north wales economic ambition board
bwrdd uchelgais economaidd gogledd cymru

REPORT TO THE NORTH WALES ECONOMIC AMBITION BOARD
12 APRIL, 2019

TITLE: *Risk Register Report*

AUTHOR: *Iwan Trefor Jones, Lead Director – North Wales Economic Ambition Board*

1. PURPOSE OF THE REPORT

1.1. The purpose of this report is to set out a detailed Risk Register for the Planning and Development Stage of the North Wales Growth Deal.

1.2. The Risk Register will be managed, revised and updated by the Programme Office (once it has been established). It will also be reviewed by the Executive Officers Group and the NWEAB on a regular basis.

2. DECISION SOUGHT

2.1. To approve the Risk Register and provide advice and feedback on:

- The format and structure of the risk register (to ensure ease of use for the board);
- Whether the risks and the RAG (Red, Amber Green) status are captured accurately and sufficiently;
- Whether the mitigation as stated is proportionate in view of the identified risks.

3. REASONS FOR THE DECISION

3.1. In order to operate effectively the North Wales Growth Deal requires a detailed Risk Register for the Planning and Development stage.

4. BACKGROUND AND RELEVANT CONSIDERATIONS

4.1. The Risk Register in Appendix 1 focuses on programme risks arising from the initial work programme submitted to the Board on the 1st February 2019. The Risk Register addresses the delivery of the high level work programme and its specific work.

4.2. The North Wales Growth Bid is subject to a number of national (UK – Wales) political risks which are "opinion-based" and beyond the control of the Board. These are identified below:

4.2.1. Political Risks at a National Level

- That the Government may fall by way of Brexit thus losing the opportunity to conclude a Deal, primarily by way of a general election. The main means of mitigating such a risk is to conclude negotiations and moving to a Heads of Terms sooner rather than later. The main trade-off involved in concluding a deal early would be working within the currently offered cash envelope of £240m.

- The UKG see this (political risk of a general election or new administration) as a low risk because the Treasury have ring-fenced £120m for a North Wales Deal based on the projects/OBCs currently available.
- In addition, a Heads of Terms concluded in the early part of 2019 would also provide some form of contractual obligation to complete a deal.

4.2.2. Risks from Governments as Funders having different opinions

- There are risks arising from differing opinions between the UKG and Welsh Government as funders on the quality of projects. Examples of this are that the WG values investment in sites and premises whereas the UKG has expressed scepticism of the relevance of such a project to a growth deal. The UKG has expressed interest in proposals submitted by universities. The WG sees the value of such projects which may funded by the UKG but see a risk to the WG if the projects do not achieve revenue sustainability because the WG is responsible for funding universities in Wales. The region can help mitigate this risk through facilitating discussions between the governments and developing compelling OBCs.

4.2.3. Wales Act 2017

- At a national level the extension of Devolution in the Wales Act 2017 has also proved to be a moderate risk to the Deal in that it has reduced the scope for UKG funding because Growth Deals are supposed to be funded at around 50:50 by both governments. Proportionate funding by each government is currently proving to be a constraint on the Deal in that the amount of projects more appropriate for WG funding in a devolved setting.
- For example, the UKG has cited devolution as a reason why it cannot invest in certain schemes, for example the whole cost of Holyhead Port's redevelopment. From the WG perspective their officials have also cited devolution as a reason why the UKG should not invest in one or two schemes e.g. in tourism.
- The interplay of government opinions is captured to some degree in the programme register through the risks to finalising and prioritising the project portfolio.
- The main mitigation of this risk would be to scale up projects (and/or look for one or two "oven ready" additional projects) that the UKG is able to fund.

4.2.4. Regional Political Risks

- There are a set of regional political risks that relate to:
  - Affordability, where partners feel that cannot afford or fairly apportion the costs of the deal including the cost of developing, managing and delivering the programme.
  - Engagement, where the speed of decision-making regionally (and nationally at UK and Wales level) may run ahead of local opinion in councils and partner organisations thus losing the support of one or more councils or partners.
  - These are addressed in the risk register by the programme tasks, financing the deal and engagement/communications.

4.2.5. Timeline Risks

- Slippage on timescales can also have a political effect. Significant and frequent slippage in the programme could have an adverse effect on the reputation of the board and its

perceived capacity and capability to "deliver" a deal. The region is now on its third target date for Heads of Terms.

- The causes of slippage, such as issues around prioritisation have arisen from negotiations and haggling over the programme. The quality and completeness of OBCs are the foundation of assessing the benefits and impact of proposed projects in the programme and are the platform for unlocking investment through negotiations. The issue of resourcing and delivering high quality OBCs is dealt with in the programme risk register below.

4.3. Summary of the Key Risks

4.3.1. Two risks have a red status:

4.3.2. **Agreeing the Heads of Terms** (HoTs) by the 31st July 2019 due to the tasks that have to be completed to enable signing of of HoTs:

- Agreeing the cash envelope and project portfolio with the funders;
- Reviewing and updating the OBCs;
- Identify interdependencies between projects in the programme and quantify the impact of the agreed growth deal programme.

4.3.3. **Agreeing Governance Agreement 2** due to its complexity.

- There was also a relatively high score for the risk of private sector and other partners withdrawing projects from the bid subject to changing economic conditions given that the deal has some to go before it is finalised with some scope for further slippage in time-scales.

4.4. Mitigating strategies are set out in the risk register.

5. FINANCIAL IMPLICATIONS

5.1. Financial risks are captured within the Risk Register.

6. LEGAL IMPLICATIONS

6.1. Legal implications are captured within the Risk Register.

7. STAFFING IMPLICATIONS

7.1. Staffing implications are captured within the Risk Register.

8. IMPACT ON EQUALITIES

8.1. None identified.

9. CONSULTATIONS UNDERTAKEN

9.1. The Risk Register was discussed and approved by the Executive Officers Group on 29/03/2019.

APPENDICES:

Appendix 1 Risk Register

STATUTORY OFFICERS RESPONSE:

i. Monitoring Officer – Accountable Body:

"It is one of the key tasks of the EAB to monitor the project risks. The Board needs to consider the register and satisfy itself that it constitute an accurate reflection of the risk status and that mitigation actions are being addressed"

ii. Head of Finance – Accountable Body:

"I confirm that I have reviewed the 'Finance' section of the Programme Risk Register with the author. Some of the risk values are a matter of opinion and interpretation, while several issues have yet to be confirmed, I believe that this Risk Register reflects a fair assessment."