

PAPER B

Committee: **CABINET**

Date: **3 APRIL 2007**

Title: **PAN DEVELOPMENT**

REPORT OF THE CABINET MEMBER FOR ASSETS, PLANNING AND HOUSING

IMPLEMENTATION DATE: 17 APRIL 2007

PURPOSE

1. To approve the vision and development plan for the Pan Development.

Pan will be a benchmark development for the Island that provides a single cohesive community where people want to live and invest for the future.

1. The site will be developed through collaboration and a development agreement which will establish the framework for the delivery and quality of the Pan Development.
2. It will be designed to be a sustainable community offering high quality homes based on eco excellent design principles and the carbon footprint of the development will be minimised. The open space will be integrated with the new development providing an educational and recreational resource for the community.
3. The design of the community will minimise crime and build cohesion, focusing first on the delivery of community facilities.
4. The site will be of distinctive visual appearance reflecting local style and respecting the local topography.
5. To achieve the above Pan will be developed according to the best consideration principles with the Council focusing on maximising its control on the development in order to achieve the ambitions of local people and the wider Island community.

BACKGROUND

2. The Isle of Wight Council commissioned the production of a Master Plan for the Pan Development which was subsequently adopted as Supplementary Planning Guidance in (SPG) to the UDP in July 2004.
3. A report to Cabinet in March 2006 confirmed the Council's intention to develop the site and confirmed the following - Approval of Medina Housing Association as the lead Registered Social Landlord (RSL) - A target of at least 240 affordable homes on the site - The Eco Home Rating for the development to be excellent and Consideration of a Joint Venture Partner. This report also identified two other key issues - the tight timescale of the project and the unaffordability of the relief road/bypass.

4. The Master Plan set out the strategy framework and key principles for the development. It aims to integrate the existing community within Pan with the new community to be developed within the Development area, and will contribute to the ongoing regeneration and renewal of the area.
5. The Council now wishes to agree the development plan in relation to the Development area to achieve the development vision, being a “sustainable community where people want to live, work and play”.

STRATEGIC CONTEXT

6. By enabling the Development at Pan the Council will be fulfilling several corporate objectives under the aims of the local Strategic Partnership addressing the health inequalities and social regeneration ambitions of the Council and the PCT.
7. By collaborating with other agencies in particular the Isle of Wight Economic Partnership (IWEP) and the South East England Development Agency (SEEDA) the Island has the opportunity of attaining sustainable development through economic led regeneration across the Island.
8. IWEP and SEEDA are able to target new employment opportunities for Cowes Waterfront, the Medina Valley and Newport including Pan by scoping resources and proposals not available to the Council. Discussions are ongoing with SEEDA how best to develop the employment zone for this Development.
9. By aiming for a quality development designed to a high standard the scheme will be better placed to secure and attract the significant development investment and there are early signs of significant interest from key developers.

TIMETABLE

10. The timetable for the project is now extremely tight. Project Plans for the overall project and the Framework Agreement are attached. We have worked back from the April 2009 date and this allows only one opportunity to present the project to the DCC.
11. Not meeting the April 2009 deadline will result in the loss of the Housing Corporation grant of £11m. Any requirement to resubmit the SPG would need to be agreed by GOSE as part of the submitted Local Development Scheme for the Island Plan and take the Council outside the timescale for securing the Housing Corporation funding.
12. There is also a reputational issue for the Council if we do not deliver on this scheme - not only with local people, developers and Registered Social Landlords partners but with the Housing Corporation and GOSE in respect of the implementation of policies and guidance adopted in consultation with stakeholders and the community and this will impact on our ability to deliver on our affordable housing targets. This will in turn have an impact on our CPA and future assessment.

13. The project needs effective project management to deliver to this timescale and we are in the process of recruiting a Project Manager - jointly funded by and accountable to the RSL and the IOW Council.

AFFORDABLE HOUSING

14. It is anticipated that the development will provide around 800 - 1200 homes which will contribute towards meeting local housing needs and the South East Region's requirements for 520 homes per annum over the next 20 years as set out in the South East Plan.
15. The baseline percentage of affordable housing across a range of tenures and housing types to meet identified Island housing needs, as defined by Supplementary Planning Guidance is set at a minimum of 30% and this is being proposed as the standard for the scheme.
16. The closing date for bids to the Housing Corporation for grant monies in respect of affordable housing was 21 October 2005. This covered bids for the period 2006 to 2008 plus pre-allocations for 2009 to 2011.
17. A bid was submitted to the Housing Corporation, by the RSL, for the Pan Development for the pre-allocation fund for 2009 to 2011 in the sum of £11,107,500 covering 51 home buy units and 189 rented units, all to an ECO Homes Excellent Standard (or equivalent under any new 'Code for Sustainable Buildings').
18. The £11,107,500 allocated by the Housing Corporation is grant funding to enable the provision of affordable housing on site. This grant funding is not the full cost of providing the affordable housing on site which equates to £22,986,135.
19. The National Affordable Housing Programme (NAHP) is the guidance document that the Housing Corporation uses to assess entitlement to grant assistance. The guidance in that document states that wherever possible schemes that could make a contribution through a Section 106 agreement for the provision of affordable housing should do so **without grant assistance** from the Housing Corporation. The Isle of Wight Council has therefore been very fortunate in attracting a pre allocation grant funding to this scheme.
20. The NAHP guidance also states that the Housing Corporation expect to be involved in discussions on the mix of housing to be provided, if grant assistance is given, and as such should it feel that the scheme will make less of a contribution to meeting local housing needs then funding may be withdrawn from the scheme.
21. **If the April 2009 start date is not achieved the Isle of Wight Council will lose the Housing Corporation funding.** This loss of funding would mean a reduction in land value of over £11,107,500 as the developer would still have to provide affordable housing and as such would reflect this loss of grant within any offer price made for the site.

22. This pre-allocation has been approved on the basis that start on site will commence in April 2009. The (RSL) needs to formalise their bid by July 2007.
23. The South East Regional Housing Board monitors the affordable housing completions delivered in the region. It sets challenging targets for the Housing Corporation, for the completion of units within individual financial years.
24. If the Housing Corporation allocates funding for an affordable housing scheme then it expects that all milestones are kept to. If a scheme does not deliver in accordance with the action plan then there is less chance that the RSL will receive funds to deliver future schemes.
25. The only method of altering the bid is to withdraw it and apply again in July 2007, with no guarantee of success. Further delays may put the receipt of grant funding in jeopardy.
26. The Isle of Wight Council draft housing strategy contains a target to deliver 180 affordable housing units on the Island per year and a Local Area Agreement of 604 units over the next three years. Current delivery of affordable housing is around 150 units per year and this includes both rented and homebuy units.
27. Homeless acceptances on the Island are reducing and we are on target to accept around 150 households by the end of 2006/07. The current predicted outturn of social rented units by the end of 2006/07 to meet this need will be around 150.
28. The Island Housing Register currently has 4,400 numbers of households waiting for accommodation and 2,500 have expressed that one of their choices would be to live on Pan.

MAKING PAN A SUSTAINABLE COMMUNITY

29. In addition to aspiring towards ECO-homes Excellent Ratings the Pan Development will be a sustainable development and work undertaken on low energy housing incorporating the use of alternative energy sources has identified many options ranging from district heating to microregeneration and even zero carbon solutions. It is important that these issues are included within any design code which is produced for the scheme particularly if it is to be marketed by a traditional sale method.
30. We are keen to make Pan into an exemplar site and we are discussing with CLOG how we can be a demonstrator site for their new guidance on Sustainable Communities).
31. We will be working with Rob Sauven who will be our expert advisor to the scheme to help in this process and we will be benchmarking the development with other such schemes to ensure we achieve best practice in sustainable development.

COMMUNITY FACILITIES

32. The Master Plan sets out other aspirations for the site including its integration with the existing Pan residential area, inclusion of community facilities recreational facilities, infrastructure, village green and landscaped/natural areas. Again all of these features will have to be specified within any sale contract in order to ensure that the Council meets its aspirations for the site, rather than relying upon the planning process to deliver these outcomes.
33. Pathfinder funding has been secured from Central Government for the integration of the new (Pan Development) and existing communities and the potential of this development to address the deprivation issues faced by this area. This integration is critical and must be achieved.
34. There has been extensive consultation with the local residents on the facilities they would like to see in place on Pan. These are set out in detail in the consultation results paper. All the consultations show that there is a need for recreational facilities for young people and we have identified that as our first priority to deliver in the scheme and details of that are set out below.
35. Residents have also expressed a need for community facilities but there is no unified view as to what they should look like. The PNP and the RSL have researched other similar schemes and we are visiting those, with local people from Pan to see if there are ideas and lessons we can bring into the Pan development. These are schemes which build upon the extended schools agenda and which would fit with the current and future development of Downside School which currently acts as the centre of the Pan Estate and will be the future school for the children of the Pan Development. These visits have been set up for May 2007. We have estimated between £750k and £1m investment in community facilities based on the S106 release from the site value.
36. This will be followed in June 2007 by the publication of the latest MORI research and we will use this information and the information gathered from the visits to other sites to do a "Walk and Talk Week ". Local residents, PNP Board members and members of the Pan project team with local Councillors will take suggestions and ideas out to people in Pan over the period of a week, talking to people in their homes and workplaces to ask them what they think of the ideas for community facilities and recreational facilities and encouraging them to get involved with designing the new provision. This will coincide with the "Competitive Dialogue " in the Framework Agreement which is set out later in this report and will ensure that local people have a real say in how the scheme is developed.

RECREATIONAL FACILITIES

37. There has been a clear request from the community from the very early development of this scheme for recreational facilities for young people and the Housing Department allocated £100k to fund a MUGA somewhere on the site. This remains yet to be built and has been a source of frustration for local people as there has been so little progress made.

38. However since January 2007 we have been able to work with the school and our Children's Services Directorate to identify a further £600k, from the Children's Directorate and Sport England, to fund the MUGA and further play facilities. The design of these are currently being worked up. We are keen to ensure that local people have the chance to comment on these and we will be holding consultation sessions about them. We are keen for the play facilities to be integrated into the other community facilities so that the parents of young children can also take advantage of those facilities which we hope will include health and welfare information and advice as well as social opportunities. **A visual presentation of the ideas for the recreational facilities will be made to the Cabinet.**

TRAFFIC MANAGEMENT

39. Suggestions have been made that in addition to or instead of the proposed spine road running through the centre of the site there should be a relief road running around the outer edge. This would create an additional cost to the construction of the scheme and reduce the potential capital receipt and would result in a loss of approximately 122 residential units. This is a 15% reduction in the housing numbers which in turn would result in approximately 36 affordable housing units being lost. These would have to be relocated elsewhere on the scheme resulting in a higher than 30% affordable housing ratio. If they were not replaced then the Housing Corporation grant monies would be at risk.
40. The proposal for a relief road results in the loss of approximately 2.9 hectares of land, equating to 122 homes. In addition the actual cost of construction of the relief road was estimated, in early 2004, to be in the region of £4.6 million.
41. **The combined cost of the loss of 2.9 hectares of land and cost of construction of the relief road has been estimated at £ 9.0 million.**
42. As part of the SPG process specialist traffic consultants provided advice regarding the proposed road schemes within Pan Development, concluding that the need for a relief road for Furrongs would be satisfied by the Spine Road planned to run through the centre of the new scheme. This forms the basis of the SPG.
43. Subsequent work by different traffic consultants on the road network around Newport, with particular reference to Coppins Bridge and to large planned residential developments, including Pan, has also concluded that a relief road (in addition to the Spine Road) is not required and not justifiable in cost terms. They concluded that the peak hour flows (2 way) would only be 467 vehicles in the morning and 389 in the afternoon.
44. In view of the data presented above the SPG does not include a relief road. If this becomes a requirement of the scheme there is a high risk that this would be called in by the Government Office and potentially result in a planning refusal, unless there are clear and compelling planning reasons for such a departure from the SPG.
45. Clearly one of the principal risk factors is further delay in delivering the scheme. If the April 2009 start date is not achieved there is every likelihood of

losing the £11,107,500 Housing Corporation Grant and, as any developer would still have to deliver the affordable housing element, this sum would be deducted from the purchase price, thus reducing the capital receipt to the Council.

46. Another potential implication of the relief road would be that the land around the outer edge of the Development area would immediately draw attention for additional development due to the road infrastructure created by the relief road providing potential access, thus adding 'hope value' to this land (some of which is Council-owned).
47. In the consultation as part of the SPG stakeholders expressed the following views on the relief road:
 - 47.1 "While the majority preferred a road running through the development rather than along the edge, others were concerned that it might enhance division between old and new. The semi-bypass running along the eastern edge of the development was seen by a few representatives from Pan as better for integration and safer for children going to school. Any road needs to be designed for easy and safe crossing and should avoid creating a barrier between existing Pan and the new development"
 - 47.2 "Two out of four groups put forward the desirability of a by-pass in their discussion but only one reported this back as a conclusion"

DISPOSAL OF THE SITE

48. In order to assess the respective "values" of the disposal plan the Isle of Wight Council employed consultants to undertake an options appraisal based on the following five methods of disposal (subject to a variety of assumptions). The options are:-
 - (a) Traditional land sale on the open market by informal tender to include a clawback and overage provision, on the basis of the agreed Master Plan.
 - (b) Sale to one or more Registered Social Landlords (RSL), again on the basis of the agreed master plan, with the RSL's building both the affordable and private elements of the scheme.
 - (c) Appointing a joint development partner to act in conjunction with the Council, with capital receipts on an annual basis from the sales of the individual properties once completed, over the lifespan of the development.
 - (d) Entering into a joint development partnership with the partner paying an initial capital sum of £6 million and the remaining capital receipts being paid through the lifetime of the development on an annual basis.
 - (e) Entering into a sale agreement with a developer on the basis of regular annual capital instalments over the period of the development.

49. The resulting advice was to follow option (a), the traditional land sale route as this would produce the best financial consideration in the shortest time, whilst creating the least risks for the Council. The principal risk, however, of a traditional land sale is that the Council would be relying upon the planning process to achieve the community benefits and other aspirations for the scheme. If there was a means of ensuring the appointed developer was contractually bound to delivering these aspirations this would mitigate this element of risk.
50. In light of the above, legal advice has been obtained suggesting a further option, known as a Framework Agreement. This essentially comprises a 'traditional' sale but is subject to a contractual agreement setting out the details of the benefits and aspirations required. As part of the negotiations with the developer, following the OJEU procedures, there is an extensive 'dialogue' period during which these aspirations are agreed. .

CONSULTATION

51. Throughout the Master Plan development and its adoption as SPG there has been ongoing community engagement and this will continue through the planning process as set out in the Council adopted Statement of Community Involvement (SCI).
52. The Pan Neighbourhood Partnership have been pivotal in gathering the views of local people about the community facilities they want to see as part of the development.
53. The development of a Framework Agreement allows for further involvement of and consultation with the local community. The lack of opportunity for that to date has meant that bridges need to be built with the local community to enable them to feel that their views will be listened to.

FINANCIAL/BUDGET IMPLICATIONS

54. Including acquisitions and the master planning exercise the Council has already committed in excess of £1,600,000 to bring forward this Development. This is in addition to holding the existing asset value of the remaining land.
55. The proposal for a relief road results in the loss of approximately 2.9 hectares of land, equating to 122 homes. In addition the actual cost of construction of the relief road has been estimated to be in the region of £4.6 million.
56. **The combined cost of the loss of 2.9 hectares of land and cost of construction of the relief road has been estimated at £ 9.0 million.**
57. In order to progress this matter further we are appointing a Pan Development Project Manager together with the RSL. This will cost £50k over three years.

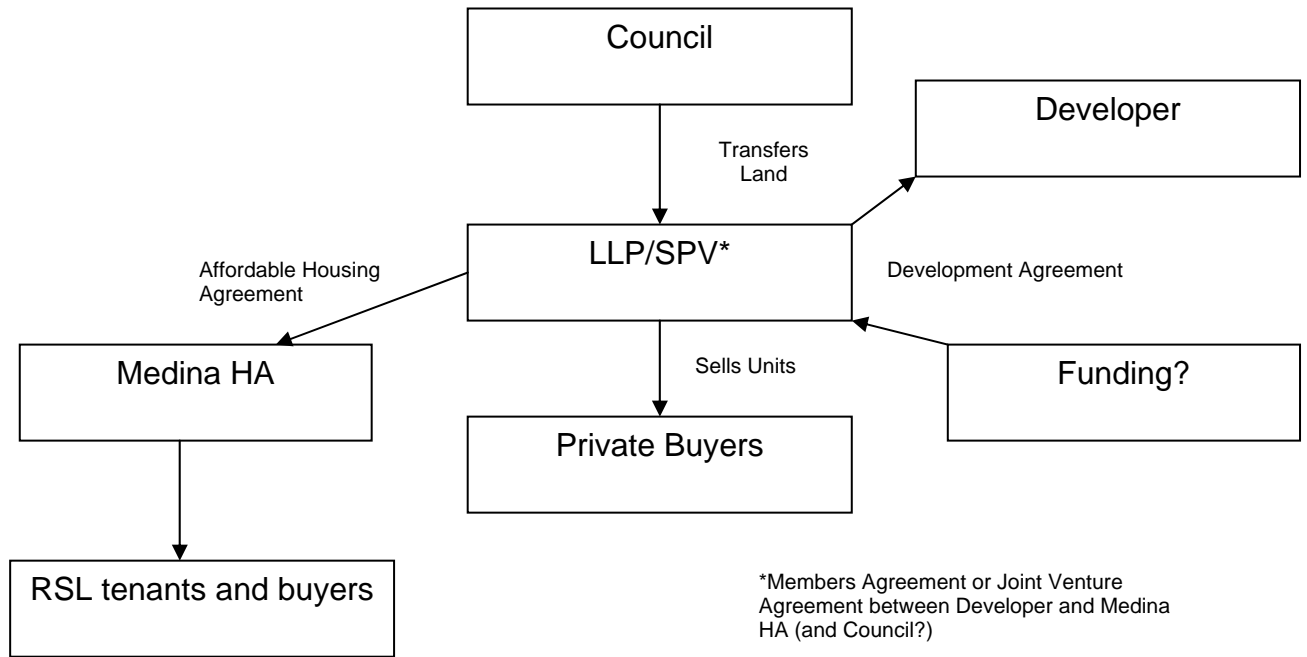
LEGAL IMPLICATIONS

58. The Council is able to dispose of land under Section 123 of the Local Government Act 1972. The 1972 Act and Part 1 of the Local Government Act 2000 empower the Council to undertake work in preparation for the

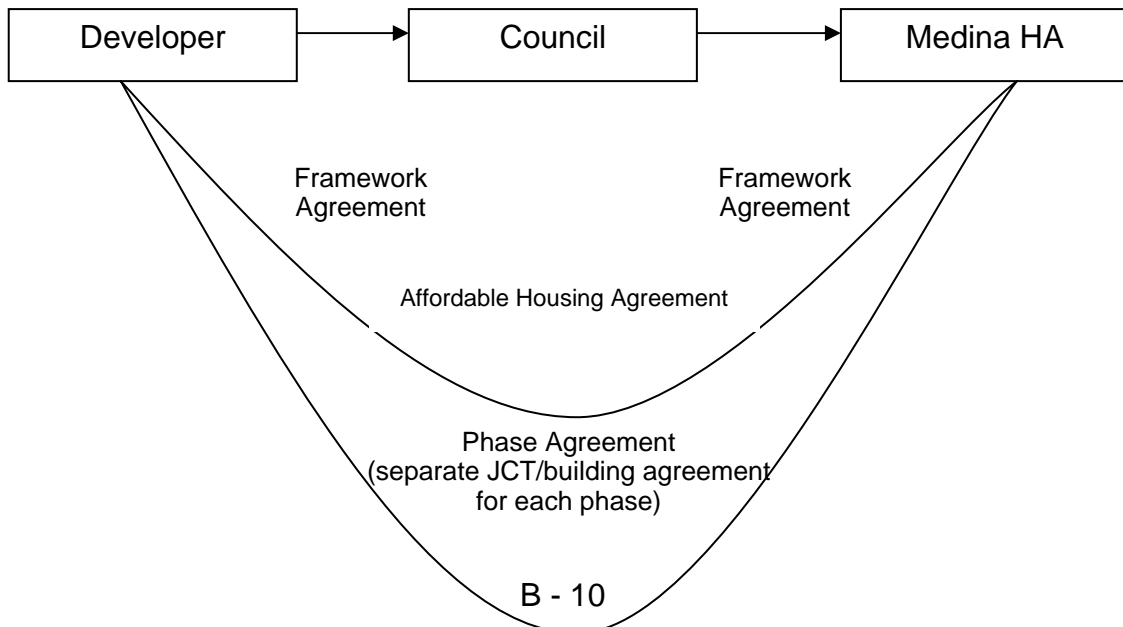
development where this is consistent with the community strategy. The terms being proposed must represent **best consideration** unless an exemption from the Secretary of State is granted.

59. This project will require significant input of legal advice. The RSL and our selves have appointed Trowers and Hamlins to carry out the legal work as they are respected experts in this field. The legal implications of the Pan development relate to the appointment of the development partner to deliver the project in partnership with the RSL and the Council.
60. In March 2006 the Cabinet agreed to further consideration of a Joint Venture Company as the way of engaging and securing a developer. We have explored this option but do not consider it to be the best way forward to achieve the exemplar scheme we require.
61. The outcome for the scheme from a legal perspective is to provide the IOW Council with a capital receipt which is based on best consideration for the site, incurs little risk and produces a successful scheme within the timetable.
62. The outcome for the RSL is to have proactive involvement in the scheme to provide social housing to the specification required.
63. The outcome for the local residents is to be involved in the consultation and to see some community benefit soon.
64. The outcome for the developer is to make a profit from the scheme with minimal risk and homes people want to buy.
65. We have been advised that a Joint Venture Company is not the best way to achieve those outcomes and that we should pursue a Framework Agreement.
66. The structure and advantages and disadvantages are set out below
67. **Joint Venture**

Advantages	Disadvantages	Follow Up
Shared Control	Shared risk	Tax Efficiency
Shared Risk	SDLT on land transfer	Vires for RSL/Council
Single contracting entity with Council	Council Capital receipt has to be funded by JV members	Consents for Council
LLP tax transparent	Complexity	
	More costly	
	Time consuming (could be up to 3 years!)	



Framework Agreement



Advantages

Simplicity of agreements

Shared involvement and estate treated as a whole

Council Capital receipt can be provided by developer
Affordable Housing arrangements can be kept separate.

Disadvantages

No profit Share (but could be overage)

Controls have to be set out at outset – ongoing involvement more difficulty

Follow Up

Tax efficiency

Council Consents

68. Using the Framework Agreement to appoint a developer will involve all parties in a Complete Dialogue about the details of the scheme to be developed. This will be particularly advantageous in the development of Pan as there will be much greater opportunity for local people to be involved in the design of the scheme and the community facilities to be provided with those shortlisted developers. It will enable the Council and the RSL to see which of the developers truly understand the inclusive and sustainable community elements of the scheme.
69. The tight timescale with which we are now faced at this stage in the development means that we have already gone at risk with the appointment of legal advisors to begin work on the Framework Agreement and related preparation of the OJEU notice. This is on the full understanding of the need for Cabinet approval of this as a way forward and an abortive costs agreement is in place. **A presentation of the legal structuring and procurement process will be made to Cabinet by the legal team.**

OPTIONS

70.

Option 1 – Cabinet is asked to agree the continued delivery of the Pan Development as set out in this report. This means their agreement to:

1. The disposal of the site under Best Consideration principles which include the delivery of community facilities and ongoing involvement with the development of the site through a Framework Agreement.
2. To confirm the SPG for the Pan Development and to agree that the relief road is neither affordable or desirable and that the development should proceed on the basis set out in the SPG using the spine road principle.
3. To agree the Collaboration Agreement arrangement between the RSL and the IOW Council.

4. To agree the Framework Agreement as the procurement route for the developers.
5. To agree the timetable as set out in the Project Plan.
6. To confirm agreement to the appointment of the Project Manager.

Option 2 – The Cabinet has the option to ask for further work to be done on the scheme - exploring traffic management further, redesigning the distribution of the homes, seeking further advice on the legal structure. To do so will make the scheme undeliverable in the timescale for the Housing Corporation funding and therefore unaffordable for the Council. It would also create a reputation and financial risk for further Housing Propagation funding and will put our Affordable Housing Strategy at risk.

Option 3 – The Cabinet could decide not to peruse the scheme. This will incur abortive costs and reputational damage both on the Island and with Government agencies.

EVALUATION/RISK MANAGEMENT

71. This is a large scale development that will take place over many years. Various dynamics will affect the pace and ongoing standard of development, principal of which will be the local and national economy, the property market, building and energy innovation, good and bad cost planning, Council and public aspirations, and legislation.
72. The Council is obliged under the Local Government Act to achieve best consideration for the site. Best consideration however does not necessarily mean the highest price but takes account of the need to provide a sustainable community.
73. We have carried out a risk assessment for Pan which is based not only on the land disposal and financial implications but also on the achievement of other objectives not least the grant of planning approval. Given the size of the development the decision would have to be referred to the Secretary of State under the Greenfield Directive. In this respect, therefore, the Council is not the final arbitrator. The risk analysis has been refreshed to reflect the work which has been done since January.
74. The SPG does not include a relief road. If this becomes a requirement of the scheme there is a high risk that this would be questioned by the Government Office and potentially result in a planning refusal, unless there are clear and compelling planning reasons for such a departure from the SPG.
75. Clearly one of the principal risk factors is further delay in delivering the scheme. If the April 2009 start date is not achieved there is every likelihood of losing the £11,107,500 Housing Corporation Grant and, as any developer would still have to deliver the affordable housing element, this sum would be deducted from the purchase price, thus reducing the capital receipt to the Council.

76. April 2009 may appear some way off but with major schemes such as this it can take several years to work up an acceptable scheme and gain planning consent. Therefore, a decision is required in April 2007 to proceed if we are to meet that timescale.

RECOMMENDATIONS

77. **Option 1** – Cabinet is asked to agree the continued delivery of the Pan Development as set out in this report. This means their agreement to:
1. The disposal of the site under Best Consideration principles which include the delivery of community facilities and ongoing involvement with the development of the site through a Framework Agreement.
 2. To confirm the SPG for the Pan Development and to agree that the relief road is neither affordable or desirable and that the development should proceed on the basis set out in the SPG using the spine road principle.
 3. To agree the Collaboration Agreement arrangement between the RSL and the IOW Council.
 4. To agree the Framework Agreement as the procurement route for the developers.
 5. To agree the timetable as set out in the Project Plan.
 6. To confirm agreement to the appointment of the Project Manager.

BACKGROUND PAPERS

Previous Cabinet Reports - March 2006

APPENDICES

1. [Project Plans](#)
2. Consultation Results [\(1\)](#) and [\(2\)](#)
3. [Map of the Site](#)

ADDITIONAL INFORMATION

Not applicable.

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