

## Appendix 6 – Risk Register

### Key Risks

Risk Type	Description	Inherent Likelihood	Inherent Impact	Initial Risk Level	Mitigations / Controls in Place	Residual Likelihood	Residual Impact	Residual Risk Register
Revenue	The high rate of inflation continues, with high interest rates introduced to combat this. As a result, the cost of debt increases resulting in lower demand. Higher costs also risk viability of the scheme	High	Medium	Medium / High	Phasing of the development and sales of units limits the exposure of the parties to demand / cost risks	Medium	Low	Low / Medium
Cost	High inflation increases the cost to borrow as well as construction costs, impacting total returns	High	Medium	Medium / High	As above, phasing will mitigate the exposure to cost risks with the parties only developing out areas where the plots are feasible based on the then current costs.	Medium	Low	Low / Medium
Operating	Solihull is the planning authority for the NEC (including the Phase 1 development). Development should accord with planning policy and must meet the planning conditions applied to it. As the Council is not the local planning authority this is beyond the direct control of the Council	Medium	Medium	Medium	The Phase 1 development accords with an allocation within the draft Solihull Local Plan. The Council and NEC will engage early with Solihull to determine the likely planning conditions for Phase 1. Indicative planning conditions will feed into revised viability modelling to ensure Phase 1 and plots within Phase 1 remain viable.	Low	Low	Low
Operating	The NEC is ultimately owned by an institutional investor, Blackstone Group. Blackstone may have a different investment timeframe, risking early disposal of the NEC asset with the Council required to engage with an unknown party.	Medium	Medium	Medium	The Council has sought a restriction on the sale of the NEC asset without their prior approval. The protection is designed to ensure the Council is not required to operate with a third party that introduces additional risk.	Low	Low	Low
Reputational	The project will contribute to the WMCA's housing targets. Only taking on Phase 1 introduces political risk as the current draft masterplan contemplates c.5,000 homes, with Phase 1 delivering 2,240. There is a risk that the Council will be seen to not be supporting the full development and the delivery of c.5,000 homes	Medium	Medium	Medium	The project agreements shall provide an option, but not an obligation to continue with Phase 2 should it be feasible for the Council. Accordingly, it will be able to contribute further to the housing targets if viable.	Low	Low	Low
Reputational	The NEC has approached the Council directly to undertake this project. There is a reputational / procurement risk that this can be seen as the Council favouring a current partner instead of competing the project in the market	Medium	Medium	Medium	The Council has sought legal advice on the procurement route. The proposal accords with the Cabinet decision to enter into a formal agreement with Blackstone regarding the potential release of the claw-back condition in the non-core lease (subsequently extended due to covid)	Medium	Low	Low / Medium
Availability	Covid-19 still presents a risk to the construction phases, with potential impacts on direct resourcing capabilities, as well as the global supply chain.	Low	Medium	Low / Medium	National and local covid rates have declined with established protocols put in place to reduce and mitigate the risk of infection. The NEC is to lead the development procurement. As part of their analysis, they will consider the potential supply chain risks and residual impact of covid.	Low	Low	Low
Reputational	The NEC will lead the procurement of a master developer for Phase 1. There is a potential reputational risk where the Council does not lead the procurement	Medium	Medium	Medium	The Council will set up and preapprove the procurement parameters and criteria. The Council will seek final approval from Cabinet for the selection of the master developer(s).	Low	Low	Low
Operating	The NEC will lead the day-to-day engagement with the master developer, taking control and oversight with decision making abilities	Medium	Low	Low / Medium	A governance structure outlining the key decision making powers and parameters for NEC to operate will be established before commissioning NEC or the master developer, with the Council's approval clearly defined	Low	Low	Low
Financing	High inflation and costs of borrowing will restrict the funding options available to the master developer, creating a financing risk.	Medium	High	Medium / High	As part of the procurement process, the master developer will be required to demonstrate it has the ability to fund its obligations.	Low	Medium	Low / Medium
Reputational	Section 123 of the Local Government Act 1972 prohibits the Council from disposing of land for less than can reasonably be obtained. With the NEC	Low	Medium	Low / Medium	Viability protections will be included within the transaction documents, with a minimum sale price above the fair market value required.	Low	Low	Low

	leading the engagement with a master developer, the Council must mitigate the risk of disposals that breach s123							
Operating	Although the Council will not lead the day-to-day management of Phase 1, it will require resources to manage the interface with NEC and provide input at key decision points.	Low	Low	Low	The agreed governance structure will ensure the resources required to manage the interface with the NEC are within the Council's capacity and resourcing constraints. To date the project has been resourced in-house with specialist financial and legal advice sought as appropriate (which will continue).	Low	Low	Low
Operating	The terms of the non-core lease require the Council to replace car parking where it seeks to claw-back land for development. The viability of the project is dependent on the NEC agreeing to waive this right.	Medium	Medium	Medium	Early negotiations and engagement with the NEC suggest they are willing to waive the requirement to replace lost car parking. This is reflected in the Waterfall agreement for Phase 1. This agreement and waiver will be captured within the final transaction documents. Future phases will need to be reviewed going forward.	Low	Low	Low
Financing	The Council and the NEC are dependent on market interest from developers as part of the procurement exercise.	Low	Medium	Low / Medium	A soft-market-testing exercise will be conducted to determine market interest and refine the procurement scope and terms to attract competition.	Low	Low	Low