

Appendix 5 – City Deal Risk and Issue Log – updated November 2019

NO	Heading	Risk Type	Risk/Issue details description/potential impact	Risk /issue	Type	Status	Mitigation/Action Plan
1	Inaccurate cost estimates for schemes	Financial	Cost estimates set out in the City Deal (CD) may be inaccurate. The risk to city deal is that inaccurate scheme cost estimates will result in the budget allocations in the infrastructure delivery fund being un-reliable, making it impossible to maintain a balanced financial model.	Risk	financial	Open	<p>At the outset of the development stage, an appropriate optimism bias (relevant to the type of scheme) together with a risk contingency of plus or minus 40% is included. This therefore reduces the risk of the cost estimates, and in turn cost outturns, being higher than original budget allocations.</p> <p>On commencement of the design exercise QS resources are put to preparing a cost plan which is updated monthly. The industry standard/expectation for design costs as a percentage of overall scheme costs, is being used as a benchmark when pricing design work.</p>
2	Scheme Cost Over-run	Financial	With regard to infrastructure schemes and public transport corridor schemes, once land acquisition commences/compulsory purchase is concluded, unanticipated factors affecting land and compensation costs lead to an increase against estimates, which could negatively impact upon the infrastructure delivery fund.	Risk	financial	open	Estimates are made and factored into scheme costs in relation to Part 1 land claims
3	Scheme Cost Over-run		Once construction commences, unanticipated abnormal factors and/or changes to design could lead to an increase against tendered prices. The impact of this on the City Deal, is that there would not be enough funding in the model to deliver the whole programme of works.	Risk	financial	open	This risk is managed through design and costing works procedures as part of agreed project management controls.

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4	Incorrect forecasting resources available to the programme	Financial, Legal, Political, Regulatory	The level of resources available from the different funding sources may be less than set out in the CD proposal. The risk to City Deal is that there would not be enough funding in the model to deliver the whole programme of works.	Risk	financial	open	<p>This risk is being managed by using prudent estimates of resources available, such as New Homes Bonus, CIL and Business Rates Retention. The financial values of HE land receipts are based on the HE own assessments. Private sector contributions will be collected through robust and legally binding arrangements.</p> <p>Government policy changes to funding streams remains a residual risk and work is underway through the City Deal Review to analyse and mitigate. Uncertainty remains regarding NHB which is currently the subject of a consultation, any changes pose a risk to the City Deal Finance model and are being considered as part of the City Deal review.</p> <p>A review of CIL/s.106 contributions secured to date is underway, in order to inform future financial forecasting.</p> <p>Other capital funding sources will be accessed where appropriate, including funding bids for highways schemes.</p>
5	Incorrect forecasting resources available to the programme		Lack of skill and/or capacity to deliver the programme. The risk to City Deal is that it is poorly directed and delivered, risking time and cost overruns.	Risk	resources	open	<p>Expert resources are prioritised to the project by each partner.</p> <p>Governance and programme and project management processes are used to ensure projects are adequately resourced.</p>
6	Incorrect forecasting resources available to the programme		Neighbourhood Planning regulations in relation to CIL destabilise the project.	Risk	resources	open	The financial model reflects the financial impact of the Neighbourhood Planning Regulations. Closer working with Parish and Town council would be beneficial to identify projects of mutual interest and joint funding possibilities. This is not yet happening in any systematic way due to capacity/resources.

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7	Housing developments not delivered in line with forecasts (phasing shifts)	Financial	Developments may not come forward in line with the timescales set out in the CD proposal. Risk is financial, if development does not come forward as predicted then income may be affected.	Risk	financial	open	<p>This risk has been mitigated through phasing of income in line with the statutory position of timescales when income streams, particularly New Homes Bonus and Business Rates, are payable. Legal agreements to capture private sector contributions will also ensure that private sector contributions are phased in line with the CD Infrastructure Delivery Programme.</p> <p>Close monitoring of both incoming resources and expenditure allows sufficient advance warning of issues for further mitigating action, such as adjustments to programme phasing, to be undertaken without destabilising the overall programme.</p> <p>Assumptions made in the original delivery model are also continuously tested to give an updated forecast of likely development timescales. The Project Team maintains oversight of housing delivery and issues emerging that might impact on delivery rates and the financial model.</p>
8	Housing developments not delivered in line with forecasts (phasing shifts)		Housing development is delayed due to licences and consents from third parties not being secured.	Risk	planning	open	<p>Effective forward planning and early engagement with statutory bodies.</p> <p>Project managers engage with statutory bodies in the early design stages of the projects to minimise this risk.</p>
9	Delay in Road Planning	Political, Regulatory, Technical	Road schemes may be subject to both local and national planning processes thereby increasing delivery timescales. Unforeseen risks may impact on delivery timescales therefore increasing costs to city deal.	Risk		open	This risk is likely to be wholly mitigated through proposed amendments to the Planning Act which will remove the need for local major schemes, which connect into the Strategic Road Network, to use the Development Control Order Process.

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10	Delay in Road Planning		Road schemes may be delayed through local planning processes, thereby delaying overall delivery and potentially impacting on the build out of local development sites.	risk		open	The focus is therefore on ensuring that the planning application and CPO orders are timely and robust.
11	Delay in Road planning		Road schemes may be delayed due to inability to assemble land or may be delayed by Highway Act procedures. The risk to City Deal is that such delays could slow down overall delivery and potentially impact on the build out of local development sites.	risk		open	This will be mitigated through early commencement of the compulsory purchase order processes and land acquisitions.
12	Failure to secure planning approval	Regulatory, Political	Changes to or lack of Planning Framework to support City Deal objectives. City deal may fail to achieve its agreed objectives (housing and employment) due to changes in government policy affecting growth.	risk	planning	open	Partners continue to work towards maintaining an up to date local plan
13	Failure to secure planning approval	Regulatory, Political	The risk of planning appeals	risk	planning	open	Partners continue to work towards maintaining an up to date local plan
14	Failure to secure planning approval	Regulatory, Political	Sites don't get developed because Masterplans are not in place.	risk	planning	open	<p>Early engagement between local planning authority and applicant/landowner/developer to initiate site masterplanning.</p> <p>Early involvement of infrastructure and service providers into master plan preparation.</p> <p>Incorporation of site masterplans into supplementary planning documents where applicable/necessary.</p>

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15	Failure to secure planning approval	Regulatory, Political	Planning permissions not being consented and/or progressed through the planning system sufficiently quickly, affecting City Deal income and outputs.	risk	planning	open	<p>Planning consents are already in place for over 3/4 of the target number of housing units. ?</p> <p>Recent updates:</p> <p>A Stoneygate Masterplan has also been developed to support site development and delivery in this city centre area.</p> <p>Planning application for Moss Side Test Track submitted in October 2019. Outline consent for 950 units.</p>
16	Failure to secure planning approval	Regulatory, Political	Lack of Planning officer Capacity. The risk to city deal is the slowing down of processing planning applications and therefore slowing down delivery.	risk	planning	open	<p>£200k has been granted from Homes England to provide additional capacity. Some of that funding is being used to appoint additional planning capacity in the districts which will assist in finding solutions to blockages to ensure sites come forward swiftly.</p> <p>Housing Zone status has also been established for sites in Preston City Centre that cover c750 units, and will enable progress.</p>
17	Homes England Site Delivery		Homes England sites are not delivered in line with the Homes England Business & Disposal Plan, which could affect outputs and income to the City Deal.	risk		open	<p>Homes England has undertaken a detailed in-house resource capacity review and have streamlined their site disposal processes. Homes England 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> <p>Homes England sites are being de-risked via a package of measures e.g. Title due diligence, securing planning, full engagement with agents and legal team in all land transactions. Regular soft market testing is carried out to understand market trends i.e. the current position and future forecasts, and respond accordingly.</p>

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							City Deal Investor and Developer Forums held to ensure house developers and other investors 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.
18	Housing and Commercial Construction and Skills Capacity		Construction skills are not sufficient to match the requirements of individual/overall scheme targets, thereby slowing down rates of delivery.	risk			<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 Central Lancashire Construction Skills Hub has also been established with one of its aims to build capacity within the local construction sector, including technical development.</p> <p>In accordance with the Central Lancashire SPD, all new developments which exceed the threshold are required to submit an Employment and Skills Plan. These are to be reviewed at the City Deal Skills and Employment Steering Group to identify skills shortage areas and training priorities.</p>

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19	Commercial Development may not come forward.	Political, Financial	Private sector may not come forward with investment proposals for housing and employment sites.	risk	commercial	open	<p>These risks have been mitigated, in part, through the proven private sector confidence and investment appetite in the CD area.</p> <p>Preston and South Ribble Councils will work towards the adoption of their respective LDF's to secure the allocation of the City Deal sites. This will provide a strong policy position against which to resist unallocated sites coming forward. The Councils are currently undertaking a Local Plan Review which will identify development land over the longer term and present potential opportunities for City Deal.</p> <p>Developer interest remains high, with high delivery rates in parts of the City Deal area. The risk of saturation is a concern and the Project Team is monitoring the phasing of delivery going forward to mitigate this risk.</p> <p>There is ongoing agent feedback, via project updates, to understand where market failure exists. This is most evident for commercial sites in some retail/leisure markets where viability issues remain. The market is responding by altering land use to reflect market demand ie including additional residential elements on smaller mixed-use sites, whilst the public sector is able in some cases to support sites in securing/developing business cases for anchor tenants.</p> <p>There are continuing signs of market recovery in that there is ongoing speculative build at Red Scar and South Rings, whilst other sites are coming forward ahead of anticipated start date, and there are some notable city centre leisure developments, plus other retail activity across the City Deal</p>

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20	Commercial Development may not come forward.		Landowners may not sell due to market viability issues.	risk		open	as above
21	Commercial Development may not come forward.		Sites outside the agreed list of City Deal development sites come forward and undermine the City Deal Programme.	risk		open	A number of sites outside of the agreed list of sites have and continue to come forward. Some of those have been captured towards the additional housing requirement set out in the Deal, but the partnership is currently looking at the financial impact of sites that are not being captured in this way.
22	Commercial Development may not come forward.		Low commercial values	risk		open	As speculative build remains relatively 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, is supporting the increase in investor, developer and occupier demand, whilst market adjustment is occurring where some retail plots on smaller mixed-use sites are being considered for housing. Consultant support is also being provided to aid landlord negotiations and moderate site aspirations in order to encourage quicker delivery.
23	Commercial Development may not come forward.		Supply phasing	risk		open	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. 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 development 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.

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24	Commercial Development may not come forward.		Investor awareness	risk		open	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.
25	Commercial Development may not come forward.		<p>DELIVERY RISKS IDENTIFIED BY HOUSEBUILDERS</p> <p>Developers can no longer benefit from pre-CIL permissions so all developments are liable to CIL.</p> <p>Site specific issues on key strategic sites</p> <p>Extensive range of sites available in the wider Central Lancashire market area which is allowing developers to be selective in the phasing of their developments</p> <p>Developers desire to regulate the flow of new housing so as not to saturate the market</p> <p>Uncertainty over the Government CIL review, housing white paper and delivery of Affordable Housing</p> <p>On-going uncertainty as to the economic effect of Brexit.</p> <p>Availability of materials and significant skills/labour shortages</p> <p>In some cases sites already under construction are reaching the less marketable areas of the site and therefore completions are slower</p>	risk		open	<p>Feedback from housebuilders across the City deal area has identified a variety of potential delivery risks. Ongoing engagement with Developers is a priority both through the planning process and as part of the wider City Deal Strategic ambition via developer forums.</p> <p>Regular reviews of housing delivery will help to highlight issues as well as keeping abreast of changes in national policy and local housing market influences.</p> <p>An independent review of housing development sites was undertaken in 2018/19, which as well as identifying current risks and opportunities, provided an updated forecast of housing delivery and enabled the financial model to be re-profiled in line with income projections.</p>

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26	Consultation and Marketing not effective	(Reputational, Political)	<p>The project is not communicated adequately to all stakeholders.</p> <p>The risk that the potential of City Deal is not marketed sufficiently to attract people to live and work in the area.</p>	risk		open	<p>Early communication and establishment of working forums with key stakeholder groups, supported by a robust marketing and communications plan put in place for each project. A Communications Strategy will continue to be delivered and will respond to the market demand/market failure, business Plan priorities and sites requiring strategic support as identified in the current City Deal review.</p> <p>The Communications Strategy should also link to the broader Lancashire proposition marketing activity being delivered by the LEP/Marketing Lancashire.</p>
27	Consultation and Marketing not effective		The reputational risk to all partner authorities if the Deal fails to deliver the intentions and aspirations set out in the Agreement.	risk		open	<p>Robust partnership working in place supported by strong governance arrangements and an effective marketing and communications plan.</p> <p>A strong focus is on promoting central Lancashire regionally and nationally, to attract inward investment and appeal to a business audience</p>
28	Social Value not realized.	Reputational, Political	Social Value may not be realized.	risk		open	The implementation of Employment & Skills Plans in line with the planning, economic and social value priorities will help to reduce this risk
29	New Homes Bonus, CIL, NNDR Policy Change	Political, Financial	Government may change its policy regarding the New Homes Bonus/CIL/NNDR thereby reducing the resources available to deliver the CD Delivery Infrastructure Programme.	risk		open	<p>The City Deal agreement contains a provision that allows the parties to review the Deal with Government in the event of national policy changes that have a direct financial impact on the Deal</p> <p>A piece of work has been done to identify the impact of proposed changes in national policy on the City Deal. A City Deal Review is underway which will identify options for mitigating the impact which may include Government, the LEP and CD local authorities.</p>

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							Potential impact of Starter Homes and Direct Commissioning also being factored into negotiations with Government as part of the Review
30	Political Administration Change	Political	Local political administration changes may impact upon the CD proposals. Unable to secure partner agreement and co-operation throughout the life of the CD programme	risk		open	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. Senior personnel changes have happened in the last two years and work is underway to bring new senior leaders and CEO's up to date through the City Deal Review work