

Angel Yard – governance and financial structure

v2 260922

For information, this document is not financial advice

GOVERNANCE

The company that we have formed to manage our project is called Sussex Street Cohousing CIC (Community Interest Company). All residents are members, a subset are directors, and our details are listed at Companies House. The CIC owns the freehold of the site and will be our resident management organisation once we are living there.

For the period until construction finishes, we are working with advice and help from TOWN (www.town.co.uk), who are acting as our development managers. We are in a contractual relationship with TOWN but ultimately the CIC is in charge and responsible.

FINANCE

Our project is self-financing. We do not have a council, housing association or private housebuilder supporting or financing us.

We are borrowing the main construction finance from a commercial lender. Like any lender, they will not finance 100%, so we have to contribute a sum of approximately £2.4 million before they will unlock their loan.

Our equity contribution is made up of:

- Land purchase cost
- Costs of gaining planning permission
- The balance of the equity required

All of the above have been raised via loans from our members. Members have mostly lent money to the CIC under the terms of a legal document.

The commercial lender's terms – again, similar to any lender – require that we put our money in first before drawing down their loan in stages. Then, at practical completion, the main lender has to be repaid first, before we can repay our members.

The income to pay off all these loans comes from house and flat sales. We already have the majority of properties firmly reserved so are in a very strong position regarding sales.

Most of the completions (the moment that the buyer's funds are transferred and the keys handed over) need to take place at the same time, so that we can quickly discharge the main loan and its interest, and repay members' loans.

RISKS AND COST OVERRUNS

There is an element of risk in any process where expenditure happens before the income comes in. Housebuilding is a well-established activity with systems and checks in place, but it is not unaffected by fluctuations in material, energy and labour costs, which we are trying to shield against.

We have contingency in the budget, and we are also going through the main budget to see where we can gain some reductions in cost without having too much impact on quality. Our aim throughout is to deliver the best result possible, without affecting our house prices, which are now fixed.