

AUDIT AND GOVERNANCE COMMITTEE



Report subject	Increased Borrowing - Hawkwood Road and Housing Delivery Council Newbuild Housing and Acquisition Strategy (CNHAS)
Meeting date	27 January 2025
Status	Public Report
Executive summary	<p>Consider and recommend to Council, the 10 December Cabinet reports for Hawkwood Road and CNHAS Harbour Sail acquisition which seeks additional borrowing as part of the proposals.</p> <p>It is for Audit and Governance to be satisfied that the business cases are robust enough to generate resources to satisfy the associated debt repayments.</p>
Recommendations	<p>Hawkwood Road</p> <p>It is RECOMMENDED that Audit and Governance Committee Recommend to Council:</p> <p style="padding-left: 40px;">a) Approval of an increase in the authorised borrowing limit of the Council to accommodate the £6.1m in the HRA for social rent/shared ownership and £3.2m in the general fund of prudential borrowing for Option 1 of this scheme and the proposal in the business cases for the financing of this debt.</p> <p style="padding-left: 40px;">Or</p> <p style="padding-left: 40px;">b) Approval of an increase in the authorised borrowing limit of the Council to accommodate the £6.9m in the HRA for social rent/shared ownership of prudential borrowing for Option 2 of this scheme and the proposal in the business cases for the financing of this debt Option 1 cannot be delivered.</p> <p>CNHAS – Harbour Sail</p> <p>It is RECOMMENDED Audit and Governance Committee recommend to Council:</p> <p style="padding-left: 40px;">c) Increasing the authorised borrowing limit of the Council to accommodate the budget set out in the exempt report at Appendix 1 for the purchase of Harbour Sail.</p>

Reason for recommendations	To ensure any decision taken by Council on any significant capital project financed by borrowing has strengthened governance around the ability of debt to be robustly serviced.
Portfolio Holder(s):	Cllr Mike Cox, Portfolio Holder for Finance and Deputy Leader
Corporate Director	Graham Farrant, Chief Executive
Report Authors	Matthew Filmer, Assistant Chief Financial Officer
Wards	Not applicable
Classification	For Recommendation

Background

1. The Audit and Governance Committee on the 27 July 2023 agreed to reduce the council's debt threshold to reduce the risk associated with high levels of debt.
2. In addition, to strengthen the governance arrangements around any proposal to increase the debt threshold in future the report also set out that Audit & Governance Committee will also need to consider the robustness of the ability of any significant new business case to service its debt obligations. Cabinet on the 10 December agreed to recommend to Council the business cases for Hawkwood Road and the CHNAS Harbour Sail acquisition which both carry a significant level of borrowing requiring approval from Audit and Governance Committee.
3. It is therefore for Audit and Governance to be satisfied that the business cases are robust enough to generate sufficient resources to satisfy the future interest and capital debt repayments associated with these schemes.

Hawkwood Road

4. The Cabinet report sets out the redevelopment opportunity at Hawkwood Road, which is a priority project for the Boscombe Towns Fund. The report outlines two options for the delivery: either a mixed-use site of residential home and a clinical facility in collaboration with the NHS (subject to contract, (Option 1) or a 100% residential scheme (Option 2). The report confirms we will use best endeavours to pursue Option 1 mixed-use project, however, seeks authority to retain the flexibility to deliver the 100% residential (option 2), if necessary. The financial viability is dependent on Homes England grant for the delivery of 100% affordable homes and sufficient headroom in the Housing Revenue Account. Hawkwood Road delivers significant social and physical regeneration to the ward of Boscombe West and the associated local context. The project also contributes the delivery of much needed social homes.

5. The borrowing implications of the scheme are set out below. Every business case is net of any associated management cost, regular and major maintenance of the properties.

Table 1 – Option 1

	Borrowing £'000	Repayment Term	Cash Flow Surplus
Housing Revenue Account	6,093	50 Years	Year 30
General Fund	3,191	50 Years	Year 5
Total	9,284		

Table 2 – Option 2

	Borrowing £'000	Repayment Term	Cash Flow Surplus
Housing Revenue Account	6,896	50 Years	Year 30

CNHAS – Harbour Sail Acquisition

6. Harbour Sail is a 12-storey building consisting of 32 apartments owned by Stonewater Limited on a leasehold basis. The building was originally constructed between 2004 and 2005 by contractor HGB Western, commissioned by ASDA (McLagan Investments) as part of a larger development including a superstore and multi-storey car park. Stonewater Limited has owned the building since its completion.
7. The Council is seeking to acquire the block to be used for the provision of temporary and move on accommodation to reduce the pressures on expensive nightly Bed and Breakfast accommodation. There are 26 one-bedroom and 6 two-bedroom homes.
8. The financial details are included as part of exempt Appendix 1. The borrowing implications of the scheme are set out below. Every business case is net of any associated management cost, regular and major maintenance of the properties.

Table 3 – Harbour Sail Acquisition

	Borrowing £'000	Repayment Term	Cash Flow Surplus
General Fund	3,722	50 Years	Year 20

Summary of financial implications

9. Each report linked as part of the background papers sent out the financial implications for each scheme.

Summary of legal implications

10. Each report linked as part of the background papers sent out the legal implications for each scheme.

Summary of human resources implications

11. Each report linked as part of the background papers sent out the human resources implications for each scheme.

Summary of sustainability impact

12. Each report linked as part of the background papers sent out the sustainability impact for each scheme.

Summary of public health implications

13. Each report linked as part of the background papers sent out the public health implications for each scheme.

Summary of equality implications

14. Each report linked as part of the background papers sent out the equality implications for each scheme.

Summary of risk assessment

15. Each report linked as part of the background papers sent out the risk assessment for each scheme.

Background papers

[Hawkwood Road Phase 2 – Cabinet 10 December 2024](#)

[Housing Delivery Council Newbuild Housing and Acquisition Strategy \(CNHAS\) update and Harbour Sail acquisition – Cabinet 10 December 2024](#)

Appendices

Appendix 1 – Harbour Sail - EXEMPT