

## Venta Living Ltd – key risks and mitigation

Risk	Mitigation	Opportunities
<p><i>Financial Exposure</i></p> <p>Venta Living Ltd is or becomes non-viable and unable to operate</p> <p>Risk to Venta Living Ltd that arrears and bad debt exceed business plan provision.</p>	<p>Recruitment of suitably qualified non-executive directors to manage the business of the company in line with the annually agreed business plan.</p> <p>It has a degree of certainty over the annual amount of its income as this is linked to the gross rent receivable.</p> <p>If the business model fails then units at Winnall can be taken back in house and let through the HRA.</p> <p>Venta Living Ltd will look to employ competent and effective parties to vet and onboard financially able tenants and manage the tenancies and rent collection procedures effectively.</p>	
<p><i>Exposure to challenge</i></p> <p>Venta Living Ltd could receive a challenge concerning the structure of the company and its relationship with the council</p>	<p>Expert legal advice has been received on the structure of the company and relationship to the council. There is a clear audit path on the reasons for establishing the company, and with the type of property being rented as well as the cost floor, there is little incentive to claim secure tenancies and the RTB.</p>	

Risk	Mitigation	Opportunities
<p>Lease Model</p> <p>Venta Living Ltd could receive a challenge that the “turnover model” lease structure means the relationship between the council and Venta Living Ltd is principal and agent not landlord and tenant.</p> <p>Tenants may argue that Venta Living Ltd is merely a corporate veil for the council who is the landlord, meaning tenants should be entitled to the same benefits as a council tenant namely a secure tenancy and right to buy options.</p> <p>Venta Living Ltd will receive a percentage of the gross rent receivable for management costs and other liabilities. It there is a difficulty with rent collection then there is a risk that Venta Living Ltd will have to draw on capital reserves.</p> <p>Achievement of outcome</p> <p>The Renters’ (Reform) Bill introduced to Parliament in May 2023 still needs to go through several parliamentary processes, undergo scrutiny and possible amendments, before it becomes law. The first draft contains as expected the replacement</p>	<p>There is clear evidence that the council has established the company to further strategic objectives to diversify tenure and meet the wider aspirations of the community in that part of the district.</p> <p>Tenancy management will rest with Venta Living Ltd albeit they will contract with the council to carry it out.</p> <p>The ongoing deductible costs are based on a percentage of the gross rent receivable based on the current BP assumptions. It will receive a 2% budget allocation towards a bad debt provision within this</p> <p>The progress of the draft Bill through Parliament will be monitored so that the full implications of the proposed changes evaluated in advance of enactment.</p> <p>The business model is based on being an ethical</p>	

Risk	Mitigation	Opportunities
<p>of assured shorthold tenancies with periodic tenancies and the abolition of s21 'no fault' evictions. This has potential implications for tenancy turnover.</p>	<p>landlord and on longer term ASTs. The council needs to be rigorous in vetting the financial position of prospective tenants to ensure that lettings remain affordable for both parties.</p>	
<p>Subsidy Control Implications</p> <p>The equity investment from the council is being made under the minimal financial assistance exemption rules and this requires that formal notifications are made to the company and limits the financial assistance that can be made to the company.</p>	<p>The current level of equity investment is based on the worse case scenario working capital investment required and at £150k is below the £315k permitted limit</p>	
<p>Tax implications</p> <p>SDLT</p> <p>VAT from the council's side</p> <p>Although the impact of exempt VAT supply is a risk to the council (as any VAT payable on the councils' costs under the lease such as reactive repairs, major repairs and fixtures and fittings will be a VAT exempt supply and will score against the council's 5% vat exempt limit). The worst-case</p>	<p>Advice has been received to confirm that the company will not be liable for SDLT.</p> <p>The company will not be able to recover VAT and the impact of this is included in the business plan.</p> <p>The council will need to closely monitor the impact of VAT against its exempt threshold and may need to consider folding the company if the risk exceeds the 5% limit.</p>	

<b>Risk</b>	<b>Mitigation</b>	<b>Opportunities</b>
mitigation would affect the company.		

**- VENTA LIVING LTD Financial Business Case Exempt classification removed by Monitoring Officer 18.02.26**

c) Balance Sheet

	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34	2038/39	2043/44	2048/49	2053/54
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	1	2	3	4	5	10	15	20	25	30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<u>Fixed Assets</u>										
Other Fixed Assets	0	0	0	0	0	0	0	0	0	0
Other Fixed Assets Depreciation	0	0	0	0	0	0	0	0	0	0
	0	0	0	0	0	0	0	0	0	0
Net Current Assets	151	151	151	152	152	154	155	157	158	159
Total Assets	151	151	151	152	152	154	155	157	158	159
<u>Capital &amp; Reserves</u>										
Share Capital	150	150	150	150	150	150	150	150	150	150
Revenue Reserves	1	1	1	2	2	4	5	7	8	9
Share Redemption Reserve	0	0	0	0	0	0	0	0	0	0
Shareholder Funds	151	151	151	152	152	154	155	157	158	159
Total Capital & Reserves	151	151	151	152	152	154	155	157	158	159

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**- VENTA LIVING LTD Financial Business Case**

**Exempt classification removed by Monitoring Officer 18.02.26**

**a) Cashflow Statement**

	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34	2038/39	2043/44	2048/49	2053/54
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	1	2	3	4	5	10	15	20	25	30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>										
Net Rent	350	453	462	471	480	530	585	646	714	788
Other Income	0	0	0	0	0	0	0	0	0	0
	350	453	462	471	480	530	585	646	714	788
<b>Expenditure</b>										
Management	(21)	(21)	(21)	(22)	(22)	(25)	(27)	(30)	(33)	(37)
Service Costs	(7)	(8)	(8)	(8)	(8)	(9)	(10)	(11)	(12)	(13)
Routine Repairs	0	0	0	0	0	0	0	0	0	0
Major Repairs	0	0	0	0	0	0	0	0	0	0
Other Operating Costs	0	(11)	(11)	(11)	(11)	(12)	(14)	(15)	(17)	(18)
Other Overheads	(89)	(34)	(34)	(35)	(36)	(40)	(44)	(48)	(53)	(59)
Bad Debts	(9)	(9)	(9)	(10)	(10)	(11)	(12)	(13)	(15)	(16)
Other Capital Expenditure	0	0	0	0	0	0	0	0	0	0
Lease Set Up Costs	(8)	0	0	0	0	0	0	0	0	0
	(134)	(82)	(84)	(86)	(87)	(96)	(106)	(117)	(130)	(143)
Net Cashflow From Operating Activities	216	370	378	385	393	434	479	529	584	645
<b>Financing Activities</b>										
Lease Payments	(216)	(371)	(378)	(386)	(393)	(434)	(479)	(529)	(585)	(645)
Loans Drawn	0	0	0	0	0	0	0	0	0	0
Loans Repaid	0	0	0	0	0	0	0	0	0	0
Loan Interest	0	0	0	0	0	0	0	0	0	0
Interest Received	1	1	1	1	1	1	1	1	1	1
Equity Finance	150	0	0	0	0	0	0	0	0	0
Equity Redeemed	0	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
	(65)	(370)	(377)	(385)	(393)	(434)	(479)	(529)	(584)	(645)
Net Cashflow Before Taxation	151	0	0	0	0	0	0	0	0	0
Corporation Tax	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Net Cashflow	151	0	0	0	0	0	0	0	0	0
Balance Brought Forward	0	151	151	151	152	153	155	156	158	159
Balance Carried Forward	151	151	151	152	152	154	155	157	158	159

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**b) Income and Expenditure Account**

	2024/25	2025/26	2026/27	2027/28	2028/29	2033/34	2038/39	2043/44	2048/49	2053/54
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 10	Year 15	Year 20	Year 25	Year 30
	1	2	3	4	5	10	15	20	25	30
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>										
Net Rent	350	453	462	471	480	530	585	646	714	788
Other Income	0	0	0	0	0	0	0	0	0	0
Turnover	350	453	462	471	480	530	585	646	714	788
<b>Expenditure</b>										
Management Costs	(21)	(21)	(21)	(22)	(22)	(25)	(27)	(30)	(33)	(37)
Service Costs	(7)	(8)	(8)	(8)	(8)	(9)	(10)	(11)	(12)	(13)
Repairs and Maintenance	0	0	0	0	0	0	0	0	0	0
Major Repairs	0	0	0	0	0	0	0	0	0	0
Bad Debts	(9.10)	(9.28)	(9.47)	(9.66)	(9.85)	(10.88)	(12.01)	(13.26)	(14.64)	(16.16)
Lease Payments	(216)	(371)	(378)	(386)	(393)	(434)	(479)	(529)	(585)	(645)
Lease Set Up costs	(8)	0	0	0	0	0	0	0	0	0
Other Operating Costs	0	(11)	(11)	(11)	(11)	(12)	(14)	(15)	(17)	(18)
Other Overheads	(89)	(34)	(34)	(35)	(36)	(40)	(44)	(48)	(53)	(59)
Depreciation	0	0	0	0	0	0	0	0	0	0
	(350)	(453)	(462)	(471)	(481)	(531)	(586)	(647)	(714)	(789)
Profit Before Interest & Charges	0	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(1)
Loan Interest Payable	0	0	0	0	0	0	0	0	0	0
Interest Receivable	1	1	1	1	1	1	1	1	1	1
Interest & Charges	1	1	1	1	1	1	1	1	1	1
Profit Before Taxation	1	0	0	0	0	0	0	0	0	0
Corporation Tax	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Profit/(Loss) after Taxation	1	0	0	0	0	0	0	0	0	0
Dividends	0	0	0	0	0	0	0	0	0	0
Profit/(loss) for the Year	1	0	0	0	0	0	0	0	0	0
Retained Profit/(Loss)	1	1	1	2	2	4	5	7	8	9

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## ASSUMPTIONS

Exempt classification removed by Monitoring Officer 18.02.26

Future Inflation Assumptions	CPI	2%		
	RPI	2%		
	per unit			
Gross Rent Charged per month	£925		YEAR 1	YEAR 2
Total Charge	<u>£925</u>			
Gross income Receivable			455,100	464,202
Voids	Year 1	23.0%	104,673	
	Year 2 onwards	2.5%		11,605
<u>Net Income Receivable</u>			<u>350,427</u>	<u>452,597</u>
	Per unit			
Letting Costs	Year 1	480	19,680	
	Year 2 onwards	50% churn		10,539
Bad debt Provision		2%	7,009	9,052
Management costs		504	20,664	21,077
Service Charges			6,180	6,303
Governance Costs			33,168	33,831
<u>Total Operating Costs</u>			<u>86,700</u>	<u>80,802</u>
<u>One off Setup Costs Year 1</u>				
Lease			8,200	
Other			36,000	
			<u>44,200</u>	
Lease Payment			<u>219,527</u>	<u>371,795</u>
On going company costs as a percentage of gross Income receivable				17.41%

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