

Appendix 6 – Risk analysis

Whilst the City Deal Infrastructure Delivery Programme will deliver the critical infrastructure required to enable the full development of significant housing and commercial development schemes, the success of the programme (in so far as achieving its agreed core outputs) is subject to a series of cost, resource and timing risks associated with the infrastructure elements with other planning, commercial, policy and political risks associated with the whole programme but with particular relevance to the achievement of core outputs.

Any risks associated with the delivery of the key infrastructure is reported upon separately, and the completion dates for strategic highways are noted elsewhere.

The City Deal Programme area is a clearly defined city-area and as such is a tightly drawn geography subject to usual market forces and competition, with the result that development activity can and does vary from year to year.

That said, the core and supporting outputs, and partner market intelligence, act as a mechanism to anticipate where the City Deal Programme may experience problems in achieving housing completions, commercial development and job creation. The risks that are specific to this housing and commercial development activity are reported below, and updates are provided to indicate how these risks; i) are changing, ii) what impact they may have upon programme delivery and iii) how they are best being mitigated.

Planning risks

Risk	Mitigation/response	Update
Changes to or lack of Planning Framework to support City Deal objectives	<p>The City Deal area is supported by a Central Lancashire Core Strategy (2010-2026) that provides an overarching development and planning framework, with a Local Plan for each of Preston and South Ribble offering more detailed policy on sites. The Community Infrastructure Levy is now in place.</p> <p>North West Preston development sites are covered by a Masterplan that was approved in February 2014, and which provides a comprehensive framework to guide the development process.</p> <p>A City Centre Action Plan covering a range of commercial sites has been prepared and submitted for examination</p>	

Risk	Mitigation/response	Update
	<p>Other site masterplans have also been prepared for a number of large sites. Consultation on the Altcar Lane masterplan has been completed, and a planning application is being prepared</p>	
<p>Planning permissions not being consented and/or progressed through the planning system sufficiently quickly</p>	<p>Planning consents are already in place for over a third of the housing planning permissions, and 10 year targets have been reviewed and updated which will enable an efficient and manageable processing of future planning submissions avoiding any unnecessary delays.</p> <p>Milestones are in place for all housing and commercial sites in order to help monitor progress through the planning system and resolve any planning related matters.</p>	<p>The new Development Sites Delivery Group has a focus on identifying issues in the development process and identifying solutions in order to progress all large housing sites. An issues log is now in place for all key sites with responses and actions being formulated.</p>
<p>Lack of planning officer capacity</p>	<p>Housing Zone status has also been established for sites in Preston City Centre that cover c750 units, and will enable progress.</p> <p>As per above, capacity issues have been identified, in particular in specialist areas, which are subject to consideration within a separate Resources Review report.</p>	
<p>Failure to provide sufficient and appropriate infrastructure</p>	<p>A North West Preston Infrastructure Group has been established with the major house builders and land-owners to co-ordinate development and resolve land equalisation matters.</p>	

Commercial risks

Risk	Mitigation	Update
Planning support	<p>Enterprise Zone is covered by a Local Development Order, and a number of Prior Notice for Developments have been completed to allow construction start on the Training facility and Logistics facility with this facility due for completion in 2016/17.</p> <p>Cuerden employment site has an approved Masterplan and SRBC's Site Allocations Plan was also approved in July 2015.</p>	
Low commercial values	<p>As speculative build remains low stock continues to be reduced which is supportive of the recovery of rental values with an anticipated increase in demand. A City Deal Marketing & Communications Strategy, co-ordinated with LEP-wide strategic marketing activity, will also support the increase in investor, developer and occupier demand. A City Deal Marketing & Communications Strategy continues to be implemented along with LEP-wide strategic marketing activity.</p> <p>There are signs of market recovery in that some speculative build at Red Scar is ahead of anticipated start date, and Horrockses development phase 1 is now complete.</p> <p>There are positive signs of growing commercial interest, for example as identified following the marketing of the Eastway Commercial site where interest was strong for this (prime) 7-8 acre site, and which was an improvement on interest 12 months ago</p>	
Supply phasing	<p>Partner working groups, partnerships and alliances have been formed to share market intelligence and support the phasing of development activity to help co-ordinate sustainable development, particularly on the major employment sites.</p> <p>An outline development study has been produced with commercial land owners at Preston North East with the purpose of understanding constraints, aligning Developer interests and identifying potential land uses to support incremental</p>	

Risk	Mitigation	Update
	<p>development.</p> <p>An understanding of the hierarchy of development sites exists with public sector land holding to help co-ordinate the handling of enquiries and control the supply of land on the market.</p>	
Investor awareness	<p>A City Deal Communications Strategy is being implemented to raise the profile of the City Deal area, and its impact on the Lancashire economy, on a local, regional and national level. A number of high profile events to promote the Invest Central Lancashire proposition will be delivered in partnership with Place North West. The City Deal offer will also be promoted as part of the Lancashire Enterprise Partnership's presence at MIPIM London and MIPIM Cannes.</p>	

Delivery risks

Risk	Mitigation	Update
HCA site delivery	<p>HCA has undertaken a detailed in-house resource capacity review and have streamlined their site disposal processes. HCA are continuing to work with agents to ensure the dynamics of the local housing market are factored into disposal activity.</p> <p>Direct commissioning will also be considered in order to maximise delivery on the sites.</p>	
Site take-up/market demand is slower than anticipated	<p>HCA sites are being de-risked via a package of measures eg. title due diligence, securing planning, full engagement with agents and legal team in all land transactions Carry out regular soft market testing to understand market trends ie. the current position and future forecasts, and respond accordingly.</p> <p>City Deal Investor and Developer Forums held to ensure house developers and other investors</p>	

	<p>are aware of City Deal site disposal opportunities. A programme of investor Awareness activity is programmed as part of the City Deal Marketing & Communications Strategy.</p> <p>Investor and Developer Forums continue to be scheduled, and a Lancashire Business View event was held recently at BartleHall.</p>	
<p>Housing and commercial construction and skills capacity</p>	<p>A LEP Skills Hub has been established in order to understand skills and employment priorities, and introduce interventions to support industry to recruit and retain a skilled and productive workforce. The City Deal Skills and Employment Group will take City Deal-specific elements forward.</p> <p>A Skills Action Plan has been produced that details 9 areas of activity to support the broad skills aims. Metrics have been developed to establish targets and monitor programme effectiveness.</p> <p>A Construction Hub has also been established with one of its aims to build capacity within the local construction sector, including technical development.</p>	<p>Metrics have been developed to establish targets and monitor programme effectiveness</p>
<p>Various delivery risks identified by housebuilders.</p> <ul style="list-style-type: none"> • This is the first year developers can no longer benefit from pre-CIL permissions so all developments are liable to CIL. • Site specific issues on key strategic sites • Extensive range of sites available in the wider Central 	<p>Feedback from house builders across the city deal area has identified a variety of potential delivery risks. It is proposed that DSDG will further evaluate and formulate appropriate responses to these risks as appropriate.</p>	

<p>Lancashire market area which is allowing developers to be selective in the phasing of their developments</p> <ul style="list-style-type: none"> • Developers desire to regulate the flow of new housing so as not to saturate the market • Uncertainty over the Government CIL review, housing white paper and delivery of Affordable Housing • On-going uncertainty as to the economic effect of Brexit. • Availability of materials and significant skills/labour shortages • Access to finance • In some cases sites already under construction are reaching the less marketable areas of the site and therefore completions are slower 		
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Policy & Political risks

The housing market, particularly in relation to certain sectors of the market, will be more sensitive to developments and changes with Government policy which may have a bearing upon, for example, affordable housing, specific housing types and locations or the ability of different groups to enter the housing market.

There is a particular Government focus on planning-led housing reform, with Starter Homes playing an important aim of releasing additional land for housing that would not currently be used for housing development. The Government is committed to building 200,000 Starter Homes over the course of this parliament, to be offered

exclusively to first time buyers under the age of 40 at a minimum 20 per cent discount on the open market value.

Starter Homes policies may have local or site specific effects, whilst the expansion of the Help to Buy Equity Loan Scheme could present opportunities to help stimulate the market. A Preston/South Ribble application has recently been submitted for Starter Homes funding where it will complement the City Deal Programme and help accelerate some of the more challenging sites.

The Resources Review Group will begin to examine some of these possible effects and how it may impact upon the housing build programme and sales.

Risk	Mitigation	Update:
New Homes Bonus/CIL/NNDR Policy change – risk of Government policy change may reduce resources	<p>This risk will be managed through negotiation between Government, the LEP and CD local authorities</p> <p>Potential impact of Starter Homes and Direct Commissioning also being factored into negotiations with Government as part of the Resources Review.</p>	
Political administration change	<p>This risk has been mitigated by the respective Cabinets for each of the 3 CD local authorities endorsing the CD. City Deal governance arrangements provide the mechanism for managing this.</p>	