

1 Deliverability and Risk Assessment

Overview

- 1.1 At the February Accountability Board it was requested that further information be provided to the Board on the deliverability and risk of all schemes in the LGF programme.
- 1.2 An assessment of overall deliverability risk has been undertaken by the SELEP programme management team. A summary of the risk assessment was presented at the April Accountability Board, which had previously been shared with Promoters for comment, and finalised taking account of comments and clarifications as appropriate.
- 1.3 The deliverability risk assessment will form part of the ongoing capital programme management work, and an update will be prepared for each Accountability Board.

SELEP Assessment and Linkage with Promoter Assessments

- 1.4 There has been some discussion about whether the SELEP Risk Assessment should be directly aligned with Promoter's own risk assessments. While there is a need to share a common understanding of the position of, and risks relating to, a specific scheme, there are a couple of key reasons why the SELEP assessment should remain independent. First, the basis upon which each Promoter's assessment is made may differ slightly so consistency between individual Promoter risks would be difficult to achieve. Second, there are specific risks that the SELEP assessment seeks to capture (e.g. risk of LGF allocated funding not being spent in a given year) that are material to SELEP at a programme level, but may be less critical for any individual project. Third, to ensure consistency of approach across the SELEP assessment the view on RAG rating must be independently and transparently made by the Capital Programme Management Team and moderated at that level.
- 1.5 In summary, while the information SELEP uses to support the assessment will be informed by information sought from Promoters, including bespoke risk assessments, the SELEP assessment (and RAG rating) may differ for particular schemes.

Purpose of the Risk Assessment

- 1.6 The risk assessment is intended to help SELEP and Federal Areas to understand the realism of the programme and key programme risks, and to manage the programme accordingly. The purpose is not to affect the priority or status of any particular scheme (many of the schemes that are higher risk may also be higher priority in their ability to deliver key policy outcomes). Rather, the exercise is intended to provide an overview, at programme level, of the scale of nature of potential deliverability risks, and hence the consequent risk around the ability of SELEP (and Partners) to spend LGF funding to the planned profile.
- 1.7 The risk assessment will therefore inform the on-going programme management function of the LEP. The objective is to anticipate where and when programme risks may materialise, and to help ensure that the overall programme (and spend) in given years is populated with a balanced set of schemes, where schemes with higher deliverability risks are counterbalanced by lower risk schemes. There also needs to be sufficient flexibility within the programme to manage risks that materialise.

- 1.8 The identification of scheme specific risks can also be used to help Promoters prioritise effort on measures that could mitigate these risks and, through this manage and mitigate risk at the Federal Area / SELEP level.

Deliverability Risk Assessment - Approach

- 1.9 This assesses the deliverability risk associated with a particular scheme. The deliverability risk considers:

- **Specific project risks** – these relate to public acceptability, feasibility and so on. A ‘RAG’ assessment will be made against each of these deliverability criteria.
- **Risk outcomes** – The impact of individual risks on overall deliverability risk in terms of key outcomes – these will also be RAG rated:
 - **Programme risk** – what is the a risk / likelihood that the scheme will be delivered later than planned, and specifically may not be able to spend the LGF allocation in the planned year? The programme risk would be higher (amber or red) if, for example, there were programme risk issues that presented a likelihood of delay *and* the LGF expenditure was backloaded to quarters 3 and 4 of the financial year.
 - **Showstopper risk** – what is the risk / likelihood that the scheme could be either cancelled or delayed beyond the LGF programme period – i.e. drop out of the programme?

Specific project risks

- 1.10 Below we list the key project specific risks and the considerations that will be taken into account in making the RAG assessment. The RAG rating will be based on an informed judgement taking account of these considerations (rather than through a formulaic approach), and supported by a rationale.

Risk Area	Key Considerations
<ul style="list-style-type: none"> • Public and Stakeholder Acceptability 	<ul style="list-style-type: none"> • Does the project have public and stakeholder support? • Has public consultation been undertaken? • Does the nature of the scheme mean the proposal is likely to face greater acceptability risk?
<ul style="list-style-type: none"> • Feasibility 	<p>Is the proposal:</p> <ul style="list-style-type: none"> • Technically feasible (engineering feasibility) • Technologically feasible (proven technology) • Legally feasible – can be delivered within regulatory and legal framework (e.g. State Aid)
<ul style="list-style-type: none"> • Planning Risk 	<ul style="list-style-type: none"> • What powers / consents are required? • Have they been secured? • What is the risk that powers / consents may not be granted?
<ul style="list-style-type: none"> • Cost Risk / Affordability / Funding 	<ul style="list-style-type: none"> • What is the risk (how likely) and impact (who bears the risk and could it be absorbed) of a cost over-run? • What is the status of 3rd Party Funding – identified, committed, secured etc.? • Is there an identified funding gap?
<ul style="list-style-type: none"> • Value for Money 	<ul style="list-style-type: none"> • What is the VfM case for the scheme? • What is the risk it could fall below the VfM threshold (as per the SELEP Assurance Framework)

Risk Area	Key Considerations
<ul style="list-style-type: none"> Complexity / Dependence Flexibility of Scheme 	<ul style="list-style-type: none"> Does the scheme rely on a range of institutions to deliver the project? Are there significant project dependencies? Is the scheme flexible – can it be re-defined in scope and detail to mitigate certain risks

1.11 The assessment of risk outcomes is informed by the individual project risks.

Deliverability Risk Assessment – Outputs

1.12 The outputs from the deliverability assessment will include:

- A scheme by scheme risk summary, including a summary of the overall risk assessment against each of 'programme risk' and 'showstopper risk', and supporting rationale for the RAG assessment.
- Overall programme-level risks including overall value of schemes, by year, in the low, medium and high risk categories.