

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 09 October 2023

Portfolio:	Housing
Subject:	Affordable Housing at Welborne
Report of:	Director of Housing
Corporate Priorities:	Providing Housing Choices

Purpose:

To agree that the Council undertake further investigation and feasibility work in relation to a potential role in the ownership and management of the affordable homes at Welborne. To ensure that funding is in place to seek appropriate independent external advice to ensure that the benefits, negatives, potential models/mechanisms, and risks are understood and explored prior to considering entering into any form of agreement.

Executive summary:

Welborne Garden village will deliver 6,000 new homes. In accordance with the S106 for the outline planning approval, a minimum of 600 homes will be affordable (a mix of Affordable Rent and Shared Ownership), with the potential for a total of 1,800 affordable homes (subject to viability).

Building work for the first tranche of homes at Welborne is expected to start in this financial year (subject to reserved matter planning consent). Welborne Land Limited are seeking an appropriate body to have an ownership stake in, and undertake the management of, the affordable homes at the site.

Having a role in the affordable homes at Welborne could deliver many benefits for the Council and the wider community, further cementing the Council's positive involvement in Welborne and the Council as the principal provider of affordable homes in the Borough.

If taken forward, any arrangement would require significant Council borrowing to provide the funding required for the purchase of the affordable homes. Different models need to be considered, this might include a Joint Venture or purchase of Welborne stock through the Housing Revenue Account (as examples).

It is proposed that the principle of the Council's involvement in the affordable housing provision at Welborne be explored further, and that appropriate expert housing, legal, and financial advice be sought.

Should a viable and acceptable approach be deemed appropriate by Officers then a further report to the Executive would be expected in Spring 2024.

Recommendation:

It is recommended that the Executive agrees:

- (a) the principle of further investigation and due diligence on the potential for Fareham Borough Council to be involved in the ownership and management of the affordable housing at Welborne Garden Village; and
- (b) that a maximum figure of £100,000 (to include officer time) be made available from the Welborne Capacity Fund to seek appropriate advice to enable due diligence on all matters, with the appointment of relevant parties to provide advice delegated to the Director of Housing.

Reason:

To support the Corporate Priority of providing Housing Choices.

Cost of proposals:

The costs of seeking external advice can be met through existing Welborne Capacity Funding, thereby incurring no further budgetary costs.

Appendices: None

Background papers: None

Reference papers: None

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Executive Briefing Paper

Date:	09 October 2023
Subject:	Affordable Housing at Welborne
Briefing by:	Director of Housing
Portfolio:	Housing

INTRODUCTION

1. The outline planning consent for 6,000 new homes at Welborne was granted permission in 2021. Ground and enabling works are underway and three reserved matter applications for the first phase of new homes have now been submitted to the Council in its role as Local Planning Authority.
2. Fareham Housing have been involved in discussions on Welborne for many years, ensuring that an appropriate mix of type and size of affordable homes is provided and that the clauses in the s106 appropriately reflect how the affordable homes should be delivered, secured, and allocated.
3. As a minimum 600 new affordable homes should be provided at Welborne, with the potential for this to rise to 1,800 (subject to viability). The delivery of these homes will be phased over time as individual parcels of the site are developed.
4. Fareham Housing (Fareham Borough Council's housing department) own and manage over 2,400 affordable homes across Fareham Borough. This includes a mix of general purpose and sheltered housing homes. Fareham Housing also manage leaseholders and have a small number of Shared Ownership properties.

POTENTIAL INVOLVEMENT IN AFFORDABLE HOUSING AT WELBORNE

5. Welborne Land Ltd. have approached the Council (in its role as an affordable housing provider) to discuss the potential for the Council to be involved in the ownership and management of the affordable housing at Welborne Garden Village. Their proposed model currently being a Joint Venture between Welborne Land Ltd. and the Council.
6. There are potential benefits for the Council to be involved in the provision of the affordable homes at Welborne. This includes (a) cementing the Council's long-term stake in Welborne Garden Village; (b) increased control in the stewardship of the affordable properties and neighbourhoods at Welborne; (c) landlord stability for the affordable housing occupants; and (d) long term nomination rights to the Affordable Rent properties (i.e., not just initial lets).

7. The s106 on the Welborne outline planning consent sets out various requirements pertaining to the affordable homes at Welborne. This includes (amongst various requirements) that the affordable housing will be owned/managed by a Registered Provider, and that the Council have initial nomination rights to the Affordable Rent properties. This ensures the affordable homes are subject to national regulation, and that households from the Council's Housing Register will benefit from the Affordable Rent homes at Welborne regardless of whether the Council (as a Local Authority Provider) or another Registered Provider own and manage the properties.
8. For Welborne Land Ltd, Fareham Housing/Fareham Borough Council could offer an affordable housing provider with long-term stability, and housing management focused on the Fareham area alone.
9. Alongside the potential benefits there are many practical issues and risks to be considered. Any mechanism for the Council to have a part in the ownership and management of the affordable homes at Welborne will require substantial capital expenditure, with associated borrowing.
10. The day-to-day management of the homes would likely sit with the Council, but if through a JV approach, the targets (for example for repairs and periods properties would be void between tenancies) will not be set by the Council alone. This could lead to separate KPIs and management approaches for the Council stock vs. the JV stock.
11. The legal framework needed for any potential mechanism, and costs associated with setting up a JV, would also need to be considered.

EXTERNAL ADVICE

12. External expert advice is required to ensure the Council undertake due diligence to understand and evaluate more fully: -
 - a) the different models/mechanisms that might be available for the Council to have an involvement in the affordable housing provision at Welborne. For example, this might include a Joint Venture (including alternative JV structures), or purchase and provision via the Council's Housing Revenue Account.
 - b) whether the options are financially feasible and appropriate for the Council. This to include potential capital cost, borrowing options, potential financial impacts, longer term financial sustainability and risks, and any tax implications.
 - c) operational considerations. For example, to what extent different models/mechanisms might give rise to additional burdens (administrative and practical), such as different KPIs for the wider Fareham Housing stock vs. the affordable homes at Welborne, or staffing resource (from operatives through to senior management).
 - d) the risks and opportunities that pertain to the different potential mechanisms and options, and to what extent any risks can or cannot be mitigated.
13. The above is not intended to be an inclusive list of the areas of advice that would be required, and further specific advice may also be deemed appropriate as matters progress.
14. It is of note that at this juncture the Council have only been approached relating to the principle of a Joint Venture. External advice will provide a more in-depth understanding

of the JV approach, but also other potential mechanisms that may be more attractive and appropriate, or lesser risk, to the Council.

15. Officers are already liaising with the Council's legal services partnership, but further external legal advice may also be required to ensure any bespoke or more specialised legal input is obtained at an appropriate point.

NEXT STEPS

16. An appropriate experienced party or parties, either via a framework or through a tendered exercise, would be appointed to provide independent advice to the Council on the above matters.
17. Ongoing discussions will continue with Welborne Land and their appointed advisors. Should Council Officers and Welborne Land Ltd reach a position whereby a potential approach is agreeable to both parties, then Officers will bring a further report to the Executive, most likely in early Spring 2024, to seek agreement to pursue matters and enter into any required agreements.

COSTS

18. Executive agreement is sought for expenditure of up to £100,000 to obtain independent expert advice and account for partnership legal advice and internal officer time. This sum is expected to allow for both initial high-level advice pursuant to the matters identified at paragraph 9 of this report, and any subsequent in-depth advice as/where it be required.
19. If initial advice indicates that there would be significant and/or insurmountable financial risk, or other significant concerns that cannot be mitigated, then no further advice would be sought, and costs would be far lower than the £100,000 indicated.
20. There are sufficient funds in the Welborne Capacity Fund to meet these costs, thereby having no impact to existing operational budgets for 2023/24.

RISKS

21. The purpose of this report is to enable due diligence in understanding and investigating the opportunities and risks, and does not present a risk at this juncture. Any subsequent reports to the Executive on this matter (following conclusion of the external advice) will include further detail on the risks as necessary.

Enquiries:

For further information on this report please contact Robyn Lyons (Director of Housing) on 01329 824305