

Risk Valuation - Bitou Office Accommodation - Ladywood Site

Annexure F

Risk	Description	Risk Value	Mitigation	Allocation
Availability risk	Output specifications are not met resulting in cost and time overruns	23 675 340	Clear output specifications, performance monitoring and penalty deductions against Unitary payments	Private Party
Planning risk	The project does not comply with the relevant planning, land-use or building regulations or consent is delayed resulting in cost and time overruns	16 087 090	Municipality must identify all macro-level planning consents such as zoning and obtain them before the project is put to tender. The Private Party must identify and plan for all consents that are required for the project design and construction.	Municipality in regards to the land-use and zoning. Private party in regards to the design and construction specific consents.
Completion risk	Cost and time overruns due to delays in the completion of the project.	28 531 820	Special insurance (project delay insurance). Appointment of an Independent Certifier to certify the completion of the Works. Liquidated damages, construction bonds and other appropriate security from the Private Party to achieve completion, unless caused by the Municipality. Relief Event.	Private Party, unless delay caused by Municipality (including Variations)
Cost overrun risk	Actual project costs exceeding projected project costs	16 255 692	Fixed price construction contracts. Contingency provisions. Standby debt facilities/additional equity commitments; provided that these commitments are made upfront and anticipated in the base case Financial Model	Private Party
Design risk	The design may not achieve the required output specifications leading to additional operating costs.	421 800	Clear output specifications. Design warranty. Patent and latent defect liability Consultation with and review by Municipality (but review must not lead to input specifications by Municipality). Independent Expert appointment to resolve disputes on expedited basis	Private Party
Environmental Risk	Liability or losses due to environmental damage arising from construction or operating activities.	4 484 329	Thorough due diligence by the bidders of the Project Site conditions. Independent surveys of the Project Site commissioned by the Municipality at its cost. Municipality indemnity for latent pre-transfer environmental contamination, limited by a cap (subject to value for money ("VFM") considerations), for a specified period. Remediation works to remedy identified pre-transfer environmental contamination as a specific project deliverable. Independent monitoring of remediation works.	In relation to (i), the Private Party. In relation to (ii), the Municipality, but Municipality's liability to be capped (subject to VFM considerations).
Exchange Rate Risk	Exchange rate fluctuations that impact negatively on the cost of imported inputs.	83 379	Hedging instruments (e.g. swaps).	Private Party
Force Majeure Risks	Uninsurable and unexpected events that are beyond the control of any party, whether natural or "man-made" resulting in time and cost overruns.	22 421 644	Define "Force Majeure" narrowly to exclude risks that can be insured against and that are dealt with more adequately by other mechanisms such as Relief Events. Relief Events. Termination for Force Majeure.	If risks are insurable, then they are not Force Majeure risks and are allocated to Private Party. If risks are not insurable, then risk is shared insofar as Municipality may pay limited compensation on termination
Inflation Risk	Actual inflation exceeding projected inflation resulting in cost overruns during construction and operation.	2 943 674	Index-linked adjustment to Unitary Payments or user charges	Municipality bears risk of inflationary increases up to the limit of the agreed index. Increases in excess of this are for the Private Party
Insurance risk	Insured risks becomes uninsurable and/or there are substantial increases in insurance premiums.	42 250	In the case of any risks that are insurable, at the option of the Municipality, self-insurance by the Municipality or, if the uninsurable event occurs, then termination of the PDP Agreement as if for Force Majeure with compensation to the Private Party. Reserves.	In relation to risks that are insurable, if the Private Party caused the Uninsurability or, even if it did not, but the Private Party cannot show that similar businesses would stop operating without the insurance in question, then the Private Party bears the risk. Otherwise, the risk is shared between the Private Party and the Municipality. In relation to substantial increases in insurance rates, the Private Party (unless caused by Municipal variations).
Interest rate risk	Factors affecting the availability and cost of funds.	4 260 112	Hedging instruments (e.g. swaps). Fixed rate loans.	Private Party.
Latent defect risk	Loss or damage from latent defects.	15 134 610	performed or procured by the Private Party. If, however, a project involves	Subcontractors' designs and
Maintenance risk	Projected cost of maintenance vary from the actual cost of maintenance.	39 000	Clear output specifications. Penalty regime and performance monitoring. Adequate O&M contract. Substitution rights. Special insurance and special security in the form of final maintenance bonds.	Private Party.
Operating risk	Includes any factors impacting on the operating requirements of the project.	144 300	Clear output specifications. Penalty regime and performance monitoring. Adequate O&M contract. Substitution rights. Special insurance.	Private Party.
Political Risk	Unforeseeable conduct by any government authority resulting in increased costs.	1 121 082	Limit risk to Unforeseeable Conduct for which there is no other relief in the PPP Agreement and to expropriating actions. Distinguish between general and discriminatory Unforeseeable Conduct. In relation to discriminatory Unforeseeable Conduct, special compensation. In relation to expropriating actions, termination and compensation.	In relation to discriminatory Unforeseeable Conduct and expropriating actions, the Municipality. In relation to general Unforeseeable Conduct, the Private Party.
Regulatory Risk	Consents required that are not obtained and/or can only be implemented at a greater cost.	6 165 952	During the feasibility phase of the Project, a legal scan is undertaken by the Municipality to identify all such Consents. Implementation by the Municipality of an inter-governmental liaison process with the responsible government authorities before the procurement phase. Due Diligence by Private Party to identify the Consents required for its operating requirements. If permitted under applicable law and if this is practical, obtain all such Consents before the Signature Date.	If any such Consents (other than those relating to Private Party's operating requirements) can be obtained before the Signature Date and they are capable of transfer to the Private Party, the Municipality. In relation to the Private Party's operating requirements, the Private Party.
Sub-contractor risk.	Defaults or insolvency of sub-contractors.	3 139 030	responsibility for their performance obligations. Replacement	Private Party.
Utilities Risk	The possibility that (i) the utilities (e.g. water, electricity or gas) required for the construction and/or operation of a project may not be available, or (ii) the project will be delayed because of delays in relation to the removal or relocation of utilities located at the Project Site.	896 866	Emergency back-up facilities, e.g. generators. Emergency supply contracts. Special insurance (project delay or other business interruption insurance). Provision by the Municipality of off-site connections. In the case of (i), Relief Event for off-site interruptions in the supply of utilities (unless attributable to the Private Party). In the case of (ii), Relief Event for delays in the removal or relocation of utilities (unless attributable to the Private Party).	Private Party unless the Municipality is the responsible Utility. In the case of (i), even if the Municipality is not the responsible Utility, the Municipality may share in this risk in circumstances where insurance is not available or unaffordable, but only if this will ensure better VFM.

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Restrictive conditions on title deed	Restrictive conditions on the title deed cannot be removed resulting in time delays leading to escalating costs.	560 541	andobtain them before the project is put to tender. The Private Party must identify and plan for all consents that are required for the project design and construction.	use and zoning. Private party in regards to the design and construction specific concents.
EIA process on public safety centre	EIA process causes delays or are not granted resulting in time delays and escalating costs.	560 541	Municipality must identify all macro-level planning consents such as zoning andobtain them before the project is put to tender. The Private Party must identify and plan for all consents that are required for the project design and construction.	Municipality in regards to the land-use and zoning. Private party in regards to the design and construction specific concents.
Heritage issues	Heritage approval process causes delays or are not granted resulting in time delays and escalating costs.	560 541	Municipality must identify all macro-level planning consents such as zoning andobtain them before the project is put to tender. The Private Party must identify and plan for all consents that are required for the project design and construction.	Municipality in regards to the land-use and zoning. Private party in regards to the design and construction specific concents.
Capacity of existing services	Related to utilities risk and incorporated above	-		
Availability of sufficient space to accommodate all needs	Related to design, availability and cost overrun risk. Incorporated above.	-		
Affordability	Related to all risks and particularly cost overrun risk. Incorporated above.	-		
Interruption of ICT	Related to utilities risk and incorporated above	-		
Political buyin	Related to political risk but more specific to Bitou Municipal Councilors. Incorporated above.	-		
Local government elections & change of council	Related to political risk but more specific to Bitou Municipal Councilors. Incorporated above.	-		
N2 intersection upgrade and cost	Related to design, availability and cost overrun risk. Incorporated above.	-		
Relocation cost of staff to new building	Related to cost overruns and incorporated above	-		
Loss of information/records, etc	Related to operating risks but more specific to loss of information required for operation.	144 300	Clear output specifications. Penalty regime and performance monitoring. Adequate O&M contract. Substitution rights. Special insurance.	Private Party.
Access to grant funding	Related to affordability and cost overruns due to increased financing costs but more specific to grant funding.	15 695 151	Fixed price construction contracts. Contingency provisions. Standby debt facilities/additional equity commitments; provided that these commitments are made upfront and anticipated in the base case Financial Model	Private Party
Labour buyin	Related to political risk even though it is related to labour rather than councilors. Also related to cost overruns and incorporated above.	-		
Traffic impact	Related to planning risk. Incorporated above.	-		
Objections by stakeholders to development on specific site(s)	Related to various risks including planning risk. Incorporated above.	-		
Site not being used to full potential	Related to availability risk. Incorporated above.	-		
Management and monitoring of PPP contract	Related to operating risk and cost overrun risks. Incorporated above.	-		
municipality to assume responsibilities during and following end of consession period	Related to completion, operating and planning risk. Incorporated above	-		
Contractors colusions	Related to sub-contractor risk and cost overrun risks. Incorporated above	-		
Developer stopping office development if issues experienced on other properties part of transaction	Related to sub-contractor risk and cost overrun risks. Incorporated above	-		
Unacceptable bid scenario (due to properties being offered / incl procurement / meeting of criteria & municipal objectives)	Related to design, availability and cost overrun risk. Incorporated above.	-		
Objections by surrounding land owner related to surrounding land development potential	Related to political risk and planning risk. Incorporated above.	-		
Potential loss of revenue for businesses when municipality move out of existing CBD	Not a risk that the municipality could assume	-		
Lack of availability of commercial, retail and recreational facilities at new site	Not a risk that the municipality could assume	-		
Pedestrian safety	Related to planning risk. Incorporated above.	-		
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