

## Risk Register

## Appendix C

### Homelessness Property Provision through the use of a property investment fund

Risk ID	Risk						Gross Risk		Current Risk		Residual Risk		Risk Mitigation	
	Risk Title	Opportunity/Threat	Risk Description	Risk Cause	Consequence	Date raised	I	P	I	P	I	P		
85	1	Investment return	Threat	Investment returns, although targeted, would not be guaranteed	Actual investment returns being lower than projected through adverse impacts such as loss of rental income	Less council funding	16-Jun-15	3	4	3	3	3	2	Regular monitoring reports will be assessed; fund managers can be held to account in relation to the fund performance; The London Fund has been operational since 2013 and has achieved an average net initial yield of 4.5%
	2	Liquidity	Threat	The Council must commit funds for a minimum of 7 years	Unforeseen circumstances lead to the Council requiring liquidation of its investment	Funds would not be available to support other requirements for the period of the agreement	16-Jun-15	4	4	4	3	3	2	The MTFS has assessed the risks of changes to external impacts on the Council's resources; The Council would have to try to sell its share in the fund, although the likelihood of being able to do so is small. Alternatively if the need is for capital resources, the Council could choose to take out external borrowing to pay for the new requirements
	3	Security	Threat	The Council loses its principal investment	Market conditions deteriorate such that the capital value of the investment is not maintained	Loss of investment and revenue implications arising from MRP	6-Jul-15	4	2	4	2	3	2	The Council will require regular updates on the performance of the fund including the capital value of its investment. Any reductions in value, should they occur, will not impact only on one year because the Council's MRP policy would allow for the cost to be spread over the life of the asset.
	4	Property Acquisition	Threat	The fund manager must find appropriate properties to deliver the service objectives and the projected yield from both an availability and selection perspective	Fluctuations in prices and market availability restrict the availability of suitable properties	Fund and service objectives are not met	16-Jun-15	5	4	4	3	3	3	Resonance have undertaken market analysis and have identified that there should be enough properties available that fulfil its criteria
	5	Capital Values - loss	Threat	The capital will not be protected	Economic climate	Properties reduce in value resulting in a loss of capital values	16-Jun-15	5	4	4	3	3	3	Property prices tend to rise over the medium to long term; the Council could decide to leave its investment in a follow-on fund until the market conditions improve
	6	Capital Values - MRP	Threat	The capital will not be protected	Economic climate	MRP will need to be payable leading to a charge on the revenue account	16-Jun-15	5	4	2	2	2	2	Resources to the value of the investment are held in a earmarked reserve which could then be use to mitigate the impact of the MRP charge

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7	Long term property viability	Threat	Over time the properties are not fit for purpose	Changes in the type of clientele	The properties are no longer of the correct type to fulfil the needs of the service	16-Jun-15	3	3	3	3	2	3	Historical trends show that the main property requirement in this area is for 1 to 2 bedroom dwellings; this will be monitored to identify any emerging trends
8	Lettings Management	Threat	Properties and tenants are not managed as anticipated	Loss of staffing or other organisational changes reduces the ability of St Mungo's Broadway to manage the lettings part of the arrangement	The prevention and support outcomes are not achieved as envisaged	16-Jun-15	4	4	3	2	3	2	St Mungo's Broadway are a registered provider and as such are regulated by the Homes and Communities Agency; they are a large organisation and resources should be able to be diverted from other areas of the organisation to cover any short term issues; officers will monitor the position closely
9	Homelessness Demand	Threat	The demand to use these properties for homelessness purposes is not maintained	Presentations to the Council for homelessness support reduce	There is potential for loss to St Mungo's Broadway and the property fund leading to lower returns for the Council	16-Jun-15	4	4	4	2	2	2	The SLA will contain provisions that allow St Mungo's Broadway to utilise the property portfolio for other clients in the event of nominations from the Council reducing
10	Local Housing Allowance	Threat	Adverse changes to the Local Housing Allowance	Changes in welfare benefits impact adversely on the authority	The expected returns are not achieved	16-Jun-15	3	3	2	3	2	3	There have not been any changes to date in how the increases to the LHA are applied; the increases are already at CPI or 1% maximum which is below market rent increase. This will have been built into the financial models
11	Property disposal	Threat	Ability to exit the properties through a sale etc. at the full value of the investment at the end of the 7.5/9.5 years	The housing market changes and there is a reduction in the demand for properties	The expected capital returns will not be achieved and the fund may not be able to dispose of the properties to refund capital investments	16-Jun-15	4	4	4	2	3	2	Projections are that the demand for housing will increase over the medium term. Where something unforeseen occurs, the Council could choose to leave its investment in a follow-on fund until the market conditions improve
12	Property disposal	Threat	On liquidation the capital will not be available to be returned within the investment period	Property market slow	The capital is not available to be repaid in full at the end of the investment period; the full return is delayed whilst properties are disposed of	8-Jul-15	3	3	3	3	3	2	As the later stages of the fund are approached, Resonance would firm up on the exit strategy with investors (ie roll into another fund or phase disposal of assets) and the precise details and timing would be agreed with investors in order return capital at an agreed date; the Council will monitor progress as the time approaches