

# FAREHAM

## BOROUGH COUNCIL

### Report to the Executive for Decision 07 October 2019

<b>Portfolio:</b>	Housing
<b>Subject:</b>	<b>Fareham Housing Development Site at Station Road, Portchester (former Merjen Engineering site)</b>
<b>Report of:</b>	Deputy Chief Executive Officer
<b>Corporate Priorities:</b>	Providing Housing Choices

**Purpose:**

To seek approval for the funding arrangements to deliver a new sheltered housing scheme (to be owned and managed by Fareham Borough Council) at the former Merjen Engineering site in Station Road Portchester.

To also seek approval of the process toward the appointment of contractors for the scheme.

**Executive summary:**

The attached report provides Members with an overview of the funding arrangements proposed to be used to deliver a new sheltered housing scheme at the Station Road site in Portchester.

Further details surrounding the funding arrangements, including the total estimated cost to deliver the project, are provided in the confidential Appendix A attached to this report.

The report also seeks Executive approval for delegated authority that will allow a time efficient appointment of an appropriate contractor to build out the scheme.

**Recommendation/Recommended Option:**

It is recommended that the Executive agrees:

- (a) the funding mechanisms, as outlined in the confidential Appendix A attached to this report, for the delivery of the Station Road sheltered housing scheme; and
- (b) that the award of contract and the appointment of building contractor(s) for the Station Road sheltered housing scheme be delegated to the Deputy Chief Executive Officer, following consultation with the Executive Member for Housing.

**Reason:**

To ensure the funding arrangements are acceptable and to enable a time efficient process to deliver the scheme when a formal planning consent is available on the site.

**Cost of proposals:**

The total estimated cost to deliver the Station Road sheltered housing scheme is outlined in the accompanying Confidential Appendix. Sufficient funds are available from the sources outlined in the main report to meet these costs.

**Appendices:**

**A:** Funding Arrangements (confidential)

**B:** Site location plan extract & artist impression of scheme

**Background papers:**

Corporate Strategy 2017-2023  
Draft Affordable Housing Strategy 2019

**Reference papers:**

None

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### Executive Briefing Paper

<b>Date:</b>	07 October 2019
<b>Subject:</b>	Fareham Housing Development Site at Station Road, Portchester (former Merjen Engineering site)
<b>Briefing by:</b>	Deputy Chief Executive Officer
<b>Portfolio:</b>	Housing

#### INTRODUCTION

1. Construction work is now underway at two Fareham Housing sites (Highlands Road and Bridge Road). These sites will deliver additional Council owned housing stock for customers on the Council's Waiting List.
2. As part of a rolling programme of new affordable home delivery by the Council the site at Station Road in Portchester is now making further progress. A planning application to provide 16No. sheltered housing flats at the site was submitted in September 2019. Ultimately this site will contribute to the Corporate Strategy 2023 of 'Providing Housing Choices' and the objectives of the Council's Draft Affordable Housing Strategy to provide more Council owned affordable homes.
3. To facilitate a time efficient delivery of this scheme Executive approval for the funding arrangements and process to appoint a contractor is sought. No actions will be taken toward the appointment of contractors until such a time that an appropriate planning permission is in place but, should planning consent be granted, Officers will then be able to move forward with the development as soon as is practically possible.

#### BACKGROUND

4. The site in question includes the former Merjen Engineering works and an area of open space at the southern end of Station Road in Portchester (see Appendix B for site location). A planning application had previously been submitted by another party for 17No. older person flats at the site. This application received a resolution to grant consent from the Council's Planning Committee in August 2016. Subsequently the Council purchased the Merjen site in March 2018.
5. A revised building design was then required to meet the internal requirements for a Council sheltered housing scheme. This included ensuring there is lift access to all upper floor flats and a greater number of 1-bed rather than 2-bed flats to reflect sheltered need.
6. A new planning application has been prepared/submitted for 16No. sheltered flats. An

artist impression of the potentially completed development is included in Appendix B. Subject to planning approval it is important that this scheme can move forward quickly toward construction. To enable this, Executive approval is sought relating to the funding arrangements and to delegate the process for appointment of contractors.

## **FUNDING MECHANISMS**

7. The costs to deliver this scheme will principally be made up from 1-4-1 receipts and Housing Revenue Account Capital Reserves held (including the capital receipt from the sale of Holly Hill Mansion). A smaller portion of the costs will be met by external funding sources and, if this is not available, other Housing Revenue Account resources will be used.

### *One for One Receipts (1-4-1)*

8. 1-4-1 receipts (i.e. a specific portion from the sale of Council homes through Right to Buy) were used to part fund the acquisition of the Merjen site in 2018. 1-4-1 receipts are time limited and if they are not spent within three years of receipt the Council must give any unspent monies to central government.
9. 1-4-1 receipts are not intended exclusively for the Station Road scheme as they also support incidental buy-backs of ex-Council homes or off the shelf market purchases of private housing stock, which can then be used for affordable housing. This is particularly useful when we have a bespoke housing need on the waiting list that is unlikely to be met through forthcoming new affordable homes or re-lets, as an example.
10. Another consideration is that these 1-4-1 receipts must be supplemented on a 30:70 ratio with other funds (i.e. the 1-4-1 receipts can fund 30% of a cost with 70% then made up from elsewhere).
11. It is proposed that £846,000 of the 1-4-1 receipts held are used toward the delivery of the Station Road sheltered scheme, up to a maximum of 30% of the costs. The current balance of retained 1-4-1 receipts is £1,658,619 and if this balance is not spent by the end of the 2021/22 financial year then any remaining monies will have to be given to central government. This does place increasing time pressure on the delivery of the scheme, which will use a significant proportion of the balance, but this is considered achievable.

### *Holly Hill Mansion Receipt*

12. Holly Hill Mansion was sold by the Council in December 2018. This capital receipt of £1,250,000 is still available to be used in order to meet the Corporate Priorities of the Council. As Holly Hill Mansion previously provided affordable housing it is considered appropriate that these funds support further delivery of affordable homes on this occasion.

### *Capital Development Fund*

13. The Housing Revenue Account Capital Development Fund is limited and is largely exhausted with the developments at Highlands Road and Bridge Road. However, based on current costings this fund can contribute toward the cost of this proposal.

### *External Funding / Other HRA resources*

14. Opportunities for external funding to meet some of the costs of this proposal will be further explored where possible and appropriate. This could contribute toward the cost of the scheme. Should this not be possible then there are other adequate sources of funds within the HRA that can meet the balance of costs for this proposal.

### *Homes England Grant Funding*

15. Homes England have advised that it is not possible to access Homes England Grant Funding for this proposal as Grant Funding cannot be combined with 1-4-1 receipts. The Council has already used 1-4-1 receipts as part of the purchase of the site and, as mentioned previously in this report, should the Council not use the 1-4-1 receipts held by a certain point then the monies will need to be provided to Central Government. It is therefore considered appropriate/necessary that 1-4-1 receipts are used toward this scheme rather than grant funding.

### **CONTRACTOR APPOINTMENT**

16. To enable a time efficient delivery of the scheme (and subject to planning permission being granted) it is important that progress can be made quickly toward construction. Executive approval is sought for the Deputy Chief Executive Officer to have delegated authority to appoint contractors for the site, at a level not in excess of that outlined in Confidential Appendix A, following consultation with the Executive Member for Housing. This will enable works to commence at the earliest opportunity and help ensure the time limited 1-4-1 receipts can be used toward the costs of the scheme.
17. The tender process to appoint a contractor will be undertaken in accordance with the Council's Procurement and Contract Procedure Rules (October 2018). It is likely that 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.
18. Value for money will be the main consideration in appointing contractors but it will not be the sole consideration. It will also be important that a quality build will be achieved in a timely manner and that a good working relationship will be maintained with the Council throughout. This will all be managed appropriately through the tender process.

### **TIMINGS OF DELIVERY**

19. The timings for the delivery of this sheltered housing scheme remain approximate and dependant on several factors. This includes a resolution to the nitrate issue that has impacted on planning decisions. There are however potential solutions to the nitrate issue that could be considered for this specific scheme.
20. If a planning consent were achieved toward the end of 2019/early 2020 then detailed technical designs will then be produced by the Architect, an Employers Agent would be appointed, pre-qualification procurement requirements undertaken, detailed requirements from the build identified and, when appropriate, the full contractor tender process undertaken. Depending on the availability of potential contractors and the tender process outcomes, construction could start on or before autumn 2020. This is an approximate estimate at this time and the timetable will become clearer as matters progress.

**Enquiries:**

For further information on this report please contact Robyn Lyons (Ext 4305)