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**Title of meeting:** Cabinet & Full Council

**Date of meeting:** 8<sup>th</sup> September 2022 & 13<sup>th</sup> September 2022

**Subject:** Tipner West & Horsea Island East Regeneration

**Report by:** Tristan Samuels, Director of Regeneration

**Report Author** Megan Carter, Head of Major Projects

**Wards affected:** All

**Key decision:** Yes

**Full Council decision:** Yes

## Executive Summary

**This report requests Full Council discount all existing options for Tipner West and agree a set of principles in order to bring forward an alternative option.**

These principles are as follows:

- Rules out the 'Significant Land Reclamation' Option (Option A) - original 'Lennox Point' masterplan.
- Rules out 'Do Minimum' Option (Option D)
- Prioritise the protection of the land south of firing range
- Provide a minimum of 1,250 homes which maximises affordable housing & 58,000 sqm of employment space. (Minimum affordable housing at 30%)
- Satisfies the terms of city deal
- Satisfies the requirements of the regulatory bodies including Natural England and the Environment Agency
- Maximises local job creation
- Minimises costs and impact on City Council finances & services to the public
- Minimises land reclamation to meet the principles listed above and provide bio-diversity net gain of a minimum of 10%

**The financial implications associated with the option, which are proposed to be discounted are set out in the table below:**

Tipner West Scheme Options	Significant Land Reclamation (3,503 units)	Moderate Land Reclamation (2,000 units)	City Deal (1,250 units)	Do Minimum
	Option A	Option B	Option C	Option D
Estimated Residual Funding Gap	£53m	£46m	£55m	£53m
Estimated Further External Funding	Most Likely	Reasonably Likely	0	0
Estimated Residual Funding Gap - After Further External Funding	Unknown but "most likely" to be less than £53m	Unknown but "reasonably likely" to be less than £46m	£55m	£53m
Abortive Costs to be funded in 2022/23 ("One-Off")	None	None	Up to £3.6m	Up to £20.7m
Annual Revenue Costs to be funded in 2023/24 for 10 to 15 Years	None at this stage	None at this stage	£5m	£3m

## 1.0 Purpose of report

- 1.1. This report provides members with information on the future development options for the area known as Tipner West and Horsea Island East (HIE), to support their decision making.
- 1.2. The land around Tipner Lake was used for many years as a breaker's yard for ships, boats and submarines that had come to the end of their lives. The first evidence that the City Council can find of plans to redevelop this area come from 1952, so it has been an area of concern for 70 years.
- 1.3. Due to these historic uses as well as the more recent firing range, the site is now highly contaminated. There are significant problems with lead and other chemicals from munitions, oil, and other hydrocarbons, as well as deposits from other metals and asbestos. There is evidence of leakage of contaminants into the seawater and mud of Portsmouth Harbour which has persisted for many years.
- 1.4. The sites at Tipner were split in the 1970's by the new main road access into the city, the M275. These sites, visible from the new raised access routes, are for many Portsmouth residents (and investors), form the gateway to the city. Most also agree that the current collection of derelict buildings, vacant land and decaying ships does not speak to the aspiration of the city and does not serve to promote Portsmouth as the Great Waterfront City.
- 1.5. Portsmouth is a densely populated city with little room to grow, bounded on three sides by the sea and to the north by Portsdown Hill which in turn is surrounded by an area of Outstanding Natural Beauty, the South Downs. Within this dense urban environment there are a number of real needs for the people of Portsmouth, with a shortage of decent, affordable housing and around 2,238 households on the current housing waiting list. There is also an overwhelming need for more local jobs, so that families can have the incomes and opportunities to thrive.
- 1.6. Tipner West offers one of very few industrial coastal sites with access to deep water anywhere in the south of England. As such, it has national importance in offering opportunity to grow the maritime sector of the UK economy as well as securing the economic base of the city
- 1.7. The City Council is striving to find a use for this derelict area and has succeeded in securing £48.75 million from the Government to explore how best to maximise this rare funding and place making opportunity. The site, however, presents great challenges to the City Council to provide a financially sustainable approach, which protects the area from rising sea levels, supports the environment, and creates jobs and homes for local people.
- 1.8. It is particularly important to appreciate that to 'do-nothing' will mean the loss of the existing land mass to flooding, including the Harbour School, as well as the loss of the inter-tidal and terrestrial habitats that form part of the designated nature conservation sites
- 1.9. As demonstrated previously the area known as Tipner West & Horsea Island east presents a unique opportunity. It has the capability to deliver up to 3,500 new homes,

including up to 1,050 much need affordable homes for existing and future residents of the city, along with over 3,000 new marine & maritime jobs on site for local people.

- 1.10. This report follows a number of recent decisions<sup>1</sup> that have affected the project. These include:
- The resolution of Full Council on [13<sup>th</sup> October 2021](#) to pause the work associated with an option for Tipner West that included significant land reclamation. This included design and development work.
  - The report to Full Council on [6<sup>th</sup> December 2021](#), in response to the motion of the [13<sup>th</sup> October 2021](#), which highlighted the options that had previously been explored and explained why 'Significant Land Reclamation' (Option A) had been the preferred option agreed by [Cabinet in October 2020](#).
  - The meetings of the Local Planning Authority's (LPA) cross-party working group tasked with reviewing major development sites across the city, as part of preparing a Regulation 19 document for the Local Plan, including exploring options for Tipner West.
  - The decision of the Cabinet on [26<sup>th</sup> July 2022](#) to amend the Local Development Scheme, in line with the conclusions of the cross-party working group, inter alia to include the provision of c1250 homes on the existing land mass at Tipner West
- 1.11. The promoter team recognises the preference expressed by the Local Planning Authority's cross Party working group for the development of Tipner West & Horsea Island East based on the existing land mass, which seeks to achieve the outputs of the City Deal.
- 1.12. The promoter team is unable to progress any development on Tipner West unless there is reasonable assurance that the funding for the scheme is likely to be received.
- 1.13. The promoter team therefore seeks a decision on a set of principles which allows an option to progress which is considered to be acceptable on social, economic and environmental grounds as well as being affordable to the Council in the context of the continuing delivery of Council Services.
- 1.14. This work will be necessary to enable the Council, as landowner and promoter, to demonstrate the deliverability of the chosen scheme to satisfy the requirements of the Local Plan process, including its Examination. Any decision made on Tipner West & Horsea island east will impact the Local Plan Regulation 19 position which will be presented to Full Council for approval in 2023.
- 1.15. To note the Council's role as promoter in this project, as outlined in the City Deal contract, is to design a deliverable scheme in line with principles (as identified in 2.10) set by Full Council. The promoter will obtain detailed planning for the critical enabling infrastructure (such as roads, bridges, sea defences and land raising) and outline planning for a master plan. The Council will implement the delivery of the critical infrastructure and enable future applications by the Council or third-party developers for the delivery of homes and employment facilities.

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<sup>1</sup> Please note since 2014 no decisions relating to development at Tipner West have been subject to call in.

## 2.0 Recommendations

These recommendations consider 4 options which are outlined in Appendix D and Section 5 of this report. These include:

Option A	'Significant Land Reclamation'
Option B	'Moderate Land Reclamation'
Option C	'Existing Land Mass'
Option D	'Do Minimum'

### That Full Council:

- 2.1 Notes that all options, including 'Do nothing'/'Do minimum', are likely to have a significant effect on the Portsmouth Harbour SPA and Ramsar site requiring the derogation tests of alternatives and imperative reasons of over-riding public interest (IROPI) be applied and met under the Habitats Regulations.
- 2.2 Notes that for all options, including 'Do nothing'/'Do minimum', a substantial funding gap exists which will need to be funded either from the Council's own resources or from further external funding; Prudential borrowing is unavailable in these circumstances to fund any gap (deficit) as described in section 8.
- 2.3 Notes that it is unlikely that any further external funding will be available for either the Option D 'Do Minimum', or Option C 'Existing Land Mass', over and above that already assumed within their respective funding gaps, as set out in Section 8.
- 2.4 Notes the financial implications of Option D, 'Do Minimum', are as follows:
  - a) Full Council will need to add up to £3m annually into the Council's Capital Programme for the next 10 to 15 years
  - b) accordingly, Full Council will be required to approve savings in the Revenue Budget of £3m at the point that a decision is made and to take effect from 2023/24 in order to facilitate a revenue contribution to the Capital Programme given that Capital Funding of up to £3m annually cannot reasonably be forecast to be available; in the current climate, this would have a serious impact on Council jobs that deliver local services.
  - c) there would be abortive costs of up to £20.7m that would need to be accommodated within the Revenue Budget for the current year and the associated savings approved at the time the decision is taken
- 2.5 Notes the financial implications of Option C, 'Existing Land Mass', are as follows:
  - a) Full Council will need to add up to £5m annually into the Council's Capital Programme for the next 10 to 15 years
  - b) accordingly, Full Council will be required to approve savings in the Revenue Budget of £5m at the point that a decision is made and to take effect from 2023/24 in order to facilitate a revenue contribution to the Capital Programme given that Capital Funding of up to £5m annually cannot reasonably be forecast to be available; in the current climate, this would have a serious impact on Council jobs that deliver local services.
  - c) there would be abortive costs of up to £3.6m would need to be accommodated within the Revenue Budget for the current year and the associated savings approved at the time the decision is taken

- 2.6 Notes that whilst it is not certain that the funding gap for Option B, 'Moderate Land Reclamation', or Option A, 'Significant Land Reclamation', can be fully mitigated, there is greater opportunity to attract further funding and/or value engineer (reduce costs) for developments of larger scale, thus reducing the funding gap; on that basis it would be premature to plan for a further capital funding requirement (and therefore any consequent Revenue savings requirements) at this stage
- 2.7 Notes that in order to protect the land from flooding, including existing homes and businesses at Tipner and Stamshaw, flood defence works are required for any of the options to 'Hold the Line' in accordance with the North Solent Shoreline Management Plan approved by Portsmouth City Council and the Environment Agency.
- 2.8 Notes that there have been numerous options explored including 'Significant Land Reclamation'(Option A), ' Moderate Land Reclamation' (Option B), 'Existing Land Mass' (Option C) and 'Do Minimum' (Option D), all of which have been of value to test the viability of delivery, the design of the site, and build knowledge of the capabilities of the site. Optioneering for this site comes at significant cost. The development at Tipner West will be one that impacts future generations and the opportunities the city can provide for them; Full Council now needs to move to a decision for the future of Portsmouth residents whilst minimising a costly impact on the council's finances and ability to deliver services.
- 2.9 Seeks to deliver an affordable option on Tipner West and Horsea Island East, preserving the current delivery of Council Services, that looks to combine various options.
- 2.10 Full Council approves a series of principles in order to bring forward a scheme for development on Tipner West and Horsea Island East. The principles are as follows:
- Rules out the 'Significant Land Reclamation' Option (Option A) - original 'Lennox Point' masterplan.
  - Rules out 'Do Minimum' Option (Option D)
  - Prioritise the protection of the land south of firing range
  - Provide a minimum of 1,250 homes which maximises affordable housing & 58,000 sqm of employment space. (Minimum affordable housing at 30%)
  - Satisfies the terms of the City Deal
  - Satisfies the requirements of the regulatory bodies including Natural England and the Environment Agency
  - Maximises local job creation
  - Minimises costs and impact on City Council finances & services to the public
  - Minimises land reclamation to meet the principles listed above and provide bio-diversity net gain of 10% as a minimum.
- 2.11 In order to support delivery of an option aligned with these principles, Full Council approves the continuation of a cross-party working group to help inform and respond to proposals as presented by the promotor team.

- 2.12 Notes that any option approved, or principles approved to determine an option, that results in a scheme where further funding does not have a realistic opportunity of being realised, will likely result in an overall scheme deficit of circa £50m and will require the Full Council to:
- a) add up to £5m annually into the Council's Capital Programme for the next 10 to 15 years
  - b) approve savings in the Revenue Budget of £5m at the point that a decision is made and to take effect from 2023/24; in the current climate, this would have a serious impact on Council jobs that deliver local services.
  - c) meet the abortive costs amounting to up to £3.6m which would need to be accommodated within the Revenue Budget for the current year and the associated savings approved at the time the decision is taken
- 2.13 Notes that further funding opportunities for any option can only realistically be explored when Full Council has an approved planning application and a full business case for its preferred Tipner West & Horsea Island East scheme. Previous successful funding bids are outlined in Appendix G.
- 2.14 Notes that further delays to determining the scheme to promote at Tipner West and Horsea Island East will result in additional cost to the Council.

**That Cabinet, on the basis of Full Council decisions above:**

- 2.15 Agrees to progress with the design of an option for the land at Tipner West and Horsea Island East that responds to the principles agreed by Full Council (2.10 above), that limits the residual financial burden (i.e. after all realistic attempts to attract further funding) to the Council to not more than £10m, and instructs the Director of Regeneration on behalf of PCC as the promoter of the site, to work up an associated planning application and business case.
- 2.16 Agrees further spending of up to £7.7 million from the City Deal funding (as described in 4.7-4.10) to prepare the planning application and business plan for the approved option; this expenditure will be subject to criteria and gateways which will be agreed by the Section 151 Officer and Leader of the Council and after consultation with the Group Leaders, prior to expenditure being incurred.
- 2.17 Agrees that the delivery programme will highlight in advance gateway review points in which updates and supporting information will be provided to Full Council.

### **3.0 Background**

#### **City Deal**

- 3.1 The regeneration of Tipner West and Horsea Island, to deliver housing and employment, has been a long-held priority for the Council, spanning over 50 years. More recently the plans were endorsed by Full Council alongside a decision to include part of the site in the 2012 Local Plan and again on [6th January 2014](#) when Cabinet resolved to implement and accept the City Deal contract from central government.

3.2 City Deal noted that coastal regions can be uniquely challenged and there are many examples across the UK of places that have seen significant decline with a corresponding fall in prosperity and living standards.<sup>2</sup> It is recognised that Tipner's fragmented ownership and abnormal constraints and infrastructure costs are barriers to growth. However, Portsmouth has enviable geographic advantages, including its proximity to the world's busiest shipping route and more connections to Europe than any other UK port. Complemented by a deep-water harbour, Portsmouth and the Tipner West and Horsea Island East sites are well placed to harness the opportunities that this competitive advantage provides.

3.3 Following full evaluation by central government, the £48.75m City Deal grant was awarded to the Council in recognition that despite the opportunities the site offered for regeneration, the challenges were so great and costly that the private market would not be able to resolve them. The City Deal agreement states:

*The site is 'unlocked by assembling public/private sector land and agreeing funding packages to support the provision of enabling infrastructure. Both funding packages will lever in significant local and/or private sector investment.'* (City Deal page 5)

*'Agree a **funding package** for both sites utilising significant local funding sources, private sector investment (including developer contributions) and Government investment. This funding will facilitate the provision of enabling infrastructure to be undertaken – making these sites ready for private sector investment.'* (City Deal agreement, Page 4)

*'Support **land assembly** on the Tipner-Horsea island site...'* (City Deal agreement, Page 4)

3.4 The land had lain largely derelict for over 50 years and the prospect of bringing this site into productive economic use, in particular the identified need for the site to assist underpin the region's marine and maritime manufacturing sector and provide homes for those employees, was a compelling proposition for government and became the cornerstone of the City Deal. The Deal presented an opportunity for the Council to drive the regeneration of Tipner West forward. The City Deal grant monies were made available to the Council to undertake the considerable investigative and design work that it was recognised by Government to be necessary in order to devise a viable development scheme for the highly constrained land.

3.5 The Council and Government, in agreeing the City Deal, recognised that the site was constrained by issues including flood risk, contamination, multiple ownerships and access. These issues, together with the protected characteristics of the environment, all deter market-led development. Work on potential development for Tipner West has been underway since 2012, in order to seek to maximise the benefits of the site for the city. In the period up to and including 2018, the work undertaken on behalf of the Council demonstrated that the most deliverable option with the lowest viability gap was to seek an option that enabled a true community to develop at Tipner West, but which required reclamation from Portsmouth Harbour.

3.6 In Q2 2019, in line with the City Deal contract, the Council chose to operate as both 'promoter' to develop the site and 'regulator' as the Local Planning Authority (under the Town Planning Acts. As promoter, the Council set up a team to further pursue the opportunity, to undertake all necessary investigations, master-planning, and evaluation of options.

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<sup>2</sup> [Coastal towns in England and Wales - Office for National Statistics \(ons.gov.uk\)](https://ons.gov.uk)



- 3.7 The promoter team, using City Deal grant funding, was to undertake necessary survey and design works to identify the best options for the site, coordinate the land assembly, planning and upfront infrastructure works to de-risk the sites and make the sites attractive for private sector development. The transfer of the MoD firing range land to the Council, in November 2020, was the first phase of the land assembly, and other land parcels continue to be progressed as a necessary pre-cursor to unlocking some of the complexities that have delayed past decision making and deterred private sector investment.
- 3.8 On [5<sup>th</sup> February 2019](#) Cabinet approved the Local Planning Authority as regulator and in preparing the revision of the City Local Plan, to conduct a Regulation 18 consultation for the expanded development of the City Deal site to include reclamation of land to support the viability of the development as had been demonstrated as necessary in the work undertaken to that date. The consultation received 344 responses, and these showed broad support for the option that including reclamation. These results were reported to Cabinet on [24<sup>th</sup> July 2019](#).
- 3.9 [In October 2020](#), Cabinet reviewed the work undertaken by the Council's promoter team on the 'Significant Land Reclamation' proposal. That proposal delivered a greater level of positive social, affordable, economic, and environmental outcomes than all of the alternatives it had considered previously. It was agreed by Cabinet that this proposal provided the greatest future opportunities to meet the city's needs, as well as being a more deliverable scheme.
- 3.10 Following the agreement in [October 2020](#) significant further work, including time-limited environmental surveys, were undertaken. (These run the risk of becoming out of date if the project is unable to move forward swiftly).

### **Environmental Impact**

- 3.11 Cabinet and Full Council have been briefed that for any proposal on this complex site to be successful, it would be subject to independent advice by Natural England, the Environment Agency and the Marine Maritime Organisation as part of the Habitat Regulations and Environmental Impact Assessments as well as any case required to demonstrate Imperative Reasons of Overriding Public Interest (IROPI) due to the impact to the Portsmouth Harbour environmental protections, including the Special Protection Area and Ramsar.
- 3.12 It has been made clear by Natural England that any option proposed for Tipner West, including the 'Do Minimum' option (Option D), due to construction of flood defences, could have significant effects on the Special Protection Area (SPA) and would require a Habitat Regulations Assessment (HRA) and potentially an IROPI case to be made.
- 3.13 As a result of 3.9 the promoter has confirmed with the Regulator Panel<sup>3</sup> that all options being considered will require offsite habitat compensation to be provided as part of the application process. Natural England, as a regulatory body, determine the radius within which the compensatory land must be provided following their assessment of the biogeographical reach of the relevant species.

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<sup>3</sup> Panel brought together through the Local Planning Authority which includes statutory regulators and bodies that advise the Secretary of State including the Environment Agency, Natural England, and the Marine Maritime Organisation.

3.14 In [October 2021](#) a motion to pause was presented to Full Council. This led to a pause in progressing the plans for the scheme that the Council had been progressing since 2016 and which had been through various gateways and Local Plan iterations.

### **Current position**

3.15 The report produced in [December 2021](#) was written following the Full Council resolution to pause, and outlined the following:

- Noted the economic benefits of the options, and how they would impact on the economic sustainability of the city
- Reviewed the original options that led Cabinet to support the recommendations in October 2020 and led the promoter to progress a planning application for the "preferred" option as the most financially viable and deliverable.
- Noted the promoter team's assessment of the opportunities and constraints of the site at Tipner West and Horsea Island East (HIE)
- Noted the promoter team's summary of the environmental considerations and associated necessary assessments by independent inspectors and statutory stakeholders on issues such as reclamation, wildlife and habitat impact, mitigation, and compensatory measures
- Provided further details on background research, surveys and reports that had led to the recommendation to progress Tipner West with Significant Land Reclamation (Option A).

3.16 A cross party working group was established to support the Local Planning Authority as part of the Regulation 18 & 19 process, and to assess the spatial options for development to be included in the emerging local plan. Options provided by the promoter team to the for Tipner West and Horsea Island East were presented as part of these discussions. These options are referenced in Appendix D and Section 5 of this report.

3.17 Following these discussions, the cross-party working group noted that their preference was for development on the existing land mass.

### **Flood Risk - See Appendix I**

3.18 Portsmouth's sea-levels are predicted to rise by around 70cm over the next 70 years.

3.19 The existing coastal defences at Tipner West are in poor condition. The 2011 Portsea Island Coastal Strategy Study<sup>4</sup> estimated that defences on Horsea Island East may fail within 5-10 years, and within 10-15 years on Tipner West. Due to lack of maintenance over recent years, there is an increasingly high risk that these defences could fail sooner.

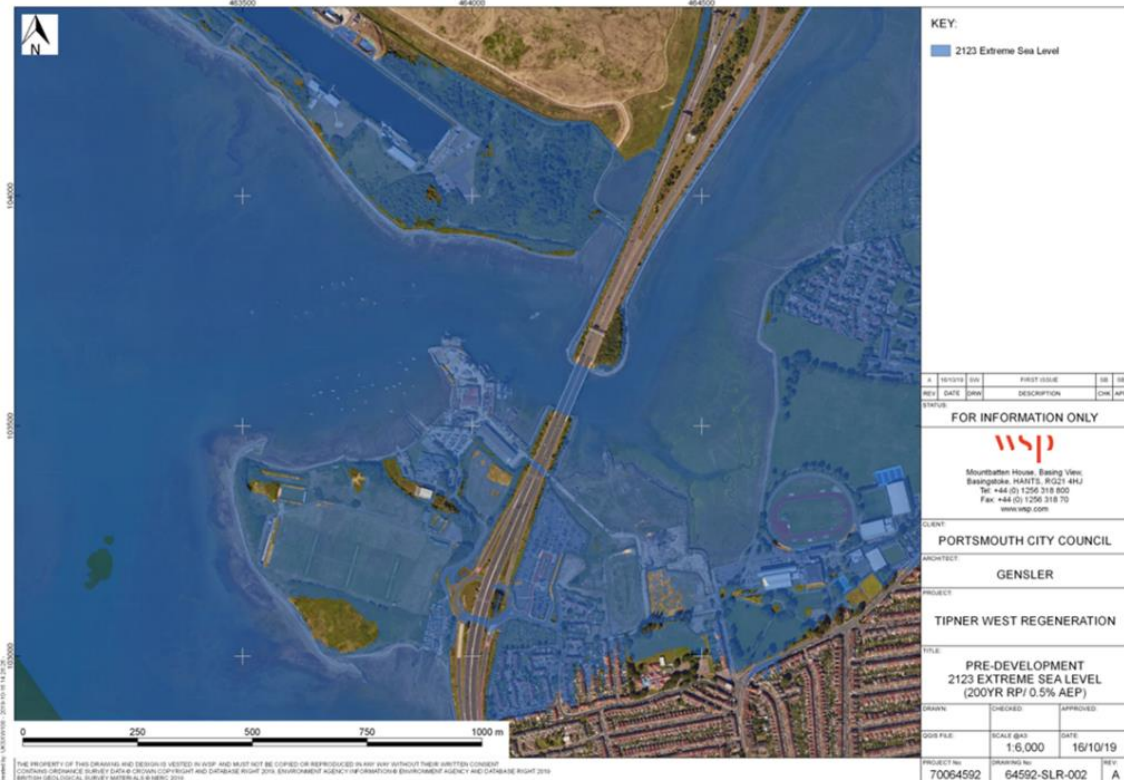
3.20 As there are no homes on the Tipner West site, it is extremely unlikely that flood defences would be funded by the Environment Agency under their current policies and must therefore be funded by the Council.

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<sup>4</sup> [https://coastalPlanning Authoritytipners.org.uk/static/media/resources/2011-04-14-portsea-star2-11-final-revc-blanked-sigs.pdf](https://coastalPlanningAuthoritytipners.org.uk/static/media/resources/2011-04-14-portsea-star2-11-final-revc-blanked-sigs.pdf)

- 3.21 It is important to appreciate that to 'Do Minimum' (Option D) will mean the loss of the existing land mass to flooding, including the Harbour School, as well as the loss of the inter-tidal and terrestrial habitats that form part of the designated nature conservation sites. It is anticipated that intertidal habitats are likely to see a 40% reduction by 2120.
- 3.22 In addition, flooding would leak through to Tipner East and Stamshaw, as shown in the image below. The image shows the estimated extent of flooding by 2123 – accounting for 100 years climate change and assuming that nothing is done to protect Tipner West.

Figure 1: Extreme Sea Level (0.5% Annual Exceedance Probability) – Pre-Development Scenario



- 3.23 The sites at Tipner West and Horsea Island East continue to represent a unique opportunity to shape the future of Portsmouth, not only as the gateway to the city but the opportunity to create space for the high-quality jobs, new homes and the critical infrastructure the area needs, as well as providing vital support to the Solent’s marine and maritime sector that is unlikely to be delivered elsewhere. These are vital components for the future economic vibrancy and sustainability of the city and region.
- 3.24 The development of this site, with an emphasis on marine and maritime employment, creates an opportunity to meet demand from that sector, help secure Portsmouth's economic future, and complement the Solent Freeport.

## 4.0 Reasons for recommendations

### Progressing an option

- 4.1 The parameters that are to be agreed at Full Council must consider the following

- 4.1.1 The Cross-Party Working group has considered spatial options in context of the strategic housing need and considering the least environmental harm. These groups were not tasked to consider detailed design, the financial burden or the local housing need as defined by the council's Housing team.
- 4.1.2 City deal requires Tipner West to deliver 1,250 homes & 58,000 sqm of marine and maritime employment space by 'unlocking this critical employment and housing site'.
- 4.1.3 Portsmouth faces a significant local housing need. As of December 2021, the housing register (waiting list) for affordable accommodation has 2,238 households on it waiting to be housed (Appendix C- item 3.3.9). Development at Tipner West and Horsea Island East presents an opportunity to provide affordable homes for local people to live and to work.
- 4.1.4 The creation of a new aspirational place for Portsmouth residents to live on the Tipner peninsular requires careful consideration to avoid isolating this new community. Consideration to how open spaces, connecting infrastructure and community amenity all made available to support this new place is critical.
- 4.1.5 All options require capital funding, including 'Do Minimum'. This is further explained in the Director of Finance comments (Section 8)
- 4.2 The options previously proposed are detailed in Section 5 and Appendix C & D
- 4.3 Subject to approval of these recommendations the promoter will bring forward, in collaboration with the cross-party working group an option that responds to the principles agreed in 2.10.
- 4.4 The promoter team will then look to bring forward two applications which will be necessary to deliver the preferred option:
- **Town and Country Planning Act ('TCPA')** – A hybrid planning application for the main development that provides detailed consent for the infrastructure and outline planning consent for the housing and employment development to be followed by reserved matters applications for phases of the development.
  - **Transport Works Act 1992 ('TWA')** - An application to the Secretary of State for any works which may cause interference with the public right of navigation. This is likely to include the works to enable marine employment (bridge and dredging).
- 4.5 The applications will require a Habitats Regulations Assessment. Depending on the conclusion of that Assessment (i.e., should it identify a material adverse effect on the SPA after mitigation), it may also be necessary to set out an IROPI case which, in the absence of any alternatives, justifies a derogation from the Regulations provided compensatory measures are secured. An opinion on whether or not IROPI are present can be sought from the Secretary of State by the Local Planning Authority in advance of any local plan or planning application promotion– the information supporting such a request would be prepared by the promoter.
- 4.6 There is a need for a clear directive from Full Council and Cabinet on the principles for a preferred way forward in order to:

4.6.1 Progress with a deliverable preferred option for Tipner West and Horsea Island East area, which, as a minimum, delivers the development in line with the City Deal contract and to create deliverable development plans for this site sufficient for the two necessary applications.

4.6.2 Maintain the positive engagement with the property and development industry for investment in the city.

4.6.3 Enable full benefit to be secured from the extensive survey work that has been undertaken; there is a risk that further surveys will become out of date unless the necessary applications are submitted by September 2023. This largely relates to environmental surveys which are generally valid up to 18 months.

### **Expenditure required and impact**

4.7 A standard level for professional fees would usually be benchmarked at between 8% and 13% of construction costs in general as a guiding principle.

4.8 The fees required to deliver a planning application for the 'Existing Land Mass', or 'Moderate Land Reclamation' option are as follows:

Non consultancy costs	£1.2 million
External Legal costs	£1.3 million
Multidisciplinary team	£5.2 Million
<b>Total fees required</b>	<b>£7.7 million <sup>5</sup></b>

4.9 Tasks to bring forward an outline application include:

- Revised concept masterplanning
- Revised development appraisals
- Detailed masterplanning and preparation of new Design and Access Statement
- Preparation of Outline Planning Drawings
- Preparation of new Parameter Plans
- Revised Environmental impact assessments (EIA) Scoping
- Preparation of new EIA
- Planning Statement preparation
- Public consultation and preparation of Statement of Community Engagement
- Design Code (to be confirmed as could be conditioned to streamline application)
- Environmental surveys
- Technical assessments
- Engineering drawings
- Engagement with statutory and non-statutory stakeholders
- Review of off-site compensation requirements
- Engagement with landowners to provide compensation

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<sup>5</sup> Should 'Significant Land Reclamation' (Option A) or 'Do Minimum (Option D) be chosen as the preferred option by Full Council the fees would be reduced.

- Biodiversity Net Gain proposals
- Review of and amendments to business case

**Please note further detail on the fee assumptions and task list is provided in Appendix A**

4.10 If £7.7 million is approved it would take the total use of the Government grant to £28.4m. To avoid additional (abortive or duplicate) costs being incurred this would be subject to the commercial gateways and due diligence required by the Section 151 officer and Leader of the Council prior to the expenditure being incurred in consultation with group leaders.

## **5.0 Options**

5.1 The promotor team, provided options to the Local Planning Authority, including a 'Do Minimum' option. These are presented below. (Figure 2).

5.2 The benefits and disbenefits of these options are outlines in Appendix D.

<b>Figure 2- Promotor options for Local Planning Authority</b>	<b>Significant Land Reclamation (3,500 units) Option A</b>	<b>Moderate Land Reclamation (2,000 units) Option B</b>	<b>Existing Land Mass (1,250 units) Option C</b>	<b>Do Minimum Option D</b>
<b>Homes</b>	3,500	2,000	1,250	0
<b>Mix (house: apartments)<sup>6</sup></b>	45: 55	60: 40	60: 40	N/A
<b>Land mass used</b>	Yes	Yes	Yes	N/A
<b>Population</b>	6,993	4,174	2,608	N/A
<b>Employment</b>	9ha/58,000sqm	9ha/58,000sqm	9 ha/58,000sqm	N/A
<b>Max height</b>	10 (for a few iconic feature towers but generally under 6 storeys)	6	6	N/A
<b>Open space requirement @ 1.85Ha per 1,000 population</b>	12.94ha (Circa 8-9 hectares on site at Tipner West and circa 4-5Ha	7.72ha Majority offsite	4.83ha All offsite <sup>7</sup>	N/A

<sup>6</sup> With the scale of development proposed with the 'Significant Land Reclamation' (Option A), the scheme is able to support a larger proportion of higher density apartments that is not traditionally seen in smaller schemes. This is due to the place making effect through delivering well thought out community infrastructure and local amenity projects. For schemes of fewer unit numbers on the existing land mass, the proportion needs to be more housing focussed as the wider place making benefits of community infrastructure project and local amenity will not be present.

<sup>7</sup> This option assumes that the Horsea Island East bridge link is delivered connecting residents from Tipner East, Tipner West and Port Solent to the proposed Country Park.

	assumed at Horsea Island Country Park)			
<b>Reclamation</b>	27ha	14ha to provide 12ha additional developable land	Minimal	None
<b>Special Protection Area Impact (ha)</b>	153ha	136ha	119ha	Flood defence impact
<b>Compensation Area (Ha)</b>	180ha	130ha	80ha	Minimal
<b>No. of affordable (minimum 30%)</b>	1050	600	375	0
<b>New school provided</b>	Yes	No- use up existing capacity in the city	No- use up existing capacity in the city	No
<b>Community centre</b>	Yes	Potentially	No	No
<b>Development on Firing Range</b>	Y	Y	Y	N
<b>Estimated Viability Gap (incl. Potential Homes England Funding)</b>	£53m	£46m	£55m	£53m
<b>Likelihood of External Funding to Bridge Residual Viability Gap</b>  Please note - planning permission is required to secure additional funding.	<b>Most Likely</b>  <ul style="list-style-type: none"> <li>▪ Gap = £15k per unit</li> <li>▪ Significant Community Infrastructure</li> <li>Significant Open Space</li> </ul>	<b>Reasonably Likely</b>  <ul style="list-style-type: none"> <li>▪ Gap = £23k per unit</li> <li>▪ Some Community Infrastructure</li> <li>Some Open Space</li> </ul>	<b>Very Unlikely</b>  <ul style="list-style-type: none"> <li>▪ Gap = £44k per unit</li> <li>▪ No Community Infrastructure</li> <li>Minimal Open Space</li> </ul>	<b>Very Unlikely</b>  <ul style="list-style-type: none"> <li>▪ Gap = £53m</li> <li>▪ No Development</li> </ul>



## 5.2 Significant Land Reclamation- Option A

This option was previously highlighted by the promoter team as the most deliverable option in terms of its physical delivery by the development market and its financial viability whilst meeting the housing, economic development, and amenity requirements for the local area. It is also the option most likely to attract external funding, including Homes England support, as it delivers a quantum of development which enables a sustainable community given the geography of the site.

### Significant land reclamation option (SLR)

- 3500 homes
- 58,000sqm marine employment
- 153ha SPA impact
- 180ha compensation area
- 12.94ha open space



### Environmental Impact Zones SRL



FULL LAND RECLAMATION OPTION				
KEY	IMPACT CATEGORY	COMPENSATION RATIO	IMPACT AREA (HA)	COMPENSATION AREA (HA)
	DIRECT	3.45:1	34.03	117.4
	SUPPORTING	2.7:1	6.66	17.98
	INDIRECT	0.39:1	112.5	43.87
	<b>TOTALS</b>	-	<b>153.19</b>	<b>179.25</b>

### 5.3 Moderate Land Reclamation- Option B

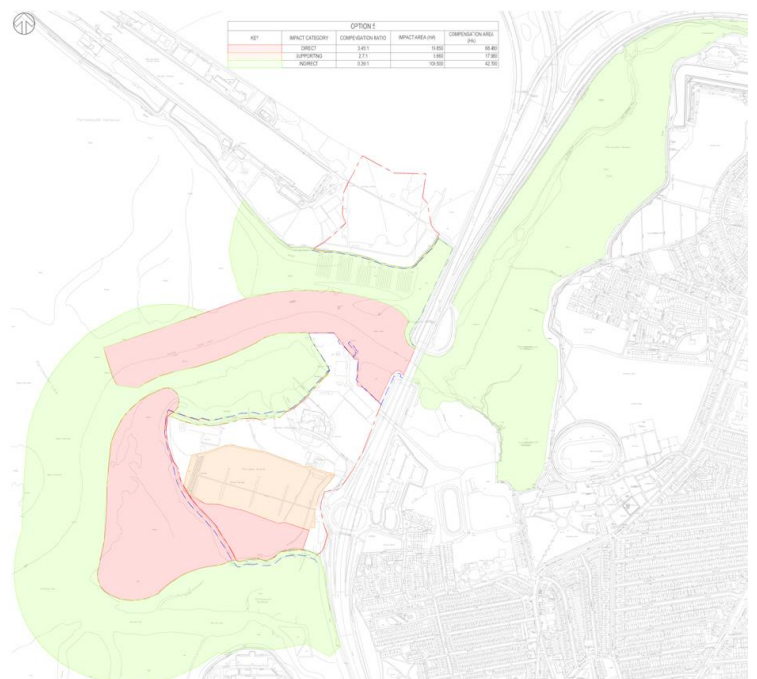
Following the campaign by the RSPB and HIWWT, this compromise spatial option has been put forward providing some land reclamation in order to help achieve PCC's housing targets whilst assisting to close the viability gap that is presented by Option C, existing land mass. This option provides an opportunity to explore a balanced community but, as with the 'Existing Land Mass' option (Option C) currently shows residential with reduced open space and some community provision but providing a market facing quantum of houses to apartments. The promoter team have requested to work with Members to explore this option further, flexing the amount of land reclamation and housing numbers to balance harms and benefits in line with the principles proposed. A detailed masterplan for this development could provide opportunity, with decreasing housing numbers, for revised open space looking to minimise disturbance to the South (hatched area below).

#### Moderate Land Reclamation option (MLR)

2000 homes  
 58,000sqm marine employment  
 136ha SPA impact  
 130ha compensation area  
 7.72ha open space



Environmental Impact zones  
 MLR



KEY	IMPACT CATEGORY	COMPENSATION RATIO	IMPACT AREA (HA)	COMPENSATION AREA (HA)
	DIRECT	3.45:1	19.85	68.48
	SUPPORTING	2.7:1	6.66	17.98
	INDIRECT	0.39:1	109.5	42.7
	<b>TOTALS</b>	-	<b>136.01</b>	<b>129.16</b>

## 5.4 Existing Land Mass- Option C

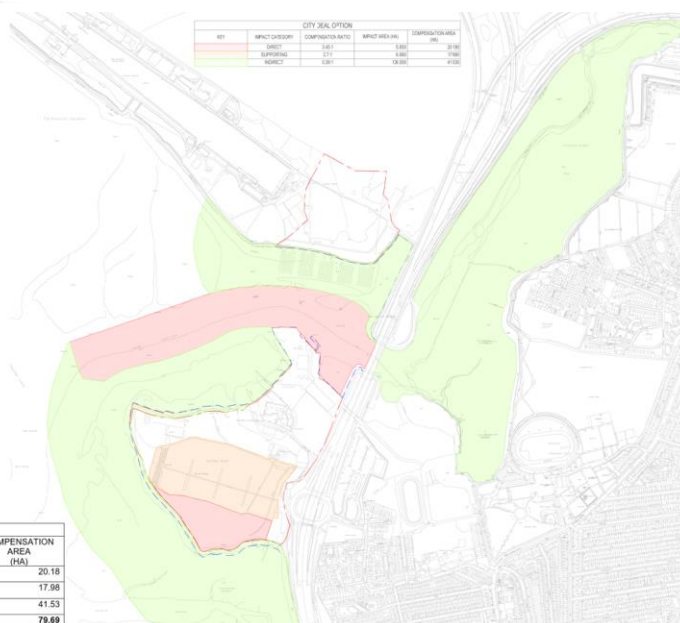
The site is complex and requires funding. With a smaller land area and competing priorities this option struggles to achieve financial viability on a per dwelling basis. This option is least likely of the development options to attract the highest levels of grant funding from Homes England. This option, due to its reduced scale, is least likely to provide for a sustainable community and local amenity while meeting the City Deal housing numbers. This development will be reliant on existing local amenities in the surrounding developments and Port Solent area. The option presented to Members which addresses the City Deal requirement would need to be high density, provide minimal community amenity and limited levels of public open space.

### Existing land mass

1250 homes
58,000sqm marine employment
119ha SPA impact
80ha compensation area
4.83ha open space



### Environmental Impact Zones Existing land mass



CITY DEAL OPTION				
KEY	IMPACT CATEGORY	COMPENSATION RATIO	IMPACT AREA (HA)	COMPENSATION AREA (HA)
	DIRECT	3.45:1	5.85	20.18
	SUPPORTING	2.7:1	6.66	17.98
	INDIRECT	0.39:1	108.5	41.53
	<b>TOTALS</b>	-	<b>119.01</b>	<b>79.69</b>

## 5.5 Do Minimum- Option D

5.5.1 It is not considered feasible that a 'do nothing' option exists for Tipner West, hence a 'Do Minimum' option is being explored. This was also included within the report (item 7.1).

- **Natural England as a statutory consultee has also confirmed that even in the 'Do-Minimum' scenario a Habitats Regulation Assessment is required.**
- sea levels are rising and habitats will be affected as they are not protected as this work is unfunded
- doing nothing to the existing land mass is, at best, a short-term position as flood defences will be required at significant cost
- installing flood defences will result in environmental damage
- should the defences fail, there is a risk of releasing contaminants present in the ground into Portsmouth Harbour and polluting designated nature conservation sites.
- the Council may be required to return the £48.75m City Deal funding to central government.
- the Council, having entered into a contract to deliver the City Deal and signed up to a "hold the line" approach to its sea defences ([Portsea Island Coastal Strategy](#)), has ruled-out do nothing or 'Do Minimum' options as these conflict with these primary criteria.

5.5.2 All options will require offsite habitat compensation as part of any application brought forward that incorporates the bridge or dredging and for some marine edge treatment depending upon design. The radius within which the compensatory land must be provided is determined by the biogeographical reach of the relevant species which is confirmed by Natural England.

### RSPB and HIOWWT Option

5.5.3 Following their campaign, The Royal Society of the Protection of Birds (RSPB) and Hampshire and Isle of Wight Wildlife Trust (HIOWWT) have promoted a series of 'concept drawings to show the Council it is possible to create homes at Tipner West for people and wildlife while still respecting legal protection and the needs of nature'.

5.5.4 These two wildlife groups were invited to present their thoughts to the Tipner West Regulatory Panel which brings together the 'DEFRA-family' regulatory environmental bodies - Natural England, the Marine Management Organisation, and the Environment Agency, as well as advisory bodies such as Coastal Partners and the RSPB and HIOWWT themselves. Their presentation was made on 23 May 2022 (see Appendix F, including summary minutes).

5.5.5 The concepts presented include images and the principles the two groups suggest should guide development rather than a development proposal itself. Those principles are to 'Avoid any direct damage to protected areas for nature; Mitigate indirect impacts to the protected areas; and Create space for wildlife within the Tipner

West development; as well as not pursuing the previous preferred option of 'Significant land reclamation' (the 'Lennox Point super-peninsula'). It is understood that the RSPB and HIOWWT have no specific proposals for the Tipner West site that can be directly compared to other schemes.

5.5.6 An initial assessment carried out by the promotor team of the concept found that the development expressed by the concept drawings would:

- Not protect the southern section of the peninsula from flooding, thereby losing it either for development or as protected habitat
- Conflict with the Council's 'hold the line' position
- Reduce the developable area of the site
- Deliver insufficient land for marine employment to meet City Deal obligations
- Deliver only circa 785 homes if developed at a similar density to what was being proposed by Portsmouth City Council.
- Deliver no publicly accessible open space for the community
- Be insufficient in scale to meet the viability criteria for a school or community centre
- Create a development of insufficient scale to support local shops/services, meaning that residents would need to travel out of the estate to meet their daily needs for recreation and sustenance.

5.5.7 Many of the RSPB and HIOWWT's principles of mitigating for indirect impacts to the protected areas and creating space for wildlife within the Tipner West development were integral principles of the former 'Significant Land Reclamation' (Option A) and should be part of any proposal for this site.

5.5.8 The RSPB/HIOWWT presentation offers no quantification of the relative impacts of the Councils current option vs their own RSPB/HIOWWT option. There is thus no evidential basis on which a decision maker could conclude that one is better, or worse, than the other in biodiversity terms. The objection, and the alternative proposals, rely upon the avoid-mitigate-compensate principle which is overly simplistic in this complex case and will not necessarily deliver the best ecological outcomes. Both the PCC and the RSPB/HIOWWT schemes would be required to fully mitigate their respective effects and to deliver biodiversity net gain.

## **6 Equality impact assessment**

6.1 An Equality Impact Assessment will be undertaken as part of the master planning and public consultation work and will form part of the planning application.

## **7 Legal implications**

7.1. There are no direct legal implications arising from the recommendations in this report. Legal Services will continue to provide legal oversight and support to the project as it develops.

7.2 The recommendations made in this report fall within the definition of a 'key decision' and are therefore reserved to the Cabinet, with the exception that the decision on the additional capital funding that is required to be added to the Corporate Capital Programme is within the remit of the Full Council.

## 8 Director of Finance's comments

8.1. The key financial considerations associated with the recommendations contained within this report are:

- The costs, risks and residual financial burden on the Council associated with the alternative scheme options for Tipner West
- The associated implications for the Council's future Capital Programme and the impact on the future delivery of Council Services
- The implications of opting to change to an alternative development scheme, resulting in abortive costs and the requirement to meet such costs in the year from the Revenue Budget

### Alternative Scheme Options

8.2. Described below is both the current and expected funding (viability) gaps associated with the alternative scheme options for Tipner West alongside the likelihood of any residual funding gap being met from additional external funding.

Tipner West Scheme Options	Significant Land Reclamation (3,503 units)	Moderate Land Reclamation (2,000 units)	Existing Land Mass (1,250 units)	Do Minimum
	Option A	Option B	Option C	Option D
	£m	£m	£m	£m

### Current Financial Position

Cost of Infrastructure	£604	£347	£235	£53
Borrowing Costs	£57	£32	£15	
<b>Gross Development Cost</b>	<b>£661</b>	<b>£378</b>	<b>£251</b>	<b>£53</b>

Revenue Income	(£449)	(£249)	(£124)	
City Deal Grant	(£54)	(£54)	(£54)	
<b>Gross Development Revenue</b>	<b>(£503)</b>	<b>(£303)</b>	<b>(£177)</b>	-

<b>Net Development Cost (Funding Gap)</b>	<b>£158</b>	<b>£76</b>	<b>£74</b>	<b>£53</b>
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<b>Funding Gap per Unit £'s</b>	<b>£45,000</b>	<b>£38,000</b>	<b>£59,000</b>	<b>Not Applicable</b>
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### Potential Further Funding

Potential Homes England Funding	(£105)	(£30)	(£19)	
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<b>Estimated Residual Funding Gap</b>	<b>£53</b>	<b>£46</b>	<b>£55</b>	<b>£53</b>
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Net Funding Gap per Unit £'s	£15,000	£23,000	£44,000	Not Applicable
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Likelihood of External Funding to Bridge Residual Funding Gap	Most Likely	Reasonably Likely	Unlikely	Very Unlikely
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8.3 In these circumstances, the Council would be unable to borrow to fund any deficit. The ability to borrow, this is regulated by the Prudential Code (recently revised in December 2021 with stricter requirements to demonstrate Prudence than previously required). To establish the vires for borrowing the Council has to demonstrate that any borrowing can pass the test of being Prudent, Affordable and Sustainable, where:

- Prudent relates to "primary purpose" (i.e., a primary duty or responsibility of a Local Authority), risk and value for money
- Affordable and Sustainable relates to the confidence that the Council can meet the borrowing costs over the long term and thus continue to provide Council Services on a sustainable basis.

8.4 Given the challenged financial environment and the likely future budget deficits that will arise (unfunded), borrowing has and continues to only meet the tests if the returns (savings or income) arising directly from the investment exceed the borrowing costs themselves. In the case of the Tipner West and Horsea Island Development Options, all returns have been assumed to be re-invested within the scheme itself and in all options resulting deficits between £46m and £55m still arise. There are therefore no further returns that would be available to fund any borrowing for the estimated residual deficit.

8.5 Additionally, there is the challenge of demonstrating that the use of over £100m of Public Funds (including circa. £50m of Council Funds) represents good value for money for the homes and employment delivered. Delivery of a scheme at the lower end of the social, economic, and environmental benefits such as Option D 'Do Minimum' and Option C 'Existing Land Mass' would not meet a value for money test compared to the alternative use (and benefits derived) that such a quantum of funding could otherwise be used for.

8.6 The evaluation set out in the body of this report, combined with the financial analysis above suggests the following:

#### 8.6.1. Significant Land Reclamation (Option A)

- An expected residual funding gap of £53m (assuming that Homes England provide £30,000 per unit of funding)
- 3,500 additional homes of which 1,050 are "Affordable"
- Genuinely sustainable community with significant levels of open space and community infrastructure
- Most likely that further external funding would be received to reduce / eliminate the £53m residual viability gap due to the aspirational design, enhanced housing numbers and wider economic benefits.
- No abortive costs

### 8.6.2 Moderate Land Reclamation (Option B)

- An expected residual funding gap of £46m (assuming that Homes England provide £15,000 per unit of funding)
- 2,000 additional homes of which 600 are "Affordable"
- High density, improved but still limited levels of public open space, some community amenity
- More likely that further external funding would be received to reduce / eliminate the £46m residual viability gap due the opportunity to provide a more sustainable community
- There may be some potential abortive costs but this is as yet uncertain.

### 8.6.3. Existing Land Mass (Option C)

- An expected residual funding gap of £55m (assuming that Homes England provide £15,000 per unit of funding), made up of:
  - £51m of infrastructure and financing costs requiring an annual capital allocation of circa £5m per annum for the next 10 years to 15 years
  - Up to £3.6m of Abortive Costs (but subject to validation), requiring equivalent savings to be made in the current year
- Generally undesirable appeal - high density, low levels of public open space, very little community amenity
- Less likely that external funding would be received to meet the £55m residual viability gap
- Abortive costs of up to £3.6m (but subject to validation), requiring equivalent savings to be made in the current year

### 8.6.4. Do Minimum (Option D)

- An expected cost and residual funding gap of £53m, made up of:
  - £32m of infrastructure costs, requiring an annual capital allocation of circa £3m per annum for the next 10 years to 15 years
  - Up to £20.7m of Abortive Costs (see below)
- No Development- including no affordable housing or jobs.
- Very unlikely that external funding would be received to meet that gap since no additional economic benefits would be provided
- Abortive costs of up to £20.7m (but subject to validation), requiring equivalent savings to be made in the current year

### 8.6.5. Summary

- The estimated Residual Funding Gap (after reasonable assumptions of potential further funding from Homes England) ranges from £46m to £55m
- Without further external funding to meet that gap, the financial burden will fall to the Council - it is estimated that a sum of £4m to £5m will be required each year over the next 10 to 15 years in order to bridge a gap ranging from £46m to £55m
- 'Moderate Land Reclamation' (Option B) and 'Significant Land Reclamation' (Option A) options have a realistic opportunity to



reduce / eliminate the Residual Funding Gap and therefore the annual £4m to £5m financial burden to the Council

### **Implications for Future Capital Programmes**

- 8.7 Without further external funding all of the options for development at Tipner West and Horsea Island East result in a significant financial deficit that would fall on the Council. Funding a deficit of between £46m to £55m would present serious implications to the future delivery of Council Services (as described later in this section).
- 8.8 As described in the Council's Capital Strategy, over recent years' the Council's core capital funding has amounted to circa £7m per annum (Capital Grants, Capital Receipts and Community Infrastructure Levy). Within this core funding are grants from the Department for Education and the Department for Transport amounting to circa £3.4m per annum with an expectation of "passporting". This leaves circa £3.6m of core funding available for more general Capital Investment.
- 8.9 Whilst in previous years the Council's capital funding has exceeded the core level (£7m), this has only been as a result of planned Revenue Contributions to the Capital Programme plus unplanned Revenue Budget underspend that have also been transferred to support the Capital Programme.
- 8.10 Examples of some of the more significant Capital Investments that have been made available from Corporate Capital funding (core funding and Revenue Budget contributions) in recent years are:
- Additional Special School places
  - Land assembly (City Centre Regeneration)
  - New Leisure and Community Centre
  - Maintenance of Council operational buildings
  - Transport infrastructure
  - Maintenance of Heritage Assets
  - Greening the City
  - Food Waste Collection Fleet
  - Football facilities
  - Replacement of Care Management System
  - Sea Defences - Enhancements
  - Digital Infrastructure
- 8.11 With core Capital funding (after passporting) at £3.6m p.a. supporting the delivery of critical investment for the continued delivery of essential services, it would be irresponsible to assume that the Council's future Capital Programmes could afford a sum of £4m to £5m over the next 10 to 15 years. Given that this could not realistically be funded from future Capital funding, it would require a Revenue Contribution to Capital of a £4m to £5m per year which, in turn, would require Full Council to make Revenue Budget savings of an equivalent amount.

- 8.12 At this stage there is a reasonable expectation that no further external funding would be attracted from either the 'Do Minimum' or 'Existing Land Mass' options and therefore that the residual funding gap will fall to Full Council. Accordingly, should either of these options be chosen it would be prudent to start planning Revenue Contributions and therefore Revenue Savings from 2023/24 at levels sufficient to meet the overall deficit over a reasonable planning period (i.e. 10 to 15 years). A sum of £4m to £5m provides for an even profile of Revenue Contributions to Capital and will spread the financial burden of such a decision equitably over future Administrations. Whilst other savings profiles are possible (front or back loaded), the principle of identifying funding at the point of decision (i.e. aligning policy decision making and financial planning) and ensuring equity across Administrations and generations is important. It is also important to note that a back loading approach will lead to an overall increase in the costs of servicing debt and therefore an increase in the necessary savings that would need to be made.
- 8.13 It is also reasonable to expect that a larger scale development for Tipner West and Horsea Island East involving land reclamation would result in a lower funding gap. The prospects for attracting additional external funding are greater and the scope and opportunities for making cost savings on larger developments are also greater. Accordingly, it would be premature at this stage to require the Council to plan to meet an overall residual funding gap for an option with larger scale development.
- 8.14 In summary, pursuing either the 'Do Minimum' or 'Existing Land Mass' options will present serious consequences for the delivery of essential Council Services in the future. The associated Revenue Savings Requirement of £3m or £5m, respectively to fund either of these options needs to be considered in the context of the current financial environment. At present, the Council is struggling with the continuing legacy impact of COVID 19 in Adults and Children's Social Care, the challenging inflationary environment across all Services as well as the increase in demand for Council Services from residents that are being severely impacted by the "cost of living" crisis - pay and energy inflation alone are expected to exceed the budget by well in excess of £5m. Coupled with this are the inflationary and other pressures in the Capital Programme exceeding £10m. These emerging signs of financial distress would be exacerbated by a requirement to find further savings in the future and would therefore place at serious risk current levels of service to residents.

### **Implications of Changing to an Alternative Development Scheme**

- 8.15 At present £20.7m has been spent in the delivery of the Tipner West Development over the past 6 years, some of which was necessary for any development scheme, but some of which will become out of date should an agreed scheme not progress. This has been funded from the City Deal Grant.
- 8.16 Should Full Council opt to pursue an Alternative Development Scheme to the 'Significant Land Reclamation' scheme, any costs not "directly attributed to bringing a particular asset to the location and condition necessary for it to be capable of operating in the manner intended" will result in "abortive costs". That means that any expenditure incurred on developing any scheme which does not directly relate to the asset created cannot be charged to the Tipner West scheme and cannot be funded from the City Deal Grant and therefore must be met from the Revenue Budget in the current year.
- 8.17 An initial estimate (subject to further validation) of up to £3.6m has been estimated as the costs directly and exclusively related to the 'Significant Land Reclamation'

(Option A) scheme i.e. costs which could not be attributed to any scheme or any other scheme. No evaluation has yet taken place as to whether any of these costs could be attributed to a 'Moderate Land Reclamation' (Option B) scheme. It is clear however that up to £3.6m would be abortive should the 'Existing Land Mass' (Option C) be chosen.

- 8.18 Similarly, should Full Council elect to pursue the 'Do Minimum' (Option D), costs of up to £20.7m (subject to validation) would become abortive and need to be met from the Revenue Budget in the year.

### **Mitigation of Further Abortive or Duplicate Costs**

- 8.19 To guard against significant further costs becoming abortive due to surveys becoming time expired and needing to be replaced, it is important that the team can continue their work towards a planning application.
- 8.20 The proposals contained within this report recommend that a further £7.7m is spent to progress design works for the purposes of obtaining the necessary planning applications under the Town and Country Planning Act ('TCPA') and the Transport Works Act 1992 ('TWA') and to prepare an Outline Business Case to enable the Council to bid for additional external funding. This amount includes an estimate for external legal fees and costs related to internal fees.
- 8.21 To obtain greater clarity over the likely viability of any scheme and have a "reasonable expectation" that the "viability gap" is capable of being closed, it is expected that Homes England would be the most likely funder of sufficient scale. This however, is only reasonably expected for the Moderate (Option B) and Significant Land Reclamation (Option A) schemes. Notably, the level of subsidy required is not dissimilar to other schemes around the country with comparable size outputs (as discussed in the 06/12/21 Full Council report).
- 8.22 Alternatively, or additionally, other external funders and / or modifications to the scheme may need to be identified which also have a "reasonable expectation" of both delivery and addressing the residual funding gap.
- 8.23 In the last four years the Council has been successful in raising over £390million in external grant funding for capital schemes. This success has been built on strong relationship developed over a number of years with key partners. A list of successful bids is included in Appendix G.
- 8.24 In almost all cases the defining success factors have been the ability to demonstrate deliverability within a prescribed timeframe. So called "Oven Ready" schemes are developed at the Councils risk with planning secured and business cases written and then are often "parked" awaiting the right funding stream or bidding opportunity.
- 8.25 Being able to demonstrate key hurdles like political support, planning permission, contractor procurement and land ownership have been pre-cleared make these schemes more attractive to funders.
- 8.26 Other successful routes include the targeting of funders specific requirements, for example the council's recent success in winning 2 future high streets bids. These smaller more targeted approaches could pick-up some of the elements of the wider programme like sustainability, green & circular technologies within the employment

spaces or a specific bus time improvement benefit from expanded the bridge to allow a bus link through to Port Solent and the Southampton Road.

- 8.27 For whatever solution is preferred, it is proposed that further external capital funding must be sought and as such the Director of Regeneration and the S151 officer will be actively be engaged in bidding, to reduce any future pressures on the Council Capital programme.

## **9 Local Planning Authority Position Statement**

- 9.1 Under the central government standard methodology Portsmouth is required to seek to provide 17,762 new homes in its plan period to 2038. The current assessment of Housing and Employment Land Availability identifies that without a contribution of new housing at Tipner West there would be an unmet need for housing in Portsmouth over the emerging plan period of around 4,000 homes.
- 9.2 To support the council's ambitions, adopted through the Economic Regeneration Strategy to create an additional 7,000 jobs in the city approximately 190,000sqm of employment floor space across a number of sectors will need to be delivered within the plan period. If the employment contribution anticipated for Tipner West and Horsea Island East, of around 60,000sqm, is not delivered this will adverse effect the ability of the City to meet its growth ambitions, both in respect of the number of jobs created and the nature of those jobs as it would remove the majority of new opportunity for the identified growth industries of marine employment and advance manufacturing which would have supported key opportunities for 'green' growth.
- 9.3 The Tipner opportunity area includes land and water that is designated for its ecological habitat value, as Natura 2000, Ramsar and Special Protection Areas. The Firing Range at Tipner is also a primary supporting habitat for Solent Waders and Brent Geese. Consequently development, including the minimum necessary interventions to 'hold the line' for flood defence and manage the risk of environmental pollution from ground contamination in a 'Do Minimum' scenario, are considered to have a likely significant effect on the SPA. These effects, which will inevitably include some loss of habitat within the relevant Habitats Site associated as a minimum with the flood defence work, will not only require mitigation but will also need to meet the derogation tests of alternatives and imperative reasons of over-riding public interest (IROPI). An appropriate assessment under the Habitat Regulations and consultations with Natural England is therefore required to fully interrogate this whatever option the landowner choses to pursue and promote on the site.
- 9.4 The Local Planning Authority has reviewed options for Tipner West, including evaluating and consulting on three options last year in a Regulation 18 Consultation. Other options, such as using the land for port expansion, realigning the strategic road network in this area, and giving more of the land over to 'nature reserve' have been evaluated as part of the response to that Local Plan Consultation and in discussions with stakeholders since then. All options for development of the site show a significant financial challenge to the landowner. Some options, such as seeking to use all of the site for employment purposes or seeking to remove built form from the previously developed parts of the land, are not considered by Local Planning Authority to represent sustainable or effective use of the land. Reasonable mixed-use options for the site have a varying degree of financial viability challenge and impacts on habitats. Those options with the greatest direct impact on protected habitat have,

unsurprisingly, the higher risk of being unable to demonstrate the existence of imperative reasons of over-riding public interest. As noted, however the derogation test is required to be satisfied for all options, including a 'Do Minimum' option at this site.

9.5 Noting the flood and environmental management challenges of the site that any landowner would need to address within the medium term and the obligations the City Council has entered into under the City Deal the Local Planning Authority has reviewed the financial viability of the range of options. The Local Planning Authority is therefore satisfied that it is reasonable to presume an allocation of not less than 1,250 homes and not less than 55,000sqm of employment floorspace on Tipner West and Horsea Island East within the plan period as it is a reasonable presumption that no landowner would chose to spend £50m to 'Do Minimum' when they could spend a largely similar amount on delivering outcomes they have already agreed to, ie the City Deal and the North Solent Shoreline Management Plan, and thus giving themselves opportunities through the leveraging of additional public sector grant or future value engineering to reduce this financial liability.

.....  
Signed by:

**Appendices:**

**Appendix A-** Assumptions/Points to note for promoter team proposal *(In report)*

**Appendix B-** Historic Engagement timetable *(In report)*

**Appendix C-** Full Council - Report Dec 2021

**Appendix D-** Historic Achievements

**Appendix E-** RSPB/HIOWWT development principles presentation

**Appendix F-** PCC- Successful Bids

**Appendix G-** Local Planning Authority Housing needs- Group briefing presentation

**Appendix H-** Tipner flood risk

**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
N/A	

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

.....  
Signed by:

## Appendix A - Points of note/ Assumptions for promotor team proposal

Tasks to bring forward an outline application include:

- Revised concept masterplanning
- Revised development appraisals
- Detailed masterplanning and preparation of new Design and Access Statement
- Preparation of Outline Planning Drawings
- Preparation of new Parameter Plans
- Revised EIA Scoping
- Preparation of new EIA
- Planning Statement preparation
- Public consultation and preparation of Statement of Community Engagement
- Design Code (to be confirmed as could be conditioned to streamline application)
- Environmental surveys
- Technical assessments
- Engineering drawings
- Engagement with statutory and non-statutory stakeholders
- Review of off-site compensation requirements
- Engagement with landowners to provide compensation
- Biodiversity Net Gain proposals
- Review of and amendments to business case

1. It's imperative to highlight that although the assumed programme allows most existing ecology surveys to be re-purposed, if the programme delays for more than six months this will likely result in the surveys expiring. As a result of this, there will need to be significant re-survey work undertaken which will be seasonally dependent.
2. Assumed need for further winter bird surveys, due to issues flagged with the neighbouring Park and Ride site planning application. The team will avoid duplication where possible.
3. Assumed the application will include the current design for the dredge channel and bridge. However, there is a need to potentially re-consider the design of the dredge channel and possibly the bridge due to engagement with Historic England. We will need to consult on the impact this could have on the viability of the marine employment site.
4. Increasing the building height on Tipner West will likely result in objections. Therefore, a balance between height (viability) and level of impact (ecology and heritage) will need to be considered.
5. An option on the existing land mass (Option C) will include some land reclamation in order to facilitate the delivery of critical infrastructure like flood defences and the Horsea Island East (HIE) bridge link. There will also be reconfiguration of the existing Tipner Point to provide a marine employment site which will include some land reclamation.
6. An additional budget will be required for input into the Local Plan Regulation 19.

The Planning Strategy includes the following:

- The outline application for the masterplan (streamlined or comprehensive outline including Design Code to be confirmed)
- TWAO application is to be submitted simultaneously with the outline planning application for the bridge that will connect Tipner West and Horsea Island East and the dredging requirement. Could potentially also incorporate any significant marine infrastructure, if necessary, that could restrict navigational use of the Harbour.
- The red line boundary will be reduced to reflect the existing land mass at Tipner West, the bridge, dredging and any marine elements, and the employment land at HIE excluding the country park.
- The proposals may trigger a need for compensation land due to the impact on the SPA; bridge, dredging and loss of firing range and SPA direct loss at southern point of Tipner West.
- Completion of EIA Scoping stage due to the changes proposed in the scheme when compared to the previous EIA Scoping request.
- A strategy to be developed for Nitrates and nutrient neutrality, unless it can be incorporated into any wider strategic solution delivered through the local plan process. Any associated costs for either a stand-alone or strategic incorporation would need to be accounted for.

Indicative timescales

*Indicative Minimum Programme (could extend depending on detail of design coding, team appointments and availability)*

Task	Programme													
	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23	Feb-23	Mar-23	Apr-23	May-23	Jun-23	Jul-23	Aug-23	Sep-23	Oct-23
Project Inception														
Masterplan Development														
Public Consultation														
EIA Scoping														
Scheme Fix														
Planning Application preparation including EIA and HRA														
Review of application														
Final Revisions														
Planning Submission														

## Appendix B - Historic engagement timetable

When	Who	Activity
Sept-Oct 2019	Residents	Public exhibitions at Port Solent and The Mountbatten Centre to give local residents the chance to give feedback on the plans for Tipner West (now Lennox Point).
Sept 2019	Investors, developers, future supply chain - local and national businesses	Tipner West Industry Day. Over 200 delegates from local and national firms attended an event to hear about the plans for Tipner West.
Jan- Mar 2020	Residents	Tipner West roadshow. A series of events around the city to give Portsmouth residents the chance to feedback on the plans for Tipner West (now Lennox Point) and suggest ideas for the team to consider.
Oct 2020	Residents	Focus groups made up of Portsmouth residents worked together to <a href="#">name Lennox Point and the marine employment hub Phoenix Quay</a> .
May 2021 and ongoing (paused)	Environmental and heritage stakeholders	Monthly regulatory panel and heritage panel launched to keep key stakeholders updated.
June 2021	Marine and maritime sector	A marine sector market sounding exercise to ascertain the market's appetite for the Marine Employment Hub of the Lennox Point development. This included a mix of local, UK and international firms.
Aug 2021	Council members	Members were invited to take part in a cross-party working group to ask questions about the scheme and help shape the next phase of the project.
Sept 2021	Investors, developers, future supply chain - local and national businesses	Over 200 businesses from Portsmouth and beyond attended an event designed to present the masterplan and opportunities to get involved in the Lennox Point supply chain.
Sept 2021	Future supply chain - local and national businesses	Launch of the Lennox Point e-brokerage tool that allows businesses to register for project updates, events, and contract opportunities.
Sept - Oct 2021	Council members	A series of briefings for all members on the options for Tipner West, including Lennox Point.
Sept-Oct 2021	Residents, businesses, and wider stakeholders	Portsmouth City Council's Local Plan public consultation includes three options for the future of Tipner West - including Option 1: Innovative sustainable community (Lennox Point).
Sept-Oct 2021	Investors, developers	A series of 1:1 meetings, facilitated through the Department of International Trade, to help gain an



		early indication of the market's interest in the investment/development opportunity.
Ongoing	Young people, students in Portsmouth	We are working with students at UTC Portsmouth, Portsmouth College, The University of Portsmouth on a number of projects including the design of the Horsea Island bridge, waste management, robotics to support car-free living and the design of Phoenix Quay's branding. We also plan to support Aspirations Week and a T-Level student placement in 2022.
Ongoing (paused)	Ward members	We have held monthly meetings for Ward councillors to provide regular updates on the project and answer questions.