

Risks

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

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		<p>assess the feasibility of either</p> <ul style="list-style-type: none"> ▪ Buying back properties and using cheaper accommodation with another provider, or ▪ Staying with BHSCH. <p>There may be an opportunity to have a value for money provision in the agreement</p>			
3.	Property allocation – Risk that less than 499 properties transfer to BHSCH:	Council has identified some 2,000 properties that would currently satisfy the criteria for lease to BHSCH where they become vacant. It is unlikely that 499 properties suitable for lease to BHSCH can not be identified.	Council	Council	No change
3.1	Where council fails to identify 499 properties		Council	Council	No change

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3.2	Council identifies 499 properties but BHSCH rejects		Council if BHSCH can demonstrate properties are not "financially viable"; otherwise BHSCH	Council	No change
4.	Property mix – Risk that property mix varies from model and reduces income Where Council requirement does not match property mix	Nomination agreement provides for Council to place clients in BHSCH accommodation Linked to Demand risk	Council Council	Council Council	No change No change
5.	Voids – Risk that void levels are higher than anticipated	Council to manage nominations process efficiently	Council – at 6% and above (i.e. up to 94% of gross rent) Council / BHSCH to share equally financial gain where void levels fall below 6%	Council – at 6% and above (i.e. up to 94% of gross rent) Council / BHSCH to share equally financial gain where void levels fall below 6%	No change

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6.	Bad debt – BHSCH own tenants – Risk that bad debts are higher than anticipated	Council has robust procedures in place to minimise bad debts	Council – at 3% and above Council / BHSCH will share equally financial gain where bad debt levels fall below 3%. Council will only accept risk if appointed under management agreement. If not, the risk of bad debts fall on BHSCH	Council – at 3% and above Council / BHSCH will share equally financial gain where bad debt levels fall below 3%. Council – Council will only accept risk if appointed under management agreement. If not, the risk of bad debts fall on BHSCH	No change
7.	Housing management – Risk of under-pricing and inflation higher than anticipated	Pricing based on management specification	Pricing – Council RPI – BHSCH	Pricing – Council RPI – Council	Change Pricing – Council CPI inflation indicator BHSCH –
8.	Reactive maintenance – Risk of under-pricing and inflation higher than anticipated		Council if appointed under management agreement; otherwise BHSCH	Council	No change
9	Planned/Cyclical maintenance – Flats –	Sufficiency of fund to be reviewed every 5 years.	Structural – Council (BHSCH paying an	Structural – Council (BHSCH paying an	No change

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	Risk that works are understated and increase by more than inflation	Annual sum from BHSCH to be adjusted if insufficient funds available.	annual sum) Non-structural – council (BHSCH paying an annual sum) RPI – BHSCH	annual sum) Non-structural – Council (BHSCH paying an annual sum) RPI – Council	RPI – BHSCH
10.	Planned/cyclical maintenance – Houses – Risk that works are understated and increase by more than inflation	It is usual for a technical advisor to issue a planned works programme for the project properties. This profile, together with a look-forward reserve account, would be integrated into the financial model. In this case, this forecast is likely to be possible (or practical) only for the internal works.	Structural – BHSCH Non-structural – BHSCH RPI – BHSCH	Structural – Council Non-structural – Council RPI – Council	No change
11.	BHSCH overheads – Risk that these are higher than anticipated	BHSCH board to put robust systems in place to regularly review operating costs	BHSCH	BHSCH	No change
12.	Interest on cash balances – Risk that	BHSCH to ensure cash balances are managed to	BHSCH	BHSCH	No change

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	investment returns are lower than anticipated	minimise capital risk.			
13.	Tax – Risk that tax payments are higher than anticipated	Tax is minimised by operating as a charity with a VAT shelter put in place.	BHSCH	BHSCH	No change
14.	Insurance – Risk that insurance costs are higher than anticipated		BHSCH	Council	Revision BHSCH
15.	Surpluses – Risk that surpluses are not used effectively or become taxable	Funder may expect BHSCH to set aside surpluses to cover debt servicing costs in the event BHSCH fails to achieve income levels. Surpluses above this requirement to be shared with the council.	BHSCH	BHSCH	No change
16.	Inflation Risk – Risk that inflation is higher than anticipated	Risk of inflation is with BHSCH. Inflation allowance included within financial model.	BHSCH	Council	Change BHSCH to be negotiated

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17.	Refurbishment Cost		BHSCH	Council	Revision BHSCH

