APPENDIX 1

Potential Options	Possible Outcomes	Limiting factors	Advantages	Disadvantages
1. Wholly owned company	Wholly owned company could undertake trading activities for profit, including housing and employment projects. It could pay dividends to the council as sole share holder and would have the power to transfer assets back to the Council. A wholly owned company could enter into joint venture arrangements on a project by project basis if beneficial and subject to the procurement and state aid rules	A company would have the powers to raise finance through borrowing. Activities would not be limited, provided funding is sustainable and supported by robust business planning.	Would have the ability to trade for profit, pay dividends back to the local authority and transfer all or some assets back to the council. It would be wholly controlled by the council. The council could choose to sells shares to raise capital.	The company would retain all of the risks associated with its activities. There would be major cost implications as the council would have to establish a new development/management team to construct and manage the new houses. The stock would be at risk of Right to Buy purchases and therefore the stock/assets would be at risk of on-going depletion. The wholly owned company would need to comply with EU procurement rules when awarding contracts for goods, works or services.
2. Community Interest Company (CIC)	A CIC could undertake trading activities, including housing and employment projects. However surpluses and assets would be ring-fenced to the community purpose set out in the companies articles.	A CIC would have the powers to raise finance through borrowing providing it is sustainable and supported by robust business planning. It would be limited by its community objectives.	Activities could be broad and would be focused on community benefits only	Activities would be restricted to the CIC's community purposes only. Surpluses would be ring fenced to the CIC's activities and any assets could only be transferred to another CIC. It would NOT be able to transfer surpluses back to the council. The CIC would

				likely to need to comply with EU procurement rules when awarding contracts for goods, works or services.
3. Joint Ventures	Joint ventures could deliver housing and employment outcomes. They generally involve a public sector and private sector partner, sharing investment, risks and benefits. Typically these are based upon the public sector contributing land with the other partner investing development capital and subject to the procurement and state aid rules. A disposal of land interests to a third party without any corresponding development obligations could be achievable on a private treaty basis	The activities of a Joint Venture are project specific and are limited by the value of the public sector assets, typically land. A wholly owned company would have to have the ability to also enter into any joint venture arrangements again subject to procurement.	Joint ventures would provide the opportunity to share investment, risks and benefits with the private sector. A joint venture could be beneficial in attracting the necessary investment to deliver a specific scheme, for example on council owned land.	The council would not be in complete control of the joint venture activities. Typically benefits would return to the council in the form of assets at the end of any arrangements, although there could be potential for earlier revenue streams, if the agreement allows

4. Private Finance Initiative (PFI)	As with joint ventures, PFI involve a shared approach to investment, risks and benefits. PFI include long-term contracts for the provision and management of assets e.g. homes, schools hospitals etc and are funded over their lifetime by revenue contributions from central Government (PFI credits). Upfront capital investments is provided by the private sector partner.	PFI arrangements are limited by the value of PFI credits available to support the project. They are also project specific.	Extremely complex legal and contractual structures with significant set up costs. Can prove to be expensive over the lifetime of projects as private sectors partners will seek to cover long term risk factors through the contract pricing mechanism and PFI credits may not be available	The PFI contractor would need to be procured by the Council. This is likely to involve an OJEU process. Potential to attract additional central government resources. PFI arrangements would not return any revenue funding to the council, although assets could be returned to the council at the end on the contract period.