

CITY DEAL RISK LOG - APPENDIX 5							
NO	Risk Title	Risk Type	Risk/Issue details description/potential impact	Risk/issue	Status	Mitigation/Action Plan	Update/Comments
1	Cost Estimation Risk	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 unreliable, making it impossilbe to maintain a balanced financial model.	Risk	Open	Estimates of individual schemes and budget allocations in the BaDP are now subject to annual review At the outset of the development stage, an optimism bias factor of 44% has been included in the major road schemes, in line with DfT guidelines. This therefore reduces the risk of the cost estimates, and in turn cost outturns, being higher than original budget allocations.	Review by independent cost consultants is now being embedded into working practice on major road schemes. The industry standard/expectation for design costs as a percentage of overall scheme costs, is being used as a benchmark when pricing design work. A review of the budget allocations in the Business and Delivery Plan is underway in preparation for the updated Plan, to ensure that up to date (high level) scheme estimates are reflected in the financial model.
2	Cost Overun Risk	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	open	Partners will seek to be indemnified through relevant legal agreements against compensation claims.	Estimates are made and factored into scheme costs in relation to Part 1 land claims
3			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	Open	This risk is managed through LCC's robust capital cost control processes to ensure that risks are identified, costed and managed effectively, that contingencies are put in place for unknown factors, and thereafter projects and their associated costs are managed within approved budgets and tendered prices. Any under utilised resources will not be released until all identified cost pressures have been addressed.	Mitigation for unanticipated abnormal factors has been partly accommodated in the above review where new benchmarks will be used for pricing design work.
4	Quantity of Resource Risk	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		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.	Government policy changes to funding streams remains a residual risk and work is underway through the City Deal Review to analyse and mitigate. A review of CIL/s.106 contributions secured to date is underway, in or der to inform future financial forecasting. Other capital funding sources will be accessed where appropriate, including funding bids for highways schemes.
5			Lack of skill and/or capacity to deliver the project, internally amongst the four partners. The risk to City Deal is that it is poorly directed and delivered, risking time and cost overruns.	Risk	open	Expert resources are prioritised to the project by each partner.	The independent Review of City Deal is also considering the level of resources, skills and expertise required to deliver the Programme going forward. The Review of Governance Structures also clarifies roles and responsibilities to being greater clarity and accountability to decision making. A Senior Responsible Owner for the City Deal is being identified.
6			Neighbourhood Planning regulations in relation to CIL destabilise the project.	Risk	open	The financial model refelects 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 possibilites. This is not yet happening in any systematic way due to capacity/resources.

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7	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	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>In addition, in recognition of the fact that the cash flow profile for the Infrastructure Delivery Programme is not even, Lancashire County Council will financially stand behind the CD to allow both the baseline cash-flow and some degree of slippage to be effectively managed.</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</p>	<p>An independent review of housing delivery has been carried out early in the CD programme (2016), this is subject to annual review by local planning authorities.</p> <p>A further independent review of housing development sites has been undertaken, providing an updated forecast of housing delivery, enabling the financial model to be re-profiled in line with income projections.</p> <p>The Project Team maintains oversight of housing delivery and issues emerging that might impact on delivery rates and the financial model.</p> <p>Project Team also considers the implementation of programme and site specific interventions to expedite delivery, as referred to in the above review.</p>
8			Licences and consents from third parties aren't secured.	Risk	open	<p>Effective forward planning and early engagement with statutory bodies</p> <p>Work is underway to look at opportunities for streamlining the planning process to ensure CD applications can be dealt with efficiently to make sure that delivery and output timescales are met.</p>	<p>Project managers engage with statutory bodies in the early design stages of the projects to minimise this risk.</p> <p>This mitigation has not been actioned other than through a recommendation for the inclusion of a standardised statement to be incorporated in the planning officers report on applications for City Deal sites.</p> <p>Project Team will be tasked with looking at the potential for streamlining processes in the next 12 months.</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.	Based on the latest advice, it is unlikely that the major infrastructure schemes in the City Deal programme will go through the Development Control Order process. The focus is therefore on ensuring that the planning application and CPO orders are timely and robust.
10			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 road schemes are set out in the Central Lancashire Highways and Transport Masterplan, adopted in March 2013, and in Local Plan Reviews and therefore have already been subject to extensive consultation and are material to determining planning applications.	
11			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	Planning Approval Risks	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 govt policy affecting growth.	risk	Open	The City Deal area is supported by a Central Lancashire Core Strategy (2010-2026) that provides an over-arching 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>The challenge to a District's five year housing land supply position could risk non City Deal housing sites being progressed over City Deal allocated housing sites.</p> <p>The Central Lancashire Local Plan Review which is underway will roll forward the Core Strategy and will plan for part of the City Deal period.</p> <p>North West Preston development sites are covered by a Masterplan approved in February 2014, and introduced as a supplementary planning document in 2017, which provides a comprehensive framework to guide the development process. Under Local Plan policy, site masterplans are to be prepared for a number of large sites.</p> <p>Consultation on the Altcar Lane masterplan has been completed, two outline applications were subsequently approved in 2017 for a total of 600 dwellings. Reserved Matters on part of the site for 232 dwellings and 200 dwellings were approved in 2018.</p> <p>A planning application for Moss Side Test Track will be considered at committee in September 2019.</p>
13			The risk of planning appeals	risk	Open	An up to date Local Plan coverage provides a robust basis to defend challenges and appeals	
14			Sites don't get developed because Masterplans are not in place.	risk	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>	
15			Planning permissions not being consented and/or progressed through the planning system sufficiently quickly, affecting City Deal income and outputs.	risk	Open	Planning consents are already in place for over 3/4 of the target number of housing units. Site specific steering groups have been established for the major sites in order to oversee and coordinate planning and development activity.	
16			Lack of Planning officer Capacity. The risk to city deal is the slowing down of processing planning applications and therefore slowing down delivery.	risk	Open	£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.	

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17			The risk of failure to provide sufficient and appropriate infrastructure. The risk to City Deal is that a lack of appropriate local infrastructure, could make the housing developments less attractvie to the market, in turn slowing down housebuilding.	risk	Open	A North West Preston Infrastructure Group has been established with the major house builders and land-owners to co-ordinate development and resolve land equalization matters	
18	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 eg. 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 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 are aware of City Deal site disposal opportunities.</p> <p>A programme of investor Awareness activity is programmed as part of the City Deal Marketing & Communications Strategy.</p>
19	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	Open	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>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> <p>Ongoing funding opportunities are being explored with CITB to further develop and enhance the current offer, including the submission for the recent Digital Skills Commission (02/07/19) and the Onsite Experience Commission due for launch on the 22nd July 2019.</p>
20	Commercial Delivery Risk	Political, Financial	Private sector may not come forward with investment proposals for housing and employment sites.	risk	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.</p>	<p>The Council's 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>
21			Landowners may not sell due to market viability issues.	risk	Open	as above	<p>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.</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</p>
22			Sites outside the agreed list of City Deal development sites come forward and undermine the City Deal Programme.	risk	Open	as above	
23			Planning support	risk	Open	Enterprise Zone is covered by a Local Development Order, and a number of Prior Notice for Developments have been completed to allow construction on the ASK Training facility and Defence Logistics facility. Cuerden employment site has an approved Masterplan and planning consent, and SRBC's Site Allocations Plan was also approved in July 2015. Other strategic sites are developing masterplans including Pickerings Farm and Moss Side Test Track, in addition to the one already secured at NW Preston. Stoneygate Masterplan is also being prepared to support development and delivery in the city centre.	
24			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.	

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25			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.	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 area. Demand for employment land remains strong and highest for logistics, freehold sites and smaller industrial units, with enquiries strong for large footprint units at strategically located sites, plus the energy-related sector businesses.
26			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.	Progress is being made across a number of sites to make land available at Preston East, Lancashire Central (Cuerden), Farington Hall Estate and Moss Side Test Track, and which will be required
27	Commercial Delivery Risk (Developers)		<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>	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.
28	Consultation and Marketing Risk	(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	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.	<p>A Comms 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 Comms Strategy should also link to the broader Lancashire proposition marketing activity being delivered by the LEP/Marketing Lancashire.</p>
29			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>	<p>The current marketing and communications strategy will be reviewed in 2019/20 to ensure that it aligns with the LEP's wider investment proposition and marketing strategy.</p> <p>City Deal Employment and Skills co-ordinator post, has now been appointed to and is responsible for driving forward the employment and skills plans.</p>
30	Social Value Risk	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	
31	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	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>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> <p>Potential impact of Starter Homes and Direct Commissioning also being factored into negotiations with Government as part of the Review</p>

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32	Political Administration Change	Political	Local political administration changes may impact upon the CD proposals.	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.
33			Unable to secure partner agreement and co-operation throughout the life of the CD programme	risk	Open	as above	