CABINET	Agenda Item Brighton & Hove City Council

Subject:		**Brighton & Hove Seaside Community Homes - Response to Financial & Commercial Offer from the Council** **Part I Report**	
Date of Meeting:		11th November	
Report of:		Strategic Director of Place	
Contact Officer:	Name:	Geoff Raw	Tel: 290726
	E-mail:	geoff.raw.@brighton-hove.gcsx.gov.uk	
Wards Affected:	All	Forward Plan No. CAB18729	

1. **SUMMARY**:

1.1. At the meeting in September 2008, Cabinet agreed to set up a housing company (Local Delivery Vehicle, LDV) to deliver key strategic housing and corporate priorities and to generate funding for investment in the Housing Revenue Account to improve council homes and assist the council in meeting the decent homes standard. In particular, the housing company aims to provide a stable supply of accommodation for people with particular needs and to whom the council owes a housing duty.

1.2. Cabinet is being asked to approve the recommendations detailed in section 3 of this report in order to bring about completion of the Local Delivery Vehicle (LDV) project. The LDV, known formally by its company name, Brighton & Hove Seaside Community Homes (BHSCH), will need to secure a funder and negotiate a loan in order to lease, property from the council in exchange for a substantial capital receipt subject to a final decision for leasing which meets the 'Best Consideration' test. The funds received by the council will be used to support the decent homes programme and meet tenants' aspirations for improvement to their homes.

1.3. In September 2010, the council received a response and revised offer from BHSCH, which detailed an indicative capital receipt based on certain assumptions on income and expenditure levels. Officers and advisors have assessed this provisional proposal and have produced this report accordingly. Cabinet is asked to approve the key components of this revised offer and delegate authority for completion of the required suite of documents as explained in paragraph 1.5 below. Paragraphs 5.12-5.16 summarise both BHSCH's proposals and the council's revised response.

1.4. Cabinet's approval of this report will provide BHSCH with the assurance it needs to conclude negotiations with their selected funder. It is paramount that BHSCH negotiates in the knowledge that the council has accepted the main risk parameters of the project and that the council is comfortable with the income and expenditure details on which funder lending will be based.

1.5. It is acknowledged by council officers that whilst Cabinet is being asked to approve the revised commercial and financial offer as it currently stands, a number of issues may change through the course of negotiations, particularly income certainty risk. It is on this basis that Cabinet is being recommended to agree the financial and commercial offer, subject to negotiations, and that the decision on financial, commercial and legal close rests with the Chief Executive, the Strategic Director of Place and the Director of Finance in consultation with the Leader of the Council, the Cabinet Member for Housing and the Cabinet Member for Finance.

1.6. The appended Options Assessment reiterates why this proposed transaction with the LDV remains the preferred option. (see appendix 1)

2. POLICY CONTEXT

2.1. As at the 30th September 2010 a third of all council homes in Brighton & Hove fell below the decent homes standard and do not meet tenants' aspirations for improvements to their homes. The financial situation is such that the authority cannot, under its own resources within the existing subsidy system, achieve the standard for all homes. The Housing Revenue Account (HRA) 3 year Capital Programme approved at Cabinet on February 2010 highlighted a need to fund £77m over this period, of which £44.6m is to meet the decent homes standard by 2013. The capital programme is funded from a mixture of capital receipts from the LDV, borrowing, reserves and the major repairs allowance (provided through housing subsidy).

2.2. Following the outcome of the tenants’ stock transfer ballot in 2007, officers reviewed strategic housing options by reference to the decision that the stock will be retained by the council. They identified a strategy to fund the investment gap to achieve the decent homes standard and meet tenants’ aspirations for improvement to the stock. Two key approaches have been followed to meet the investment gap.

2.3. Firstly, the development of a procurement strategy for the repair and maintenance of the council’s housing stock which was approved by the Policy and Resources Committee on 3rd April 2008 with the support of Housing Management Sub-Committee and Housing Committee. As a result of the strategy, the council has awarded a ten-year Repairs, Refurbishment and Improvement Strategic Partnership contract to Mears at a contract value of approximately £20 million per annum. This contract is anticipated to save approximately £46 million on capital works over 30 years compared to previous costs. In addition, Mears’ commitment to continuous improvement and Value for Money should enable the council to meet the target reduction in unit rates for responsive repairs, voids and cyclical maintenance as detailed in the 30-year HRA Business plan.

2.4. Secondly an asset management plan, including the creation of the Local Delivery Vehicle sitting outside the council to utilise HRA assets. These assets would require reinvestment and once refurbished would be occupied by non-secure tenants. The net result would be to lever in additional investment to improve council housing stock.

2.5. As part of this review , options set out in the Housing Green Paper, “Homes for the Future: more affordable, more sustainable”, provided local authorities with the platform to set up local delivery or similar special purpose vehicles to make the most of existing homes and land to bring in investment. In September 2008 Cabinet agreed to set up such a vehicle and develop this initiative.

3. RECOMMENDATIONS:

That Cabinet:

3.1. Accepts in principle the revised financial and commercial approach set out in the provisional offer from BHSCH, as set out in paragraphs 5.1 – 5.9 of this report and detailed in the Part 2 report, subject to the effects of the council's and funder's due diligence;

3.2. Accepts the revised risk table in appendix 2 and that this table is subject to a final review of the risks relating to income streams and additional funder requirements.

3.3. Gives delegated authority to the Chief Executive, Strategic Director of Place and Director of Finance, in consultation with the Leader of the Council, the Cabinet Member for Housing and the Cabinet Member for Finance to take all necessary steps to conclude the matter and bring about financial, legal and commercial close, including the completion of any and all documents as necessary.

3.4. Approve additional budget provision of £250k (as detailed in paragraph 6.4 & 6.5) to the Strategic Director of Place to allow development of the project to financial and commercial close.

3.5. Notes the revised timetable detailed in paragraph 6.3.

4. RELEVANT BACKGROUND INFORMATION/CHRONOLOGY OF KEY EVENTS:

Background Information

4.1. The revised financial and commercial offer provides a total investment package of £30.1m towards the investment and improvement of council housing. The amount includes a capital receipt of £18m to fund decent homes work to retained stock together with refurbishment costs of £12.1m for leased stock.

4.2. Cabinet is advised that the figures quoted are based on a number of assumptions which may change following negotiations with the selected funder; however the key principals on which the LDV was agreed at the September 2008 Cabinet meeting remain consistent.

4.3. These principles, endorsed by HMCC, allowed for the setting up of a local delivery vehicle to bring in additional investment to improve council homes, to assist in meeting decent home standards and tenant aspirations for improvement of the council stock, so as to meet strategic housing and corporate priorities. In particular the proposals will accommodate people with particular special needs, to whom the council owes a housing duty, as well as refurbish the leased stock.

4.4. In March 2009 the LDV was incorporated as Brighton & Hove Seaside Homes (BHSCH), a company limited by guarantee. It was registered as a charity with the Charity Commission in January 2010. The company board consists of 12 members grouped into thirds, each third coming from a particular constituency, i.e. the tenant body endorsed by the city's area panel, councillors approved by the governance committee and independent members from within Brighton & Hove. The board meet regularly to set policy and progress the company's objectives, including its main aim to lease properties from the council for occupation by vulnerable households in housing need.

4.5. In January 2010 Cabinet was asked to and did approve the General Consent financial model in order to progress the project following an inconclusive response from CLG to the council's request for Express Consent. On the 12th October 2009 HMCC endorsed approval to proceed to the use of General Consent in circumstances where Express Consent had been refused or was unreasonably delayed. As requested by Cabinet, HMCC discussed these matters and voted unanimously in favour of developing the alternative consent route.

4.6. The general consent route is subject to the parameter that best consideration can be demonstrated. Cabinet should note that:

- the leasing of properties remains in line with the decisions of full Council in October 2008 and the decision made by Cabinet on the 14th January 2010, that the leases shall be for terms of 30-50 years;
- the HRA properties to be leased comprise properties already used as temporary accommodation and other HRA properties which meet the criteria for leasing agreed by Cabinet and Council, as follows:
- that the property is not tenanted;
- that the property has a negative Net Present Value (NPV) to the HRA (i.e. the anticipated cost of new investment and ongoing maintenance cannot be recovered from projected future rental streams) and a requirement for investment;
- that the property is not an adapted dwelling;
- additional resources need to be allocated to develop the proposal.

4.7. Approval to proceed with General Consent paved the way to the council developing and issuing a formal financial and commercial offer to BHSCH. The council issued its offer to BHSCH on the 13th February 2010 and received a response from BHSCH on the 6th September 2010. Details can be seen in paragraph 5.1 – 5.9.

4.8. Baker Tilly, an accountancy firm, was appointed in May 2010 by the Board to provide financial advice. They have developed the business case and financial model on the Board's behalf in order to respond to the council's financial and commercial offer and to develop a robust proposal which can be submitted to funders.

4.9. The council has reviewed and assessed the BHSCH proposal in order to provide a response. As part of its review, it has refined the property investment and operational costs by contrasting the average costs for all properties against the specific properties projected to be leased to BHSCH. This has enabled both refurbishment and operational costs to reduce, enabling the threshold amount for best consideration purposes to be achieved. The net impact is that the council's key principles of setting up an LDV for the purposes of bringing additional investment, improving council homes and assisting in the decent homes programme are closer to being realised.

5. SUMMARY OF THE COUNCIL'S OFFER AND THE RESPONSE FROM BHSCH

5.1. It is important to note that the key financial conditions associated with the council's offer have not been altered. Thus the revised proposal (a) is made on the basis that the best consideration test will be met, (b) supports the HRA funding gap and property investment programme and (c) assumes that sufficient revenues can be generated to enable the company to meet its running costs and funding obligations.

5.2. The Council's offer is based on the lease of 106 temporary accommodation units at various values and 393 empty council properties scattered across the city which the council have assessed are at a negative net present value (NPV). The properties, in varying condition, require investment to bring them to modern day decent homes standards and the tenants' aspirations for improving the stock.

5.3. The set of income and expenditure assumptions are summarised below. The council's proposal was developed on a cash flow model that, once funded from private sector funders, will generate a sizeable capital receipt. The cash flow model detailed the net cash flows that would be available to the BHSCH over a 30-year period on which funds can be raised. The assumption built into the model is that the loan will be completely paid up at year 30.

5.4. BHSCH will be reliant on Local Housing Allowance, this being the applicable benefit to cover the rent for tenants occupying private sector landlord accommodation. The financial offer is based on the company's only source of income, being revenue collected from the rent. Funders will want to test and ensure that the numbers supporting income assumptions are sound, given that BHSCH is reliant on this income stream to fund any loan.

5.5. Rent levels will be set at the prevailing Local Housing Allowance (LHA) rate at the time the tenancy is drawn up. Rents will usually be reviewed on the anniversary of the tenancy start date, or sooner if the tenant moves.

5.6. BHSCH's response includes modelling to mitigate any risk arising from government proposals to use CPI as the inflation measure for increasing Local Housing Allowance (LHA) rates. The adjustments show the measurement against market rents which from April 2011 will reflect the 30th percentile of market rates instead of the median rate and from 2013 will attach any increases in the LHA rates to the Consumer Prices Index (CPI) which is a lower than the Retail Price Index (RPI), the current inflation indicator.

5.7. The rental income is supported by a 100% council nominations agreement and a management agreement with the council to ensure that occupancy is at least 94% and therefore rental flow is maintained. The financial model includes a provision for void periods and bad debts which in the original offer totalled 9% of the gross rent.

5.8. Revenue expenditure is comprised of four property specific operating costs. These consist of:

- management costs
- repairs & maintenance charges
- cyclical maintenance and
- capital costs

all of which are subject to VAT at the standard rate.

5.9. Brighton & Hove Seaside Community Homes will also be responsible for its company overheads including costs associated with the initial set-up of the project and the company's operational running costs such as insurance, tax liabilities and the like.

5.10. The council's proposal recognised that the company's charitable status afforded it a number of tax benefits that minimise its tax liabilities and have therefore accounted for this in its financial modelling.

5.11. BHSCH was asked to respond directly to the council's proposal and submitted their provisional response in September 2010. This response reflects changes made to LHA rates and inflation assumptions. The key changes in the BHSCH response are as follows :

- A 1% per annum reduction in the inflation indicator. In the council's formal offer, income revenues were increased by the Retail Price Index (RPI) from 2011. Now revenues will increase by the Consumer Price Index (CPI) which, by excluding housing costs, is a lower inflation indicator.

- Reductions in LHA rates comprised of reduced benefit for each property size and reductions in rent due to measurement against the 30th percentile of market rents instead of the current median measure.

- LHA rents are set every three months against market rents. As detailed above the measure is taken at the median rental values in the market place. From 2011 rents will be measured against the 30% percentile of market rents. In effect LHA rents will be set against rents at the lower end of the rental spectrum rather that at the middle. The combined effect of this and the rent changes detailed above have resulted in an average reduction of 25% of the total projected revenues.

5.12. BHSCH's financial model has taken account of the changes summarised in 5.11. Their response also proposed different property specific operating costs resulting in a lower unit property rate. Other changes include modelled costs for insurance and staffing which have been developed further than that detailed in the council's proposal.

5.13. Risk allocation detailed in the BHSCH counter proposal changed the risk share. Indicative soundings taken from a number of funders have helped the council understand funder requirements and therefore the revised proposal which Cabinet is being asked to approve takes the external funder perspective into view and refocuses the risks to the parties best able to manage this.

5.14. The revised offer takes a realistic view of all of the variables including the project's risks and presents information that the council believes will secure funding.

5.15. In summary, the revised offer from BHSCH:

- Reflects the revised LHA changes.
- Reflects the revised inflation indices.
- Revises the initial refurbishment costs and reduces these from those detailed in the offer document.

- Revises the property specific operating costs and reduces these from the details detailed in the offer document.
- Updates the insurance and staffing costs.
- Revises the risk matrix to reflect funder approach and changes to income levels.

5.16. The requirement to pass the best consideration test, as referred to in the report to Cabinet on 14th January 2010, remains unchanged. However best consideration will only be determined at the point when each group of properties is due to be leased. Each group in its own right will need to achieve best consideration for the council.

5.17. The risk table details the council's revised risk allocation which Cabinet is being asked to accept subject to negotiations regarding certainty over the income stream. The part 2 report details the risk matrix alongside the mitigation strategies regarding income certainty and the legislative framework which supports these strategies.

6. PROJECT REQUIREMENTS, STRUCTURE, TIMETABLE AND BUDGET

6.1. A formal internal structure for development and delivery of the LDV has been in place since inception of the project. The project structure remains flexible to accommodate the different requirements in the project cycle and is likely to change to reflect the next phase of the project's journey.

6.2. The project team has needed to take account of external issues that have affected the project's timetable. The dates provided below indicate key points of project progression, leading to project close.

6.3. Key Dates

Member approval to proceed to the final stage	11th November	2010
Preferred funder selected	20th December	2010
Due diligence phase	3rd January – 4th March	2011
Commercial & Financial close	31st March	2011

6.4. The project timetable has been extended to take account of external factors such as the issue of consent. The time delay has meant that additional budget requirements are needed in order to conclude the project. Cabinet are being advised that the Leader of the Council, the Cabinet Member for Housing and the Cabinet Member for Finance will be consulted prior to the due diligence stage. These Members will have the opportunity to consider the strength of offers from funders before funder's costs start to be incurred. The funder's costs will be for the appointment of their lawyer's valuers and surveyors.

6.5. All such costs are envisaged to be front funded by the council and reimbursed at project close, however in the event that the project does not achieve commercial and financial close the council will need to fund these costs at its own expense. Cabinet is being asked to note that additional budget provision will only be awarded to the project once the Chief Executive, Strategic Director of Place and the Director of Finance in consultation with the Members detailed above are satisfied that the principles of this project, as detailed in this report, can be achieved.

7. CONSULTATION

7.1. From the outset, this project has proceeded on the basis of tenant and leaseholder involvement and approval. This has been facilitated through consistent updates to Housing Management Consultative Committee (HMCC) and Area Panels.

7.2. The four tenant board members of BHSCH have kept council tenant and leaseholder representatives informed of progress with the project through written and oral updates to all Area Housing Management Panel meetings. Non-confidential minutes of BHSCH's board meetings have been sent regularly, as requested, to members of the council's tenant and leasehold Tenant Compact Monitoring Group. Articles in the tenant and leaseholder magazine Homing In have regularly updated all the council's tenants and leaseholders. The Audit Commissions' recent review of the council's new repairs and improvement partnership states that consultation with residents on the LDV is good.

8. FINANCIAL & OTHER IMPLICATIONS:

8.1. The report sets out the benefits for the Council of achieving a substantial capital receipt to invest in the council housing stock and securing temporary accommodation units to support its strategic housing objectives. The financial modelling undertaken by the council produces a capital receipt figure broadly consistent with the figure of £18m calculated by the LDV. The changes to the inputs in the financial model are set out in more detail in the Part 2 report alongside an assessment of the associated risks.

8.2. Detailed information on best consideration is set out in the Part 2 report.

Finance Officer Consulted: Mark Ireland Date: 26.10.10

Legal Implications

The legal issues are referred to in the main body of the report and in the Part 2 report. It is assumed that the best consideration criteria set out in paragraph A5.4.1 of the General Housing Consents 2005 being relied on, will be satisfied. In the event that it is not satisfied, Express Consent will be required.

Lawyer Consulted: Bob Bruce Date: 20.10.10

Equalities Implications:

The LDV would provide settled accommodation for households with particular needs including physical and learning disability. Eventual actions in regard to the LDV will be taken with regard to equalities issues. An equality impact assessment had been undertaken.

Sustainability Implications:

The proposal to set up an LDV, enabling access to funding to refurbish properties and meet housing needs, would contribute to achieving council priorities to address sustainability as an integral part of all service delivery and contribute to the UK's Sustainable Development Strategy.

Crime & Disorder Implications

There are no crime and disorder implications

Corporate / Citywide Implications:

The proposals to set up an LDV giving access to funding to refurbish up to 499 properties in need of investment would support the following council corporate priorities:

- Protect the environment whilst growing the economy
- Make better use of public money
- Reduce inequality by improving opportunities

Securing additional funding to meet Decent Homes Standard and carry out improvements to the council's stock in consultation with tenants and leaseholders is a key element to achieve a viable 30-year HRA business plan.

SUPPORTING DOCUMENTATION

Appendices:
Appendix 1; Table 1 Options Assessment
Appendix 2; Table 2 Key Issues & Risk Table

Documents In Members' Rooms

Background Documents

1. Brighton & Hove City Council - LDV Options - Stage 2 Report - September 2008
2. Cabinet Report – Agenda Item 75 – Brighton & Hove City Council – Local Delivery Vehicle 24th September 2008
3. Cabinet Report September 2009
4. Cabinet Report January 2010 - Brighton & Hove Seaside Community Homes Ltd – Funding options and consents

Appendix 1 – Options Table

No.	Option	Opportunity/Challenge	Impact
1.	Do Nothing	Demand remains the same – accommodation is supplied from private sector landlords Continued shortfall of supply Affordability risk of being unable to convert unsuitable and unpopular shared facilities Additional cost of keeping properties secure	Private sector landlord supply is diminishing – which results in pressure on existing availability for spaces. The increased demand therefore has to be met by using expensive and unsuitable B&B accommodation. Statutory target to move vulnerable families, from B&B within 6 weeks is at a higher risk of not being achieved. Increased spot purchase to procure B&B accommodation can be acquired but HB rent for this type of accommodation is lower. Gap in HRA 3 year business plan remains
2.	Fund Gap via Prudential Borrowing	Under the current subsidy regime this is unaffordable. However, following the implementation of self financing, borrowing is likely to become affordable, but this is subject to the final self financing proposals which have not been timetabled. Prudential Borrowing is also being considered to fund new housing development in keeping with the councils	Increased cost from the financing of borrowing. £4 - £6k additional cost for each £10k borrowed over a 15 to 25 year period respectively.

No.	Option	Opportunity/Challenge	Impact
		strategic aim of increasing housing supply	Use of PB to support the LDV project will limit the council's ability to fund other schemes that promote the council's housing strategy.
3.	Fund investment gap via LDV-private sector borrowing	Assists in meeting housing need/demand Brings back into use properties that are currently hard to let Property standards and quality are improved and meet decent homes standards Converts properties with shared facilities into suitable and popular self contained units of accommodation Supports the stabilisation of vulnerable households and provides a platform towards full social integration and the acquisition of permanent secure accommodation.	Project front funded by the council to be reimbursed at project close. Funds to be borne by the council in the event the project is closed down or is unable to be concluded A number of operational risks are borne by the company The council retains the freehold to property that is reinvested and improved which formerly was hard to let or were un-invested due to a shortage of funds

Appendix 2 - Risks

	Risk	Risk Mitigation	Council' s Original Risk Allocation	Brighton & Hove Seaside Community Homes Risk Allocation	Change/Revision
1.	Rent levels				
1.1	Rent collection – risk that rent is not received		Council – if appointed under management agreement, otherwise BHSCH	Council – if appointed under management agreement, otherwise BHSCH	No change
1.2	Rent collection where properties let direct by BHSCH at market levels	Risk mitigated by rent payment direct to BHSCH where special circumstances exist – direct payments are assessed individually	BHSCH	BHSCH	No change
1.3	LHA rate – risk that LHA rises by less than inflation	An analysis of LHA rates since 2004 indicates that LHA rates have increased in line with RPIX + ½% (as per the financial model).	BHSCH	Council	Change Agree via negotiation
2.	Demand – Risk that demand falls	Where cheaper accommodation was	Council	Council	No change

	Risk	Risk Mitigation	Council' s Original Risk Allocation	Brighton & Hove Seaside Community Homes Risk Allocation	Change/Revision
		being offered by another party the council would assess the feasibility of either ▪ Buying back properties and using cheaper accommodation with another provider, or ▪ Staying with BHSCH. There may be an opportunity to have a value for money provision in the agreement			
3.	Property allocation – Risk that less than 499 properties transfer to BHSCH:	Council has identified some 2,000 properties that would currently satisfy the criteria for lease to BHSCH where they become vacant. It is unlikely that 499 properties suitable for lease to BHSCH can not be identified.	Council	Council	No change

	Risk	Risk Mitigation	Council' s Original Risk Allocation	Brighton & Hove Seaside Community Homes Risk Allocation	Change/Revision
3.1	Where council fails to identify 499 properties		Council	Council	No change
3.2	Council identifies 499 properties but BHSCH rejects		Council if BHSCH can demonstrate properties are not "financially viable"; otherwise BHSCH	Council	No change
4.	Property mix – Risk that property mix varies from model and reduces income Where Council requirement does not match property mix	Nomination agreement provides for Council to place clients in BHSCH accommodation Linked to Demand risk	Council Council	Council Council	No change No change
5.	Voids – Risk that void levels are higher than anticipated	Council to manage nominations process efficiently	Council – at 6% and above (i.e. up to 94% of gross rent) Council / BHSCH to	Council – at 6% and above (i.e. up to 94% of gross rent) Council / BHSCH to	No change

	Risk	Risk Mitigation	Council' s Original Risk Allocation	Brighton & Hove Seaside Community Homes Risk Allocation	Change/Revision
			share equally financial gain where void levels fall below 6%	share equally financial gain where void levels fall below 6%	
6.	Bad debt – BHSCH own tenants – Risk that bad debts are higher than anticipated	Council has robust procedures in place to minimise bad debts	Council – at 3% and above Council / BHSCH will share equally financial gain where bad debt levels fall below 3%. Council will only accept risk if appointed under management agreement. If not, the risk of bad debs fall on BHSCH	Council – at 3% and above Council / BHSCH will share equally financial gain where bad debt levels fall below 3%. Council – Council will only accept risk if appointed under management agreement. If not, the risk of bad debts fall on BHSCH	No change
7.	Housing management – Risk of under-pricing and inflation higher than anticipated	Pricing based on management specification	Pricing – Council RPI – BHSCH	Pricing – Council RPI – Council	Change Pricing – Council CPI inflation indicator BHSCH –

	Risk	**Risk Mitigation**	**Council' s Original Risk Allocation**	**Brighton & Hove Seaside Community Homes Risk Allocation**	**Change/Revision**
8.	Reactive maintenance – Risk of under-pricing and inflation higher than anticipated		Council if appointed under management agreement; otherwise BHSCH	Council	No change
9	Planned/Cyclical maintenance – Flats – Risk that works are understated and increase by more than inflation	Sufficiency of fund to be reviewed every 5 years. Annual sum from BHSCH to be adjusted if insufficient funds available.	Structural – Council (BHSCH paying an annual sum) Non-structural – council (BHSCH paying an annual sum) RPI – BHSCH	Structural – Council (BHSCH paying an annual sum) Non-structural – Council (BHSCH paying an annual sum) RPI – Council	No change RPI – BHSCH
10.	Planned/cyclical maintenance – Houses – Risk that works are understated and increase by more than inflation	It is usual for a technical advisor to issue a planned works programme for the project properties. This profile, together with a look-forward reserve account, would be integrated into the financial model. In this case, this forecast is likely to be possible (or	Structural – BHSCH Non-structural – BHSCH RPI – BHSCH	Structural – Council Non-structural – Council RPI – Council	No change

	Risk	Risk Mitigation	Council' s Original Risk Allocation	Brighton & Hove Seaside Community Homes Risk Allocation	Change/Revision
		practical) only for the internal works.			
11.	BHSCH overheads – Risk that these are higher than anticipated	BHSCH board to put robust systems in place to regularly review operating costs	BHSCH	BHSCH	No change
12.	Interest on cash balances – Risk that investment returns are lower than anticipated	BHSCH to ensure cash balances are managed to minimise capital risk.	BHSCH	BHSCH	No change
13.	Tax – Risk that tax payments are higher than anticipated	Tax is minimised by operating as a charity with a VAT shelter put in place.	BHSCH	BHSCH	No change
14.	Insurance – Risk that insurance costs are higher than anticipated		BHSCH	Council	Revision BHSCH
15.	Surpluses – Risk that surpluses are not used effectively or become taxable	Funder may expect BHSCH to set aside surpluses to cover debt servicing costs in the	BHSCH	BHSCH	No change

	Risk	Risk Mitigation	Council' s Original Risk Allocation	Brighton & Hove Seaside Community Homes Risk Allocation	Change/Revision
		event BHSCH fails to achieve income levels. Surpluses above this requirement to be shared with the council.			
16.	Inflation Risk – Risk that inflation is higher than anticipated	Risk of inflation is with BHSCH. Inflation allowance included within financial model.	BHSCH	Council	Change BHSCH to be negotiated
17.	Refurbishment Cost		BHSCH	Council	Revision BHSCH