



OPORTUNITAS

BUSINESS PLAN

2018/2019

Folkestone
Hythe & Romney Marsh
Shepway District Council



Shepway District Council's Regeneration & Housing Company

1. INTRODUCTION

1.1 This document presents a Business Plan for the period April 2018 through to end March 2019. Following success in the trading period from September 2014 to end March 2017, Oportunitas will:

- Continue to invest in a Housing Acquisitions & Rental Programme – a land and property acquisition and conversion/refurbishment programme to provide residential properties to let to families at rental levels at or just below market rates;
- Explore commercial investment opportunities in line with its objectives, where the financial returns required in the Business Plan can be demonstrated; and
- Continue to deliver an expanded grounds maintenance service to include handyman services.

2. STRUCTURE OF THE BUSINESS PLAN

2.1 The rest of this document reviews: (1) key governance and operational matters relating to the company and its activities undertaken to date; and (2) outlines activities for the coming period to end March 2019.

2.2 Progress will be kept under review by the Board at regular intervals during the year. If changes are necessary or amendments are made through the year the appropriate processes will be followed as laid out in the corporate control documents.

2.3 Considered and approved by the Board on 8th March 2018 for submission on 28th March 2018 for Cabinet approval.

3. CONTEXT - BACKGROUND AND ACTIVITIES TO DATE

Governance and Operational Matters

3.1 *Legal Company Structure*

3.1.1 Oportunitas is an arm's length trading company of Shepway District Council, incorporated as a company limited by shares under the Companies Act 2006, and accountable to its single shareholder, Shepway District Council.

3.1.2 The Company is a 'controlled company', as defined in the Local Government and Housing Act 1989 as it is a subsidiary company of the local authority. As a result it is subject to The Local Authorities (Companies) Order 1995 which sets out regulations that are specific to controlled companies and starts from the basis that the public should be aware that the company they are dealing with is controlled by the local authority. All relevant corporate documentation states that the Company is controlled by SDC.

3.2 *Corporate Control Documents*

3.2.1 There are three documents which form the legal and operational framework of Oportunitas. These are:

- The Articles of Association (the 'Articles') – this document establishes the legal constitution of Oportunitas including its legal structure, the role and powers of Directors, the decision-making processes and the status and holding of shares;
- The Shareholder's Agreement – this document places limits and qualifications on the operation of Oportunitas. It ensures that the Council can have confidence and legal reassurance that Oportunitas will not act in a way which places the Council at risk. It covers some of the same issues as the Articles, but also sets out mechanisms for Council control and oversight; and
- The Service Level Agreement – this document forms the legal contract for services provided by the Council to Oportunitas to assist its day-to-day operation, which will include accountancy and auditing, legal services, office space, procurement, IT services and the secondment of staff to resource its operations.

3.2.2 Other important documents which also determine the operation of Oportunitas are:

- Code of Conduct for the Company's Directors;
- Scheme of delegations in the Shareholder's Agreement – controlling levels of expenditure and approval decisions; and
- Loan agreements between the Council and Oportunitas relating to loan capital (whether from Council borrowing or reserves) provided by the Council.

3.2.3 Taken together these Key Documents set out how Oportunitas is governed and managed on a day-to-day basis.

3.3 *The Company's Objectives*

3.3.1 The objectives are set out in Schedule 4 of the Shareholder's Agreement. These objectives formalise the scope of the intended activities, and are stated as follows:

- To lead the co-ordination and brokerage of regeneration, economic and development activity;
- To acquire housing and property to make available housing for rent and sale on a range of tenures including (but not limited to) shared ownership, shared equity, market sale and rent, affordable rent;
- To lead site development activity including securing private investment interest where appropriate;
- Facilitating partnership development arrangements to bring forward housing and employment site opportunities across the district of Shepway, including where appropriate joint ventures with other organisations;
- To develop residential housing either for market rent or private sale or in partnership with a registered provider of social housing;
- To develop or hold commercial employment or industrial uses of land and buildings;
- To develop or carry out such infrastructure works as are required to deliver any development or project;
- To commission conversion, improvement works and any other professional services relating to the Business;
- To carry out such trading activities as are identified in the Business Plan, initially relating to grounds and parks maintenance; and
- To carry out such trading activities as the Council and the Company may agree from time to time.

3.4 *Operational Structure & Staffing*

3.4.1 The Board of Directors is responsible for the management of the business and for setting the overall direction and strategy within the stated objectives; for preparing, reviewing and maintaining the company's Business Plan and for reporting to the Council.

3.4.2 The Articles require that there must be a minimum of four Directors appointed to the Board, but the total number is not limited. Directors are to be appointed by the shareholder, Shepway District Council, which also reserves the right to remove any Director.

3.4.3 Directors can be appointed to three different categories:

- Senior Director – must be an elected councillor from the ruling party, or the majority party in the event of a no-overall control Council;
- Junior Director – either an elected councillor or an officer of the Council; and
- External Director – a Director from outside the Council appointed on the basis of their expertise from the private or community sectors. There cannot be more External Directors than the total number of Senior and Junior Directors.

3.4.4 The Board consists of 3 Senior Directors and 1 Junior Director.

3.5 *Staffing & Resources*

3.5.1 The Company is resourced by employees of Shepway District Council, operating on a part-time basis as needed. The day-to-day executive role is headed by a senior officer of the Council with administrative support.

3.5.2 The Council charges Oportunitas for staff time and for the overheads for the Company's accommodation within the Council's office space. These costs are invoiced to the Company on a quarterly basis.

3.5.3 Other central resource services such as HR, IT and telephony, monthly management accounting, legal, and procurement are also provided by the Council as chargeable services. The conditions and details of the provision and charging of services from the Council to the Company is contained in the Service Level Agreement.

3.5.4 Some services, such as accounts auditing, are commissioned externally.

3.5.5 Oportunitas does not have a dedicated Company Secretary, however the duties of the Company Secretary, in terms of maintaining statutory registers and filing of accounts, is undertaken by Council resources and charged back accordingly.

3.6 **Operational Procedures**

3.6.1 *The Business Plan*

3.6.2 Full details of the role of the Business Plan are given in the Shareholder's Agreement. The Agreement provides for the Company always to have a current Business Plan.

3.6.3 The Business Plan is the key guide to the specific activities of the Company. The Shareholder's Agreement provides for the Company to maintain an up-to-date Business Plan for each financial year, setting out what the Company aims to achieve and how it will do it.

3.6.4 The Plan details the projects for the forthcoming year, funding sources and projected capital and expenditure budgets. The Business Plan is prepared, reviewed, and up-dated by the Board and is presented for approval by the Cabinet of the Council.

3.6.5 If planned expenditure is set out within the Business Plan, and approved by both Oportunitas and the Council, then the Company will not need to go back to the Council to approve individual items of expenditure. The financial delegation thresholds contained within the Shareholder's Agreement guide this.

3.6.6 The Plan provides the key document against which Oportunitas reports progress, and the Board submits its up-dated Business Plan to align with Council processes. The Business Plan is subject to normal scrutiny processes of the Council through quarterly reporting to Cabinet.

3.7 *Operation & Decision-making of the Board*

3.7.1 Full details of the operation and decision-making processes of the Board are outlined in the Articles.

3.7.2 The quorum for Board meetings, the minimum number of participants to make binding decisions, is two Senior Directors and at least one other Senior or Junior Director. Decisions must be approved by a majority of the Directors in attendance. The Chair of the Board of Directors is appointed by the Council from the Senior Directors and will hold the casting vote.

3.8 *Council Oversight of Operational Decisions outside the Business Plan*

3.8.1 If Oportunitas wants to undertake a large project which is in line with the stated Objectives, but is not in the current Business Plan, then it will need to seek approval from the Council. The Key Documents require that for all projects like this, with a cumulative annual value of more than £25,000, the Company will need to submit a business case for assessment and decision by the Cabinet.

3.9 *Monitoring & Reporting*

3.9.1 The Key Documents set out the responsibilities of Oportunitas to keep the Council informed of its operations, project activities and progress towards its Objectives.

3.9.2 The Company will also report annually to Full Council. Reporting will be subject to the normal Council scrutiny processes.

3.10 *Financial & Statutory Operating Principles*

3.10.1 SDC provides financing in the form of loan and equity either from the Council's reserves or raised by the Council through prudential borrowing. Loan capital is made available to finance both operational activities and costs but also project capital as and when needed to finance the programmes of activity.

3.11 *Dividends*

3.11.1 The Council, as the sole shareholder, retains the option of declaring dividends.

3.12 *Statutory Obligations*

3.12.1 Oportunitas is subject to the provisions of the Freedom of Information Act and the Environmental Information Regulations. The Council may be obliged, and has the right, to disclose information about Oportunitas under its statutory obligations without consulting the Board.

3.12.2 Both the Council and Oportunitas are subject to the provisions of the Data Protection Act and have a mutual responsibility to fulfill any data protection obligations which arise as a result of the agreement between the two.

3.12.3 As stated, Oportunitas is a 'Controlled Company' for the purposes of the Local Government and Housing Act 1989 and must comply with the regulations that accompany that Act.

3.12.4 Oportunitas is also subject to EU procurement rules and processes and is able to use procurement frameworks set up by the Council.

3.13 *Disclosure*

3.13.1 Oportunitas will publish the minutes of any general (i.e. shareholders) meeting for 4 years from the date of the meeting. There is no current obligation to make the board meetings public, or any publication

requirements for expenditure. Matters relating to disclosure will be kept under review and will respond as necessary.

4. BACKGROUND - ACTIVITY TO DATE

4.1 Housing Acquisitions, Conversions and Rental programme

- 4.1.1 To date 29 residential properties have been acquired and are tenanted. One commercial property has been acquired due to it occupying the ground floor level where residential units are above. A further 4 are currently being acquired. Smith Woolley Perry (SWP) has been providing property search and assessment services and currently manage most of the properties. Reeds Rains also manage some of the first units acquired and as these become available to re-let, the Board will consider future management arrangements of these properties during the year to ensure that the most advantageous arrangements are secured.
- 4.1.2 Prior to the strategic financial review undertaken by the Shareholder and covered in more detail in section 5 of this document. All rents have been set at a market level and acquisitions to date have been financed at a 90:10 loan to equity ratio. Investment funds for properties rented at market levels are drawn at 4.88% interest, with affordable rents able to access a lower rate of borrowing interest at 4%.
- 4.1.3 Prior to the strategic financial review, an initial £4.78m was previously approved by the shareholder to support the company and, at the time of writing, approximately £3.5m has been invested in the following assets with about another £0.4m committed to a further purchase currently being made. The table below lists the properties acquired, shows their latest valuation and the current rental yield. In summary, the existing portfolio is generating an average gross rental yield of 6% compared to its latest valuation.

Date Acquired	Address	Units	Purchase Price (excluding Stamp Duty)	Latest Valuation at 31/03/17	Rental Income	Yield
17/11/2014	2 Walter Tull Way, Folkestone	2 x 1 bed flat	£200,000.00	£234,000.00	£12,900.00	5.51%
17/11/2014	4 Walter Tull Way, Folkestone	2 bed house	£155,000.00	£183,000.00	£8,760.00	4.79%
17/11/2014	6 Walter Tull Way, Folkestone	2 bed house	£155,000.00	£183,000.00	£8,400.00	4.59%
17/11/2014	16 Walter Tull Way, Folkestone	3 bed house	£170,000.00	£204,000.00	£9,300.00	4.56%
23/07/2015	2 Grove Terrace, Folkestone	4 bed house	£160,000.00	£180,000.00	£10,200.00	5.67%
11/11/2015	15 Grace Hill, Folkestone	5 x 1 bed flat	£500,000.00	£446,000.00	£31,560.00	7.41%
	15 Grace Hill, Folkestone	1 x commercial		£81,000.00	£7,500.00	
21/12/2016	82 Leyburne Road, Dover	4 x 2 bed flat	£810,000.00	£420,000.00	£26,580.00	6.35%
21/12/2016	84 Leyburne Road, Dover	4 x 2 bed flat & 1 garage		£420,000.00	£26,760.00	
04/05/2017	19 Castle Hill Avenue, Folkestone	1 x 2 bed flat & 9 x 1 bed flat	£1,200,000.00	£1,200,000.00	£71,220.00	5.94%
Total			£3,350,000.00	£3,551,000.00	£213,180.00	6.00%

4.2 Development Opportunity – 82-84 Leyburne Road, Dover

4.2.1 The garage unit, adjacent to the property is currently rented out at £50 per calendar month, resulting in a 6% return for the Company. The site of the garage has been identified as having development potential for a two storey single dwelling. Positive pre application advice for the proposed dwelling has been received by Dover District Council and work is now currently being undertaken to secure full planning permission for the site.

4.3 Grounds Maintenance Services

4.3.1 To date trading has been steady using available capacity of the Grounds Maintenance team at SDC and has exceeded income targets from the initial business plan. The table below highlights the key performance metrics relating to the service:

Metric	Trading period 1 – Sept 2014 to end Q3 2017/18*
Value of works invoiced	£ 145,487 (net of VAT)
Net Income retained	£29,097
Number of quotations given	919
Number of quotations accepted	440
Number of clients served	301

*Data correct as at time of writing – January 2018

4.4 *Communications*

4.4.1 In the second half of 2017, a review of the current website was undertaken to understand the features and enhancements that could be used to convey the range of activities undertaken by the company and to communicate more accurately its role and purpose. In January 2018, a proposed structure for a new website and its content was approved by both the Company Board and the Shareholder for full development. Work is now currently underway to redesign the website with completion scheduled for the end March 2018.

4.4.2 Oportunitas has not undertaken a high profile proactive communications campaign, preferring to use a modest approach of promoting the grounds maintenance services through advertising and articles in Shepway Today, and by word of mouth recommendations. The development of a new company website will now feature advertising for grounds maintenance services and will expand the Company communications campaign into a digital medium to further develop its growing client base. Clients of the service to date have typically been owner-occupiers of private residences set in large grounds although more recently work has been undertaken for commercial clients.

4.4.3 In addition, our property managing agents have used local networks and their sources to promote our properties when available to rent, disclosing the Council as controller of Oportunitas as required under The Local Authorities (Companies) Order 1995. Articles in Shepway Today and press releases issued have highlighted the work of the Council through Oportunitas in helping to address the housing shortage in the district.

4.5 *Trading Summary – to date*

4.5.1 In summary, initial assumptions have been tested and in the trading period to date the company has successfully met its objectives of providing:

- Capital growth of its asset base – House price inflation in the area for the past calendar year has been assessed to be around 3% and this is expected to be reflected when the company’s housing portfolio is revalued at end of March 2018 in line with accounting requirements.
- Quality homes for rent – 29 with a further 4 expected before the FY 2017/18 concludes.
- Modern employment space – approximately 90m² new commercial space provided at Grace Hill.
- Support for local construction and development firms, stimulating local jobs and town centre renewal.
- Empty properties bought back into effective use – 15 residences that were not previously available are now providing homes for members of the local community.

4.6 Financial Summary since Trading Commenced

4.6.1 The table below summarises the company’s Profit and Loss Account from its inception to 31st December 2018 and shows the accumulated trading loss, before adjustments for unrealised property valuation changes are reflected, is approximately £223,000.

Table 2 Company’s Profit and Loss Account

Period Ending	5 months to 31.3.15	Year to 31.3.16	Year to 31.3.17	9 months to 31.12.17	Cumulative
	£	£	£	£	£
Trading income	23,949	90,551	148,184	189,235	
Direct costs	(16,686)	(28,846)	(41,619)	(71,412)	
Interest Payable	(13,440)	(48,213)	(96,167)	(116,022)	
Net Trading	(6,177)	13,492	10,398	1,801	
Overheads etc	(52,347)	(79,386)	(81,212)	(29,963)	
Net Operating Loss	(58,524)	(65,894)	(70,814)	(28,162)	(223,394)
Unrealised Property Valuation Gains/(Losses)	11,658	50,800	(43,050)	79,898*	
Reported Profit/(Loss)	(46,866)	(15,094)	(113,864)	51,736	

*Unrealised property valuation gain at 31/12/17 based on a 3% projection of values at 31/3/17

In broad terms, the company's trading activities of residential property lettings and grounds maintenance cover their direct costs but do not generate sufficient surpluses to meet its overheads.

The company's accounts are independently audited at the end of each financial year and have, so far, received an unqualified audit opinion to say they are a fair and accurate record of its financial activities.

4.6.2 Financial Return to SDC - Income to the Shareholder (as at Dec 2018) shown below:

	5 months to 31.3.15	Year to 31.3.16	Year to 31.3.17	9 months to 31.12.17
	£	£	£	£
Loan fees	23,587	0	22,500	0
Loan interest	13,440	48,213	96,167	116,022
Staff recharges	16,522	39,313	25,392	13,999
Directors remuneration	4,273	8,475	11,601	7,928
Advertising income (Shepway Today)	1,054	1,470	1,470	1,130
Grounds Maintenance income	9,394	28,845	41,619	36,611
Total	68,270	126,316	198,749	175,690

5. FUTURE ACTIVITIES - APRIL 2018 to END MARCH 2019

5.1 On 28 February 2018, Cabinet considered and approved a report regarding the future strategy for Oportunitas. This report included the outcomes of detailed strategic financial review of the level of investment required to make the company financially sustainable in the long term while still providing a return to the council as the sole shareholder. In summary, the outcomes of this review in terms of the company were:

- £6.9m minimum additional capital investment required to acquire further residential properties to provide an enhanced revenue stream to trade sustainably;
- The overall debt to equity ratio required to be 58%:42%;
- Commercial interest on the loan element to remain at 4.88%;
- A minimum gross rental yield of 5% is required for new acquisitions;
- It will take at least 2 years for the company to acquire the additional residential property;
- It will take about a further 4 years from the completing the acquisitions to generate sufficient operational profits to absorb the forecast accumulated loss of around £300k; and
- The existing £300k liquidity loan facility to be reviewed.

Subsequently, full Council approved the £6.9m additional capital investment as part of the update to the Medium Term Capital Programme.

The intention for the forthcoming year is to scale up activities, particularly acquiring more properties and to make them available for rent while continuing to keep a close control of operational expenditure.

Activity 1 – Property Acquisition, Conversion and Rental Programme

5.1.1. The future acquisitions programme is likely to be two-fold approach. Firstly it will continue to purchase properties that become available on the open market. Having the additional investment capacity will put the company in a strong negotiating position as investment opportunities arise. Secondly it will seek other opportunities, for example through direct involvement in shareholder-led proposals on for sites it already owns such as Biggins Wood, Princes Parade and, possibly, Otterpool Park. Although there may be some progress made with shareholder-led opportunities in 2018-19 any financial benefit to the company is unlikely to materialize until 2019-20 at the earliest. In all cases, new properties acquired by the company will need to achieve a minimum gross rental yield of 5% to meet its financial target.

5.1.2. Voids will be kept to a minimum and letting management costs will be kept under review to keep operational costs as low as possible.

5.1.3. Rental values for the existing portfolio will also be kept under review to ensure that appropriate charges and uplifts in rent are made.

Activity 2 – Commercial Opportunities

5.2.1 With additional internal resource being made available with a commercial background, the company will explore commercial investment opportunities within the district which are in line with its objectives, where the financial returns required in the Business Plan can be demonstrated. As part of any commercial acquisition, the Shareholder will be consulted to provide reassurance that the investment is in line with company objectives and this Business Plan. Any proposed activity beyond the Business Plan will follow the processes for approval as laid out in the Shareholder's Agreement.

Activity 3 – Grounds Maintenance & Handyman Services

5.3.1 Activities to date have demonstrated a demand for our well-run Grounds Maintenance and handyman services. For the coming period services will be targeted at larger potential clients and the Board kept advised on the level of demand and profitability of this activity.

5.3.2 *Targets for the coming period include:*

Metric	Targets for trading period to end March 2019
Value of works invoiced (exc VAT)	£88,000
Net income retained	£17,600
Number of quotations given	350
Number of quotations accepted	250
Number of clients served	200

5.3.3 The Board will monitor and report progress to its shareholder against these targets.

5.4 *Communications*

5.4.1 A communications approach agreed with the shareholder will promote the activities included in this Business Plan. It will include the work of Oportunitas as part of Council's priority to help deliver more homes, more jobs, and to achieve financial stability. In addition a more targeted approach will be used to grow our client base for Grounds Maintenance & Handyman services to stimulate required numbers of enquiries and quotations given. A modest budget will be made available and the Board will monitor and report against the agreed plan.

5.5 *Financial Forecast 2018-19*

5.5.1 The company's forecast trading position for 2018/19 is shown in the table below along with the original forecast and latest projection for 2017/18 for comparison purposes.

	2017/18 Forecast £	2017/18 Latest Projection £	2018/19 Forecast £
Property			
Rental Income	210,400	184,900	258,190
Expenditure	-53,440	-37,400	-61,010
	-		
Loan interest	<u>152,790</u>	<u>-154,000</u>	<u>-195,000</u>
Net	4,170	-6,500	2,180
Grounds Maintenance			
Income	40,000	60,800	55,000
Expenditure	<u>-32,000</u>	<u>-48,900</u>	<u>-45,850</u>
Net	8,000	11,900	9,150
Overheads			
Directors Remuneration	-10,450	-10,600	-10,880
SDC Staff Recharges	-37,740	-19,800	-17,310
Other Costs	<u>-16,810</u>	<u>-17,400</u>	<u>-46,460</u>
Total	-65,000	47,800	-74,650
Net Trading Loss for Year	<u>-52,830</u>	<u>-42,400</u>	<u>-63,320</u>
Trading Loss brought forward		<u>-195,230</u>	<u>-237,630</u>
Trading Loss carried forward		<u>-237,630</u>	<u>-300,950</u>

5.5.2 The 2018/19 forecast shows a further trading loss of about £63,000. This includes almost £25,000 as on one-off charge for a new loan arrangement fee required as part of the shareholder's additional capital investment into the company. The overall operating loss does not reflect any unrealised valuation gains (or losses) from the property portfolio. Further, the forecast assumes;

- the original capital investment of £4.787m will be fully utilised during 2018-19 to acquire further residential property generating a net additional rental income, and
- There will be no net additional income to be received in year should any of the new capital investment of £6.9m be utilised.

5.53 The forecast shareholder benefit to the council from Oportunitas in 2018/19 is shown in the table below:

Shareholder income	£
Loan interest	195,000
Loan arrangement fee	24,700
Staff and other recharges	17,130
Directors remuneration	10,880
Grounds maintenance income	44,000
Shepway Today advertising income	1,850
Total shareholder income	293,560

5.6 Company Risks Identified

5.6.1 Table 6 below presents a matrix style assessment providing a judgement on the combination of probability/likelihood of occurrence and severity of impact on the Company. All risks will be kept under review during the year.

Table 6 Company risks - detailed assessment				
Company Risk		Prob-ability	Impact	Risk Management Action
LEGAL				
A	Contractual Disputes	Low	Medium	Governance structures in place to ensure that contracts which require Council approval are considered appropriately. Oportunitas will take appropriate legal advice before entering into contracts.
B	The balance between Council control and the Company's ability to deliver against its Business Plan results in the Company's inability to operate effectively	Low	High	Detailed definitions contained within the key corporate governance documents mitigate against this risk. Board is given adequate decision-making powers and independence.
LEGAL / FINANCE				

C	Breach of EU state aid rules	Low	Medium	Council's Finance Team has considered options for level of direct capital contribution. Legal advice commissioned from Bevan Brittan LLP.
FINANCE				
D	The Company fails to adhere to loan repayment obligations	Low	Medium	A repayment schedule is prepared and financial matters are discussed regularly with the board. Quarterly reports are given to Cabinet.
E	Failure of housing to be competitive and/or attractive to tenants	Low	Low	The acquisition programme is professionally managed to ensure a competitive product is offered.
F	Rental income returns fall short of projections included in the Business Plan	Low	Medium	Rental values are kept under review and financial implications reported to the Board. Changes will be made to activities if necessary and appropriate returns are not made.
G	Failure to arrange adequate insurance cover for the Company's liabilities and assets	Low	Medium	The Council's Finance Team is has appropriate insurance in place. The Shareholders Agreement enables the Company to purchase and maintain adequate insurance against all risks comparable to that insured by companies carrying out similar business
H	Failure to arrange adequate insurance cover for the Company's Directors	Low	Medium	The Company has insurance in place for its Directors against any liability which may be incurred in relation to their role as Company Director
I	Challenge from auditors (Council or external)	Low	Low	The Company has appointed its own external auditors and accountant.
J	Failure to comply with taxation laws (Corporation Tax and VAT)	Low	Low	The company will take independent tax advice.
K	Properties decrease in value	Low / Medium	High	The Company Board will keep under review and if necessary will look at options such as changing the mix of

	resulting in an impairment			portfolio, refinancing or sale of properties.
L	Movement in interest rates	Medium	Medium	The Business plan will take into account the likelihood of medium to long term increases in interest rates and the impact this will have on viability of future activities, adjusting activities accordingly.
FINANCE / OPERATIONAL				
M	Assumption of values for acquisition and refurbishment and rental yields proves to be inadequate	Medium	High	Need to regularly review the market conditions to ensure that the activity is managed within the overall budget envelope.
OPERATIONAL				
N	Mechanism for drawing down funding proves to be too slow and costly to facilitate delivery of acquisitions programme	Low	High	Facility is agreed for Council draw down process. Operational costs charged to the company from facilities being put in place to be monitored.
O	Higher level of voids than projected or rent arrears	Low	High	A void rate of 5% has been included in the Business Plan and will be regularly reviewed. Rent arrears kept under review with immediate action taken for non-payment.
P	Allowances for maintenance and repairs in the Business Plan prove to be inadequate	Low	Medium	This has been allowed for in the Business Plan and will be regularly reviewed.
Q	Conflict of interest over workload priorities of Council and Company	Low	Medium	Council will retain control over the staffing of the Company. Council resources will be invoiced to the Company.
R	Lack of capacity to manage the Company's workload	Low	Medium	Staff resources carefully managed and balance of staffing needs regularly reviewed, with flexibility retained to provide additional capacity as required.

S	The Company is inadequately resourced in terms of management, accounting, legal and admin	Low	Medium	As above.
PROCUREMENT				
T	Failure to adhere to EU procurement rules	Low	Low	Procurement rules transferred to the Company from the Council including the use of approved procurement frameworks.
OTHER				
U	Conflict of interest for members acting as Directors of the Company	Low	Medium	In accordance with the Council's constitution dispensations have been granted to Councillors allowing them to speak and vote at meetings where Company affairs are being discussed.
V	Company strays beyond its objectives	Low	High	Objectives clearly defined within governance documents and protected by annual Council approval of the Company's rolling Business Plan.
W	Inaccuracy in stock condition information on the properties prior to acquisition leading to unexpected maintenance costs	Low	Medium	Detailed stock condition information acquired prior to acquisition. Surveys undertaken as needed to ascertain expected maintenance costs.
X	Inclusion of trading activities weakens the Company's strategic focus	Low	Medium	The Company will provide mechanism for invoicing private work and will not detract from the strategic objectives of the Company's programme of activities.

Appendix A: Scheme of Delegation & Financial Thresholds –

Board decisions need to be taken in a timely manner to pursue property purchases. The financial delegation thresholds are included as per the Shareholder's Agreement with financial delegations for works, supplies and services aligned with existing SDC thresholds:

Works, Services & Supplies:

Total Value	Type of Contract	Procedure
£1,000 to £9,999	Works, supplies and services	At least one quote to be obtained in advance
£10,000 to £99,999	Works, supplies and services	At least three quotes to be obtained in advance
100,000to £164,175	Works, supplies and services	At least three written tenders in advance following advertisement by public notice.
£164,176	Supplies and services	EU rules apply.
£164,176 to £4,104,393	Works	Full competitive process with tenders following advertisement by public notice
£4,104,394 plus	Works	EU rules apply

Property Acquisitions:

Total Value	Type of Contract	Procedure
£0 to £150,000	Purchase of property	Officer decision in consultation with a senior director, subsequent notification of the purchase to the Board
£150,001 to £250,000	Purchase of property	Officer recommendation with sign-off by two senior directors, subsequent notification of the purchase to the Board

£250,000 and over	Purchase of property	Board decision.
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Note: 'Officer' of the Council is seconded to work for the company via the SLA, they then effectively have the powers and delegations given to them through the company's governing documents, including the Shareholder's Agreement. This should then be sufficient to enable an officer acting on behalf of the Company to agree to purchase a property in accordance with the above table.

Delegations / Authorised Signatories

Delegation levels will be established for key Company staff (and SDC Officers delegated to support the Company) and Board members and included in the Shareholder's Agreement.

Proposals are that signing authorities will be:

- Cheques and other bank payments up to £10,000 - SDC Officer with delegated authority;
- Cheques and other bank payments £10,000 and over - Senior Director, or SDC Officer with delegated authority;
- All external contracts – Chairman or Senior Director;
- Approval of Purchase Orders - SDC Officer with delegated authority;
- Approval of Purchase invoices up to £10,000 - SDC Officer with delegated authority;
- Approval of Purchase invoices £10,000 and above – Senior Director, or SDC Officer with delegated authority;
- Loan Agreements – Chairman or Senior Director; and
- Funding Agreements – Chairman or Senior Director.