

Hendon Hub FBC Risk Register

Date 08 July 2021



Risk Identification			Previous Month's Assessment			Current Assessment			Mitigation Management	Mitigated Assessment		
Ref.	Description	Status	Probability Factor	Impact Factor	Live Risk Score	Probability Factor	Impact Factor	Live Risk Score	Mitigation action planned	Mitigated Probability	Mitigated Impact	Mitigated Risk Score
Strategic Case												
1	External change of policy at GLA or national level removing support for PBSA (Purpose Built Student Accommodation) development or other assets to be delivered through the investment	Open	3	4	12	3	4	12	Continued liaison with MDX as strategic partner to ensure local support and uptake, as well as ample local demand. Keep up to date with wider policy changes. Reviewed strategic context shows London Plan 2021 still supportive of PBSA developments. Strong strategic fit demonstrated in OBC and FBC	2	4	8
2	Do not obtain Planning Permission	Open	5	5	25	4	4	16	Regular formal pre app meetings with LBB planners now concluded. Still remains a risk until planning secured	3	4	12
3	Non-adherence with GLA policy could delay development programme and risk political opposition to the scheme	Open	4	4	16	4	4	16	GLA consulted through pre app process and no further comments on design. Still remains a risk until planning secured	3	4	12
Economic Case												
4	Covid-19 & economic uncertainty cause borrowing rates to increase significantly (c.3%), increasing total interest payments, restricting annual returns to LBB	Closed			0			0	PWLB discounted as an option at FBC.			0
5	Potential changes in agreement for lease by MDX, with potential that they would only be willing to sign off on a portion of the units so the value of the agreement and the assured rental could decrease	Open	3	4	12	3	4	12	Constant communication and negotiations ongoing with MDX as primary stakeholder; rentals agreed at earliest possible date for guarantee of income. Agreement for lease sign-off with Board of Governors achieved	2	5	10
Commercial Case												
6	Failure to secure appropriate funding partner	Open	5	5	25	3	5	15	Two stages of soft market testing; both have returned strong positive interest from private market. Improved trajectory on basis of MDX covenant since OBC. LBB will tender out and most agreeable will be selected; constant communication with MDX to ensure terms agreeable and agreement secured at earliest possible date	3	5	15
7	Procurement opportunities taken up by those outside the local area, reducing local social returns	Open	4	4	16	3	2	6	Encourage tenders by local firms / those with a track record of local employment; established as set criteria; MDX local employment plan. Social returns considerations part of tender documents which are deemed feasible based on ongoing communications	3	2	6

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8	Procurement risk	Open	4	5	20	3	5	15	Market engagement has shown interest on an open market and framework approach; considered sufficient interested parties on the CCS framework (as far as procurement rules will allow).	3	5	15
9	Appointment of an LBB-guaranteed SPV would mean LBB were exposed to the group accounts impact of such a company where, should MDX default, LBB would be required to create a provision for the remaining rental liability in the single entity accounts which could be unaffordable	Open	4	4	16	4	4	16	An MDX covenant will be pursued wherever possible, with assurances and checks on the MDX financial accounts regularly to mitigate risk of MDX default. However appreciate this may not be available in the market at the time	3	4	12
Financial Case												
10	Construction cost inflation	Open	5	5	25	5	5	25	Contingency allowance of 15% applied to the construction budget and a blended cost inflation of 9% over the period. Sensitivity tests performed deliver a positive NPV at significant increases to costs. Will remain as a risk due to the volatility of the current market	5	4	20
11	Corporate yield changes due to COVID-19 destabilising market and reducing returns on investment	Open	5	5	25	3	5	15	Ongoing communication with funds; market currently stabilising; long-term asset investment still strong. MDX covenant position improved since OBC soft market testing.	2	5	10
12	Financial position of MDX and universities falls post-COVID - if a university is put in administration there would be caution in the wider investment market in the sector	Open	5	5	25	3	5	15	Due diligence/investigations into LBB stepping in should the market significantly deteriorate. UK Government have introduced financial packages to support UK universities in light of COVID-19. Further, alternative university in London may take over lease. Fallback position demonstrating worse case has been modelled, showing options available to LBB should MDX default are feasible and viable, depending on future market conditions. MDX financial accounts consistently monitored and updated accounts to be published shortly.	3	5	15
13	Fluctuations in interest and bond rates altering returns, costs, and interest repayments	Open	5	5	25	5	5	25	Account for changes in interest rates in financial modelling (sensitivities) so net realisations are as true to fact as can be envisaged. Continued engagement of investment funds	5	4	20

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14	Cost certainty (Covid-19, inflation, Brexit - resources lost etc)	Open	4	4	16	4	4	16	Quantity Surveyors have provided regular updates to the project cost plan, benchmarking against the market and market tests. Securing best and final offer will mitigate a large proportion of cost uncertainty. It should be noted that cost certainty will never truly be eliminated until PC due to variable market. Cost contingencies and sensitivities covered within financial testing for FBC	3	4	12
15	Onerous funding conditions/terms	Open	3	4	12	4	4	16	High level of market interest shown through soft market testing increases LBB's ability to secure favourable terms. This risk can be passed down to contractor via the priced in 20% performance bond premium. Maintained at red risk until funding offers retained	3	4	12
16	Funding conditions delaying: appointment; refund of costs to date; and cash receipt for the development	Open	5	5	25	5	5	25	Advice from KPMG has been sought re typical funding conditions and conversations have taken place as part of a soft market testing process. Acquisitions, including potential CPOs, are key workstream to facilitate fund appointment. Conversations with potential funders are ongoing regarding the certainty of conditions and potential further mitigants. The potential need for CPO has been included in the base case programme.	4	5	20
17	Funding requirements - financier may want say on agreement for lease etc; LBB may not be able to satisfy funding conditions in a timely fashion	Open	4	3	12	4	3	12	Scope within costs and programme to address slight changes to agreement for lease on the basis of funding partner requesting; Workstreams to progress funding conditions	4	3	12
18	LBB guarantee over construction period required (construction risk)	Open	5	4	20	5	4	20	Construction partner taking on design responsibility once appointed who will be engaged early in the process. A performance bond insurance policy will be put in place on the contractor, and liquid damages will cover additional. Employers agent appointed in the earliest instance to mitigate programme/cost risks and implications on site. Sign off of PC signals closure of LBB construction risk.	5	3	15

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19	LBB are required to offer their covenant in order to attain a private offer, putting them at risk of MDX not meeting rental payments across the 40 year lease	Open	5	4	20	3	4	12	Financial case for FBC assessing both covenant options to ensure due diligence given to LBB stepping in. In the event of the LBB covenant, there is the opportunity for LBB to 'save' the additional cash receipt and put away to cover cost of MDX default plus other risk mitigation items. Another higher education provider may take over the MDX lease, alternatively conversions to other residential units may be required in the worst case. Both these events have been modelled and continue to show a positive NPV and return to LBB. This is the highest risk funding option to LBB	3	4	12
Management Case												
20	Fund/MDX not accepting finished scheme (joint inspections from MDX required by agreement for lease - need sign off on practical completion; fund monitoring surveyor to review final asset)	Open	3	5	15	2	5	10	Liquidated damages in building contract; Employers Agent engaged across process to ensure compliance with AtOL; due diligence re warranties; performance bonds etc; milestones through development period to check against delivery	2	5	10
21	Failure to agree relocation terms and potential delay for 1. CBAT leases 2. non CBAT leases 3. 3rd party acquisitions 4. Appropriation 5. Relocation of tenants where required incl. S10 Housing Act notices.	Open	4	4	16	3	4	12	Good progress being made with ongoing negotiations and discussions with occupiers/owners; 3rd party acquisitions progressing with CPO option included within costs and phasing of the scheme should private agreement not be possible; appropriation will be instigated post FBC; tenants that need to be relocated have all been informed and a strategy is being developed with Barnet Homes to ensure relocations are carefully planned with the correct procedures followed to minimise impact on those concerned.	4	2	8
22	Should a CPO be required there is the potential of an 18-month scheme delay in the event of public enquiry, with potential restrictions in scheme size and resulting returns.	Open	4	5	20	4	5	20	Acquisition by private agreement with third parties is the preferred route forward, with frequent updates and conversations held with land owners and occupiers. Compliance with guidelines and required will be ensured through expert advice, paying due diligence to the process. As mentioned, CPO timings have been included in the programme as a prudent measure.	4	3	12

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23	Design risk	Open	3	4	12	3	3	9	Architects, heritage assessment, and local surveys have all been used to ensure building materials / appearance of the Burroughs remains consistent. Formal 5 stage pre-app process has been completed.	2	3	6
24	Planning risk including unfavourable EIA, VIA, aborocultural assessment outcomes	Open	4	4	16	3	4	12	5 stage pre-app process to attempt to mitigate. Adjust scheme accordingly to account for assessment outcomes to ensure full compliance; provision for changes have been made in cost plan.	2	4	8
25	Programme Delay	Open	5	5	25	4	4	16	Make necessary adjustments to programme. Workstreams action plan to be reviewed in conjunction with the master programme which is updated regularly	4	4	16
26	Losing critical staff at crucial points of the project/ project team sickness (Covid-19 etc) could cause delays	Open	4	4	16	3	4	12	Resource plan to be kept up to date. Staff vaccinated, end of furlough in September 2021	2	4	8
27	Consultation with existing residents and business owners and due regard is given to outcomes of consultation	Open	5	5	25	5	5	25	It is critical that residents feel connected directly to the decision-makers who shape their communities, ensuring everyone's voice is heard, openly and equally. An extended period of consultation has been carried out to ensure that the public opinion is heard. There have been substantial scheme changes to address these concerns, including a 26% reduction in student accommodation unit numbers. The project team is aware of ongoing concerns and endeavours to assess and mitigate negative impacts anticipated from the scheme	5	4	20
28	Risk of environmental non-compliance	Open	3	3	9	3	3	9	BREEAM Excellent requirement for all buildings: Mitigation measures to maintain the minimum credits are in place.	3	3	9
29	Risk of building regulation non-compliance	Open	3	3	9	3	3	9	Monthly Approved inspection visit and report with checks and balances in place to ensure meeting regulations	3	3	9
30	Construction period could negatively impact the area, with disturbance re noise/highway access/public realm access etc	Open	3	4	12	3	4	12	Phasing adjusted such that disruption to local area is minimised, method statements for construction process will be delivered. When onsite the team will endeavour to create minimal disturbance, keeping locals in the loop through a clear communication plan	2	4	8

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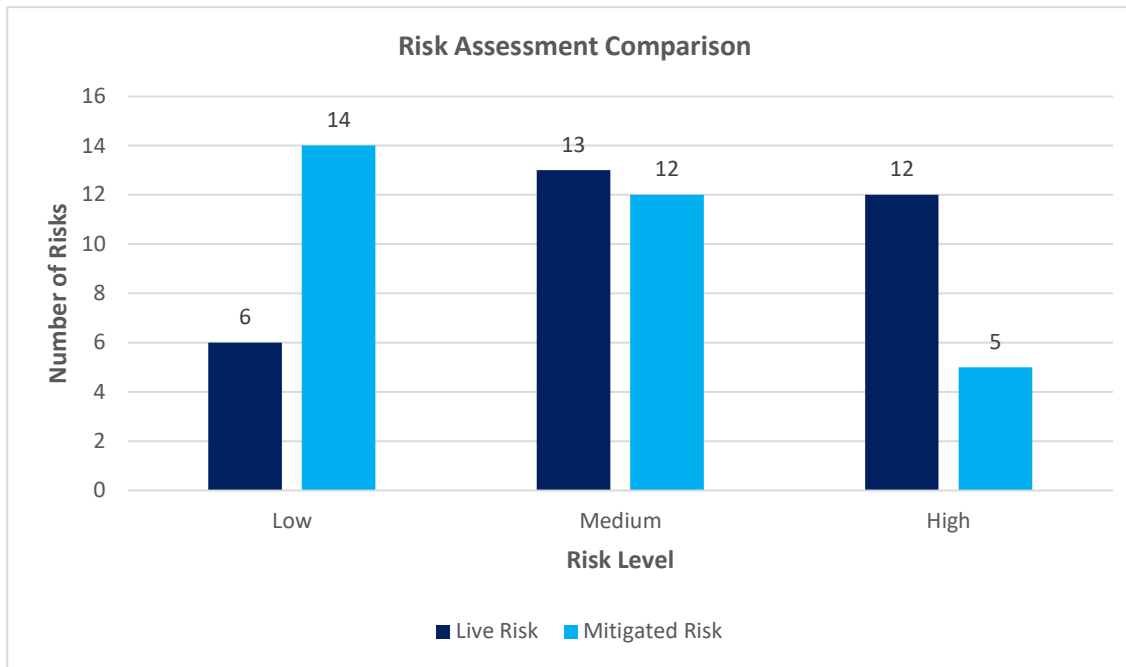
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31	Failure of FBC sign off and accompanying decisions sought	Open	3	5	15	3	5	15	Engaging key officers and Councillors pre FBC	1	5	5

Hendon Hub FBC - Risk Register Summary

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Risk Level	Lower Band	Upper Band	Live Risk	Mitigated Risk	Live %	Mitigated %
Low	0	10	6	14	19%	45%
Medium	11	15	13	12	42%	39%
High	16	25	12	5	39%	16%
Total			31	31	100%	100%

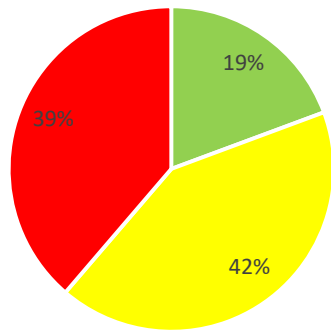


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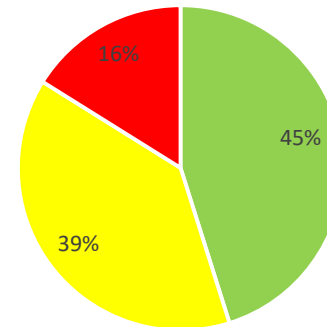


Live Risk Assessment by Risk Level



■ Low ■ Medium ■ High

Mitigated Risk Assessment by Risk Level



■ Low ■ Medium ■ High