

## Appendix E - 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.	The scheme is not dependent on capital receipts other than for those units which WKHA wishes to acquire 9 x 1-bed units. A valuation exercise has been carried out for these units and while subject to negotiation the anticipated values are considered reasonable.
Finance	Rental income is not achieved.	Public consultation exercises and discussions with local estate agents suggest that there is a strong market for rental properties in Swanley. This is because move-on accommodation within the starter market is limited and there is a strong desire for people to live in Swanley. The proposed residential units are therefore being appropriately designed and finished for the target market. The rent level will also be appropriately set to reflect local market conditions. Given the mix of units within the scheme, the letting agent will also adopt a dynamic rent model which will allow rents to be negotiated accordingly. Additionally, should there be any difficulty in renting the units, the Council could consider letting the units at LHA rates.
Finance	Change in interest rates resulting in a higher cost of capital	Interest rates are at an all-time low and market swap rates suggest that favourable terms can still be locked in. The Council will however be using PWLB and this rate will be locked in for the duration of the loan term.
Finance	Exit value at end of term is not achieved.	At the end of the loan period the Council will have the option to either re-mortgage the development (and retain the stock for a longer period of time) or dispose of the dwellings. A conservation capitalisation rate (increase in residential property values) is being assumed and considered to be achievable. Indeed, our property consultants believe that the capitalisation rate could be higher.
Finance	Correct VAT treatment for this complicated scheme may increase costs.	Expert VAT advice being sought to assess and minimise any financial impact.
Finance	The operating model and the generation of income is sensitive to void rates and bad debt.	The operating model includes provision for bad debt and voids. Assumptions in this regard are modelled against industry standards.
Planning	Planning consent not obtained.	Pre-planning discussions will take place with the planning and highways authority and advice incorporated in the scheme. Initial feedback has been positive.  If the scheme is not consented, then the site will be disposed to the market.
Developer	SDC acting as developer is exposed to more risk than in previous capital projects where it has transferred risk by	Ensure adequate resourcing, programming, contingencies and robust project management in place. Team will ensure procurement of suitable, well qualified

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	procurement via frameworks and developers.	consultants and advisors to assist in delivery where needed.
Developer	WKHA no longer wishes to be part of this development and does not consent to its land being developed	Negotiations with WKHA to date suggest that the in-principle draft agreement discussed provides WKHA with a very good offer. Commercially, we believe that they would not be able to get a better deal elsewhere. However, should WKHA decide not to proceed, the scheme has been designed in a way that the WKHA land can be excluded.
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.	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.  Contingency and inflation allowance provided.
Construction	Abnormal site conditions encountered resulting in higher development costs.	Desk-top survey undertaken together with intrusive site investigations. These initial findings are informing design and cost plans. Additional intrusive investigations will be undertaken once design is fixed and costs will be updated accordingly. At the moment a significant contingency allowance is provided based on experience from other nearby sites.
Construction	Capital costs exceed budget due to factors including: construction market tender disinterest, tender risk cover pricing, covid-19 costs.	Works tendered on RIBA stage 3 information gives tenderers confidence the design is thorough and coordinated. It is also intended to engage with a contractor in the preparation of the detailed design, this will allow a greater degree of price certainty and buildability confidence. In turn this will allow the Council to tender the scheme on a fixed lump-sum fee basis.  Realistic client contingencies are also in place for unforeseen. Robust change control process in place. Contract includes administration by Employers Agent.
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.
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 will be undertaken prior to a contractor being appointed. Realistic contractor and client contingencies in place for unforeseens.
Public opposition	Residents oppose the scheme and prove awkward during construction	Early community engagement is to take place with Bevan Place residents and the wider Swanley community. This will allow the Council to flush out issues and incorporate/amend the scheme where appropriate. Discussion with Bevan Place will remain ongoing together with WKHA.  Appropriate arrangements will be put in place to ensure residents are informed about the construction

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		programme to ensure minimal temporary disruption to residents.
Management	The Council is unable to find a suitable third-party to manage and operate the scheme.	The scheme requires a third party to manage ASTs. There are currently numerous PRS operators in the market and the scheme has the critical mass to be of interest to the market. However, if a third party operator is not found, then the Council could potentially use its Quercus 7 company to manage and operate the development. Failing this, WKHA has indicated that this venture may be of interest to them, albeit it has not previously been done by them.
Operational	Maintenance and repair costs will be significantly higher than anticipated.	<p>Given that the Council will be retaining the development for 30 years, the scheme is costed and to be developed with a higher specification thereby reducing repair and maintenance costs. Additionally, the scheme is being designed to ensure ease of maintenance and repair.</p> <p>Costs will however be recovered through service charges and rents.</p>
Environmental	By 2050 the UK Government's ambition is to ensure all housing stock is net-zero/carbon neutral. This will require the scheme to be retrofitted resulting in additional costs.	The scheme is being designed to minimise the need for retrofit. A higher design specification is being used for this scheme which significantly exceeds current building regulations. The scheme is also designed to ensure its future operation is as environmentally efficient as possible given current technology. Indeed, we are aiming to ensure the new development meets Passivhaus standards.
Legislation	Government changes to what councils can invest in, borrow for or the appropriate accounting treatment.	Officers will keep up to date with legislation changes and obtain appropriate expert advice where required.

