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## **MAXIMISE OUR ASSETS: PROJECT WYVERN (PHASE 1) BUSINESS CASE**

### **1 PURPOSE OF REPORT**

- 1.1 This report provides an update on Project Wyvern and presents a Business Case to progress Phase 1 (Nos. 19 and 53-57 South Street).
- 1.2 The report includes an options appraisal for the Project Wyvern Phase 1 sites and a business case to proceed to the next stage of development for these sites, subject to planning permission being granted.

### **2 BACKGROUND**

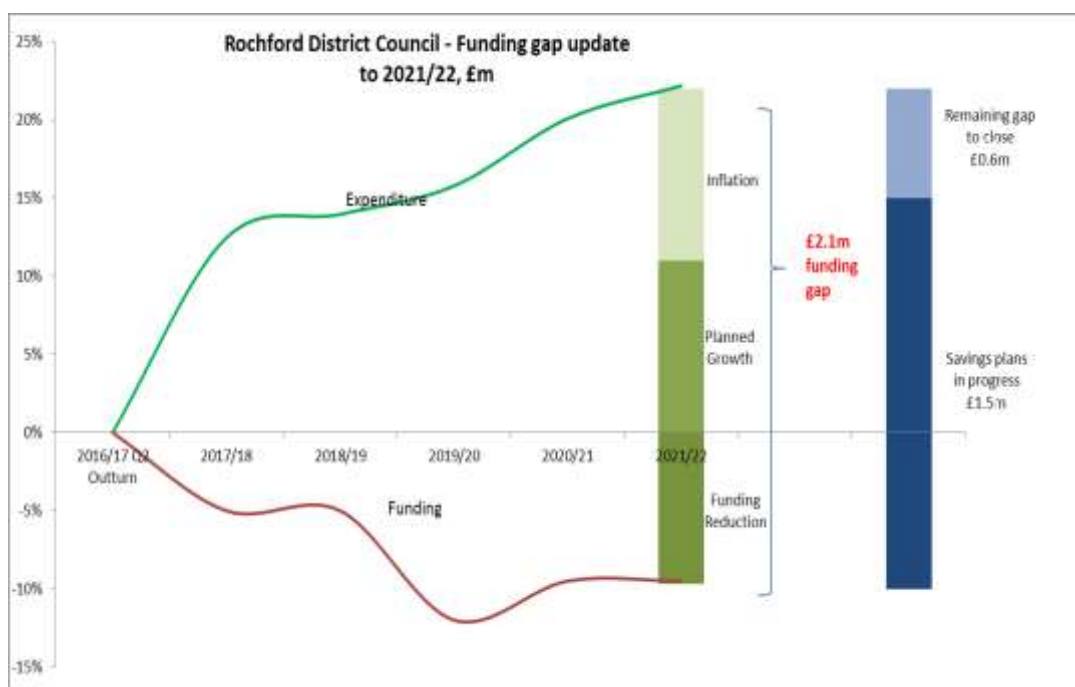
- 2.1 Members have received a number of reports and presentations regarding Project Wyvern. This project is split over two phases, phase 1 being Numbers 19 and 53-57 South Street.
- 2.2 This report considers Phase 1; a separate report will consider Phase 2.
- 2.3 As outlined in previous reports to the Investment Board (IB) project Wyvern is a key driver to deliver the Business Plan Objective to 'Maximise our Assets' and is part of the Council's strategy to become financially self sufficient.
- 2.4 The report to the IB in September 2016 stated that a further report would be presented after planning applications had been submitted.
- 2.5 A report to the IB in May 2017 set out the Council's Asset Strategy; Project Wyvern was identified in this report as one of the various asset projects to make a contribution to closing the identified financial gap.

#### **Strategic Context**

- 2.6 This project draws synergy with and responds to national, regional and local initiatives surrounding expected population growth and provision of housing. At a District level it also strives to address and deliver against the Council's Business Plan 2016-20 Objectives:-
  - Become Financially Self-Sufficient and
  - Maximise Our Assets

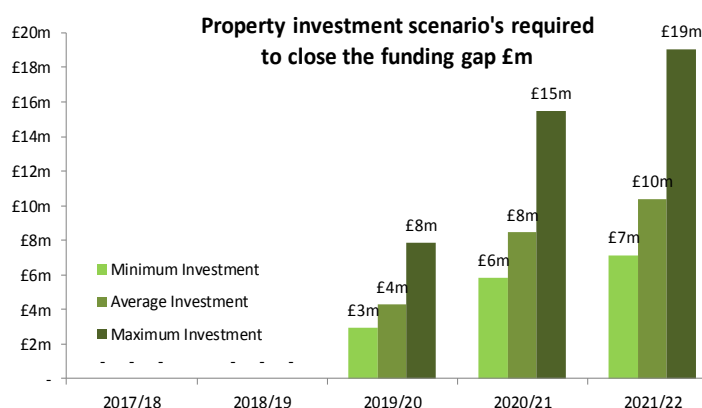
### **3 MEDIUM TERM FINANCIAL STRATEGY (FINANCIAL GAP)**

- 3.1 The Medium Term Financial Strategy (MTFS), as presented in February 2017 to Full Council, showed a £2.1m funding gap by 2021/22 prior to any savings plans being progressed in 2017/18 onwards.
- 3.2 The graph below shows the same MTFS position, but now with the higher certainty savings projects included (looking to save £1.5m annually by 2021/22) and thus a remaining gap to be closed of £0.6m.



3.3 This £0.6m can be met through two potential routes, (1) the fruition of Member ideas from the Away Day in October 2016 or, (2) through additional income via a property investment portfolio or property development, or more likely a combination of the two.

3.4 As an exercise, if the entire gap is to be closed by ongoing income from property (either, develop and rent, or acquisition and rent or even just property investment portfolios) then a gauge of the investment required and the time scales are shown below:



Financial Gap which could be address by Property investment return £	2017/18	2018/19	2019/20	2020/21	2021/22
	-	-	235,995	464,793	571,291

3.5 Therefore, with a modest 3% annual yield (which is a useful measure of the return the Council would be likely to receive compared, to say, a treasury management investment), the Council would be looking to invest circa £19m in property (in whatever combination as discussed above) by 2021/22. This drops considerably to £7m if the entire portfolio managed an annual yield of

8%, bearing in mind that these returns would have to be after borrowing costs had been factored in, which currently are running at circa 2-3%, meaning a £7m investment portfolio would have to generate a yield close to 10%-11% to close the gap, which is unlikely but not entirely unachievable.

- 3.6 Therefore, the middle ground would require an average investment level of £10m, with a 6% yield (after borrowing costs) which is achievable with a combination of lower yield developments and high yield property acquisitions / investment portfolios.
- 3.7 To put this into context, the Council's revenue budget for 2017/18 was £9m. The interest costs on a £19m loan would be at least £500,000 per annum, or circa 6% of our overall budget, hence the return needs to be healthy to cover the additional costs.

#### **4 SUMMARY OF OUTLINE BUSINESS CASE**

- 4.1 Project Wyvern Phase 1 is one of the major projects within the overarching Property Strategy programme which, once complete, will provide the Council with a new much needed source of income to partially close the remaining budget gap.
- 4.2 An outline Business Case was presented to Members in September 2016 highlighting the following:

<p><b>This section of the report is exempt.</b></p>
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#### **Royal Institute of British Architects (RIBA)**

- 4.3 When progressing schemes, Essex Housing (the Council's lead partner on the project) has adopted the recognised Royal Institute of British Architects (RIBA) Plan of Works 2013 stages as a 'framework' through a projects respective 'lifecycle' stages. This promotes and includes timely governance reviews at pertinent milestones to allow informed decisions to be made regarding progression and resources required to do so, thereby mitigating exposure to risk and reputation. In addition, a memorandum of understanding was entered into between the Council and Essex Housing.
- 4.4 Both sites have progressed through the following RIBA stages:-
- RIBA Stage 1: Preparation & Brief,
  - RIBA Stage 2: Concept Design, and,
  - RIBA Stage 3: Developed Design

#### **Progress Update**

- 4.5 The process of managed communication and consultation, which included formal preliminary enquiries (i.e. planning and consultee pre-application consultations) for each site to establish a better understanding of constraints

combined with due diligence, have informed the current scheme regeneration and development proposals and designs generally.

- 4.6 The latest revised solutions reflect communications and consultation feedback and as a result, the two sites will now have the potential of yielding a total of forty six (46) new homes in the Rochford town centre area. A range of tenures will be considered as part of the Final Business Case.
- 4.7 Both schemes have progressed utilising a Planning Performance Agreement to ensure deliverability against tight business schedules. As a result, both full planning applications were submitted on time.

### **Submitted Schemes**

#### **No. 19 South Street, Rochford**

- 4.8 The current proposals now seek full planning permission and listed building consent to provide thirty three (33) new apartments in total. Specifically, the proposals are to:
- Change the use of No.19 South Street from Council offices/commercial to residential, providing eight (8) apartments;
  - Demolish a wall along South Street to form a new access in between No's 15 and 17 South Street;
  - Construct two new buildings, to the rear of No.19 South Street (three and four storey) comprising, twenty (20) one bedroom, and, five (5) two bedroom flats; and
  - All with associated hard and soft landscaping and car parking.
- 4.9 An Economic Viability Assessment Toolkit Report was carried out to support the full planning application. It essentially suggests that the development could not accommodate any affordable housing, however, it is expected that the Council's Planning Team will seek to negotiate a contribution by way of a commuted sum towards off site affordable housing in accordance with policy H4.
- 4.10 A Full Planning Application (Ref: 17/00557/FUL) was submitted on the 2 June 2017, and registered on 29 June 2017. The associated Listed Building Consent Application (Ref: 17/00558/LBC) was also submitted and registered on the 2 June 2017. Both are currently out for consultation and pending consideration with a target decision date of 28 September 2017.
- 4.11 However, to support alignment with the Council's Asset Strategy Project timeline concerning the formation of a Development Local Authority Trading Company (LATCo) – both applications will be granted formal extensions of time to underpin the wider process and allow transfer of the site etc. before progression to Development Committee, anticipated to be November 2017.

- 4.12 Essex Housing has delivered this stage of the project within budget. The remaining balance will contribute to the next stage of scheme development – if progression is approved.

#### **No's 53-57 South Street**

- 4.13 The current proposals now seek full planning permission and listed building consent to provide thirteen (13) new apartments in total. Specifically, the proposals are to:
- Demolish the existing building (No. 57) and clear the existing site;
  - Construct a new building, comprising eleven (11) one bedroom and two (2) two bedroom flats; and
  - All with associated hard and soft landscaping and car parking.
- 4.14 The development falls below the Planning policy H4's threshold for the provision of affordable housing (i.e. 15 and above). Therefore, whilst no affordable homes would be provided under this policy there would still be negotiations regarding contributions towards infrastructure and services for the development.
- 4.15 A Full planning Application (Ref: 17/00530/FUL) was submitted on the 26 May 2017, and registered on the same date. At the time of writing, the application is currently out for consultation and pending consideration with a target decision date of 25 August 2017.
- 4.16 As previously mentioned, the application will be granted formal extensions of time to underpin the wider LATCo process and allow transfer of the site etc. before progression to Development Committee, anticipated to be November 2017. Again, Essex Housing has delivered this stage of the project within budget. The remaining balance will contribute to the next stage of scheme development if approved.

#### **Memorandum of Understanding**

- 4.17 A Memorandum of understanding (MOU) was presented to Members for consideration in January 2017 outlining the working relationship between the Council and Essex Housing and the timeline for delivery of this phase of the project. Essex Housing has successfully delivered this stage of the MOU.

#### **Spend to Date: No. 19**

<b>This section of the report is exempt.</b>
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## **5 PRE-PLANNING APPLICATION CONSULTATION**

- 5.1 Prior to the applications being submitted a presentation of the schemes was made to District and Parish Members and a public exhibition held over two

days at the Freight House, Rochford promoted via the Council's website, press releases and leaflet drops to residents living nearby the sites. Approximately 200 residents attended the exhibition with feedback forms being submitted to Essex Housing.

## 6 WYVERN – OPTIONS APPRAISAL

**This section of the report is exempt.**

## 7 HOUSING DEMOGRAPHICS

- 7.1 The demand for affordable housing within the District continues to increase month on month. There are 893 applicants on the Housing register as at 26 July 2017, of which 81 are homeless and in temporary accommodation, inclusive of emergency accommodation. The Council is currently paying an average of just under £3000 per night from our homeless budget to emergency accommodation providers for temporary accommodation. The delivery of new affordable homes remains very small and slow. The Council has had only a total of 19 new affordable properties since October 2015.
- 7.2 Affordability within the district private rental market is a concern as private sector rents continue to rise steadily and the Local Housing Allowance remains capped until 2020. The rental sector, including Housing Associations, makes up just over 14% of the tenure within the District. This makes accessing private housing very difficult for households on low to medium income, who cannot afford to purchase a property
- 7.3 Home ownership is largely unaffordable for first time buyers as house prices continue to rise, with 9.66% growth in the last year across the five South Essex authorities. The average price property in Rochford District is £275,000, the highest amongst these 5. The current average house price to earning ratio for Rochford District is 10.7:1. The lower quartile ratio is 12.8:1. The cost of buying an average 2 bedroom property with an 85% mortgage (assuming 2.34% mortgage rate) is currently £261 per week, which is 45% of average income.

### Appraisal Methodology

**This section of the report is exempt.**

## 8 BUSINESS CASE

- 8.1 The Council needs a business case in order to make a reasoned rational decision. The following is intended to provide a business case of the key considerations / requirements to enable the project to progress to the next stage of development. Further detailed financial appraisal would be considered at an appropriate point once more refined financial information emerged as part of the development process.

- 8.2 Each scheme has been subject to independent desktop financial feasibility studies along with scrutiny in terms of updated comparable market research and valuations.
- 8.3 The latest reconciliation of costs and values has, therefore, been used to underpin the financial modelling undertaken at this stage - to mitigate risk and understand and review current project status with regard to viability, financial performance and anticipated return on investment, thereby supporting any business case reports, options, and/or recommendations and providing up to date information for consideration, when decisions need to be made.

#### **Market Research and Analysis**

- 8.4 A market intelligence exercise has been carried out and valuations commissioned to collect and understand comparable open market rents and sale values (residential and commercial) thereby, allowing a reconciliation of rents to be determined and charged and likely income generated from any sales proceeds.
- 8.5 Estimated service charges and business plan financial parameters within associated discounted cash flow models (i.e. 'marginal' allowances such as: management, repairs, revenue and capital maintenance, bad debt, discount factor etc.) have also been established with finance colleagues to inform 'net' income and allow capitalised values to be established. As part of the process a sensitivity analysis has also been undertaken to ensure that any proposed affordable rents, when set against the relevant Local Housing Allowance applicable for the Broad Rental Market Area is 'affordable'. Most landlords would also normally carry out an 'affordability' check as part of any letting short listing process prior to viewings.

#### **Construction and Refurbishment Cost Budget Estimate**

- 8.6 Updated cost budget estimates have been carried out by our cost consultants (Randall's), to take account of the current proposed scheme utilising both (Building Cost Information Service (BCIS) index data and information from recent comparable tenders.

#### **Existing Use Value (EUV)/Current Use Value (CUV)**

- 8.7 As part of a wider market analysis, Savills establish the Existing Use Value (EUV)/Current Use Value (CUV) of a particular site, researching comparable residential and commercial valuations etc.
- 8.8 Understanding the EUV/CUV value can inform any business case being considered and, in itself, is an option (e.g. to do nothing), and/or, compare various other options and/or trigger recommendations for further investment being put forward for approval.

**Method of Delivery/Procurement Method/Approach**

- 8.9 Clarity will be sought regarding the preferred mechanism for delivery, one potential option would be to procure via a single stage tendering process which provides predictability of cost (i.e. fixed price contract) and mitigation of risk by transfer (i.e. contractor adopts and develops the design as part of the build contract).
- 8.10 However, clarity around associated procurement legislation will be sought – especially relating to compliance with OJEU procurement rules, having regard to value limits (i.e. Works and Services) as the works cost would seem to be close to these values. Clarity will also be sought on any issues regarding contract aggregation rules across the two schemes currently being considered as it is being proposed that these are not part of the same ‘work,’ or, ‘single requirement’, and/or, do not have any ‘interdependencies’ with each other.

**9 SUMMARY OF LATEST FINANCIAL POSITION**

<b>This section of the report is exempt.</b>
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**Risks**

- 9.1 As with any investment, asset values can decrease as well as increase. A review of benchmark information over the last 15 years illustrates that there are years of capital and income decreases as well as growth. However, the evidence over the long term in recent years, is one of capital and income growth. This is not simply a national benchmark but has been a key component of Essex County Council’s Pension Fund.
- 9.2 This type of project should not be considered a risk free investment, as the nature of the property market over the short to medium term can be volatile with returns fluctuating. A significant and material decrease in an asset value could potentially impact the revenue budget and balance sheet through the deterioration of asset values, as could falls in rental yield or voids. However the margin between the gross income yield and cost is sufficient to mitigate some volatility. If there was a catastrophic collapse of the UK property market, then the Council would still own the asset but, more fundamentally, any such collapse would cause a significant issue to all local government finances, tax revenues and services.
- 9.3 Any form of rental income would equally have an element of risk, due to voids, property management and maintenance. These have been considered within the ongoing Medium Term Financial Strategy (MTFS) impact of the rental income and would be operationally managed by a partner which the Council would appoint prior to completion of the sites.
- 9.4 The potential of Brexit clearly represents a risk to the performance of any property portfolio; at this point there is no detail known of the terms of Brexit or the implications for the economy. The margins on the cost versus rental



income are sufficient to accommodate volatility in rental income, but there could of course be ramifications for asset values. Those asset values could go up as well as down as a result of Brexit. However, the proposal is that of a long term outlook: the fundamentals of UK market supply and demand and current low long term fixed interest rates mean that the sector remains an attractive long term investment, and source for new income.

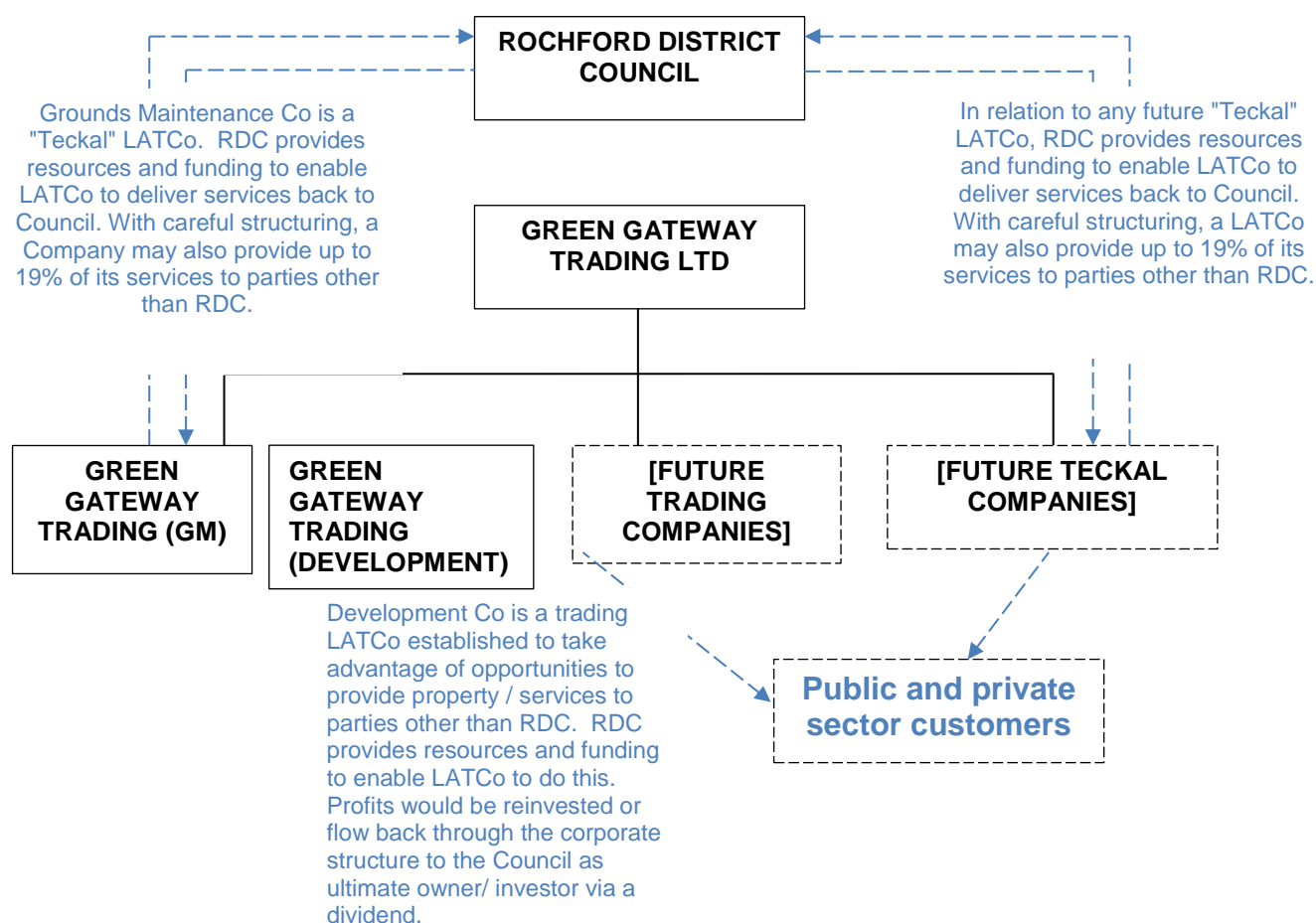
- 9.5 The inclusion of structural void (at an assumed 5 %) within the modelling means that the Council would be protected against periods of non-rental to achieve the MTFS target. However there would have to be around a 53% reduction across all rental income for the total portfolio to not cover costs. As mentioned in paragraph 9.37 such a fundamental property market collapse would signal far greater economic issues for the Council than this rental income.
- 9.6 By directly investing in property the Council becomes liable for the asset. This means that it reaps any reward from the increase in property values but suffers any loss if the value of the asset diminishes. The asset value can diminish as a result of changes to market conditions, or as a result of failure to invest (such as capital expenditure) or as a result of a catastrophic incident (such as a fire). Such an event can give rise to claims for compensation as well as a loss of the asset. It is, therefore, extremely important to ensure that the Council has appropriate insurance arrangements in place.

### **Project Management**

- 9.7 Essex Housing has provided a Project Management Function to progress the site from concept to submission of planning. Project Management has been included within the fees to progress to the next detailed technical design stage (RIBA) 4. This will ensure the Council benefits from professional expert project management in order to progress the project.
- 9.8 A further report to the Investment Board will consider the options for engaging the services of further dedicated project management resource to provide oversight of the work of Essex Housing should the project progress.

## **10 LATCO**

- 10.1 The Council is in the process of establishing a Development LATCo (GGT: Development) to sit within the existing group company structure. This was agreed by Members at the Investment Board in May 2017 and subsequently recommended to and approved by the Executive on 26 July 2017. The diagram below sets out the structure and governance arrangements:



- 10.2 Detailed governance arrangements will be established for the new LATCo, similar to the existing arrangements for Green Gateway Trading (GM) Ltd.
- 10.3 Shareholder governance is essential in order to ensure that the Council, who is the ultimate 100% shareholder, has appropriate control of the LATCo. It is proposed that, once established, the LATCo's Board will develop and approve an annual and 5 year Business Plan so that it meets the Council's agreed general investment targets and associated budgets. The LATCo will also report to shareholders at appropriate intervals.
- 10.4 The corporate and resourcing relationships between the Council and its subsidiaries from time to time are governed at a high level by four documents:-
- 10.5 A Shareholder Agreement setting out the more "commercial" elements of the corporate relationship between the Council and a given subsidiary, including how decisions are made, the matters reserved to the Council as ultimate owner of the group, how profits are treated, funding, information rights and other Council controls, and termination. The new subsidiary because it will be established after the original Agreement was signed would undertake to adhere to its terms by way of a deed of adherence, thereby creating a more unified governance structure across the corporate group.

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- 10.6 Articles of Association for each subsidiary (where structured as a company) are a requirement from a corporate law perspective and set out the more "administrative" provisions in the Council/subsidiary relationship and need to dovetail with the Shareholder Agreement.
- 10.7 A Resourcing Contract setting out how a subsidiary would "call down" support from the Council when required. As with the Shareholder Agreement, the new subsidiary, because it will be established after the original Resourcing Contract was signed, would undertake to adhere to its terms by way of a deed of adherence, thereby aligning the way in which the Council enables each subsidiary to operate. The nature of the resourcing (for example, physical assets, property, IPR, personnel) needs to be priced in a way which complies with state aid principles.
- 10.8 A Funding Agreement setting out how the Council would fund a subsidiary, to the extent the Council is not investing by way of equity subscription and/or third party debt is not sought. In any case, the funding arrangements would be agreed for each subsidiary on appropriate terms which are state aid compliant.
- 10.9 These relationships provide a structure by which the group is governed. Within that structure, each subsidiary would have an agreed business plan setting out what its purpose and immediate goals are. A business plan would also consider the nature and level of required Council resources as well as any external resources and funding. Where services are being provided to the Council, these would be governed by a Services Agreement between the relevant subsidiary and the Council. This would set out what the subsidiary was providing to the Council, what the Council was paying, how performance would be measured and the implications for non-performance.

## **11 LAND TRANSFER**

- 11.1 The transfer of land from the Council to the LATCo would be a disposal under section 123 of the Local Government Act 1972 (or section 32 of the Housing Act 1985 if it is housing land). The Council must dispose of land for the best consideration that can reasonably be obtained. Land disposals therefore must be at open market value. The Council will achieve this by obtaining an independent valuation of the sites.
- 11.2 The timing of the land transfer to the LATCo would need to be carefully considered as any transfer of land must be at an agreed valuation, in line with State Aid rules and to comply with best consideration requirements. An independent valuation would take into account potential future development of the sites prior to the grant of planning permission. However, once planning has been achieved, then the value would have gone up and thus the amount of Stamp Duty Land Tax (SDLT) would increase.
- 11.3 The land for the sites will need to be purchased by the LATCo using funds loaned to it by the Council at commercial rates and terms. This will have to

include the stamp duty cost of transfer, this is likely to be around £25,000 depending on the final valuation.

- 11.4 The land could be used as security against the loan by placing a charge on the land.
- 11.5 As the land would be transferred prior to development, the building at No.19 can continue to be used as office space by Council Staff. However, this will be under a lease or licence with the LATCO as Landlord. The usual associated risks surrounding occupied property and damage would be minimal due to the fact that the Council would be the tenant.

## 12 RIGHT TO BUY

- 12.1 The 'Right to Buy' is a right given to secure tenants of Council-owned properties under the Housing Act 1985. In order to establish a Right to Buy (RTB) there are two conditions to be satisfied; the interest of the landlord must belong to an authority or body listed within the Act (landlord condition) and the tenant must have held their tenancy for 3 years (tenant condition). The Council meets the landlord condition. However, a LATCo does not fall within this definition. Therefore, RTB does not apply to tenants of properties owned by a LATCo. However, concern has been raised by paragraph 3.28 of the Government White Paper: Fixing Our Broken Housing Market published in February 2017. This states as follows:-
- 12.2 "Increasingly and across the country local authorities are using innovative new models to get homes built in their area. There are a number of good examples of Local Development Corporations, local housing companies and/or joint venture models building mixed sites, which include new market housing for sale or private rent, as well as affordable housing. We welcome innovations like these, and want more local authorities to get building. To that end we will seek to address the issues that hold them back. However, we want to see tenants that local authorities place in new affordable properties offered equivalent terms to those in council housing, including a right to buy their home."

## 13 STATE AID

- 13.1 Any provision of resources from the Council to the LATCo must not fall foul of State Aid. For State Aid to arise the following five tests must be satisfied:
- It is a measure granted by the State or through State resources;
  - It confers an advantage on the recipient;
  - It favours undertakings engaged in economic activity or the production of certain goods;
  - It distorts or has the potential to distort competition; and

- It relates to an activity that is tradable between Member States and the aid has potential to effect trade.

13.2 Any assistance, whether it be financial or services in kind, will trigger State Aid concerns. Loans under market terms for assistance would not fall foul of State Aid rules if the terms are commensurate with general commercial terms and interest rates set by the Commission. Alternative options are available to consider but specialist advice would need to be sought.

#### **14 TIMELINE**

14.1 A high level timeline has been drafted indicating the major milestones of the project. See timeline at Appendix 4.

#### **15 RISK IMPLICATIONS**

15.1 A risk register has been developed; risk is regularly reviewed as part of the project planning. Refer to Appendix 5.

#### **16 ENVIRONMENTAL IMPLICATIONS**

16.1 Development projects inherently have environmental implications; these will be addressed through the normal planning process.

#### **17 LEGAL IMPLICATIONS**

17.1 The Legal implications are set out in the body of the report.

#### **18 PARISH IMPLICATIONS**

18.1 The affected Parish Council's will be consulted as per normal planning protocol.

#### **19 RECOMMENDATION**

19.1 It is proposed that the Board:

##### **RECOMMENDS** to The Executive

- (1) That the work to progress the Wyvern phase 1 sites (No's 19 and 53-57 South Street), Rochford be noted.
- (2) That, subject to planning permission being granted, the draw down of up to £20,000 from the Hard/Soft infrastructure reserve for specialist Legal / Tax work be approved with authority to apply the monies as appropriate delegated to the Assistant Director, Legal Services.
- (3) That the transfer of 19 South Street and 53-57 South Street to the Development LATCo at the currently held asset value as soon as practicable be approved, subject to appropriate legal and tax advice and

that authority be delegated to the Assistant Director, Legal Services to action this decision.

- (4) That expenditure of up to £25,000 be committed for Stamp Duty Land Tax, drawn down from the Hard/Soft Infrastructure reserve. The final figure to be determined by the valuation of the land with authority to approve delegated to the Section 151 Officer subject to expenditure being within this upper limit.
- (5) That pending planning permission being granted and the outcome of the tender process a further report be presented to the Investment Board with regard to final use of the buildings and full funding of the project.

**RECOMMENDS** to Full Council

**(6) This recommendation is exempt.**

- (7) That authority to approve loans as appropriate to Green Gateway trading (Development) Ltd (LATCo), at the appropriate rate and terms, be delegated to the Section 151 Officer in consultation with the Chairman and Vice Chairman of the Investment Board.



Matthew Harwood-White  
Assistant Director, Commercial Services



Rob Manning  
Section 151 Officer

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### Background Papers:-

None.

For further information please contact Matthew Harwood-White (Assistant Director, Commercial Services) or Robert Manning (Section 151 Officer) on:-

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If you would like this report in large print, Braille or another language please contact 01702 318111.

Table of “Pros & Cons” of the Various Options

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**Options appraisal criteria and assessment**

**This section of the report is exempt.**



**ASSUMPTIONS (appendix)**

**This section of the report is exempt.**

**TIMELINE**

Indicative time line of key stages to delivery

This section of the report is exempt.

**Risk register**

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Rating</b>	<b>Controls</b>
Failure to set up trading arrangement in strict compliance with legislation	1	3	Low	Extensive consultation with other authorities and, appropriate, external advice on governance arrangements.
Possibility of trading ultra vires	2	3	Medium	Every new trading activity via the LATCo to consider statutory obligations.
Possibility of challenge of state aid	2	3	Medium	Obtain full cost recovery and any loan given to the LATCo to be set at commercial lending rates.
Possibility of conflicts of interest arising for members or officers as Directors	3	2	Low	Recommendation not to have Members on the Board to remove the possibility of conflicts of interest. Officers to abide by the Code of Conduct for Employees.
Failure to arrange adequate insurance cover for the LATCo's liabilities/assets	2	4	Medium	Ensure Insurer for the LATCo is kept up to date with any new areas of trading activity.
Failure to comply with taxation laws – corporation tax & vat	3	3	Medium	Advice given by PS Tax in relation to taxation generally.
Trading LATCo failure	2	3	Medium	Market testing and valuations to be obtained and implementations of tight budgetary controls.
Conflict of interest over workload priorities of Council and LATCo projects	4	2	Medium	Effective resource planning and compliance with Corporate Plan. Non-executive Directors on board.
Challenge from	3	2	Low	Follow CIPFA Code of

Risk	Likelihood	Impact	Rating	Controls
Council's Auditors				Practice on LA Accounting. All transactions applicable to the LATCo can be identified using unique transaction records and coding structures.
Lack of capacity to manage additional work	4	2	Medium	Careful programming of staff resources.
Contractual disputes	1	3	Low	RDC's in house legal section to be employed to check all contracts before they are entered into.
Changing market conditions	2	3	Medium	EH monitoring market on fortnightly basis.
New area of work for RDC	5	3	High	Expert advisors and member advisory groups being used to manage project effectively.
Unfavourable public reaction to development proposals	4	3	Medium	Consultations and public exhibitions/roadshows being arranged.
Difficulties in gaining planning consent or possible planning restrictions	2	4	Medium	Consultations and public exhibitions/roadshows being arranged.
Unable to raise relevant investment funding	2	4	Medium	Providing the LA acts prudently and lawfully and complies with PWLB requirements.
Political or Government intervention	2	3	Medium	Member briefings and Government policy watch.

<b>Risk</b>	<b>Likelihood</b>	<b>Impact</b>	<b>Rating</b>	<b>Controls</b>
Non-compliance with affordable homes policy	5	4	High	Consultations with the Local Planning Authority.
Potential “Right to Buy” issues	2	3	Medium	Appropriate legal structures.
Project plan still evolving	5	3	High	Continual Risk evaluation.
Protected Species found on site	3	3	Medium	Ecological Study to be undertaken as part of detailed design and planning phase.
Cost tenders exceed Cost Plan	2	2	Medium	Memorandum of Understanding – Fixed Cost.