Council is a constituent partner.
- 1.3 The site is allocated for housing and is suitable for redevelopment. As a Council owned site, it forms part of the Accelerated Land Disposal Programme and demonstrates the Council's "Brownfield First" approach to housing development.

## 2. GMCA Brownfield Housing Fund

- 2.1 Fletcher Fold was included within a funding application to the Greater Manchester Combined Authority (GMCA) in 2020. The bid was successful and £124,000 of Brownfield Housing Fund (BHF) grant has been received.
- 2.2 In accordance with the provisions of the Grant Funding Agreement, there are clawback and overage mechanisms that are liable for repayment if the site is sold to a third party.

2.3 Site clearance, ground remediations and enabling works along with the removal of buried structures commenced in 2021. The works were completed in September 2021, on time and within budget.

### **3. Strategic Priorities**

3.1 A key priority of the Bury Let's Do It Strategy is to deliver housing and economic growth that supports strong, vibrant and healthy communities, by ensuring a sufficient number and range of homes are provided to meet the needs of present and future generations. The proposed development at Fletcher Fold seeks to deliver on this.

3.2 The Council recently published its housing strategy that identifies the need to deliver:

- a. More homes in the Borough.
- b. Increase the supply of affordable housing.
- c. A more dynamic housing market with a range of tenures.
- d. Bespoke housing to meet the needs of residents.
- e. Healthy homes and places.
- f. Accelerate the delivery of new low carbon housing.

3.3 Bury's Housing Need and Demand Assessment 2020 identified a net annual imbalance of 448 affordable dwellings across the Borough. The proposed development at Fletcher Fold contributes to rebalancing the housing stock.

3.4 In 2019, Bury Council declared a climate emergency and set a target to be carbon neutral by 2039. Low carbon homes, incorporating sustainable renewable technologies delivered at Fletcher Fold will form the Borough's first exemplar project and pave the way for all housing to be net zero by 2028.

### **4. Project viability**

4.1 The Council's officers have now completed the required benchmarking of values and costs relating to the proposed development. Whilst the design has yet to be submitted for full planning approval, there is sufficient detail for a development cost plan to be drawn up and appraised

4.2 The proposed development has been initially appraised using Proval industry standard software and assumes the current tenure mix, eligibility for Affordable Housing Grant, £208,000 Section 106 monies contribution and a loan of £4 million to fund the development. Income from the completed development will be sufficient to repay the loan and fully fund the costs of management, repair and maintenance.

4.3 The final confirmation of financial performance can only be concluded once the scheme has achieved planning consent and the full design and specification tendered. Hence, this report is seeking an approval in principle in order to allow a full planning application and full due diligence to be applied once detailed and firm costs have been obtained. It is proposed that Six Town Housing will initially fund the cost of the planning application and due diligence, with these costs being recovered when

the scheme progresses Should the scheme not go ahead for any reason, the costs will be absorbed by Six Town Housing, using their reserves.

## **5. Proposed funding structure**

- 5.1 It is proposed that the Council uses its prudential borrowing powers and capacity to make a loan of circa £4 million to Six Town Housing with a full repayment profile (capital and interest) of up to 40 years at an interest rate of 3.41%. Six Town Housing will manage the development using an established and experienced Registered Housing Provider partner to build the development and draw down the loan in agreed stages until practical completion. At that point, Six Town Housing will formally take ownership of the completed homes and establish a repayment schedule with the Council. The shared ownership stock will be marketed and sold by the Council. Subsequent receipts from shared ownership sales will be repaid to the Council. Six Town Housing will take responsibility for managing the retained element of the shared ownership homes.
- 5.2 Full due diligence of the proposed loan arrangements will take place including reviews of other similar Local Authority arrangements.

## **6. Delivery Plan**

- 6.1 Subject to Cabinet approving this report, it is proposed that Six Town Housing will develop a detailed scheme proposal to allow full due diligence and scrutiny prior to submission for delegated approval by the Director of Housing after consultation with the Chief Executive, Executive Director of Finance, the Director of Law and Governance and the Cabinet Member for Housing Services. It is anticipated that a full proposal will be ready for approval by June 2022.
- 6.2 Subject to that approval, a full planning application will be submitted by Six Town Housing or their delivery partner with an anticipated approval within 6-9 months. During that period, Six Town Housing will place a bid for Homes England Funding on their CME platform, appoint contractors and establish final costs with an anticipated start on site in Spring 2023.

## **7. Risk Management**

- 7.1 Strong and effective governance will be essential in ensuring that the project both delivers and meets all necessary legal and financial standing orders of the Council and of Six Town Housing. Six Town Housing have restructured their governance arrangements around asset management and have established an Assets and Growth Committee which includes oversight of capital work and development programme and stock acquisitions. The Council will, with professional external expertise, assess the robustness of these arrangements in order to satisfy itself that any new arrangements are both open, transparent and robust in order that the Council can achieve full assurance that the development is effectively delivered as per any approval.
- 7.2 A specific Project Board will be established to manage the proposed development, led by the Director of Assets at Six Town Housing and will include a senior development officer from the Council. The Council's Executive Director of Finance

and the Director of Law and Governance will both be represented on the Project Board. A full risk register will be developed by the project board and used to manage and control risk as the project develops. The key risks to the Council will be reputational risk of non-delivery, under performance of the financial model and failure to achieve the necessary level of Homes England funding.

- 7.3 The key risks to Six Town Housing are an inability to secure a development partner, planning risk and underperformance of the financial model, leaving Six Town Housing responsible for repaying the Council loan without sufficient income. A number of risks for Six Town Housing, for example sales of shared ownership properties, can be off set or shared with the development partner.

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#### **Links with the Corporate Priorities:**

This proposal contributes towards meeting the Council's priorities across a range of policy areas including increasing the supply of affordable housing. It sets out plans for the delivery of a low carbon development on brownfield land and an opportunity to create successful and inclusive neighbourhoods in conjunction with the Bury Let's Do It Strategy.

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#### **Equality Impact and Considerations:**

This proposal promotes equality of access to housing. It seeks to ensure that there is a mix of tenures and house types across the site to meet the needs of residents and, recognises the specific housing needs of different client groups including low-income households and people who are homeless or at risk of homelessness.

Whilst there are no direct equality issues, the development of this site will result in the regeneration an area which will improve the local environment by reducing opportunity for anti-social behaviour including fly-tipping. The development will also provide 26 much needed affordable family homes for residents of the Borough.

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#### **Environmental Impact and Considerations:**

The new homes will be built to low carbon standards, incorporating sustainable renewable technologies to reduce fuel bills and cut carbon emissions.

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#### **Assessment and Mitigation of Risk:**

<b>Risk / opportunity</b>	<b>Mitigation</b>
The proposal will generate 26 much needed, sustainable affordable homes (18 Affordable Rent and 8 Shared Ownership) to help meet the Council's housing targets.	

The development proposals once complete will generate additional council tax revenue and may generate New Homes Bonus payments.	
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**Legal Implications:**

Cabinet are asked to make an in-principle decision at this stage, in developing this project it is important to ensure that the necessary legal, financial due diligence is undertaken. Legal advice will be required on the proposed model. As set out in the report at paragraph 7.2 a Board will be established which will be responsible for the oversight of the project. All Council procurement processes will need to be followed. Legal advice will be provided at all stages of the process.

The Cabinet agreed in November 2020 to progress a scheme for 26 houses and submit planning permission and tender via the JV framework. Members are asked to note that revised financial estimates will be needed.

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**Financial Implications:**

Provision of £4m for this scheme was approved as part of the Capital Programme approved by the Council on 23rd February 2022.

Cabinet are asked to make an in-principle decision at this stage, in developing this project it is important to ensure that the necessary legal, financial due diligence is undertaken.

The previously completed financial modelling undertaken in 2020 will need to be reviewed and updated. These updates will be channelled through the Project Board detailed in paragraph 7.2 with decisions being taken in accordance with the delegation requested in recommendation 3.

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**Background papers:**

None.

**Please include a glossary of terms, abbreviations and acronyms used in this report.**

Term	Meaning
GMCA	Greater Manchester Combined Authority
PV panels	Solar electricity panels, also known as photovoltaics (PV), capture the sun's energy and convert it into electricity that you can use in your home.
CME	Continuous Market Engagement