

Decision maker: Cabinet Member for Housing
City Council

Subject: DELIVERING REPLACEMENT HOUSING PROGRAMME

Date of decision: 12th March 2013 (Housing Portfolio)
19th March 2013 (City Council)

Report by: Head of Housing and Property Services

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Summary and Purpose of Report

- 1.1 To seek permission and approval for a programme of an estimated 170 replacement homes for the residents of Portsmouth at an overall cost of £19m.
- 1.2 All new build homes will require planning applications and will be designed and built to Sustainable Homes code 4 standards.

2. Background

- 2.1 As described in Section 5 of the Council Housing Budget 2013/2014 Report - "Right to buy and the Provision of Replacement Homes" which was approved on 29 January 2013, the HRA now retains all additional Right to Buy receipts to replace homes lost under right to Buy.
- 2.2 Demand for affordable homes in Portsmouth is high and our social housing stock needs to be replenished following years of sales under the Right to Buy legislation. The recommendations below are intended to provide much needed new homes. All homes that are proposed to be planned, designed and built will be funded by an appropriate mix of prudential HRA borrowing and retained capital receipts from Right to Buy purchases.
- 2.3 This proposed programme of development will build on the success of already delivered projects such as Watts Road, Warwick Crescent, Ark Royal House and Invincible Terrace. Each scheme will be project managed by the existing and experienced team that delivered these homes.

3. Recommendations

- 3.1 That the Cabinet Member for Housing recommends to the City Council the approval of the following Capital Expenditure amounting to £18.97m:
- I. Three town houses be planned, designed and built on the King William Street site at a total cost £0.56M.
 - II. A terrace of 4 houses be planned, designed and built on the garage site at the rear of Millgate House at a total cost of £0.67M.
 - III. A development of 21 flats be planned, designed and built on the Southsea Community Centre site at a total cost of £2.0M.
 - IV. A development of 13 three bedroomed houses be planned, designed and built on the Brook Club site at a total cost of £ 2.1M.
 - V. A block comprising of 9 flats and a large retail unit be planned, designed and built on the Plot 2 Wellington Street at a total cost of £2.0M.
 - VI. A development of 60 properties made up of a mix of three bedroomed houses, three bedroomed flats and one bedroom flats, be planned, designed and built on the Arthur Pope House site at a total cost of £6.0M.
 - VII. Twelve houses be planned, designed and built on the former Doyle Avenue Health Centre site at a total cost of £1.7m
 - VIII. Seventeen Hostel units be made available through the acquisition of the Queen Vic Hostel at a total cost of £0.74m.
 - IX. Twenty units of existing temporary accommodation at Grove Road North be acquired at a projected cost of £1.85M.
 - X. A block of 11 flats in Cromwell Road be purchased at a cost of £1.35m.
- 3.2 To fund the £18.97m of Capital Expenditure, that the City Council approve additional HRA borrowing of up to £16.0M over the next 5 years, alongside the funding already approved within the existing capital programme,
- 3.3 That the Cabinet Member for Housing delegates authority to the Head of Housing and Property Services in consultation with the Head of Finance & S151 Officer to amend the composition and spending profile of the proposed schemes in order to meet planning and design requirements whilst ensuring that the schemes remain financially viable following any necessary changes.

4. Reasons for recommendations

- 4.1 These schemes will provide much needed homes for residents and contribute to the PCC Corporate Priority 6 - "Increase availability, affordability and quality of

housing". There is an acute need for 1 and 3 bedroom properties in the Somerstown and Portsea areas. In addition, by building new 3 bedroom properties we will be able to free up 2 bedroom properties from our existing stock, allowing growing families to move into more suitable accommodation.

- 4.2 The bulk of the proposed new and acquired homes are in the Somerstown area and are consistent with the Somerstown masterplan and will make a significant contribution to the regeneration of the area.
- 4.3 These schemes will assist the HRA in meeting Portsmouth City Council's commitment to the Department for Communities and Local Government to help deliver replacement homes as per Housing Executive's decision to retain all additional Right to Buy receipts on 15 June 2012.
- 4.4 The schemes will increase the overall number of homes in the HRA and will improve its viability to allow for continued maintenance and tenant services to residents.
- 4.5 The schemes will improve the living environment for residents

5. Options considered and rejected

- 5.1 Do nothing. This fails to meet Corporate Objectives and does not take advantage of the Right to Buy capital receipts and reinvigorated HRA. Similarly, not delivering replacement homes will result in Portsmouth City Council not being able to meet its obligations to the Department of Communities and Local Government with regard to its contribution to delivering National one for one replacement of homes sold under Right to Buy.

6. Duty to involve

- 6.1 Each of the schemes where necessary will undertake individual and substantial consultation with residents in the local area on the proposed new homes.
- 6.2 The followings development sites have been included within Planning Consultations and have been adopted as part of the Hard Supplementary Planning Document or Somerstown and North Southsea Area Action Plan:
- Millgate House Garage Site
 - Brook Club
 - Southsea Community Centre
 - Arthur Pope House
 - Wellington Street East
- 6.3 The Doyle Avenue site will be included in the Planning Site allocation document which goes out for public consultation in April 2013.

6.4 The King William site will be subject to a standard planning application which includes local consultation.

7. Implications

7.1 Approval of these recommendations will provide new, affordable high quality homes to residents and hostel units which will benefit a variety of vulnerable residents.

8. Corporate priorities

8.1 This report and the project it refers to contribute to the following Corporate Priorities:

- Increase availability, affordability and quality of housing
- Protect and support our most vulnerable residents
- Regenerate the city
- Cleaner and greener city

9. Equality impact assessment (EIA)

9.1 A Preliminary Equality Impact Assessment has been completed and no adverse equality implications were identified.

10. Legal implications

10.1 The recommendations are within the power of the Cabinet Member for Housing to adopt, and for the City Council to approve, and raises no immediate notable legal implications.

11. Head of Finance's comments

11.1 The replacement of homes lost under Right to Buy is a recognised priority, not only to ensure that Portsmouth City Council maintains a financially viable Housing Revenue Account for its tenants over a 30 year period, but also to meet its obligations under the agreement entered into with the Department for Communities and Local Government on 15 June 2012, which allowed Portsmouth to retain all additional Right to Buy receipts, providing it spent them on delivering replacement homes within a 3 year period of their receipt.

11.2 In recognition, on 12th February 2013, Full Council approved the Capital Programme 2012/13 to 2017/18, which included the following capital scheme within the Housing Portfolio (HRA).

	2013/14 £	2014/15 £	2015/16 £	2016/17 £	2017/18 £
Replacement Homes	1,215,203	1,083,445	1,187,388	1,283,122	1,382,191

11.3 The source of financing for the above scheme was anticipated to be a combination of retained Right to Buy receipts, HRA Revenue Contributions (RCCO) and other Non Right to Buy HRA Capital Receipts.

11.4 This report seeks approval to commence the design and construction, and acquisition of approximately £19.0M, of housing across the city over the next 5 years.

11.5 The HRA has a statutory “debt cap” up to which it can borrow if it can afford the repayments. In order to fund the £19m of spending, it is proposed that the HRA use £16m of its £35m existing borrowing capacity. The balance of £3m will be funded by anticipated HRA capital receipts, as approved by the City Council in February 2013. The additional borrowing can be afforded by using the currently approved RCCO to fund the additional borrowing costs. Using borrowing and servicing the resulting debt (from RCCO), rather than funding directly from revenue as previously approved in paragraph 11.2, should enable the delivery of approximately 170 new homes at no additional cost to existing tenants.

11.6 Whilst the HRA does have borrowing headroom to fund the proposed developments, the Council’s Treasury Management Policy sets a limit as to the amount of borrowing it intends to take. It should be noted that the proposals within this paper do not breach the limits set in the Treasury Management Policy for 2013/14.

11.7 Financial appraisals have been carried out to identify the most financially viable use of the sites being considered. The options considered were:

- to do nothing,
- to develop the site, or
- to sell the sites with planning permission.

The financial appraisals look at each option over a 30 year period and aim to identify the most financially viable option, in both Net Present Value and cash terms. For each site, the best use has been identified and the recommendations reflect these findings, which represent the best outcome for Portsmouth City Council, the HRA and its tenants.

11.8 Although these developments are currently aimed at providing the type of accommodation that are required by the HRA in meeting current and future housing need across the city, it is recognised that planning requirements may result in necessary amendments to designs and compositions which may alter scheme costs and outcomes for the completed dwellings. As a result it is recommended that authority be delegated to the Head of Housing and Property Services in consultation with the Head of Finance & S151 Officer to amend the

composition, spending profile and subsequent use of the proposed schemes following any necessary changes, to ensure that each scheme remains financially viable.



Signed by: Owen Buckwell, Head of Housing and Property Services

Background list of documents: Section 100D of the Local Government Act 1972

The following documents disclose facts or matters, which have been relied upon to a material extent by the author in preparing this report:

Title of document	Location
Council Housing Budget 2013/2014 Report	Council Records
Financial Appraisals	Housing Finance, Floor 2, Chaucer House

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Cabinet Member for Housing on 12 March 2013.

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Signed by: [Cllr Steven Wylie]

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Leader of the City Council on 19th March 2013.

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Signed by: [Leader of Portsmouth City Council]