

**Business Case for the establishment of a Wholly Owned Company
(WOC) to deliver Housing Investment Proposals for Telford & Wrekin
Council**

January 2015

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1. Executive Summary

This Business Case sets out the proposals for Telford & Wrekin Council to establish a Wholly Owned General Fund Special Purpose Housing Company (“WOC”) limited by shares to develop new homes to meet the Council’s regeneration and growth objectives. The company will operate as a business and, accordingly, this Business Case sets out:

- (a) the objectives of the business;
- (b) the investment and other resources required to achieve those objectives;
- (c) any risks the business might face and how significant these risks are; and
- (d) the expected financial results of the business, together with any other relevant outcomes that the business is expected to achieve.

The establishment of the WOC will enable Telford & Wrekin Council to procure the construction and management of private rent and affordable rent homes responding to the housing needs in the Borough. Approximately 425 houses and apartments will be constructed on up to 8 sites initially. The WOC will create a number of jobs during the construction and operational phase, stimulating economic growth and regeneration opportunity.

The principal purpose behind the establishment of the WOC is the provision of housing and the wider associated social, economic and environmental benefits flowing from this. Based on the financial viability work undertaken to date, the WOC is anticipated to deliver a return on the investment. The income and capital growth generated can be reinvested in delivering Council services.

The WOC will construct, operate and maintain the housing units for the life of the project reporting to the Council as the sole shareholder. The apartments within Southwater will offer a concept that will be new to Telford by creating town centre living. The remainder of the properties will offer resident’s high quality rented accommodation aiming to raise standards within the rental sector.

To facilitate the building of the assets, the Council is likely to prudentially borrow from the Public Works Loan Board (“PWLB”), unless an alternative which is more financially viable to the Council is identified, in order to finance the WOC’s construction activities. This Business Case therefore also enables the Council to determine whether or not the requisite investment of up to £52.6m should be made, comprising of an estimated total construction value of £48.5m and Council owned land at a value of £4.1m.

A robust governance structure will be implemented within the WOC which will consist of three Directors, with clear lines of reporting and monitoring procedures established through to the Council’s Cabinet. It is anticipated the WOC will contract its services (e.g. letting, maintenance) from the Council utilising existing resources where possible. A Project Board has already been established which is made up of Council Officers and elected Members and the terms of reference and decision making responsibility will be refined and finalised with approval from Cabinet to give the Project Board a more defined role in this project.

This Business Case establishes the fine detail, building on the viability work that has been completed and reported to Full Council in September 2014. It sets out the context of the project, the Council’s vision and the proposed Governance arrangements. It demonstrates the legal frameworks that the Company will operate within and that the proposals meet with legal and financial requirements.

The content of this Business Case has been prepared having regard to guidance issued by the Secretary of State under Section 96 of the Local Government Act 2003.

2. Background

Telford & Wrekin Council is delivering an ambitious growth agenda which has seen major investment in Telford in support of the Council's vision. This has made the Borough one of the fastest growing areas in the West Midlands and recognised as a national growth point. Key to delivering this agenda is:

- a) to provide the right quality homes;
- b) to provide places to live; and
- c) to improve the attractiveness of Telford to inward investors.

To continue this investment, the Council has recognised that it can influence and support economic regeneration by promoting housing investment using stalled and brownfield sites that it currently owns and therefore embarked on the Property & Housing Investment Programme ("HIP").

As part of the viability the Council commissioned Savills to undertake extensive research on the national, regional and Telford housing market. This information focused on the rental market sector and has been used to underpin and establish the Housing Investment Programme assumptions. The key objectives of the research were:

- d) Segment the market in terms of the structure of local demand classifying the type of demand in the market in terms of socio demographic and economic characteristics such as household type / size, income profile and reliance on housing benefit;
- e) Identify typical rents, capital values and yields for different types and sizes of properties in the Telford & Wrekin market;
- f) Assess the type and size of units most appropriate to locations based on the current profile of stock available in the market;
- g) Identify historic rates of capital growth for new and second hand properties;
- h) Examine the future supply pipeline in each location to assess future competition and produce local market forecasts for rents and capital values;
- i) Identify the appropriate mix of units for each site based on the current shape of demand to avoid potential over-supply which might impact on let up rates, void rates and rent levels.
- j) Provide research based site specific recommendations on an appropriate mix of units, achievable rental values and likely market absorption of PRS units on the sites, taking into account the overall build programme.

This research has shown that the number of households in the market rented sector increased by 63% nationally and by 68% in the West Midlands between 2001 and 2011. In Telford & Wrekin the market has effectively doubled from 5,839 to 10,793 households. The market rented sector has grown at a much faster pace in Telford & Wrekin than any other tenure; households have migrated from other tenures as well as new forming households.

In addition to assisting in the solution of a growing private rental market, the programme will create a number of jobs during the construction phase stimulating economic growth. During the operational stage of the project, the programme will deliver income and capital growth for the Council generating funding for the protection of frontline services which may have otherwise been affected by budgetary constraints. The WOC will also "buy in" services from the Council utilising existing staff to deliver its services as it will not directly employ staff itself.

Other Councils embarking on similar initiatives and private rental landlords which operate similar schemes have been contacted and visited throughout the viability phase of this work in order to help gain market knowledge and to inform this Business Case.

3. Summary of Proposals

3.1 The Business Idea

The main objective of the company will initially be to develop and deliver approximately 425 private and affordable rental houses. There is an option to deliver additional sites through the WOC in the future should the opportunity arise, however a further business plan for each site would be required, and would need to be approved by the Council and Cabinet.

The WOC set up by the Council to deliver the HIP will be 100% owned by the Council who will transfer the freehold of the land to the WOC in return for shares (as two separate transactions); security will also be taken to protect the Council's investment.

Funding for the WOC is likely to be made available from the Council via the use of borrowing from the Public Works Loan Board ("PWLB"), unless an improved position can be obtained from an alternative source which is more financially viable to the Council, the funding will be 'on lent' at a commercially comparable rate to construct the houses. This commercial rate is necessary to address state aid requirements. The WOC will then construct and rent the homes out, using the rental income to fund the interest repayments to the Council, undertake repair and maintenance and manage the property portfolio.

The WOC will borrow from the Council on an interest only basis on the assumption that housing is an appreciating asset. The WOC is expected to have a life of 30 years when the assumption is the assets will be disposed of for a capital receipt to repay the loan to the Council (which will remain for the life of the project due to it being interest only). Dependent on market conditions, alternate options could include partial disposal or refinance of the appreciating assets. Should an early exit strategy be developed (e.g. because there is a good business reason to part with the assets) this would form part of the Business Planning process and be reported through the governance structure.

Any net surpluses, after the servicing of interest by the WOC, generated throughout the project from rental income or disposal of assets will generate a return to the Council as part of its equity investment. The project received Full Council approval in September 2014.

3.2 What makes the business different?

There are a number of competitors within Telford offering private rental property however the WOC will aim to compete against these by raising the quality of the sector.

The private rental market within Telford is of mixed quality and research has identified that the rental market is an increasing sector within Telford. The WOC will provide high quality private market rented homes which are maintained to a high standard. Although the WOC will act as a company in its own right, it will give tenants the comfort that it is backed by Telford & Wrekin Council, which is a Co-operative Council and will work together with its residents, partners and local organisations to collectively deliver the best they can for Telford & Wrekin. The WOC will aim to be the best landlord within the local market.

4. Strategic Case

The borough is located in the West Midlands, on the borders of Staffordshire and Shropshire, 30 miles west of Birmingham and 15 miles east of Shrewsbury. The M54 motorway which runs through Telford links to the M6 and M5 motorways establishing Telford's position as an important economic growth hub within the West Midlands. The Borough is connected to the national rail network and is less than forty minutes to Birmingham International Airport.

A key priority of Telford & Wrekin Council's Medium Term Plan for 2013/14 to 2015/16 is to *"...protect and create jobs as a Business Supporting, Business Winning Council"*.

This means working co-operatively with local people, organisations and partners in the public, private and third sectors to support existing businesses and to attract new businesses and investment into the Borough in order to create jobs and provide a quality housing provision is a key part of this strategy.

The National Planning Policy Framework requires that the Council *"...plan for a mix of housing based on current and future demographic trends, market trends and the needs of different groups in the community"* and the plan should *"...identify the size, type, tenure and range of housing that is required"* which this programme aims to deliver.

The economic recession has reduced the availability of mortgage finance and falling or constrained incomes has meant that for many, especially first time buyers, the difficulty of being able to purchase a property has increased. In Telford & Wrekin, the affordability issue for first time buyers is particularly acute. The size of the deposit required to purchase the average property has risen from circa £12,000 in 2007 to over £19,000 at present. Therefore although average incomes could support mortgage repayments, the size of the deposit is preventing large numbers of households from entering the owner occupier market.

With the population of Telford predicted to rise to over 200,000, the demand for new housing and the limited availability of mortgage offers, the opportunity for growth within the private rental sector looks set to continue.

5. The Economic Case

5.1 Options Analysis of Delivery Route

As part of the Full Business Case a number of funding and delivery structures were investigated which had the potential to deliver the Council's project objectives. These were reported to Cabinet as part of the Full Council approval and have been examined by the Project Team whilst applying knowledge and best practice from similar projects developed by other Local Authorities and taking legal and financial advice.

The WOC has emerged as the most appropriate method of delivering the project and, whilst each of the other options have their merits in delivering housing investment, each has a particular weakness which reduces its appeal for the Council. The WOC offers less potential to share risk than the other options which involve a private sector partner however the advantages regarding the flexibility outweigh this.

Details of the governance and legal considerations for the WOC route as the delivery vehicle are given in the Legal Considerations (Section 8).

The WOC will be an organisation (see section 8.6 Company Structure) utilising existing resource where possible from within the Council to undertake the management of the property portfolio, charging the WOC for its services at a commercial level. This has been incorporated within the

financial modelling and will utilise existing staff resources within the Council, supporting the base budget position.

5.2 The Sites

A number of sites have been identified that are in the Council's ownership which are suitable for inclusion within the Property & Housing Investment Programme. The considerations for the selection have been based on a number of criteria which include both the financial, economic and regeneration benefits.

Table 1 – Sites Included as part of Business Case

Site	Development Type	Description
Southwater (Apartments) including retail and associated car parking	Mixed use development	115 Apartments with associated car parking, double height retail units on the ground floor, (which will be sold to the Council's Property Investment Portfolio)
Hollinswood	Housing Development	12 market rental / 32 affordable rental units
Randlay (lorry park)	Housing Development	31 market rental units
Woodlands (former Woodland Primary School)	Housing Development	101 market rental units
Madeley Court (former Madeley Court and Leisure site)	Housing Development	50 market rental housing units
Newport, Springfields	Housing Development	29 affordable rental units
Matlock Avenue, Malinslee (former Malinslee Primary School)	Housing Development	30 market rental units (first stage of development)
Wildwood, Woodside	Housing Development	25 affordable rental units

6. The Commercial Case

The rationale for setting up a WOC has both legal considerations (i.e. the requirement to set up a separate company when trading) and commercial considerations. The legal considerations were fully considered as part of the option analysis approved by Cabinet and Full Council. This section therefore analyses the commercial considerations for the programme.

6.1 The Delivery Vehicle

The key consideration for the formation of a delivery vehicle is to create a legally sound structure for the Council to stimulate economic growth and regeneration through the delivery of new housing on Council owned assets. There is a statutory requirement for the Council to establish a separate company to operate in the ways required to deliver the project.

6.2 The Funding Route

As part of the investigation of the available options a number of different funding routes for the project have been investigated. This has demonstrated that the private investment route is not the most financially viable long term funding route and has disadvantages when compared to other options that are available, the main ones being the limited control over the estate, the step-in rights and power of the private investor and the borrowing profile of a bond financed route which, if linked to inflation over the life of the borrowing, would prove to be uneconomical in the latter years of the project.

The two main options considered have included the raising of external finance (linked to movements in RPI), and the drawdown of PWLB funding. The advantages and disadvantages of each route have been appraised internally in addition to drawing on the expertise of external financial and legal advisors. The appraisal has supported the use of PWLB finance on the basis that the use of this finance will enable the Council to deliver the programme in a flexible way whilst maintaining control of the overall estate. Furthermore, the use of fixed rate PWLB financing, which is not linked to RPI, reduces the risk of future interest rate movements which may adversely affect the financial viability of the WOC (and consequently the returns to the Council).

6.3 Telford Private Rental Market

The Council commissioned Savills in November 2013 to undertake a comprehensive analysis of the national housing market and the Telford housing market. The report concluded that the rental market in Telford had effectively doubled in the period between 2001 and 2011 and now represents circa 10,793 households. This makes the rented sector within Telford the fastest growing sector. Looking at this market share, 2 and 3 bedroom homes have seen the strongest growth, with Telford having a larger family market than the West Midlands average.

Affordability pressures restricting new buyers into the housing market and mortgage restrictions have pushed more houses into the “other” category. Savills’s have interpreted this into the category of “household sharers “, which are made up of students or young working households.

Regarding the tenure mix, there has been a rent reduction in 1 and 4 bedroom properties with the biggest growth in the 2 and 3 bedroom properties. This clearly indicates 2 & 3 bedroom units as the preference for the programme.

The rental levels have been set in accordance with advice from external consultants and market research and are included within the financial models for the sites.

7. The Financial Case

To enable full viability assessments to be conducted and this Business Case to be prepared and finalised, extensive financial modelling work has been performed in consultation with sector specialists and financial advisors. The modelling has been led by a group of senior officers supported by external advisors. PricewaterhouseCoopers LLP (PWC) have been engaged to provide commercial and financial advice on the programme, to include consideration of the taxation related advice, in consultation with external legal advisors.

Model inputs have been interrogated and confirmed by the following advisors:

- a) Savills – rental values, lettings phasing, benchmarking of operating costs of private rented estate; and
- b) MACE – construction cost analysis, maintenance charges and procurement.

The analysis has involved extensive financial modelling of the project cashflows to ensure that optimisation of project returns is achieved and risks have been properly identified and quantified.

The results of the modelling have supported the decision to establish a wholly owned General Fund Special Purpose Housing Company to develop new homes on Council owned land. The Council will invest in the WOC by transferring land from its General Fund in return for shares in the WOC. This will be considered as two transactions occurring simultaneously as shown in 8.6 Company Structure:

- a) The Council purchases shares in the WOC, and
- b) The Council disposes of the land and receives cash proceeds

It is also important to note that the Council will take security over the WOC's assets (specifically the land) to protect its investment.

The WOC will not take ownership of the land where the apartments are constructed above the retail unit developments in Southwater, but will instead agree to lease from the Council the appropriate roof space. The WOC will own and manage the residential development sited above the retail units.

The key commercial aspects of the project are reflected in the modelling as follows:

- a) The Council is likely to prudentially borrow from the Public works Loan Board (PWLB) in order to finance the WOC's development / construction activities (PWLB Loan). The financing of the WOC activities has been structured (in conjunction with external professional advisors) as a mix of loan finance (WOC Loan) and cash equity in order to optimise the equity returns generated by the WOC and to broadly match the capital structure of a typical private sector developer.
- b) The WOC will access funding through the Council's General Fund (GF), likely to be prudentially borrowed and provided to the WOC through a mixture of debt and equity.
- c) In order to ensure the commercial structure is state aid compliant, the General Fund will be required to include a margin over the PWLB interest rate when pricing the WOC loan.
- d) The Council will invest in the WOC by transferring land from its General Fund in return for shares in the WOC, as part of a two stages transaction referred to above. The WOC will be constituted as a company limited by shares in which the Council will own the entire share capital.
- e) The Council will also grant an operating lease (for the land on which the apartments are sited) to the WOC for the apartments in Southwater, above the retail units managed by the Council's property investment portfolio. The land upon which the retail units and apartments are sited remains in the ownership of the Council.
- f) The servicing of the WOC loan is achieved through the generation of net rental income and the receipts arising from the sale of the properties by the WOC at the end of the 30 year period. The WOC will rent the houses out in order to repay the debt interest.
- g) Net rental income after operating costs will be used to repay interest and the surplus will be returned to the Council as dividend on equity investment, (note that in the early years net rents are insufficient to pay interest, so interest is rolled up).
- h) The WOC will act as an investment company, retaining the properties developed by the WOC for letting under new tenures at affordable and private rents and outside the Right to Buy provisions.
- i) Repayment of the General Fund loan finance is met by the sale of the properties at the end of the investment period, which is assumed to be 30 years.
- j) The WOC will be consolidated into the Council's accounts, Group accounts will have to be prepared for this purpose. The WOC will be recognised as a debtor and fixed asset investment within the Council's accounts.

The key financial assumptions underlying the housing element of the programme modelling are shown in the table 2. The financial assumptions are based on information provided by property and financial consultants utilising industry benchmarking and data.

Table 2 - Programme Assumptions

Activity	Viability Outcome
Funding rate	PWLB, financing, on-lent to the WOC at a margin, in order to mitigate a State Aid challenge.
PWLB Funding rate/term	30 years, interest only, 3.96% (PWLB 30 year rates at 11 December 3.64%)
WOC Funding rate	30 years, 5.69% interest only.
Land cost	Based upon independent valuations
Construction costs	Based upon tender prices as received and applied to the entire programme.
Rents/ letting profile	Rents are based upon current market rents, uplifted to the letting date and then uplifted at 1.5% per annum Letting profile is based upon industry advice received and benchmark data.
Tenure mix	As per individual site numbers, determined in accordance with market information and to maximise the return.
Annual maintenance/ operating costs	Management, maintenance, client management and lifecycle costs reflect analysis of Council costs and benchmarked data, uplifted at 2.0% per annum.
Void Rate/ Bad debts	5% of gross rental per annum. Based upon benchmark information.
Management fee	9% of gross rental income per annum. Based upon benchmark information.
Client Management costs	5% of gross rental income per annum, to reflect costs associated with increased central support services
Maintenance charge	£10 per sqm per annum. (RPI indexed). Based upon benchmark information.
WOC operating costs	3% of gross rental income per annum, based upon benchmark data.
House Price inflation	2.0% per annum.

The key input and calculation assumptions contained within the modelling relating to the General Fund are:

- a) Any net positive cashflows arising from rental income generated by the WOC in the first 3 years are recycled to fund construction where possible
- b) During the period when the WOC is constructing properties it is assumed, from a cashflow perspective, that interest on the WOC's loan will be rolled up and added to the overall debt balance to be repaid. It is assumed that interest is paid by the WOC when construction is complete
- c) The loan from the General Fund to the WOC is repaid when all the properties are disposed
- d) Distributions from the WOC to the General Fund are restricted where the WOC has insufficient distributable reserves
- e) The WOC's lifespan is limited to 30 years

The capital cost estimate for the programme and the anticipated sources of funding are:

Table 3 – Capital cost and funding sources

Projected Cost (£'000s)	Business Case
Construction Estimate (including fees and S106s, and interest during construction)	48,493
Land Value	4,125
Total Cost	52,618
Source of Funds	
PWLB Borrowing (Housing)	45,743
Capital receipt	4,125
Developer Contribution	2,750
Total Funding	52,618

The capital costs contained in the current tender exercise (see Legal Considerations) amount to around two thirds of the total construction estimate, which provides cost certainty for this element of the build. The actual amount of PWLB loan drawn down in the model will vary from the amount shown above due to the WOC recycling cashflows from rental incomes in the first 3 years.

The Commercial and Financial Business Case development has been led by senior officers supported by external professional advisors. The key financial data contains details of annual project cashflow, corporation tax (at the applicable rate) and accounting implications for the WOC for the entire quantum of the development. The assumptions underlying the inputs are detailed above and have been subject to review and challenge throughout the preparation of the business case. The cashflow implications for the General Fund have also been modelled alongside the WOC cashflows. Detailed papers to support this modelling have been prepared by independent financial advisors.

The Base Business Case KPI's may be summarised as:

Table 4 – Business Case KPI's

KPI	
WOC gearing	76%
WOC Loan to Value (LTV)	61%
PWLB Loan Rate	3.96%
WOC Loan Rate	5.69%
WOC Loan Retirement Date	31 March 2044
Equity return (Internal Rate of Return)	5.61%
Cumulative General Fund Income & Expenditure impact	£66,193k

The General Fund impact may be summarised as:

Table 5 – General Fund Impact

£'000s	Years 1-10	Years 11-20	Years 21-30	Cumulative
Investment Income	131	2,400	45,936	48,467
Net interest/lease income and Client Management	2,537	5,261	9,928	17,726
General Fund Income and Expenditure impact	2,668	7,661	55,864	66,193

Investment income includes £41m gross (£38.7m after tax) one-off income from the disposal of the housing properties at the end of the 30 year term. The impact on the General Fund is in accordance with the net returns contained in the consolidated position as detailed in the Cabinet Report dated 24 July 2014.

Important highlights from the information presented above are:

- a) The base case assumes the General Fund is likely to prudentially borrow up to £45.7m which is used to fund the WOC in the form of a loan and cash equity investment. The exact mix is assumed to generate a gearing ratio of 76%;
- b) The sale of properties by the WOC after the 30 year term enables the repayment of its loan and a distribution to the Council to enable it to repay its PWLB loan;
- c) The WOC makes significant distributions to the General Fund. These distributions increase as the WOC matures. As a result the cumulative income and expenditure impact is positive (£66,193k post tax) at the end of the project; and
- d) Total cash returns (dividends and share capital) amount to £53m compared to an equity subscription of £11m (cash and land). On this basis the equity return amounts to 5.61% (nominal, post tax).

Sensitivity analysis has been undertaken in relation to the financial projections. The analysis considers changes in the key financial assumptions upon which the model is based. These sensitivities consider largely the impact of downside movements on key input variables against the key metrics of the base case.

Whilst the WOC is an investment vehicle, the drivers behind a number of key metrics are centred on various capital elements such as development costs, sale values and House Price Inflation (HPI). To reflect this point the impact of reducing rental income inflation to 1% does have a materially adverse effect as the reduction in rental income results in lower equity returns and General Fund Income and Expenditure return.

However an increase in rental income inflation to 2% or a 0.5% increase in HPI provide a significant increase on both IRR and return to the General Fund. The business case assumptions on rental income inflation and HPI can be considered prudent given current housing market trends and market analysis conducted by Savills.

The results of the sensitivity analysis on the Base Case may be summarised as in the table below.

Table 7 – Sensitivity Analysis

	General Fund I&E (5 year balance)	General Fund I&E (project end)	Equity Return (IRR)
Business Case	840	66,193	5.61%
HPI +0.5%	840	85,714	6.50%
Build costs +5%	913	67,877	5.03%
Rent inflation + 0.5%	839	79,384	6.24%
OPEX +7%	848	63,729	4.84%
Management and maintenance +1%	841	70,789	5.49%

The conclusion of the analysis is that the proposed funding to the WOC is viable with an overall positive impact on Council's General Fund.

8. Legal Considerations

The Council's external and internal legal advisors have provided extensive legal advice throughout the development of the project. There are a number of specific matters upon which advice has been taken, as detailed below; however, there are a number of other legal considerations which are included within other parts of this Business Case. The following specific legal matters have been considered:-

- a) Powers to undertake the proposal – vires issues are fully detailed in the accompanying Cabinet report
- b) Powers to make any land transfers - vires issues are fully detailed in the accompanying Cabinet report
- c) State aid compliance – detailed within Business Case and below
- d) Whether any Secretary of State consents are required – none are considered to be required
- e) Company structure and governance – detailed within Business Case and below

In addition, the following legal implications should also be considered:-

8.1 Risk Analysis

A detailed risk matrix is included at Appendix A4

8.2 Procurement

The Council is relying on a specific provision (the so-called “Teckal Exemption”) for not being required to put this project out to tender (i.e. not tendering the Housing Investment Programme Project as a whole and awarding it to the WOC to operate). There are three conditions that must be satisfied for this exemption to apply:-

- a. The authority must exercise control over the WOC that is similar to that which it has over itself. In practice, this means that the Council must have decisive influence over the strategic objectives and significant decisions of the WOC. There are a number of factors which give rise to the Council being able to demonstrate this – 100% ownership of the Company, control over the identity and appointment of the Directors of the Company and also a robust governance structure.
- b. The essential parts of the WOC's activities have to be confined to tasks conferred on it by the Council. In assessing this, activities carried out as part of any contracts awarded the Council would ordinarily be considered; however, in this situation it is the activities contained within the Business Plan which are pertinent.
- c. The final condition is that there must be no private participation in the company, which there is not, so this element of the test is satisfied.

8.3 State Aid

External advice has been received in consultation with financial/legal advisors confirming that the project is considered to be state aid compliant; however, on-going legal advice will be taken in this regard.

8.4 Governance Procedures

One of the key legal aspects of this project is ensuring robust governance procedures are in place. This protects the Council regarding its investment, its officers by way of ensuring Member support and the Company's Directors as far as possible from any personal liability arising. It is envisaged that the Project Board that is already in existence will be more formally constituted and terms of reference for this Board are included at Appendix A2. In addition, a list of decisions anticipated and the body that will be making them is included at Appendix A3. Where appropriate, decisions will be made by Full Council and/or Cabinet.

8.5 Governance Operation Procedures

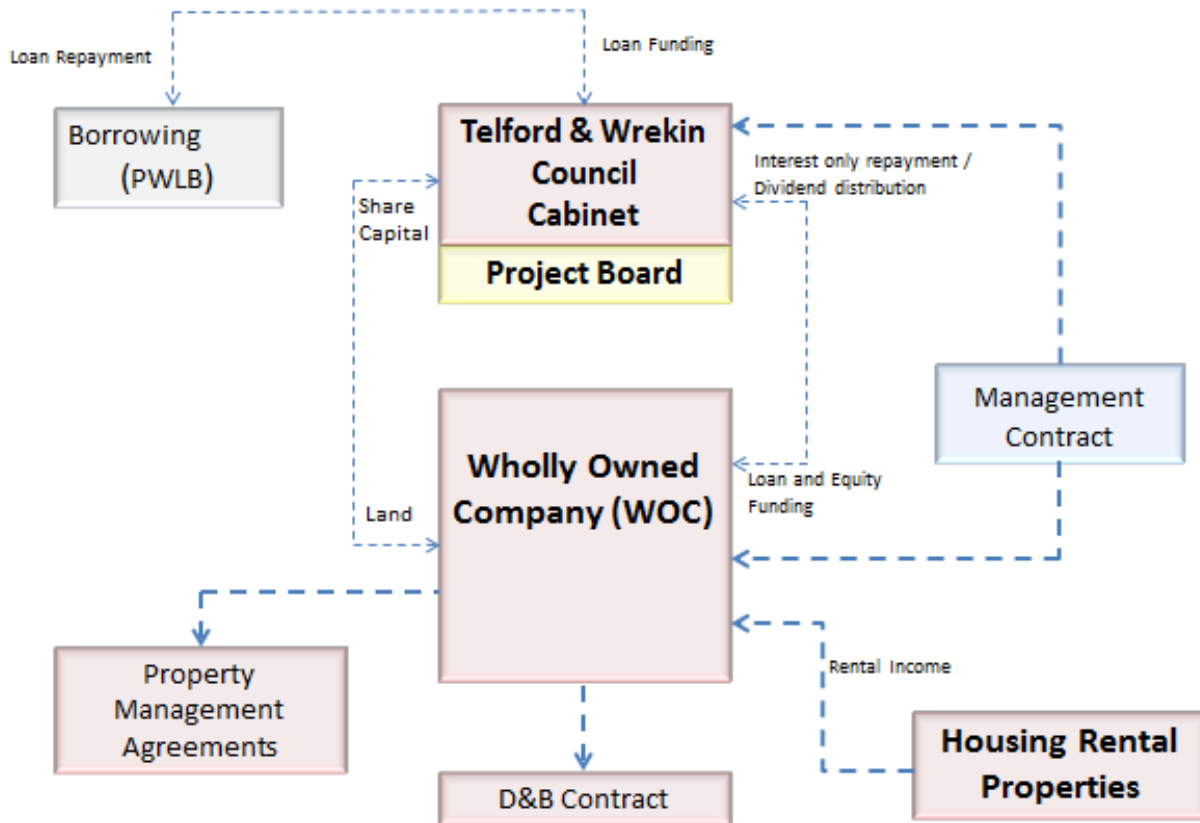
The WOC will be constituted as a company limited by shares and will not be a charity or other “not for profit” entity. The Council will own the entire share capital, thus the WOC will be a wholly owned company of the Council who will have ultimate control. It is recommended that there is a minimum of three directors, with a quorum of two, with company secretarial services being bought in from legal services. Although they will be directors for the company in its own right, they will be existing appointments from within the Council and not new created posts.

The Directors of the WOC will require appropriate insurance for their actions either in the form of liability insurance or an indemnity from the Council. It is intended that the WOC will purchase liability insurance for its Directors.

The proposed company structure is set out in 8.6 and should be considered in conjunction with the proposed terms of reference for the Project Board detailed at Appendix A2. There will be a robust process for approving amendments to the Business Case (or a new one) and the implementation and monitoring of the Business Plan against a set of robust key performance indicators (KPI's) to ensure that the Council's investment is protected.

8.6 Company Structure

The figure below shows the WOC structure in detail:



From a Council perspective the key elements of the structure are:

- a) The Council is likely to prudentially borrow from the PWLB in order to finance the WOC's development / construction activities. The financing of the WOC activities is structured as a mix of loan finance and cash equity.
- b) The Council will transfer land to the WOC in consideration for a capital receipt which will be used by the Council in order to subscribe for share capital in the WOC.
- c) The servicing of the WOC loan is achieved through the generation of net rental income on the housing rental properties.
- d) The returns generated by the WOC on the General Fund cash and land equity are reflected in the form of dividend distributions generated by the WOC.
- e) The WOC will enter into a Design & Build (D&B) contract with the selected Contractor to construct the houses.
- f) The WOC will enter in to a number of Property Management Agreements (PMA) for the management of the houses during the operational phase. These PMA's will be for services such as lettings and repair and maintenance. It is anticipated that these will be with the Authority utilising existing staff resource. The WOC will have no employees directly employed to undertake this function.
- g) The WOC will buy in services from the Council under a Management Agreement(s), these will be services such as legal, finance, repair & maintenance and estate management

This vehicle will not replace the need for 'social rented' properties let under secure tenancies but will meet a different need by responding to a wider demand for accommodation for those people that would not normally qualify for a Registered Provider's property.

The Council will retain a strategic role over the company and the HIP in a number of ways. Firstly, it will approve this initial Business Case which sets the direction of the WOC but will also (via the WOC set-up documents) set the parameters and constraints within which the WOC can operate.

Secondly, the Managing Director in consultation with the Cabinet Members for Co-operative Council and Partnership and Finance and Enterprise (see terms of reference at Appendix A2) will approve the initial Business Plan which will set the direction within which the company will go. The Project Board will also have an on-going involvement and will receive reports on progress of the business objectives together with making decisions on matters of sufficient importance that senior officer and Member involvement is appropriate. Finally, reports will also be presented to Cabinet (and Full Council when appropriate) in relation to matters for which Council approval is required but are not within the remit of the Project Board.

It is critical to note that the WOC is a commercial business and must be able to operate as such and have sufficient flexibility on an operational level to take actions and make decisions enabling it to comply with its constitutional requirements (which will be fixed by the Council at company set up stage).

The Cabinet will be the strategic supervisory body with ultimate responsibility for ensuring compliance with the Business Plan and Business Case. However, the Directors of the Company will owe a duty to the Company to perform in accordance with its constitution and wider company law. It should also be acknowledged that there is a very real possibility that conflicts of interest may arise between the requirements of the WOC and those of the Council and measures must be put in place to protect the WOC Directors from this potential conflict arising. It is therefore critical that the Directors of the Company have a separate and distinct role from the Project Team and Project Board. This role will be without prejudice to Cabinet's normal decision making powers and the role of Overview and Scrutiny as set out in the Council's constitution.

The WOC Directors will review and report on performance under the Business Plan to promote a full understanding and awareness of the activities and performance of the Company and to ensure that the Council is fully satisfied that its investment is properly protected. Legal advice has been received that the WOC Directors will play a critical role in the initial stages of the Project and therefore careful consideration should be given by the Council as to the identity of these Directors to ensure that they have sufficient status and ability to drive the Project forward to ensure success of the WOC.

8.7 Company Business Plan

The Business Plan will act as a live document which is regularly reviewed by the Company and the Council. This Business Case contains the initial programme and assumptions that will inform the Business Plan. The Business Plan will be formally reviewed by the Company Directors at least every 12 months and reported to the Project Board. The Business Case will be revised, or a separate business case will be prepared for any new proposals or issues that arise which are exceptions to the current adopted Business Case and will be provided where circumstances require. The Business Case and Business Plans will be presented to Cabinet for approval on an annual basis.

Where new proposals or opportunities for investment through the WOC are realised the approval will follow a similar process. A revised or separate business case will be submitted by the WOC to the Project Board for consideration. At this point the Managing Director in consultation with the Cabinet Members for Co-operative Council and Partnership and Finance and Enterprise will either approve / reject or request further information. If approval is given the Project Board will (with the assistance of the WOC) develop the proposals into a formal business case (or revision to the current business case) for consideration at Cabinet prior to implementation, if approved.

Appendix A1 – General Fund Income & Expenditure Account Extract

Year £'000s	Y1 2014/15	Y2	Y3	Y4 2017/18	Y5	Y6	Y7	Y8	Y9	Y10	Y15	Y20	Y30	Total
Housing Investment	-	124	205	262	249	308	323	339	399	460	725	1,057	42,468	66,194
Commercial	0	2	(44)	216	224	224	224	255	255	255	289	327	397	8,200
Total	-	126	161	478	473	532	547	594	654	715	1,014	1,384	42,865	74,394

Year 30 income includes a one-off investment income on the sale of the houses of £41m gross (£38m net of applicable taxes)

Appendix A2 – Project Board Terms of Reference

PROPERTY & HOUSING INVESTMENT PROGRAMME

TERMS OF REFERENCE

1. Membership

1.1. Members of the Board will be:

Member
Cabinet Member for Finance & Enterprise
Cabinet Member for Co-operative Council and Partnership
Managing Director*
Assistant Director; Development, Business and Employment
Assistant Director; Finance, Audit & Information Governance (also s151 Officer)
Commercial Solicitor
Assistant Director; Law, Democracy & Public Protection (also Monitoring Officer)
Finance Team Leader

*Chair

- 1.2. Only members of the Board will have the right to attend. However, other individuals may be invited to any meeting as and when appropriate. It is expected that at least one of the Directors of the Company will attend each meeting to provide updates as to progress. Members may nominate a relevant substitute if they are unavailable to attend a meeting.
- 1.3. The composition and terms of reference of the Board will be reviewed by the Board every 12 months or as appropriate if more frequently.
- 1.4. The Board will be chaired by the Managing Director. If the Chair is not present at any of the meetings of the Board then the remaining members shall elect one of themselves to chair the meeting.
- 1.5. The Managing Director in consultation with the Board will have specific responsibility for the following:-
- Agreeing the Company's initial Business Plan
 - Agreeing sensitive policy issues relating to the Project (e.g. rent setting, length of term, allocations, rental deposits, tenancy enforcement, tenancy enforcement)
 - Agreeing commercial terms for management agreements and funding (providing these are in accordance with the financial parameters set by the business case/plan)
 - Agreeing the price for each piece of land introduced to the WOC (to ensure best consideration obtained)
 - Agreeing terms for housing and operational management on specific sites (if not already covered by the overarching agreement)

- Receiving reports as to whether conditions precedent in the land transfer agreement have been complied with
- Use of Council resources to support the WOC via the management agreements i.e. staff, IT, finance systems, accommodation
- Agreeing any changes to the WOC's Business Plan (providing these are not regarded as material)
- Agreeing variations to the management agreements provided that they do not lead to the WOC being likely to deviate materially adversely from the financial projections contained within the Business Case
- Agree the appointment of External Auditors to the WOC
- Monitoring WOC's performance as against Business Case and Business Plan and taking intervening measures in the event of non-performance
- Monitoring compliance with the loan agreement(s)
- Agreeing any changes to the loan agreement (providing these are not material)
- Receiving and approving reports from the WOC (timing to be agreed)
- Attendance of Chair at AGM of WOC
- General guidance and strategic direction to WOC Directors

2.0 Support

2.1 An officer of the Council shall act as administrator for the Board allocated by the Chair.

3.0 Frequency of Meetings

3.1 The Board shall meet every 6 weeks for approximately 1.5 hours. More frequent meetings shall be scheduled when appropriate.

4.0 Housing Investment Programme Delivery & Implementation (Stage 2) Deliverables

4.1 The scope is to implement a major housing programme which will involve the construction of houses, apartments or commercial investments on land that is in the ownership of Telford & Wrekin Council. The delivery of the project will be in accordance with findings of the feasibility and recommendations approved by cabinet on the 24th July 2014 and Full Council on the 11th September 2014. This delivery stage is referred to as Stage 2 and will see the construction, marketing and rental of the properties.

5.0 Approvals

Approved by the Board on.....2015

Appendix A3 – Cabinet Decision Making Levels

Decision	Decision Making Body
Setting the initial strategic direction/purpose including: <ul style="list-style-type: none"> • The constitution of the WOC (and any changes to it) • Governance structure including appointment of directors of the WOC • Agreeing the Council's business case • Agreeing the WOC's initial business plan 	<ul style="list-style-type: none"> • Cabinet via report of January 2015
Identification of new sites (i.e. those not contained within initial Business Case)	<ul style="list-style-type: none"> • Full Council as will be outside of budgetary and policy framework
Lending to the WOC for each individual scheme (amount and terms, the latter if not covered by the overarching loan agreement)	<ul style="list-style-type: none"> • Cabinet
Investing equity in the WOC for the scheme (i.e. cash and agreeing to the transfer of the land once all final conditions have been satisfied)	<ul style="list-style-type: none"> • Cabinet
Agreeing any material amendments to the Council's business case (whether as a result of new sites becoming available or as a result of actual financial or operational performance)	<ul style="list-style-type: none"> • Full Council as will be outside of budgetary and policy framework
Approval of annual budget (within business case/business plan parameters)	<ul style="list-style-type: none"> • Cabinet then Full Council via service and financial planning updates
Enforcement of breaches of loan agreement	<ul style="list-style-type: none"> • Cabinet
Agreeing material changes to the loan agreement (or waivers/amendments)	<ul style="list-style-type: none"> • Cabinet unless be outside of budgetary and policy framework then Full Council
Receiving and approving quarterly reports from the WOC, (to include financial monitoring reports and draft accounts)	<ul style="list-style-type: none"> • Project Board, Cabinet then Full Council via service and financial planning updates
Decisions on significant variances from: <ul style="list-style-type: none"> • Business case/business plan • Compliance with loan agreement 	<ul style="list-style-type: none"> • Cabinet

Appendix A4 – Risk Analysis

Project Summary

The project involves setting up a Company to develop new homes on Council owned land to meet the needs of people across the Borough. The objective is to construct approximately 425 houses and apartments on up to 8 sites initially, creating regeneration opportunities. The WOC will create a number of jobs during the construction and operational phase, stimulating economic growth and regeneration and can contribute fully to strategic priorities.

The Company will retain the properties that it develops for letting under assured shorthold tenancies at both market and affordable rents. Social housing will continue to be provided through development by local registered providers.

The Company will be constituted as a company limited by shares. It will be wholly owned by the Council and will be funded by the Council (the Council is likely to use prudential borrowing through the General Fund to provide finance to the Company). The Company will be a very lean organisation and management (including management of the Company and development and operational activities) will be via management agreements with the Council.

The Business Plan model shows that rental income will service the interest on the Company's debt and sales of the properties over time will be used to repay debt and provide a return on the land investment.

The project will be set up so that it can evolve (or wind up) in future as necessary. Schemes will be put forward for development by the Company on a site by site basis and development will thus proceed at a pace to suit the market conditions.

Risk Register – Introduction

This risk register is for the project. Once the Company is established it will need its own risk register. Many of the risks will be the same, although the perspective may be different. At this stage, the Business Plan assumptions have been set at a level which matches these differing perspectives. However, this is a moving situation and, as the Company becomes operational, both it and the Council will need to monitor their own perspective of this risk and have mitigation measures in place to manage it. Review of the risk register will be a standing item on the agenda of both the Project Board and the Board of Directors of the Company.

The table below looks first at the risks in setting up the Company and moves onto the risks which will arise as the Company becomes operational. Some of the setting up risks will be closed down as the project moves into implementation but others, particularly those which are outside the Council's control, for example, change in law risk, will remain throughout the operational period. More detailed implementation and operational risks will be introduced and monitored, in particular by the Company, as the first schemes are developed.

The risk level has been categorised using the Telford & Wrekin risk matrix (detailed below).

Risk Register

No	Risk	Description	Risk Category Pre- Construction (PC) Operation (O)	Risk Level	Mitigation	Residual Risk
A. Setting Up Risks (Note some of these will continue into the Operational period)						
A.1 Legal/Regulatory Risks						
1	Ultra vires	Council is acting outside of its powers in establishing the Company and/or implementing the project	PC / O	7	Legal advice has been taken. Powers to invest in and/or undertake commercial activities in function related powers are established. Borrowing is via the general fund. Council will comply with prudential borrowing requirements.	6
2	State Aid	Challenge made by European Commission	PC	7	Legal advice has been taken. Rates will be on a full commercial basis. Also, could rely on the Services of General Economic Interest exemption for the affordable rent housing.	6
3	Necessary Consents	Secretary of State consent may be required for transfer of the land as 'gratuitous benefit'.	PC	6	Identify first site for development by the Company and seek early consent for transfer to the Company.	3
		Land transfer is not at the best consideration reasonably obtainable	PC	3	Valuations have been undertaken on the Land by an external RICS surveyor using the Red Book.	1
4	EU Procurement Challenge	A challenge is made that the project is not compliant with EU procurement requirements	PC	9	The Teckal exemption should be available in respect of transactions between the Council and the Company. In addition, all development activity will be through competitively procured design and works contracts.	6
A.2 Financial, Economic & Legislative						
5	Accounting and Tax Treatment	The accounting and tax treatment set out in the Business Case is challenged	PC / O	8	External financial advice obtained and considered as part of the Business Case	6

6	Financial Model	The assumptions in the financial model are not robust or the financial model is flawed.	PC / O	9	Business Plan model has been rigorously tested. Assumptions have also been challenged and set at prudent levels. Sensitivity analysis and testing has been undertaken and mitigation strategy for each scenario developed	6
7	External Contributions	The funding model is dependent upon an estimate of contributions to s106. These are subject to planning approval.	PC	5	Discussions with planners will be on-going. If the estimate compared to the final position is different then the estimate will be reassessed.	3
8	Funding	The Council is unable to provide finance for the project as planned.	PC	6	Financial advice has been obtained regarding prudential borrowing for the project and the impact on the General Fund A senior finance officer of the Council is a member of the Working Group and approval/budgetary arrangements are in place in respect of prudential borrowing by the Council to on-lend to the Company	3
9	PWLB Interest Rates	PWLB interest rates may increase such that the project is no longer financially viable	PC	9	The Council will manage its treasury requirements through its Treasury management function. Movements in interest rates and underlying market factors are monitored as part of this process. PWLB financing is likely to be used unless an alternative which is more financially viable is identified which will deliver an improved position to the Council.	7
10	General and specific inflation	If inflation assumptions are lower (in relation to income – rent and sales prices) or higher (in relation to costs – construction or management and maintenance costs) than Business Plan assumptions then viability of Company is reduced	PC / O	9	Inflation assumptions are deemed to be prudent. Inflation assumptions are in line or below Treasury forecasts and industry predictions, however increase are market driven and not controllable. In addition there will be further assessments on each occasion it is proposed to introduce a new site into the project and then again once planning permission has been obtained. Future schemes which form part of the overall business case but have not been formally tendered may be subject to inflation and will be monitored prior to investment.	6

11	Changes in Legislation or Government Policy	Changes in legislation could have many risk impacts ranging right across the project and Company's activities. Such changes could affect any or all of the Business Plan assumptions and its development and operational activities. For example, there could be changes to taxation, construction/building regulations, Government Policy which impact on rents and/or rent collection. Changes could occur with regards to NHB and Council Tax, or changes to the Local Government Finance System.	PC / O	5	Wherever possible changes in law will be passed onto third parties who may be better placed to manage them – for example, building contractors will be asked to price for changes in law which might occur during the construction contract. Changes in law may also be reflected in general inflation so there would be mitigation in terms of ability to adjust rents. In addition, the risk may be capable of management by sale of dwellings. The impact of any changes to the Local Government Finance System will be assessed as they occur, there is no information currently available to allow the implications of any Policy changes to be reflected in the model.	5
A.3 Strategic/Governance						
12	Decision Making	Governance structures do not enable the project to be properly set up or delivered.	PC	9	Governance structure has been considered and approved by Cabinet. Final Governance arrangements to be finalised as part of this BC.	1
13	Constitutional power of the Council to participate in external organisations such as the Company	The Council's constitution may not permit participation in the Company.	PC	6	Full Council approval has been obtained to participate in the project.	1
14	Decision Making	Conflicts of interest arise may arise between the Council and the Company and/or Company officers' primary duties to the Company cause operational issues.	PC / O	8	Members and officers of the Council and officers of the Council will receive briefings from the Council's legal team on how to manage such conflicts and duties. There will be formal terms of reference and clear Governance procedures relating to the project.	3
15	Site Availability	The number of sites does not fulfil strategic requirements and/or Business Plan projections.	PC	6	The number of sites in the latest Business Plan have been identified agreed and the first sites. Sensitivity testing shows that the Business Plan can remain viable on a site by site basis provided each site is individually viable. Viability appraisals for each site will be presented as part of the site approval process within the financial modelling.	3

16	Resources - manpower	The Council has inadequate resources to deliver the project.	PC / O	9	A Working Group has been established to deliver the project. The Council will identify existing resources for the delivery and the management of the properties. Costs have been built into the financial model.	6
17	Delay during delivery	The project suffers delay during construction preventing the WOC from repaying its loan.	O	9	Sensitivities have been tested which show that the WOC could repay debt if it suffered a minor delay (+6 months) in the delivery of the project. This forms part of the financial analysis.	6
B Implementation						
B.1 Policy/Political						
18	Change in Government Policy	Support for the project may be eroded leading to difficulties in delivering to the Business Plan.	PC / O	5	The three principal political parties are committed to housing development as part of the UK Growth Strategy	3
19	Change in Local Policies	As above.	PC / O	7	A change in political administration or changes to local policies may affect the support for the project and affect the delivery.	6
20	Loss of Stakeholder Support	Failure to provide adequate information/marketing could lead to poor public perception and take up of the homes, affecting viability.	O	6	The Council is already considering its wider communication, consultation and marketing strategy as part of its project activity.	3
B.2 Resources – Capacity & Capability						
21	Management and administration resources	The Council is unable to support the overall management of the Company.	O	6	Cabinet has agreed governance and management arrangements which provide for strong governance and good interface with Council governance. The Company will be a lean organisation with most functions provided on an agency basis by the Council.	3
		The Council has inadequate financial and legal and technical resources to support the day to day administration and management of the Company.	O	7	The Council is deemed to have sufficient resource to manage the day to day activities required by the Company. Where there are skill shortages within the Council these will be sought from external consultants or via recruitment.	3

22	Development resources	The Council has inadequate housing development resources to support the Company.	O	6	The Council is deemed to have sufficient resource to manage the day to day activities required by the Company. Where there are skill shortages within the Council these will be sought from external consultants or via recruitment.	3
23	Housing Management & Maintenance resources	The Council has inadequate housing management and maintenance resources to support the Company.	O	7	The Council already operates a term maintenance contract and will develop the service to manage the Company's assets.	3
B.3 Development and Construction Activity						
24	Planning & Design	Planning permission is delayed or challenged with a consequent effect on costs and timescale.	PC	9	Discussions have already taken place with the Local Planning Authority regarding the projects. The sites around the Town Centre have formed part of the overall Southwater outline application. The remainder of the sites in the first phase have already received planning permission, albeit expired. The projects may be subject to a challenge through the planning processes. Early consultation will reduce the likelihood of this happening.	6
25	Site Factors	Encumbrances affecting legal title impact adversely on development costs and timescale.	PC	7	Early initial title review is in place for the sites proposed for development.	6
		Abnormal ground and site conditions cause delays and/or cost increase.	PC	7	Site condition surveys have been undertaken for the majority of the sites and further surveys will be undertaken as part of the design process and sites which are not suitable will not be put forward for development.	6
		Services/utilities are unavailable or lack capacity.	PC	9	Utilities enquiries have been undertaken to ensure availability and capacity. Provisional sums have been included within the costs based on the enquiries.	6
		Off-site contamination affects sites	PC	7	Site condition surveys will be undertaken as part of the design process and sites which are not suitable will not be put forward for development. Latent defect risk will be flowed down to the contractor.	3

26	Design or Construction	Defective design and/or construction causes delay and additional costs.	PC	6	Design team/contractor warranties taken out. NHBC or similar registration.	3
		Insolvency of member of design team or contractor.	PC / O	6	Use of Frameworks. Credit checks undertaken. Performance bonds taken	3
		Construction costs are higher than estimated.	PC / O	9	Prior to letting of contract, careful monitoring of estimated costs. Post letting of contract risk passed through to contractor.	6
		Delay in handover of properties due to inclement weather, materials supply, industrial action etc. Loss of anticipated rental income may arise in consequence of such delay.	O	5	Prudent construction timescales and rigorous monitoring of contract. LADs form part of the contract.	5
B.4 Operational Management Activity						
27	Demand - Lettings & Sales	Inability to find tenants and/or sell properties leading to loss of income and costs of securing properties whilst empty.	O	9	Housing needs and affordability analysis must be regularly updated and reviewed as each scheme is approved to ensure scheme viability and appraisals are based on realistic and up to date market information. Advice taken by lettings agents before construction starts on site which effectively shows the letting market within Telford has doubled over the last 10 years and looks set to increase. Availability of allocation off Council's choice based lettings waiting list for affordable rented dwellings will reduce risk.	6
28	Initial Rental Values	Initial rental values are lower than forecast.	O	9	Scheme viability and affordability will be based on up to date and market information and regularly monitored. Advice taken by lettings agents before construction starts on site	6
29	Rent & Service Charge Collection	Failure to collect all legally recoverable monies.	O	6	The rent collection will be managed by the Council who have experience in collection of commercial rents. The lettings policy will require the use of direct debits and rental deposits/ credit checks prior to the letting of property.	3

30	Failure to comply with rental deposit scheme requirements	Failure to comply means that rent may not be collectable and/or possession cannot be obtained. The court can also levy fines.	O	8	Suitable procedures will be put in place to ensure that necessary notification requirements are provided to tenants in a timely fashion.	3
31	Void Management	Failure to make available for re-letting or to re-let in timescale.	O	9	A bad debt and void provision in the Business Case will be monitored carefully, as will the cost of void turnover repairs and time taken to re-let properties.	3
32	Repairs & Maintenance	Costs are not in line with Business Plan projections and/or quality is poor.	O	9	The Council and the Company will review the management arrangements and costs on a regular basis and has sought advice on the level of repairs and maintenance funding within the model.	3
33	Liability under section 11 Landlord and Tenant Act 1985 (disrepair notices), section 82 Environmental Protection Act 1990 (statutory nuisance) and failure to undertake gas, electrical or fire safety checks	Court action, fines and compensation to tenants may be available if the Company is in breach.	O	6	The Company will institute an inspection regime and ensure prompt responses to repair requests. Statutory nuisance may be mitigated by claims against the constructor or design team where caused by works or design problems.	3
34	Tenancy Management	Costs are not in line with Business Plan projections and/or quality is poor.	O	9	The Council and the Company will review the management arrangements and costs on a regular basis.	5
35	Tenant damage	Cost of tenant damage in excess of that provided for in repairs and maintenance budget. Cost generally not covered by insurance.	O	4	Recharge policies and (if taken) rental deposits will mitigate this risk as will tenancy enforcement procedures.	2
36	Damage to dwellings are caused by usual commercial risks	Material damage to dwellings and consequent loss of rent.	O	4	Company can take out usual material damage insurance and loss of rent insurance. The Company would still be exposed to uninsured excesses.	2

37	Damage to dwellings are caused by uninsurable risks (e.g. flood or acts of terrorism)	Material damage to dwellings and consequent loss of rent.	O	6	Insurance is unavailable. Flood risks will be investigated as part of the design and planning process and design will mitigate potential risk. Consequences of terrorism are unlikely to affect more than a few dwellings.	3
38	Debt Repayment	Company fails to repay debt and/or deliver a return to the Council.	O	9	The Company's Business Plan will be regularly monitored and reviewed. The Council will have security over the Company's assets and step in rights.	7

Telford and Wrekin Risk Matrix

Impact Of Risk	HIGH	<p>Important Risk Unlikely to happen but would have catastrophic Impact on Objectives</p> <p style="text-align: center;">6</p>	<p>Key Risk Medium Likelihood – Catastrophic Impact on Objectives</p> <p style="text-align: center;">7</p>	<p>Key Risk High Likelihood – Catastrophic Impact on Objectives.</p> <p style="text-align: center;">9</p>
		<p>Unlikely to happen but could have an Impact on achieving objectives</p> <p style="text-align: center;">3</p>	<p>Important Risk Medium Likelihood - will make achieving objectives difficult but not impossible</p> <p style="text-align: center;">5</p>	<p>Key Risk High Likelihood – will make achieving objectives difficult but not impossible</p> <p style="text-align: center;">8</p>
	LOW	<p>Unlikely to happen and will have little or no Impact on achieving objectives</p> <p style="text-align: center;">1</p>	<p>Medium Likelihood but will have little or no Impact on achieving objectives</p> <p style="text-align: center;">2</p>	<p>Important Risk High Likelihood but will have little or no Impact on achieving objectives</p> <p style="text-align: center;">4</p>
		Unlikely	Likelihood of Occurrence	Likely