

APPENDIX 2

Key risks

| | Risk | Mitigation |
|---|--|--|
| | Procurement risks | |
| 1 | Extended time periods could be required to reach contract close. | Protocol and timescales for contract close will be agreed with Walworth Unlimited as part of the selection as preferred partner to ensure process is managed as effectively and efficiently as possible. |
| | Contract / service delivery risks | |
| 2 | A decline in the housing market and increasing costs could result in the partner deciding not to proceed with the development of the first development site on the basis of the fixed price and overage offer submitted. | Payment of the fixed price and overage will be a contractual commitment but in the event of the partner not proceeding, the council would have an implementable planning consent for the site and would be able to consider procuring an alternative developer. |
| 3 | The developer may not meet agreed development milestones, in the event of insufficient funding and/or is unable or unwilling to fund or deliver the site/phase. The council is unlikely to be able to "force" the developer to undertake development although technically in breach of the contractual obligation. | There is little the council can do in terms of mitigation. However the partner will have funded and put in place, planning consents and prima facie, the council will not have suffered any financial loss. The remedy that may be available would be to terminate the agreement and procure an alternative developer. |
| 4 | The council's requirements (including the high level of target rented units) could be unviable, even with public sector investment. | The agreement will establish mechanisms for the parties to work together to resolve viability issues. As part of this process, the council will have the ability to consider varying its requirements, but cannot be obliged to do so i.e. the council cannot be obliged to accept a lower percentage of target rented units. If an individual phase or plot cannot be made viable, then development will not proceed. |
| 5 | The development agreement may not be sufficiently robust for the council to hold the partner to account in the case of non-performance | External legal and commercial advisors to continue to be used to ensure that documentation is robust. The documentation will set out a strong framework for the development programme and will minimise provisions that amount to an agreement to agree. Where this is necessary detailed provisions will be put in place for referral to appropriately qualified experts. |

| | Risk | Mitigation |
|----|--|---|
| | | Performance management arrangements are a key part of the documentation and will be non-negotiable. |
| 6 | The partner could proceed with developing only the most profitable sites. | The DPA and the business plan annexed thereto will have a clear implementation plan and the partner will only have very limited scope to draw down plots in a different order to that set out in their BAFO proposals. |
| 7 | The partner could offer poor value for money after contract close on subsequent phases. | The partner's maximum profit levels are fixed for the term of the agreement. Any payments made, for example, for design services, the construction of new public spaces or demolition would be agreed through a benchmarking regime with all costs subject to independent review. |
| 8 | The council could be unable to deliver its vacant possession obligations. | There will be a dedicated Aylesbury area housing management team leading the vacant possession process and support residents through the re-housing process. Walworth Unlimited's offer to support re-housing, by providing off-site stock through its own re-lets and offering a range of affordable options for existing leaseholders, will be incorporated in the DPA to support the council's obligations. The council's vacant possession obligation, will also have a reciprocal obligation for the partner to deliver a pre-agreed pipeline of new affordable homes. A clear strategy is in place for use of council's CPO powers if required. |
| 9 | Environmental issues such as contamination or major services diversions could have an adverse impact on development. | Desktop studies have been completed on the whole area and some intrusive surveys completed on the first development site. Survey work will continue to be carried out throughout the programme on future sites to ensure risks are identified and measures put in place to mitigate the impact on the programme. |
| 10 | The security of the existing blocks and safety in the wider area the may need additional resourcing during the re-housing process and whilst there are large sites under construction. | Council officers will work closely with residents, the partner and other agencies to put in place measures to improve safety and security. |