

Risk Assessment

RISK ASSESSMENT						
Operational Risks	Likelihood	Impact	Total	Rating	Internal Control(s)	Controls OK?
Failure to communicate effectively with key stakeholders could result in planning delays and reputational damage to the council	2	3	6	M	Cross Departmental Communications Plan Established and initiated	Y
Delays in securing planning consent could lead to additional costs and/or loss of tenant	3	4	12	M	Internal planning advice sought at early stage in Project. Provisions within contract to allow for extensions of time	Y
Restrictive Covenants on land could restrict or stop development	2	5	10	M	Appropriation of Land converts covenantor's remedies to damages. Professional advice to be sought and insurance taken out if necessary	Y
Poor project Management could result in cost and programme over-run	3	4	12	M	The Council is adopting PRINCE2 Project Management Principles and is resourcing its Programme Office to deliver this. The use of a Development Management Consultant taking the cost Risk will	Y

					also limit the Council's risk	
Unexpected Cost Increases could lead to cost overruns and a reduction in the Council's return on investment	3	3	9	M	Working with an experienced Development Management Consultant who has delivered a number of Hotels for the preferred tenant who will contract to deliver the development of the Hotel for a fixed cost will limit the Council's exposure. The contract will be subject to detailed site investigations which the Development Management Consultant is undertaking at its risk. A further contingency on both the cost of the Hotel and Car Park Costs is allowed.	Y
The rental payments will be insufficient to deliver the required return on investment	3	3	9	M	A prelet has been agreed with the preferred tenant a fixed rent for the first 5 years and a guaranteed increase every 5 years. A 20 minimum lease term has been agreed	Y
The proposed tenant will not be able to meet its rental payments or will otherwise break the terms of the lease	3	3	9	M	The preferred tenant is part of a FTSE 50 Company that had a turnover in excess of £2 billion in 2014. They currently operate over 59,000 hotel rooms and recent	Y

					development have been funded by AXA and AVIVA Investors at yields below 5%	
An downturn in the Economy and/or Property Market could have a negative impact on the income received from the investment	3	4	12	M	Letting the property on a 25 year lease (with a fixed minimum term of 20 years) with guaranteed rental increases at 5 yearly reviews ensures that rental income will not fall during the first 20 years providing the preferred tenant remains solvent. Regular revue of the market and economy as part of an Asset Management Strategy will ensue that risk is continuously managed appropriate actions taken and the optimum time.	