

# MAJOR PROJECTS GUIDANCE FOR LOCAL GOVERNMENT

Overview

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# Risk checklist

Table 1: Planning risk							
Risk	Description	Probability	Financial impact	Indicative allocation			
				Council	Contractor	Shared risk	Third party
<b>A1</b>	<b>Environmental impact</b> Unacceptable, onerous or costly conditions are imposed during the environmental audit/approval process.						
<b>A2</b>	<b>Public consultation</b> Unanticipated delays and costs arise from the legal requirements in relation to public consultation.						
<b>A3</b>	<b>Site acquisition</b> Unanticipated delays and costs arise from the process of land or site acquisition.						
<b>A4</b>	<b>Variations</b> Unforeseen planning time and cost overruns occur as a result of changes to relevant legislation or from changes to the requirements of the Council.						
<b>A5</b>	<b>Legal covenants</b> Unforeseen legal covenants or rights of way result in a requirement for significant design change.						
<b>A6</b>	<b>Consents and licences</b> The failure to obtain the requisite consents, licenses,						

Table 1: Planning risk							
Risk	Description	Probability	Financial impact	Indicative allocation			
				Council	Contractor	Shared risk	Third party
	permits and all statutory approvals affect progress/project viability.						
<b>A7</b>	<b>Time and cost overruns</b> The actual time and cost associated with the planning process exceeds what is budgeted or anticipated.						

Table 2: Design risk							
Risk	Description	Probability	Financial impact	Expected value	Indicative allocation		
					Council	Contractor	Shared risk
<b>B1</b>	<b>Information quality</b> The insufficient specification of design, material or resource requirements means changes are required.						
<b>B2</b>	<b>Redesign</b> The redesign of the project is required as a result of poor initial design or misunderstanding or misinterpretation of the specification.						
<b>B3</b>	<b>Performance</b>						

Table 2: Design risk								
Risk	Description	Probability	Financial impact	Expected value	Indicative allocation			
					Council	Contractor	Shared risk	Third party
	The detailed design does not meet the functional requirements of the Council.							
<b>B4</b>	<b>Variations</b> Delays and additional costs resulting from changes in: <ul style="list-style-type: none"> <li>▪ Council requirements</li> <li>▪ regulatory or statutory requirements</li> <li>▪ environmental performance standards/requirements.</li> </ul>							
<b>B5</b>	<b>Resources</b> The design team does not have access to the level and quality of resources needed to successfully complete the design process.							
<b>B6</b>	<b>Flexibility</b> Insufficient flexibility is provided for in the detailed design in order to accommodate future changes.							
<b>B7</b>	<b>Design standards</b> Delays and additional costs arise as a result of changes in design standards and building regulations.							
<b>B8</b>	<b>Inflation</b> Construction and operating costs increase more than							

Table 2: Design risk								
Risk	Description	Probability	Financial impact	Expected value	Indicative allocation			
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	expected and more than allowed for in the indexation arrangements.							
<b>B9</b>	<b>Time and cost overruns</b> The actual time and cost associated with the design process exceeds the amount anticipated or included in the budget.							

Table 3: Construction risk								
Risk	Description	Probability	Financial impact	Expected value	Indicative allocation			
					Council	Contractor	Shared risk	Third party
<b>C1</b>	<b>Ground conditions</b> Unforeseen delays and costs arise as a result of poor ground conditions, contamination or pollution.							
<b>C2</b>	<b>Weather conditions</b> Excessive inclement weather conditions during the construction period delay progress.							
<b>C3</b>	<b>Site access</b>							

<b>Table 3: Construction risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
	Delay in providing the contractor with access to the site causes delay to the construction program.							
<b>C4</b>	<b>Public protest</b> Delays in construction are caused by public protests and/or general description.							
<b>C5</b>	<b>Labour resources</b> Delays in construction are caused by shortage of skilled and unskilled labour resources.							
<b>C6</b>	<b>Material resources</b> Delays in construction are caused by shortage of key construction materials.							
<b>C7</b>	<b>Commissioning</b> Facility fails to achieve necessary standards on commissioning, or major incident occurs during the commissioning process.							
<b>C8</b>	<b>Cost control</b> Inadequate cost control leads to a need for additional resources.							
<b>C9</b>	<b>Construction methods</b> Changes in the construction methods used to deliver the							

<b>Table 3: Construction risk</b>								
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					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
	works result in delay and cost overruns.							
<b>C10</b>	<b>Workmanship</b> Delays and additional costs occur as a result of poor quality workmanship.							
<b>C11</b>	<b>Other facilities/services</b> Accidental physical damage is caused to other facilities/services resulting in claims, litigation or the need for dispute resolution.							
<b>C12</b>	<b>Variations</b> Delays and additional costs resulting from changes in: <ul style="list-style-type: none"> <li>▪ Council requirements</li> <li>▪ regulatory or statutory requirements</li> <li>▪ environmental performance standards.</li> </ul>							
<b>C13</b>	<b>Extensions of time</b> Cost overruns occur due to extensions of time granted by the Council.							
<b>C14</b>	<b>Interfaces</b> Unforeseen compatibility problems between existing systems and the new infrastructure occur.							

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<b>C15</b>	<b>Works</b> Building or subcontractor: <ul style="list-style-type: none"> <li>▪ insolvency or default</li> <li>▪ failure to perform as required</li> <li>▪ failure to achieve quality standards.</li> </ul>							
<b>C16</b>	<b>Site safety</b> Major accident results in delay and additional costs.							
<b>C17</b>	<b>Utilities</b> Delays and additional costs occur as a result from a loss of power or services.							
<b>C18</b>	<b>Industrial action – Council</b> Delays and additional costs occur as a result of industrial action by Council employees.							
<b>C19</b>	<b>Industrial action – contractor</b> Delays and additional costs occur as a result of industrial action by employees of the contractor or key subcontractors.							
<b>C20</b>	<b>Interruptions</b> Delays and additional costs arising due to:							



<b>Table 3: Construction risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
	<ul style="list-style-type: none"> <li>▪ noise complaints</li> <li>▪ disputes with local residents</li> <li>▪ access problems.</li> </ul>							
<b>C21</b>	<b>Inflation</b> Construction costs increase more than expected and more than allowed for in the indexation arrangements.							
<b>C22</b>	<b>Demolition of existing facilities</b> Unforeseen materials problems, unknown services, undefined interfaces or increased loads occur.							
<b>C23</b>	<b>Time and cost overruns</b> The actual time and cost associated with the construction process exceeds that budgeted or anticipated.							
<b>C24</b>	<b>Force majeure</b> The financial consequences of any delay or termination that arises from a force majeure event.							

<b>Table 4: Operating risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
<b>D1</b>	<b>Latent defects</b> Unforeseen costs are incurred due to a major latent defect arising after the expiry of the defects liability period.							
<b>D2</b>	<b>Service availability</b> The availability of the service provided falls below the standard specified.							
<b>D3</b>	<b>Service performance</b> The delivery, timing or quality of the service provided falls below the required standard.							
<b>D4</b>	<b>Estimation errors</b> Additional service costs are incurred and are attributable to inaccuracies in the original cost estimates.							
<b>D5</b>	<b>Materials</b> A deficiency in the performance of key construction materials results in higher than expected maintenance costs.							
<b>D6</b>	<b>Utilities</b> Specified service standards are not met as a result of a utility failure outside of the site.							

<b>Table 4: Operating risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
<b>D7</b>	<b>Staff shortages</b> Shortage of appropriately skilled staff leads to a reduction in service availability and quality.							
<b>D8</b>	<b>Staff training</b> Shortage of appropriately trained staff leads to a reduction in service availability and performance.							
<b>D9</b>	<b>Industrial action – Council</b> Delays and additional costs result from industrial action by Council employees.							
<b>D10</b>	<b>Industrial action – contractor</b> Delays and additional costs result from industrial action by employees of the contractor or key subcontractors.							
<b>D11</b>	<b>Residual equipment</b> An incorrect assessment of life expectancy of existing facilities and equipment.							
<b>D12</b>	<b>Variations</b> Delays and additional costs resulting from changes in: <ul style="list-style-type: none"> <li>▪ Council requirements</li> <li>▪ regulatory or statutory requirements</li> </ul>							

Table 4: Operating risk								
Risk	Description	Probability	Financial impact	Expected value	Indicative allocation			
					Council	Contractor	Shared risk	Third party
	<ul style="list-style-type: none"> <li>▪ environmental performance standards.</li> </ul>							
<b>D13</b>	<p><b>Environmental performance</b></p> <p>Delays and additional costs result from a failure to meet environmental requirements.</p>							
<b>D14</b>	<p><b>Third party claims</b></p> <p>Additional costs arise from third party claims due to a failure to meet specified performance standards.</p>							
<b>D15</b>	<p><b>Cost control</b></p> <p>Inadequate cost control lead to the need for additional resources.</p>							
<b>D16</b>	<p><b>Technological obsolescence</b></p> <p>Advances in technology result in the risk of early obsolescence and the requirement to upgrade the technical infrastructure earlier than anticipated.</p>							
<b>D17</b>	<p><b>Maintenance</b></p> <p>Additional maintenance costs result from estimating errors, increases in usage or poor life cycle maintenance procedures.</p>							
<b>D18</b>	<p><b>Design deficiencies</b></p> <p>Deficiencies in infrastructure design or build quality result in higher than anticipated maintenance and</p>							

Table 4: Operating risk								
Risk	Description	Probability	Financial impact	Expected value	Indicative allocation			
					Council	Contractor	Shared risk	Third party
	servicing costs.							
<b>D19</b>	<b>Infrastructure damage (insurable)</b> Infrastructure damage or destruction arising from an insurable event.							
<b>D20</b>	<b>Infrastructure damage (uninsurable)</b> Infrastructure damage or destruction arises from an uninsurable event.							
<b>D21</b>	<b>Inflation</b> Operating costs increase more than expected and more than allowed for in the indexation arrangements.							
<b>D22</b>	<b>Subcontractor performance</b> Failure to meet availability and performance standards as a result of a subcontractor: <ul style="list-style-type: none"> <li>▪ experiencing insolvency or default</li> <li>▪ failing to perform as required</li> <li>▪ failing to achieve quality standards.</li> </ul>							
<b>D23</b>	<b>Force majeure</b> The financial consequences of any delay or termination arising from a force majeure event.							

<b>Table 5: Demand risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
<b>E1</b>	<b>Patronage risk – project</b> Failure to secure anticipated income stream from user charges due to estimation errors, the availability of alternative solutions, or changes in demand over time.							
<b>E2</b>	<b>Patronage risk – external</b> Failure to secure anticipated income from user charges due to wider social, economic and political developments.							
<b>E3</b>	<b>Excessive profits</b> Income generated from user charges exceeds the level anticipated in the original tender submission.							
<b>E4</b>	<b>Price changes</b> Costs increase more than expected and more than allowed for in the indexation arrangements.							

<b>Table 6: Financial risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
<b>F1</b>	<b>Affordability</b> There is a lack of sufficient public finance to fund the project.							
<b>F2</b>	<b>Interest rates pre financial close</b> Prior to financial close, interest rates or other costs of finance increase by more than anticipated in the tender submission.							
<b>F3</b>	<b>Interest rates post financial close</b> Post-financial close, interest rates or other costs of finance increase by more than anticipated in the tender submission.							
<b>F4</b>	<b>Foreign exchange</b> Additional costs or savings arise as a result of fluctuations in foreign exchange rates.							
<b>F5</b>	<b>Tax assumptions</b> Costs incurred by the contractor increase or decrease due to inaccurate tax assumptions.							
<b>F6</b>	<b>General tax changes</b> Costs incurred by the contractor increase or decrease as a result of changes in:							

<b>Table 6: Financial risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
	<ul style="list-style-type: none"> <li>▪ stamp duty</li> <li>▪ income tax</li> <li>▪ corporation tax</li> <li>▪ goods and services tax</li> <li>▪ capital gains tax.</li> </ul>							
<b>F7</b>	<p><b>Goods and Services Tax (GST)</b></p> <p>There is a change in the status of the service for the purposes of GST.</p>							
<b>F8</b>	<p><b>Residual value</b></p> <p>The value of the underlying infrastructure at the end of the project is less than expected.</p>							
<b>F9</b>	<p><b>Insurance scope</b></p> <p>Key risks become uninsurable over the life of the project.</p>							
<b>F10</b>	<p><b>Insurance cost</b></p> <p>The insurance costs increase faster than allowed for by the contractor or the Council.</p>							



<b>Table 7: Legislative risk</b>								
<b>Risk</b>	<b>Description</b>	<b>Probability</b>	<b>Financial impact</b>	<b>Expected value</b>	<b>Indicative allocation</b>			
					<b>Council</b>	<b>Contractor</b>	<b>Shared risk</b>	<b>Third party</b>
<b>G1</b>	<b>Discriminatory change of law</b> A change in law that only replies to: <ul style="list-style-type: none"> <li>▪ the project being procured</li> <li>▪ the key project agreements</li> <li>▪ the contractor/operator.</li> </ul>							
<b>G2</b>	<b>General change of law</b> General legislative or regulatory changes give rise to increased capital or operating costs.							
<b>G3</b>	<b>Voluntary termination</b> The financial consequences of any voluntary termination caused by the Council.							
<b>G4</b>	<b>Contractor default</b> The financial consequences of termination arising from contractor default. <sup>1</sup>							

<sup>1</sup> Table adapted from *Risk Assessment, Public Private Partnership Guidance Note 11*, Department of the Environment and Local Government, Republic of Ireland (14 April 2000), Appendix B, Indicative Risk Matrix, p 35.