

AYRSHIRE ECONOMIC PARTNERSHIP BOARD

MEETING – 19 FEBRUARY 2024

REPORT BY HEAD OF ECONOMIC GROWTH EAST AYRSHIRE COUNCIL

**SUBJECT: AYRSHIRE GROWTH DEAL – PROGRAMME RISK REGISTER
UPDATE – JANUARY 2024**

PURPOSE OF REPORT

1. To advise the Economic Partnership Board Members on the update for the AGD Programme Risk Register.

RECOMMENDATIONS

2. Agree the content of the report and recommend approval to the Ayrshire Economic Joint Committee to note
 - (i) Approve the updated Programme Risk Register dated January 2024

BACKGROUND

3. The AGD Programme Risk Register is a key tool in which to monitor and evaluate potential risks associated with the development and delivery of the programme. The Ayrshire Economic Joint Committee (AEJC) (dated 26 June 23) approved the quarterly review and reporting of the AGD Programme Risk Register as a separate item on future AEPB and AEJC meetings.
4. It should be noted that the top scoring programme and project risks are reported to the Chief Executives Group, Steering Group, AEPB and AEJC on a regular basis via the sharing of the monthly reports.

MAIN REPORT

5. The PMO has undertaken further a review of the Programme Risk Register in line with the recommendations of the AEJC. This has included reviewing the nature of the risks, their RAG status/scoring, and in the mitigation measures used to reduce the potential of risk. The review covers Q3 23/24 up to January 2024.
6. Since reporting last to the Board the PMO has appointed a Programme Manager and in the process of recruiting a Business Assistant. The PMO will have filled all available current posts once the recruitment process has

been completed (e.g. a team of four staff). In the context of the Risk Register the scoring for AGDRISK10 - Lack of resources in PMO, is proposed to be adjusted to reflect the team now being fully staffed. However as previously reported it should be noted that the PMO are undertaking a review of capacity and skill sets held in the Office. This is in response to the changing calls on the staff to support the delivery of the Programme.

7. The remaining risks identified with a 'red' RAG status are proposed not be changed. These are:
 - (i) AGDRISK01 - Failure to achieve AGD programme objectives within agreed budget
 - (ii) AGDRISK02 - Failure to provide accurate projections for programme spend
 - (iii) AGDRISK03 - Failure to drawdown full AGD funding
 - (iv) AGDRISK04 - Delays in development and approval of business cases
 - (v) AGDRISK21 - Potential impact of international events upon cost of living crisis and economic prosperity of Ayrshire

8. The external context has not changed with significant environmental challenges such as the legacy of the Covid and Brexit, and the ongoing Ukraine war. Combined, these challenges have contributed to increased cost pressures that continue to impact upon the development and delivery of projects and the programme as a whole (AGDRISK21).

9. Across the Programme a Review is underway which includes gaining a more realistic and deliverable programme of projects. This includes at a project level reviews which will address current delays in business case development through a number of changes (e.g. to the scope, funding, benefits), all which will be managed in accordance with the AGD Governance. The outcome of the Review is expected to be finalised towards the end of March 24 with updated Implementation, and Financial Plans for the new financial year 24/25 established.

10. Once the review of projects have been completed then the level of risk identified on the Programme Register should start to be reduced, in particular for the 'red' risks (AGD RISK01-04)

11. In conclusion it is considered that the Programme Risk Register continues to provide a more realistic reflection of the state of the challenges the programme are continuing to face. However 'behind the scenes' through the Programme Review, project leads are working towards reviewing the deliverability of projects that still meet the objectives and desired outcomes of the Deal. This work has not yet reached a satisfactory conclusion, but once completed then the risks especially those with a 'red' RAG status will start to be de-risked.

IMPLICATIONS

12. Eight implications have been considered in the preparation of this report.

Implications	Yes	No	Paragraph number in report
1. Policy/Strategic Planning	Yes		Para 13
2. Governance/Legal	Yes		Para 13
3. Human Resources	Yes		Para 17
4. Equality and Fairer Scotland Duty	Yes		Para 21
5. Financial	Yes		Para 15
6. Risk	Yes		Whole paper
7. Community Wealth Building		No	
8. Net Zero		No	

ALIGNMENT WITH SUSTAINABLE, INCLUSIVE GROWTH AMBITIONS

13. Inclusion is a key driver for the AGD. Deal business cases for projects demonstrate how they will reduce inequalities and tackle the inclusion challenges specific to Ayrshire.
14. The Risk Register provides the framework for reviewing the challenges the Deal needs to address and enables effective mitigation measures to be undertaken that include meeting the headline Deal objective of delivering inclusive growth.

FINANCIAL IMPLICATIONS

15. It is accepted by the Ayrshire Councils and the Government that risks should be managed and mitigated where necessary in order to support the effective delivery of projects and the programme.

LEGAL IMPLICATIONS

16. The legal implications arising from this report are covered through the Agreement between the three Ayrshire's Councils and the recently revised Governance Document which was approved at the Joint Committee meeting on 8 December 2023.

HUMAN RESOURCES IMPLICATIONS

17. There are no immediate human resource implications arising from this report. However for the risk associated with lack of resources in PMO to be addressed there could be human resource implications.

EQUALITY IMPACT ASSESSMENT

18. There is no direct equalities impact relating to this report. Inclusion is a key driver for the AGD. Project leads will be required to complete an Equality Impact Assessment for their project and append to the associated business

case. Project leads have received Equality Impact Assessment training organised by the Scottish Government. Project Leads are being encouraged by the PMO to link up as soon as possible with their Equalities Officer within their authority who will be able to assist with this matter.

APPENDICES

Appendix 1: Updated Risk Register – January 2024

Background Papers:

[Heads of Terms](#), signed by both the UK and Scottish Governments and Ayrshire's Councils on 8 March 2019

[Deal Document](#), signed by both the UK and Scottish Governments and Ayrshire's Councils on 19 November 2020

Members requiring further information should contact:

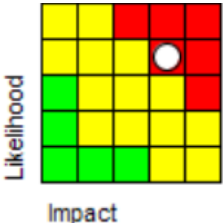
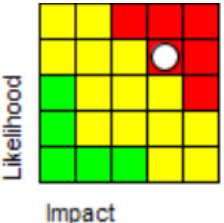
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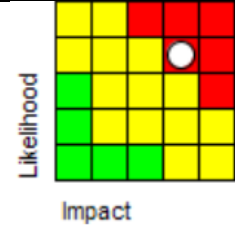
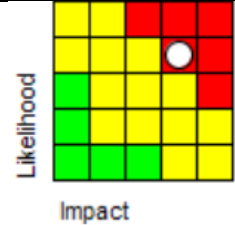
Appendix 1:

AYRSHIRE GROWTH DEAL UPDATED PROGRAMME RISK REGISTER (RISKS AND MITIGATIONS) – JANUARY 2024

RISK	Current Matrix and Score	Proposed Matrix and Score	MITIGATION
<p>AGDRISK01 Failure to achieve AGD programme objectives within agreed budget</p> <p>Scoring – 16 NO CHANGE IN SCORING</p>	<p>Score 16</p> 	<p>Score 16</p> 	<ul style="list-style-type: none"> • The Regional Economic Joint Committee, Regional Economic Partnership, AGD Steering Group in place to monitor progress and to address any weaknesses or issues that could impact on overall delivery • PMO developing monitoring and evaluation processes to ensure overall objectives are captured and any project failing to achieve and contribute to these is flagged and issues addressed as quickly as possible. This includes responding to increasing costs of general capital works within the context of the original funding made available by the Government in 2019. Leading to potential to review risks where evidence suggests insufficient funding to undertake and complete projects in line with expected outcomes. • PMO undertake ongoing environmental analysis to ensure programme objectives are relevant/valid as well as maximised where relevant and new benefits identified when materialising. • Internal governance include regular reviews undertaken by PMO with input from SROs, Project Leads and Chief Executives to ensure AGD programme objective are met.
<p>AGDRISK02 Failure to provide accurate</p>	<p>Score 16</p>	<p>Score 16</p>	<ul style="list-style-type: none"> • Issues will be escalated to CEOs, Regional Economic Partnership and Regional Economic Joint Committee

projections for programme spend

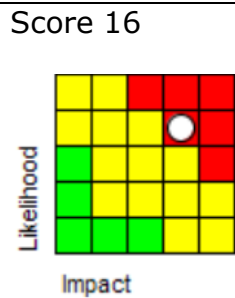
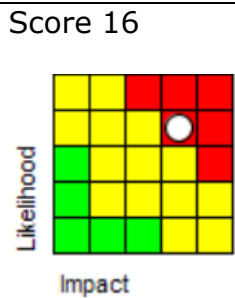
Scoring - - 16
NO CHANGE IN SCORING



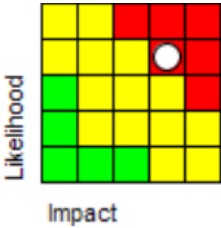
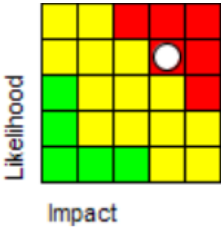
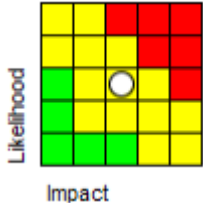
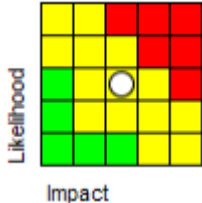
- as appropriate
- The Implementation Plan and Financial Plan have been updated to take account of the compressed funding. Project Leads have sought to address delays in gaining approved FBCs, by undertaking reviews of projects to fit existing budgets, which are shared with Finance Directors, the government and wider partners. Revised project mitigation measures seek to demonstrate how inflationary pressures will be managed
- Business Case process monitored to ensure streamlined pathway to approval enabling projects to achieve FBC as quickly as possible to reach project delivery and clarity on expected spend.
- PMO will regularly review, challenge and agree financial profiling/phasing with Project Leads, SROs and Finance Directors and ensure drawdown projections align with delivery timescales
- OBCs/FBCs include an optimism bias factor as per Treasury Green Book and AGD Governance document
- Inflationary factor addressed through project reviews e.g. re-scoping, phasing and reviewing benefits

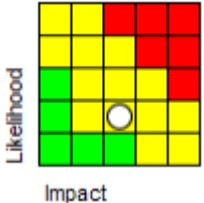
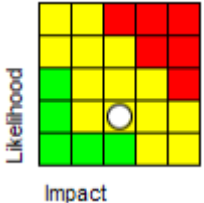
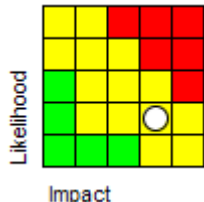
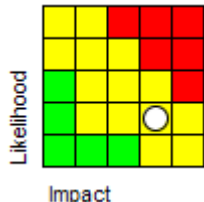
AGDRISK03
Failure to drawdown full AGD funding

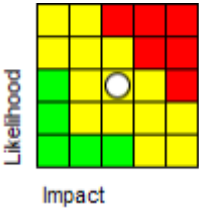
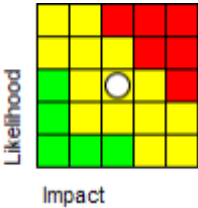
Scoring - - 16
NO CHANGE IN SCORING

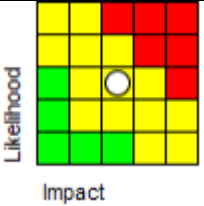
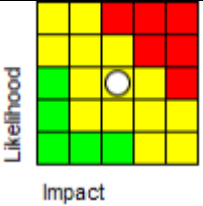
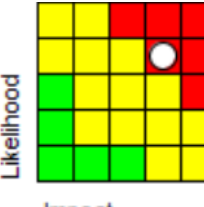
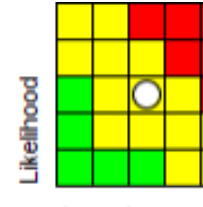
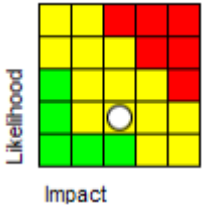
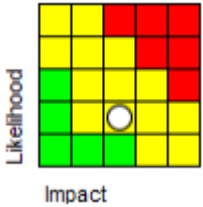


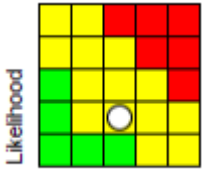
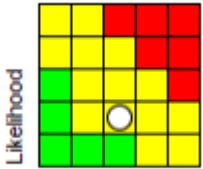
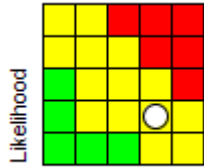
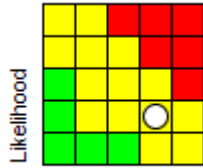
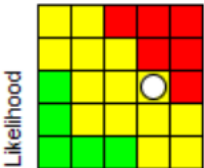
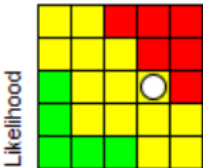
- PMO will regularly review, challenge and agree financial profiling/phasing with Project Leads, SROs and Finance Directors and ensure drawdown projections align with delivery timescales. This includes PMO working with Project Leads, SRO's and S95's to ensure projects can be realised and help with change processes where necessary; and undertaking effective communication with Governments to ensure projects can be realised

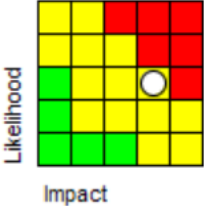
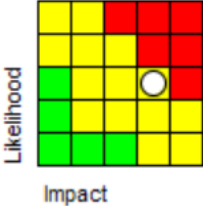
			<ul style="list-style-type: none"> • Achieve business case approval in line with latest Deal Implementation Plan, and AGD Governance document and, Finance guidance • Annual review of Financial Plan and Implementation Plan • The Scottish Government’s financial reporting requirements will be implemented • Pivot projects proactively where possible in line with need and opportunity • Internal procedures, financial controls and processes in place to mitigate this risk
<p>AGDRISK04 Delays in development and approval of business cases</p> <p>Scoring – 16 NO CHANGE IN SCORING</p>	<p>Score 16</p> 	<p>Score 16</p> 	<ul style="list-style-type: none"> • Undertake focused engagement with SG and UKG in order to help ensure SBC, OBC and/or FBC comply with the Treasury Green Book and gain approval in line with AGD governance • PMO working closely with Project Leads and Policy Leads within UK and Scottish Governments to support business case development and approval to an agreed timeline. This includes exploring a streamlined change process (pre-FBC) particularly where budget constraints are sole driver of change. • Project Leads have received Green Book business case training • Project Leads’ toolkit in place • Other partners assisting in developing business cases where capacity is low
<p>AGDRISK05 Failure to capture accurate baseline data</p> <p>Scoring – 9 NO CHANGE IN SCORING</p>	<p>Score 9</p> 	<p>Score 9</p> 	<ul style="list-style-type: none"> • Project Leads required to establish appropriate economic, social and environmental baseline information in business cases • Establish and regularly review achievable outcomes, output and targets as part of the development and delivery of projects and realization of benefits in line with the Benefits Realisation Plan

<p>AGDRISK06 Failure to deliver community benefits from AGD</p> <p>Scoring – 6</p> <p>NO CHANGE IN SCORING</p>	<p>Score 6</p> 	<p>Score 6</p> 	<ul style="list-style-type: none"> • PMO and procurement managers from the three Ayrshire Councils have developed a AGD Community Benefit Tracker, a single mechanism to monitor delivery of community benefits so that remedial action can be taken if required • Result from the AGD Community Benefits Tracker system will be analysed and reported to the Regional Economic Partnership and Regional Economic Joint • PMO working with Project Leads to develop consistent approach to embedding inclusive growth, equalities, clean growth, and community wealth building within business cases through the Annual Performance Report • Procurement working group has been established and operates in order to support delivery of community benefits which includes development of a Community Benefits Tracker and coordination of procurement approaches so they support the development and delivery of projects
<p>AGDRISK07 Failure to deliver individual projects within the AGD programme</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p> 	<p>Score 8</p> 	<ul style="list-style-type: none"> • Regular dialogue/reporting around progress takes place between PMO and Project Leads where issues are raised in advance and if appropriate escalated to government, Regional Economic Partnership and Regional Economic Joint Committee, this includes early discussions with both UK and Scottish Government • The Regional Economic Joint Committee, Regional Economic Partnership, AGD Steering Group and Project Boards in place to monitor project development, via monthly reports • Partners are regularly reviewing the AGD Benefits

			<p>Realisation Plan every 6 months and reported to the Regional Economic Partnership and Regional Economic Joint Committee</p> <ul style="list-style-type: none"> • Current change management process incorporated in the AGD Governance document and regularly reviewed • Risk register in place for each project which is regularly reviewed via monthly reports, quarterly reports and when updating the Implementation Plan • Project risk registers included in business cases which are formally approved by government and Regional Economic Joint Committee • Management Information System in place and used to track progress of projects against key milestones, and reported via monthly and quarterly reports
<p>AGDRISK08 Inadequate recognition of interdependencies and/or knock-on impacts between parts of the programme leading to issues with delivery and/or lost opportunities</p> <p>Scoring – 9</p> <p>NO CHANGE IN SCORING</p>	<p>Score 9</p> 	<p>Score 9</p> 	<ul style="list-style-type: none"> • Programme meetings take place regularly between PMO, Project Leads and partners to ensure interdependencies are recognised and considered; and incorporated in approved business cases • PMO working closely with project leads to ensure interdependencies are fully articulated within the project business cases and for the programme as a whole. • All forms of interdependencies are monitored and managed to help enable the development and delivery of all Deal projects
<p>AGDRISK09 Lack of resource within partner organisations to deliver projects in line with AGD programme</p>	<p>Score 9</p>	<p>Score 9</p>	<ul style="list-style-type: none"> • Formal approvals of Councils' resources are now in place for AGD projects • Each Council has appointed staff and/or consultants to support project development and delivery • Each project currently has a Project Lead in place • Partners including SE are providing additional

<p>Scoring – 9</p> <p>NO CHANGE IN SCORING</p>			<ul style="list-style-type: none"> resource to relevant projects Resources committed to the delivery of the programme, with further discussions underway to explore how to deliver the recently approved Regional Economic Strategy Other funding streams is being explored to support ongoing revenue costs Anticipated revenue streams will be subject to constant review through the monitoring procedures in place for AGD
<p>AGDRISK10</p> <p>Lack of resources in PMO</p> <p>Scoring – - 9</p> <p>REDUCTION IN SCORING FROM 16 TO 9</p>	<p>Score 16</p> 	<p>Score 9</p> 	<ul style="list-style-type: none"> A permanent PMO structure is in place with recruitment now nearing completion .e.g. Programme Manager recruited and Business Assistant being recruited. The PMO is being supported by colleagues in each of the Councils in a number of work streams PMO undertaking a review of capacity and skill sets in response to the changing requirements on staff that form the Office
<p>AGDRISK11</p> <p>Inadequate governance arrangements to support AGD delivery</p> <p>Scoring - 6</p> <p>NO CHANGE IN SCORING</p>	<p>Score 6</p> 	<p>Score 6</p> 	<ul style="list-style-type: none"> In accordance with AGD governance, Ayrshire Economic Joint Committee and Ayrshire Regional Economic Partnership has been formed and regular meetings are in place Scottish Government’s financial reporting requirements have been implemented in the AGD Governance document and Financial guidance Partner agreement between EAC, as Accountable Body for the Deal, and North and South Ayrshire Councils has been drawn up and terms agreed PMO working with both governments to agree an overarching Monitoring and Evaluation Framework for the Deal Partners working together with both governments to

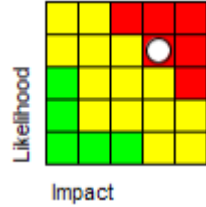
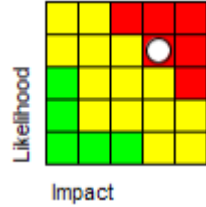
			<ul style="list-style-type: none"> keep under review the AGD Benefits Realisation Plan Current change management process to be reviewed with the governments and partners AGD is standing item on CEOs' meeting agenda
<p>AGDRISK12 - Monitoring & Evaluation Framework is not sufficiently defined</p> <p>Score - 6</p> <p>NO CHANGE IN SCORING</p>	<p>Score 6</p>  <p>Likelihood</p> <p>Impact</p>	<p>Score 6</p>  <p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> PMO is working with both governments to agree an overarching Monitoring and Evaluation Framework for the Deal which will be published in Summer 2023 and placed on the AGD web site. This will clarify existing acceptable M&E arrangements.
<p>AGDRISK13 Failure to attract commercial interest in AGD</p> <p>Scoring - 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p>  <p>Likelihood</p> <p>Impact</p>	<p>Score 8</p>  <p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> Undertake with communications and economic development teams, a market campaign will be developed, as part of Communication Plan and target potential investors Communications Action Plan continues to be developed and updated, including a pipeline of project specific communications plans Regular briefings with a range of stakeholders Wider Ayrshire Economic Strategy is now approved by the Regional Economic Joint Committee and will ensure wider growth ambitions for Ayrshire are achieved
<p>AGDRISK14 Programme not communicated effectively to stakeholders outwith Governance structure</p> <p>Scoring 12</p>	<p>Score 12</p>  <p>Likelihood</p> <p>Impact</p>	<p>Score 12</p>  <p>Likelihood</p> <p>Impact</p>	<ul style="list-style-type: none"> Communications Action Plan completed and regularly updated, in conjunction with communication teams. This includes reporting on past and future communication activity AGD website launched and to be reviewed in conjunction with communications teams, in order to increase traffic and sharing of AGD information AGD social media channels to be reviewed in

<p>NO CHANGE IN SCORING</p>			<p>conjunction with communications teams, with greater linkages made to activity related to the AGD and its progress</p> <ul style="list-style-type: none"> • Regular briefings with a range of stakeholders via AGD programme update to the Regional Economic Partnership and Regional Economic Joint Committee • Communications Protocol in place and reviewed and updated annually, with activity regularly identified and delivered with the support of communication teams. • Resource within AGD to market and promote project activities and overall programme
<p>AGDRISK15 Supply phasing within overall programme</p> <p>Scoring – 12</p> <p>NO CHANGE IN SCORING</p>	<p>Score 12</p> 	<p>Score 12</p> 	<ul style="list-style-type: none"> • Engagement undertaken in 2022 with the construction sector in order promote and explain the potential of the AGD programme to local businesses, so increase Invitation to Tender for future contracts. • PMO regularly help facilitate and update Procurement teams of the AGD programme and relevant projects in terms of timescale for development and delivery. This includes how to manage expected peaks in programme activity and need for contracts to be advertised and managed. Market engagement through the Meet the Buyer events with the next being held in the Autumn 2023 • PMO working with procurement in supporting the sharing of market intelligence and the phasing of development activity
<p>AGDRISK19 Loss of IT systems</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p>	<p>Score 8</p>	<ul style="list-style-type: none"> • PMO hosted by EAC and as such supported by IT recovery protocols and security systems of EAC to limit risk and mitigation measures • Corporate IT recovery protocol and security systems limit the risk and mitigation measures • Contingency Plan in place via EAC for the PMO, by

			<p>SAC for the portal, and for the AGD teams across the three councils, by their respective employer (e.g. EAC, SAC, NAC)</p>
<p>AGDRISK20 Failure to ensure AGD projects align with a net zero transition</p> <p>Scoring – 8</p> <p>NO CHANGE IN SCORING</p>	<p>Score 8</p>	<p>Score 8</p>	<ul style="list-style-type: none"> • PMO and Project Leads working with Scottish Government to ensure the Deal is aligned with Scotland’s transition to net zero carbon emissions by 2045 • UK and Scottish Governments developed carbon management guidance for the AGD, as well as other City Region and Growth Deals in Scotland, which will allow the carbon emissions impact of the programme and projects to be assessed then minimised • A carbon management process appropriate for each project has been put in place to ensure any carbon emissions impact is minimised via business case process • PMO working with both governments to identify funding opportunities to support decarbonisation • PMO is working with both governments to agree an overarching Monitoring and Evaluation Framework for the Deal
<p>NEW - AGDRISK21 Potential impact of international events upon cost of living crisis and economic prosperity of Ayrshire</p>	<p>Score 16</p>	<p>Score 16</p>	<ul style="list-style-type: none"> • Regular engagement with Project Leads to highlight any risks well in advance, so that the PMO can raise with government, Regional Economic Partnership and Regional Economic Joint Committee as appropriate • Regular review vi monthly reports of outputs and timelines for business cases at every stage of

Scoring - 16

NO CHANGE IN SCORING



- development in the light of external events
- Continued monitoring of external environment and government relations
- Regional Economic Strategy approved in early 2023 and be supported by an emerging action plan
- Regional Economic Partnership will provide voice for Ayrshire to press the case for government intervention investment
- Incentives and other forms of assistance to complement the AGD and stimulate greater economic activity
- Current change management process to be reviewed with both governments and partners
- Regional Skills Investment Plan developed, with a focus on its implementation via Ayrshire Skills Group
- Robust data analysis shared amongst key partners and stakeholders to reach common understanding of local economic conditions, leading to early identification of real threats and opportunities - achieving consensus with partners and stakeholders on strategic objectives for inclusive and sustainable economic growth, with effective action planning and monitoring
- PMO co-ordinated evidence across Deals and submitted collective case via the Implementation Plan update to both governments setting out impact of increased costs or reduced the scope/outputs and time delivery if costs not met
- PMO developing a baseline approach to FBC which will be shared with both governments and partners