

CABINET

RECORD OF DECISIONS of the meeting of the Cabinet held remotely on Tuesday, 15 September at 12.00 pm

Present

Councillor Gerald Vernon-Jackson CBE (in the Chair)

Councillors Dave Ashmore
Suzy Horton
Lee Hunt
Hugh Mason
Darren Sanders
Lynne Stagg
Matthew Winnington

Also present during the virtual meeting was Councillor Claire Udy.

47. Apologies for Absence (AI 1)

Apologies for absence were received from Councillor Steve Pitt.

48. Declarations of Interests (AI 2)

Agenda item 4: Hampshire Community Bank

Councillor Hugh Mason declared a prejudicial interest as when the Hampshire Community Bank changed in ownership and structure in 2016 his position as a director of Hampshire Credit Union now constitutes an interest. He would withdraw from the meeting for this item.

Chris Ward, Director of Finance & Resources and S151 Officer, declared an interest as he is a director of Hampshire Community Bank Holding Ltd so he will not participate in discussion on this item.

49. Record of Previous Decision Meeting - 14 July 2020 (AI 3)

The record of decisions of the previous Cabinet meeting held on 14 July 2020 were approved as a correct record.

Minute 37 - Discharge to Assess Unit at Harry Sotnick House

Councillor Vernon-Jackson mentioned feedback from a care home owner about the discharge unit at Harry Sotnick House. They were incredibly grateful for the unit as it means their entire care home does not have to be locked down. Councillor Vernon-Jackson thanked Councillor Winnington, the Cabinet Member for Health, Wellbeing & Social Care, and the staff of Adult Social Care (ASC).

Minute 42 - Covid-19 Road to recovery and plans for the future

Councillor Winnington thanked ASC for their fantastic work which was a real benefit to the city. He noted that Portsmouth was fortunate with regard to Covid-19 testing in that it had the regional drive-in and first public facility at Portsmouth University. However, availability of tests was worsening, including home testing. He mentioned a family of five who had been trying to get tested since Friday. In the meantime, the parents could not go to work nor the children to school. Testing is an issue that was foreseen for months and the fantastic work being done in Portsmouth is let down by inadequacies at national level. Laboratory capacity needs to be improved so people can either self-isolate or return to school or work.

Councillor Horton, Cabinet Member for Children, Families & Education, said that from an education perspective the situation with testing was very disappointing. Schools worked hard over the summer to prepare for re-opening and attendance was brilliant but she had been contacted by people whose children cannot attend. Some teachers were sent to Oxford for tests. Under the bubble system a whole class could be sent home. Children, some of whom have missed school for six months, need to be in school.

Councillor Vernon-Jackson requested that Councillors Horton and Winnington write jointly to the government urging them to resolve the situation with testing as it is significantly affecting health, social care and education.

Councillor Hugh Mason and Chris Ward left the meeting.

50. Hampshire Community Bank - Treasury Loan (AI 5)

Julian Pike, Deputy Director of Finance and Deputy S151 Officer, introduced the report and drew attention to its objectives in section 3.

Mr Pike read out a deputation from Mr Jerry Brown against the application.

Deputations are not included in the minutes but can be viewed on the livestream on the following link

<https://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CIId=126&MIId=4554&Ver=4>

Mr Pike clarified points in Mr Brown's deputation, as follows:

- Professor Werner is employed by De Montfort University. The information on pages 4, 5 and 6 and appendix 3 of the report are correct but pages 31 and 32 of appendix 2 are out of date. He was employed at the University of Southampton. An employment tribunal awarded him £2.5m in June 2019 for harassment and discrimination. The University appealed the decision in July 2019 and a second tribunal set aside the original decision with a view to a new hearing but this has not been set yet.
- According to the published accounts of 30 April 2019, of the £5.9m share capital of which PCC has paid £3.75m, £1.7m was held as fixed assets (mainly property), £2.4m as net current assets (mainly cash and loans to

customers), £1.8m charged through the profit and loss account to meet operating costs including for applying for a banking licence.

- The £10m for HCB is in accordance with the treasury management policy approved by Cabinet and Council in March 2020. Operational treasury management activity is carried out by the Deputy Finance Manager and the Finance Manager of Technical and Financial Planning. While the S151 Officer is responsible to the council and taxpayers, to avoid perception of conflict the report is provided by the Deputy S151 Officer, who has similar responsibilities to the S151 Officer.
- The monthly run rate of spend in 2019 / 2020 total net cost was £784,000 for the full year. From May to December 2020 the expected run rate is £55,000 per month including salaries of around £42,000 per month, operational overheads and external advice.
- The future project plan with regard to obtaining the licence is that the implementation of requested alterations takes place from September to November 2020, submission of final documentation is expected in early December 2020, award of the licence with restrictions should be well within six months of submission of documentation, and it is expected HCB will operate successfully as a licensed bank from the third quarter of 2021. The more complex part of the authorisation process is now complete.
- It is a matter for Southampton City Council and Winchester City Council as to why they have not invested in HCB Holding shares. Southampton CC had approval to invest but changes in political control and senior staff meant relationships built up were lost. Winchester CC is an investor.
- Local First Community Interest Company were provided with 950 shares in HCB Holding in return for their £1.1m loan book (part of the Green Growth loan scheme) and this will be added as security against the loan the council is seeking.
- The council has voting rights of 5.5% in HCB Holding; capital investment of £5m in shares is equal to 62.5% of the £8m share capital. The council has 38.5% votes on the grants board.
- The council has received an organisation chart and the salary cost shown is consistent with the expected monthly run rate.
- HCB has identified unsatisfied demand from its customers of the main retail banks as SMEs are underserved by these banks. HCB will offer a more personal service, competitively priced products and contribute to local good causes.
- Independent directors have been vetted by the regulators. The constituent companies of HCB have more than one director.

Councillor Vernon-Jackson requested that Mr Pike send his response in writing to Mr Brown.

In response to questions from Councillor Sanders, Mr Pike clarified that

As a shareholder the council is entitled to request the appointment of independent directors with no links to the existing companies or directors. Also as a shareholder, the council could request a five-year plan and a formal reporting schedule but there is already a summarised five-year plan.

Councillor Vernon-Jackson proposed that as an extra recommendation the HCB should submit a report every six months to a public meeting. He suggested the Governance & Audit & Standards Committee as it is cross-party and its remit includes audit. Mr Pike advised that as a shareholder the council can request reports but as the HCB is an independent company the council cannot insist.

DECISIONS - The Cabinet approved:

- 1. That Cabinet note the progress of Hampshire Community Bank (HCB) towards Bank Authorisation contained within this report.**
- 2. That Cabinet approves a £10m lending facility between Portsmouth City Council (PCC) and Hampshire Community Bank (HCB) to enable Small and Medium Size Enterprises (SMEs) with the highest credit quality that operate within the greater Portsmouth and Hampshire area to access loans to support and grow their business**
- 3. That the £10m lending facility is subject to:**
 - i) A first tranche of £5m to be provided subject to satisfactory legal documentation being put in place that meets the requirements of the Council's approved Treasury Management Policy 2020/21.**
 - ii) A second tranche of up to £5m to be provided after a 6 month period and subject to the Deputy Director of Finance (Deputy Section 151 Officer) being satisfied that the performance of the HCB Loan Book is strong and within the delinquency limits set out in the authorised HCB Regulatory Business Plan.**
- 4. That delegated authority be given to the City Solicitor and Deputy Director of Finance (Deputy Section 151 Officer) to conclude all the necessary legal documentation for the lending facility.**
- 5. That Portsmouth City Council requests that the HCB submits a progress report every six months to the Governance & Audit & Standards Committee.**

Councillor Hugh Mason and Chris Ward rejoined the meeting.

- 51. Seafront Masterplan Supplementary Planning Document (SPD) (AI 7)**
- Stephen Ho, Principal Planning Officer, introduced the report and outlined the consultation process to date. The draft Seafront Masterplan SPD (appendix 2) may entail difficult decisions where there are competing interests, for instance, access around Avenue de Caen or the area by the D Day Stone. The consultation will give the opportunity to seek opinions on such matters. As the Seafront Masterplan SPD is a strategic level planning document proposals, ultimately delivered by third party stakeholders and developers, can be considered in greater detail. One example of the project level approach is the Collaborative Enhancement Plan (appendix 7), which is a series of projects and ideas on how the Seafront Masterplan might be realised. Although the consultation is held to meet statutory requirements officers aim to seek public views in as many ways as possible bearing in mind Covid-19 restrictions. The outcome of the consultation will be reported back to members along with any officer recommendations.

Councillor Mason, Cabinet Member for Planning Policy & City Development, thought it was appropriate to discuss the Seafront Masterplan SPD at the same time as work on sea defences is starting. At a time when the seafront is undergoing major changes it is opportune to question how its future is envisaged. The Seafront Masterplan SPD is a consultation so it is not set in stone; questions give rise to further questions, particularly on important parts of Portsmouth's heritage. With regard to road closures while there is some agreement that less essential roads should be closed, the Avenue de Caen might not be considered inessential as it leads to the D Day Experience. Everyone needs to take part in the consultation in order to have a seafront they will be proud of.

Councillor Winnington also emphasised that the consultation is not set in stone and encouraged everyone to get involved. Engagement with groups representing interests such as cycling, walking and disabilities is important.

DECISIONS - The Cabinet approved:

- 1. Members note the summary of representations received during the February-March 2019 public consultation on the options for the Seafront Masterplan and the issues raised;**
- 2. Members note the content of the revised draft Seafront Masterplan SPD; and approve the document and other associated documents for a period of 6 weeks of public consultation; and**
- 3. The Assistant Director, Planning and Economic Growth be authorised to, if necessary, make editorial amendments to the wording of the Seafront Masterplan SPD and any associated documents prior to publication, in consultation with the Cabinet Member for Planning, Policy and City Development. These amendments shall be restricted to correcting errors and formatting text and shall not alter the meaning of the document(s).**

52. Exclusion of Press and Public (AI 16)

DECISION: That, under the provisions of Section 100A of the Local Government Act, 1972 as amended by the Local Government (Access to Information) Act, 1985, the press and public be excluded for the consideration of the following item on the grounds that the report(s) contain information defined as exempt in Part 1 of Schedule 12A to the Local Government Act, 1972 - Appendix 1, Ridge & Partners LLP market appraisal feedback report in July 2020.

The confidentiality of Appendix 1 only of the report was upheld, and members agreed to discuss the item in public but not make reference to the confidential information during the meeting.

53. Leamington House and Horatia House - Update and next steps (AI 8)

James Hill, Director of Housing, Neighbourhood & Building Services, introduced the report and outlined progress since the previous Cabinet report in October 2019, drawing attention to sections 4 and 5. The procurement process has reached the point where the council can go out to tender and appoint a contractor but has been paused whilst the budget to proceed is agreed. The deconstruction timescale is set out in section 4.7.

Representatives from the housing service resident consortium would be invited to be involved in the tender and selection of the contractor.

Karakusevic Carson Architects have been appointed as the lead consultant for the design team. The design team will develop the masterplan for the development of the two towers sites and progress the conversation with the community on wider area improvements. He emphasised the community engagement undertaken in 2019 and the seven key themes that emerged would be the "backbone" of brief for the design team. Since the report was written a meeting had been arranged for the following week with the Hampshire Ornithological Society to progress discussions about the peregrine falcons on Horatia House.

Chris Ward, Director of Finance & Resources and S151 Officer, summarised the financial aspects of the recommendations. The development as a whole is expected to be viable. The cost of the deconstruction is estimated to cost up to £10m including other associated costs, which would require re-direction from the housing capital programme away from Council Housing repairs. If the wider scheme is approved by Council, funding for Housing Repairs can be replaced so there is no detriment to the housing stock.

Despite the current uncertainty and the wider scheme being in its very early stages financial evaluations have taken place; these are based on replacing the 272 social housing units that were in Horatia and Leamington plus an additional 168 units at market rent. It is assumed over 60 years that there will be an excess of rent above all costs that is equal to £21m in today's money. Officers have examined the impact of cost increases and the potential impact of lost funding from Homes England and within reasonable parameters the scheme is forecast to remain viable. The recommendations for Council provide a degree of comfort as they allow for costs to rise to up to £145m, predicated on the scheme still being viable. Any increase in cost above £145m would require reconsideration by full council.

James Hill read out a deputation from Councillor Cal Corkery, Labour spokesperson for Housing & Preventing Homelessness, and a comment from Maria Cole of the Residents' Consortium.

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Councillor Sanders, Cabinet Member for Housing, was delighted with the report as there have been plans for Somerstown before but little has

happened. It is the biggest single investment in council housing in a generation and excellent news that the seven themes will be followed. He urged the scheme to start as quickly and safely as possible as residents are keen for developments to take place. There is a loss of social housing but the first rule of landlords is keeping tenants safe. It is hoped costs and rents will be brought down and that the scheme is as green as possible bearing in mind the climate emergency.

DECISIONS - The Cabinet:

- 1. Notes the progress since the October 2019 Cabinet report.**
- 2. Notes the output of the soft market testing for the deconstruction of the tower blocks.**
- 3. Notes that the outline financial appraisal for an initial phase consisting of the two footprints is positive with the caveats noted in the financial implications.**
- 4. Approves a change to the Capital Programme for the use of the Housing Revenue Account's (HRA) Major Repairs Reserve (MRR) to fund the deconstruction and site preparation of the two towers up to a value of £10m.**
- 5. Delegates authority to the Director of Regeneration in consultation with the Director of Housing, Neighbourhood and Building Services and the Section 151 Officer to tender and enter into contract with the preferred bidder for the deconstruction work following full evaluation of the tender.**

That the Council approves

- 1. That the full deconstruction and redevelopment scheme for the two tower blocks is added to the capital programme in the sum of £120m.**
- 2. That the scheme is funded by a suitable mix of HRA and General Fund Prudential Borrowing as determined by the S.151 Officer.**
- 3. That the scheme can only proceed, including through its procurement gateways, if a satisfactory financial appraisal which demonstrates viability is approved by the Section 151 Officer.**
- 4. That, given the early stage of design, delegated authority be given to the Section 151 Officer to vary the overall scheme cost and borrow as required but subject to the Section 151 Officer being satisfied that the associated financial appraisal demonstrates continued viability and acceptable risk and that the gross cost of the scheme does not exceed £145m.**
- 5. In the event that the scheme varies significantly from the design parameters (described in section 5) and/or the gross cost exceeds £145m, even if viability can still be demonstrated, the scheme will not proceed without further approval from the City Council.**

The meeting concluded at 1.15 pm.

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Councillor Gerald Vernon-Jackson CBE
Leader of the Council