

From Cabinet 8 September 2022

Council agenda item 9

Tipner West and Horsea Island East Regeneration (Minute Number 104).

Cabinet recommends that Full Council:

- (i) 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.
- (ii) 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.
- (iii) 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.
- (iv) 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.

- (v) 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

- (vi) 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

- (vii) 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.

- (viii) 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.
- (ix) 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.
- (x) 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.

- (xi) 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.

- (xii) 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

- (xiii) 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 F.

- (xiv) 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.