

**Investment Decision Matrices for investment schemes and land acquisitions**

**Note: the following evaluation matrices were approved by Cabinet in November 2016. These will be reviewed in consultation with Be First and any recommended changes will be reported to Cabinet for approval.**

### 3.1 Decision matrix: regeneration investment schemes

Parameter	Criteria	Standard for completed schemes	Minimum criteria to acquire in advance of planning permission	Non-standard	Note
Location	<ul style="list-style-type: none"> <li>East London Council's</li> <li>LBBD</li> </ul>	<ul style="list-style-type: none"> <li>Defined areas within area of operation</li> <li>Defined areas within England</li> </ul>	Must meet geographical focus to support borough's growth potential and out of borough initiatives	All opportunities outside normal standard assumptions would need Cabinet approval	All schemes, need to be in targeted within borough or in specific out of borough initiative areas
Financial viability	<ul style="list-style-type: none"> <li>IRR over 30 to 60 yrs.</li> <li>NPV</li> <li>First year cumulative</li> <li>Capital structure</li> </ul>	<ul style="list-style-type: none"> <li>IRR appropriate to the asset class</li> <li>Positive NPV</li> <li>Net positive cash by Year 5</li> <li>Compliance with standard assumptions</li> <li>Optimal capital structure to enhance returns</li> </ul>	Acceptable initial financial appraisal agreed that complies with expected end use (s)	As above	All schemes must achieve or can meet the Investment strategy's financial scheme viability and qualitative investment outcome targets
Risk Appraisal	<ul style="list-style-type: none"> <li>Risk Appraisal Form</li> </ul>	Full compliance	Initial risk criteria must be agreed for project to proceed	As above	All schemes must achieve or, in the case of land and property acquisitions in advance of planning permission, be capable of meeting Investment strategy risk criteria
Uses	<ul style="list-style-type: none"> <li>Residential tenures</li> <li>Commercial</li> <li>Industrial</li> <li>Energy</li> </ul>	<ul style="list-style-type: none"> <li>Integrated, well located, connected physically and digitally, good architecture and public realm</li> <li>Affordable end user costs</li> </ul>	Must be capable of meeting one or more tenures as set out in B&D Reside business plan and Council Development Strategy	As above	In the vase of acquisitions before grant of planning permissions schemes must be considered capable of being developed to provide agreed tenure mix and/or cross subsidise other investment opportunities
Design & Construction	<ul style="list-style-type: none"> <li>Design, adaptability, efficiency</li> <li>Operational FM</li> <li>Methods of construction</li> <li>Sustainability &amp; energy</li> </ul>	Schemes must comply with design and quality Standards, Standard Employer's Requirements, Sustainability policy	Indicative construction type is sufficient for land banking decision	As above	Schemes must be capable of being developed within agreed design and construction assumptions
Procurement	<ul style="list-style-type: none"> <li>Procurement strategy for investment schemes</li> </ul>	As above	Indicative procurement method sufficient for land and property decisions	As above	The procurement strategy for each investment proposal must identify relevant options and provide a construction risk and VFM assessment
Asset Management	<ul style="list-style-type: none"> <li>Asset management strategy for each investment proposals</li> </ul>	As above	n/a	As above	Must show how FM strategy will deliver expected returns, minimise operational risk and enhance value

### 3.2 Decision matrix: land acquisitions

Parameter	Note	Criteria	Standard for completed schemes	Minimum criteria to land bank
Location	All schemes, whether land banked or otherwise, will need to be in targeted areas	<ul style="list-style-type: none"> <li>East London Borough's</li> <li>LBBB</li> </ul>	<ul style="list-style-type: none"> <li>Defined areas within area of operation</li> <li>[Defined areas within Essex]</li> </ul>	Must meet geographical focus of IAS
Financial viability	All schemes must achieve or be capable of meeting financial scheme viability targets at project and portfolio level	<ul style="list-style-type: none"> <li>IRR over 30 to 60 yrs.</li> <li>NPV</li> <li>First year cumulative</li> </ul>	<ul style="list-style-type: none"> <li>[6] % pre-debt mixed use schemes</li> <li>[3] % post-debt</li> <li>Positive</li> <li>Year [5]</li> </ul>	Initial financial appraisal must be agreed by Investment Panel
Risk Appraisal	All schemes must achieve or, in the case of land banking, be capable of meeting LBBBs risk appraisal targets at project and portfolio level	<ul style="list-style-type: none"> <li>Risk Appraisal Form</li> </ul>	<ul style="list-style-type: none"> <li>Full compliance</li> </ul>	Initial risk criteria must be agreed for acquisition to proceed
Uses	All schemes must be capable of being developed to provide affordable tenures/ mixed uses and/or cross subsidise other development sites	<ul style="list-style-type: none"> <li>General needs</li> <li>Supported housing</li> <li>Intermediate rent</li> <li>Shared ownership</li> <li>Outright sale</li> <li>Market rent</li> <li>Commercial/ industrial and retail</li> </ul>	<ul style="list-style-type: none"> <li>Assured tenancies</li> <li>Standard shared ownership lease</li> <li>Assured short hold tenancies</li> <li>Standard terms commercial leases</li> </ul>	Must be capable of meeting one or more tenures/ mixed uses as set out in B&D Reside business plan and Investment Strategy
Construction		<ul style="list-style-type: none"> <li>Traditional</li> <li>Modern methods of construction</li> <li>Sustainability &amp; energy criteria</li> </ul>	<ul style="list-style-type: none"> <li>Schemes must comply with minimum HC Scheme Development Standards, Standard ERs</li> </ul>	Indicative construction type is sufficient for land banking decision
Procurement		<ul style="list-style-type: none"> <li>Competitive tendering</li> <li>Negotiated tender</li> <li>Strategic Partnering</li> </ul>	<ul style="list-style-type: none"> <li>As above</li> </ul>	Indicative procurement method sufficient for land banking decision