

Full Business Case (FBC)

Demolition of Two BISF Houses in Kinson and Their Replacement with Two “Code 6 Zero Carbon” Houses (000369)

Service Unit: Housing Landlord & Parks

Risk: Medium

Prepared by/Project Manager: John Findley Date: 18th September 2012

Document Approvals - All Business Cases for projects over £25k must be approved by the following people listed in this table prior to being approved by the Transformation Board and Executive Gateway Board (EGB).

Officer/Member/Group	Name	FBC Approval Date	PID Approval Date
Project Owner	Gary Josey	9 th Oct 2012	N/A
Executive Director	Bill Cotton	16 th Oct 2012	N/A
Portfolio Holder	Councillor Robert Lawton	16 th Oct 2012	N/A
Portfolio Holder comment	This exciting programme demonstrating our commitment to new and affordable housing		
Transformation Board (Transformation Projects Only)		N/A	N/A
Executive Gateway Board		7/11/12	N/A
Cabinet		N/A	N/A
Project Board		N/A	N/A

Other Elected Members & Officers Consulted

Name	Position	Date
Seamus Doran	Housing Tenancy Manager	Ongoing
Jo Heavens Stanley	Senior Accountant	18/09/2012
Cllrs Angiolini, Battistini and Gritt	Ward Members	30/08/2012

Document Revision History

Version	Author	Changes	Date



1 Executive Summary

- The Council's Corporate Plan for 2012/13 identifies the provision of more affordable housing as a priority.
- The opportunity to develop 105 units as part of a three year programme has been identified across a total of 11 sites within the Council's ownership and approved in principle by Cabinet on the 15th of February. The Council House Building Programme 2012-2015 Business Case subsequently approved by the Executive Gateway Board provides the detail for the entire programme with individual business cases being produced for each of the schemes as and when required.
- The Government is promoting the delivery of affordable housing through programmes of Council New Build. Policy and regulation have been changed in order to support this.
- Housing Landlord Services has been successful in being selected as a Registered Provider (RP) with the Homes and Communities Agency (HCA) and Social Housing Grant has been awarded for the delivery of two houses on a site in the ownership of the Council at 16-18 Markham Avenue, Kinson.
- The site is in the ownership of Housing Landlord Services and has two British Iron and Steel Federation prefabricated properties, which are in poor condition and fail to meet decent home standards.
- The Council has an allocation of £120,000 within its budgets to refurbish these properties and this funding along with funding from the Homes and Communities Agency will allow the Council to demolish these properties and construct a trial scheme of two highly energy efficient and sustainable houses.
- The Council has been in discussions with the internationally renowned Architect, Bill Dunster MBE and a package deal agreed in principle with a joint venture called "StramitZed" consisting of the Architectural Practice, a contractor and specialist manufacture to construct two "StramitZed" properties. These properties will be constructed using innovative materials and construction techniques and will meet the requirements of Level six of the Code for Sustainable Homes, which is the highest level achievable and equates to a "zero carbon" development.

Building a Greener Future (July 2007) defines a zero carbon house as a property built in such a way that after taking account of emissions from space heating, ventilation, hot water and fixed lighting, expected energy use from appliances, exports and imports of energy from the development, the building will have net zero carbon emissions over the course of a year.

- The proposal helps to meet our delivery obligation with the HCA and the completed units will have a positive impact on the Housing Revenue Account.
- This business case seeks approval of £419K funded through a mixture of HCA grant, prudential borrowing and other funding sources in order to commence development of the two affordable houses in Markham Avenue to contribute to the overall programme to provide 105 additional affordable houses in the borough.



2 Strategic Fit: The Strategic Case

2.1 Business Needs and Project Background

The proposal is to construct two, three bedroom houses, on a site in Kinson, which is currently occupied by a pair of British Iron and Steel Federation houses built in the 1940's.

BISF housing was a key component of the Ministry of Works Emergency Factory Made housing programme in the 1940's to provide replacement housing after the war. The main structure of the existing BISF buildings is of steel columns spaced to take standard metal windows between them. The central spine of the building which supports the first floor beams is carried on tubular steel columns. The framework is clad on the lower storey with rendering on metal lath. The outer cladding of the upper floor is of steel trussed sheeting fixed by angles to the steel columns. The inner cladding and the partitions are constructed of timber framing faced with plasterboard or hardboard. Floors are of timber and the ceilings are finished with plasterboard. The outer walls and ceilings are insulated with glass quilting. Immediately post war, approximately 30,000 were built, of which approximately 100 are in Bournemouth.

The vast majority were largely rebuilt in the 1980's and 90's, and these are the last two BISF properties which are owned by the Council and yet to be improved. The Council has allocated £120,000 within its capital budget to upgrade these properties and using this capital allocation, with an element of prudential borrowing and HCA grant will allow these properties to be replaced with high quality state of the art housing.

There is a significant and growing need for affordable family housing in Bournemouth. However, market conditions, reduced grant funding and slow new build starts have markedly reduced the opportunity to deliver against this need. Provision in recent years has been limited to smaller flats rather than family accommodation. There is a need for more family sized homes in order to reduce the amount of time that households with this need are waiting on the housing register. The typical wait for a suitable 3 bed family house is 7 years and there are approximately 8,000 applicants on the Housing Register, of which 1,200 are in the higher priority bands.

The Council's Corporate Plan for 2012/13 identifies the provision of more affordable housing as a priority.

The Government is promoting the delivery of affordable housing through programmes of Council New Build. Policy and regulation have been changed in order to support this. Housing Landlord Services have been successful in being selected as a Registered Provider with the HCA and Social Housing Grant has been allocated to this scheme, based on lettings at Affordable Rents (80% of market rents).

2.2 Benefits, Objectives and Strategic Alignment

Council Strategic Objective / Corporate Priority (taken from Corporate Plan, Service Plans etc...)	Project Outcome	Benefits expected as a result of achieving outcomes
A Thriving Economy - The project directly supports the following outcome in the corporate plan: 'increased employment opportunities through stronger partnerships with the local business community'	Use of local contractors and sub-contractors. The development will generate additional construction work within the local economy	Employment of local people and the provision of modern apprentice opportunities
Efficient Council - The project directly supports the	Cost effective procurement of the	Use of new technology to reduce the carbon footprint from the new



Council Strategic Objective / Corporate Priority (taken from Corporate Plan, Service Plans etc...)	Project Outcome	Benefits expected as a result of achieving outcomes
following outcome in the corporate plan: 'Increased returns from the management of Council assets'	construction activities and the subsequent provision of low maintenance, energy efficient dwellings. Increased returns from the management of Council assets	development to zero Efficiency savings through procurement A significant surplus will be generated by the replacement units 7% anticipated internal rate of return on the investment
Improving the Environment - The project directly supports the following outcomes in the corporate plan: 'Increased activity to respond and adapt to the effects of climate change' and 'improved facilities for residents and visitors'	The development will be designed to meet Level Six of the Code for Sustainable Homes, thus reducing the CO2 footprint of the development to zero.	Use of new technology to reduce the carbon footprint from the new development to zero The utility costs will be considerably lower for the residents of the new housing with an energy efficiency betterment over current Building Regulations of 100%, i.e. thermally twice as efficient
Community Action - The project will directly support the following outcome in the corporate plan: 'more Council housing built, more affordable housing available, and increased support for the development of homes that are affordable.'	The scheme will be designed to incorporate the requirements of "Secured by Design" and the Police Architectural Liaison Officer will be consulted and where possible his comments will be taken on board. The completion of additional affordable housing dwellings	Well designed scheme which will reduce the risk of crime and also the perceived risk of crime The demand for affordable housing will be partially met

2.3 Scope: (In/Out)

The use of land currently in the ownership of the Council, for housing purposes, and the design and construction of 2 dwellings

Inclusions:

Design, construction and ancillary costs including:

(a) Acquisition Costs

Historic Costs

Land registration costs

(b) Works

Main works contract costs



Major site development works (where applicable). These include piling, soil stabilisation, road/sewer construction, major demolition.

Statutory agreements, associated bonds and party wall agreements (including all fees and charges directly attributable to such works) where applicable.

Additional costs associated with complying with party wall agreement awards (including all fees, charges and claims attributable to such works) where applicable.

(c) On costs

Legal fees and disbursements.

Net gains/losses via interest charges on development period loans.

Valuation and administration fees.

Fees for building control and planning permission.

Fees and charges associated with compliance with European Community directives, and the Agency’s requirements relating to energy rating of dwellings, Eco-Homes certification and Housing Quality Indicators.

In-house or external consultants’ fees, disbursements and expenses

Insurance premiums including building warranty and defects/liability insurance (except contract insurance included in works costs).

Contract performance bond premiums.

Borrowing administration charges (including associated legal and valuation fees).

An appropriate proportion of the Grant Recipient’s development and administration costs.

Exclusions:

Non-site specific feasibility work, high-level strategic control costs

2.4 Strategic Risk

Risk	Mitigation Strategy	Owner
Cost overruns	Mitigated by the use of a negotiated design and build contract, using a specialist contractor experienced in the construction techniques required for this innovative form of construction, with the balance of risk being taken by the Contractor unless the Client changes the design brief post contract	The internal project manager & external Employers Agent
Time Overruns	Mitigated by the use of a realistic timescale and contractual requirements	The internal project manager, the employers agent and the main contractor



Risk	Mitigation Strategy	Owner
The Main Contractor ceasing to trade	Mitigated by the requirement for a performance bond/insolvency cover within the building contract	The internal project manager and external cost consultant or Employers Agent
Failure to meet the funding and delivery requirements of the HCA	Mitigated by the inclusion of such requirements within the building contract	The designer, internal project manager, employers agent and the contractor
Health and Safety on site	Compliance with the Construction, Design and Management regulations	The Client, Contractor and the “competent” CDM Co-ordinator

3 Options Appraisal: The Economic Case

3.1 Summary of Approach

A number of options for meeting the Council’s priorities have been considered and a detailed options appraisal submitted to Cabinet in February and subsequently to Executive Gateway Board in April, concluded that the best delivery mechanism was direct house building by the Council. This option will help provide more affordable housing, has a positive impact on the Council’s finances and enables the Council to receive 100% nomination rights in perpetuity whilst maintaining full local control over the future management and maintenance of these properties.

Other alternatives considered and rejected included:

Sell the site on the open market - rejected because of the limited value of any capital receipt and the reduced provision of affordable housing.

Release the site to a “Registered Provider” - rejected because of the lack of a capital receipt, the likely need for greater grant subsidy, the lack of direct control over the future management of the properties and the reduction in the number of nominations granted to the Local Authority.

Do Nothing - rejected due to the over-riding need for more affordable housing within the Borough, the need to either demolish or refurbish the existing buildings and because of the positive financial impact the new units will have on the Housing Revenue Account Business Plan.

3.2 Options Appraisal

Option 1 - Secure prudential borrowing from within the HRA and develop 100% affordable housing with retention of the asset - undertake affordable housing development on the site at Markham Avenue (preferred option)

Total Expected Financial Benefit (£k)	Total Expected Financial Cost (£k)
£250,000 surplus from the rental income to the HRA over 30 years (7.36% Internal Rate of return) after the repayment of the prudential borrowing (including interest), plus the capital value of the retained asset as shown in section 4.5	£419,000, including indirect costs such as development period interest etc, financed by prudential borrowing and capital grants



Expected non Financial Benefit	High level Breakdown of Costs
Replacement of two council houses, which are currently not fit for purpose thus helping meet the wider strategic housing delivery targets	Works Costs £281,000 On Costs £138,000
Strengths (Including opportunities)	Weaknesses (Including threats)
Positive impact on HRA, provides high quality, highly sustainable accommodation, which also provides a long-term capital asset to the Council Maintains the good working relationship with the Homes and Communities Agency	Changes in Government Legislation etc, which may affect future income and expenditure levels
Risk	Mitigation Strategy
See Strategic Risk Section	See Strategic Risk Section
Timeline	Indicative Funding Source
December 2012 - July 2014 (including 12 months defects liability period)	Prudential Borrowing - £224,000 (incl £30,000 contingencies) HCA Grant Funding - £32,000 Commuted Sums - £33,000 Other Sources of Funding - £130,000

Option 2 - Release the site to the market to generate a capital receipt

Total Expected Financial Benefit (£k)	Total Expected Financial Cost (£k)
Circa £40,000	Not Quantified
Expected non Financial Benefit	High level Breakdown of Costs
Non	Not Quantified
Strengths (Including opportunities)	Weaknesses (Including threats)
Initial capital receipt to the Council	Will not meet the Council priority to provide more affordable housing Loss of public open space, without any corresponding public benefit Loss of reputation and loss of preferred partner status with the Homes and Communities Agency Loss of two existing council houses
Risk	Mitigation Strategy



Capital Receipt dependent upon the state of the property market Loss of reputation and loss of preferred partner status with the Homes and Communities Agency and consequent inability to access future grant funding	Seek prior planning approval before disposal No satisfactory mitigation strategy and the Council would have to accept this loss
Timeline	Indicative Funding Source
December 2012-March 2013	Not Identified

Option 3 - Release the site at nil value to a Registered Provider for delivery of 100% affordable housing

Total Expected Financial Benefit (£k)	Total Expected Financial Cost (£k)
Nil	Not Quantified, but Minimal
Expected non Financial Benefit	High level Breakdown of Costs
More affordable houses within the Borough for which the Council will have limited nomination rights	Not Quantified, but minimal
Strengths (Including opportunities)	Weaknesses (Including threats)
Most of the Risk passed onto third party	No capital receipt, no ability to directly control how the properties are managed Loss of two council houses Loss of reputation and loss of preferred partner status with the Homes and Communities Agency Loss of potential long-term surplus Loss of enhanced long-term capital asset
Risk	Mitigation Strategy
Most the Risk passed onto third party Loss of reputation and loss of preferred partner status with the Homes and Communities Agency and consequent inability to access future grant funding Inability of the RP to access suitable sources of funding	Slight mitigation, by releasing the sites to an RP, Support any subsequent bids made to the HCA for funding by a Registered Provider
Timeline	Indicative Funding Source
December 2012 - March 2015	The Registered Provider would need to bid for funding from the HCA, with no guarantee of success



Option 4 - Do Nothing

Total Expected Financial Benefit (£k)	Total Expected Financial Cost (£k)
Nil	At Least £120,000
Expected non Financial Benefit	High level Breakdown of Costs
None	N/A
Strengths (Including opportunities)	Weaknesses (Including threats)
The site could be disposed of at a later date should the market improve	<p>The existing properties will need to be refurbished to meet “Decent Homes” standards</p> <p>Fails to meet the Council’s Priority for more affordable housing</p> <p>Fails to make best use of existing land</p> <p>Does not generate a short-term capital receipt or a long-term surplus to the Council</p> <p>Ongoing maintenance liability</p> <p>Does not provide additional much needed local employment during the development phase at a time when the construction industry is in severe recession</p>
Risk	Mitigation Strategy
<p>Loss of reputation and loss of preferred partner status with the Homes and Communities Agency and consequent inability to access future grant funding</p> <p>The lack of identified affordable housing sites, may prevent the Council from obtaining future s106 receipts from private developers</p> <p>Ongoing maintenance liability</p>	<p>Identify alternative Council owned land to develop</p> <p>Identify alternative sites to be developed by others</p>
Timeline	Indicative Funding Source
Ongoing	Existing capital allocation of £120,000

3.3 Preferred Option

Option 1 - Secure prudential borrowing from within the HRA and develop 100% affordable housing with retention of the asset - undertake affordable housing development on the site at Markham Avenue is the preferred option. This option provides the maximum number of properties for affordable rent (100%) at minimal risk to the Council. No funding is required from the General Fund. The majority of funding will come from the Homes and Communities Agency and Prudential Borrowing with a significant minority of funding from the Housing Revenue Account.

The financial model is based on actual experience and on tender prices recently negotiated in principle with the Contractor, with a 10% contingency on top.

The exact level of surplus generated to the HRA will be dependent upon a number of factors including whether the Council choose to prioritise the reduction of the level of borrowing rather than maximizing early surplus’s to the HRA.



If the borrowing is paid back over 25 years, the HRA starts making a surplus in the first year and continues making a surplus throughout the life of the scheme. This initial surplus made in early years can be used elsewhere

The Council will also retain the capital value of the completed units, which at current value is likely to be in the region of an additional £400.000.

4 Affordability: The Financial Case

4.1 Quantification of Risk and Associated Contingency

The financial model is the same as that used for other recently completed housing schemes managed by Housing Landlord Services, all of which have been delivered on time and to budget. The model uses assumptions based on actual historic cost data for managing and maintaining the existing housing stock, recently let tenders and the offer of funding already received from the Homes and Communities Agency as the basis for the 30 year business plan.

The model has been validated by the use of the PROVAL development appraisal software to ensure consistency with the financial model used by housing associations and other registered providers.

The model assumes a 10% contingency on the works costs and has a prudential borrowing interest rate which is higher than is currently offered by the Public Works Loan Board. In addition a sinking fund has been built into the model to allow for future major repairs and improvements.

4.2 Running Costs

A detailed 30 year cash-flow is shown in 4.5 and assumes that the prudential borrowing is paid back over a period of 25 years.

4.3 Savings

The two houses will generate a long-term surplus to the HRA, which can be used in the future effective operation of the Housing Revenue Account. Following the self-financing buy-out of the HRA in March of this year, The Council will have full responsibility for the financial operation and management of the Account. The anticipated surplus from these properties could be used in the future, for instance for:

- (a) Financing additional council housing
- (b) Providing additional funding to maintain and improve the existing stock
- (c) The reduction in the rate of rent increases on the existing stock



4.4 Capital Spend Profile and Cash Flow

All figures in £k	Description	2012/13	2013/14	2014/15	Total
Capital Costs	Capital Spend 2012/15	£50,000	£354,000	£15,000	£419,000
Contingency @X%	10% works Contingency Included in above figure				
Total Costs		£50,000	£354,000	£15,000	£419,000

The Capital costs consist of

Works of £281,000, and On-costs of £138,000 consisting of:

HLS Staff Costs	£6,000
Planning Fees	£1,000
Zedbed Design Fees	£17,000
Employers Agent Fees	£5,000
CDM Co-ordinator	£1,000
Demolition	£30,000
Contractors On Costs	£25,000
Contingency	£30,000
Asbestos removal	£10,000
Structural Engineer	£5,000
Topographical and Arboriculture Survey	£1,000
Site Investigation	£3,000
Development Period Interest	£4,000



4.5 Long-Term Cash-Flow

Loan Repayment Method Annuity, 25 Year Term

Peak Loan Occurs in Year 1	224,284
Revenue First Exceeds Costs	Year 1
Loan Repaid by	Year 25
Peak Cumulative Debt: Year	n/a
First Cumulative Breakeven	Year 1

		Per Unit	Per Person
Max. Annual Deficit: Year 6	-192	-96	-19
Capitalised Yr. 1 Net Revenue Surplus	11,668	5,834	1,167
Cum. Surplus at Year 30	250,073	125,037	25,007
NPV Net Rent - Loan	91,380	45,690	9,138
IRR	7.36%		
NPV of Net Rent Only	315,664		
NPV of All Capital Receipts	0		

NPV Calculation Options Net Rent - Loan

NPV Discount Rate	4.50%
Summarise Cashflow Results to Year	30

Capital Value of Scheme - Year 1	400,000
Capital Growth Rate p.a.	2.50%
Yr. 30 Discounted Cap. Value	224,020

Interest Total	146,271
Min. Interest Cover: Year 2	156.40%
Target Interest Cover %	
First met after Year 2 in Year	

Last Works payment in Scheme Cashflow Apr-2013

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Year	1	2	3	4	5	6	7	8	9
Opening Loan	224,284	219,251	213,992	208,496	202,753	196,751	190,479	183,925	177,076
Interest	9,790	9,563	9,326	9,079	8,821	8,551	8,268	7,973	7,665
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822
Closing Loan	219,251	213,992	208,496	202,753	196,751	190,479	183,925	177,076	169,919
Gross Resid'l Rent	16,320	16,809	17,314	17,833	18,368	18,919	19,487	20,071	20,673
Gross Comm'l Rent	0	0	0	0	0	0	0	0	0
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	326	336	346	357	367	378	390	401	413
s/t	15,993	16,473	16,967	17,476	18,001	18,541	19,097	19,670	20,260
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	400	410	420	431	442	453	464	475	487
Maintenance	0	1,107	1,135	1,163	1,192	1,222	1,252	1,284	1,316
Services Cost	0	0	0	0	0	0	0	0	0
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	0	0	0	0	0	2,236	2,292	2,349	2,408
Net Rent	15,593	14,956	15,412	15,882	16,367	14,630	15,089	15,562	16,049
<i>Net Rent + Rec'ts - Inter't</i>	<i>5,804</i>	<i>5,393</i>	<i>6,086</i>	<i>6,803</i>	<i>7,546</i>	<i>6,080</i>	<i>6,821</i>	<i>7,588</i>	<i>8,384</i>
Cashflow	771	134	590	1,060	1,545	-192	267	739	1,227
Cum. Balance	771	905	1,495	2,555	4,100	3,908	4,175	4,915	6,142

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Year	10	11	12	13	14	15	16	17	18
Opening Loan	169,919	162,440	154,624	146,457	137,922	129,003	119,683	109,943	99,765
Interest	7,343	7,007	6,655	6,287	5,903	5,502	5,082	4,644	4,186
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822
Closing Loan	162,440	154,624	146,457	137,922	129,003	119,683	109,943	99,765	89,129
Gross Resid'l Rent	21,293	21,932	22,590	23,268	23,966	24,685	25,426	26,188	26,974
Gross Comm'l Rent	0	0	0	0	0	0	0	0	0
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	426	439	452	465	479	494	509	524	539
s/t	20,868	21,494	22,138	22,803	23,487	24,191	24,917	25,665	26,434
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	500	512	525	538	551	565	579	594	609
Maintenance	1,349	1,382	1,417	1,452	1,489	1,526	1,564	1,603	1,643
Services Cost	0	0	0	0	0	0	0	0	0
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	2,468	2,529	2,593	2,658	2,724	2,792	2,862	2,933	3,007
Net Rent	16,552	17,070	17,604	18,155	18,723	19,308	19,912	20,534	21,176
<i>Net Rent + Rec'ts - Inter't</i>	<i>9,208</i>	<i>10,063</i>	<i>10,949</i>	<i>11,867</i>	<i>12,819</i>	<i>13,806</i>	<i>14,829</i>	<i>15,890</i>	<i>16,990</i>
Cashflow	1,729	2,248	2,782	3,333	3,900	4,486	5,090	5,712	6,354
Cum. Balance	7,871	10,118	12,900	16,233	20,133	24,619	29,709	35,421	41,774

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Year	19	20	21	22	23	24	25	26	27
Opening Loan	89,129	78,014	66,399	54,262	41,579	28,325	14,474	0	0
Interest	3,708	3,207	2,685	2,139	1,568	971	348	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	14,822	14,822	14,822	14,822	14,822	14,822	14,822	0	0
Closing Loan	78,014	66,399	54,262	41,579	28,325	14,474	0	0	0
Gross Resid'l Rent	27,783	28,617	29,475	30,359	31,270	32,208	33,175	34,170	35,195
Gross Comm'l Rent	0	0	0	0	0	0	0	0	0
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	556	572	590	607	625	644	663	683	704
s/t	27,227	28,044	28,886	29,752	30,645	31,564	32,511	33,486	34,491
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	624	639	655	672	689	706	723	742	760
Maintenance	1,684	1,727	1,770	1,814	1,859	1,906	1,953	2,002	2,052
Services Cost	0	0	0	0	0	0	0	0	0
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	3,082	3,159	3,238	3,319	3,402	3,487	3,574	3,663	3,755
Net Rent	21,837	22,519	23,223	23,948	24,695	25,466	26,260	27,079	27,924
<i>Net Rent + Rec'ts - Inter't</i>	<i>18,130</i>	<i>19,312</i>	<i>20,538</i>	<i>21,809</i>	<i>23,127</i>	<i>24,494</i>	<i>25,912</i>	<i>27,079</i>	<i>27,924</i>
Cashflow	7,015	7,697	8,401	9,126	9,873	10,643	11,438	27,079	27,924
Cum. Balance	48,790	56,487	64,888	74,014	83,887	94,530	105,968	133,047	160,971

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FULL BUSINESS CASE/PROJECT INITIATION DOCUMENT



Year	28	29	30	31	32	33	34	35	36
Opening Loan	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	0	0	0	0	0	0	0	0	0
Closing Loan	0	0	0	0	0	0	0	0	0
Gross Resid'l Rent	36,251	37,338	38,458	39,612	40,801	42,025	43,285	44,584	45,921
Gross Comm'l Rent	0	0	0	0	0	0	0	0	0
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	725	747	769	792	816	840	866	892	918
s/t	35,526	36,591	37,689	38,820	39,985	41,184	42,420	43,692	45,003
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	779	799	819	839	860	882	904	926	949
Maintenance	2,104	2,156	2,210	2,265	2,322	2,380	2,440	2,501	2,563
Services Cost	0	0	0	0	0	0	0	0	0
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	3,849	3,945	4,044	4,145	4,248	4,355	4,463	4,575	4,689
Net Rent	28,794	29,692	30,617	31,571	32,554	33,568	34,613	35,690	36,801
<i>Net Rent + Rec'ts - Inter't</i>	<i>28,794</i>	<i>29,692</i>	<i>30,617</i>	<i>31,571</i>	<i>32,554</i>	<i>33,568</i>	<i>34,613</i>	<i>35,690</i>	<i>36,801</i>
Cashflow	28,794	29,692	30,617	31,571	32,554	33,568	34,613	35,690	36,801
Cum. Balance	189,765	219,457	250,073	281,644	314,198	347,766	382,379	418,069	454,870

Programme & Project Management Office
FULL BUSINESS CASE/PROJECT INITIATION DOCUMENT



Year	37	38	39	40	41	42	43	44	45
Opening Loan	0	0	0	0	0	0	0	0	0
Interest	0	0	0	0	0	0	0	0	0
Other Capital Receipts	0	0	0	0	0	0	0	0	0
Sales Receipts	0	0	0	0	0	0	0	0	0
Staircasing Receipts	0	0	0	0	0	0	0	0	0
Gr'd Rent Sales Rec'pts	0	0	0	0	0	0	0	0	0
Loan Repayment, Total	0	0	0	0	0	0	0	0	0
Closing Loan	0	0	0	0	0	0	0	0	0
Gross Resid'l Rent	47,299	48,718	50,179	51,685	53,235	54,832	56,477	58,172	59,917
Gross Comm'l Rent	0	0	0	0	0	0	0	0	0
Service Charges	0	0	0	0	0	0	0	0	0
Ground Rents	0	0	0	0	0	0	0	0	0
Voids	946	974	1,004	1,034	1,065	1,097	1,130	1,163	1,198
s/t	46,353	47,744	49,176	50,651	52,171	53,736	55,348	57,008	58,719
Managing Agent	0	0	0	0	0	0	0	0	0
RSL Management	973	997	1,022	1,048	1,074	1,101	1,128	1,157	1,186
Maintenance	2,627	2,693	2,760	2,829	2,900	2,972	3,047	3,123	3,201
Services Cost	0	0	0	0	0	0	0	0	0
Reinstatement Cost	0	0	0	0	0	0	0	0	0
Another Allowance	0	0	0	0	0	0	0	0	0
Major Repairs	4,807	4,927	5,050	5,176	5,306	5,438	5,574	5,714	5,856
Net Rent	37,946	39,127	40,343	41,598	42,891	44,224	45,599	47,015	48,476
<i>Net Rent + Rec'ts - Inter't</i>	<i>37,946</i>	<i>39,127</i>	<i>40,343</i>	<i>41,598</i>	<i>42,891</i>	<i>44,224</i>	<i>45,599</i>	<i>47,015</i>	<i>48,476</i>
Cashflow	37,946	39,127	40,343	41,598	42,891	44,224	45,599	47,015	48,476
Cum. Balance	492,817	531,943	572,287	613,885	656,776	701,000	746,598	793,614	842,089

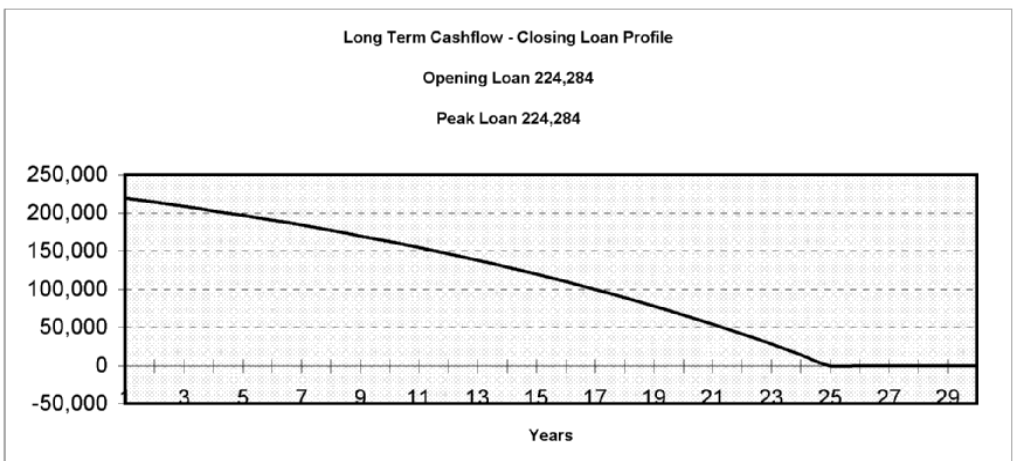
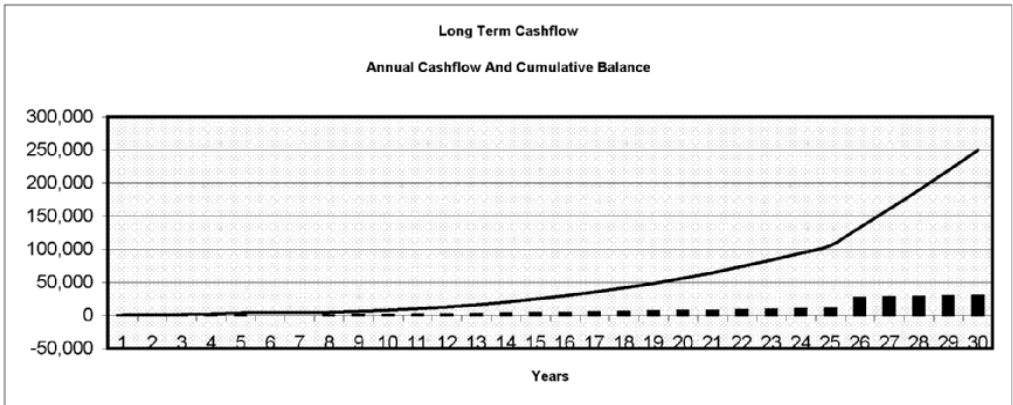
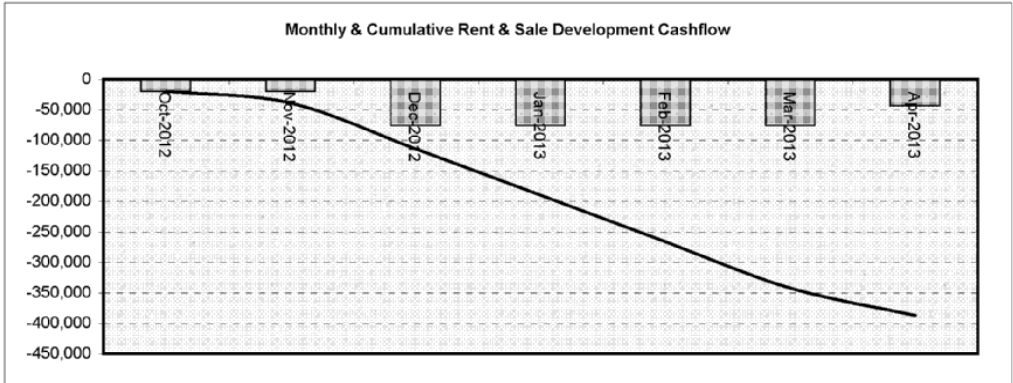


Bournemouth Borough Council, Housing Landlord Services

Development & Long Term Cashflow Charts

SDS ProVal Version 9.12 Aug-2011

Scheme Name Markham Avenue (BISF)	Date 8 Feb 2012
Address Markham Avenue, kinson	Appraisal Version
Scheme Development Cashflow	Long Term Cashflow
Interest %, Negative Bal's 4.50%	Year 1 to 25 4.50%
Interest %, Positive Bal's 2.50%	<i>Effective All-in Interest Rates</i>
	<i>Loan Repayment Method Annuity, 25 Year Term</i>





4.6 Source of Funding

Source of Funding	Total (£k)
Homes and Communities Agency Grant	£32
Prudential Borrowing (assuming the full 10% contingency is expended)	£224
S106 commuted sums and other housing capital receipts	£33
Funding from the HRA etc for staff costs, development period interest etc	£130
Total	£419

5 Achievability: The Project Management Case

5.1 Project Approach

The programme will be managed in-house, by existing staff within Housing Landlord Services, utilising specialist consultancy services available within the construction industry where required.

Overall project control will be administered by the Housing Development Manager, assisted by the appointment of McNaughts as “employer’s agent” and “CDM co-ordinator”.

The procurement of the construction activities will be by “design and build” with the majority of risk for overspends passed onto the Contractor, unless the client chooses to vary the design.

This approach to project management and the sharing of risk has proved successful on the schemes previously built at Mallard Road, Draper Road and Craigmoor Avenue/Bradpole Road and also on the scheme currently on site at TS Phoebe.

Innovative methods of construction will be utilised to maximise quality and minimise the risk of construction defects. This approach will also reduce the amount of time required on site and will enable the properties to be built with extremely high levels of insulation. The properties have been designed to meet Level 6 of the Code for Sustainable Homes (CFSH).

5.2 Evidence of Similar Projects

The Council has recently completed four new housing developments, using the same funding and project management approach as that suggested here. All four schemes have been successfully completed to budget and largely on time.

5.3 Resources Required

Most of the in-house resources required, will be provided by Housing Landlord Services from existing assets.

There will be a need for specialist external consultants during the construction phase and the cost of these services has been included within the overall budget.

5.4 Benefit Realisation

Benefit	How will the benefit be Measured?	Frequency of Measurement
---------	-----------------------------------	--------------------------



Benefit	How will the benefit be Measured?	Frequency of Measurement
Increase in the provision of high quality, affordable housing	Statistical collection and key performance benchmarking	Annually
The residents of the new scheme will benefit from high quality sustainable and affordable housing. The completed project will provide additional much needed housing provision with low running costs.	Code for Sustainable Homes Certification initially and thereafter by the use of tenant surveys and the use of a post-completion “housing quality indicator” assessment The use of the Standard Assessment Procedure to measure the enhanced energy efficiency	Annual survey
The development will further cement our good working relationship with the Homes and Communities Agency, thus opening up additional funding opportunities for both housing and non-housing schemes in the future.	Successful receipt of grant funding	On completion of the units
Increased job opportunities within the construction sector during the construction phase, at a time of severe recession in the local building industry	Letting of Building Contracts	Ongoing
The generation of long-term surplus to the Housing Revenue Account	Production and monitoring of annual accounts	Annually

5.5 Critical Success Factors

Receipt of Planning Approval
 Decanting and rehousing of existing residents
 Acceptance of satisfactory tenders
 Construction and handover of completed units, on time and to budget
 Successful letting of completed units

5.6 Assumptions & Constraints

Assumptions

A number of standard assumptions are included within the financial model. These assumptions are based on data collected on our existing stock and on recently completed new-build projects and have previously been agreed with Finance as being reasonable assumptions based on the best information currently available to the Council.

Constraints

The main external constraint on the programme is the availability of funding from the HCA, which not only provides an element of additional funding but also allows the Council to operate outside the constraints which would be imposed by central government on council development, should the HCA not be involved. It is therefore imperative that the Council comply with the Funding Agreement and meet the timetable for delivery.



5.7 Interdependencies

IN/OUT	Project, person or resources that you are dependant upon (IN) or that are dependant upon this project (OUT)	Description of dependency (e.g. the complete rollout of the project or the development of a particular part of it)
In	Compliance with the HCA Funding Agreement	Failure to comply may result in the HCA funding being withdrawn
Out	Management of the completed units	Managed by existing Housing Landlord staff

5.8 Key Stakeholders

Stakeholder or Stakeholder group	Relevance to project
Housing Landlord Services	Responsible for the future management and maintenance of the completed units
Homes and Communities Agency	Part funders and statutory regulator
Future Residents and neighbours	Will occupy and/or be affected by the proposed developments
Local Ward members	Represent the views of local residents
EGB and Cabinet	Will monitor and assess performance against targets

5.9 Project Management Organisational Structure

Project Team	Name	Appropriate Skills and Experience
Project Manager	John Findley	Housing Development Manager
Project Board	Name	Appropriate Skills and Experience
Project Owner (SRO)	Gary Josey	Director of Housing Landlord and Parks
Project Assurance	Employers Agents HLS Technical Services	McNaughts, suitably qualified quantity surveying practice with significant expertise in similar schemes
Senior Supplier	Individual Contractor	Suitably qualified contractor
Senior User	Ian Shaw	Head of Housing Management
Portfolio Holder	Councillor Lawton	Portfolio Holder for Housing

5.10 Timescales and Project Plan

Project Start Date	Project End Date
December 2012	September 2014



ID	Phase / Activity	Estimated Start	Estimated End
	Construction of New Units	1 st Feb 2013	30 th Sept 2013
	Handover and letting of completed units	1 st Oct 2013	31 st Oct 2013
	Defects Period	1 st Oct 2013	30 th Sept 2014

5.11 Progress Monitoring and Reporting Process

The project will report on a regular basis following the Council's mandatory project management process. It will use the standard progress report that captures progress against the key activities / milestones, top risks and issues, progress against benefits targets and an overall summary

6 Appendices

Appendix 1 - Indicative Site Layout and Elevations

Appendix 2 - Initial Risk Assessment (available on project hub)

Appendix 3 - Equality Impact Needs Analysis (available on project hub)

Appendix 4 - Whole Life Costings

Appendix 1 - Indicative Site Layout and Elevations



South Elevation



East Elevation (Front)



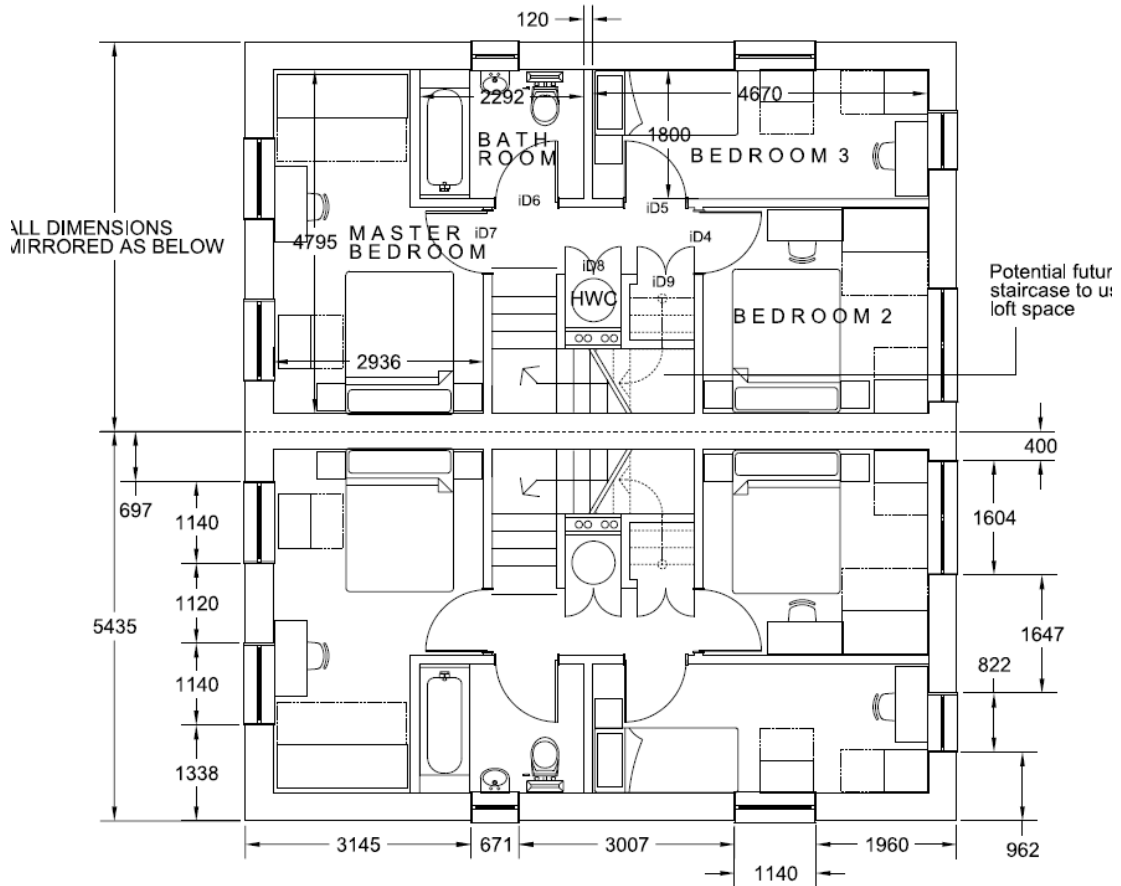
North Elevation



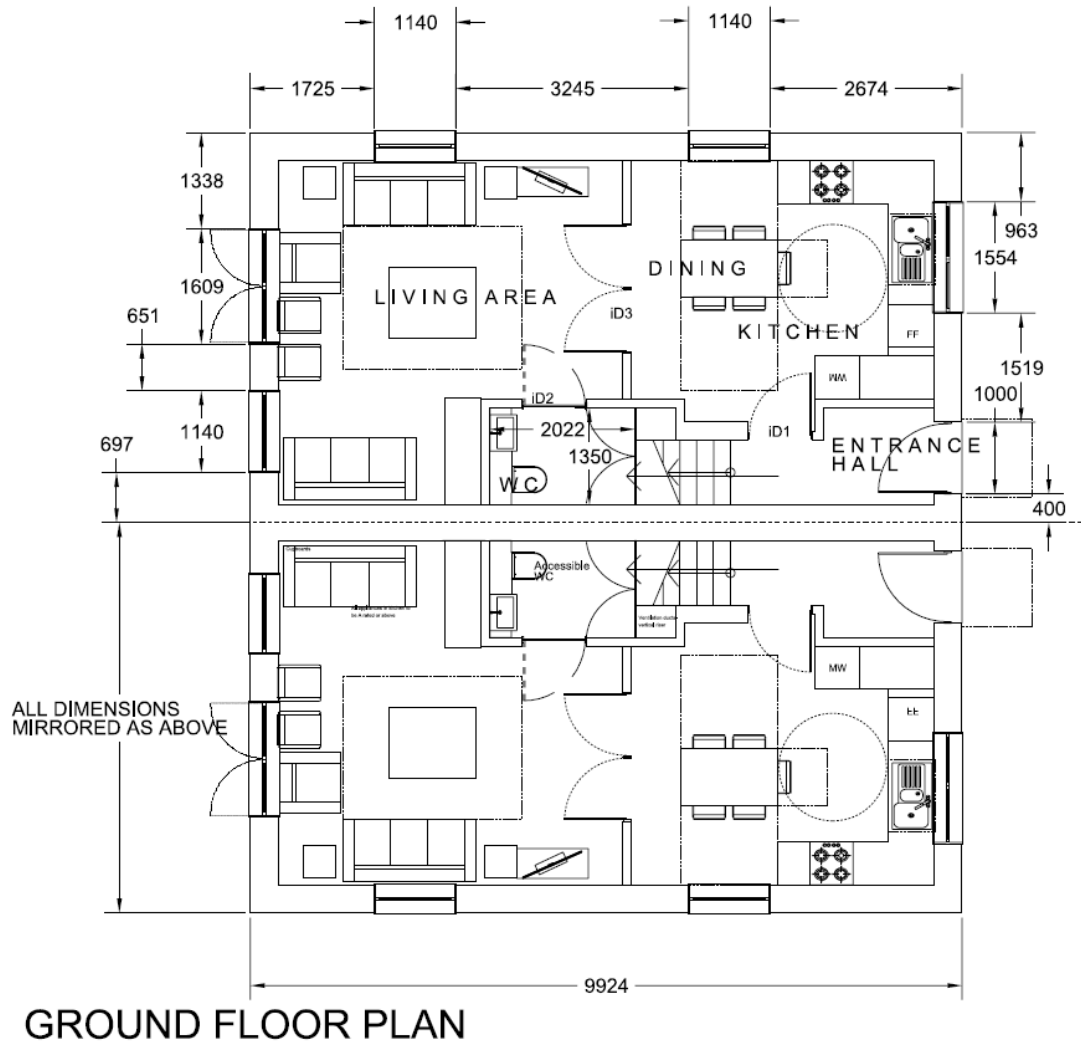
West Elevation

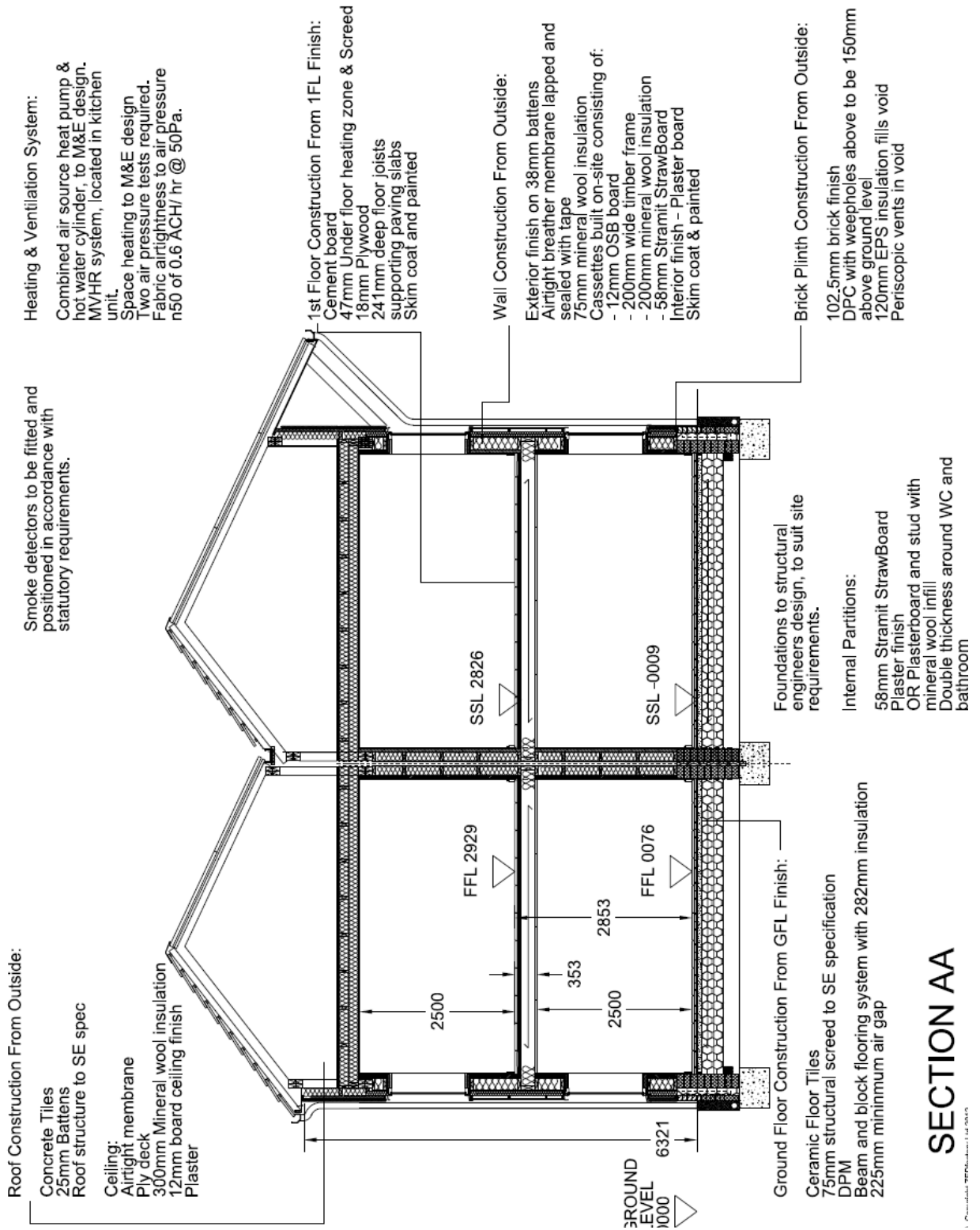
16 & 18 Markham Avenue





FIRST FLOOR PLAN





SECTION AA

1. Produced by PPMO on 14.09.2015



Appendix 4 - Whole Life Costings

Whole life costing NPV calculator														
SCHEME NAME	Markham Avenue												SCHEME REFERENCE	TBC
Discount Rate	3.5%													
	Year 0	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
Initial capital costs														
- Land Acquisition														
- Purchase/Construction/Refurbishment	280,520													
- s106 contributions	0													
- Associated professional fees, bonds etc	108,403													
- Contingency	30,000													
Life time Costs														
Maintenance etc			1,107	1,135	1,163	1,192	1,222	1,252	1,284	1,316	1,349	1,382	1,417	
Housing Management		400	410	420	431	442	453	464	475	487	500	512	525	
Rents		-16,320	-16,810	-17,314	-17,833	-18,368	-18,919	-19,487	-20,072	-20,674	-21,294	-21,933	-22,591	
Voids		326	336	346	357	367	378	390	401	413	426	439	452	
Grant Funding HCA/Commuted Sums (negative)		-32,286												
Prudential Borrowing Capital Funding (negative)		-224,284												
s106 106 affordable housing receipts		-32,000												
Other Funding Sources		-130,353												
Provision for Future Major Repairs							2,236	2,292	2,349	2,408	2,468	2,530	2,593	
Prudential Borrowing Loan Repayment		14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	
Total cost	0	-772	-134	-591	-1,061	-1,545	192	-267	-740	-1,227	-1,730	-2,248	-2,782	
Total cost NPV	0	-746	-125	-533	-924	-1,301	156	-210	-562	-900	-1,226	-1,540	-1,841	
	Year 13	Year 14	Year 15	Year 16	Year 17	Year 18	Year 19	Year 20	Year 21	Year 22	Year 23	Year 24	Year 25	Totals
Initial capital costs														0
- Land Acquisition														0
- Purchase/Construction/Refurbishment														280,520
- s106 contributions														0
- Associated professional fees, bonds etc														108,403
- Contingency														30,000
Life time Costs														
Maintenance etc	1,452	1,489	1,526	1,564	1,603	1,643	1,684	1,727	1,770	1,814	1,859	1,906	1,953	35,810
Housing Management	538	551	565	579	594	609	624	639	655	672	689	706	723	13,663
Rents	-23,268	-23,966	-24,685	-25,426	-26,189	-26,974	-27,784	-28,617	-29,476	-30,360	-31,271	-32,209	-33,175	-595,015
Voids	465	479	494	509	524	539	556	572	590	607	625	644	664	11,900
Grant Funding HCA/Commuted Sums (negative)														-32,286
Prudential Borrowing Capital Funding (negative)														-224,284
s106 106 affordable housing receipts														-32,000
Other Funding Sources														-130,353
Provision for Future Major Repairs	2,658	2,724	2,792	2,862	2,934	3,007	3,082	3,159	3,238	3,319	3,402	3,487	3,575	57,118
Prudential Borrowing Loan Repayment	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	14,822	370,550
Total cost	-3,333	-3,901	-4,486	-5,090	-5,712	-6,354	-7,015	-7,697	-8,401	-9,126	-9,873	-10,644	-11,438	-£105,974
Total cost NPV	-2,131	-2,410	-2,678	-2,935	-3,183	-3,421	-3,649	-3,868	-4,079	-4,281	-4,475	-4,661	-4,840	-£56,364