## **RISKS AND BENEFITS**

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D'al Catawa	D: I		No.	1.11 - 111 1		Oo Nothing		on 2 - JV		n 3 - WOC	Option 3 - W			LLOCATION
		Conflicts with objectives the vehicle established for and either stalls supply of sites, delivery or support. Vehicle is therefore either ineffective or redundant	Focus vehicle on key long term housing challenge and arms length to protect from day to day lower level political / organisational changes	Lincollilood	Likelihood Impact  1  50%	Total 50	Impact	Total	Impact   75   25	Total	Impact Total 25 25%	Do nothing option is highly influenced by day to day changes in council strategy or policy and JV could become redundant if changes are a significant departure from the business plan and Members Agreement whereas the WOC options are more insulated due to the greater ability to adapt to future changes.	X Priv	vate Shared
		Council seen to spend public money and not deliver on objectives	Communication strategy	Medium	3 50%	150	50	% 1	50 50	)%	150 25%	Do nothing option is more likely to not deliver on the council housing outputs than other options and therefore high impact. The JV option has a higher impact due to the increased set up costs relative to the	X	
		·	Focus on key outcomes and negotiate approach in advance, approach only updated through periodic business planning process and can only impact future sites prior to transfer from the Council	High	5 50%	250	) 25	% 12	25 25	5%	125 25%	WOC.  Do nothing option is challenged in terms of being able to balance conflicting council objectives whereas JV and WOC options are at arm's length from the council and will have a clear focus on agreed objectives.  125	х	
		Supply chain not available to establish preferred vehicle and therefore nothing comes forward	Mitigated through soft market testing and structuring of clear, simple proposition	Low	50%	50	50	%	50 25	5%	25 25%	Do nothing option is likely to be less attractive to the private sector if the development agreements are sought on a site by site basis, the joint venture option will be dependent on the size of the pipeline that will be channeled through it whereas the WOC option is council owned and therefore a partnership is not required in the first instance - partnerships sought where appropriate on a site by site or area basis	х	
		council finance, viability of schemes,	Vehilce has flexible source of funding and can be financially sustainable, value taken regularly by the Council as shareholder, fixed rate borrowing		1 25%	25	5 25	% :	25 75	5%	75 50%	Do nothing option can progress if local authority funding rules change. The JV option is less impacted due to the ability of the JV to raise finance from a variety of sources, the WOC option is more exposed to changes in funding financing rules because whilst flexibility is available from alternative funding solutions these are likely to be more restricted than on lending from the council, particularly in debt to equity ratios.	х	
	Complexity of vehicle established takes a long time to establish		Respond to short term supply constraints through wider council housing delivery programme	Medium	3 50%	150	75	% 22	25 25	5%	75 25%	The WOC scores best due to the straight forward set up time followed by site by site disposals with the development agreements which are more complicated and resource intensive. The JV is likely to be more complex and therefore scores the worst	х	
	contractor		Rigorous due diligence at partner selection, panel approach to create options, termination clauses in contract	Medium	3 50%	150	75	% 22	25 25	5%	75 25%	Site by site disposals with development agreement can be mitigated due to the partner being on a site by site basis and the ability to include step in rights within any agreement. The WOC also has flexibility to appoint partners on a site by site basis with DA has additional development capability whereas there is increased risk in the joint venture option due to a single partner being procured across the programme	х	
risks focused on	operational quality not upheld	Delay in sites progressed, reduction in quality of works, risk of repayment of any financing, ineffective spend and likely increase in operational costs	Mitigated through business planning and role of Council influence	Low	0%	(	50	% :	50 25	5%	25 25%	The WOC and do nothing options have the ability to flex over time and therefore are less likely to be unfit for purpose. The JV option is higher risk because priorities and objectives could change substantially within the council which could result in site delivery through alternative routes.		Х
-	Planning permission on sites is delayed or not forthcoming	, , ,	Mitigated through strong resourcing and quality of work pre-development	Medium	<b>3 50%</b>	150	25	%	75 25	5%	75 25%	The JV and WOC score the best due to the additional ability to draw in resource and finance at pre- development stage. Under the do nothing option the cost and resources associated with this will be borne by the council and have to be balanced against other spending objectives		х
		Delay in delivery of homes against projections, higher long term maintenance costs	Due diligence, managing risk by site	Medium	3 50%	150	) 25	%	75 25	5%	75 25%	The do nothing option scores worst because the council is having a passive involvement in the development process whereas JV options and the WOC option score better due to the active involvement with the WOC scoring best due to the council being sole owner of the WOC and therefore having the most influence.		х
		or affordable housing outcomes	Robust sensitivity analysis to consider headroom, regular forcasting as part of business plan process, more control and expertise provides choices for value engineering	High	5 75%	375	5 50	% 29	50 75	5% :	375 25%	Cost inflation is a risk across all options however this will be felt most significantly in the do nothing option, followed by the JV option where a partner will have minimum profit requirements. The WOC option is able to take an internal view subject to business plan in terms of the ability to still progress the schemes but taking lower surplus whereas both the do nothing and JV options will require a return to private sector before schemes can viably progress.		Х
	Risk in movement of market values	Poor performance of residential market	Sale of units to HRA or change affordability, hold for income at market or affordable rates rather than sell, robust sensitivity analysis. Put in place pre-completion sales agreements	Medium	3 75%	225	5 50	% 1!	50 75	5% 2	225 25%	Logic as per cost inflation 75		X
	Increasing finance rates or changing funding conditions - public or private sector	Reduces viability of schemes and financial or affordable housing outcomes	Flexibility of sources for finance to ensure best rates can be accessed, robust sensitivity modelling, fixed rate borrowing	High	5 50%	250	) 25	% 12	25 50	)%	250 25%	The do nothing option is highly exposed to the market and delivery will not progress if finance rates mean that a developer cannot extract an appropriate return from the scheme. The WOC option and JV are more flexible in that the WOC can reduce the surplus to a lower amount and still progress schemes and the JV option can still involve an active involvement from the council to influence the scheme viability and the source of finance.		Х
	and fundementally challenged in technical and/or viability terms and therefore costly	or affordable housing outcomes, limits	Due diligence to understand risks on sites to ensure expectations are not unrealistic, more prominent role of the Council to de-risk. Support through other infrastructure funding eg HCA	High	5 75%	375	5 50	% 29	50 75	5%	375 50%	The do nothing option is highly influenced by the site in question and complex sites may be challenged in terms of agreeing DAs for a site by site basis. The JV option still has challenges in this respect due to the requirement of the private sector to extract a profit whereas the WOC can progress challenging sites subject to a viable business plan by reducing the surplus requirement and not passing a profit to the private sector		X
	Securing vacant possession of sites	Increase costs and delay of housing delivery	Due diligence and appropriate expertise	Medium	3 50%	150	25	%	75 25	5%	75 25%	The WOC and JV options can provide additional resource vacant possession of sites whereas the do nothing option may be more challenged given constrained financial resources		Х
	, , ,	Stalled delivery, costly dispute resolution, poor working relationships either between partners or with shareholders	Establish clear objectives upfront that are mutually acceptable and process of dispute resolution	Medium	0%	(	50	% 19	50 25	5%	75 25%	The WOC scores best because it is a very simple structure within which to operate. The do nothing option, whilst simple, the development agreement could produce complexities. The JV scores the worst due to the complex contractual arrangements and the need to balance different party's objectives.		Х
	Higher operational costs of vehicle than envisaged	1 '	Benchmarking against resource requirements and other examples, robust sensitivity analysis of busines model, robust business planning processes	Medium	<b>0</b> %	(	) 25	%	75 50	<b>)</b> %	150 50%	The do nothing option does not have operational costs and therefore it is not a risk. The WOC scores the worst compared to the JV because the business model is driven entirely by operational costs of the vehicle and as a new vehicle the WOC is more likely to underestimate these compared to a joint venture with an experienced private sector partner.	х	
			Market facing input from experts at design stage. Build in tenure flexibility to respond to changing market conditions.	Medium	3 0%	(	0	%	0 50	<b>)</b> %	150 25%	The do nothing option will be highly focused on meeting market needs and the JV will bring development experience. The WOC scores worse due because whilst it can secure expertise this will be balance against a new organisation and need to balance against housing needs and wider priorities.		Х

External Environmental Risks - that cannot be directly controlled by BCC or a partner	Risk of product not meeting housing need	Vehicle not seen to be delivering for local people and therefore reputational risk, occupancy risk which impacts financial viability of vehicle business plan	Housing need present across tenures and need assessed on periodic basis, feedback from vehicle into housing need development as key stakeholder	Low	1	75%	75	50%	50	25%	25	25%	The do nothing option has highest risk of not meeting housing need due to the outputs being largely driven by the private sector. The JV performs better due to the active control that the council can have within the running of the entity. The WOC scores best due to the single ownership by the council and the ability to Continually focus on how best to meet housing need.	
	Maintenance costs of assets held higher than anticipated	Reduces net income to vehicle and impacts business plan	Benchmarking against resource requirements and other examples, robust sensitivity analysis of busines model, robust business planning processes	Medium	3	0%	0	25%	75	50%	150	50%	The do nothing option scores well because it does not hold assets and therefore no risk. WOC scores worst due to potential inexperience as a new organisation, though can be effectively mitigated by employing effective management co or disposing of assets.	Х
	Risk that vehicle does not enable new construction techiniques to be adopted	for the vehicle dampens resultiung in	Objectives set out that committ to constant review of products available and adoption where viable and benefits in line with objectives. Multi faceted approach to delivery	Medium	3	75%	225	50%	150	25%	5 75	25%	The do nothing option is very unlikely to adopt the construction techniques over and above those specified within site by site development agreements albeit could be partners could be appointed on that basis. The JV can be focused on adopting new construction techniques over time whereas the WOC has the ability to focus on new construction techniques as much or as little as appropriate within the context of a business plan	Х
	Skills / apprenticeships and training provisions do not align with established and future need	Socio-economic benefits not maximised for Bristol and initial strategy / plan becomes not fit for purpose and loses relevant / support over time	Training and skills plan is a live document and adapted annually, created in consultation with key Council services and external education and community organisations	Medium	3	75%	225	50%	150	25%	5 75	25%	The do nothing option scores worst because skills and apprenticeships are unlikely to be focused on significantly within site by site development agreements. The WOC scores best due to the ability to align closely with the council and the public sector partners meaning it scores better than the joint venture X	
	Wider legislative change e.g. SDLT, Corporation Tax	Increase costs to the Council / vehicle and impact on viability of busines plan and Council financial returns and / or housing outputs	Flexibility in delivery model to adapt to new regime	Medium	3	50%	150	50%	150	25%	75	25%	Wider changes are likely to impact the do nothing option least followed by the WOC which can adopt a highly flexible approach to delivery and ability to benefit from Group relief. The joint venture is more exposed due to a single delivery option across the programme.	Х
	Changes in legislation lead to increase in build costs or future requirements for upgrades	Higher build costs reduces scheme viability and financial / housing outputs or delays scheme progress, future maintenance or	Monitoring of changes, identification of approach and budget for refurbishing stock held, consideration as part of tenure / service charge arrangements, quality of management resource	Medium	3	75%	225	50%	150	50%	i 150	25%	Logic as per build costs above - The do nothing option is highly exposed to increases in build costs reducing profits for the private sector to a level that sites are not considered to be viable. The JV can be more insulated based on the councils active involvement in the vehicle and the WOC scores best due to ability to reduce and balance level of surplus against other council priority's focused on delivery of housing to ensure schemes still progress	X
	Risk of economic recession and activity within the development sector	Skills shortage and impact on supply chain driven by national picture stalls housing delivery in Bristol	Flexibility in delivery model to adapt to new circumstances e.g. Greater role for Council in development and flexible approach to tenure	Medium	3	75%	225	50%	150	50%	i 150	25%	All options are exposed however the do nothing option is likely to be the most exposed due to developer appetite drying up in down turns. The council has more influence to progress delivery by the JV due to active role however the WOC scores the best because it can reduce surpluses to a level and adapt tenure to different housing mixes to ensure delivery still progresses	Х
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