KEY RISKS HIGH-LEVEL SUMMARY

Institution of MECHANICAL ENGINEERS

October 2021

A risk review exercise has been undertaken by the Real Estate Strategy Group. The risk register produced was then examined by our Audit and Risk Committee, what follows here is a high-level summary of that document.

The project is at a stage (RIBA 2) where there has been thought given to layouts, costs, programme, estimate of time schedules and risks. As would be expected at this early stage while a lot of risks can be envisaged and visualised, many of these will only have non-speculative costs when specific steps are taken along the project path. Also, mitigating many of these comprehensively can only occur at later points of time during the project.

The risks could be categorised broadly as externally caused and inherent in the project.

A: The external Risks could be very significant

A1 Climate change: floods and consequent basement damage; sewage evacuation getting overwhelmed; mitigated to a great extent by existing public infrastructure and plans - such as the Thames Barrier and ongoing public construction (Thames Tideway Scheme).

A2 COVID-19: severe long-term negative impact on demand for usable spaces - for staff, IMechE members and committees, members' use and IMechE events; mitigated by conservative plans that can be revisited before finalisation to build in flexibility on end use depending on future demands.

B: Inherent risks in this project

B1 The desires of membership translating into acceptance of the project or its rejection: This cannot be foretold, and the earlier surveys conducted do not necessarily provide the absolute answers. The risk can only be mitigated, or settled, by taking into account the views expressed at the forthcoming member consultations; followed by the membership vote.

B2 Granting a long-term lease on 3 BCW may not be as good a mechanism of raising funds as has been assumed. This too can be laid to rest only when the property lease is put on the market - albeit that the assumptions used have been provided by knowledgeable firms and specialists active in that field.

B3 Risks inherent in the maturity of the project which is still in an early stage. The risk assessment is dependent on events: e.g. only when 3 BCW is on the market, will we understand the process and some of the options and revenue better; including true costs based on tenders. IMechE's collective knowledge about the project and its risks also depends on what we are willing to spend on more in-depth studies and analysis. The collective risk is therefore the possibility of understating (or overstating) the risks generally owing to these factors. At this stage these are best mitigated by gaining assurance that the right amount of due diligence, study and analysis has taken place for a project at this stage of maturity. This is currently being assessed through the independent 'red team' review.

B4 Costs: i) there are cost uncertainties that will not be known till tenders are issued; ii) experience with refurbishing older buildings appears to indicate time and cost delays from problematic situations that are not visualised at the start; and iii) costs could also arise that are unrelated to the building or its site.

Mitigation at this stage is: i) a series of base cost increase assumptions that add up to approximately 50 per cent on top of the assessed build costs: ii) in addition, contingencies constitute a further 75 percent on the build costs; specific steps undertaken to review the risk levels prevalent notwithstanding the absence of full knowledge of costs (explained in B4); and iii) a systemic risk reducer is to have decision "gates" in place with known criteria that must be met before proceeding through successive stages of the project.