

Title of meeting: Cabinet

Date of meeting: 22nd March 2022

Subject: Horatia and Leamington Development – Delivery Next Steps

Report by: James Hill, Director of Housing, Neighbourhood and Building Services

Report Author: Stuart Palmer, Strategic Project Manager

Wards affected: St Thomas Ward

Key decision: No

Full Council decision: No

1. Purpose of report

- 1.1. To provide Cabinet with a progress update including:
- Deconstruction
 - Community Engagement
 - Homes England Funding
 - Development
- 1.2. Inform the decisions required to progress the development delivery of the site currently occupied by the moribund Horatia and Leamington House towers.
- 1.3. Set out the delivery model to take forward the development
- 1.4. To seek permission from Cabinet to tender and appoint a design & build contractor to build out the HRA Affordable Housing scheme element of the master plan so that works can start subject to planning approval

2. Recommendations

- 2.1. In order to proceed with the development delivery, it is recommended that Cabinet:
- 2.2. Approve that the development scheme is now considered as two separate schemes and that the Affordable Housing Scheme is taken forward with a scheme budget of £98.1m and note that this remains within the overall funding

approved by cabinet and full council at Cabinet dated 15th September 2020 and Full Council 13th October 2020 for the whole development scheme

- 2.3. Approve in principle the disposal of land, from the HRA & General Funds as indicated by block B in 4.14 below for the development by a third party which would include PCC own housing development company. Disposal of land (HRA& General fund) uses the existing delegations for the Director of Housing, Neighbourhood and Building Services and Director of Regeneration, in consultation with the Cabinet Member for Housing and Preventing Homelessness and Leader. The land disposal would be defined by a red book valuation and the capital receipt used to support the development.
- 2.4. Cabinet note that should the development of the land indicated by block B in 4.14 require funding from the Council, for example, through Portsmouth City Councils own housing development company, Ravelin, and the funding requirement exceeds the £145m overall funding approved by cabinet and full council at Cabinet dated 15th September 2020 and Full Council 13th October 2020, additional spending would be subject to a cabinet and full council report.
- 2.5. Note the scope of the development scheme to include the Horatia and Leamington footprint, Melbourne Place car park, Gibson Centre and the delivery of wider public realm improvements identified in 4.12.
- 2.6. Delegates authority to 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 design and build work following full evaluation of the tender.
- 2.7. Delegates authority to the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources to amend the composition, design standard and spending profile of the proposed scheme in order to meet planning and design requirements whilst ensuring that the scheme remains financially viable following any necessary changes.
- 2.8. Delegates the Director of Housing, Neighbourhood and Building Services in consultation with the Director of Finance and Resources to apply for any grant funding to support the scheme.
- 2.9. Cabinet place on record a note of thanks to the local community and stakeholders who have engaged in the project and particularly those involved directly in the work of the community panel. The contributions and input have been invaluable in directing the project and supporting the design team to create an exciting new beginning for this part of Somerstown.

3. Background

- 3.1. At Cabinet dated 15th September 2020 and Full Council 13th October 2020 it was agreed to continue the delivery of the Leamington House and Horatia House (H&L) Master-plan. [[Link](#)]
- 3.2. The completion of Royal Institute of British Architects (RIBA) stage 2 in the RIBA scheme of works and subsequent report [[Link](#)] which focused on community engagement in the design process are now at a stage where a decision on delivery is required to enable completion the of RIBA 3 and subsequent planning submission.
- 3.3. The discussions with Homes England has focussed the approach to bring forward the development and underpins the approach set out in this report.

4. Update on progress

Deconstruction

- 4.1. The contract for deconstruction of Horatia House and Leamington House was procured and awarded to Hughes & Salvidge, who commenced the setting up of the site on 1 June 2021. The procurement also established a regional specialist demolition (deconstruction) framework that can be accessed by other clients.
- 4.2. The Horatia House asbestos removal and internal soft stripping has been completed. Deconstruction of the block commenced in November 2021 and as of Friday 4th March 2022 deconstruction to the 7th floor is complete with deconstruction of the 6th floor underway.
- 4.3. At Leamington House the asbestos removal is complete. Internal soft stripping of the block and erection of the scaffold is currently at the 13th floor. The deconstruction of the block is anticipated to commence during Spring 2022.
- 4.4. The contractors programme indicates that both blocks of flats will be completely deconstructed by the end of the Summer 2022.
- 4.5. Hughes & Salvidge have made social value commitments as part of the contract that will benefit the local community including Cottage Grove Primary School, as well as supporting the Council's community engagement that has been undertaken as part of the master planning. Also of note that the contractor continue to achieve 98% (check) reuse/recycling of the material.

Community Engagement

4.6. During RIBA Stage 2, there have been numerous online and in-person engagement events with the community panel, local residents, local stakeholders, former residents of the Horatia and Leamington Houses, Ward Councillors and the wider community including the following:

- Traditional media channels used to engage the local community in the project, such as letters, information booklets, public events and posters, as well as postal and online surveys.
- Project website and excellent media coverage to allow the local community to find out more about the status of the regeneration project and deconstruction of the existing towers.
- Pop-up engagement events over the summer and towards the end of the year, including a Lighting workshop, Play and Plant event and the Forest of Somerstown event to appeal to and attract different groups of local people to find out more and share feedback.
- Door knocking of all 102 Birmingham Block homes, to talk through information booklets, answer queries and fill out surveys and extend the reach as wide as possible
- Established the Somerstown Street Gallery, a collaborative community art project, inviting local school, community groups and artists to add murals to the site boundary hoardings

4.7. Of note the community engagement work was entered for the Public Sector Transformation Awards, Communication category and has been shortlisted as a finalist the announcement of the winner will be made on the 9th March 2022.

4.8. On 26th February at the Somerstown Central Community Hub a community engagement event took place to gather community feedback and ideas on an appropriate name for the development site. That will act as a precursor to a future engagement opportunity to name the blocks.

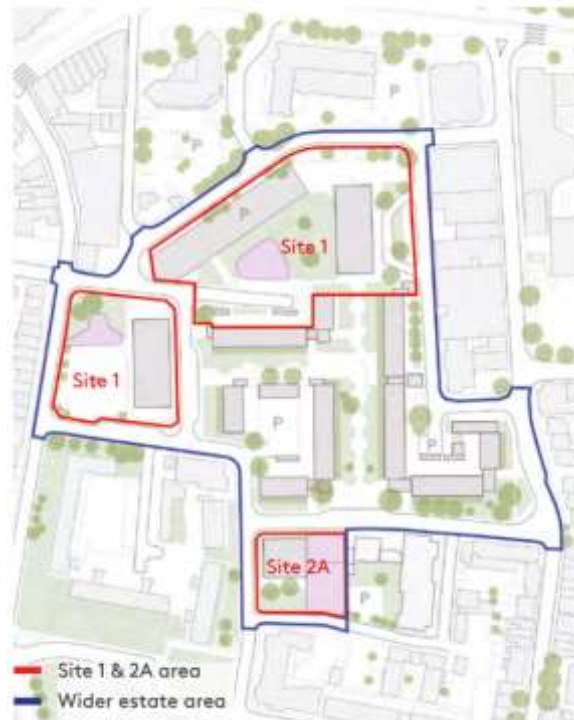
4.9. A dedicated webpage continues to be updated and contains the reports underpinning the project to date, the community engagement feedback and stage reports. <https://horatialeamington.portsmouth.gov.uk/> ([Link](#))

Homes England Funding

4.10. In order to deliver on the brief, Homes England funding is required to support the financial viability of the scheme. Homes England have now added this scheme to their funding pipeline on the consideration that the 272+ affordable

units are brought through as an 100% affordable scheme and approval of a successful bid.

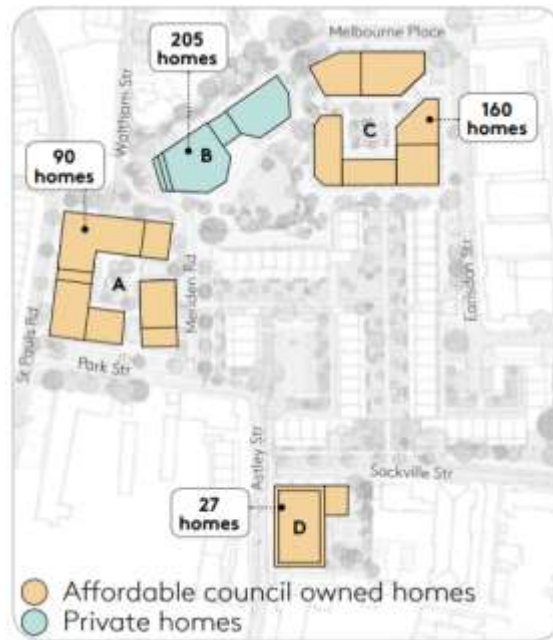
- 4.11. The Homes England position helps focus the delivery options available to the Council with PCC submitting a 100% affordable application for the 272+ HRA units, including redevelopment of the Gibson centre site and improved public realm around the new blocks and existing Birmingham blocks. A separate application for the disposed land is expected from the purchaser in due course. The scope of the development is outlined in 4.12 below.



4.12.

Plan indicating Site 1 and wider area

- 4.13. In order to meet the brief of a balanced and mixed community a second application for block B will need to be brought forward in its own right as a separate planning application by a market operator. Block B is indicated in 4.14 below.



4.14.

Development

- 4.15. The design has, as expected, developed a great deal over RIBA Stage 2, building upon the preferred masterplan scenario in the summer to the emerging design proposal presented within the end of stage RIBA 2 report.
- 4.16. There is still potential to develop and refine the design further at the RIBA Stage 3 such as appearance, materiality, efficiency, energy/carbon strategy, provision of amenity and other attributes of performance and habitability that will make them truly affordable, high quality and sustainable homes.
- 4.17. The programme for the next stage reflects the need for continued design development, stakeholder engagement, pre-application meetings and strategic decision-making.
- 4.18. The community engagement and development management meetings will continue throughout RIBA Stage 3.
- 4.19. In order to enable the Block B development and ensure the Master-Plan considers the area as a whole ensuring cohesion between the developments with regards to the social and environmental standards the scheme is looking to attain, the HRA will continue the Master planning to the end of RIBA stage 3.



4.20.

5. Delivery Model

- 5.1. In line with the funding arrangements the HRA will commence procurement for the 100% affordable element directly, to take forward the development of blocks A, C and D as shown in 4,14 and the wider public realm improvements
- 5.2. The current build estimates require the HRA to draw funds of circa £98.1 m to build the infrastructure, meet policy and build out the 272+ affordable units and includes the improvement of the public realm for the development and surrounding areas.
- 5.3. In summary the £98.1 m HRA Affordable Housing Scheme will achieve:
 - Deconstruction of the two tower blocks & Melbourne Car Park
 - Development and build of 277 council owned properties including general needs, adapted, sheltered and supported accommodation.
 - Developing the Gibson Centre to provide residential and community use.
 - An improved 'public realm' around the Birmingham Blocks with approx. £2m - £3m investment
 - The sale of land linked to Block B creates the opportunity for an alternative housing product which will help address a broader housing

need for the city and through the sale of the land create a capital receipt to be used to support the cost of the HRA scheme

6. Reasons for recommendations

6.1. Links to Corporate Objectives the development will meet:

- “Make Portsmouth a city that works together, enabling communities to thrive and people to live healthy, safe and independent lives.” Contribution: Create a well-designed built environment to encourage a community feel.
- “Encourage regeneration built around our city’s thriving culture, making Portsmouth a great place to live, work and visit.” Contribution: Regeneration Project.
- “Make our city cleaner, safer and greener.” Contribution: Safety and green spaces considered in design; deconstruction of the vacant blocks will make the city safer.
- “Make Portsmouth a great place to live, learn and play, so our children and young people are safe, healthy and positive about their futures.” Contribution: Attractive well designed living spaces with improvements to quality and safety on the existing site.
- “Make sure our council is a caring, competent and collaborative organisation that puts people at the heart of everything we do.” Contribution: Design the regeneration scheme with consideration to public consultations and community desires

6.2. In order for a 3rd party to deliver Block B homes a land transaction in the form of a disposal is required to separate the Masterplan into the 2 development sites. The recommendation creates a decision in principle to sell the land associated with Block B to ensure the options for the development of Block B remain open.

6.3. The recommendations provide the necessary decisions to take forward the RIBA stage 3 design work for the scheme and through to planning and initiates the procurement of a developer.

6.4. The emerging designs are based on engagement feedback in line with the community and wider aspirations for the site. The community panel made up of local residents, businesses, ex-residents and other stakeholders along with a variety of engagement events and surveys have been conducted to gather public opinion. The feedback from which has been shared with the Local Planning Authority (LPA) and incorporated into the emerging designs as they develop to enable elements of co-design to capture the requirements and aspirations of the community within the site constraints.

7. Project Governance

- 7.1. The deconstruction and development of Horatia House and Leamington House continue to have a robust project management structure in place. The project continues to report progress to the cross party Corporate Projects Board. The deconstruction element of the project will naturally close once the deconstruction is complete and the project management structure will adjust accordingly.
- 7.2. The dedicated website pages <https://horatialeamington.portsmouth.gov.uk/> ([Link](#)) will continue to be updated to provide a useful reference point for all the work to date and the ongoing community engagement work.

8. Integrated impact assessment

- 8.1. An integrated impact assessment has been completed and is attached Appendix A.

9. Legal implications

- 9.1. This report recommends that the Cabinet approve 'in principle' the disposal of land (as indicated by block B in 4.14) from the HRA & General Funds to be developed by a third party.
- 9.2. By virtue of section 123 of the Local Government Act 1972 (LGA 1972), the Council has a general power to dispose of its land in any way it wishes as long as it is for the best consideration reasonably obtainable (subject to certain exceptions where sale at an undervalue is possible).
- 9.3. Under section 32 of the Housing Act 1985 (the 1985 Act), the Council has the power to dispose of land and dwellings held specifically for housing purposes. Usually (unless one of the exceptions applies) the consent of the Secretary of State is required for a disposal of land held under Pt 2, Housing Act 1985 (i.e. HRA land): s.32(2), (3), 1985 Act. However, the Secretary of State has given consent (in [The General Housing Consents 2013](#)) to disposals of land subject to the disposal being at market value. "Disposal" is defined in the General Consents to include conveyance of a freehold or the grant of a lease of any duration: para.A2.2. Paragraph 3.1.1 provides: "A local authority may, subject to paragraph 3.1.2, dispose of land for a consideration equal to its market value."
- 9.4. The Council will need to decide whether it wishes to obtain a planning consent for the land earmarked for Block B private homes prior to the sale to a third party developer. A sale without a planning consent attached would mean the Council will have to accept that its control over the design and exact nature of the development will be limited. Selling with the benefit of a planning consent and / disposing the land as a long lease would assist in exerting a greater



control of the Council as a planning authority and the landowner over the design of the development, to ensure it aligns with the masterplan for the whole of the site. Additionally or in the alternative, the sale of Block B could be structured to give the Council some control beyond what it has through the planning process. The sale could be made conditional upon the developer obtaining a planning permission acceptable to both the developer and the Council. Alternatively a long lease with a restrictive user clause could be granted.

- 9.5. The report also recommends that the majority of the site (except Block B) be developed as HRA housing directly by the Council. The Council has the power through section 9 of the 1985 to provide housing accommodation on land acquired for these purposes by erecting houses, or converting buildings into houses.
- 9.6. Where the Council acquires land for a statutory purpose, it must hold the land for that purpose until it either appropriates (i.e. transfers the use of land from one purpose to another) or disposes of the land in accordance with its statutory powers. A general power to appropriate land is conferred on the Council under section 122 of the LGA 1972, which permits the Council to change the current use of the of the land it owns for any other purpose for which it is authorised by statute to acquire land; it includes the purpose of provision of housing accommodation (section 17(1)(a), the 1985 Act). However, the Council must be satisfied that the land in question is no longer required for the purpose for which it is held.
- 9.7. The Council may therefore, by virtue of section 122 of the LGA 1972, appropriate land in its ownership that it requires for the purposes of the HRA housing development on the Horatia & Leamington Houses site if there is no longer the public need within the area for the existing use.
- 9.8. The works to design and develop HRA housing as set out in this report must be subject to public procurement process required under the Public Contracts Regulations 2015 (PCR 2015), as the works will meet the relevant threshold under the PCR 2015.
- 9.9. Any commercial arrangement for the sale of the land on which Block B is to be constructed must be structured so as it is classed as a 'land transaction' only and does not fall within the remit of a public services and / or works contract which would otherwise have to be advertised in accordance with the PCR 2015.

10. Director of Finance's comments

- 10.1. Financial modelling has been carried out on the development of the site that allows, however the current market is extremely volatile with regard to the cost of key building materials and inflation is running extremely high, this is likely to be further exacerbated by the current troubles in Eastern Europe.



- 10.2. With inflation running high there is a possibility that the Bank of England will seek to raise interest rates again. This project relies on unsupported borrowing through the HRA in order to be able to deliver the development, which is why it is crucial for the HRA to secure as much Homes England Funding as possible to mitigate this risk.
- 10.3. The report asks for the approval to dispose of part of the site to a third party, the purpose of this is to contribute a capital receipt to the HRA that will help bring forward Affordable Social Housing. For the same reason above any cash that can be put into the development will help mitigate the prospect of increased interest rate movement.
- 10.4. Fortunately the Council are able to secure preferential rates of borrowing through the public works loans board and those rates can be fixed for as long a term as 50 Years.
- 10.5. Through this latest stage of design the Council have commissioned expert and experienced Quantity Surveyors to calculate the likely cost of development, throughout the design process this has been extremely volatile, first we had the global pandemic and then the energy crisis and the pressure that has put on the supply chain.
- 10.6. In order to mitigate this the Council are intending to try to sell off part of the site to a third party contractor in order to mitigate it's overall exposure to cost uncertainty and as mentioned above to reduce the reliance on unsupported borrowing.
- 10.7. If the Council decides to sell the land associated with Block B, to its own housing company as the sole Shareholder and funder in Ravelin Housing Limited vicariously this means that the cost risk sits with the Council.
- 10.8. As mentioned in the main body of the report the Council have met with Homes England and they visited the site to speak with officers. The terms of the affordable programme are that the development must be completed by March 2026, also if the development isn't 100% affordable then affordable homes grant will only be awarded for those dwelling that are above the Council 30% affordable homes policy. With this in mind the Council need to carefully plan how it brings forward the planning on these sites.
- 10.9. Table 1 below shows the impact of the two different strategies in order to bring forward a development as either one entire site that mixed Build to Rent (BtR) and affordable or if it brings forward two separate developments. It demonstrates that if a single planning application was brought forward with a mixed tenure delivery that only those units delivered over the 30% policy compliant development. In this scenario assuming £30,000 per unit of development that the maximum grant could be secured would be £3.972m. If however the sites are split and the HRA as a registered social landlord

came forward with a 100% affordable development it would be eligible for grant on each dwelling meaning we could secure £8.31m of affordable homes grant.

	Joint Site	Site split in to two sites		
		Affordable	BTR	Total
Total Dwellings delivered	482			
Affordable Homes	277	277	61	£ 338
Build to rent Policy Requirement for Affordable Homes	205	0	144	£ 144
Homes Eligible for Affordable Homes grant	145	145	61	£ 206
Total Affordable Homes Grant	132	277	0	£ 277
Total Affordable Homes Grant	£ 3,972,000	£ 8,310,000	£ -	£ 8,310,000

- 10.10. If the entire site of 482 units came forward as a single development this would result in a grant award of £14.46m worth of affordable homes grant but although this would secure more grant, it wouldn't improve the viability of the project.
- 10.11. The previous permission stated that the overall scheme cost should not exceed £145m without being first brought back to Full Council, the latest outline costing estimate is that a scheme to deliver 440 units would cost £160.2m. With the affordable development costing £98.1m at this RIBA Stage 3. The Block B development that could be developed on the rest of the site is currently estimated to cost £62.1m. The estimate has not been worked up by Ravelin Housing LTD, the final development may be different to that which has been designed up to now. A further approval by Full Council would be needed if after carrying out its design work on the Block B site, along with the affordable development exceeds the gross development cost of £145m.

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Signed by: **Director of Housing, Neighbourhood and Building Services**

Appendices:

Appendix A – Integrated Impact Assessment

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
Leamington House and Horatia House Next Steps Cabinet Report 26th February 2019	https://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CategoryId=126&Mid=4212
Leamington House and Horatia House - Update and Engagement Next Steps 8th October 2019	https://democracy.portsmouth.gov.uk/ieListDocuments.aspx?CategoryId=126&Mid=4337

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by on

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Signed by: