

Appendix C - Outline Risk Assessment

The table below summarises the projects risk register and outlines the key project risks considered relevant for this report.

TYPE	DESCRIPTION	MITIGATION
Finance	Capital receipts from the sale of the residential units are not achieved.	Residential units are appropriately designed and to be finished for the target market. Intention is to also commence marketing of units as soon as possible to achieve off-plan sales. This will allow us to gauge and track market interest. Significant research has also been undertaken to gauge future house price values. In unlikely event that sales are not achieved, Council will consider issuing AST (place on market for rent) through an appropriate vehicle and delay capital receipts.
Finance	Change in interest rates resulting in a higher cost of capital	Rates will continue to be monitored and always considered on the side of caution. An active treasury management approach will be adopted that seeks to draw-down funding as and when required. The funding draw-down is modelled to reflect the s-curve associated with the construction programme. This will ensure funding is only sought when needed rather than the traditional approach of seeking a fully funded financing facility prior to the project commencing. The advantage to this approach is that interest is only applied when capital is employed and allows for the cost of capital to be aggregated at a lower rate.
Finance	Correct VAT treatment for this complicated scheme may increase costs.	Expert VAT advice being sought to assess and minimise any financial impact.
Planning	Planning consent not obtained.	Pre-planning discussions have taken place with the planning, highways and environmental health authority and advice incorporated in the scheme. Consultation has also taken place with other key statutory stakeholders (such as the drainage authority and the Environment Agency). Public consultation was undertaken in two stages, and local residents and affected parties were kept informed throughout the design process. Public comments/feedback were also incorporated into the scheme where feasible. Planning application has been submitted awaiting determination with no key objections received so far.
Developer	SDC acting as developer is exposed to more risk than in previous capital projects where it has transferred risk by procurement via frameworks and developers.	Ensure adequate resourcing, programming, contingencies and robust project management in place. Team will ensure procurement of suitable, well qualified consultants and advisors to assist in delivery where needed. Risk is to be passed onto contractor appointed via the LHC Framework. Additionally, a fixed fee lump sum contract has been negotiated with the contractor. This lump sum contract includes key risk items which have been transferred to the contractor.

Economic/Health	Impact of Covid-19 pandemic, (tender pricing, risk pricing, programme fixing, contractual amendments, availability of labour, availability of materials, onerous sub-contractor conditions), causes additional cost and/or delay to the programme.	<p>Include Covid19 question in PQQ. Provide detailed tender information to assist on risk assessment and mitigation. Close monitoring of Covid-19 and latest government guidance.</p> <p>Contingency and inflation allowance provided by contractor under fixed lump sum construction cost.</p>
Construction	Capital costs exceed budget due to factors including: construction market tender disinterest, tender risk cover pricing, tender period over Christmas, covid-19 costs.	Contractor appointed via first stage Pre-Construction Services Agreement using LHC Framework. Value Engineering to identify potential savings has been carried out. Contractor has offered fixed lump sum construction price and is prepared to take risk on significant cost element items. As a result, cost certainty with construction costs (manufacturing) is obtained.
Construction	Delays in scheme approval lead to increased costs due to construction inflation.	Robust information submitted to allow SDC Committees/Cabinet/Council to make timely decisions. Project Contract sum based on programme. Contractor taking commercial view and prepared to reduce construction inflation sum and fix construction sum price.
Construction	Problems during ground works (contamination/obstructions/soil type) exceed allowances based on RIBA stage 3 surveys, cause delay and extra costs.	Detailed ground investigation surveys undertaken prior to contractor being appointed. Realistic contractor and client contingencies in place for unforeseen costs. Contractor prepared to take risk by offering fixed lump sum construction price.
Public opposition	Residents oppose the scheme.	Community engagement undertaken in 2022 when consulting on proposed development plans. Extensive discussion with key stakeholders to refine and improve the design. Additional parking being provided on land outside the main development site to serve the wider estate as result of direct feedback from residents.
Public opposition	Vacant possession of convenience store and community hall not obtained.	Notices to be served in timely fashion with appropriate notice periods well ahead of programme for start on site. Notices already served on both premises, with vacant possession obtained on convenience store. Notice period expires on 21 st August for occupiers of Community Hall. SDC assisting in locating alternative accommodation whilst build takes place.
Planning	Securing areas of KCC adopted highway for parking.	Consultation with KCC on securing sites for parking purposes. Aware of development proposals via planning application submission and need for additional parking. Proposed to be dealt with via S278 Agreement.