

# INVESTMENT AND DEVELOPMENT STRATEGY 2022-2032

## Ravelin







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"Ravelin Housing is establishing itself at an exciting time for Portsmouth with the first wave of the council's £1.5bn residential programme commencing. We aim to help the city realise its regeneration aspirations by forming a private development company to deliver 1,000 new homes by 2032.

At Ravelin, we have a social heart and commercial mind. We aim to reimagine regeneration by delivering sustainable growth and balanced developments whilst delivering a commercial return to the council. Through a bold and inclusive approach, we will strive to adopt innovative methods to create high quality homes and places that work for all of Portsmouth residents.

The investment and development strategy aims to establish a framework for Ravelin that will inform future investment decisions. Through the successful adoption of this framework, Ravelin can be sure that our efforts will align with the interests of both the council and Portsmouth's residents, whilst ensuring the continued commercial viability of Ravelin to deliver our housing ambitions."



# EXECUTIVE SUMMARY

**The objective of Ravelin Housing is to meet housing need by providing high quality sustainable housing across all tenures, seeking to provide appropriate housing solutions in all areas of Portsmouth which are effective and cost efficient. Recent changes in government policy have encouraged councils to build housing, using surplus assets within the Housing Revenue Account (HRA) and increased borrowing by lifting the borrowing cap.**

Portsmouth City Council is seeking to support the local authority's underlying service delivery by generating a supplementary longer term revenue stream by investing in commercial development through Ravelin Group, a local authority development company.

Ravelin Housing is a subsidiary company which has been set up as an investment

vehicle to develop and manage housing related investments generated by Ravelin Group.

This report will outline the investment and development objectives for Ravelin Housing with the purpose of making investments in residential housing. The report addresses the strategic context for proposed residential housing investments, a summary of objectives for the investments and an overview of the different structures available to make investments.

The investment strategy will enable Ravelin to make informed investment decisions on the 1000+ new homes objective hoped to be achieved by 2032. The report clearly states the intention to support development of homes across all tenures to meet the need of the communities within Portsmouth.

To assess the potential housing investments,

it is imperative that Ravelin Housing consider the macro-economic outlook and property market trends before considering individual assets in greater detail.

This type of commercial investment is a new opportunity for Portsmouth City Council. Therefore, it is recommended that the strategy is reviewed regularly, on an annual basis, to ensure it continues to align with the core objectives set out in the Ravelin Housing business plan.



# RAVELIN GROUP OBJECTIVES





# 1 INTRODUCTION

## The report will address:

1. The strategic context of the proposed Housing Investment strategy
2. The objectives for Ravelin Housing as aligned with the business case
3. An overview of the different structures available to make investments in housing, outlining the associated benefits, risks and opportunities

The report has been developed in a limited time period and draws upon various papers and analysis prepared by Portsmouth City Council and its specialist advisors. As such it is highly exploratory in nature outlining relevant issues and considerations but not making any final recommendation as to the detailed investment structure, nor does it explore every possible option.

In determining an effective investment and development strategy for Ravelin Group, evidence based data has been utilised in correlation with the core council objectives. This will help to shape the investment approach and bring an understanding of the risk profile to investment.

The strategy uses recent market evidence to set out key measurable critical success factors (CSF) that will enable Ravelin to measure the performance of its proposed developments. These CSF will ensure that Ravelin Housing responds to the market by delivering in line

with market; demand, price point, specification and understanding of future trends. This will allow Ravelin Housing to make well informed decisions that take into account long term economic trends in Portsmouth's dynamic housing market.

While this strategy is focussed on the investment objectives for Ravelin Housing, which aims to generate stable long-term revenues, it is important to consider the impact on Portsmouth City Council's broader policy i.e. economic development, infrastructure, health, social care and the environment.

The council's initial objective is to use Ravelin Housing to develop sites that have been previously difficult to take to the market due to development constraints. As such the initial sites considered for development are likely to have lower investment value. It is for this reason that the proposed residential portfolio is not representative of a typical residential investment holding.



# 2 INVESTMENT STRATEGY OBJECTIVES FOR RAVELIN HOUSING

**The aim of the investment strategy is to establish a framework for the identification of properties or land for redevelopment. These opportunities may deliver regeneration benefits, housing need, place making or socio-economic benefits, as well as positive financial returns for Portsmouth City Council in the form of future revenue income streams or capital uplifts in accordance with the Ravelin Housing Business Plan.**

Developed properties may be retained for the benefit of their long-term rental income and will become an investment asset after completion. The decision on whether or not these investments would meet the overall objectives of this strategy will be informed by a financial appraisal.

The investment criteria will be designed to ensure that the financial returns delivered from investments are commensurate with the deemed levels of associated risk. A higher risk investment will therefore require the delivery of greater financial returns.

## **Ravelin Housing will be responsible for:**

- The development of core housing sites for investment value
- The delivery of 1000 new homes over a 10 year period to contribute towards Portsmouth City Council's housing delivery
- The acquisition of further development sites from the council
- Asset management of the PRS housing units.

Ravelin Housing will aim over the period 2022–2032, to generate reliable income streams that can be reinvested into new development opportunities or contribute to the council's income stream. In order to deliver these objectives Ravelin Housing must generate appropriate risk adjusted returns.

## **Ravelin Housing will also focus on addressing the wider strategic objectives within its investment strategy:**

- Accelerated build rates
- Modern methods of construction
- Improvement in the affordability of housing
- Reduction in the strain on social housing
- Improvement in the quality of design standards and choice of housing available
- Prioritisation of the development of council owned land
- Address local housing requirements that are not being met by other providers e.g. growth of PRS
- Invest in neighbourhoods where there has been little development in recent years
- Create added value through training and jobs for local people

- Boost the local economy by supporting small and medium enterprises in the supply chain
- Develop in-house development skills that can also be used elsewhere in the council
- Regeneration.

Ravelin Housing will prioritise its objectives in light of budgetary, risk and time constraints in order to get a balance between the most suitable project outcomes and return on investment.

Ravelin Housing will act as an exemplar for other housebuilders in the area providing high quality, sustainable homes.



# 3 ASSESSING VIABILITY AND AFFORDABILITY

## Viability and affordability

To ensure that Ravelin Housing can continue to fund developments, it is important that each scheme has been properly assessed for viability.

Ravelin must identify the relationship between the cost of delivering housing and the rental income or capital receipt Ravelin Housing will receive. It is necessary to ensure that the impact of each scheme is calculated and properly understood. The cumulative effect of the development programme must be affordable and generate an income stream or break even where applicable.

## Viability and risk

Each project will be assessed to ensure it meets the following criteria:

- Objectives of the investment and development strategy and the current business plan.

- Financial viability is fully assessed and that the basis on which it can proceed is properly understood.
- Adequate risk assessment ensuring that proposals have a strategic fit with Ravelin's objectives.

Risks may not be completely eliminated but must be assessed and managed. The criteria for determining viability considers an expectation that an assessment is based on up to a 50 year life of the asset but we will always give consideration to the need for the type of housing and the impact such a development could have on the local community and economy.

All costs and expenses applicable to the scheme, internal or external, should be fully accounted for and charged to the scheme. Schemes will be evaluated on the basis that they can be considered financially viable if all the viability parameters are achieved.

Delivery of alternative housing tenure remains the key objective combined with building a sustainable income stream.

As with other forms of investment, there is a trade-off between risk and return. Given the more speculative nature of this type of investment activity the associated risks may be significant. It may be possible to share risks and rewards with partner organisations.

The assessment criteria needs to be agile enough to allow significantly different schemes to be assessed using the same overarching principles.

For a property investment to be considered by the Ravelin board it must:

- Deliver a rate of return commensurate with the deemed level of risk associated with the investment;
- Be accompanied by a business justification case (BJC) prepared in line with the requirements set out in Appendix A.

The investment opportunities considered could vary significantly and, due to the speculative nature of some schemes, there will be higher risks attached to some investment opportunities.

## Qualitative and quantitative appraisals

Each potential investment will undergo a qualitative and quantitative appraisal and risk assessment to establish the financial returns, financial and legal implications and risks associated with the purchase. The findings of these appraisals will be reported to the Ravelin board as part of the business case assessment.

An investment opportunity that does not meet the minimum criteria may have separate investment or regeneration benefits and, therefore, may still be considered for progression, however, decision making in this case is to be reserved by the Ravelin board. For investments where there is a variable revenue stream, such as some energy projects, or a long time gap between investment and first revenue, such as development projects, alternative valuation options, such as the Internal rate of return (IRR) or net present value (NPV) may be appropriate as a measure of an investment's rate of return.



## Project evaluation

- Ravelin Housing needs to understand if an investment today is the same as it is in the long-term in order to manage risk.
- Ravelin Housing would propose to use NPV to evaluate project viability as it provides a metric that incorporates the time value of money.
- NPV has an advantage over IRR when projects differ in size and differ in the distribution of their cash flows.
- Since NPV is an absolute measure, it will rank a project which adds more pound value higher, regardless of the initial investment required. Whereas IRR is a relative measure, and it will rank projects offering best investment return, higher, regardless of the total value added.
- IRR inherently assumes that any cash flows can be reinvested at the internal rate of return. Whereas NPV assumes that the reinvestment rate occurs at the cost of capital, which is more conservative and realistic.
- It is proposed that NPV is a better method for evaluating mutually exclusive projects than the IRR method. The NPV method employs more realistic reinvestment rate assumptions, is a better indicator of profitability and shareholder wealth, and mathematically will return the correct accept-or-reject decision regardless of whether the project experiences non-normal cash flows or if differences in project size or timing of cash flows exist.

### NPV



- Use NPV as the key measure to rank various projects
- Keep in mind, NPV and IRR methods might show conflicting results when mutually exclusive projects are different in size or differences exist in the timing of cash flows
- NPV should govern which projects are selected

### YIELD



- In the context of commercial real estate, yield can refer to the annual income from a real estate investment, expressed as a percentage of the total investment cost
- $Yield(\%) = \frac{\text{Annual Income}}{\text{Total cost}}$
- Use Yield to get a sense of annual income

### IRR



- Use IRR to gauge whether a project exceeds your WACC (or a specified hurdle rate)
- If the IRR shows a different result to the NPV's when various projects are ranked, always use NPV
- Every project will most probably not have the same rate of return each year, so keep in mind that the actual rate of return that a given investment ends up generating, will differ from the estimated IRR.



## Risk management

Financing risk: As with all investments, there is a risk that capital values, rental values and development values can fall as well as rise. Where the acquisition or development is reliant on increases in borrowing the business case will factor in fixed rate borrowing, costs commensurate with the anticipated holding period of the asset. By utilising fixed rate borrowing options, the council will be protected from future increases in financing costs.

Financial returns may come in the form of capital receipts either in place of or in addition to revenue returns. This would need to be considered carefully as part of the overall strategy given the requirement to achieve financial viability from the investment strategy overall.

### Viability and affordability checklist

- ☐ Financial viability assessed?
- ☐ Does the investment align with Ravelin's strategic objectives?
- ☐ Assessed the rate of return against the level of risk?
- ☐ Qualitative and quantitative risk assessment given?





# 4 STRATEGIC CONTEXT

**Before determining an effective investment strategy, it is necessary to consider Portsmouth City Council's existing strategies, policies, planning documentation and vision for the future. This will help shape the underlying investment approach and ensure the recommendations are aligned with the overarching strategic objectives of Portsmouth City Council.**

Further consideration has been given to the objectives and strategies of The Partnership for Urban South Hampshire (PUSH), comprising of local authorities across southern Hampshire. South Hampshire's sub-regional strategy

primarily considers cross-boundary issues such as types and distribution of employment but also considers broad patterns of housing development.

A list of the objectives and strategies that have been evaluated is given to the right.

A full evaluation of the objectives and strategies relevant for Ravelin has been summarised in appendix F. The next page gives an overview of a number of common themes that emerge throughout as well as areas that should be of particular concern when making an investment decision.

## Objectives, strategy and policy from Portsmouth City Council

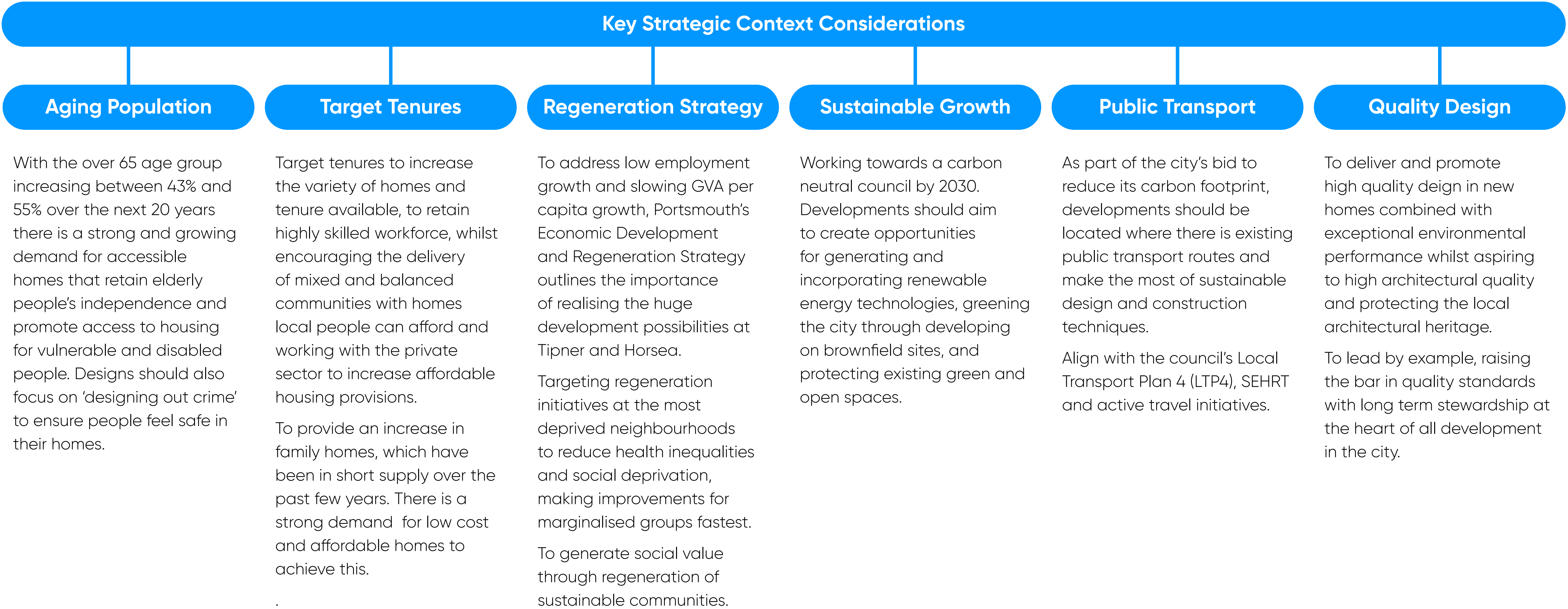
- The Portsmouth Plan
- Portsmouth Economic Development and Regeneration Strategy
- Portsmouth's Ageing Population Strategy 2010 – 2020
- Portsmouth's Health and Wellbeing Strategy 2018 – 2024
- Homelessness Strategy 2018–2023
- Portsmouth Air Quality Strategy (2017–2027)
- Greener Homes Policy
- Shaping the Future of Housing Strategic Plan
- Tenancy Strategy 2019–2034
- Nutrient Neutral Mitigation Strategy for New Dwellings

## Objectives and strategy from PUSH

- South Hampshire GI Strategy 2017–2034
- Transforming Solent: Solent Strategic Economic Plan 2014–2020'.
- Partnership for South Hampshire Business Plan



Common themes throughout Portsmouth's strategies and objectives





# 5 KEY CONSIDERATIONS

## Development objectives

**To directly provide, facilitate and enable good quality housing which sustainably meets the current and future needs of local communities throughout Portsmouth.**

One of the major challenges facing us is how to increase the supply of homes across the city. The primary objective is to provide new homes to meet demand. Ravelin Housing will, wherever possible, create new homes that are suited to those with needs which are not being met by existing housing or new build. This will be informed by a broad range of evidence including market demand.

In order to provide new homes Ravelin Housing needs:

- a. land and/or properties
- b. Internal and external resources to undertake a variety of work including pre-construction, legal and valuation work

- c. Contractors and developers to undertake the construction of the new homes.

To address the need to grow development capability Ravelin Housing will create a new housing development team to co-ordinate work, supported by specialist consultants.

Ravelin Housing knows that the challenge of the commitment to develop new homes and facilitate alternative providers building homes is not yet matched by the internal resource.

Further resourcing of the development team is recognised as being important to meet the challenging targets set out in the Ravelin business plan.

Ravelin Housing will aim to maintain a rolling three-year plan of realistic development opportunities. Ravelin Housing seeks to identify a pipeline of sites over 10 years from 2021 which will include undertaking strategic reviews of areas where there are significant council land holdings.

## New build

The investment strategy identifies a broad need for new affordable homes for rent. To meet the need in the city a variety of dwelling types and sizes will be built, but the priority will be to provide smaller units for start up homes, key worker units and family houses and accommodation.

## Regeneration

The investment strategy seeks to utilise underperforming assets which are underused, unoccupied or have been difficult to develop. Ravelin Housing will establish the means to monitor and assess existing council assets and potential acquisition opportunities for regeneration through housing development.

## Acquisitions

While the programme will commence with council owned assets, there will be opportunities for strategic acquisitions to

further enhance the development value of strategic sites. Ravelin Housing will work in partnership with Portsmouth City Council to proactively identify strategic sites for intervention. The acquisition of property or land will focus on addressing wider regeneration aspirations in the city plan.

Available assets will be reviewed, and business cases will be developed against the established investment criteria for any acquisition.

Ravelin Housing is aware of the potential impact of the investment programme on the private market in terms of private developers, land values and properties prices.

The approach to intervene will only be taken where there are additional benefits which can be realised from purchases and there is a wider strategic ambition which can be achieved through this process.



## Sustainable development

Environmental sustainability is essential in the creation of homes and communities in which people want to live and work. Lowering the carbon footprint of the developments will help occupiers save money and deliver lasting environmental, social and economic benefits.

The developments will align with the principles of the environmental policy, and the policies included within the new Local Plan. The developments will provide residents with the right tools to help them understand how to save energy and money.

Sustainability also relates to ensuring that the homes provided meet the needs of the city with the right homes regarding mix and tenure in the right locations. The health and wellbeing of residents will also be considered, together with the positive impact of greener design on people.

Initial feasibility assessments will determine the environmental impact of all potential development opportunities including the use of greener technology.

## Procurement

Ravelin will ensure that procurement of all development services (consultants and contractors) takes place in accordance with its contracts and financial procedure rules and legal requirements.

Ravelin is aware of the benefits of working with local companies that have a good track record of delivering similar schemes and can contribute to the local economy by their own approaches to procurement, employment and training.

It is important that companies employed by Ravelin, either directly or indirectly (for example through lead consultants), will comply with the published policies.

Ravelin will seek to use framework agreements or have otherwise preselected contractors in accordance with the contracts procedure rules. Given the value of the construction element for each development, the building contracts will usually be let by way of formal competitive tender.



# 6 DELIVERY OPTIONS

**To optimise its return on investment for the medium to longer term, Ravelin needs to consider its delivery routes and appetite for risk. It is the strategies and structures that provide the highest risk that also provide the highest returns. This section gives a high level overview of the key issues of the delivery options that Ravelin should consider.**

## Main considerations

- **Control:** What level of control does Ravelin wish to have?
- **Ownership:** To what extent does Ravelin need to own investment assets?
- **Human resources:** Adequacy of human resource to meet the ambition around development outputs?
- **Funding:** Willingness to access private finance?
- **Risk:** What is Ravelin's appetite for risk?

## Direct delivery by Ravelin housing

This option is based on Ravelin implementing the planning permission itself, and delivering the scheme at its own cost and risk. Ravelin would be required to both fund and resource the development.

Ravelin would also need to procure and enter into contracts with a main contractor.

Funding will need to be secured for delivery of a multi-million pound scheme over a number of years through the facility agreement with the council. This long term debt funding structure will need to be serviced, irrespective of the success of the development.

## Acquisitions and site disposals

Site disposal and acquisitions are lower risk and involves minimal level of investment from Ravelin.

Ravelin Housing would only ever acquire property if it formed part of a land assembly to improve the marriage value of the sites.

Disposals may be considered where the capital receipt is required for reinvestment to support the capital programme. The agreement may also include an overage clause with the sale contract to secure a percentage of additional profit realised on completion of the development over and above the assumed profit level when calculating the land value on disposal.

## Development agreements

Development agreements come in many forms, but most are conditional agreements for the transfer of land with obligations to deliver within defined time, cost and quality parameters. Ravelin may enter into development agreements as a developer, or as a landowner seeking to pass on development risk to the private sector.

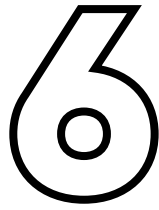
## Special purpose vehicle/joint venture

A special purpose vehicle (SPV) can be set up as a legal entity for a specific project to isolate risk. It is more likely that an SPV would be set up as a subsidiary of Ravelin. An SPV may be considered where Ravelin chooses to partner with another party to deliver greater regeneration benefits or optimise the return to the council.

Ravelin may also enter into joint ventures with developers. This would allow Ravelin to share and spread risks with other parties, unlock sites, access private finance and use specialist skills.

A joint venture (JV) represents a higher risk strategy and involves larger levels of investment over a longer duration. This places a large share of the risk on Ravelin but in return a higher share of the profits should be expected.

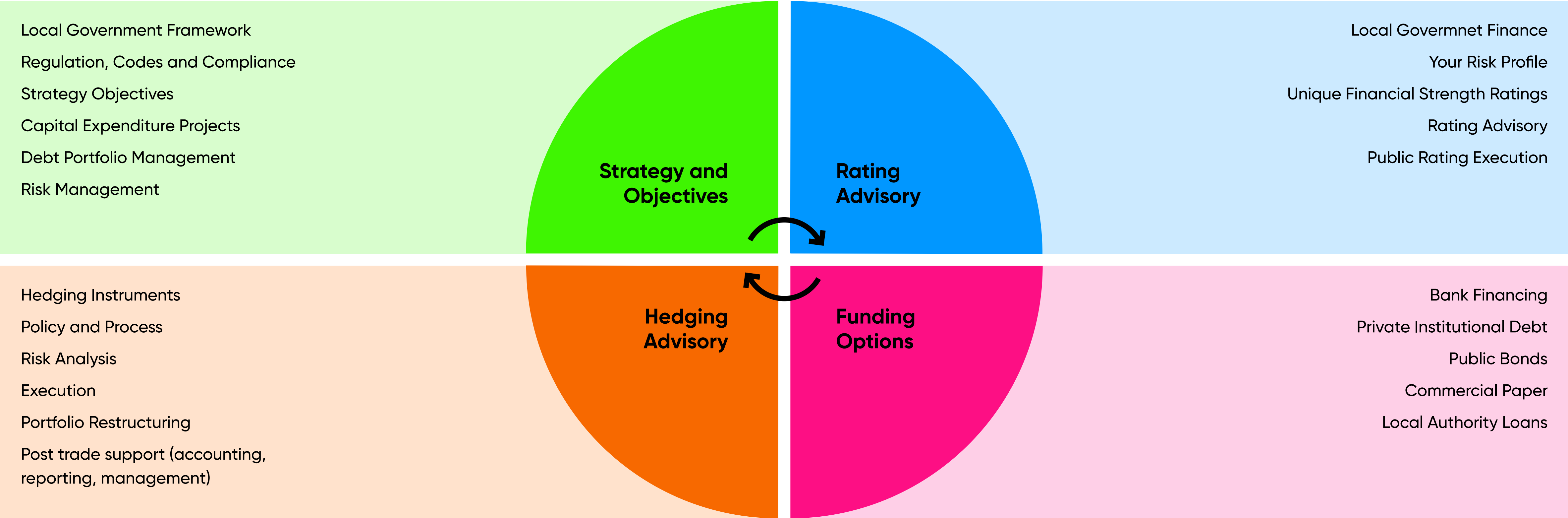




	Pros	Cons
Direct Delivery	<div>In House</div> <div>Doesn't rely on a new structure</div> <div>More accountable and flexible</div>	<div>Funding restrictions</div> <div>Organisational barriers within councils</div> <div>Risk of political micromanagement</div>
Acquisition and Site Disposal	<div>Lower risk and minimal investment</div> <div>Short timeframe of returns</div> <div>Possibility to secure % of future profits</div>	<div>Purchaser requires large share of the profits</div>
Special Purpose Vehicle	<div>Access to finance outside the council facility agreement</div> <div>Can generate a return for a general fund</div>	<div>Difficult to setup</div> <div>Less accountable</div> <div>Reduces debt liability</div>
Joint Venture	<div>Works for large sites which councils haven't got capacity to delivery for</div> <div>Shares risk</div>	<div>Complex</div> <div>Harder to get a good deal for councils and communities</div> <div>Shares reward</div>
Procurement	<div>Able to work with local companies to support local development</div>	<div>Extra expense of procurement process reduces profit</div>



# 7 FUNDING OPTIONS





## Available council funding routes

Ravelin will consider strategic partnerships in order to access these funding opportunities.

## Facility agreement

Our predominant funding option is borrowing and Ravelin will do this through a facility agreement with the council, the main shareholder of Ravelin on commercial terms.

## Homes England Affordable Homes Programme 2021–2026

Homes England has recently announced funding and support availability for all organisations with an interest in developing affordable housing – including housing associations, local authorities, developers, institutional investors, for-profit registered providers, community-led organisations and others. Ravelin will not be a registered social landlord and would seek to partner with one to access this funding.

Up to £7.39 billion will be made available from April 2021 to deliver up to 130,000 new affordable homes outside of London. The fund aims to:

- Support the cost of building housing for rent or sale at sub-market rates.
- Support the delivery of housing of all types and tenures including; homes for rent, social Rent, affordable rent.

## The fund's wider objectives

The fund's wider objectives place a significant focus and investment in modern methods of construction (MMC). But also focus on:

- Encouraging the uptake of the National Design Guide.
- Improving the energy efficiency and sustainability of new affordable housing supply
- Encouraging the use of SME contractors.

Homes England will include these elements in in the assessment criteria for funding applications, as well as in their standard conditions of funding.

## How to apply for funding

### 1. Continuous Market Engagement (CME)

Information required for an application will cover two areas:

- Applicant details (e.g. type of organisation, location).
- Scheme details (e.g. geography, tenure, number of homes, costs, land, planning, grant requested).

Applications will be assessed on their individual merits against cost minimisation and deliverability criteria. Ravelin Housing will also consider how schemes demonstrate alignment with the strategic objectives.

### 2. Multi-year strategic partnership deal

These will be assessed, scored and ranked to determine the successful applications against the following criteria:

- Value for money.
- Strategic priorities.
- Delivery of home ownership tenures.



# 8 INFRASTRUCTURE AND PLANNING CONSIDERATION

The investment strategy should consider the planning considerations and requirements that could impact on the investment decision. These need to be considered in line with the council's requirements.

This section sets out the main items within the planning system that are expected to have an impact on the decision made when developing/acquiring a site. Ravelin Housing will run through these in high-level, set out the key items that will have an impact, and the ramifications of these to development.

## Local Plan/Area Action Plan

New development should align with Portsmouth's ambition to become a more sustainable city and so the priority for housing locations should be in areas that are close to existing public transport routes and everyday facilities.

Portsmouth's spatial strategy outlined that the majority of new housing, employment and retail development will be directed towards the strategic sites of Tipner, Port Solent, Horsea Island, Lakeside Business Park, the City Centre and Somerstown and North Southsea.

The findings of the Land Availability Assessment of the city for housing, is 14, 467 dwellings over the period 2016-2036. This includes an allowance for 1,200 homes at Tipner West and the firing range.

This compares to a local housing need (using the government's standard method) of 17,260, leaving a shortfall of almost 2,800 homes.

## Contamination (nitrates) – requirement for capping and cost implications

On 26 July 2017, the government published the UK plan for tackling roadside nitrogen dioxide (NO<sub>2</sub>) concentrations (the UK Plan). This set out how the government would bring the UK NO<sub>2</sub> concentrations within the statutory annual limit of 40 micrograms per cubic metre (µg/m<sup>3</sup>) in the shortest possible time.

At the time Portsmouth City Council's Air Quality Strategy was produced, there were five locations where the annual mean NO<sub>2</sub> EU Limit Value of 40µg/m<sup>3</sup> was modelled as being exceeded by either the DEFRA PCM model or by local modelling work, with all forecast to remain above the 40µg/m<sup>3</sup> limit until at least 2020. These locations are shown in Figure F.1 in appendix F.



# 9 INNOVATION AND MODERN METHODS OF CONSTRUCTION

**The adoption of MMC is crucial to tackle the productivity, skills and materials challenges faced by the housebuilding industry and to drive improvements in quality, safety and sustainability. Adopting a higher level of MMC has the potential to diversify the market and help to increase the numbers of new homes delivered.**

Following a specific commitment made in the 2017 housing white paper, Fixing the Broken Housing Market, the UK launched the Ministry of Housing, Communities and Local Government (MHCLG) joint industry working group which was tasked with defining and promoting a greater use of MMC within residential development. The group has since defined a new categorised definition framework for different forms of innovative construction methodologies falling within seven distinct categories. This ranges from pre-manufacturing of 3D primary structural systems and additive manufacturing to traditional building product led site labour reduction/productivity improvements.

## **Main market considerations for MMC**

### **Quality assurance**

The lack of long-term data on the durability of MMC homes in the UK is a considerable barrier. It is very difficult to assess the long-term durability of homes built using new and innovative techniques, which has led to difficulties obtaining financial products such as insurance and mortgages on MMC homes. However, digital technology makes it possible to collect, store and share data about the construction, maintenance and materials used in MMC buildings. This can be beneficial to customers wanting to make changes to their homes.

### **Workforce and training**

Current skill shortages will be exacerbated unless new people are trained in both modern and traditional techniques and brought into the workforce. However, adopting MMC will take some of the work off-site and provide opportunities for more digital working which

could help to attract young people into the sector and increase capacity.

### **Supply chain**

It is clear that for both suppliers and developers there is a lack of robust supply chains and this is a major barrier to greater uptake of MMC. Homebuilders must deliver a product which is well designed and desirable to homebuyers; homes need to be adaptable and provide ample living space and storage if they are to meet the needs of buyers. When designing homes, methods of construction and transportation need to be considered at an early stage.

There is a plethora of MMC techniques being developed and utilised by different homebuilders. This means designs and components are developed to suit a particular method but may not be compatible with another type of MMC.

### **Target tenure**

MMC has huge potential to meet the demand for social housing. MMC are particularly well suited to mass production because the large volumes of standardised accommodation help to bring down unit costs. Some forms of MMC have also proven to be more energy efficient than traditional construction techniques which helps to reduce fuel bills and running costs for tenants.

### **Site constraints**

Some types of MMC will be appropriate for certain sites but not others, for example, if there are limitations on site access it might not be possible to install externally produced, modular homes. Therefore, it is not desirable to concentrate too narrowly on certain types of MMC.





### **Building regulation and energy efficiency**

The current suite of approved documents is confusing and difficult to comply with. It is particularly difficult for homebuilders that use MMC to apply the regulations to their developments. This could result in compromised safety standards in MMC buildings. The adoption of MMC can help meet PCC's carbon footprint targets, reduce air quality issues through reduced construction traffic and help contribute towards the greener homes policy objectives.

### **Access to finance**

The up-front investment needed for MMC developments is an additional barrier that limits take-up among homebuilders. New government funds such as the Homes England Affordable Homes Fund will include minimum MMC requirements as conditions of funding and funding assessment criteria will require developers to display how they intend to adopt MMC.

### **Future potential for modular construction**

Modular construction has huge potential in helping Ravelin achieve its housing targets whilst achieving its strategic objectives.

For decades, construction has lagged other sectors in productivity performance. Now there is an opportunity for a step change: shifting many aspects of building activity away from traditional onsite projects to offsite manufacturing-style production.

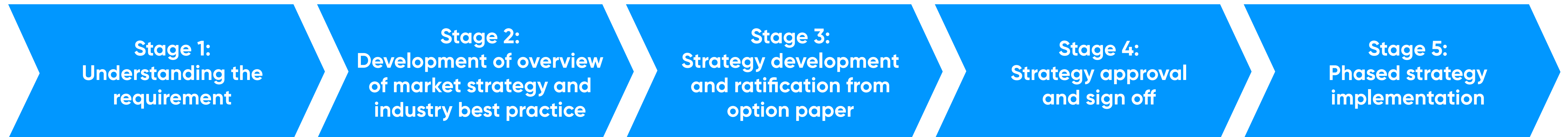
A report undertaken by Mckinsey in June 2019 outlined the huge potential for modular construction both globally and in the UK. They estimate that modular construction could claim

\$130bn of the market globally by 2030, deliver annual savings of \$22bn and help fill a \$1.6 trillion global productivity gap identified in 2017 and prominent throughout the UK construction market.

The report highlighted that, adopted correctly, modular construction can speed construction by as much as 50% and in the right environment and trade offs it can cut costs by 20%. Furthermore, with labour and housing shortages widespread throughout the UK the market potential for modular construction to gain traction is huge.



# 10 OPERATIONAL MANAGEMENT



## Operational strategy development

The asset model is split into three main components; the built asset, the service offer and the operational model. When developing the operational strategy there are several stages that must be considered by Ravelin.

Understanding the requirements:

- What does the market want/demand, need, afford for a given location as a function of demographics, employment and affordability trends. This will shape the brand strategy and product definition.
- What is the programme, size, scale, nature and the shape thereof. What are short, medium and long term priorities for strategy development.

- What is financially viable across the project lifecycle and investment programme and how are the asset model components formulated to minimise yield attrition.
- Who leads this activity on behalf of Ravelin Group?
- Which stakeholders need to be considered?

## Develop overview of market strategy and industry best practice

- Market analysis to define and shape requirements across all model components.
- Obtain best practice market examples across all asset model components. Focus on current and future trends to be the basis of assessment.
- Completion of investment strategy and development programme to inform asset model components.

- Review financial model, obtain and determine clear parameters to inform strategy definition.

## Initial decisions

- Tiered approach to built asset – bronze, silver, gold. Built asset specification to be developed and refined in conjunction with market data and financial model on project basis.
- Tiered approach to service offer – bronze, silver, gold. Baseline standard to be developed and refined in conjunction with market data and financial model on project basis.
- Operational model: Sublet to housing team of external provider with operational governance and directorate to be determined but sat with RPG.

- Design steering group to inform built asset specification. To comprise design and contractor representatives. PMC, HGP, Mace & Re-Format.

## Summary

For Ravelin to adopt an effective operational strategy it is critical to accurately assess the market requirements as this forms the basis for the entire operational plan. Once identified the build and operational specification can then thoroughly be considered and weighed up against the cost and programme considerations.

Operation of built assets may be undertaken by an associated company for tax efficiencies.



# 11 INVESTMENT PROGRAMME

The development programme is planned over 10 – 15 years with the first project commencing on site in 2021. The programme will seek to deliver 950 homes in the short term (0-5 years), 2150 homes in the medium term (5-8 years) and 2800 homes in the long term (8-15 years).





Site	Approx. dwelling numbers	Tenure	Estimated GDV	Timeline to complete	Maturity Score (1-3)	Notes
A	76	52 market 24 affordable	£25m	Short 0-5 years	2.7	Scheme has planning and D&B contractor has been appointed.
B	17	70% market rent 30% affordable	£4m	Short by 2023	2.7	Scheme is on site. Professional team appointed. Need to identify site for affordable.
C	134	70% market / PRS 30% affordable	£40m	Short 0-5 years	2.0	Refurbishment scheme. Site in other ownership.
D	200	70% market 30% affordable	TBC	Short 0-5 years	Not yet assessed	Assumed policy compliant tenancy. Site in other ownership.
E	100	70% market 30% affordable	£27m	Mid 5-8 years	1.2	Assumed policy compliant tenancy.
F	500	70% market 30% affordable	TBC	Mid 5-8 years	1.3	Assumed policy compliant tenancy. PCC advancing scheme to planning.
G	500	70% market 30% affordable	TBC	Long 8-15 years	Not yet assessed	Assumed policy compliant tenancy. Site in other ownership.
H	492	45% market/PRS 55% affordable	£95m	Short 0-5 years	2.2	Strategic site for Ravelin & PCC.
I	25	70% market 30% affordable	£6m	Short 0-5 years	1.2	Assumed policy compliant tenancy.
J	350	70% market 30% affordable	£75m	Mid 5-8 years	1.7	Assumed policy compliant tenancy. Strategic site for Ravelin & PCC. Site in other ownership.
K	10	100% market	£3,5m	Long 8-15 years	1.2	Reprovision of existing services may be required.
L	3500	80% market 20% affordable	TBC	Mid /Long 5-15 years	Not yet assesses	Assumed future policy compliant tenancy. Strategic site for Ravelin & PCC.
Total	5900					



# 12 MONITORING AND CONSULTATION

## Critical success factors

As set out within the Ravelin Housing business plan and confirmed through works held with the RHL directors, the investment objectives of Ravelin Housing as set out in section 1 have been agreed. To bring focus on the key results that Ravelin Housing is seeking to achieve a set of critical success factors (CSF) have been determined.

These will be used to develop the key performance indicators (KPIs) to enable investment activity outcomes to be measured and demonstrate how effectively the investment objectives are being achieved, answering the question, how will success be measured?

CSF are the elements vital to the successful delivery of the investment objectives. It is important for them to be both specific and measurable.

Detail of how each project is expected to perform will be included in the project BJC.

CSF01	Increase local housing supply and affordability
CSF02	Delivery of mixed and balanced communities
CSF03	Delivery of sustainable homes, to assist PCC in meeting climate emergency objectives
CSF04	Priority given to local residents on all open market and rented homes
CSF05	Supporting planning policy compliant schemes
CSF06	To deliver 1,000 new homes by 2032
CSF07	High residents satisfaction score



# 13 SUMMARY CHECKLISTS

## Stage 1: Consider the strategic context

- ☐ Sufficient consideration given to the objectives, strategy and policy from Portsmouth City Council?
- ☐ Objectives and strategy from PUSH considered?

## Stage 2: Evaluate investment against the key considerations

- ☐ Land and/or properties acquired?
- ☐ Access to required internal and external resources?
- ☐ Contractors and developers considered?
- ☐ Is the build sustainable/ a new build / regen site / site acquired?

## Stage 3: Consider the different delivery options

- ☐ Level of control?
- ☐ Extent of ownership?
- ☐ Adequacy of human resource?
- ☐ Willingness to access private funding?
- ☐ Appetite for risk?

## Stage 4: Assess the viability and affordability

- ☐ Financial viability assessed?
- ☐ Does the investment align with Ravelin's strategic objectives?
- ☐ Does the rate of return align with the level of risk?
- ☐ Qualitative and quantitative risk assessment given?

## Stage 5: Consider the funding options

- ☐ MMC assessment requirements?
- ☐ Considered the requirements for Homes England Affordable Homes Programme 2021-2026?

## Stage 6: Assess infrastructure and planning requirements

- ☐ Have the CIL / S106 / S278 requirements been met?
- ☐ Has the Local Plan / Area Action Plan been considered?
- ☐ Has Portsmouth Contamination (Nitrates) Requirement For Capping And Cost Implications been considered?

## Stage 7: Assess the feasibility of innovation and MMC

- ☐ Quality assurance measures in place?
- ☐ Supply chain considered?
- ☐ Workforce and training practices in place?
- ☐ Target tenure decided?
- ☐ Site constraints assessed and mitigated?
- ☐ Are there any access restrictions that may limit modular construction?
- ☐ Access to finance specific for MMC? Insurance?

## Stage 8: Operational management considerations

- ☐ Understand the requirements?
- ☐ Marketing strategy complete?
- ☐ Industry best practice?
- ☐ Drivers and opportunities?
- ☐ Operational management considerations?
- ☐ Programme and cost?
- ☐ Build and operational spec?



**1 HAVE YOU CONSIDERED THE STRATEGIC CONTEXT?**

Sufficient consideration given to the objectives, strategy and policy from Portsmouth City Council ?  
Objectives and strategy from PUSH considered?

**2 HAVE YOU EVALUATED INVESTMENT AGAINST THE KEY CONSIDERATIONS?**

Land and/or properties acquired?  
Access to required Internal and external resources?  
Contractors and developers considered?  
Is the build sustainable/ a new build/ regen site / site acquired?

**3 HAVE YOU CONSIDERED THE DIFFERENT DELIVERY OPTIONS?**

Level of control?  
Extent of ownership?  
Adequacy of human resource?  
Willingness to access private funding ?  
Appetite for risk ?

**4 HAVE YOU ASSESSED THE VIABILITY AND AFFORDABILITY?**

Financial viability assessed?  
Does the investment align with Ravelin's strategic objectives?  
Does the rate of return align with the level of risk?  
Qualitative and quantitative risk assessment given?

**5 HAVE YOU CONSIDERED THE FUNDING OPTIONS?**

Considered the requirements for Homes England Affordable Homes Programme 2021-2026?  
MMC assessment requirements?

**6 HAVE INFRASTRUCTURE AND PLANNING REQUIREMENTS BEEN MET?**

Have the CIL / S106 / S278 requirements been met?  
Has the Local Plan / Area Action plan been considered?  
Portsmouth Contamination (Nitrates) Requirement and cost implications been considered?

**7 HAVE YOU ASSESSED THE FEASIBILITY OF INNOVATION AND MMC?**

Quality assurance ?  
Supply chain?  
Workforce and training?  
Target tenure?  
Site constraints?  
Access restrictions?  
Access to finance?

**8 OPERATIONAL MANAGEMENT CONSIDERATIONS?**

Understand the requirements?  
Marketing strategy complete?  
Industry best practice?  
Drivers and opportunities?  
Management considerations?  
Programme and cost?  
Build and operational spec?



# 14 NEXT STEPS

## Actions:

1. Build the capability within the housing development team to deliver a successful development and enabling programme.  
.....
2. Develop and publish a five-year rolling development programme with an objective of achieving 100+ units p.a.  
.....
3. Review corporately all council land ownership to identify potential housing development sites for new housing.  
.....
4. Potential development sites across the programme to be reviewed and internal negotiations to be carried out following necessary approvals.  
.....
5. Establish effective working relationships with a range of development partners.  
.....





# APPENDICES

**Appendix A: Business Case Outline for Investments**

**Appendix B: Portsmouth Housing Market**

**Appendix C: UK Housing Market**

**Appendix D: Private Rental Sector**

**Appendix E: Target Rental Market**

**Appendix F: Strategic Context**

- Portsmouth Plan
- Portsmouth Spatial Strategy
- Portsmouth Economic Development and Regeneration Strategy
- Ageing Population
- Health and Wellbeing
- Homelessness Strategy 2018–2023
- Portsmouth Air Quality Strategy (2017–2027)
- Greener Homes Policy Objectives
- Shaping the Future of Housing Strategic Plan
- Tenancy Strategy

**Appendix G: Demographic Analysis**



# A BUSINESS CASE OUTLINE FOR INVESTMENTS

## The business case will include the following as a minimum:

### Reasons

Why is the investment needed?

### Options

What are the options available?

### Benefits

What would be the benefits of the investment?  
How would it help deliver the Ravelin business plan objectives?

### Investment appraisal

A detailed financial appraisal setting out the projected income and costs associated with a potential acquisition along with an assessment of the proposed financing options and associated risks and considerations over the term of the loan.

### Risk management assessment

A detailed risk assessment of the potential investment, including mitigation measures that can be employed:

- Specific risks associated with the proposed investment
- Risk of failure (sales / letting void risks)
- Costs of ownership and management
- Differing ownership structures (e.g. wholly owned subsidiaries).
- Sector risk (portfolio spread)
- Provide an exit strategy financial assessment as a 'worse case' scenario
- Liquidity assessment
- LTV ratio assessment

### Market risks

Market risks, including risks of structural change or market failure, which may affect the market as a whole or particular subsectors or groups of property:

- Illiquidity upon sale (e.g. lot size, transaction times, availability of finance)
- Failure to meet market value expectations (forecast value growth and rental growth)
- Failure to meet market yield expectations (forecast yield shift)
- Risk of locational, economic, physical and functional depreciation through structural change
- Risks associated with legislative change (e.g. planning or changes in fiscal policy)

### Portfolio assessment

An assessment to establish suitability against the council's existing property portfolio which will consider rental levels, location, property type, rent review and lease expiry patterns, industry sector, tenure, lease covenants, market exit constraints and physical and environmental factors.

### Legal

- Report on title (to confirm ownership)
- Options for legal structures (e.g. use of wholly owned subsidiaries)
- Advice on SDLT and VAT linked to use of legal structure options
- Ongoing SLA/construction/development agreements

### Estimated timescale

- Proposed start date
- Estimated end date
- Duration

### Estimated project resources

- Identify role and name of resources
- Estimate the demand on resource time
- Identify resource gaps and whether these can be met
- Identify external resources required and estimated budget cost



# B PORTSMOUTH HOUSING MARKET

**The South Hampshire Strategic Housing Market Assessment (SHMA) 2014 outlines the projections for housing mix, which are driven by long-term demographic factors. Over the last decade the analysis points towards a shift in the housing mix towards smaller properties, but also a growth in private renting. In Portsmouth owner-occupation has fallen consistently over the past few years.**

Part of the housing challenge Portsmouth faces, is the provision of a mix of tenures types at a variety of price points to suit the diverse housing and economic needs of the city's population as Ravelin Housing enter into another recession.

## Defining the housing need

At present, the assessed local housing need for the city is around 863 homes per annum 2016–2036, a total of 17,260 homes. This estimate was taken in early 2020 whilst awaiting MHCLG's final position on assessed housing need. The new Local Plan will replace the current planning policy framework and is due to be adopted in towards the end of 2021 and will provide new support for developers.

Affordability is a key feature of the housing market. One in five households in Portsmouth lack the income necessary to engage with the housing market unless assisted by the housing benefit system, or have access to housing at cheaper rents.

## Affordable housing

The current Local Plan for Portsmouth sets out a requirement for affordable housing to be delivered as part of larger for sale developments (15 units or more) at a minimum of 30% of the total number of dwellings.

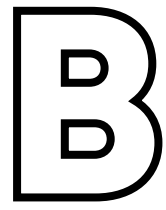
Affordable housing is defined in the NPPF as social rented, affordable rented and intermediate housing, provided to specified eligible households whose needs are not met by the market.

Affordability is a key feature of the housing market. One in five households in Portsmouth lack the income necessary to engage with the housing market unless assisted by the housing

benefit system, or have access to housing at cheaper rents.

To meet the affordable housing requirements in the Local Plan affordable rented units are proposed, which are not subject to the national rent regime but are subject to other rent control that require a rent of no more than 80% of the local market.





## Build to rent

There are currently no policies in Portsmouth to support Build-to-Rent (BTR) developments and as such any BTR projects will be considered under the NPPF guidance and as such will require a min of 20% affordable housing. However, this will be discussed in more detail in section xxx.

## Opportunities

Savills has undertaken market research into the Portsmouth market. Notably this has revealed Portsmouth is a net importer of workers, with 13,000 more people traveling into the city each day to work compared to those traveling out. In total, 41,000 people travel into the city each day to work. Therefore, there is an opportunity to capture some of these by providing additional, adequate housing.

## Effect of the pandemic on housing demand in Portsmouth

The city has recently been named second in eMoov's national hotspots index which looks at the property market across the UK's 150 most populated towns and cities. Portsmouth was only behind Rugby for buyer demand in properties for sale – with estate agents saying many people from London are attracted by relatively low prices.

This represents a greater need for affordability. There are shared concerns that Portsmouth will struggle to cope with the increased demand, leading to prices rising and locals being priced out of the market. Whether this remains to be a long term trend is yet to be established. However, if the pandemic has taught us anything, its that flexibility of the workplace will continue to make people question their work life balance and the location in which they chose to live.



# C UK MARKET ANALYSIS

**Current market uncertainty as a result of Covid-19 is having an impact on investors' decision-making processes, with many choosing to adopt a defensive investment strategy which in turn has meant that investment value and market risk is difficult to determine. Given this period of increased uncertainty Ravelin Housing recommends reviewing the investment value over the next 18 months to determine and manage potential risks to the council.**

To determine an effective investment strategy, it is necessary to consider the economic and political background within which Ravelin Housing will be starting to invest.

This will shape the underlying investment approach and ensure risk is identified and managed in an effective manner. The following section will focus on summarising the UK economic background, the impact of the current epidemic and political uncertainty on the property investment market, and the impact this could have on the Ravelin Housing investment Strategy.

## UK economic conditions

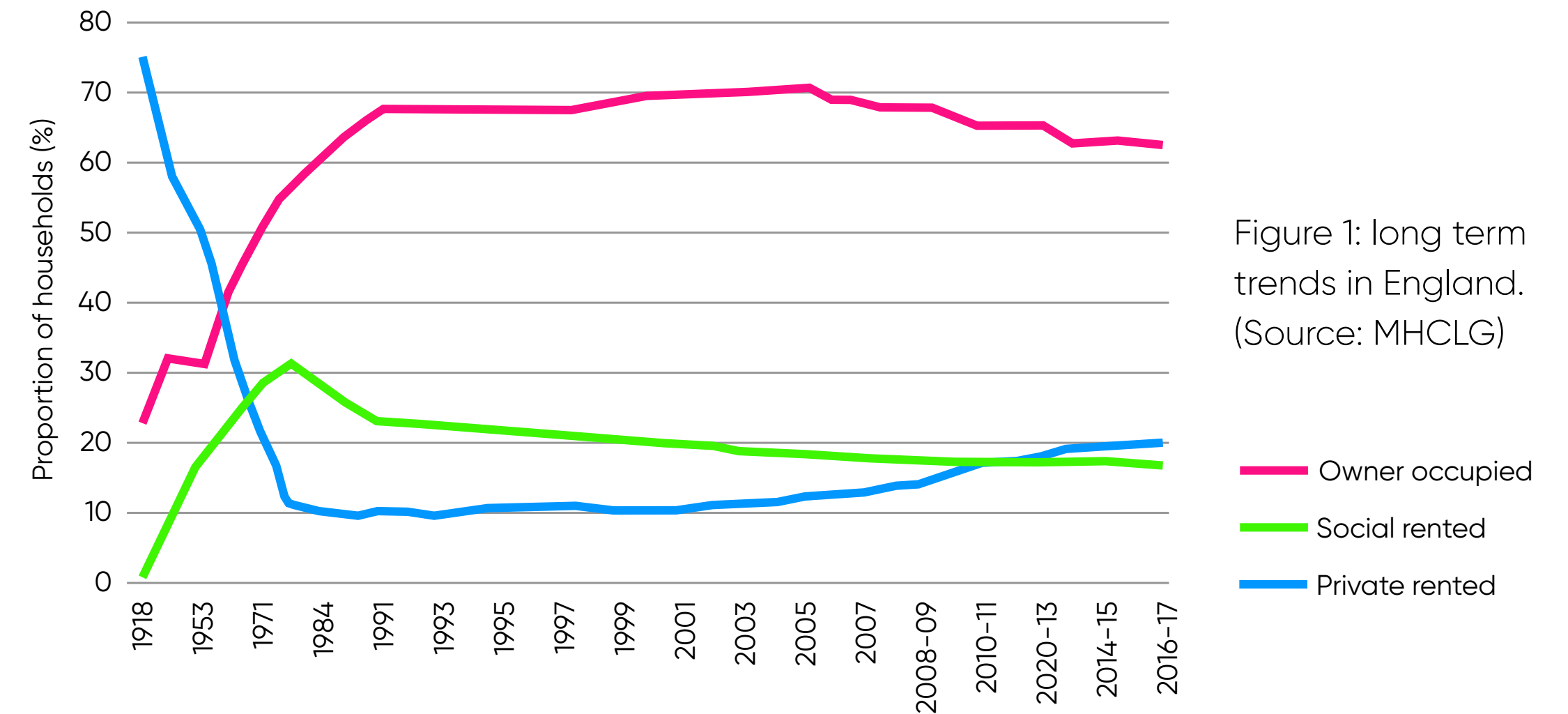
A key driver of economic growth in recent years has been consumer demand but household spending power has been curtailed over the last year because of the pandemic. Falling real earnings and lower savings may limit future activity.

## Brexit

One item almost forgotten in recent months, following four years at the top of the news, is Brexit. It is prudent to remain mindful of ongoing issues related to Brexit and in particular its impact on the supply chain and labour market.

## Long-term tenure trends

Long term trends show that occupation rates are decreasing, dropping from 70.4% in 2005 to 63.8% in 2017. In contrast, the private rental sector has increased over the same period, a trend forecasted to continue over the coming decade. This trend is shown in figure 1.



## Recent government commitments

Recently, the government has also committed to building more homes. However, its new housing reforms won't improve conditions in the near term. Assuming the reforms outlined in the Ministry of Housing, Communities and Local Government's August White Paper are implemented, they will not take hold for a number of years. Additionally, with the plans set to change incentives to developers, it is possible they will actually have a negative short-run effect. If returns look likely to be better after the changes in

policy, housebuilders could hold developments back. An overview of recent government commitments is given below:

- £12bn to be spent over eight years on the affordable homes programme
- £96m to improve town centres
- £760m for repairs and upgrades to schools and colleges
- £900m to support local growth and infrastructure projects
- £100m on road projects



# D PRIVATE RENTAL SECTOR

**The recent growth of the PRS and the subsequent decline of home ownership, has been fuelled by a combination of political, social and economic factors. One of the main drivers is the affordability barrier of home ownership.**

A combination of significant house price growth and tighter mortgage regulation following the 'credit crunch' has meant that the average deposit for first-time buyers has risen from £2,200 in 1998 to £26,000 currently. This will continue to constrain home ownership, particularly for low and middle income earners.

BTR is beginning to gain significant traction in the UK. As of October 2020, there are 50,800 completed purpose designed BTR homes in the UK. Forecast investment in the sector is £75 billion by 2025 (source: Knight Frank 2020) and the proportion of households expected to be in the private rented sector generally will rise to 22% by 2023.

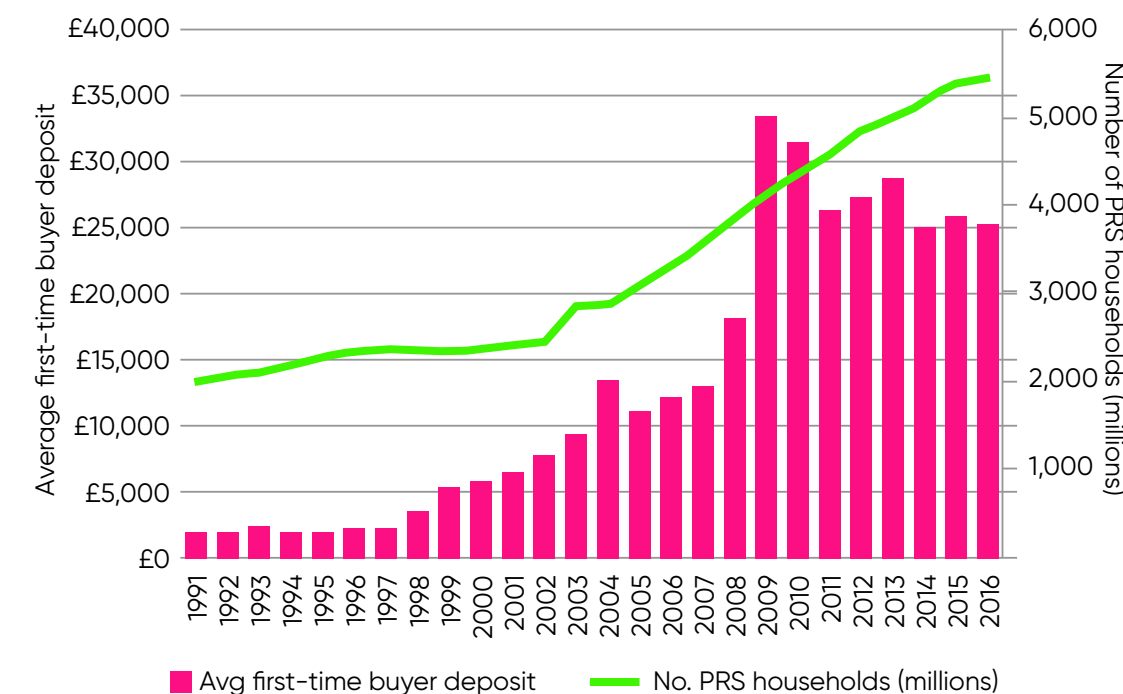


Figure 2: long term trends in England. (Source: MHCLG)

It is also forecast that 2020 will be a record year for investment in BTR stock in the UK with £2.7 billion spent in the year to date and a figure exceeding £4 billion anticipated for the whole year (source: Savills, Oct 2020). It is proving to be a resilient asset class, with research indicating that rent collections have remained high throughout the coronavirus pandemic, averaging 95.2% between March and August 2020.

## Key figures:

- £4.02 billion anticipated investment in UK institutional BTR in 2020.
- £41 billion capital already committed to the sector to date with a further £19 billion ready to be deployed in schemes with planning.
- 95.2% average rent collection rate for institutional BTR schemes between March and August.
- 50,800 completed purpose designed BTR homes in the UK.

## Trends of the PRS model

Currently the average size of a completed scheme is 212 units. This increases to 264 units for homes currently under construction and 316 for schemes with planning granted. Some 10% of the total number of schemes in the pipeline include plans for more than 500 homes.

## Local PRS schemes

Bow Square is the Solent region's first BTR scheme, on the site of the former fruit & veg market in Southampton city centre. A £60m development, delivered in three phases, the scheme provides 279 one and two bed apartments, as well as commercial space and communal amenity areas for residents. Amenity space for residents includes a gym, yoga suite, communal garden, residents' lounge and kitchen. A concierge service is provided.

Current rents at Bow Square range from £915 pcm for 1 bed apartments to £1150 pcm for 2 bed apartments.

## Key features

One of the defining features of BTR is that the entire building/development is in single management. This is an essential requirement for many investors and operators, who want to control the whole property for efficiency reasons, and to have complete autonomy over their asset.



# E TARGET MARKET

## Drivers of PRS

- Younger workers especially have taken advantage of the increased flexibility of renting, as it is a tenure which allows moving between locations without any of the costs associated with buying or selling a property.
- Affordability constraints in the sales market have curtailed some tenants plans for house purchases, resulting in a longer stay in the rental sector as they save for a deposit.
- The lack of a mortgage deposit is the key driver for those renting.
- People want to live within a short commute time of their workplace.

## Who is renting

Generally, tenants are becoming older with 26% of all privately renting households aged between 35 and 44 years, up from fewer than 10% in 2000. This also means more families are living in privately rented accommodation, with

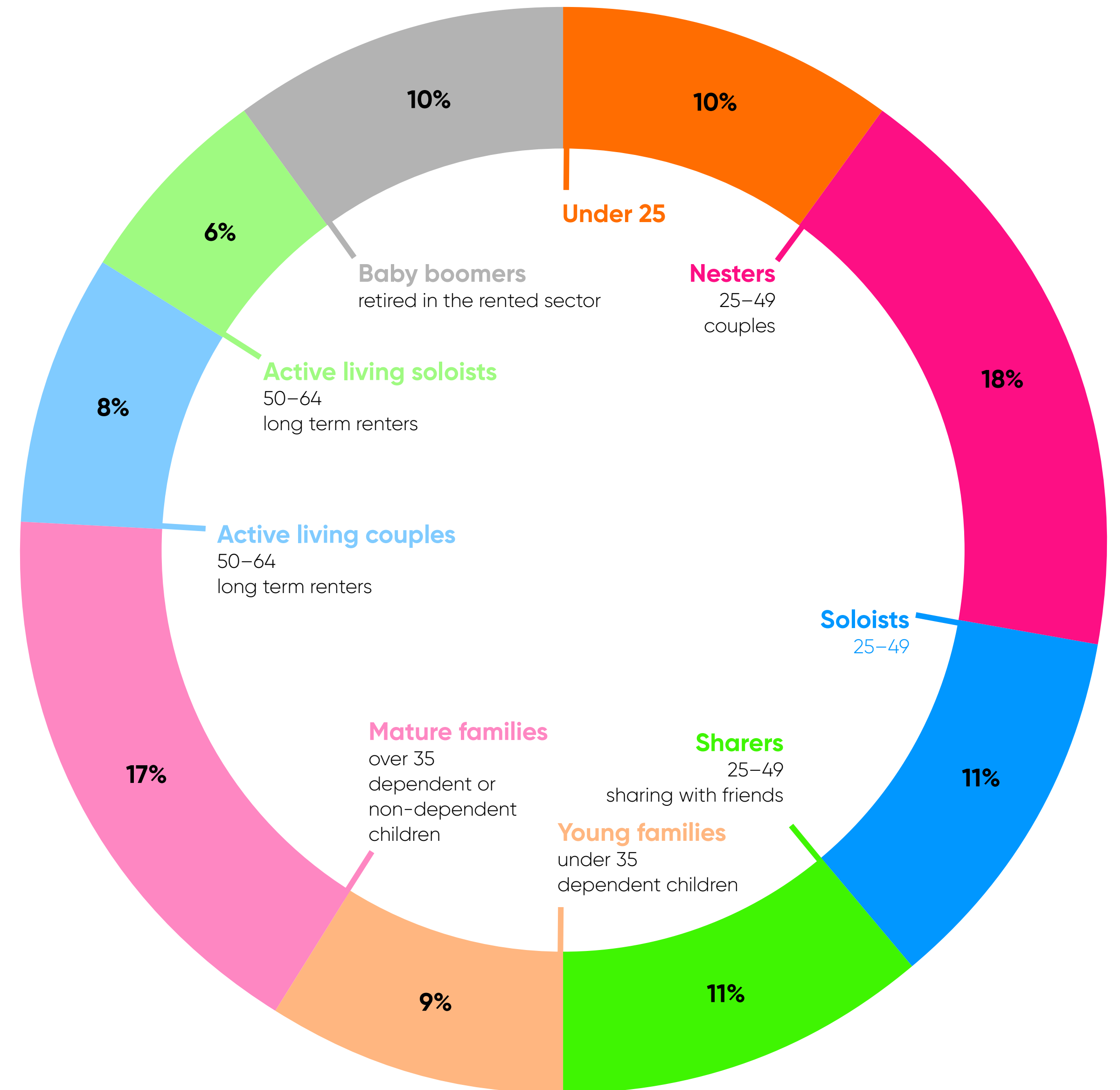
the number of households with children who are privately renting nearly doubling over the past 10 years alone.

Young professionals no longer make up the largest group living in the private rented sector having been overtaken, albeit marginally, by 35 to 49 year olds. This age group is also expected to show the biggest growth in households in the private rented sector over the coming years, with difficulty in obtaining a mortgage deposit to buy a home remaining a hurdle.

## Relative rents of PRS schemes

Vail Williams' research within the Solent region is necessarily limited, given that only one BTR scheme has completed. However, analysis of rents at Bow Square compared to comparable modern rental stock in the immediate area demonstrates the following:

- 2B4P apartments – a rental premium of 18%
- 1B2P apartments – a rental premium of 15%





# F STRATEGIC CONTEXT

## The Portsmouth Plan

The vision and objectives of the Portsmouth Plan sets out what kind of place Portsmouth should become by 2027. The strategy for the plan firstly outlines a Vision and then breaks down the vision into eight overarching objectives in which to achieve the vision statement. For the purpose of this document, only objectives relating to housing development will be considered.

The strategy assumes that any potential alternative use is consistent with the Local Plan.

## Portsmouth vision statement

**"To make Portsmouth the premier waterfront city, with an unrivalled maritime heritage – a great place to live, work and visit."**

## Housing delivery

Portsmouth is a built up city with tight boundaries, numerous physical constraints and no greenfield sites available for development and as such there are a limited number of locations for new housing sites. PUSH home delivery strategy focuses on new homes in urban areas to regenerate the cities and to relieve pressure on the surrounding countryside.

New development should align with Portsmouth's ambition to become a more sustainable city and so the priority for housing locations should be in areas that are close to existing public transport routes and everyday facilities.

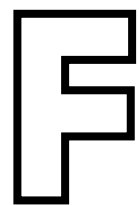
## Findings from the Local Plan Land Availability Assessment

The findings of the assessment are as follows – for housing, the assessed capacity of the city (including an assumption on the allowance to be made for student accommodation) is 14,467 dwellings over the period 2016–2036. This includes an allowance for 1,200 homes at west and the Firing Range.

This compares to a Local Housing Need (using the government's standard method) of 17,260, leaving a shortfall of almost 2,800 homes.

For economic land, the study identifies a capacity for schemes to deliver some 74,211 square metres of office floorspace and 82,749 square metres of floorspace for mixed business uses over the period 2016–2036. The targets for employment land are currently under review.

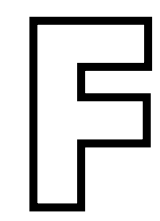




## In terms of housing and development, the plan outlines the following objectives:

- All development aspiring to high architectural quality and protecting the local architectural heritage.
- Greening the city through developing on brownfield sites, protecting existing green and open spaces and creating a green network through the city.
- As part of the city's bid to reduce its carbon footprint, new development will have to make the most of sustainable design and construction techniques opportunities for generating and incorporating renewable energy technologies.
- Focussing developments around the town centres and public transport routes so that communities have easy access by a choice of modes of transport for getting around the city and are within easy reach of goods and services.
- Requiring travel plans from new residential developments, businesses, shops and schools.
- Supporting development that strengthens the marine sector and supports the commercial port.
- Improving community safety through designing developments to reduce opportunities for crime, ensuring safe walking routes in the city, working with transport operators to provide safe public transport and improving the green and open spaces so people feel safe in them.
- Ensuring that the types of homes built meet the city's needs – this means an increased focus on family homes which have been in short supply over the past few years, a requirement on housing developments to provide affordable housing and the provision of a range of housing for the elderly.
- Creating quality places to live where facilities and services are close to new housing development is well designed to high environmental standards and open spaces are provided or improved as part of development.
- Making it easier for people to adopt healthier lifestyles through active travel, and ensuring there are enough play and open spaces for people to exercise and relax.
- Targeting regeneration initiatives at the most deprived neighbourhoods to reduce health inequalities and social deprivation.





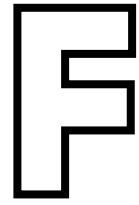
### A spatial strategy for Portsmouth

Currently, Portsmouth does not have a large range of choices for development sites as it is largely built up and tightly constrained by administrative boundaries, the sea and nature conservation and flood risk designations. Spatially the majority of new housing, employment and retail development will be directed towards the strategic sites of Tipner, Port Solent, Horsea Island, Lakeside Business Park, the City Centre and Somerstown and North Southsea.

### Summary of development proposals in the development cells

	New homes	New employment floorspace (m2)	New retail floorspace (m2)
Eastern coast	401	30,178	0
Western corridor	2,401–3,971	152,275	51,000–52,500
Southsea and the southern waterfront	982	0	0
Central spine	655	9,000	0
Portsdown Hill	656	49,100	0
Total	5,095–6,665	240,553	51,000–52,500





Portsmouth Economic Development and Regeneration Strategy

The strategy addresses two major problems for Portsmouth; low employment growth and slowing GVA per capita growth. The strategy looking to the competitive advantages within Portsmouth and proposes a radical approach to improve the city’s performance.

With regard to housing and development, the strategy has identified, through a consultation and evidence based approach, three key challenges to address:

- The huge development possibilities at Tipner and Horsea must be realised.
- The city’s housing offer is still not attractive enough.
- The decline of the city centre as a retail centre must be tackled.

The strategy outlines that parts of Portsmouth are highly attractive and still very affordable but overall there is still a need to improve the city’s housing offer to attract highly qualified people.

The strategy aims to increase the variety of homes and tenure available whilst improving neighbourhoods so that city can retain more graduates and retain more spend from more highly paid senior managers in the city.

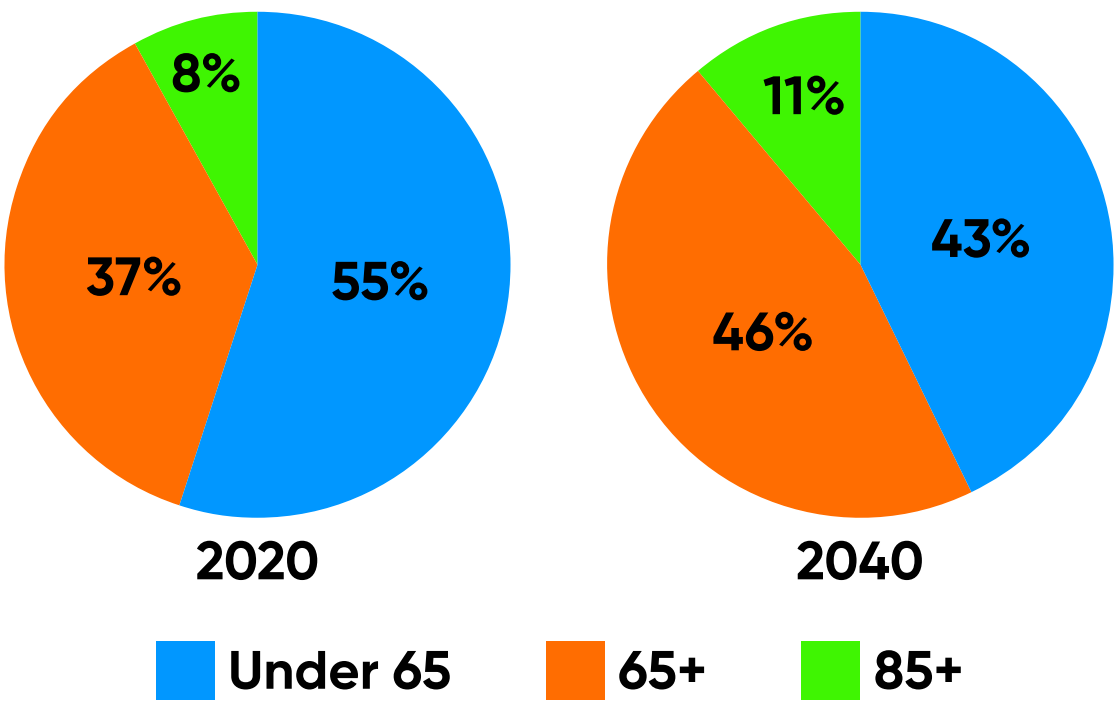
A further SWOT analysis identified the following:

<p><b>Strengths</b></p> <p>Council and public sector land holdings, housing stock owned and managed by the council.</p>	<p><b>Weaknesses</b></p> <p>Perceived lack of attractive housing/ neighbourhoods and high quality environment.</p>
<p><b>Opportunities</b></p> <p>Council active investors and use of land holding for regeneration, Tipner, Horsea, the Port and other public sector land holdings</p> <p>Improve the city's housing offer, neighbourhoods and city centre.</p>	<p><b>Threats</b></p> <p>Businesses feel squeezed out by residential and university demands for space and do not feel planning policy is defending them.</p> <p>Major new infrastructure is not delivered, e.g. coastal defences, city centre road, city centre north and Tipner/Horsea.</p>



## Aging population

The vast majority of older people in the city live at home (between 90% and 95%), and when asked, most people value their independence, and want to retain it for as long as possible. This raises challenges around ensuring housing needs of the older population are met, to allow a greater number of older people to live independently at home. The challenges derived from aging population is particularly prominent in Portsmouth where the proportion of over 65s is predicted to increase by 8.5% over the next 20 years.



Portsmouth City Council has produced the ‘Portsmouth’s Ageing Population Strategy 2010 – 2020’ with strategic aims falling into four life-cycle stages:

1. Creating an age-friendly city
2. Preparing for later life
3. Living well in later life
4. Stronger support and protection

Housing forms an essential role in the successful adoption of this strategy. The ability to provide a range of housing options for older people, that are adapted to their personal needs, particularly in allowing easy accessibility to move around the home, and to local services and transport requirements, is an important part of making Portsmouth age-friendly.

At present there is a mismatch between the availability of specialist accommodation and lifetime homes and the council would like to see more flexibility in the housing provided. This is because a key component of the council’s ‘living well in later life’ strategy focuses on its desire to provide elderly people with their independence, thus improving their quality of life and reducing the need for specialist care facilities.

The strategy also outlines the importance of older people, as well as the wider population, to feel safe in their homes. The council aims to ensure that all new housing has regard to the designing out crime supplementary planning documents.

## Health and wellbeing

Many of the key objectives of the aging population strategy are replicated in Portsmouth’s Heath and Wellbeing Strategy 2018–2024. The key themes are based around the impacts that community has on mental health and wellbeing. Housing plays a critical role to ‘make improvements for marginalised groups fastest’, a key theme of the strategy. New developments should promote access to housing for vulnerable people, recognising that having stability is the first step in addressing substance misuse and helping people deal with poor mental health.

Ravelin should take particular notice to ensure new developments allow easy accessibility to services and transport and ensure developments actively reduce barriers for health and wellbeing opportunities. Particular focus should be on encourage healthy lifestyle choices to promote physical, emotional and mental wellbeing.



## Homelessness Strategy 2018–2023

Portsmouth City Council's homelessness strategy identifies the significant role housing in the health and wellbeing of Portsmouth's residents. It remains vital that the strategy to prevent homelessness is aligned with the health and wellbeing strategy for the city to help residents resolve health challenges, ensuring the provision of good quality accommodation that promotes and supports wellbeing.

The strategy concludes:

- Develop the working relationship between partner agencies to inform and develop practical and effective Personalised Housing Plans (PHPs).
- Work with the private rental sector to explore how additional advice, support or guidance could increase availability and affordability for tenants.
- Explore the potential to extend the Local Authority Housing tenancy management approach to offer similar support in the private rented sector.

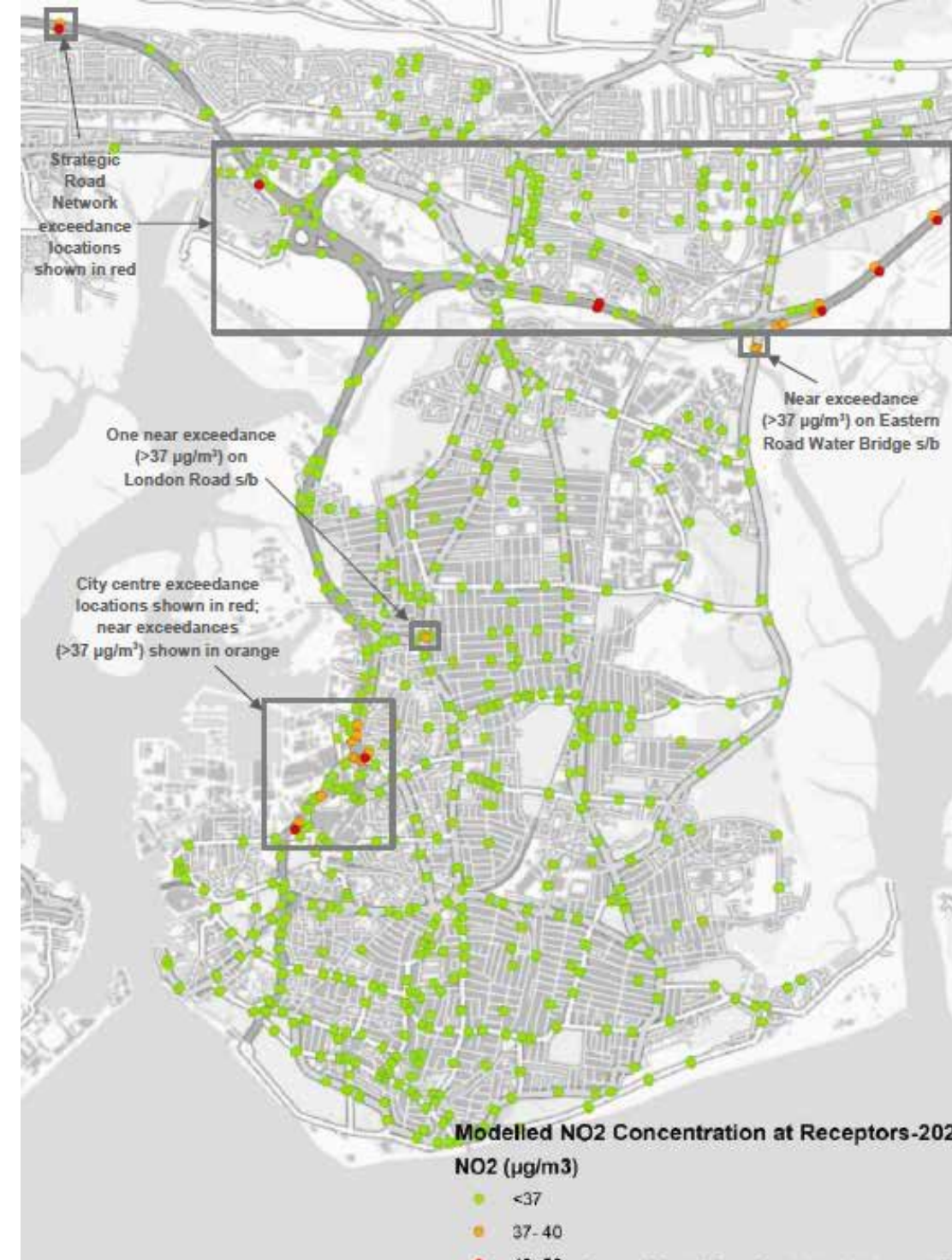
Figure 3: Map showing NO2 exceedance locations throughout Portsmouth

- Explore innovative funding solutions to help people access private rented sector.

## Portsmouth Air Quality Strategy (2017–2027)

On 26 July 2017, the government published the UK plan for tackling roadside nitrogen dioxide (NO2) concentrations ('the UK Plan'). This set out how the government would bring the UK NO2 concentrations within the statutory annual limit of 40 micrograms per cubic metre ( $\mu\text{g}/\text{m}^3$ ) in the shortest possible time.

At the time Portsmouth City Council Air Quality Strategy was produced, there were five locations where the annual mean NO2 EU Limit Value of  $40\mu\text{g}/\text{m}^3$  was modelled as being exceeded by either the DEFRA PCM model or by local modelling work, with all forecast to remain above the  $40\mu\text{g}/\text{m}^3$  limit until at least 2020. These locations are shown in figure 3 above.



## Greener Homes Policy objectives

Portsmouth City Council's Green Homes Policy outlines eight key objectives to improve the environmental performance of all housing in the city and to create homes in which people choose to live with lifestyles which make a low impact on the environment.

1. To Raise environmental standards for existing housing.
2. To deliver and promote high quality design in existing and new homes combined with exceptional environmental performance.

3. To identify opportunities for micro-generation and other innovative and effective approaches to energy use in housing.
4. To drive down housing construction and supply chain costs through economies of scale.
5. To incorporate lifestyle features in housing that cut emissions within the community, through good design that encourages behavioural changes in the use of electrical appliances and to include changes in transport, waste collection and food production and delivery.

To ensure that affordable and low cost homes are included, especially for families.

To meet or exceed benchmarks which encourage urban and housing design quality and engagement, access for the elderly and people with disabilities, good public spaces, sound delivery arrangements and long term management.



## Shaping the Future of Housing Strategic Plan

Throughout Portsmouth household incomes vary significantly. This is shown in figure 4 below where neighbourhoods marked with darkest tints have the highest household incomes averaging over £40,000 annually; while those with the lightest tints have the lower household incomes of less than £25,000.

Renting distinguishes the Portsmouth housing market. In Portsmouth the proportion of dwellings that are owner-occupied (roughly six out of ten) is below the regional average, and in consequence the number of rented properties (four out of ten), is well above the norm for most urban areas in the South East.

The city's rented sector is divided almost equally between social (not-for-profit) renting and private (commercial) renting, with trends

showing that private renting is increasing. Data from the 2011 census on the proportion of socially and privately rented homes is shown on the next page in figures 5 and 6.

However, Portsmouth's property prices and rents are often lower if compared to other nearby towns and cities. This is mainly due to a surplus of private housing to rent. A relatively large stock of older terraced properties provides a regular supply of housing at more affordable rents and purchase prices.

Nevertheless, affordability is a key feature of the housing market. One in five households in Portsmouth lack the income necessary to engage with the housing market unless assisted by the housing benefit system, or have access to housing at cheaper rents.

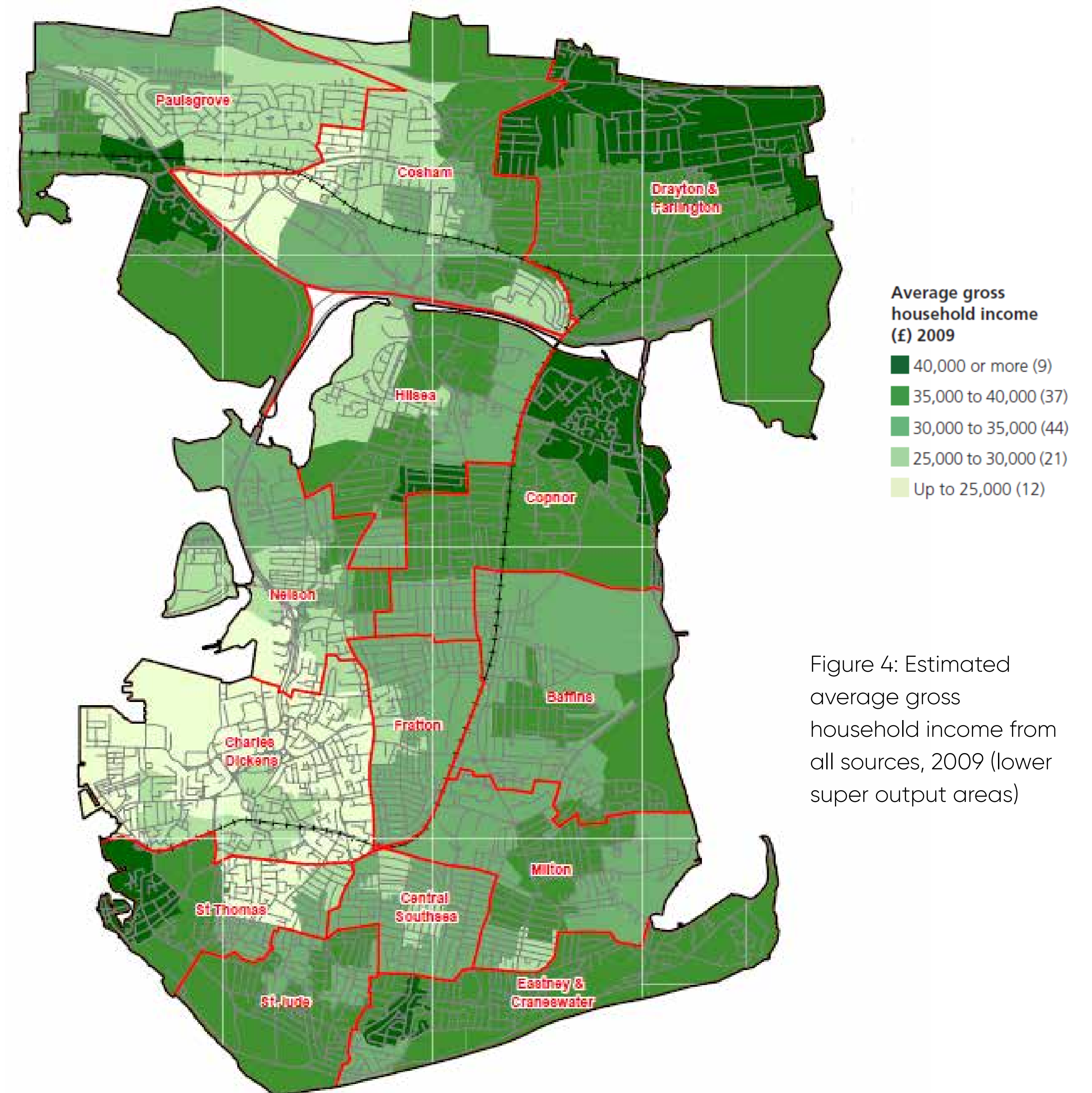


Figure 4: Estimated average gross household income from all sources, 2009 (lower super output areas)



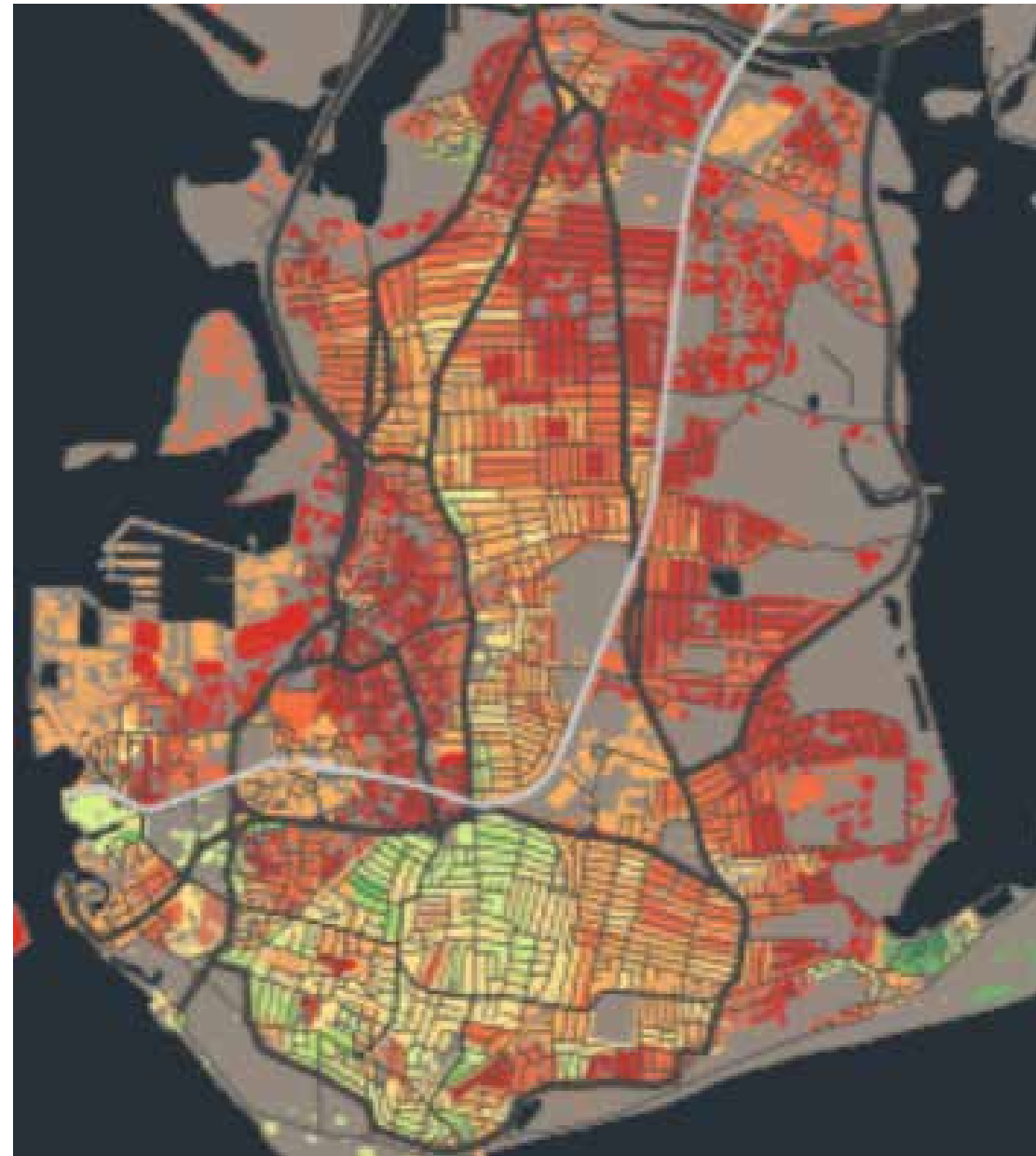


Figure 5 Proportion of Privately rented homes

### Tenancy Strategy 2019–2034

The council outlines in the tenancy strategy that it prefers and encourages RPs to deliver homes at social rent/target rent levels, and as a minimum that all tenancies be within Local Housing Allowance (LHA) rates. It will take rent levels into consideration when nominating applicants from the central Housing Register via the Portsmouth Allocations Scheme.

The council also believes that affordable housing products, of all different types, should be available for those who would have traditionally been housed in social rented properties. It does not therefore expect RPs to require deposits, or to exclude applicants on the basis of onerous referencing.

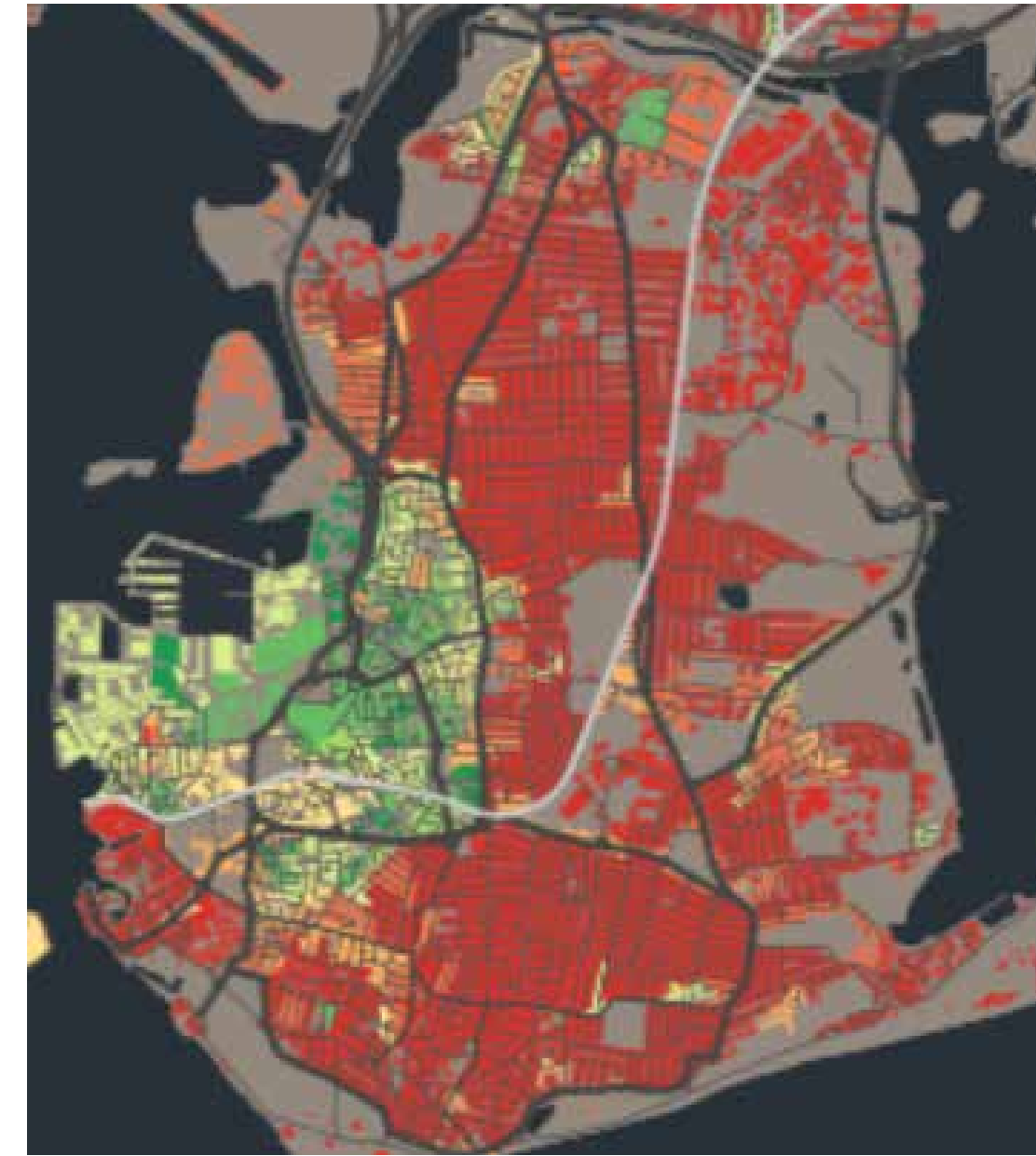
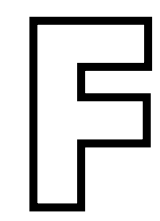


Figure 6 Proportion of socially rented homes





Nutrient Neutral Mitigation Strategy

High levels of nitrogen draining from the Solent catchment area have caused excessive growth of green algae (a process called eutrophication) which is having a detrimental impact upon protected habitats and bird species.

The interim strategy details the three routes currently available to applicants to achieve nutrient neutrality, which are as follows:

- Mitigation Option 1: Offsetting against the existing lawful land use (water use) on an application site, extant permissions or other land controlled by the applicant; and/ or
- Mitigation Option 2: Other bespoke direct and in-direct mitigation measures, agreed in discussion with the council and Natural England, such as Sustainable Urban Drainage

Systems (SUDS), interception or wetland creation.

Mitigation Option 3: Purchasing of 'mitigation credit' from the control of, and water efficiency improvement works to, the council's own property assets or other recognised source of 'credit' in perpetuity.

Use of the council's mitigation credit will require resourcing in order to cover both the cost of the works and the 'in perpetuity' costs of maintenance over the life of the development (the duration of the impact). The intention is to resource this through a proportionate contribution from developers, collected and pooled through S.106 agreements, secured prior to occupation (the point of impact requiring mitigation).

The costs of the scheme are set out in the table:

Mitigation credit bank charging schedule (cost recovery in perpetuity) for major development

	Savings (litre per household* per day)	Cost per unit	Maintenance contribution per unit
Over shower bath	96	£1,200	£500
Dual flush cistern	19.2	£200	£0
Total efficiency intervention	115.2	£1,900	
Average cost for efficiency upgrades to allow one nre overnight stay (54.8 L/ bedspace/day2)	£903.82		
Average cost for effeciency upgrades to allow one new dwelling (2.4 occupants x 110l pppd = 264l/d)	£4,345.17		

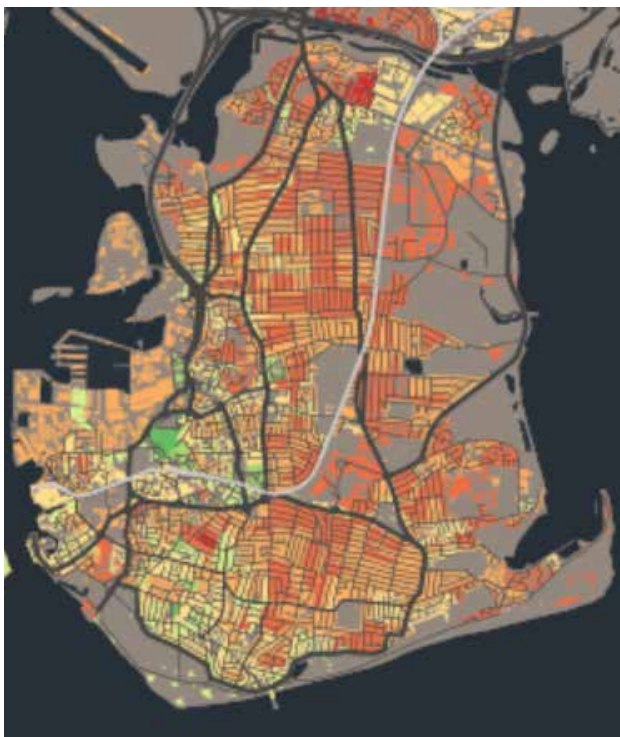
\*a dwelling/household is considered to consist of 2.4 occupants



# G DEMOGRAPHIC ANALYSIS



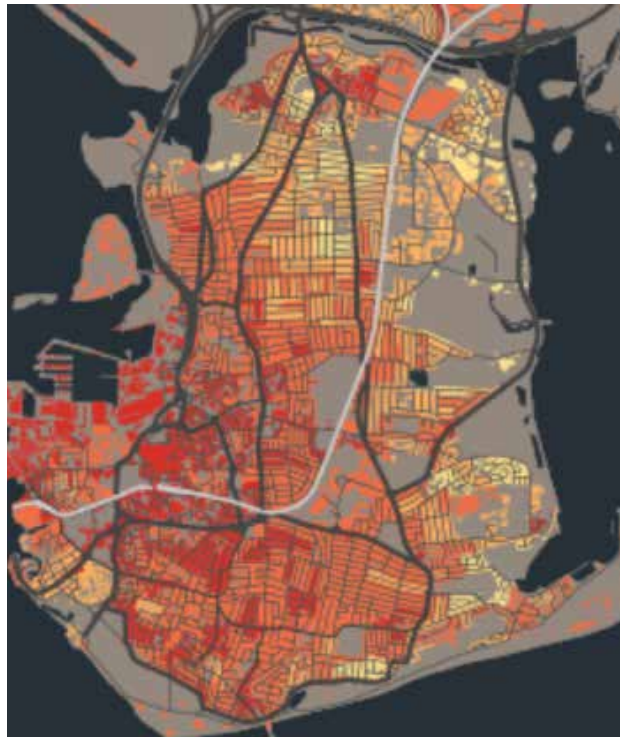
Proportion of family homes



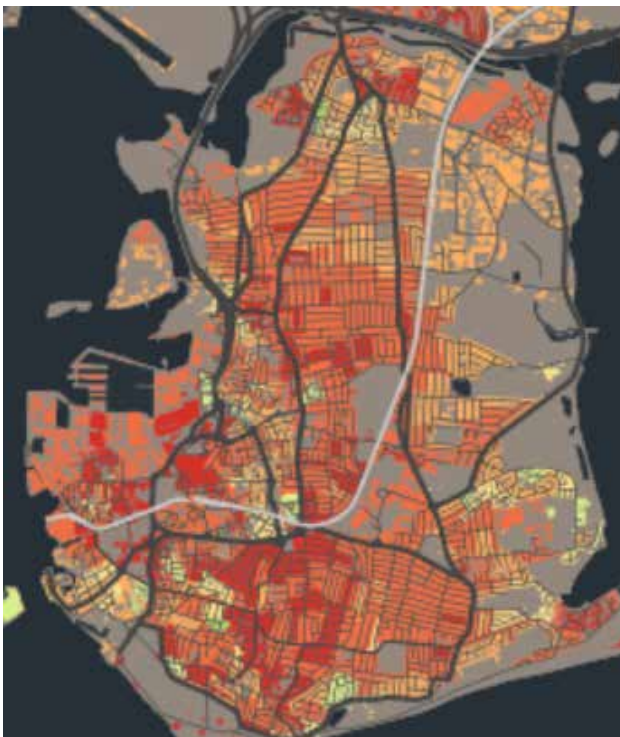
One person households



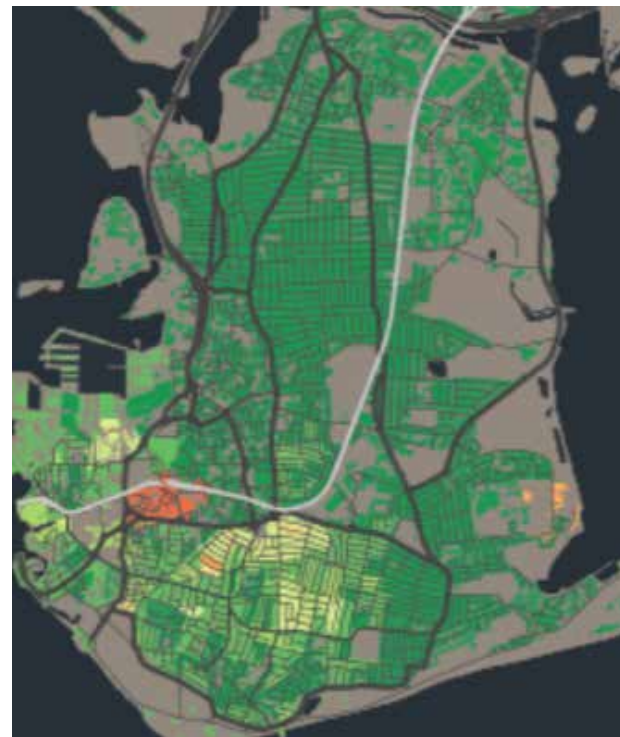
People aged 18-65 living alone



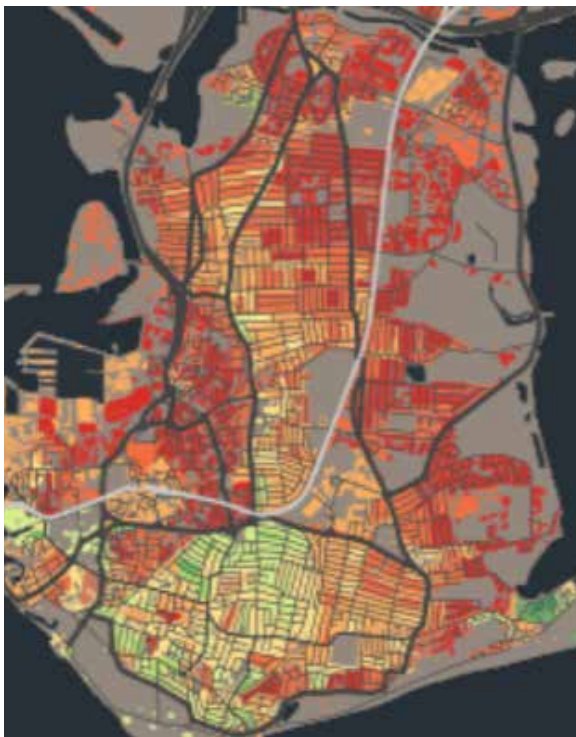
Married couple household with no dependent children



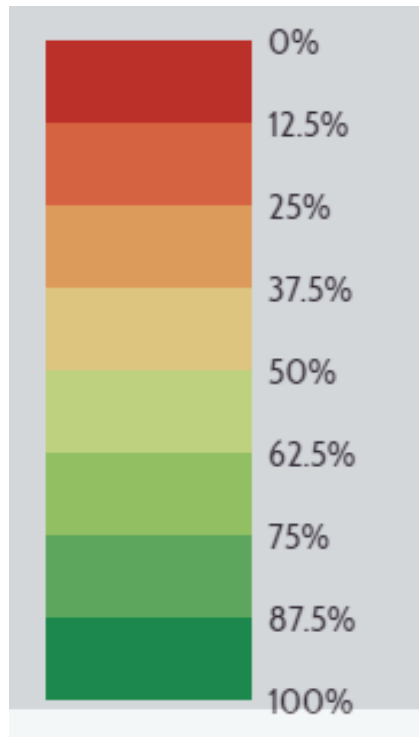
Household life stage of 65 and over



Proportion of people with no second address

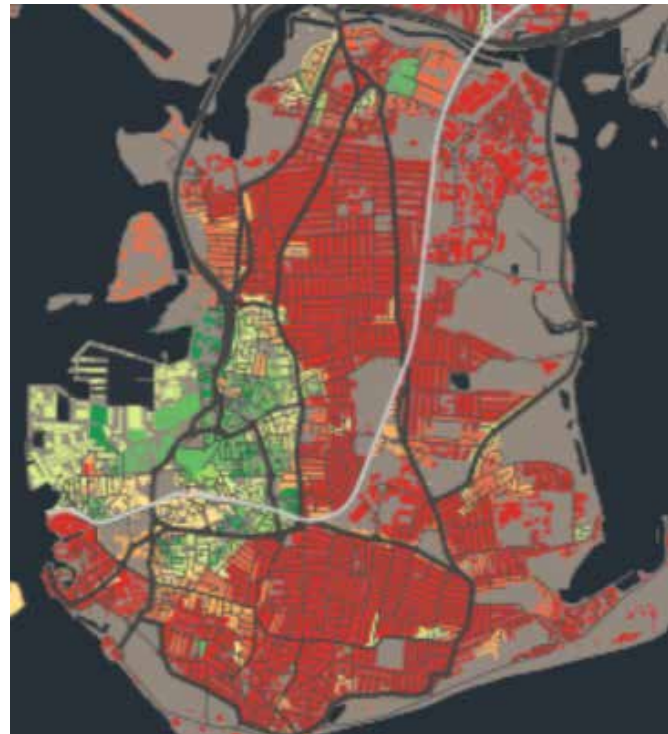


Tenure type – households, proportion of privately rented homes

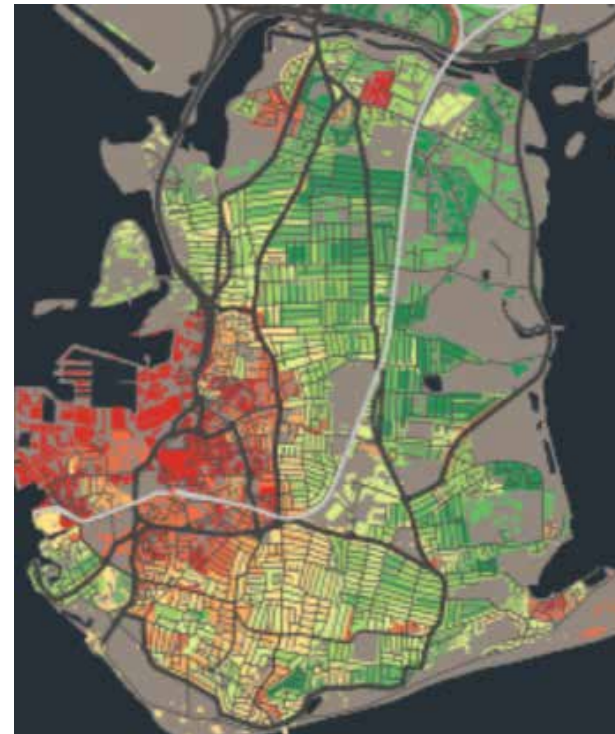




# G DEMOGRAPHIC ANALYSIS



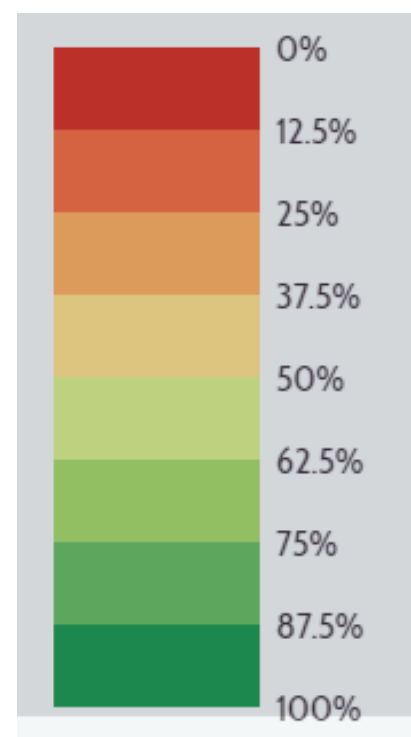
Tenure type  
– households,  
proportion of  
socially rented  
homes



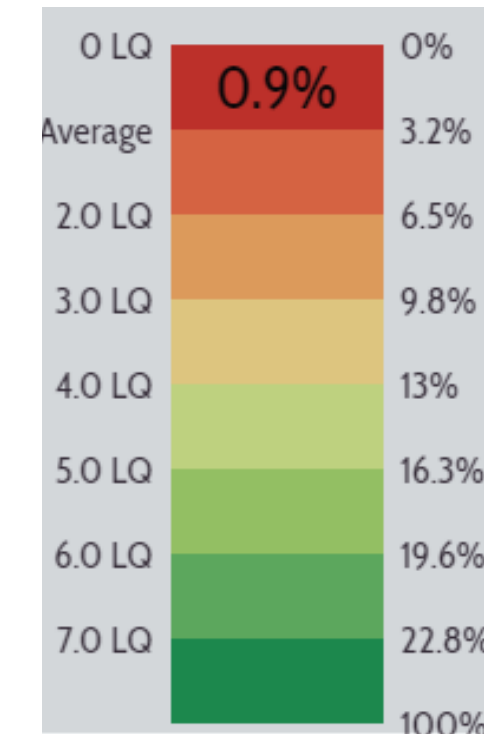
Tenure type  
– households,  
proportion of  
owned homes



Tenure type  
– proportion  
of people  
with degree  
qualification



Proportion of people that commute by train



## Conclusion

- A higher proportion of people in the eastern suburbs own their own home
- Socially rented homes account for the majority of homes in the CBD
- A large proportion of homes in the south are privately rented
- More highly educated people and people who commute by train tend to live in the south of the city
- People over the age of 65 live towards the east of the city
- Up to 50% of households living in Central Southsea have a second address.