

**Greenwich Peninsular Project**

**Risk and Opportunities Assessment:**

Ref.	Risk Type	Description of Risk	Likelihood	Impact	Risk Score	Mitigation	Lead Party
	Political	Members are not supportive of the project  Project delayed due to failure to obtain approval through council decision-making process	Low	Critical	8 (Medium Risk)	<p>A proposal will only be presented to members once it has been fully considered and all due diligence has been undertaken and if supported by officers.</p> <p>External consultants with the relevant expertise have been appointed to undertake due diligence and advise the Council.</p> <p>Reports to be taken through Members at the most appropriate time to ensure they have all the information to enable a fully informed decision.</p>	Management Team
	Economic	General economic conditions (Brexit, recession,)	High	Serious	12 (High Risk)	<p>Establish initial and ongoing in house modelling, supported by prudent assumptions and complimented by treasury management and external advice.</p> <p>Ultimately there is little that the company / shareholder can do to control this risk</p>	Management Team

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	Economic	Saturation of the market in terms of hotel provision in the area or changing economic climate leading to less demand for hotels	Medium	High	6 (Medium Risk)	Consultants will undertake an independent appraisal of the market and masterplanning in the area.  Ultimately, there is little that the company/ shareholder can do to control this risk.	Reef Estates and Hotelier
	Legislative	Uncertainties surrounding Brexit impacting on the project, including potential delays resulting from changes to legislation.	High	Significant	8 (Medium Risk)	Seek advice from the external consultants on the impact, in general terms, of Brexit on the leisure sector.  Potential for legislative changes may impact on changes to contracts etc. However, once the council has signed the legal agreements they are committed to the project.	Management Team  This risk will continue to be monitored throughout the project due to its fluidity at this sta
	Legislative	Changes to the rules/ regulations affecting the way in which local authorities are able to invest in out of borough developments.	Low	Significant	4 (Low Risk)	External consultants have been, and will continue to monitor guidance from the government to ensure the council does not fall foul of any government regulations in place or likely at time of signature.	
	Legislative	Project is delayed due to a change in government regulations etc.	Medium	Significant	9 (Medium Risk)	The order of events is:  1) Simultaneously Travelodge sign pre-let and GBC sign Agreement for Head lease.  2) Hotel is built and lease / sublease kick in.  Once the agreements are signed,	Management Team/ Legal Shared Service

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						change in legislation will need to be monitored in order to identify if there is anything that has the potential to impact on the arrangement between the council and Travelodge.	
	Economic	Demand for hotel and conferencing facilities decline as a result of the recent COVID-19 emergency, resulting in a lack of take up for rooms or room rate has to reduce potentially impacting on ability / willingness to pay rent at agreed level or at worse Travelodge enter into administration / a CVA and walk away from the lease.	Medium	High	6 (Medium Risk)	Potential for conversion to alternative use (residential) albeit this is subject to planning which is not guaranteed and the costs for which would need to be funded together with the ongoing rental liabilities.	Reef Estates and Hotelier.  GBC will need to monitor this risk as once the agreements are signed, this will ultimately become GBC's risk.
		Over time the importance of this hotel diminishes to the operator meaning it is downgraded from a category A to a category B or C holding such that in an economic downturn the Council's income is at risk	Medium	Significant		Where possible this will be mitigated in the lease terms but ultimately there may be little that GBC can do to minimise this risk.	
	Customer	The mix and/or design of accommodation proposed for the site does not meet need	Low	Significant	4 (Low Risk)	The developers and the hotelier have undertaken needs analysis and have submitted the planning application based on this knowledge.	Reef Estates and Hotelier

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<b>OPERATIONAL RISKS</b>							
	Professional	Change in Key Staff: Gravesham Borough Council – staff change or are brought into the project with insufficient skills/knowledge which may lead to errors.	Medium	Significant	6 (Medium Risk)	Project group involved to ensure skills can be shared. External project support is also in place to mitigate this risk. This will need to continue once the agreement is signed, given that this is a new area of business for the council.	Management Team
	Professional	Insufficient resources to ensure the successful progression of the project.  This may be related to resources both within the council and with chosen developers.	Low	Significant	4 (Low Risk)	Project group involved to ensure skills can be shared. External project support is also in place to mitigate this risk.  From a developer perspective, GBC cannot ultimately ‘control’ this risk once the agreements have been signed.  Assurances will be sought from Reef Estates that they have the resources to enable the project to be completed albeit it will be difficult to substantiate this.	Management Team  Reef Estates
	Professional	Change in Key Staff: Reef Estates	Medium	Significant	6 (Medium Risk)	Whilst GBC do not have any ‘control’ over this risk, it is to be noted as potential staff changes could impact on the project delivery.	Reef Estates to manage the risk.

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	Professional	A post Covid 19 recession results in Reef Estates being wound up leading to a delay to the build programme and additional costs.	Low	Significant	4 (Low Risk)	Finance will undertake financial checks on Reef on a regular basis. Ultimately though this is a risk for the Funder.	Management Team
	Professional	Lack of skills/experience within the council to work with developers in establishing hotel and facilities	Low	Significant	4 (Low Risk)	External expertise has been sought in terms of financial and legal advice to ensure a sound understanding of the project in its entirety.  Travelodge are experienced in the hotel industry and therefore will bring significant expertise to the development itself; reliance will be placed on them.	Management Team Reef Estates and hotelier
	Professional	Timescales for project delivery are not realistic  Project delayed due to time take to appoint contractor	Low	Significant	4 (Low Risk)	Appointment of external consultants will assist in monitoring key elements of the project to assist with progress albeit ultimately there is little that the company / shareholder can do to control this risk.  This is no risk to GBC until practical completion is reached as the lease arrangement does not commence until this point; the potential to insert a long-stop date for practical completion will be investigated.	Management Team and Reef Estates

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	Financial	Funding for the scheme is not forthcoming.	Low	Significant	4 (Low Risk)	<p>Undertake due diligence, whilst seeking external advisers. Early engagement with funders to identify any problems at an early stage.</p> <p>As GBC will be signing the head-lease and therefore taking the risk once practical completion is reached, it is unlikely that a funder will not be forthcoming.</p>	<p>Management Team</p> <p>GBC Finance Team</p>
	Legal	Dispute between Travelodge /GBC and Funder /Reef as to whether practical completion has been reached or quality of materials used etc.	Low	Significant	4 (Low Risk)	<p>Ensure that issues with the build are dealt with / recorded on an ongoing basis and ensure that the practical completion clauses in GBC's lease mirrors those in Travelodge's lease. Ensure that legal documentation is clear that until Travelodge confirm that practical completion has been reached GBC are not required to complete the head-lease.</p>	
	Financial	In the event that the tenant goes into administration / or Travelodge vacate at the end of their lease the Council will remain responsible for payment of rent but will also be responsible for the payment of all rates and other outgoings with no income to offset this costs	Medium	High	6 (Medium Risk)	<p>It will be difficult to mitigate this risk in the early days however as income is received the Council will put part of the income received into a reserve to provide a cushion for such eventualities.</p> <p>Explore the possibility of GBC having the first option to purchase the head-lease in the event that the Fund wants to dispose of its interest.</p>	

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	Financial	Actual investment return assumptions are lower than modelling assumptions	Medium	Serious	6 (Medium Risk)	Treasury management advice will be sought whilst applying prudent assumptions to future investment returns.	Management Team GBC Finance Team
	Financial	Council's requirement to pay rent does not end in the event that the building is destroyed e.g. by fire. Same will not apply to Travelodge albeit recoverable insurance costs will cover three Years loss of rent.	Low	Serious	6 (Medium Risk)	Look to extend the number of years of rent payments that are insured against albeit the cost of additional cover cannot be claimed back from Travelodge.  Explore the possibility of GBC having the first option to purchase the head-lease in the event that the Fund wants to dispose of their interest.	
	Financial	Actual inflation differs from modelling assumptions. This could result in under/ overspends against model.  <b>NB:</b> given that inflation is low at present this can potentially have a positive impact.	Medium	Significant	6 (Medium Risk)	GBC has limited ability to mitigate this. Inflationary provisions <i>may</i> be made in budgets if required.  This is something that will be monitored on an ongoing basis and addressed should the need arise through monitoring of inflation rates and budgetary provision.	Management Team GBC Finance Team

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	Financial	<p>Costs increase for example:</p> <ol style="list-style-type: none"> <li>1) due to measurement omissions or estimates being based on inadequate/inaccurate information</li> <li>2) unrealistic construction programme or elements of the project have to be redesigned whilst on site.</li> <li>3) Price increases e.g. due to inflation or issues with labour / building materials post Brexit.</li> </ol>	Medium	Significant	6 (Medium Risk)	<p>Risk to GBC is minimal. Obligations to build will be in the funding agreement that is made and it will be for the developer to ensure there is no cost over-run. Step-in rights by the funder will be included to ensure that the constructions costs are taken before any other costs are applied.</p> <p>GBC will appoint an external advisor to monitor progress of the build so becomes aware at an early stage of any issues.</p>	Reef Estates / Funder to manage the risk.
	Financial/ Contractual	The contractors used in the development enter administration meaning work on site ceases/is delayed with potential additional cost.	Medium	Serious	9 (Medium Risk)	Due diligence will be undertaken on the main contractors to be used in order to, as much as possible, confirm their financial stability although ultimately there is little that the company / shareholder can do to control this risk	Reef Estates / Funder to manage the risk.
	Contractual	Project delayed due to poor management/ lack of competency of sub-contractors	Low	Significant	4 (Low Risk)	Council will appoint a consultant to monitor and report of progress / issues however ultimately there is little that the company / shareholder can do to control this risk	Reef Estates / Funder to manage this risk.



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	Environment	Environmental issues cause additional costs and delays.	Medium	Significant	6 (Medium Risk)	Pre-start on site surveys are intended to identify any issues but there is always a risk that an issue is only identified when build work starts or is worse than thought.  Ultimately there is little that the company / shareholder can do to control this risk.	Reef Estates / Funder to management this risk.
	Environment	Risk of the operation creating additional noise pollution for the area (Greenwich)	Low	Significant	4 (Low Risk)	This will have been taken into account in the planning application that has been approved.	Reef Estates to management this risk.
	Environment	Scheme delayed due to exceptionally adverse weather	Low	Significant	4 (Low Risk)	This is a very difficult risk to mitigate against as the weather is unpredictable.	Reef Estates to manage this risk.
	Legal	Project delayed and costs increased due to legal challenges associated with the project.	Medium	Serious	9 (Medium Risk)	Good project planning and appointment of external consultants to ensure due diligence undertaken.  Good communication of the project at the appropriate time.  VEAT notices will be published as required.  Agreement reached with Reef regarding costs associated with Procurement challenges.	Management Team GBC Legal Team

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	Legal	Scheme delayed due to lack of safety controls/accident on site	Low	Critical	8 (Medium Risk)	As is standard practice a Health and Safety adviser will be appointed to ensure safety controls are in place and are being complied with and accidents are recorded and dealt with in an appropriate manner.	Reef Estates to manage this risk.
	Reputational	Damage to council and company reputation due to development being outside the borough Particularly if the investment costs the Council money.	Low	Critical	8 (Medium Risk)	To be managed through the communication process.  Investment income to be used within Gravesham for Gravesham communities albeit any shortfalls / losses could potentially impact on Council services.	Management Team  GBC Communications Team

Ref.	Description of Opportunity	Actions Required	Lead Party
<b>Analysis of Opportunities</b>			
	Opportunity for staff to develop skills in other areas due to scale of development	Ensuring a large project group to enable staff to be involved in all elements of the project.  Involving various skilled officers to enable learning from others (including external organisations)	Management Team
	Potential for scheme to generate income for the council. This is also a risk	On-going dialog with developer.  To seek external advice on income opportunities complimented by initial negotiation on terms.	Management Team  GBC Finance Team

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	Actual inflation differs from modelling assumptions. This could result in under/overspends against model.	<p>In order to absorb adverse fluctuations in inflation, a 'cap and collar' approach will be introduced for rental increases.</p> <p>This approach will involve analysing historical trends.</p>	<p>Management Team</p> <p>GBC Finance Team</p>