

**Agenda Item No:** 8

**Report To:** **Audit Committee**

**Date:** **14 December 2010**

**Report Title:** **Ashford Growth Agenda - Strategic Risks**

**Report Author:** Brian Parsons - Head of Internal Audit Partnership



**Summary:**

The background to this report was the outcome of an Internal Audit of the governance, programme management, accounting and administrative arrangements for Ashford's Future, particularly bearing in mind the Council's role as Accountable Body for Growth Area Funds from CLG. Among other things the Internal Audit Report (April 2010) recommended that a full risk assessment be carried out given the impact of the recession and the likelihood then of future announcements of government cutbacks.

A full risk assessment was completed and this report sets out the results. The risks were identified through interviews and a risk workshop with senior managers.

Please note the assessment was completed prior to the recent actions to review both the growth strategy and the delivery arrangement through the Ashford Future Company. Partly these recent actions respond to Government announcements of a much changed landscape, including a localist approach to determine housing growth and the specific abolition of Growth Area Funding.

The report advises that the risks identified will all be considered as part of the current growth review and the development of future delivery arrangements with our partners. The report is, therefore, largely for information at this time...

**Key Decision:** No

**Affected Wards:** N/A

**Recommendations** **The Audit Committee is asked to note the strategic risk assessment completed in respect of Ashford's Future and that the outcomes will be used to inform the development of future arrangements for the delivery of growth in Ashford.**

**Financial Implications:** The impacts of some of the identified risks have financial implications.

**Equalities Impact** No

**Assessment**

**Other Material  
Implications:**

The risks relate to the ability to deliver the growth agenda.

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## **Report Title: Growth Agenda - Strategic Risk**

### **Purpose of the Report**

1. The basis for this report predates the more recent decisions in relation to the delivery of growth in Ashford, but nevertheless identifies strategic risks that help inform development of future arrangements.
2. The risks were identified through interviews and a risk workshop with senior managers.
3. The full report was compiled by our risk advisors, Zurich Municipal, and is attached at Appendix A.
4. The purpose of this report to the Audit Committee at this time is to provide assurance to the Committee that risks to the delivery of growth in Ashford have been considered and will now form part of the process of considering future arrangements. As the funding and strategic landscapes continue to develop, further assessments of risk will be carried out over the course of next year.

### **Issue to be Decided**

5. A total of fourteen strategic risks were identified, all of which were judged by the Officers attending the risk workshop as being 'above the risk tolerance line' indicating they would need active management. However, action relating to the risks must now wait until the future arrangements on funding and delivery become clearer. Indeed, it is likely that other risks will emerge as the delivery arrangements and full impacts of the Government's 'localism' policies become clearer.
6. The Audit Committee is asked to note the outcomes of the review and that a process is in place to inform development of future arrangements for the delivery of growth in Ashford.

### **Background**

7. Ashford was designated by the then Government in 2001 as one of four key growth areas in the South East and has benefited from significant levels of Communities and Local Government funding to support the delivery of key infrastructure projects.
8. Ashford Borough Council was a Founding Member Partner of the Ashford's Future Partnership Board, along with representation from national and regional development agencies – English Partnership (HCA) and the South East England Development Agency – and the KCC. The Partnership has been responsible for coordinating the development of the town and surrounding area to meet the original regeneration, growth, housing and infrastructure objectives by 2031.

9. The Partnership Board established the Ashford's Future Company Ltd (limited by guarantee) to support delivery of the development programme, to deploy Government's funding and to leverage other public and private funding opportunities. The Company was formally incorporated in November 2008 and is currently responsible for a three year regeneration programme, funded to March 2011.
10. The current financial climate and most specifically the cuts in public spending from 2011 will severely restrict the ability to fund future projects that would have comprised the Programme for Growth. This in turn impacts on the scope and purpose of the Ashford's Future Company. Coupled with the Coalition Government's and this Council's 'localist' aims new arrangements for the delivery of growth in Ashford are now to be drawn up with our partner organisations. A full report about this was presented to the Executive on 9 December 2010.
11. Predating the current review Zurich Management Services was engaged to carry out a risk management exercise to identify the risks to the delivery of the growth agenda. The results of the exercise are set out in the attached report (Appendix A). It is emphasised the outcomes reflect potential risks that could occur given certain circumstances
12. The current position and the need to 'take stock' means that it would not be appropriate at this stage to begin to develop detailed actions relating to the risks, as the risks may change and the mechanisms for handling risk management need to be defined as part of developing the future arrangements. Therefore the Committee is asked to note, that at this point, action will be deferred, but that the outcomes of the risk review will be used to inform development of future arrangements for the management and delivery of growth.

### **Risk Assessment**

13. Risk is the subject of the report.

### **Equalities Impact Assessment**

14. Not applicable

### **Other Options Considered**

15. Not applicable

### **Consultation**

16. Those senior managers who attended the risk workshop have identified and been consulted on the risks to the growth agenda.

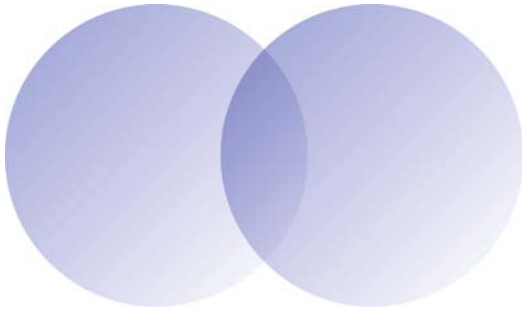
### **Implications Assessment**

17. The growth agenda has been an important part of the Council's long term strategy for the future development of Ashford since 2001. It is now necessary

to take stock. The identified risks will need to be reconsidered when future arrangements become clearer.

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## APPENDIX A

Private and Confidential

# **Growth Agenda Strategic Risk workshop report**

Prepared for: Ashford Borough Council

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Date prepared: October 2010

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**ISO 9001**

Quality-Assured Service Unit

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# 1. Introduction

On 5<sup>th</sup> October 2010, a Strategic Risk Management workshop was conducted with senior managers at Ashford Borough Council. This workshop provided an opportunity for attendees to identify and prioritise the key risks related to the Council's Growth Agenda as set out in its Core Strategy and Local Investment Plan

This workshop was also informed by the outcomes from interviews undertaken two weeks earlier with senior managers to discuss the strategic risks and these outcomes were presented to group to aid the discussion.

During the workshop each risk was discussed to ensure common agreement and understanding of its description and then prioritised according to likelihood and potential impact on the ability of the Council to achieve its priorities for the Growth Agenda:

- A Sustain high levels of housing delivery
- B Bring forward strategic investment in the economy
- C Create communities and excellent new places to live
- D Promote sustainable lifestyles
- E Set up revised arrangements for planning and delivering the growth agenda

This report outlines the process used by Zurich Risk Engineering and the outcomes achieved. In doing so it includes detail on the strategic risks that were identified and prioritised by the group.

This is a private and confidential document prepared exclusively for Ashford Borough Council by Zurich Risk Engineering. It has been distributed to Brian Parsons, Head of Internal Audit and Risk Strategy and a copy has been retained by Zurich Risk Engineering.



## 2. Executive Summary

At the workshop the following risks were identified and prioritised:

<b>Risk No.</b>	<b>Risk</b>	<b>Risk Rating</b> Likelihood x Impact
5b)	Lack of effective job creation in the area / an inappropriate balance of jobs leading to a decline in average earnings.	Significant (C) / Catastrophic (I)
5d)	Lack of revenue for effective long term maintenance of infrastructure.	High (B) / Critical (II)
6	Assumptions about forward funding revenue streams prove to be significantly wrong.	High (B) / Critical (II)
1d)	Lack of key skills and capacity in the new delivery arrangement and lack of funding to provide this.	Significant (C) / Critical (II)
4	Lose sight of the long term vision of the Growth Agenda programme / Short-termism	Significant (C) / Critical (II)
5a)	Council lacks a clear understanding as to what the quality and sustainability of housing should look like and whether the market can sustain this.	Significant (C) / Critical (II)
5c)	Level of investment in infrastructure (buildings and open spaces) is not adequate to meet the needs of a growing population.	Significant (C) / Critical (II)
1a)	Lack of clarity / agreement about the role and structure of the delivery arrangement.	Low (D) / Critical (II)
1b)	Lack of clear accountability of the delivery arrangement / lack of effective checks and balances in its decision making process	Low (D) / Critical (II)
1c)	Lack of an effective working relationship between the delivery arrangement and other partners	Low (D) / Critical (II)
1e)	Lack of clear democratic mandate / lack of clarity as to who controls the new delivery arrangement (ABC or KCC).	Low (D) / Critical (II)

3	Council fails to develop and implement an appropriate and effective strategy for generating market interest which leads to the delivery of key projects.	Low (D) / Critical (II)
7	Failure to engage with the community and demonstrate delivery over the long term.	Low (D) / Critical (II)
2	Costs to the Council of disbanding the Company e.g. TUPE costs / termination payments / legal costs are more significant than anticipated.	High (B) / Marginal (III)

### 3. The Process

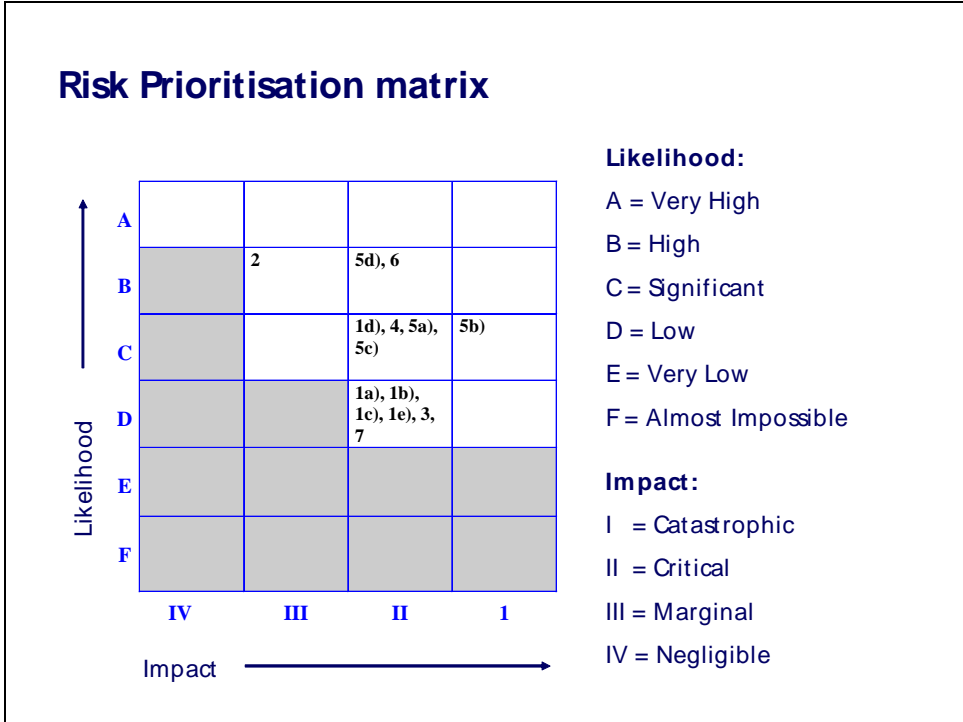
#### Risk Identification

The first stage of the risk management cycle requires risk identification. In doing so the group considered the following categories of risk.



#### Risk Analysis and Prioritisation

At the workshop 14 key strategic risks were identified these were then prioritised using the matrix below. In doing so, attendees prioritised residual risk by taking account of actions already in place to manage the risks.



### 3. Next steps

Following on from the workshop and this report it is recommended that the following actions are taken to move this work forward.

#### Risk Management and Monitoring

It is recommended that the development of action plans to address the risks is completed as soon as possible. It is also important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and that targets can be met.

It is also recommended that senior managers are assigned ownership of each of the risks and that a review of the risks and action plans is undertaken on a regular basis to ensure that the Growth Agenda Strategic Risk Register remains up to date and to identify any risks that need to be changed, added or taken off.

# Appendix 1

## Ashford BC Growth Agenda Strategic Risk Register

Risk No.	Vulnerability	Trigger	Consequence	Risk Rating Likelihood x Impact
1	<b>New delivery arrangement</b>  There is uncertainty about the possible role and structure of a new delivery arrangement set up to support the delivery of Ashford's growth programme.	<b>1a)</b> Risk that there is a lack of clarity / agreement about the role and structure of the delivery arrangement.	<ul style="list-style-type: none"> <li>Resources wasted / increased bureaucracy</li> <li>Tensions between the delivery mechanism and partners</li> <li>Impact on delivery of projects</li> <li>Reputation undermined</li> </ul>	Low (D) / Critical (II)
		<b>1b)</b> Risk of a lack of clear accountability of the delivery arrangement / lack of effective checks and balances in its decision making process e.g. when bidding for funding.	<ul style="list-style-type: none"> <li>Potential for promises to be made that can't be fulfilled</li> <li>Possible legal / financial implications</li> <li>Council regarded as accountable body</li> <li>Reputation of the Council undermined</li> </ul>	Low (D) / Critical (II)
		<b>1c)</b> Risk of a lack of an effective working relationship between the delivery arrangement and	<ul style="list-style-type: none"> <li>Tensions arise</li> <li>Work to different priorities / objectives / different</li> </ul>	Low (D) / Critical (II)

		other partners / risk that the role of the delivery arrangement is not valued or recognised.	<ul style="list-style-type: none"> <li>perceptions of risk</li> <li>Impact on delivery of projects</li> <li>Financial implications</li> </ul>	
		<b>1d)</b> Risk of a lack of key skills and capacity in the new delivery arrangement and a lack of funding to provide this.	<ul style="list-style-type: none"> <li>Impact on delivery of projects</li> <li>Financial implications of trying to find skills elsewhere</li> <li>Pressure on existing staff</li> <li>Reputation undermined</li> </ul>	Significant (C) / Critical (II)
		<b>1e)</b> Risk of a lack of clear democratic mandate / lack of clarity as to who controls the new delivery arrangement (ABC or KCC).	<ul style="list-style-type: none"> <li>Lack of member commitment</li> <li>Credibility of strategy undermined</li> <li>Impact on delivery of projects</li> </ul>	Low (D) / Critical (II)
<b>2</b>	<b>Ashford's Future Company</b>  The disbanding of the Company and will have financial implications for the Council.	Risk that costs to the Council of disbanding the Company e.g. TUPE costs / termination payments / legal costs are more significant than anticipated.	<ul style="list-style-type: none"> <li>Financial position worsens</li> <li>Cuts have to be made elsewhere</li> <li>Service delivery adversely affected</li> <li>Impact on delivery of projects</li> </ul>	High (B) / Marginal (III)
<b>3</b>	<b>Level of market interest</b>  Priorities outlined in the	Risk that the Council fails to develop and implement an appropriate and effective	<ul style="list-style-type: none"> <li>New developers / investors not attracted and therefore new business and</li> </ul>	Low (D) / Critical (II)

	<p>Local Investment Plan include the need for the Council to work in partnership with significant developers / investors.</p> <p>This requires the Council to develop and implement an effective strategy for making Ashford attractive to the market which then leads to the delivery of key projects.</p>	<p>strategy for generating market interest which leads to the delivery of key projects.</p>	<p>communities not attracted</p> <ul style="list-style-type: none"> <li>• Impact on delivery of key projects</li> <li>• Strategy undermined</li> <li>• Overall growth programme objectives not delivered</li> </ul>	
4	<p><b>Central Government decision making</b></p> <p>The growth programme is happening at a time of uncertainty in terms of outcomes from the Government spending review and changes in central government policy making and decision making.</p> <p>In doing so it needs to be able to respond to short</p>	<p>Risk of losing sight of the long term vision of the Growth Agenda programme / Risk that the need to respond to government decision making and policy making leads to short-termism.</p>	<ul style="list-style-type: none"> <li>• Loss of quality</li> <li>• Inappropriate developments</li> <li>• Financial implications</li> <li>• Overall growth programme objectives not delivered</li> </ul>	<p>Significant (C) / Critical (II)</p>

	term decision making whilst also not losing sight of delivering on longer term plans and objectives.			
5	<p><b>Quality and sustainability of development</b></p> <p>The Council needs to work with developers to ensure that the right quality and mix of housing and investment in the town centre is delivered. It also needs to engage with other stakeholders e.g. education and health to ensure that an appropriate infrastructure is developed to support this.</p>	<p><b>5a)</b> Risk that the Council lacks a clear understanding as to what the quality and sustainability of housing should look like and whether the market can sustain this.</p>	<ul style="list-style-type: none"> <li>• Inappropriate developments</li> <li>• Strategy undermined</li> <li>• New communities not attracted to the area</li> <li>• Credibility undermined</li> </ul>	Significant (C) / Critical (II)
		<p><b>5b)</b> Risk of a lack of effective job creation in the area / an inappropriate balance of jobs leading to a decline in average earnings.</p>	<ul style="list-style-type: none"> <li>• People work elsewhere</li> <li>• Reputation of the area for investment declines</li> <li>• Growth stalled</li> <li>• Local economy declines</li> </ul>	Significant (C) / Catastrophic (I)
		<p><b>5c)</b> Risk that the level of investment in infrastructure (buildings and open spaces) is not adequate to meet the needs of a growing population.</p>	<ul style="list-style-type: none"> <li>• Impact on growth</li> <li>• Credibility of strategy undermined</li> <li>• Attractiveness of area declines</li> <li>• Overall growth programme objectives not delivered</li> </ul>	Significant (C) / Critical (II)



		<b>5d)</b> Risk of a lack of revenue for effective long term maintenance of infrastructure.	<ul style="list-style-type: none"> <li>• Infrastructure declines</li> <li>• Attractiveness of area declines</li> <li>• Financial implications</li> <li>• Overall growth programme objectives not delivered</li> </ul>	High (B) / Critical (II)
<b>6</b>	<b>Forward funding</b>  In taking a long term approach to forward funding key projects e.g. through the Strategic Tariff, business rates etc. the Council has to make assumptions about the reliability of revenue streams.	Risk that assumptions about revenue streams prove to be significantly wrong.	<ul style="list-style-type: none"> <li>• Financial implications</li> <li>• Cuts have to be made elsewhere</li> <li>• Service delivery adversely affected</li> <li>• Strategy undermined</li> </ul>	High (B) / Critical (II)
<b>7</b>	<b>Community engagement</b>  The Council needs to be able to sell / communicate the vision for the growth programme to the community and demonstrate how this is being delivered / demonstrate the benefits.	Risk of a failure to engage with the community and demonstrate delivery over the long term.	<ul style="list-style-type: none"> <li>• Lose confidence of the community</li> <li>• Community don't see the benefits</li> <li>• Strategy undermined</li> <li>• Council sidelined as community does its own thing</li> </ul>	Low (D) / Critical (II)

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