

Agenda item:

Decision maker: Cabinet Member for Housing
City Council

Subject: DELIVERING REPLACEMENT HOUSING PROGRAMME,
PHASE 2

Date of decision: 16th March 2015 (Housing Portfolio)
17th March 2015 (City Council)

Report by: Head of Housing and Property Services

Wards affected: All

Key decision: Yes

Budget & policy framework decision: Yes

1. Summary and Purpose of Report

- 1.1 To seek permission and approval for a programme of 189 replacement Council homes at an overall cost of £22.903m.
- 1.2 All new build homes will require planning applications. The proposed developments in Havant will be built to be sustainable homes code 3 standard, whilst the development within Portsmouth will meet code 5 of the sustainable homes standards.

2. Background

- 2.1 Demand for affordable homes in Portsmouth is high and our social housing stock needs to be replenished following years of sales under the Right to Buy legislation. The recommendations below are intended to provide much needed new homes. All homes that are proposed to be planned, designed and built will be funded by an appropriate mix of prudential HRA borrowing and capital contributions.

3. Recommendations

- 3.1 That the Cabinet Member for Housing request that City Council approve the following:
- 1) the following Capital Expenditure amounting to £22.903m:

- I. A development of 67 units (a mixture of flats and houses) on a disused allotment site in Havant at a total cost of £8.119m
 - II. A development of 50 units (a mixture of houses and flats) at Kingsclere Avenue at a total cost of £6.059m.
 - III. A development of 40 units (a mixture of flats and houses) at Blendworth Crescent as a total cost of £4.847m.
 - IV. A development of 8 houses at Holybourne Road at a total cost of £969.400.
 - V. A development of 24 flats to be built on the existing Buckland Family centre site at a total cost of £2.908m
- 2) to fund the £22.903m of Capital Expenditure, additional borrowing of up to £15.12m over the next 2 years, alongside the funding already approved within the existing capital programme.
 - 3) that subject to the requirements of recommendation 4, authority be delegated to the Head of Housing and Property Services in consultation with the Head of Finance & S151 Officer to amend the composition and spending profile of the proposed schemes in order to meet planning and design requirements.
 - 4) that a financial appraisal approved by the Head of Finance & S151 Officer must be completed prior to the commencement of any scheme, that confirms that the proposed scheme remains the most viable option and provides an overall benefit to the 30 year HRA Business Plan

4. Reasons for recommendations

- 4.1 These schemes will provide much needed homes for residents and contribute to the PCC Corporate Priority 6 - "Increase availability, affordability and quality of housing". The schemes will provide a mix of houses and flats, ranging from one bed properties through to four bed properties, meeting all ranges of family make up.
- 4.2 The bulk of the proposed new homes are in Havant as Portsmouth City Council is the majority landholder following the gifted land to Portsmouth City Council from the Staunton Estate at the end of World War 2. Close working relationships have already been established with Havant Borough Council as the planning authority, and it is recognised that these new homes will make a significant contribution to the regeneration of the area.
- 4.3 These schemes will assist the HRA in meeting Portsmouth City Council's commitment to the Department for Communities and Local Government to help

deliver replacement homes as per Housing Executive's decision to retain all additional Right to Buy receipts on 15 June 2012.

- 4.4 The schemes will increase the overall number of homes in the HRA, improving its financial position, and allowing it to continue to adequately manage and maintain its stock and and tenant services to residents.

5. Options considered and rejected

- 5.1 Do nothing. This fails to meet Corporate Objectives and fails to replace the homes lost under Right to Buy. Not delivering replacement homes will result in Portsmouth City Council not being able to meet its obligations to the Department of Communities and Local Government with regard to its contribution to delivering National one for one replacement of homes sold under Right to Buy and result in approximately £2.3m of resources leaving the City.

6. Duty to involve

- 6.1 Each of the schemes where necessary will undertake individual and substantial consultation with residents in the local area on the proposed new homes.

7. Implications

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

8. Corporate priorities

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

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

9. Equality impact assessment (EIA)

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

10. Legal implications

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

11. Head of Finance's comments

- 11.1 The replacement of homes lost under Right to Buy is a recognised priority, not only to ensure that Portsmouth City Council maintains a financially viable Housing Revenue Account for its tenants over a 30 year period, but also to meet its obligations under the agreement entered into with the Department for Communities and Local Government on 15 June 2012, which allowed Portsmouth to retain all additional Right to Buy receipts, providing it spent them on delivering replacement homes within a 3 year period of their receipt.
- 11.2 This report seeks approval to commence the design and construction of approximately £22.9M of new housing over the next 2 years in the following profile.

| | 2015/16 £ | 2016/17 £ |
|---|-------------------|-------------------|
| Replacement Housing Programme - Phase 2 | 11,400,700 | 11,502,800 |

- 11.3 All Housing Revenue Accounts have a DCLG enforced cap on the amount of borrowing it is able to undertake, and therefore the number of homes that can be replaced is also limited. Government recently offered local authorities to bid to have their debt cap increased, providing they had sites that were ready to be developed upon and could deliver the homes within a two year period. Portsmouth's HRA was successful in its bid to deliver the following sites, and as a result the following additional borrowing, above the previous debt cap, has been approved.

| | Estimated number of new homes | Total Scheme Cost £ | Increase in Borrowing Cap £ |
|------------------------|-------------------------------|------------------------|--------------------------------|
| Riders Lane | 67 | 8,119,200 | 5,360,000 |
| Kingsclere Avenue | 50 | 6,059,100 | 4,000,000 |
| Blendworth Crescent | 40 | 4,847,300 | 3,200,000 |
| Holybourne Road | 8 | 969,500 | 640,000 |
| Buckland Family Centre | 24 | 2,908,400 | 1,920,000 |
| TOTAL | 189 | 22,903,500 | 15,120,000 |

- 11.4 The remaining £7,783,500 will be funded from existing borrowing headroom, capital receipts and revenue contributions to capital.
- 11.5 The total scheme costs above are currently indicative and are prudently based on the cost of developing 189 three bedroom houses. More detailed costs will be presented once demand is assessed and the market analysed. Whilst it is

anticipated that the costs will reduce, the borrowing cap increase is fixed on a price per unit basis. It is likely therefore that the existing capital receipts and revenue contributions that are currently being relied upon will be released in the future for alternative schemes.

11.6 Whilst the HRA will have the required borrowing headroom to fund the proposed developments, the Council's Treasury Management Policy sets a limit as to the amount of borrowing it intends to take. It should be noted that the proposals within this paper do not breach the limits set in the Treasury Management Policy for 2015/16, and the implications of the debt increase in 2016/17 will be reflected in the Council's Treasury Management Policy for 2016/17.

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

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

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

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

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

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

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

| Title of document | Location |
|-------------------|----------|
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| | |

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by Cabinet Member for Housing on 16 March 2015.

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Signed by: (Cllr Steven Weymss)

The recommendation(s) set out above were approved/ approved as amended/ deferred/ rejected by the Leader of the City Council on 17 March 2015.

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Signed by: [Leader of Portsmouth City Council]