

Section 12

Financial

Management

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Annexures

12.1	None.	
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12.1 Background

- 12.1.1 The DPA sets out the key financial and commercial elements of the agreement between the Council and the Developer.
- 12.1.2 This section supports the provisions set out in the DPA and sets out the Key Principles that have been agreed in respect of the financial management of the Project with regard to the following:
- Valuation of Affordable Residential Units (Target Rent, Shared Ownership and Shared Equity) for the purposes of calculating Plot Premiums and Overage
 - Calculation of finance costs
 - Developer's Priority Return
 - Operation of the Development Account
 - Financial provisions in relation to Shared Equity units
 - Approach to achieving viability in relation to the development of Plot 18
- 12.1.3 It is agreed that the parties will use the Financial Model annexed to the DPA for the calculation of the Premiums and Viability Tests subject to the arrangements set out in this Section of the Business Plan and Schedule 5 of the DPA.

12.1.4 The Financial Model currently indicates the following Premiums for Plots following the First Développement Site:

[illegible]

12.2 Valuation of affordable residential units

12.2.1 Business Plan Specification - Target Rent units

12.2.1.1 For the purposes of assessing Premiums and Overage a capital value will be calculated for the Affordable Residential Units retained by the Developer.

[REDACTED]

[REDACTED]

12.2.1.4 The long term revenues for the Target Rent units will be based on Target Rents. These Target Rents will be calculated in line with the government formula rent system (i.e. 30% with reference to a property's rent based on relative property values, 70% based on relative local earnings), calculating the 2000-01 rent and up rating for the date at which the capital value is to be generated.

[REDACTED]

12.2.2 Business Plan Specification - Shared Equity units

12.2.2.1 Shared Equity units within phase 2 and 3 (until a total of [REDACTED] Shared Equity Units has been provided within the Development Area) will be valued in line with the mechanism for valuing Shared Ownership units as set out in 12.2.3. The Developer will include the resultant value within the Premium for any Plot or Sub-plot and Overage calculations.

12.2.3 Business Plan Specification - Shared Ownership units

12.2.3.4 The PamWin software or another equivalent model will be used to calculate the capital value using the above input data and the forecast revenues. The Developer will comply with the then current Southwark Council affordability criteria when calculating the initial equity sale and rent charged on unsold equity.

12.3 Finance costs

12.3.1 Business Plan Specification

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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12.4 Developer's Priority Return

12.4.1 Business Plan Specification

12.4.1.1 The Developer's Priority Return [REDACTED]
[REDACTED]. The return will be calculated as a percentage of revenues as follows:

- 21% for Private Residential Units
- 0% for Affordable Residential Units
- 21% for Commercial Units excluding units for Council's use or for letting at sub-market rates
- 0% for units for Council's use (both community and commercial)
(however a management fee of 4% of build costs will apply)
- For units for letting at sub-market rates a profit figure reflecting the risk profile and below that for Commercial Units

[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]

12.5 Financial Provisions in Respect of Private Rental Units

12.5.1 Key Principles

- 12.5.1.1 The Developer has proposed to include 49 Private Rental Units within the First Development Site. The Subsequent Plots do not currently include any Private Rental Units, however the Developer may propose these in the future where this is of benefit to the scheme.

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

12.6 Operation of the Development Account

12.6.1 Business Plan Specification

- 12.6.1.1 The Developer is to maintain and make available a Development Account in accordance with the requirements within Schedule 5 of the DPA. Note 2 includes a summary of the way in which the Developer intends to record actual revenue and expenditure and forecast remaining revenue and expenditure.

12.7 Financial provisions in respect of Shared Equity units

12.7.1 Key Principles

- 12.7.1.1 The Developer has agreed to provide a total of ■ of the Intermediate Residential Units as Shared Equity units.
- 12.7.1.2 These units will be available to purchase by existing Aylesbury leaseholders on substantially the same terms as set out in the Shared Ownership lease attached to the DPA (aside from terms in relation to rent payable which will not be applicable). In all circumstances leaseholders will be entitled to the whole uplift in value on their equity share when the Shared Equity unit is sold.
- 12.7.1.3 Existing Aylesbury leaseholders will be required to provide information to the Council and/or the Developer to ensure that leaseholders invest the maximum amount they can afford in the Shared Equity units taking into account the consideration paid by the Council for their Aylesbury homes and any savings.
- 12.7.1.4 Existing Aylesbury leaseholders will be entitled to apply to purchase a Shared Equity unit of a suitable size to meet their bed need plus one additional bedroom. However leaseholders will not be entitled to a larger property (in terms of GIA) than their current Aylesbury home.

12.7.2 Business Plan Specification

- 12.7.2.1 The first ■ Shared Equity units to be delivered will be provided as follows
- ■ units from within the Developer's own stock outside of the Development Area.

- [REDACTED] units within the First Development Site of which [REDACTED] will be provided within the Extra Care Provision.

12.7.2.2 The Developer has assumed that the average size of these units is 2 bedrooms and the average value is [REDACTED]

12.7.2.3 The Developer will not charge the resident any rent on the equity share retained by the Developer.

[REDACTED]
[REDACTED]
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[REDACTED]

12.8 Approach to achieving viability and delivery Plot 18

12.8.1 Scheme content

12.8.1.1 The scheme for Plot 18 consists of a mixture of Residential Units, Commercial Units and Council buildings (Council Works) . The outline brief of the proposed scheme is set out in Section 7 Annexure 7.7 and the mix of uses and approximate floor areas is shown later in this document.

12.8.1.2 The Residential Units will be mixed tenure and the parties have agreed that the most advantageous mix in terms of supporting re-housing and the delivery of the Project is:

- | | |
|--|----|
| • Target Rent Residential Units | 33 |
| • Shared Equity Residential Units | 33 |
| • Private Rented Or Private Sale Units | 34 |

12.8.2 Funding and viability

12.8.2.1 The viability of Plot 18 will be assessed in accordance with the provisions of Schedule 6 of the DPA.

12.8.2.2 The Parties agree that the scheme will be required to achieve a minimum land value [REDACTED]

12.8.2.3 The Parties will work together to maximise investment and achieve a positive land value via a combination of:

- Investment by Council of [REDACTED]
- Developer's Registered Provider Contribution
- Grant and other public subsidy

- Allocation of CIL and s106 monies
- Council's funding for Public Realm and Council/Community buildings
- Inclusion of income from some Commercial Buildings in viability on the basis that this generates additional receipts.

12.8.2.4 The Developer will be entitled to include the Developer's Priority Return in respect of the Residential Units in line with the provisions of the DPA

12.8.2.5 The Developer will be entitled to include a Council Works Development Management Fee based on 4% of the costs of constructing the Council Buildings and the Commercial Buildings (on the basis that these are retained by the Council on a lease at a peppercorn rent) and the Public Realm.

12.8.2.6 The Development Overage provisions set out in Schedule 4 will apply to Plot 18.

12.8.2.7 The baseline financial appraisal for Plot 18 is included at Note 3 [REDACTED]

12.8.3 Delivery and risk

12.8.3.1 The Developer will deliver the scheme to include design, demolition and construction of buildings and public realm.

12.8.3.2 The Council Works Development Management Fee is to include managing design and delivery.

12.8.3.3 The Developer will appoint the design team on behalf of Council and manage the design process. The Council will specify the brief and be involved in design development (Section 7 of the Business Plan).

12.8.3.4 The Council will underwrite pre-agreed design development costs

12.8.3.5 The residual land value is to be fixed at grant of planning / appointment of a contractor (contract to be let on the basis of a fixed price design & build

contract).

- 12.8.3.6 The Developer is to take any post-contract cost / programme risk.
- 12.8.3.7 The Council will have a shadow client role during delivery period (i.e. enhanced oversight / drawing comment / inspection etc) but will not be required to approve drawings or specifications.
- 12.8.3.8 Warranties are to be provided back to the Council (and sub-lessees) in line with provisions set out in the DPA.

12.8.4 Leasing, management and maintenance arrangements

- 12.8.4.1 The Council will retain the freehold interest in Plot 18.
- 12.8.4.2 The Council will grant a Building Lease to the Developer of Plot 18 and the Developer will deliver the scheme under the terms set out in that lease.
- 12.8.4.3 In accordance with the provisions set out in the DPA and subject to paragraph 12.7.4.6, the Council will grant the Developer a Plot Lease of Plot 18 including the Residential Units and the Council Works and Commercial Units on the Completion Date.
- 12.8.4.4 The Plot Lease will include provisions for the Developer to maintain the structure and external parts of all the Plot 18 Buildings as well as to insure the Plot 18 Buildings
- 12.8.4.5 Subject to paragraph 12.7.4.6 Simultaneously to the grant of the Plot Lease the Developer would grant the Council a lease of the Council Works and Commercial Units for a term of 250 years less one day at a peppercorn rent without premium. The Council Lease would include provisions to contribute a fair proportion to the cost of maintenance and insurance based of the Council Works and Commercial Units on gross internal floor areas.
- 12.8.4.6 The Developer and the Council can also consider alternative land transfer and leasing arrangements at the Steering Group if these are more

advantageous from a financial or legal perspective. This may allow for the Council to retain the freehold interest in the Council Works and Commercial Units but with provisions for the Council will enter into positive covenants with the Developer to contribute a fair proportion to the cost of maintenance and insurance based on gross internal floor areas.

- 12.8.4.7 The Council would be entitled to let (or sublet) the Council Works and Commercial Units to either community, health or commercial users subject to the proposed uses being appropriate for a mixed use scheme.

Note 1 – Affordable Housing Assumptions

NAME	DATE	TIME	LOCATION	STATUS	REMARKS
JOHN DOE	2023-10-27	14:30	Room 101	Present	
JANE SMITH	2023-10-27	15:00	Room 101	Present	
ALICE BROWN	2023-10-27	15:30	Room 101	Present	
BOB WHITE	2023-10-27	16:00	Room 101	Present	
CHARLIE GREEN	2023-10-27	16:30	Room 101	Present	
DAVID BLACK	2023-10-27	17:00	Room 101	Present	
EVE YELLOW	2023-10-27	17:30	Room 101	Present	
FRANK BLUE	2023-10-27	18:00	Room 101	Present	
GRACE PURPLE	2023-10-27	18:30	Room 101	Present	
HEIDI PINK	2023-10-27	19:00	Room 101	Present	

Note 2 – Development Account

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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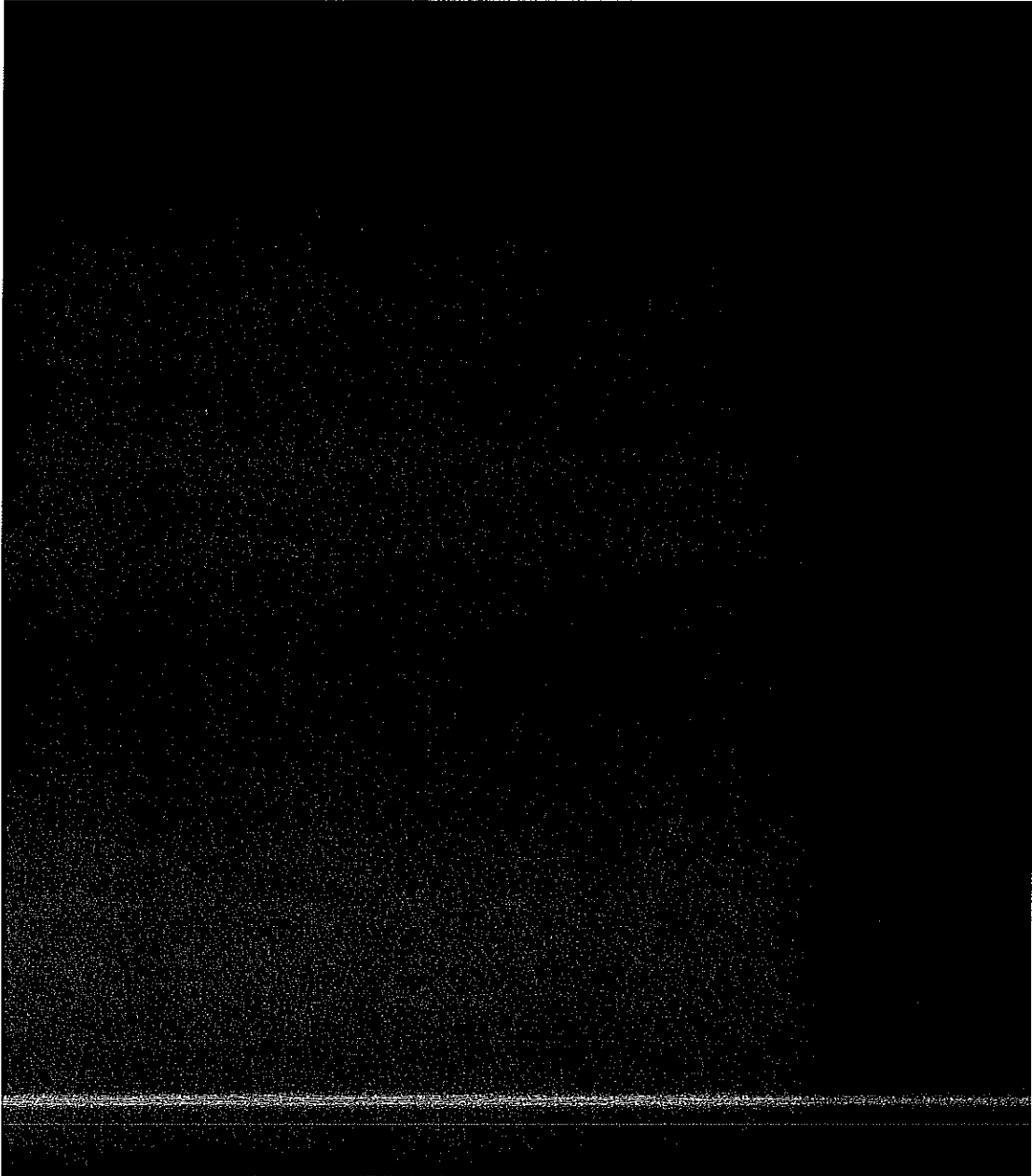
[REDACTED]

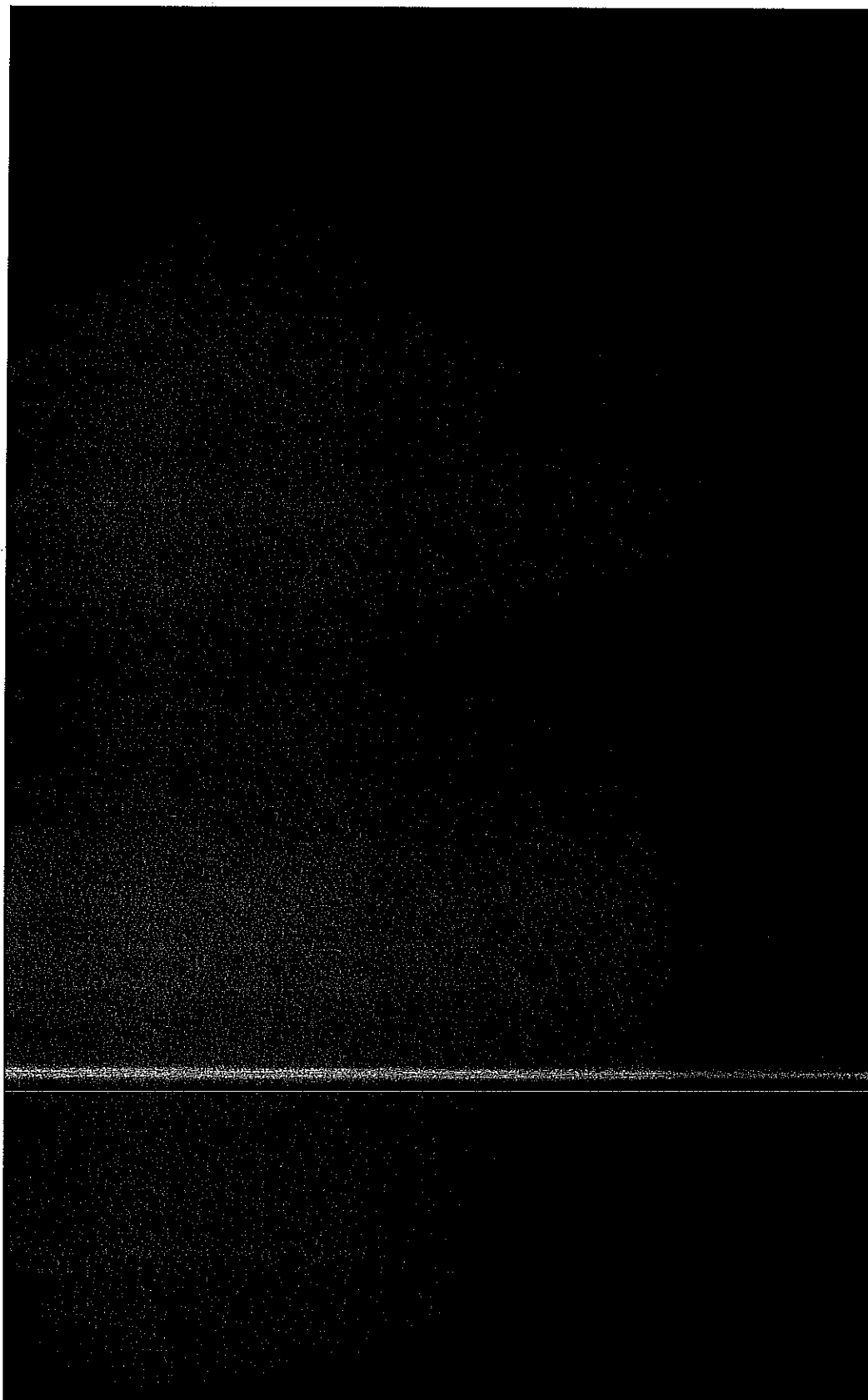
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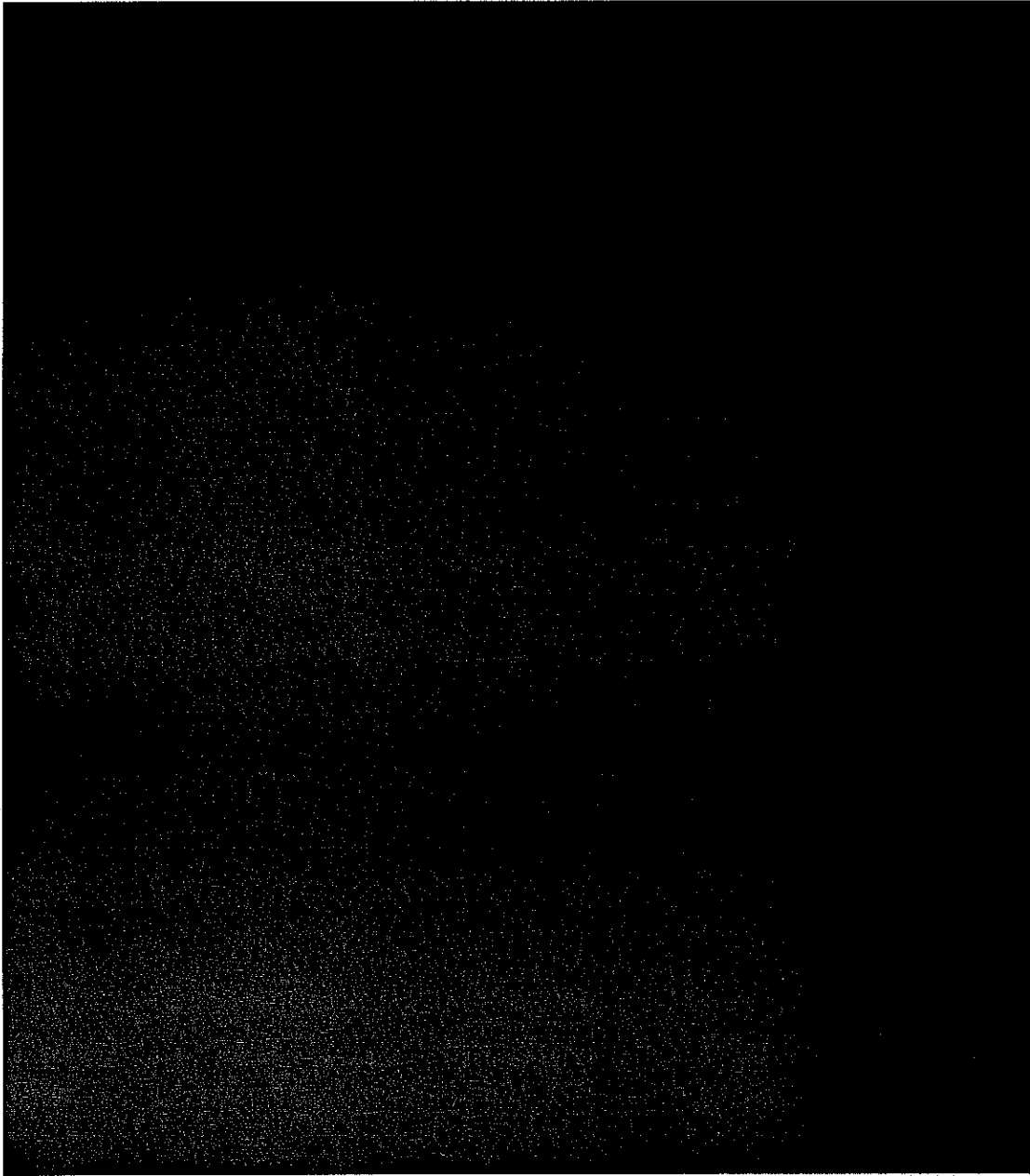
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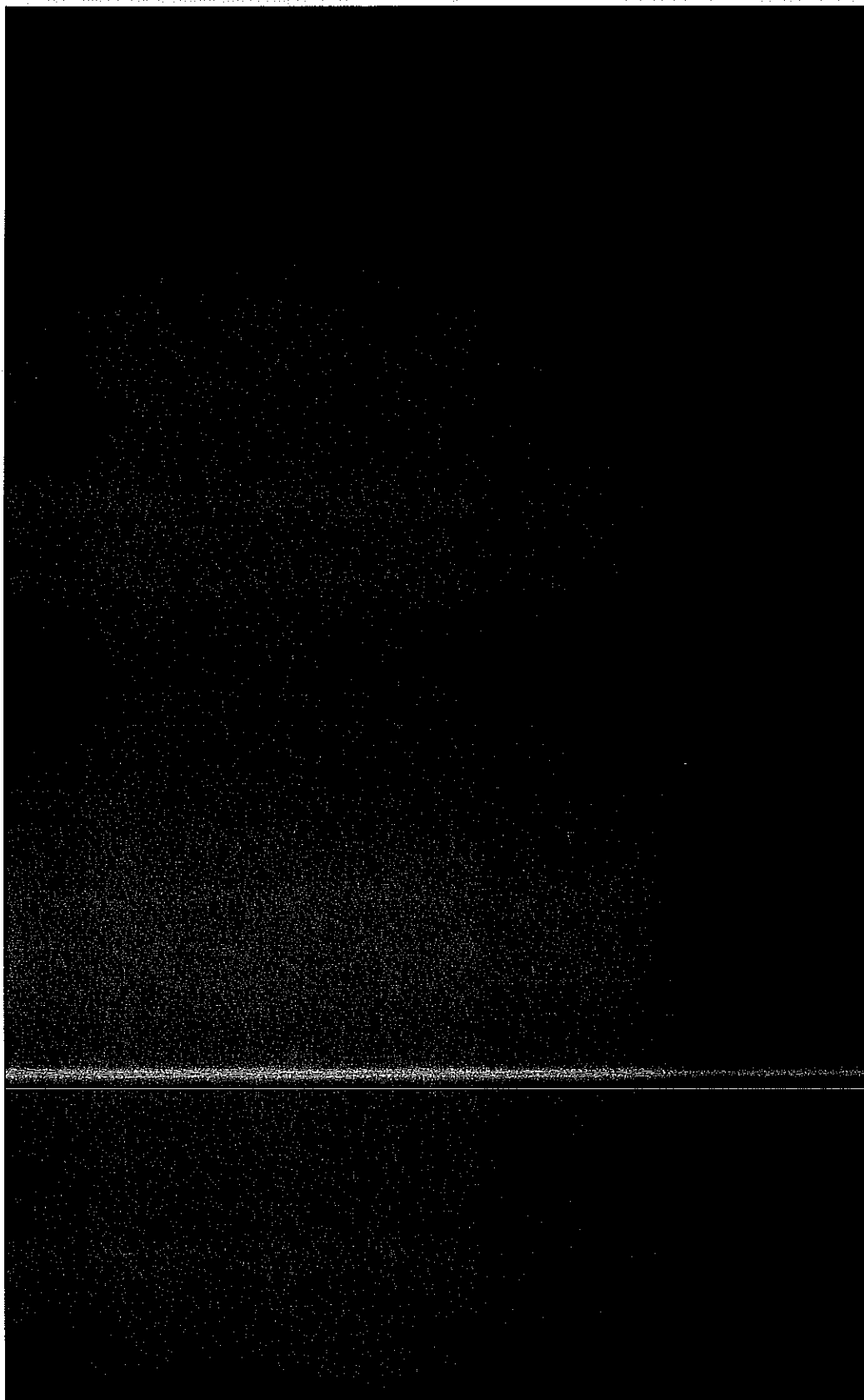
[REDACTED]

Note 3 – Baseline Plot 18 Viability Position









Aylesbury Estate Plot 18 Appraisal
Accommodation Schedule

N:G 80%

Accommodation Schedule

Unit Type	Number	NIA (ft2)	GIA (ft2)	Total NIA	Total GIA
1B	40	540	675	21,600	27,000
2B/4P	44	750	938	33,000	41,250
3B/5P	14	925	1,156	12,950	16,188
4B/6P	2	1065	1,331	2,130	2,663
	100	3,280	4,100	69,680	87,100

Tenure Schedule

Unit Type	Number	Tenure Split		
		Private Sale	Shared	Social Rent
1B	40	21	16	
2B/4P	44	10	14	20
3B/5P	14	3	3	8
4B/6P	2			5
	100	34	33	33

Note 4 Registered Provider Contributions – Affordable Housing Model

