APPENDIX ONE – DEVELOPMENT MECHANISMS – ADVANTAGES AND DISADVANTAGES

Option	Advantages	Disadvantages
Direct disposal to the market - The quickest route is through direct disposal to the market. This route will ensure that best value is obtained, however the Council are not able to state any requirements on the site	• Best Value can be achieved • No procurement process is required	• The Council is unable to stipulate the end use for the land. • The expectation through the planning process would be that 30% affordable housing would be required, however there is nothing to prohibit an owner from putting forward a viability case, or demonstrating that affordable housing cannot be accommodated on the site and offering a financial contribution in lieu.
The individual procurement of assets - Where the Council intends to impose by way of legal obligations on the developer the requirement to develop a site in a specific way this will give rise to a need to procure such a contract. Due to the likely value of the asset to the housing developer/providers the Council will need to procure its partners in compliance with EU procurement rules	• Total control over the process • Ability to stipulate the type and tenure of the housing to be developed • Ability to specify over 30% affordable housing requirement • Potential to generate either a capital receipt or a revenue income stream if required • Ability to meet local housing needs. • No requirement to borrow funding to develop the homes	• Dispose of land at less than best consideration • The requirement for land which will have an impact on capital receipts. • OJEU procurement process required each time which can take over 6 months
Housing Company - The model is based on the authority setting up a fully staffed development company, whose role would be to take the development process from start to finish. This would be akin to a regional office of a housebuilder, employing specialist staff. It does not include any housing management function which would have to be procured separately.	• Total control over the process • Higher financial returns (revenue) • 100% of value will be retained • Develops a long term plan, brand and vision	• Significant outlay in order to employ the specialisms required • Need to borrow in order to finance the developments as considerable capital injection required to deliver this option • Considerable commitment to establish a new housebuilding company • Substantial office space required • Recruitment required to create delivery team • Due to the time taken to establish the new company, speed to market will be slow • Standard housing types will need to be developed • New house building company will not have initial access to supply chain discounts etc. • Site abnormals, constraints and risks will need to be addressed

		• Sales and marketing function will need to be developed
Joint Venture (Cheshire East Fund and Risk) - This model would require the Council to allocate land holdings, finance the venture and through a Joint Venture procure the development of the units. The Council would take all the development risk, but would also take a higher percentage of the profit. It does not include any housing management function which would have to be procured separately	• Still maintain control over the development process and the type of units • Financial returns are higher • Reduced start up costs to establish housing delivery vehicle • Reduced resource commitment to establish housing delivery vehicle • Joint venture partner will have an established supply chain/sector knowledge • Standard housing types will already be known and understood • Joint venture partner will have access to supply chain discounts etc. • Will not require the same resource commitment in comparison to the company • As JV partner has an established supply chain, speed to market will be improved • Sales and marketing function will already be established • Substantial office space not required	• Considerable capital injection required to deliver this option • An element of the project value will be given away to JV partner • Potential for JV "politics" • Requirement to set up collaboration agreements etc.
Joint Venture (JV Partner Fund and Risk) - This model would involve the procurement of a partner (this could also include a management partner but is not included in this model) whose role would be to develop the units, including financing the development and taking responsibility for all the development risk.	• There is less risk as the Council are not incurring any financial costs. • No requirement for capital borrowing • Control over the type of provision to be delivered on site • Reduced start up costs to establish housing delivery vehicle • Reduced resource commitment to establish housing delivery vehicle • Joint venture partner will have an established supply chain/sector knowledge • Standard housing types will already be known and understood • Joint venture partner will have access to supply chain discounts etc.	• An element of the project value will be given away to JV partner • Potential for JV "politics" • Requirement to set up collaboration agreements etc. • CEC will need to provide the majority of the JV funding

	• Will not require the same resource commitment • As JV partner has an established supply chain, speed to market will be improved • JV partner will provide the majority of the JV funding • Substantial office space not required	
Housing Development Framework Approach - This model would enable the procurement of a number of Registered Housing Providers who would be able to perform specific contracts for example the development of affordable housing. The framework would establish the terms governing contracts to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged.	• Ability to meet local housing needs. • Control over the type of provision which is developed on the Councils land assets. • Potential to generate a revenue income stream. • There is only the requirement to carry out a mini tendering process once the framework is established. • No requirement to borrow funding to develop the homes.	• The initial framework has to be established through an OJEU compliant process. • The requirement for land which will have an impact on capital receipts.
Direct development - Housing Revenue Account - This model would require the Council to establish a Housing Revenue Account if it was to develop over 199 homes. Councils who have retained responsibility for Social Housing have to operate a Housing Revenue Account (HRA). This is separate to the Council's other budgets and operations (e.g. the General Fund) and income (for example, from rents) cannot be spent on other Council activities but is used to maintain existing housing stock and develop new provision. Those operating a HRA have the ability to borrow money within their HRA to build more homes. **General Fund -** A local authority may hold up to 199 homes outside the HRA under Direction, so local authorities that have previously transferred their stock to a housing association, or that retain very low levels of council housing,	• Meeting local housing needs • Control over the type of provision which is developed • Ability to generate income to be reinvested into new development	• This would involve recruitment to employ the specialisms required to manage a housing stock and if over 200 units manage a HRA. • The Housing stock would be subject to Right to Buy. The current Right to Buy (RTB) rules mean 75% of proceeds are kept locally with 25% going to the government. • Considerable borrowing would be required in order to develop the homes. • Could be subject to further changes in regulations which could have a positive or negative impact on the Council.

may borrow prudentially through the General Fund to enable development. Local authorities planning to build outside the HRA must write to the Secretary of State for Housing, Communities and Local Government to apply for a direction that permits these homes to be held outside the HRA.		