

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 02 November 2020

Portfolio:	Housing
Subject:	Fareham Housing development at the former Scout Hut site, Montefiore Drive, Park Gate
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	Providing Housing Choices

Purpose:

To seek approval for the funding arrangements to deliver nine new affordable home ownership flats on the former Coldeast Scout Hut site on Montefiore Drive and to seek approval of the process toward the appointment of contractors for the scheme.

For the Executive to also note that existing TV mast equipment at the site will be relocated onto the new building and that the Council will need to revisit the original transfer agreement with Homes England as the proposal now includes nine (rather than seven) flats.

Executive summary:

The attached report provides Members with an overview of the funding arrangements proposed for the delivery of nine new flats for affordable home ownership at the former scout hut site.

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

In addition to the funding arrangements, this report seeks Executive approval for delegated authority that will allow a time efficient appointment of an appropriate contractor to build out the scheme.

Information is also provided on the need to revisit and vary the original transfer agreement between Homes England and the Council; a matter that has been favourably discussed between parties. Existing TV mast equipment at the site will also need to be relocated.

Recommendation/Recommended Option:

It is recommended that the Executive agrees:

- (a) the funding mechanisms, as outlined in the confidential Appendix B, for the delivery of an affordable home ownership scheme at the former Coldeast Scout Hut site; and
- (b) that the award of contract and the appointment of building contractor(s) for the former Coldeast Scout Hut site to 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 if/when a formal planning consent is available on the site.

Cost of proposals:

The total estimated cost to deliver the scheme at the former Coldeast Scout Hut site is outlined in the accompanying confidential Appendix B. This has been established in liaison with the Council's Finance team.

Appendices:

- A:** Proposed Site Plan and Front Elevation
- B:** Funding Arrangements (confidential)

Background papers: None

Reference papers:

- Corporate Strategy 2017-2023
- Affordable Housing Strategy 2019

FAREHAM

BOROUGH COUNCIL

Executive Briefing Paper

Date:	02 November 2020
Subject:	Fareham Housing development at the former Scout Hut site, Montefiore Drive, Park Gate
Briefing by:	Deputy Chief Executive Officer
Portfolio:	Housing

INTRODUCTION

1. The Council's Affordable Housing Strategy (2019) includes objectives that seek to provide additional affordable housing for those in need. Five new Council homes in Park Gate (Oak Tree Close) were completed in the summer and the Highlands Road scheme (Rose Court) will complete in the early part of 2021.
2. When the Council acquired the former Scout Hut site from Homes England it benefitted from an outline planning consent for seven flats. Since that time the Council's appointed architect has drawn a scheme to provide nine flats with a more traditional design. This proposal is now subject to a full planning application.
3. This development site will contribute to the Corporate Strategy 2023 by 'Providing Housing Choices' and contribute to the objectives of the Council's Affordable Housing Strategy to provide more affordable homes.
4. To facilitate a time efficient delivery of the scheme Executive approval for the funding arrangements and process to appoint a contractor is sought.

BACKGROUND

5. The Coldeast Scout Hut was purchased from Homes England in March 2019. A full planning application for nine flats was submitted in spring 2020 and is expected to go to the Council's Planning Committee for determination later this year. For information the proposed site plan and front elevation extracts are shown in Appendix A.
6. Previous Fareham Housing schemes have focused on delivering affordable homes for rent. Within the Borough there is also a need for affordable home ownership opportunities such as Shared Ownership. Shared Ownership is typically suited to working households who are unable to afford to buy a property at open market value. It works by the individual/couple purchasing a share of the home, normally between 25-75%, and then paying rent for the part of the home they don't own. Owners can later choose to purchase additional shares of the home until they potentially own it outright;

this is known as staircasing. The Council would effectively be a near silent partner to whom the rent would be paid.

7. Subject to planning approval it is important that this scheme can progress in a timely manner. Executive approval is sought relating to the funding arrangements and to delegate the process for appointment of contractors.

FUNDING MECHANISMS

8. The costs to deliver this scheme will principally be met from borrowing. Homes England grant funding will also be sought in order to contribute toward the scheme costs.

Borrowing

9. As this proposal is expected to provide Shared Ownership, borrowing is an affordable source of funding for the scheme. Shared ownership typically sees purchasers buy a share of the home (for example 25%, 50% or 75%) depending on what they can afford.
10. As well as some initial sale receipts there is an on-going rental income provided from the shared ownership approach as occupants pay rent for the share of the home they do not own. The rent paid by occupiers is proportionate to the share owned (i.e. someone owning 25% of a property will pay more rent than someone owning 75% of a property). Rent is typically 2.75% of the unowned share.
11. The Council's Finance Team are satisfied that the sales and rental income from the development will comfortably support the borrowing required to deliver the scheme. Ultimately it will provide a positive receipt to the Council that can be used to fund the development of other new affordable homes elsewhere in the Borough.

Grant Funding

12. A new grant funding programme has recently been announced by Homes England to cover the period 2021-2026. The application/bid process is expected to open shortly. Officers will make an application for grant funding and any grant received will reduce the borrowing required.

CONTRACTOR APPOINTMENT

13. To enable a time efficient delivery of the scheme (and subject to planning permission being granted) it is important that progress can quickly be made toward construction. Executive approval is sought for the Deputy Chief Executive Officer to have delegated authority to award the contract to the highest scoring tenderer for the site, at a level not in excess of that outlined in Confidential Appendix B, following consultation with the Executive Member for Housing.
14. The tender process to appoint a contractor will be undertaken in accordance with the Council's Procurement and Contract Procedure Rules (v1.2 January 2020). Potential contractors will be subject to pre-qualification questions to ascertain they are eligible and capable to deliver the works. In all cases the Council will seek to obtain a minimum of three tender responses.
15. 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.

Other Matters

Potential national changes to affordable home ownership

16. It is currently intended that this scheme will be available as Shared Ownership. There are however pending national changes to affordable home ownership products.
17. Potential changes include the introduction of First Homes. Sold at 70% of open market value no rent is payable on First Homes and the 30% reduction in value then applies to all future sales of that home. Early indications suggest this does not generate the same level of financial gain to the Council and therefore does not contribute in the same way to affordable housing delivery elsewhere in the Borough.
18. There are also potential changes to the Shared Ownership model to allow an initial sale as low as 10% and some repair and maintenance responsibility for the Council/Registered Provider.
19. Should national changes occur, or different models arise, then Officers will consider the most appropriate approach to the site taking account of the funding mechanisms contained in this report and the overall objective to deliver more affordable homes.

TV mast/equipment at the site

20. For Executive Members information there is TV mast present on the site (with equipment housed on a lattice tower). On construction of the flats this equipment will be rehoused on the side of the building. The lattice tower will no longer be needed and will be removed. Prior discussions have occurred with the relevant equipment provider and associated costs have been considered as part of the estimated project costs.

Transfer agreement variation

21. The transfer agreement associated with the purchase of the site from Homes England included reference to the delivery of the previous outline planning permission for seven units. The current proposal for nine units has been discussed with officers at Homes England. No issues are to be expected but a revised legal agreement/variation will need to be entered into by both parties.

Project timeline

22. The timings to deliver this proposal remain approximate and dependant on several factors. Should planning consent be granted in 2020 then technical drawings will then be produced to enable the full tender process to be undertaken in spring/summer 2021. Construction on site should hopefully then commence before the end of 2021. The build programme is likely to take 12-18 months.

Enquiries:

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