

<b>Classification</b>	<b>Decision Type</b>
<b>Open</b>	<b>Key</b>

<b>Report to:</b>	Cabinet	<b>Date:</b> 16 November 2022
<b>Subject:</b>	East Lancashire Paper Mill Site Update (Part A)	
<b>Report of:</b>	Leader and Cabinet Member for Strategic Growth and Skills	

## SUMMARY

- The East Lancashire Paper Mill (ELPM) site is the single largest vacant brownfield site for new housing in Bury District. The Council has been working in partnership with Homes England since 2016, as joint owners to de-risk the site and pursue a delivery strategy to bring the site forward for redevelopment for housing, together with open space and replacement cricket facilities.
- The delivery strategy has included the procurement of a development partner (Morris Homes) who as part of an Invitation To Tender (ITT) procurement exercise were the preferred bidder and approved by Cabinet in March 2022. The council has now entered in to a Collaboration Agreement with Homes England, which will see Bury's land transferred to Homes England for onward lease with Morris Homes.
- Following approval to enter in to a collaboration agreement with Homes England in March 2022 and approval of the original offer on the site, the Council, Homes England and Morris Homes have formed a Project Team to review the viability of the original proposal, instructing external consultants to validate original assumptions. Each party as continued to work collaboratively to de-risk the site and progress the planning, cricket club relocation and delivery strategy for the project.
- This report provides an update to the March 2022 Cabinet Paper 'East Lancashire Paper Site Update' and sets out changes in the original offer approved by Cabinet, resulting from a change in market conditions and viability appraisals.
- Confidential information in relation to the revised offer is contained in Part B of this report.

## Recommendation(s)

### That Cabinet:

1. Agrees to the revised land value offer received by the Council and Homes England in October 2022, which will result in a reduced capital receipt from Morris Homes (North) Ltd based on a deferred payment basis.

2. Notes the delivery of 25% Affordable homes provision will now be undertaken via a standard S.106 agreement.
3. Notes the extensive partnership work with Homes England (as major land owner) and Morris Homes that has enabled an ambitious delivery schedule to be maintained which will result in housing, improved open space and replacement cricket facilities.
4. Delegate the finalised terms of the land sale agreement to the Executive Director of Place in consultation with the Cabinet Member for Finance, S151 Officer and Monitoring Officer.

**Reasons for the decision:**

- To ensure that Cabinet are kept fully informed on progress regarding the delivery of the East Lancashire Paper Mill site working in collaboration with Homes England and Morris Homes as the preferred bidder.
- To ensure Cabinet are aware that the previous Section 73 application made on viability grounds has been withdrawn on the basis that the scheme is deemed viable without the need for Homes England funding.
- In light of the above, to ensure approval is in place for agreeing a revised land value offer and Cabinet are appraised of the capital receipt which continues to offer the Council the most attractive financial proposition.

**Other options considered and rejected:**

The other option considered and rejected is set out in the Part B report.

**KEY CONSIDERATIONS**

**1. Background**

- 1.1 The derelict East Lancashire Paper Mill site is the largest brownfield housing site in the district and sits is a significant opportunity within the Radcliffe regeneration programme. The site extends to 21.08ha and represents one of the most exciting housing development opportunities on a brownfield site to come forward in the borough and the City Region. It offers the opportunity to build up to 400 new homes, including 100 affordable homes, together with new open space and replacement cricket facilities.
- 1.2 The site is part owned by Homes England (65%) and part owned by the Council (35%). The Council's ownership comprises two parcels of land, one off Rectory Lane and one at Tower Farm but was offered for sale as a single lot.
- 1.3 The site has a number of complexities which are intrinsically linked across the two ownerships. In light of this, it has previously been recognised that the comprehensive redevelopment of the site as a whole to achieve its full potential is the way forward. The site has been master planned in its entirety and has outline planning consent secured through joint working with Homes England.
- 1.4 In March 2022 Cabinet approved a formal Collaboration Agreement with Homes England, (a legally binding Agreement to comprehensively deliver the ELPM site

for housing, open space and replacement cricket facilities). Cabinet also agreed to the appointment of Morris Homes (preferred developer) and the under bidder developer (Keepmoat), the offers of which were set out in the part B report.

- 1.5 At that time approval was also gained to enter in to the financial payment arrangement for the capital receipt, based on the terms set out in Part B report of this report.

## **2. Progress Update**

- 2.1 Since approval was sought in March 2022, the Council, Homes England and Morris Homes have continued to work jointly as part of a project team to review the commercial terms and explore the potential for Homes England grant (which the original offer was predicated on) however it has subsequently become clear that the assumed viability issues are no longer applicable to justify grant subsidy.
- 2.2 As a result of market changes during this time and uplift in land values, coupled with a review of abnormal costs, officers commissioned updated appraisals which concluded ELPM is viable without Homes England Public subsidy. Therefore S.73 (removing obligation of affordable homes through the planning system on viability grounds) is no longer applicable.
- 2.3 On the basis of Homes England grant being unavailable, Morris Homes were approached to provide a revised land value offer for the site, reflecting that the S.73 application is withdrawn and unavailability of grant funding. This resulted in a revised offer being put forward in October 2022 and the affordable homes provision being required via a standard S.106 agreement.
- 2.3 The Project Team have continued to work collaboratively to de-risk the site and progress the planning and delivery strategy for the project.
- 2.4 In addition to reviewing the viability appraisals and potential for subsidy, significant progress has been made on the following key aspects:
- Site investigations
  - Agreement for Lease
  - Reserved Matters Planning application
  - Cricket club orientation, design and heritage issues
  - Calculating the cost of the Dowry being provided by the Land Trust

## **3. Delivery programme**

- 3.5 Going forward the key provisional timescales for the delivery of the housing project are:
- Formally appoint preferred developer – March 2022
  - Reserved Matters planning application process – December 2022
  - Forecasted planning approval – April 2023
  - Completion of the Lease with Morris Homes (deferred payment) – June 2023
  - Start on site – August 2023
  - House building starts – Mar 2024
  - Mid point construction phase (deferred payment) – Jan 2027

- Housing completion (Freeholds transferred to buyers)
- – Sept 2029

## **Financial Considerations**

### Land Payment/Capital receipt

- 4.1 The revised financial offer generates a capital receipt for the Council and Homes England.
- 4.2 Consideration has been given to the financial payment options and this is set out in Part B of the report.
- 4.3 There is also provision for overage under the terms of the Building Lease, which the developer will be required to pay and in accordance with the Collaboration Agreement, the overage money will be distributed between Homes England and the Council based on the agreed Equalisation Rate.

### Estate Management Dowry

- 4.4 Morris Homes are working with the Land Trust to put a fully funded management arrangement in place to manage and maintain unadoptable blue and green infrastructure and communal areas into perpetuity.
- 4.5 Bury's element for the Dowry will be deducted from the gross capital receipt and paid directly by the developer to the Land Trust.

## **5. CONCLUSION**

- 5.1 Significant progress has been made in developing the terms of the land value offer, exploring the potential for Homes England Grant which the original offer was predicated on. Whilst this has resulted in a revised reduced offer, the offer has been independently assessed via a Red Book Valuation confirming the offer is line with market rate. This provides further assurance that the preferred 'Development Partner' continues to be Morris Homes and the progress made under the collaboration agreement continues to enable the delivery of 400 new homes on the ELPM site.
- 5.2 The delivery of this site will make a substantial contribution to the regeneration of Radcliffe, providing much needed new homes and will ensure this long-standing derelict site is comprehensively developed.

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

The delivery of the ELPM site contributes towards meeting the Council's priorities across a range of policy areas including increasing the supply of housing to meet housing needs. It addresses a derelict brownfield site, provides for the delivery of a diverse housing development as well as open space and replacement cricket facilities and provides an opportunity to create successful and inclusive neighbourhoods in conjunction with the Bury 2030 Let's do it Strategy.

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### **Equality Impact and considerations:**

This proposal does not adversely affect equality.

This delivery of this new development by the selected developer will promote equality of access to housing and address local housing need.

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

The new homes are expected to be built to Future Homes Standard, in line with updated building regulations and include installation of energy efficiency measures to reduce fuel bills and cut carbon emissions.

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### **Assessment of Risk:**

The following risks apply to the decision:

<b>Risk / opportunity</b>	<b>Mitigation</b>
<b>Opportunity</b> Delivery of much needed housing on the largest brownfield site in the district	Continue with the preferred developer and enable the site to be accelerated for development.
<b>Risk</b> Development and construction costs increase.	As part of the contractual arrangements, the developer takes all the risk on cost.
<b>Risk</b> The security of the capital receipt based on the financial payment terms.	As per the Part B report
<b>Risk</b> Downturn in marketplace slows the delivery of homes and the building lease is forfeited.	If delivery of the development on site stalls, Homes England have contingency measures in place to ensure delivery.  If the Building Lease is forfeited, as part of the Collaboration Agreement with Homes England, control mechanisms are in place which include remarketing the site and agreeing a solution that could include the Council taking back the land.

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### **Legal Implications:**

The legal structure for the transaction is lawful and is one which is frequently used.

In accordance with section 123 Local Government Act 1972 provision on disposals, namely that disposals (other than short tenancies) must be for the consideration that is the best that can be reasonably obtained in the market.

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### **Financial Implications:**

This is an opportunity for the Council to progress the development of a Brownfield site which will lead to a significant housing development in line with the Councils Housing Strategy. This development will generate a capital receipt for the Council (subject to the communal land dowry). It is recognised that the total area of the land to be developed is currently owned by Homes England 65% and Bury Council 35% therefore the receipt will be received on this basis.

A residential development of this size will also bring sizeable future council tax receipts, although the extent and timing of which cannot yet be quantified and is dependent upon a number of factors including mix and type of accommodation. New Homes Bonus payments may also be payable subject to district wide performance and in compliance with Government policy at the time.

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### **Background papers:**

ELPM site – report to Cabinet 9 March 2022

ELPM site – Report to Cabinet 26 May 2021

ELPM Site – Report to Cabinet, 13 March 2020

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

Term	Meaning
ELPM	East Lancashire Paper Mill
Homes England's DDP	Homes England's Delivery Partner Panel
EOI	Expression of interest
ITT	Invitation to Tender