

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 03 December 2018

Portfolio:	Housing/ Policy and Resources
Subject:	Fareham Housing Development Sites
Report of:	Managing Director of Fareham Housing/ Director of Finance & Resources
Corporate Priorities:	Providing housing choices

Purpose:

To seek approval of the process toward appointment of contractors for the construction of new affordable homes at the Bridge Road and Hampshire Rose sites. To also advise the Executive of the envisaged funding arrangements for these sites and other Fareham Housing led potential development opportunities.

Executive summary:

The attached report provides Members with an update on eight potential development sites either to be used for, or currently being considered for, affordable housing provision.

It seeks Executive approval for delegated authority that will allow a time efficient appointment of an appropriate contractor to build out the Hampshire Rose (i.e. 96 Highlands Road) and Bridge Road sites.

The report also seeks to update Members on the current position with other potential development sites and to provide an overview of the funding available. This includes matters relating to the removal of the borrowing cap on the Housing Revenue Account.

Recommendation/Recommended Option:

It is recommended that the Executive:

- (a) agrees that the contract award and appointment of contractor(s) for the Hampshire Rose and Bridge Road development sites be delegated to the Director of Finance and Resources, following consultation with the Executive Member for Housing;
- (b) notes the on-going progress with Fareham Housing led potential development opportunities; and
- (c) notes the funding mechanisms available for the delivery of further sites.

Reason:

To enable the time efficient delivery of affordable housing at the Hampshire Rose (96 Highlands Road) and Bridge Road sites and to update Members of progress with other sites, including the funding mechanisms available.

Cost of proposals:

The total estimated cost of the Hampshire Rose and Bridge Road sites is £4.6million. Grant funding from Homes England could cover approximately £800,000 of the costs (subject to bid approval). The remaining cost to deliver these two sites will be met through funds available in the Housing Revenue Account Capital Development Fund.

The further sites (Tranche 2 and Tranche 3) are expected to cost in the region of £13million combined. This will be funded through a varied combination of (a) Housing Revenue Account Capital Development Fund; (b) relevant Section 106 monies; (c) Right to Buy receipts; (d) Homes England grant funding; and/or (e) additional borrowing on the Housing Revenue Account.

Appendices: A: Site Location Plans for Hampshire Rose and Bridge Road
B: Site Location Plans for other potential development sites

Background papers: None.

Reference papers: Corporate Strategy 2017-2023

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BOROUGH COUNCIL

Executive Briefing Paper

Date:	03 December 2018
Subject:	Fareham Housing Development Sites
Briefing by:	Managing Director of Fareham Housing/ Director of Finance and Resources
Portfolio:	Housing/ Policy and Resources

INTRODUCTION

1. During 2018 and since the creation of Fareham Housing in 2017 there has been increased cross-department focus on progressing several potential development sites for affordable housing purposes. This will contribute to the Corporate Strategy 2017-2023 of 'Providing Housing Choices'.
2. There are currently eight individual sites that Fareham Housing are progressing or considering. The principal objective is to increase the provision of affordable homes, particularly for those in greatest need.
3. Underpinning this work has been an increased understanding of the affordable housing need in Fareham Borough. This has included understanding the need by area and property size. This information has helped inform the development choices on individual sites such as the type of affordable housing, the size of properties, provision of more disabled accessible homes and in some instances, indicate where sites may be suitable for other types of housing need (such as shared ownership or self-build).

THE POTENTIAL DEVELOPMENT SITES

4. There are currently eight potential development sites. The majority are already in the ownership of Fareham Borough Council, others are expected to be transferred shortly or purchase negotiations are underway. The sites are also at differing stages in the planning process. This natural succession of progress has led to the sites to being broadly grouped into 'tranches' which indicate their extent of progress and approximate order of delivery.

Tranche	Site	FBC Owned
1	Hampshire Rose/96 Highlands Road (Fareham North West)	✓
	123 Bridge Road (Park Gate)	✓
2	Station Road/Merjen engineering, Portchester (Portchester East)	✓
	Stubbington Lane (Hill Head)	✓
	Sea Lane, Stubbington (Hill Head)	✓

3	Coldeast Scout Hut Site (Park Gate)	
	Wynton Way (Fareham North West)	Part
	335-337 Gosport Road (Fareham East)	

HAMPSHIRE ROSE AND BRIDGE ROAD

5. The Hampshire Rose (96 Highlands Road) and Bridge Road sites now both benefit from full planning permission. The Hampshire Rose site has permission for 18No. one and two bed flats and Bridge Road has permission for 5No. two and three bed houses. All properties at Hampshire Rose will be offered for Social Rent (approximately 45-55% of market rent levels). The Bridge Road properties will be offered at Affordable Rent (80% of market value); this is due to the costs of developing the site but officers will continue to investigate the potential for some of the properties to be offered at Social Rent.
6. Architect services for the detailed drawings required and the appointment of Employer's Agent occurred in August 2018. Additional technical surveys have been undertaken and are being undertaken as required.
7. The translocation of protected species from both sites and associated site clearance was completed in October 2018. This was a key step and there had been a risk that protected species capture and translocation would not have been completed before the close of the appropriate season. This could have delayed the development projects by up to six months. As it stands all key steps have now been undertaken, or are in place, to allow the appointment of contractors to build the two schemes.

Contractor Appointment

8. Value for money is an important aspect of appointing contractor(s) for the sites but this is not the sole consideration. It will also be important that we are confident the contractor(s) will achieve a quality build in a timely manner, whilst also ensuring the contractor(s) will maintain a good working relationship with the Council throughout the project and after completion. A closed tender approach will be used, by inviting a minimum of three appropriate contractors to tender. Contractors will be subject to pre-qualification questions to ascertain they are eligible to tender, and the list of selected contractors to quote will be informed by the market knowledge, understanding and experience of Officers in the Council's Property team.
9. The tender process will allow the selected contractors to quote for the sites individually or for both sites. It is therefore possible that a different contractor will be appointed for each of the sites or the same contractor for both. If the same contractor were appointed for both sites it may be possible that a discount could be negotiated. All necessary procurement processes will be undertaken such as scoring of bids, checks of financial status, etc. in accordance with the Council's Procurement and Contract Procedure Rules (October 2018).
10. To minimise delays in the delivery of these sites Executive approval is sought for the Director of Finance and Resources to have delegated authority to appoint contractors at a value not more than £4.6million (across both sites), following consultation with the Executive Member for Housing. This will enable the works to commence at the earliest opportunity.
11. It is expected that, subject to contractor availability (which will be part of the bid submission process), development could start on both sites in May/June 2019. The

build programme for Bridge Road will be in the region of 12 months and 12-18 months for the Hampshire Rose site.

Funding

12. The Hampshire Rose and Bridge Road developments will be funded from the Housing Revenue Account Capital Development Fund and Homes England grant funding (subject to their approval).

STATION ROAD, PORTCHESTER (FORMER MERJEN ENGINEERING)

13. A planning application for older person flatted accommodation had been progressed by another party. A resolution to grant permission for 17No. flats was made by Planning Committee in August 2016. Now the site is owned by FBC, a revised planning application will be progressed for sheltered accommodation of similar bulk and scale to that which had already been advanced through the planning process. Subject to planning approval, the process toward delivery/construction could then progress thereafter.
14. Sheltered accommodation is an appropriate form of housing for this site (with good proximity to shops/services) and reflects the affordable need in Portchester.

STUBBINGTON LANE

15. The recent analysis of affordable need from the households on the Council's waiting list has indicated that the Stubbington area was a lower need area for Affordable/Social Rent housing. Alongside this there is continued need for what is called 'intermediate' affordable housing such as shared ownership, which can help buyers currently priced out of home ownership. This site therefore suits affordable shared ownership need. A scheme will be drawn up and progressed to provide 2 and 3-bedroom shared ownership properties (typically houses rather than flats). Where possible this form of housing will provide a capital receipt into the Housing Revenue Account which will help support Affordable and Social Rent projects in areas where the need is greater.

SEA LANE, STUBBINGTON

16. With the lower affordable housing need in Stubbington there is also the potential to consider other forms of housing that the Council need to address. Self/custom build is a type of housing need that the Council, in its role as Local Planning Authority, should facilitate. Stubbington is indicated as the most popular area for this form of housing based on information from the Self/Custom build register. Further investigation will therefore take place as to the suitability of this site for self-build plots and, if possible, it will be progressed on this basis.
17. Associated with this a neighbour to the site has also expressed an interest in purchasing a small strip of land from the site to extend their garden slightly, allowing for a planting buffer to the development site. This will also be considered in a financial and practical sense as part of taking the site forward.
18. Further discussion will be required with Homes England in relation to this potential approach on the Sea Lane site due to some restrictions/clauses that were put in place when Homes England transferred ownership of the site to FBC.

COLDEAST SCOUT HUT

19. The former Coldeast Scout Hut was demolished by the current owners (Homes England) in July/August 2018. Outline planning permission is in place for 7No. one and two bed apartments for Shared Ownership/Starter Homes. The legal transfer of the site from Homes England to FBC is due to take place shortly. Once in the Council's ownership Fareham Housing will progress a detailed application for the scheme and thereafter the process toward delivery/construction will progress.

WYNTON WAY

20. The Wynton Way site is in an area with high affordable need and therefore Social/Affordable Rent properties would be the priority. The Hampshire Rose site is already contributing one and two bed flats to the area and therefore, with an awareness that there is also a need for larger family homes, this site is likely to be progressed for two, three and four-bedroom properties.
21. The site is currently part owned by FBC and part owned by Hampshire County Council (HCC). If the adjacent Kershaw Centre were to no longer be used/disposed of by HCC then a wider development opportunity could present itself. With the parcels currently earmarked for development (i.e. not including the Kershaw Centre) then approximately 10No. houses is likely to be achievable on the site.
22. As this is a high need area for affordable homes a larger development opportunity would be one to positively consider in principle and would allow for an even more efficient use of the land and additional affordable homes. In the event of no change with the future of the Kershaw Centre seeming likely then Fareham Housing will seek to commence processes to acquire the available HCC land and deliver on the existing site earmarked for development.
23. HCC are not considering the disposal of the part of the site currently used for horticulture purposes to the east of the Kershaw Centre.

335-337 GOSPORT ROAD

24. The Gosport Road site is currently owned by HCC. Underground constraints together with ground conditions could limit the development potential of the site. Further understanding of these issues will be required to ensure that any potential purchase of the site for development purposes is appropriate.
25. The site is in a high need area for affordable housing and therefore Social/Affordable Rent properties would be the priority. If it were purchased by the Council then it is likely to suit houses to continue the existing development form on Gosport Road and contribute to the affordable need in the area.

FUNDING

26. New build Fareham Housing homes could be funded from a combination of the following: -
 - (a) Capital Development Fund;
 - (b) Section 106 monies for the purpose of affordable housing provision;
 - (c) Right to Buy receipts;
 - (d) Homes England grant funding (not combined with Right to Buy receipts); and/or
 - (e) Additional borrowing on the Housing Revenue Account.
27. In October 2018 the Government abolished the cap on Housing Revenue Account

(HRA) borrowing. This followed a £1billion programme for local authorities in high affordability pressure areas (such as Fareham Borough) to bid for additional borrowing. FBC submitted several bids covering all the sites outlined in this report. The extent of bids made from different Local Authorities demonstrated the scale of ambition ahead of the complete abolition of the cap by the Government. The removal of the cap is welcome as the previous borrowing headroom together with the other forms of funding referred to above would have been insufficient to deliver the potential housing sites referred to in this report and any rolling programme of further sites thereafter.

28. Although welcome news there needs to be caution highlighted. The additional available funds are borrowing and any additional debt will need to be serviced without undermining the financial stability of the Council's HRA.
29. As an example, the Social Rent income from a scheme of 5No. new build dwellings, if predominately financed through borrowing on the HRA, would not be sufficient to even cover the interest payments on the debt. The cost of such a scheme would therefore be supported through revenue from stock elsewhere. Clearly if the scale of borrowing were to increase significantly the less serviceable the debt could become. Different affordable tenures can help 'balance' a development in financial terms but all borrowing will need to be carefully considered.
30. The Capital Development Fund is limited and will largely be exhausted with the developments at Hampshire Rose and Bridge Road.
31. S106 monies and Right to Buy Receipts will continue to be used to help the provision of further affordable homes either through acquisitions or new builds.
32. Grant funding from Homes England remains available at present. Bids have been submitted for the Hampshire Rose and Bridge Road sites. In the southern region it is understood that bid awards are typically in the region of £30-35K per new affordable property. A higher amount has been requested for the Social Rent units at the Hampshire Rose site and Officers will seek to get the best Grant funding award possible for both sites. Grant funding is not available for new affordable homes on a Section 106 site (i.e. the percentage of homes required as affordable on development). In addition, it is not always possible to combine Grant Funding with Right to Buy receipts.
33. There will need to be ongoing flexibility in how the various funding sources are used or combined to deliver new affordable homes. This will need to take account of individual sites, and other sites in the pipeline, to make sure the funding goes as far as it can to deliver new affordable homes in the areas and to the customers that need it most.

NEXT STEPS AND LARGER DELIVERY

34. Although this report focuses on several smaller Fareham Housing led development sites Officers will continue to be open to opportunities for larger affordable housing projects. The size of the sites referred to in this report are such that they are not as attractive to potential delivery partners (either direct partnerships or through Aspect). Should opportunities be identified for larger affordable home projects then a partnership approach is likely to be appropriate to provide the resources, skill base and potential funding to deliver a larger scheme.
35. Fareham Housing will continue to focus on the delivery of smaller development opportunities in the areas of the borough in greatest need of affordable homes whilst investigating any opportunities to achieve a larger affordable housing led project

through Aspect or in another form of partnership.

Enquiries:

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