

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 09 April 2018

<b>Portfolio:</b>	Policy and Resources
<b>Subject:</b>	<b>Affordable Housing Schemes – Progress Report</b>
<b>Report of:</b>	Managing Director of Fareham Housing and Director of Finance and Resources
<b>Corporate Priority:</b>	Providing Housing Choices

**Purpose:**

To provide an update on progress on delivery of affordable housing schemes within the borough and to seek approval to proceed with the scheme at Highlands Road, Fareham.

**Executive summary:**

The report attached provides Members with an update on six schemes being promoted for affordable homes. To date, the scheme designs have been developed assuming that the Council's housing joint venture company, Aspect, would deliver them. This is due to the funding restrictions that apply to the Housing Revenue Account (HRA) and the competing priorities for the limited, ring-fenced resources.

However, in anticipation of a new Housing Strategy and in light of the establishment of the new Housing Department, a slightly different approach is proposed as a pragmatic way to ensure that delivering affordable homes on the most advanced sites (Highlands Road and Bridge Road) is not unduly delayed. If agreed, the Highlands Road site would be promoted directly by the Council, which would utilise some of the borrowing headroom in the Housing Revenue Account. It may also allow the Council to secure Government grants, and allow a greater proportion of the units to be delivered at social rents.

**Recommendation:**

It is recommended that the Executive:

- (a) notes the progress on the schemes within the report; and
- (b) agrees that the Highlands Road scheme is transferred from the General Fund enabling capital programme, to the Housing Revenue Account capital programme.

**Reason:**

To enable the scheme at Highlands Road to be developed as Council homes within the Housing Revenue Account.

**Cost of proposals:**

The total estimated cost of the schemes is £14,767,000.

The Bridge Road scheme cost is contained within existing HRA capital budgets.

The Highlands Road scheme cost would be transferred from the General Fund capital programme to the HRA programme, funded through borrowing (and Government grant if successfully secured).

**Background papers:** none

**Reference papers:** none

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## BOROUGH COUNCIL

### Executive Briefing Paper

<b>Date:</b>	09 April 2018
<b>Subject:</b>	Council Housing
<b>Briefing by:</b>	Director of Finance and Resources
<b>Portfolio:</b>	Policy and Resources

#### INTRODUCTION

1. It is a corporate priority for the Council to prepare and implement a new Housing Strategy, to include affordable options, which will determine the Council's future role in the provision of housing.
2. While the housing strategy is currently being prepared, Officers have continued to develop options for a number of affordable housing schemes in the borough. This report outlines the progress to date, and seeks approval to proceed to construction on two schemes.

#### BACKGROUND

3. Social and affordable homes have traditionally been delivered by the Council directly, or in partnership with affordable housing providers, such as housing associations.
4. For homes delivered directly by the Council, there are a number of issues that restrict the Council's ability to deliver new schemes. These include:-
  - a) Availability of sites. The Council does not hold significant land for development, so any new sites for construction need to be acquired either through a market purchase, or through the planning process. Inevitably, acquisitions are at a market value as the Council competes against other developers, however the Council has been successful in acquiring (or agreeing terms), to buy a number of development sites recently.
  - b) Funding restrictions. The Housing Revenue Account (HRA) must fund the construction of new council homes, and the amount of money available is limited, with reserves amounting to £8.462m as at 31<sup>st</sup> March 2017. These reserves are also required to meet the cost of maintaining existing council homes and provide a reserve for unforeseen costs.

- c) Borrowing restrictions. Unlike the General Fund, the Housing Revenue Account is limited in its ability to borrow money to build new homes. The limit is set by Government and the Council currently has scope to borrow just £5.5m before the £56.85m limit is reached.
  - d) Capacity. Directly delivering new construction schemes requires a significant Officer resource and the capacity to do this has been limited.
5. Due to these restrictions, Officers have been working with Vivid Homes, as one of its partners in the housing joint venture Aspect Building Communities Ltd, to bring forward schemes for development. Aspect was established as a partnership of 4 organisations (Fareham Borough Council, Eastleigh Borough Council, Vivid Homes and Radian) to provide an alternative means of delivering affordable homes. Early schemes delivered by Aspect have been undertaken in the Eastleigh borough, and the model would enable the Council to overcome the restrictions set out above, and make additional funding available for affordable housing.
  6. This work has, however, highlighted difficulties in achieving financially viable developments which do not require “subsidy” from the partners or from the HRA.

## **PROGRESS TO DATE**

7. There are 7 sites currently being progressed, at the following locations:-
  - a) Highlands Road, Fareham
  - b) Bridge Road, Sarisbury
  - c) Station Road, Portchester
  - d) Stubbington Lane/Sea Lane, Stubbington (2 sites)
  - e) Gosport Road, Fareham
  - f) Wynton Way, Fareham
8. The sites have different characteristics, which lend themselves to particular types and tenures of affordable housing. Individually, the viability of some of the sites is challenging, and would require subsidy to be able to progress on their own. Officers have therefore been exploring the potential to bring forward sites collectively (rather than individually), and potentially cross-subsidise the lower value sites with the higher value ones. This would have the added benefit of delivering the most appropriate mix and tenure of homes in the site, recognising the characteristics of the surrounding area. Details for each site are set out below.
9. **Highlands Road, Fareham:** This site has planning permission for 18 units, and survey works have been carried out. Evidence of reptiles on the site has been identified, so measures have been put in place to overcome this before construction can commence. The site lends itself to a social housing scheme, but this results in a significant “viability deficit”, and can only be delivered with a subsidy from other sources.
10. Developing this site is, however, recognised as the highest priority site and therefore warrants being built through the Housing Revenue Account as a social housing scheme. This will allow the scheme to be delivered quickly and could attract an element of grant

funding from the Ministry of Housing Communities and Local Government (MHCLG), to help with the viability issues. If this approach is supported, £2.85m will be allocated from HRA resources to deliver it.

11. **Bridge Road, Sarisbury:** This scheme has planning permission for 5 homes, and enabling works are due to commence in the spring in order to avoid the planning permission lapsing. This scheme will also be developed through the Housing Revenue Account, and based on the needs in the area.
12. **Station Road, Portchester:** This site is owned by the Council, and benefits from outline planning consent for 17 homes for older people. Given the housing need in the area, and the location of the site, an alternative type of housing may be more suited, but this would require a new planning application. Officers will continue to explore the best option and a further report will be submitted to the Executive in due course.
13. **Stubbington Lane/Sea Lane, Stubbington:** This site is in the ownership of the Council, but has a restrictive covenant in favour of Homes England, limiting the development to affordable homes. The local plan identifies these homes as suitable for custom/self-build, and this is being explored in advance of a planning application being submitted. The two sites could accommodate approximately 18 homes, depending on the type of properties built.
14. **Gosport Road, Fareham:** This site is currently owned by Hampshire County Council (HCC), with terms agreed for FBC to acquire it. It benefits from planning consent for 18 homes but is particularly challenging to develop, due to a significant gas main under the site. Options continue to be explored for this site to ensure it is deliverable, before we proceed to complete the purchase from HCC.
15. **Wynton Way, Fareham:** The site is partly owned by FBC and partly by HCC. Terms are agreed for FBC to acquire the full site, with the potential to deliver 18 homes.

## WAY FORWARD

16. The sites set out in the report could provide a total of 88 affordable homes, and the indicative budget cost for construction is nearly £15m.

Site	Estimated no. of units	Estimated scheme cost
Highlands Road, Fareham	18	£2,850,000
Bridge Road, Sarisbury	5	£1,206,000
Station Road, Portchester	17	£2,862,000
Stubbington Lane/Sea Lane, Stubbington (2 sites)	18	£3,030,000
Gosport Road, Fareham	12	£1,825,000
Wynton Way, Fareham	18	£2,994,000
<b>TOTAL</b>	<b>88</b>	<b>£14,767,000</b>

17. Due to the funding restrictions for the HRA, the general assumption for new development has been that this would be undertaken via Aspect, or through other

Registered Providers. However, in anticipation of a new Housing Strategy and in light of the new Housing Department, Fareham Housing, a slightly different approach is proposed as a pragmatic way to ensure that delivering affordable homes on the most advanced sites (Highlands Road and Bridge Road) is not unduly delayed.

18. It is anticipated that the remaining sites will be developed collectively, and officers are continuing to work on the basis that these will be delivered in conjunction with Aspect. However, this can be reconsidered once the Housing Strategy has been prepared and adopted.

## **FINANCIAL IMPLICATIONS**

19. The Highlands Road scheme had previously been allocated a sum of £2.85m in the 2019/20 General Fund Enabling Capital Programme. However, if the Executive support the delivery of the scheme via the HRA, this will need to be transferred to the HRA capital programme, and funding from “ring-fenced” borrowing for housing purposes.
20. A revised cost plan for Highlands Road has been prepared, which results in a total budget of £2.85m:-

2018/19	£500,000
2019/20	£2,000,000
2020/21	£350,000
<b>TOTAL</b>	<b>£2,850,000</b>

## **CONCLUSION**

21. The report provides Members with an update on 6 sites being promoted for affordable homes. While the majority of the schemes are being progressed as developments suitable for the Council's housing company Aspect, the report proposes that the two most advanced schemes are delivered directly via the Housing Revenue Account, in order to progress to construction more quickly and to enable a greater proportion to be delivered at a social rent in Highlands Road.

### **Enquiries:**

For further information on this report please contact

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