

# DPEB

(Development Programme Enabling Board)

## Business Justification Case

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**PROJECT:** Development Programme Enabling Board **Round 1**

**Document history:**

<b>Project:</b>	<ol style="list-style-type: none"><li>1. Former Southsea Community Centre, Portsmouth PO5,4EG <b>(SCC)</b></li><li>2. 56 Arundel Street, Portsmouth PO1 1NL <b>(AS)</b></li><li>3. Land at Doyle Avenue/Northern Parade, Portsmouth PO2 9NF. <b>(DA)</b></li><li>4. Former Brewery, Hambrook Street, Portsmouth PO5 3BE <b>(HS)</b></li><li>5. Former Records Office - 3 Museum Rd, Portsmouth PO1 2LE <b>(RO)</b></li></ol>	
<b>Title:</b>	Development Projects Enabling Board - Round 1	
<b>Author(s):</b>	<i>Leigh Edwards</i>	Project Manager
<b>Approved by</b>	Natascha McIntyre Hall	Assistant Director
<b>Version number:</b>	0.1	

## Executive Summary

General Introduction	<p>The role of the board (as proposed) is to support the creation of a pipeline of new development projects. Potential projects are brought forward for consideration by project teams. The board role is to ensure:</p> <ul style="list-style-type: none"><li>• That each project has a set of agreed objectives that reflect the Council's needs before the project commences</li><li>• A confirmed delivery / disposal routes (or both) is agreed</li><li>• That transparent and consistent governance and project management processes are implemented (fit for purpose).</li><li>• Clear links &amp; gateways identified between projects, finance, procurement and legal</li></ul> <p>This should all the board &amp; ultimately members to prioritise projects, reduce cost and minimises risks.</p> <p>The board will predominantly review options for Council owned land comparing the City's housing and socio-economic needs, the sites and the opportunities to create new development sites considering risks like funding and resources in the process.</p> <p>The Board has a mandate to promote and support the delivery of development sites where a case can be made to support the Councils ambitions for economic growth.</p> <p>These first five projects have been selected for their individual attributes including simplicity, planning status, location, availability and timely deliverability. Future projects/sites will be selected in accordance with their status on the DPEB Matrix. The DPEB Matrix will be completed by each directorate on a regular basis and will show the requirements of each directorate in a prioritised fashion. This will enable the DPEB to select and support projects of high priority in the first instance.</p> <p>There are a few delivery options to be considered for each scheme including developing as PCC (GEN or HRA), using the Ravelin as an arm's length development company to acquire the land and develop letting back affordable products to HRA or disposal of the land through sale or lease.</p>
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	<p>It is worth noting at this point that at present Ravelin is not fit for use in this capacity. In the following, where we have made recommendations to use Ravelin, we assume that it is able to appropriate and hold land assets, refinance and let affordable rented products back to HRA.</p>
<p><b>SCC</b></p> <p><b>Southsea Community Centre</b> King Street</p>	<p>The site of the Southsea Community Centre on King Street has been vacant for a few years and has the benefit of a planning consent for 23 one and two bedroom apartments. The planning consent was due to lapse at the end of July 2018, but a material start on site has been actioned to preserve the consent.</p> <p>Strategic Projects has carried out various studies on tenure and value of this site and it is considered that the best option is for Ravelin to develop the site and let the properties to the HRA on a long lease. Ravelin will refinance the development upon completion and the cost of the finance will reflect the rent paid by HRA. This is considered to be cost effective to the HRA and PCC in perpetuity and removes the risk of Right To Buy.</p>
<p><b>AS</b></p> <p>Land Adjacent former Post Office <b>Arundel Street</b></p>	<p>This former Office and retail site is cleared of all buildings and has an office for Mobility services currently on it. The site is best suited to development of a taller building. Strategic Projects have considered various uses for the site including residential, offices, retail and hotel. Due to the tightness of the site, its lack of parking provision and outside amenity space, it is best suited to apartments. This can be achieved by building 10 storeys equating to 40 one and two bedroom apartments.</p> <p>Recommendation to DPEB is for the site to be developed as a residential opportunity with Ravelin delivering Shared Ownership properties, providing much needed affordable housing to the city.</p>
<p><b>DA</b></p> <p><b>Doyle Avenue</b> Northern Parade Junction</p>	<p>This site is a cleared piece of land held under the HRA and was previously associated with an adjacent and completed sheltered accommodation scheme. The site is located in a residential area with easy access of North Harbour and Alexandra Park. Various options for this site have been explored including starter homes, retirement housing and an extra care facility. The preferred option for the site in terms of beneficiaries and viability is a development of starter homes for first time purchasers and young/transient professionals.</p> <p>Recommendation to DPEB is to develop the site as 58 one bedroom apartments to be sold on the open market as a shared ownership product by Ravelin.</p>

<p><b>HS</b></p> <p>Former Brewery Site <b>Hambrook Street</b></p>	<p>The Former Brewery Site on Hambrook Street is locally listed and considered to be of heritage merit. The building is currently allocated for D1 use but has fallen into considerable disrepair so is no longer financially viable as a leisure asset. Use as affordable housing has been considered, but the site has no parking provision nor outside amenity space.</p> <p>Recommendation to DPEB is conversion into 15 apartments for open market sale. The development would be delivered by Ravelin with a land consideration paid to PCC.</p>
<p><b>RO</b></p> <p><b>Records Office</b> Museum Road</p>	<p>The former Records Office is currently held by the HRA and is in a considerable state of disrepair. The site is located in a residential area with adjacent commercial properties. Strategic Projects has undertaken a review of the site and considered many possibilities for the site but it is widely accepted that this should be considered as a residential opportunity.</p> <p>Recommendation to DPEB is to develop the site into 98 one and two bedroom apartments as a mixed tenure development. Retirement living is to be considered as an option in this location moving forward. The aspiration is that this development would provide 30% affordable units on site. The site is likely be constructed under Ravelin and sold on the open market or retained as affordable housing.</p>

<b>Project Recommendations</b>	<ul style="list-style-type: none"> <li>• Southsea Community Centre: To recommend that the Southsea Community Centre is used for residential development of 23 apartments based on the current extant planning consent.</li> <li>• Arundel Street: To recommend that the site be developed for residential use.</li> <li>• Doyle Avenue: To recommend that the site is developed as a residential scheme giving further consideration to Adult Social Care provision.</li> <li>• Hambrook Street: To recommend that the former brewery building is converted into residential apartments.</li> <li>• Records Office: To recommend that the site is developed for residential use.</li> </ul>
<b>Project Director</b>	Natascha McIntyre Hall (Assistant Director Strategic Projects)
<b>Project Manager</b>	Leigh Edwards
<b>Political Champion</b>	Cllr Ben Dowling (Cabinet Member PRED) Cllr Darren Sanders (Cabinet Member Housing)

**Brief description of proposed sites:**

**SCC:** This area of land was the location of the former Southsea Community Centre in Somerstown. The site is 0.21 acres and is currently hoarded and clear. The Site has planning consent for 23 new apartments which has been enabled. The planning consent is designed over five stories and delivers a mix of 1 & 2 bedroom apartments.

**AS:** This area of land situated in Arundel Street to the rear of Commercial Road is being used for mobility scooter hire which is operated from temporary accommodation. Excluding the mobility services unit, the site is redundant. It is situated adjacent the former post office building, which is out for consultation for regeneration, expecting to submit an application by the end of August 2018. The site is ideal for a sustainable, high density scheme of 40+ apartments.

**DA:** An area of land off Doyle Avenue made clear following the demolition of the Northern Parade clinic in 2012 after the development of Maritime House. Land area circa 0.46 acres. The land is ideal for residential development and is currently clear land with one TPO tree on site.

**HS:** This site on Hambrook Street in Somerstown is occupied by a former brewery building which is locally listed and considered to be of significant architectural and heritage value. The building has been used for several different leisure facilities and today stands vacant. The structure is older and poorly maintained as such needs considerable repair to enable its continued use. The site is ideal for residential conversion into 15 apartments over four floors with no parking on site.

**RO:** Former Records Office next to the Museum on Museum Hill with a building footprint of circa 6700 sq. ft. NIA and a site area of 1 acre. It has been declared surplus to occupational requirements with vacant possession. Suitable for a variety of uses including residential development with full demolition required. It is worth noting that this building has some street art on it that may have some local merit.

Current approval status:	Next approval stage:	Overall project status
None	DPEB to recommend to relevant members for their Approval	<b>A</b>

<b>Council Asset Register</b>	<p><i>Where does this asset currently sit within Portsmouth City Council</i></p> <p><i>Note - Depending on the chosen delivery route appropriation of assets maybe required</i></p>	<b>G</b>
<b>Site</b>	<b>Asset Held by</b>	
Southsea Community Centre	HRA	
Arundel Street	General Fund - PRED	
Doyle Avenue	HRA	
Hambrook Street	General Fund - PRED	
Records Office	HRA	

<b>Legal</b>	<i>Legal title review and commentary (not more than 3 months old)</i>	<b>A</b>
<p>Main Points. Reports appended to this document.</p> <p>Use of Council Owned Land - In order to enable the Council to use land from the General Fund/HRA the disposal must be at Market Value to avoid contravention of State Aid regulations and Sec 123 Local Government Act 1972. All projects will be determined and governed by Director of Regeneration and the Sec 151 Officer.</p>		
SCC	It is considered that there may be restrictive covenants against the property of which are not registered on any historic land registry documents and therefore a defective title indemnity should be obtained	
AS	The property is subject to a lease from Feb 2015 for an advertising board between Portsmouth City Council and MAXX media. This agreement terminated in February 2018. Subsequently the advertising board has been removed. The Mobility Leasing service had a lease to operate which expired on 10 <sup>th</sup> June 2016. Subsequently a licence to occupy was issued for a period between 28 <sup>th</sup> April 2017 and 27 <sup>th</sup> October 2017. This has also expired.	
DA	The property is free from covenants although the title does have a lease registered against it in favour of Housing 21 to use as a site compound. There is also an active TPO on a single tree on the site.	
HS	There are no matters or encumbrances effecting the property. It is worth noting that the building is locally listed and is currently designated for D1 use.	



RO	The property is subject to various covenants (some registered and some that do not have any recognised persons for whom benefit) and as such will require a defective title policy put in place. It is currently designated as leisure use which needs to be considered as will the local significance of the street art.
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Planning	<i>Planning options appraisal- current planning status, potential opportunities, site constraints, development mix, massing and layout (note that more technical issues to be addressed through detailed work).</i>	G
<p>Whilst each of these projects are being treated on their own merits, for planning purposes and affordable housing calculations they will be considered linked applications. It is therefore sought that a credit system be established where an over provision of affordable housing is delivered. This credit system will enable development sites without the ability to contain affordable housing to come forward and be developed.</p> <p><b>SCC:</b> This site has the benefit of detailed planning for 23 one and two bedroom apartments. It occupies the location of the former Southsea Community Centre which has been re-provided in the new Hub crossing Winston Churchill Avenue. The site is adjacent to existing housing stock on King Street and Astley Street. The consent has now been made extant as the consent was due to expire at the end of July 2018.</p> <ul style="list-style-type: none"> <li>• The site has full planning for 23 units</li> <li>• The built form is five storeys in height</li> <li>• The site has good access to the city centre, transport links and local amenities</li> <li>• Whilst the planning consent is for 23 private units, there is a need for affordable housing in this area and therefore this does present the ideal opportunity for the site to be developed and leased back to the HRA on a long lease.</li> </ul> <p><b>AS:</b> This site is located to the East of the main Commercial Road shopping area. The site is well suited to a tall building in accordance with the Tall building strategy within Portsmouth City Centre. The site has very little influence in the vicinity to take reference from and is subject to a study for a very large building on the former Post Office site adjacent.</p> <ul style="list-style-type: none"> <li>• The site has a former use of retail and offices</li> <li>• The built form is suited to a taller development c.10 storeys (Buildings over five storeys subject to Tall Buildings SPD)</li> <li>• The site is adjacent to the Guildhall and Victoria conservation area No 18</li> <li>• The site is currently in flood zone 1</li> <li>• The site is considered for mixed tenure including shared equity and adult social care.</li> </ul>		

**DA:** This site is located on a prominent corner of Doyle Avenue and Northern Parade with the dominant frontage being Northern Parade. The site is surrounded by a mix of built form including two storey family housing and three to four storey apartment blocks.

- The site is currently in the local plan as residential use
- The massing studies recommends a building of circa 4 -4.5 storeys
- The site is adjacent the A3 main road serving both the city and motorway junctions
- This site is approximately 1 mile from Lakeside North Harbour and 0.5 mile from Alexandra Park and the Mountbatten Centre
- A TPO tree occupies the site on the Southern Boundary and will be taken account of in the new design
- The site is currently in flood zone 1
- A review of residential offering in the area shows that there is insufficient young person's starter homes and young professional's accommodation available.

**HS:** This site is located on the corner of Hambrook Street and Little Hambrook Street. The site sits within the Castle Road Conservation area. The structure is locally listed for its architectural and heritage qualities and it is therefore prudent to look at preserving the structure by considering a conversion of the building.

- The site is currently in the local plan as a leisure facility - investigations underway into requirement of change of use
- Due to the nature of the development not having parking or outside amenity it is considered that this conversion will be for private sale
- The site is well served by transport and locally amenities
- Site is within Conservation area 12
- Conservation guidance and advice would consider a conversion to be the most sympathetic use of such a building in this location.

**RO:** The site is located at the northern end of Jubilee Terrace with frontage to Jubilee Terrace and Museum Rd. The site is adjacent to the City Museum, formerly part of Clarence Barracks (Grade II Listed). Adjoining uses include residential, Ravelin Park and the University of Portsmouth.

Key considerations:

- Current D1 planning use - investigations underway into requirement of change of use
- Allocation in local plan 75 plus residential units
- Massing five plus storeys (Buildings over five storeys subject to Tall Buildings SPD)
- Conservation Area 4
- Adjacent to Grade II Listed Museum
- TPO trees to the east of the site
- Increase in traffic flow at peak times
- Flood zone 1
- A review of demand and product in the area has indicated that a mix of one and two bedroom apartments are suited to this development. A review of family three and four bedroom homes, whilst in demand, are not financially affordable in this location.

### Anticipated Affordable Housing Delivery according to planning policy:

	Compliant 30%			Non-Compliant		
	Total	Private	Affordable	Total	Private	Affordable
Southsea Community Centre	23	16	7	23	0	23
Arundel Street *	40	28	12	40	28	12
Doyle Avenue	55	38	17	55	29	26
Hambrook Street	15	11	4	15	15	0
Museum Road *	91	63	28	91	63	28
	<b>224</b>	<b>156</b>	<b>68</b>	<b>224</b>	<b>135</b>	<b>89</b>
	<b>70%</b>		<b>30%</b>		<b>60%</b>	<b>40%</b>

\* The above table shows the aspiration to keep each scheme compliant in terms of affordable housing provision. The provision of affordable housing on each site must be considered independently, taking into account the values, maintenance and ground rent charges and potential tenures. Where a development is not suited to affordable housing due to the factors above, it will allocated on another development. An over provision of affordable housing is likely within a portfolio of schemes and therefore a potential credit scheme is required against future developments that are not viable to contain affordable housing.

### Anticipated Ground Rent and Service Charge Projections:

It is anticipated by Strategic Projects that the maintenance and servicing of these developments will be carried out by PCC. However the cost to the purchaser/tenant needs to reflect market rates and as such a costing exercise will need to be carried out prior to agreeing a contract.

Indicative Ground Rent and Service Charge Schedule (based on private sector estimates)					
	Ground Rent £	Service Charge £	Total per Property £	Total Service charge £	Total Ground Rent £
Southsea Community Centre	250.00	550.00	<b>800.00</b>	12,650.00	5,750.00
Museum Road	250.00	1,000.00	<b>1,250.00</b>	116,000.00	29,000.00
Doyle Avenue	250.00	550.00	<b>800.00</b>	30,250.00	13,750.00
Arundel Street	250.00	700.00	<b>950.00</b>	28,000.00	10,000.00
Hambrook Street	250.00	1,000.00	<b>1,250.00</b>	15,000.00	3,750.00
				<b>201,900.00</b>	<b>62,250.00</b>

<p><b>Financials</b></p>	<p><i>Financial case considering Capital and Revenue positions for the councils and on-going commitments with maintenance and disposals. We will also need to consider allocation of Council grant i.e. Capital or Council investment/development funding</i></p>	<p><b>G</b></p>
<p><u>Sustainable Development Pipeline</u> - This collection of development opportunities are to be considered as part of a portfolio of sites whereby the profit generated will enable further development of private and affordable homes without the need for any Government subsidy.</p> <p>The Options to finance projects depend on a viable business case and where the assets will be finally held.</p> <p>The <u>Housing Revenue Account (HRA)</u> is currently near its prescribed debt cap and as such it is not proposed to develop sites in the HRA unless the Debt cap is increased or capital costs to maintenance projects are deferred or windfall through disposals are received.</p> <p>The <u>General fund (GF)</u> has the ability to borrow on a prudential basis, and also some existing capital resource's, however no capital resource has been formally allocated to these projects currently. A Council decision will be required to allocate the necessary capital resources to fund these projects. A revenue budget has been set aside to manage some feasibility and options analysis work on each site, and this budget is controlled by the Director of Regeneration. Currently feasibility budgets are capped at £10k per project.</p> <p>Legal advice received about developing property in the GF, suggests that it is not possible to hold assets without them being eligible for Right to Buy, and thus should this be required the use of a development company like Ravelin is being considered.</p> <p><u>Ravelin</u> could borrow capital from the Council subject to a business case being developed and a Council decision to lend to the company at a market rate.</p> <p>An example of this is as follows - Until a pipeline of projects is sufficiently progressed, the Council would have to initially fund the development activities by way of a loan to the development company carrying out the works. Development loans would be set at a commercial rate to avoid contravention of State Aid regulations. Property Investment Loans for refinancing of completed stock for rent or lease are assumed to be at 4%. Loan to be repaid by sales or leases of completed units in accordance with rules as specified by the s.151 Officer.</p> <p>PCC have the power to make loans under the General Power of Competence in Section 1 of the Localism Act 2011. This power is not to be relied upon as a specific power to lend or invest but rather to supplement Section 12 of the Local Government Act 2003 or Section 24 of the Local Government Act 1988.</p> <p>All projects should be assessed on both a capital and revenue (net of finance costs) basis prior to any decision being taken.</p>		

## **TAKING PROJECTS FORWARD**

Step 1 - Consider the needs of the Council (Matrix is yet to be completed by each Directorate)

Step 2 - Consider if any of these needs are unallocated and could be brought forward on these sites.

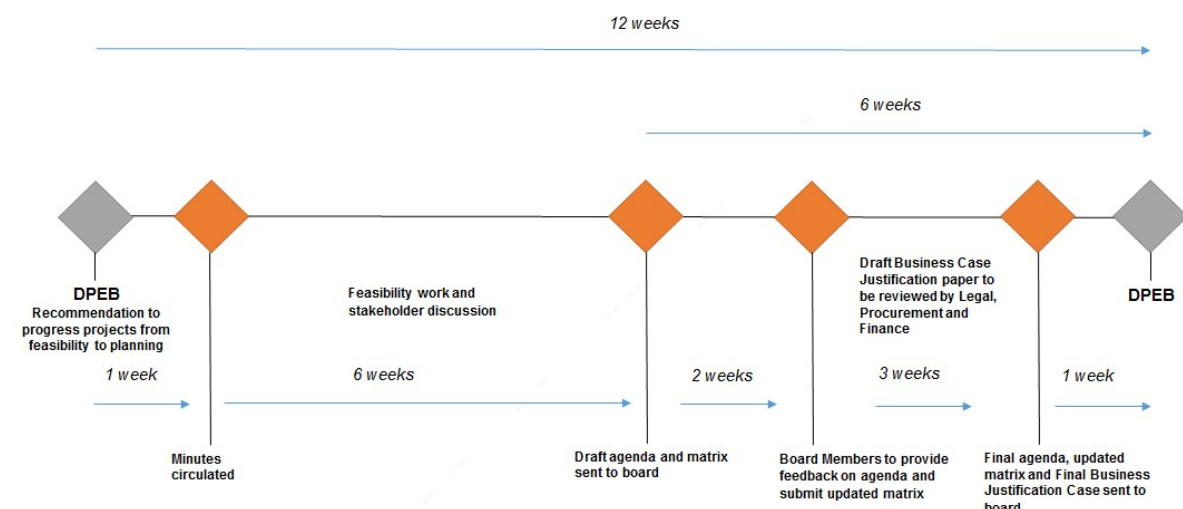
Step 3 - Score options against the Councils Strategic Goals

Step 4- Whilst the matrix is not complete at this stage, each directorate has been consulted regarding these 5 sites. It is envisaged that the matrix will be complete and included at the next DPEB board.

This section here is being updated to reflect the processes that will be followed for each portfolio of schemes and uses to come forward. There will be a schedule of events that will also be appended to the ToRs indicating what points we will be looking for input from the rest of the DPEB. It is crucial that this is an active board taking responsibilities for their requirements and the opportunities we have to deliver them.

For this first report we will focus on the fact that these five sites were chosen on the basis that they are vacant and in well-established locations for residential opportunities.

We have spoken with Alison Cloutman and Caroline Corcoran to understand the needs of different directorates.



<b>Project Prioritisation</b>	<i>matrix to be created allowing projects to score against the Councils strategic goals This will demonstrate the top 10 priority needs</i>	
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<p>These projects are considered to be positioned as below, according to the DPEB projects matrix.</p> <p>Considered uses on each site are as follows:-</p> <p>SCC: Housing (affordable to hold), assisted living housing, Private Housing</p> <p>AS: Housing (private for sale &amp; affordable to hold) Offices, Retail.</p> <p>DA: Housing (private for sale &amp; affordable to hold), restricted older persons housing for sale. Adult Social Care units.</p> <p>HS: Housing (private for sale), D1 community space, Enterprise Centre.</p> <p>RO: Housing (private for sale &amp; affordable to hold, option for retirement living consideration) Culture and leisure as a museum</p> <p><b>Preferred Options to take forward:-</b></p> <p>RO: Housing (private for sale &amp; affordable to hold)</p> <p>DA: Housing (private for sale &amp; affordable to hold),</p> <p>SCC: Housing (Affordable to hold) SCC: Housing (affordable to hold)</p> <p>HS: Housing (private for sale)</p> <p>AS: Housing (private for sale &amp; affordable to hold)</p>		

<b>Delivery Routes For Preferred Options</b>	<i>Partnerships, JV, Council owned company, disposal etc.</i>	<b>A</b>
<ul style="list-style-type: none"> <li>• Do nothing</li> <li>• Sell the site without planning consent</li> <li>• Sell site on the open market with the benefit of planning consent</li> <li>• Lease the site for developers / operators to develop and take back the site and buildings after a period of no less than 21 years</li> <li>• Develop as PCC (GEN), sell units on open market and retain affordable homes</li> <li>• Develop as PCC (HRA), retain affordable homes</li> <li>• Develop as Ravelin, sell units on open market and retain affordable homes.</li> </ul> <p>Each project will be considered for all delivery options and a recommendation will be made. As these five sites have been recognised in PCC ownership for residential development the options</p>		

we have considered in our feasibility studies are:

- Do nothing
- Sell the site without planning consent
- Develop as PCC
- Develop through Ravelin

Where the preferred option is delivery through Ravelin, this is considered as follows:

Ravelin will operate independently from the Council to procure design team and contractor on a commercial basis. It will have its own Board of Directors. The current structure of Ravelin Property is not able to deliver schemes in an independent and compliant way (see Appendix A) therefore further work is required. Also please refer to Counsel's opinion.

<b>Statutory Powers</b>	<i>Potential use of Council powers to enable development i.e. CPO, S203 etc.</i>	<b>G</b>
<p>Local Government Act 2003 - Power to establish a housing company. Local authorities can trade, through a company, with other companies, authorities or individuals, either within or beyond the boundaries of the relevant local authority. Trading has to be in relation to an existing function of the local authority, in this case housing.</p> <p>Localism Act 2011 - Gives the power to local authorities to participate in trading activities not necessarily related to any existing functions within the authority.</p> <p>The above frameworks require that a local authority establishes a company structure in order to generate income/trade for profit subject to detailed business case approval by the Council prior to commencement of trading.</p> <p><b><u>Counsel opinion on delivery</u></b></p> <ul style="list-style-type: none"> <li>• Product for open market sale be it residential or otherwise can be carried out by PCC or Ravelin</li> <li>• Affordable housing can only be delivered by the HRA and Ravelin and not by PCC general fund direct</li> <li>• Any product held by the HRA is subject to the right to buy unless the property is exempt under legislation</li> <li>• Private rented properties can only be carried out under Ravelin</li> </ul>		

<b>Governance</b>		<b>A</b>
<p>The DPEB is officer led and will make a recommendation to the relevant Cabinet Member(s) whose budget will support the project. Where Capital budgets have not been allocated the DPEB will recommend to Full council to provide a budget to support the project.</p> <p>Once approved each project / pipeline of work will have a suitable project team with appropriate amount of resource allocated. Project management, reporting and general governance needs to reflect the site, the costs and the risks associated with each project.</p>		

<b>Current approval stage:</b>	<b>Next approval stage:</b>	<b>Overall project status</b>
None	DPEB to recommend to relevant members for their Approval	<b>A</b>

<b>Resources Required</b>	<i>internal skills &amp; capacity, external partnerships</i>	<b>G</b>
<p><b>Internal Resources</b></p> <ul style="list-style-type: none"> <li>• Strategic Projects Team - to lead the overall programme of works identifying opportunities to match the matrix of needs to appropriate sites, consultation with different departments and making the series of recommendations</li> <li>• Legal services - Report on Title and advise on suitable structure for delivery/tax</li> <li>• Property - In house property team to advise on land, value and legal issues.</li> <li>• Financial - Cash flow, finance arrangements, compliance</li> <li>• Procurement - options for procuring design teams / contractors where necessary through frameworks or other mechanisms</li> <li>• Planning - both policy and pre-app support</li> <li>• Communications, Marketing and branding</li> <li>• Highways</li> </ul> <p><b>External Resources.</b></p> <p>Architects - sketch schemes, Planning applications, working drawings package  Engineers- Both structural and civil engineers to advise on all structures and external works  Various third party consultants to provide surveys e.g. Ground, Topographical, Ecology  Sales advice - Independent market advice, construction advice and contractors.</p>		



<b>Procurement</b>	<i>procurement routes (combining projects and any requirement for frameworks)</i>	<b>A</b>
<p>Various options to market:</p> <p><b>Option 1</b> Use of existing Council framework procuring contractor on a design and build basis.</p> <p><b>Option 2</b> OJEU tender for development partner.</p> <p><b>Option 3</b> Development Company/(Ravelin Housing) to procure design team and contractor. Outside of PCR 2015 rules</p> <p><b>NOTE:</b> This is linked to the delivery route and is reliant on results from Ravelin structure work.</p>		

Approved By	Approved By	Approved By	Approved By

## Appendix A

### Ability to deliver as PCC General Fund, PCC HRA or Ravelin

	PCC General Fund	HRA	Ravelin
Value through Procurement	PCC will have access to the existing framework and will be obligated by PCR's. This will not necessarily give best value through a protracted process and compliance costs.	PCC/HRA will have access to the existing framework and will be obligated by PCR's. This will not necessarily give best value through a protracted process and compliance costs.	Ravelin will have immediate access to a whole market solution by way of a negotiated tender, therefore reducing the cost of bidding.
Timescales within Procurement	The timescales through the existing framework or future intend process, will mean that the procurement process will take anywhere between 3-5 months to complete.	The timescales through the existing framework or future intend process, will mean that the procurement process will take anywhere between 3-5 months to complete.	Ravelin will have the ability to shorten a tender period and negotiate a contract within 1-2 months maximum.
Availability of funding	The General Fund has access to sufficient and immediate funds.	The HRA has no access to finance for development at present without a need to request a rise in the HRA debt cap. This is possible but time prohibitive.	Ravelin have access to sufficient and immediate funds through an arm's length loan agreement between PCC and Ravelin.
Right to buy	All stock held by the General Fund will be open and subject to Right to Buy applications	All stock held by the HRA will be open and subject to Right to Buy applications	All stock held by Ravelin will not be subject to the right to buy act extension of 2015.
Ability to sell market Housing	The General Fund has full ability to sell Market Housing.	The HRA cannot sell any property for open market sale under the HRA other than with explicate approval from the Secretary of State.	Ravelin is entitled to deliver and sell market housing without any recourse.
Ability to rent properties	PCC are not able to rent properties outside of the HRA for any term less than a 21 year tenancy.	The HRA can rent properties, but this will need to accord with HRA rules and will trigger the right to buy under Housing Act 1985.	Ravelin can let properties on the open market, to institutions or direct to the council. The rents can be set by Ravelin as they see fit. These properties will not be subject to any right to buy rights.
Ability to sell and retain shared equity	Counsel's opinion remains silent on shared equity schemes, but the advice on selling market housing should be considered in this instance.	The HRA cannot sell any property for open market sale under the HRA other than with explicate approval from the Secretary of State.	Ravelin can deliver shared equity housing as per open market housing with the ability to sell further shares through stair casing. Provision for Stair Casing receipts to be recycled should be considered.
Ability to retain and let Intermediate affordable homes	PCC cannot deliver intermediate rental products outside of the HRA for the same reasons as open market rentals above.	The HRA can deliver intermediate rental products, however these will be subject to LHA (local housing allowance) rental caps and will also be open to Right to Buy applications.	Ravelin can let properties on an intermediate basis to open market/affordable tenants or direct to the council. The rents can be set by Ravelin as they see fit. These properties will not be subject to any right to buy rights.

## Appendix B

### Financial Appraisal Summaries

#### Southsea Community Centre Development

		PCC GF NPV		PCC HRA NPV		RP Ltd NPV		TOTAL NPV		
		Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	TOTAL
Option 1	Do Nothing	-17,814	0	0	0	0	0	-17,814	0	-17,814
Option 2	Sell Site	-50,000	0	0	0	0	0	-50,000	0	-50,000
Option 3	Develop as PCC hold in HRA	0	0	-1,005,836	735,531	0	0	-1,005,836	735,531	-270,305
Option 4	Develop as RP Ltd lease to HRA	0	-2,775,404	0	141,219	-1,139,913	-32,003	-1,139,913	-2,666,188	-3,806,101

#### Commentary:

The option that delivers the best overall financial return is Option 4.

This option is the development of the properties through Ravelin, with the HRA leasing back the completed properties on a long lease arrangement. These properties would be exempt from the Right to Buy.

This option delivers an investment return to PCC over the 30 years of approximately £2.8m, and delivers a close to breakeven position for the HRA and Ravelin over the 30 year period.

It is recognised that as Ravelin has access to a wider market of suppliers, delivery of the completed units will cost less than if undertaken by PCC directly.

## Arundel Street Development

		PCC GF NPV		PCC HRA NPV		RP Ltd NPV		TOTAL NPV		
		Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	TOTAL
Option 1	Do Nothing	-17,814	0	0	0	0	0	-17,814	0	-17,814
Option 2	Sell Site	-50,000	0	0	0	0	0	-50,000	0	-50,000
Option 3	Develop as PCC and sell units	128,247	-151,602	0	0	0	0	128,247	-151,602	-23,355
Option 4	Develop as RP Ltd and sell units	0	-289,028	0	0	-413,846	133,234	-413,846	-155,794	-569,640

### Commentary:

The option that delivers the best overall financial return is Option 4.

This option is the development and disposal of 90% shared equity affordable homes, through a wholly owned company.

This option delivers a 2 year investment return to PCC of approx. £290k, and delivers a development profit on disposal of approx. £400k to Ravelin upon completion, which can either be rolled over into a subsequent development, or paid to PCC as a dividend (after tax).

It is recognised that as Ravelin has access to a wider market of suppliers, delivery of the completed units will cost less than if undertaken by PCC directly.

## Doyle Avenue Development

		PCC GF NPV		PCC HRA NPV		RP Ltd NPV		TOTAL NPV		
		Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	TOTAL
Option 1	Do Nothing	-171,014	0	0	0	0	0	-171,014	0	-171,014
Option 2	Sell Site	-480,000	0	0	0	0	0	-480,000	0	-480,000
Option 3	Develop as PCC and sell units	-635,478	-209,493	0	0	0	0	-635,478	-209,493	-862,971
Option 4	Develop as RP Ltd and sell units	0	-272,017	0	0	-1,363,666	58,579	-1,163,666	-213,438	-1,377,104

### Commentary:

The option that delivers the best overall financial return is Option 4.

This option is the development and disposal of 75% shared equity affordable homes, through Ravelin.

This option delivers a 2 year investment return to PCC of approx. £270k, and delivers a development profit on disposal of approx. £500k to Ravelin upon completion, which can either be rolled over into a subsequent development, or paid to PCC as a dividend (after tax).

It is recognised that as Ravelin has access to a wider market of suppliers, delivery of the completed units will cost less than if undertaken by PCC directly.

## Hambrook Street Development

		PCC GF NPV		PCC HRA NPV		RP Ltd NPV		TOTAL NPV		
		Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	TOTAL
Option 1	Do Nothing	-142,511	0	0	0	0	0	-142,511	0	-142,511
Option 2	Sell Site	-400,000	0	0	0	0	0	-400,000	0	-400,000
Option 3	Develop as PCC and sell units	-499,690	-48,664	0	0	0	0	-499,690	-48,664	-548,354
Option 4	Develop as RP Ltd and sell units	0	-95,701	0	0	-738,410	45,191	-738,410	-50,510	-788,920

### Commentary:

The option that delivers the best overall financial return is Option 4.

This option is the development and subsequent market sale of the properties, through a wholly owned company.

This option delivers a 2 year investment return to PCC of approx. £95k, and delivers a net development profit in Ravelin of approx. £700k, which can either be rolled over into a subsequent development, or paid to PCC as a dividend (after tax).

It is recognised that as Ravelin has access to a wider market of suppliers, delivery of the completed units will cost less than if undertaken by PCC directly.

## Museum Road Development

	PCC GF NPV		PCC HRA NPV		RP Ltd NPV		TOTAL NPV		
	Capital	Revenue	Capital	Revenue	Capital	Revenue	Capital	Revenue	TOTAL
Option 1 Do Nothing	-446,417	0	0	0	0	0	-446,417	0	-446,417
Option 2 Sell Site	-1,253,000	0	0	0	0	0	-1,253,000	0	-1,253,000
Option 3 Develop as PCC and sell units	-9,242,711	-325,409	0	0	0	0	-9,242,711	-325,409	-9,568,121
Option 4 Develop as RP Ltd and sell units	0	-980,099	0	0	-11,687,489	1,100,184	-11,687,489	120,084	-11,567,405

### Commentary:

The option that delivers the best overall financial return is Option 4.

This option is the development and subsequent market sale of the properties, through Ravelin.

This option delivers a 2 year investment return to PCC of approx. £1m, and delivers a net development profit in Ravelin of £10.5m, which can either be rolled over into a subsequent development, or paid to PCC as a dividend (after tax).

It is recognised that as Ravelin has access to a wider market of suppliers, delivery of the completed units will cost less than if undertaken by PCC directly.