Appendix 4 - LGF Programme Risks (High Risks only)

Risk	Description	Risk Impact	Risk Probability	Overall Risk	Mitigation
Affordability of LGF projects	There are likely to be substantial delays to LGF projects at each stage of project delivery as a result of COVID-19, with an impact on the total cost of LGF projects. In addition, there is also a risk to S106 funding contributions which have previously been committed towards LGF projects. Local authority budgets are likely to come under increased pressure and private sector contributions may not be available to the scale/timescales originally anticipated.	**3**	**5**	**15**	The risk of project cost increases sits with the local authority partners and as such, SELEP encourages all partner authorities to review the financial position of all LGF projects.
Resource to deliver LGF projects	There is a risk to the availability of resource to deliver LGF projects, as a result of remote working, sickness and as a result of resources being redeployed to support critical services within local authorities. This is likely to result in project delays but also creates a risk to the oversight of projects.	**4**	**4**	**12**	SELEP Ltd has agreed to extend the delivery of the Growth Deal period by a minimum of six months to help ease some of the delivery pressures and to support the appropriate governance of projects.
Supply Chain Risk	Private sector companies within the supply chain may be vulnerable to the current economic situation, particularly as the furlough scheme ends. If companies go into financial difficulty or liquidation, this will impact project delivery timescales and costs.	**4**	**3**	**12**	SELEP encourages local authorities to complete additional financial checks for contractors and sub-contractors prior to entering into any new contracts and reviewing the financial position as part of the contract management for existing contracts.
Failure of third-party organisations to deliver LGF projects	Local authorities are entering into contract with third party organisations, such as district authorities, private sector companies, further education and higher education providers to deliver LGF projects. If the external organisations experience financial difficulty and are unable to deliver LGF projects, it may not be possible to recover the LGF from these organisations should they enter administration. This would result in local authorities being responsible for repaying abortive costs to SELEP.	**5**	**3**	**15**	SELEP encourages local authorities to complete additional financial checks prior to entering into contract or transferring LGF to third party organisations and to ensure clear processes are in place for the oversight of LGF projects delivered by third party organisations.
Oversight of the LGF programme by Accountability Board	The remit of the Accountability Board will be expanded to cover the consideration of Getting Building Fund projects. As all Getting Building Fund projects needs to be considered by the Accountability Board in Q3, this will reduce the focus on LGF projects.	**3**	**4**	**12**	An additional Accountability Board meeting has been scheduled in October to help reduce the pressure on the November Accountability Board meeting. A few format to Accountability Board papers and meetings will be introduced to enable the Accountability Board to cover more business during each meeting.
Operational budgets	Given the current financial climate, there may be financial challenges to the future operation of LGF projects by the private sector, including Higher Education Institutions and Further Education providers. As well as impacting the delivery stage of the projects, this is also likely to impact the operation of the projects once delivered and impact the scale/pace to benefits realisation through the project.	**4**	**4**	**16**	As part of the business case assessment, scheme promoters are required to provide information abut the commercial operation of the project post delivery. Any changes to the feasibility of projects to proceed will be monitored and reported to the Board.

LGF spend within Growth Deal period	Based on the current LGF spend forecast, SELEP is now forecasting £49.139m LGF spend beyond the original Growth Deal deadline of 31 March 2021. As per section 3 of the report, there are clear expectations from MHCLG for the LGF to be spent in LGF in 2020/21. If SELEP is unable to demonstrate spend of LGF in full in 2020/21, this will increase the risk to the final third of SELEP's LGF allocation in 2020/21.	**3**	**5**	**15**	All projects which are forecasting LGF spend beyond the revised Growth Deal deadline are required to meet five criteria, to help ensure that LGF spend beyond the Growth Deal is only permitted on an exceptional basis. As set out in section 3 above, SELEP intends to use Option 4 Capital Swap to demonstrate the spend of the LGF in full in 2020/21. Whilst this is permitted under the terms of the grant from Central Government, there is a potential reputational risk to SELEP's delivery track record. This may impact SELEP's ability to successfully secure future funding from Central Government.
Delivery of LGF project benefits	Local partners have made substantial progress towards the delivery of LGF projects, including the outputs identified in the project business cases. However, the economic impact of COVID-19 is likely to substantially reduce the benefits achieved through LGF investment, or at least slow the pace of benefit realisation. This could reduce the value for money achieved through the delivery of the LGF programme. There is also a risk that in light of COVID-19 there may be changes to projects scope brought forward to the Board, which could impact the scale of benefits achieved through LGF investment. As such, the forecast outcomes to be achieved through the Growth Deal, in terms of houses and jobs, will require revision.	**3**	**5**	**15**	SELEP will work with local partners over the coming months to understand the potential impact of COVID-19 on the expected benefits to be received through LGF investment. For any new LGF funding decisions brought forward for the Boards consideration, consideration will be given to ensure there remains a strong strategic and economic case for investment in the projects, in light of the potential impacts of COVID-19 in leading to longer term behaviour change.