

FAREHAM

BOROUGH COUNCIL

Report to the Executive for Decision 09 January 2023

Portfolio:	Housing
Subject:	Fareham Housing Development of Ophelia Court, Montefiore Drive, Park Gate
Report of:	Deputy Chief Executive Officer
Corporate Priorities:	Providing Housing Choices

Purpose:

To seek approval to update the funding arrangements to deliver nine new affordable home ownership flats at Ophelia Court, the former Coldeast Scout Hut site on Montefiore Drive and to seek updated approval of the process toward the appointment of contractors, following contractor tender returns for the scheme.

Executive summary:

The attached report provides Members with an overview of the updated funding arrangements proposed for the delivery of nine new flats for affordable home ownership at the former scout hut site, to be known as Ophelia Court.

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.

In addition to the funding arrangements, this report seeks updated 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 updated funding mechanisms, as outlined in the confidential Appendix A to the report, for the delivery of an affordable home ownership scheme at Ophelia Court; and
- (b) that the award of contract and the appointment of building contractor(s) for Ophelia Court 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 the award of contract and appointment of building contractor(s).

Cost of proposals:

The total estimated cost to deliver the scheme at Ophelia Court is outlined in the accompanying confidential Appendix A. This has been established in liaison with the Council's Finance team.

Appendices:

- A.** Funding arrangements (confidential)
- B.** Site Location Plan

Background papers: None

Reference papers: Executive Report (Fareham Housing development at the Former Scout Hut site) dated 02 November 2020
Corporate Strategy 2017 – 2023
Affordable Housing Strategy 2019

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Executive Briefing Paper

Date:	09 January 2023
Subject:	Fareham Housing Development of Ophelia Court, 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. Fareham Housing has now completed affordable homes at Oak Tree Close and Rose Court since 2020, with affordable housing at Queens Road, Sir Randal Cremer House and Capella Close currently under construction and due to complete in 2023.
2. When the Council acquired the former Coldeast 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 was granted full planning permission in November 2020.
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 was sought in November 2020, prior to full planning permission being granted. There have been delays to tendering this scheme and during this time build costs have risen. Executive approval is sought for the updated funding arrangements required to appoint a contractor.

BACKGROUND

5. The Coldeast Scout Hut was purchased from Homes England in March 2019. Full planning permission for nine flats was granted in November 2020.
6. Most 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. Capella Close in Hill Head is a Fareham Housing Shared Ownership scheme of 11 houses which is due to complete in Spring 2023. 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 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. Following planning permission and Executive approval in November 2020 for the funding and awarding of contract/ appointment of building contractor(s), Fareham Housing progressed the technical drawings for this scheme. Unfortunately, unresolved technical and legal matters with the highway then resulted in delays to progressing the tender process.
8. The site is situated on the former Coldest hospital site, the majority of which has been developed by Miller Homes. The access for Ophelia Court will connect onto a Miller Homes residential road. Miller Homes has a longstanding s38 application with Hampshire County Council, for the adoption of the roads on the Coldeast estate. Miller Homes and Hampshire Highways needed to be satisfied that the Ophelia Court proposals to connect into the highway would not jeopardise the adoption process for the immediate residential roads.
9. The discussions with Miller Homes, their consultant and Hampshire County Council resulted in some minor amendments to the technical drawings. Relevant parties confirmed in the summer that the works proposed as part of the Fareham Housing development scheme are acceptable.
10. Following highway matters being resolved a two-stage tender process began in September for the scheme. The scheme attracted significant interest. Eight contractors went through to stage two. Further information can be found in the confidential Appendix A. Since 2020, when the previous Executive approval for funding arrangements was given, there has been a rise in build costs, and this is reflected in the tender returns.
11. In light of the delay due to highway matters, and with awareness of increasing build costs nationally, discussions between officers and Homes England led to a decision to delay any application for Homes England grant for the scheme until the tender prices were known. An application for grant funding will be made in early 2023.

FUNDING MECHANISMS

12. The funding mechanisms proposed to deliver this scheme have not changed from the November 2020 Executive Briefing Paper. The costs to deliver this scheme will principally be met from borrowing. Homes England grant funding will also be sought, now that tenders have been returned, to contribute toward the scheme costs.

Borrowing

13. 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 depending on what they can afford.
14. 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.

15. 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, despite the rise in costs, the rise in property prices means this scheme will still 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

16. Homes England has a continuous market engagement grant funding programme to cover the period 2021-2026. The application/bid process is open. Officers will make an application for grant funding to reflect the tender price and any grant received will reduce the borrowing required. Officers anticipate the amount of grant available to be higher than what may have been achieved for the scheme two years ago due to rising build costs nationally.

CONTRACTOR APPOINTMENT

17. 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 more than that outlined in Confidential Appendix A, following consultation with the Executive Member for Housing.
18. Further information on the tender process and returns is available in the confidential Appendix A.

Other Matters

Project timeline

19. The timings to deliver this proposal remain approximate and dependant on several factors. Should Executive approval be granted then the winning contractor can be appointed and construction on site should hopefully commence in Spring 2023. The build programme is likely to take 12-18 months.

Enquiries:

For further information on this report please contact Helen Farnham (Ext 4498)