Appendix G Risk Assessment

Risk No	Risk description	Risk mitigation	Residual / current risk		
			Likelihood	Impact	Prioritisation
1.	Lendlease Europe Holdings Ltd ('LL') breaches its legal obligations to the Council (eg. as to carrying out development in a good, proper and workmanlike manner, or for payment of Phase land price/any profit share to the Council).	a) Lendlease Europe Holdings Ltd ('LL') provides the City Council ('Council) with a covenant by a limited liability partnership in regards to how infrastructure works are delivered, payment of land price/profit share, and will do similar (eg. covenant by company or limited liability partnership) for the main development, both guaranteed by Lendlease Corporation Limited ("LLC"), Lendlease's Australian parent company, against which financial due diligence was undertaken during the procurement process. b) To repeat financial due diligence against LLC, before entering into the Joint Venture Agreement (JV Agreement) with Lendlease's limited liability partnership, to ensure LLC's financial position has not changed adversely since the procurement process. (Jan 2021) *c)* Bevan Brittan, the Council's lawyers, to take up Lendlease Corporation guarantee, at the point when JV Agreement is entered into. (Jan 2021) *d)* *P*lanning and monitoring LL's solvency and financial standing throughout the course of the project, and particularly at each key phase drawdown approval *e)* JV Agreement is capable of termination and step-in by the Council (subject to funder prior step-in right) in the event of liquidation/receivership/other insolvency event occurring in relation to the JV partner, ie. Lendlease Smithfield Development LLP, and/or the guarantor, Lendlease Corporation Limited. Each Phase Development Agreement	*Low*	*High*	*High*

		and Phase Lease have equivalent Council termination rights if the contracting party, Phase PSP, or Lendlease Corporation (as guarantor of the Phase Development Agreement) suffer such an insolvency event during Phase development.			
2.	Liquidity risk associated with Lendlease due to the large number of major schemes it is undertaking around the world.	*1)* The JVA can be terminated for LLC insolvency, subject to funder step-in rights. *2)* Planning and monitoring LL's solvency and financial standing throughout the course of the project, with continual monitoring of LL's credit rating, particularly at each key Phase drawdown approval.	*Low*	*High*	*High*
3.	Failure to generate business rates.	JV Agreement includes clause for LL to compensate Council for loss of business rates, or additional borrowing costs on EZ funding (in either case, for up to 3 years, or if earlier until Council contracts with an alternative developer) for delays in completing Phases (in respect of which there is a confirmed compulsory purchase order) beyond relevant milestone dates (to be agreed). If delay is due to force majeure event/other justifiable delay (including Council delay providing consents/approvals), LL compensate for increased borrowing costs; if delay is due to LL default, LL indemnify for lost business rates.	Medium	High	High
4.	Lendlease Europe's failure to deliver phases.	JV Agreement, Phase Development Agreements, Phase Leases have longstop and absolute longstop dates for practical completion of Phases (subject to time extensions for eg. force majeure, Council approval delays). If practical completion is not achieved by those dates, subject to funder step-in/forfeiture protection rights, the Council can end the JV Agreement (or relevant Phase Development Agreement and Phase Lease), conclude the development or Phase,	Low	High	High

		apply sales proceeds to reimburse Council costs of doing so and a profit element, before any balance is paid to LL to reimburse its abortive costs.			
5.	EZ Funding not forthcoming, becoming unavailable due to changes to EZ programme priorities, and/or any conditions precedent which might prevent funding being provided, not being satisfied.	1) JV Agreement includes provision that if the Council and LL's EZ funding application is rejected, parties to seek to agree options for progressing the Development, including further discussions with Local Enterprise Partnership (LEP), revising the Development/EZ funding application, seeking other funding, with a right for either party to terminate the JV Agreement if this can't be achieved, unless the development can proceed viably without EZ funding. BCC will continue to work with the GBS LEP as a public sector partner to deliver robust and affordable business cases on both a Phase-specific, and an overall, basis for the project, and will continue to work with Lendlease in partnership to ensure the deliverability and viability of the project	Low	High	High
6.	BREXIT negatively impacts the Pound Sterling-to-Euro exchange rate resulting in an increase in construction costs, risk of budget becoming overspent and the project becoming commercially and financially unviable.	1) To actively monitor market changes, available suppliers and supply pipeline. 2) To carefully plan procurement activity and secure early procurement where possible, where it is proven to be beneficial.	Medium	High	High
7.	Delays in obtaining Council approvals to enable the efficient delivery of the scheme result in project delays, increased costs and reputational damage.	1) Cabinet delegates approval for subsequent business cases and annual business plan to officers who will form part of the JV Governance Structure. 2) JV Agreement, Phase Development Agreement, include timescales for the Council to respond to particular types of approval request, after which there is deemed approval if no response, which should focus early consideration of Council	Medium	High	High

		approval requests.			
8.	Failure to secure occupiers for the development once construction completed, resulting in reduced business rate generation and repayment of EZ funding.	1) The scheme has been designed to allow for flexibility through the Phases and across the project overall, whilst delivering all the key moves and delivering the broader social/economic benefits. 2) Lendlease Europe Holdings Ltd will mitigate this risk by committing its limited liability partnership in the JV Agreement to market each Phase in accordance with an agreed Marketing, Letting and Sales Strategy and to use reasonable endeavours to make sales/lettings according to the Strategy. Any departures from the Strategy to be approved by the Project Board acting reasonably. 3) Robust asset-specific Marketing and PR Strategies will be developed and agreed at the same time as, or as soon as practicable after, finalising and establishing the Contractual Joint Venture Partnership to attract and secure occupiers. 4) Regular research and monitoring of occupier demand, supply, pricing, yields etc. 5) Early engagement of potential occupiers to secure pre-lets. 6) Regularly review delivery programme and adjust to meet market demand.	Low	High	High
9.	Failure to attract visitors to the development once construction is completed.	1) A robust overarching and asset-specific Marketing and PR Strategy will be developed and agreed at the same time as, or as soon as practicable after, finalising and establishing the Contractual Joint Venture Partnership, to promote the Development.	Low	Medium	Medium

		2) The JV will work in partnership with operators and local stakeholders, including schools, to promote the Development.			
10	Existing market traders objecting to the planning application and/or relocation plans leading to project delays.	The Stakeholder Engagement Strategy and Action Plan will ensure that the views of existing traders are obtained and considered in developing the design of the new markets and relocation plan. This includes establishing a Market Design Advisory Team that includes existing Traders.	Low	High	High
11	The provision of the Cultural Building becomes unaffordable due to high capital, fit-out and revenue costs.	1) Early engagement with potential operators and appropriate selection of operating/business model. 2) To explore additional sources of funding e.g. Arts England. The JV Agreement provides for its Development Viability Plan to include proposals to secure other funding for the Development, and if the EZ Funding application is rejected, or the EZ Funding amount offered is less than applied for, the parties are to explore whether alternative funding is available. 3) To reconfigure the operating/business model to increase income-generating activities within the building, eg. Leisure-focused cultural activities.	Medium	Medium	High
12	Insufficient cost allowances made for discovery of site abnormalities such as UXO, Archaeology, buried services, asbestos, ground contamination.	1) BCC are carrying out early site investigations and surveys as part of the Enabling works package. All reports from such works will be warranted and novated to Lendlease 2) Risk contingency has been included in the Enabling works package 3) Additional Due Diligence and site investigations will be undertaken by LL as soon as site access is granted.	Medium	Low	Medium
13	Planning Authority seek an increase in affordable homes, increased from 10% to 15%, which impacts the viability of the project.	1) To explore alternative sources of funding from Homes England and WMCA. The JV Agreement provides for its Development Viability Plan to include proposals to secure other funding for the Development. See also 15.3) of this Risk Register, below.	High	Medium	High

14	Increase in Land Assembly costs due to increasing acquisitions and planning permissions granted to Third Parties within and around the site.	1) To develop Land Assembly Strategy that provides the mechanism to acquire on a timely basis properties that are marketed for sale. 2) To continually monitor properties marketed, for the timely identification of properties put on the market for sale, and good evidence kept of any discussions for possible purchase of land interests. 3) If eg. Homes England funding can be obtained for Land Assembly costs, this should help to mitigate the risk of the land assembly process for BCC and Lendlease, and in particular, potential for cost escalation, depending on the terms on which such funding is made available. 4) If the project becomes unviable due to third parties acquiring properties in/near the Site, the JV Agreement is unlikely to become unconditional. The JV Agreement provides that, if longstop dates for unconditionality are reached without satisfying conditions precedent, including land assembly (subject to time extensions for permitted delay events, eg. force majeure), the JV Agreement can be terminated, and any land acquired (at LL's expense) for the project, either retained and paid for by the Council, or transferred to LL, or sold and the net sales proceeds paid to LL (as it would have funded acquisition, in the first place).	Medium	High	High
15	Increased tax burden and inefficiencies due to the size, complexity and length of time to develop the scheme.	1) External legal advice will be sought as needed for specific technical tax issues, in particular with regard to VAT or Stamp Duty Land Tax costs	Low	*Low*	Low

16	Performance failure impacting scope, time, cost and quality due to poor project governance.	a) A robust governance and scheme of delegations has been established supported by delegated Cabinet authority to officers as appropriate to ensure timely decision-making. b) robust project management policies and procedures have been established to support the governance of the project including Risk and Change Control Management.			
17	Impacts of COVID-19 resulting in an increase in construction costs, risk of budget becoming overspent and the project becoming commercially and financially unviable.	a) To actively monitor market changes, available suppliers and supply pipeline.			

Description	Likelihood Description	Impact Description
High	Almost certain, is expected to occur in most circumstances. Greater than 80% chance.	Critical impact on the achievement of objectives and overall performance. Critical opportunity to innovate/improve performance missed/wasted. Huge impact on costs and/or reputation. Very difficult to recover from and possibly requiring a long term recovery period.
Significant	Likely, will probably occur in most circumstances. 50% - 80% chance.	Major impact on costs and objectives. Substantial opportunity to innovate/improve performance missed/wasted. Serious impact on output and/or quality and reputation. Medium to long term effect and expensive to recover from.
Medium	Possible, might occur at some time. 20% - 50% chance.	Waste of time and resources. Good opportunity to innovate/improve performance missed/wasted. Moderate impact on operational efficiency, output and quality. Medium term effect which may be expensive to recover from.
Low	Unlikely, but could occur at some time. Less than 20% chance.	Minor loss, delay, inconvenience or interruption. Opportunity to innovate/make minor improvements to performance missed/wasted. Short to medium term effect.