

Audit, Standards and Risk Committee

27 January 2021

Strategic Risk Monitoring

Is the paper exempt from the press and public?	No
Purpose of this report:	Monitoring/Assurance
Funding Stream:	Not applicable
Is this a Key Decision?	No
Has it been included on the Forward Plan?	Not a Key Decision

Director Approving Submission of the Report:

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Executive Summary:

This paper provides an update on the Strategic Risks of the Mayoral Combined Authority (MCA), which have been updated, following the Autumn series of Management Board risk review activity, to reflect the current status and next steps, in terms of the actions.

In our last ASRC paper we recognised the need to address the volume, build on the existing good practice and the risk registers, within both the MCA and PTE. The development activity is taken forward within a second risk management paper.

What does this mean for businesses, people and places in South Yorkshire?

Effective risk management is a key principle of good governance and decision making, which enables the MCA to pursue its ambitions and objectives in the most effective and efficient way, bringing about better outcomes for residents and businesses in South Yorkshire.

Recommendations:

Audit, Standards and Risk Committee (ASRC) Members are asked to note the updated position on strategic risks and the associated controls and actions planned and raise any questions considered necessary.

Consideration by any other Board, Committee, Assurance or Advisory Panel

Not applicable

1. Background

- 1.1 Following a full internal Management Board review and an Internal Audit Report in 2020, the risk management framework of the MCA was revised and refreshed. The Audit, Standards and Risk Committee endorsed the revised policy and process in October 2020 and, following their recommendation, it was approved and adopted by the MCA at their meeting in November 2020.

In line with the ASRC's Work Plan, this paper provides the Strategic Risk Monitoring update for consideration at the January 2022 meeting.

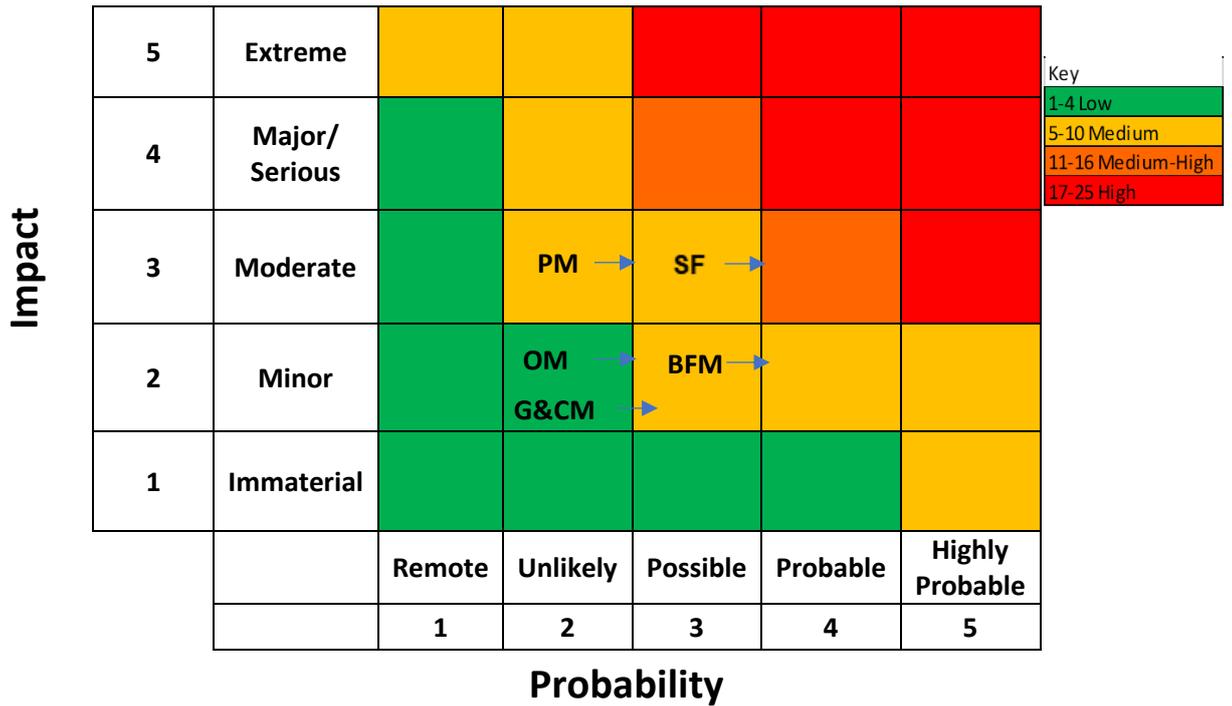
2. Key Issues

2.1 Strategic Risk Summary Update

The table below provides a summary of the five strategic risk categories. Revised Risk Management Actions Plans are provided at appendices A-E.

	Strategy Focus	Org Mgmt	Budget & Fin Mgmt	Prog Mgmt	Gov & Comp Mgmt	Total
No. of risks in category	7	8	11	8	8	42
Overall/average mitigated probability score						
Overall/average mitigated impact score						
Overall/average mitigated risk score						
No. of highly probable risks	0	0	2	1	0	3
No. of new risks added	1	0	1	0	0	2
No. of risks closed	0	0		1	0	0
No. of open actions	6	4	5	5	6	26
No. of actions overdue	0	0	0	0	0	0

2.2 Heat Map



3 Proposal

3.1 Risk Category – Strategy Focus (Appendix A)

3.1.1 Summary

The ‘Overall Residual Risk Score’ for the category ‘Strategy Focus’ is ‘Medium’. One new risk has been added, as follows:

- #10 The launch of the new Economic Plan, leads to a focus on short term pandemic response and recovery, resulting in a potential gap when compared to the long-term aspirations of the SEP.

No risks have been closed, one risk, #8 has been updated to reflect the implication on time and the ‘Mitigated Probability’ has been refreshed to ‘Unlikely’. Currently, there are seven live risks within the category.

3.1.2 Actions being taken

The MCA has the Strategic Economic Plan and the Renewal Action Plan and these, along with other policy documents, have been consolidated into a Corporate Plan and into detailed business plans. The 2022-23 business planning cycle is in progress. The intention is to more closely align the 2022-23 Business Plan to the Corporate Plan creating a golden thread running through the documents demonstrating how business activities deliver the Corporate Plan. Performance monitoring will be a standing item for management to consider.

Alongside the above, work is well underway on the development of the Strategic Investment Framework. The process is over half complete and the MCA will consider a paper to this effect in January 2022. At the current time, there is broad agreement at officer level of the priorities, outcomes and outcome measures, key aspects of the Framework.

The Project Feasibility Fund will be operational from April 2022, onwards, and for the first year of South Yorkshire Renewal Fund, it is proposed that the focus will be on building capacity and developing a pipeline of ambitious and transformational interventions.

The most significant mitigated impact, which continues to be categorised as high relates to public transport. This is unable to be mitigated solely through regional endeavours as intervention and investment from Government is required to mitigate this risk area effectively. Key aspects of the risk are presented below.

Bus and light rail recovery funding is in place and confirmed to April 2022. There is early indication that further funding may be available beyond March 2022 however, it is currently unclear as to DfT and HMT proposals. Relationships with officials, to influence their considerations and the decision-making process, are continuing.

The Transport and the Environment Board approved the submission of the Bus Service Improvement Plan (BSIP) to the DfT on 29 October 2021. This sets out the region's long-term ambitions for the bus network and was informed by the recommendations from the Bus Review. A funding decision is expected from government – likely February 2022.

The initial BSIP is intended to become a finalised Enhanced Partnership Plan, subject to due process and consultation. Following approval by the MCA in November 21, we issued a formal notice to the bus operators informing them of our intention to enter a Statutory Enhanced Partnership, and to consult them on our Enhanced Partnership Plan (EPP) and Scheme (EPS). This statutory 28-day consultation process closed on 16 December. A public consultation of our EPP and EPS will start in early January 2022. A final decision to make an Enhanced Partnership Scheme, implementing it from April 2022, will be put to the MCA in March 2022.

Tram Sustainability Plans, aligned to medium- and long-term needs, continue to be developed and will be subject to the MCA assurance and decision-making process. – with an aim of a paper to the MCA Board in July 2022. At this point, we intend to start the mobilisation and delivery of the agreed activities. However, it is anticipated that implementation of the contents of the Plan will take several years to conclude.

In the period since we last reported, we have considered and updated the sections within the risk register. Many of the actions are work in progress and we have updated each to take account of the activity, which has taken place and next steps.

3.1.3 Movement

One new risk has been added, #10, and the risk relating to the Mayoral election, #8, has been enhanced to acknowledge time as a key factor and the 'Mitigated Probability' refreshed to Unlikely. The new risk has been scored using the consistent methodology and the overall scoring for Strategy Focus risks, is 'Medium'.

3.2 Risk Category – Organisational Management (Appendix B)

3.2.1 Summary

The 'Mitigated Probability' score for the Organisational Management category remains 'Unlikely' and the overall 'Mitigated Impact' score is 'Minor'. The overall

'Residual Risk Score' for the category remains at 'Medium'. There are no 'Highly Probable' or 'Extreme' impact scores.

The 'Potential Impact' #1 has been refreshed to "Major/Serious" and 'Moderate' as an increasing number of employees are moving to roles external to the MCA. There are currently eight risks within the category.

3.2.2 Actions

The Action relating to the expansion of the HR Team has been closed September 21. The actions have been updated to reflect the ongoing nature of each and to provide a summary of progress and next steps.

Organisational hybrid working, driven by the pandemic, continues to be refreshed in line with latest Government advice.

The action relating to the election and candidate manifesto monitoring will increase as clarity over nominees is received. As in 2018, all Mayoral candidates will be offered an opportunity to meet with the CEX in advance of the election. The related action will continue to be updated to reflect the enhancement and escalation of such activity.

Workforce management continues to be a challenge, as the volume of employees leaving has increased, and an innovative approach is being developed, which aims to grow our own talent and maintain that commitment through an appropriate reward and recognition structure.

Integration is primarily covered through the reporting of the Integration Programme and incorporates a work strand relating to the workforce. Consequently, and understandably, there is cross over to the work associated with the Integration Programme and the associated risks and action plans to harmonise to one organisational structure.

3.2.3 Movement

The 'Impact' and 'Mitigated Impact' of 'Impact' #1 have been updated to 'Major/Serious' and 'Moderate' respectively taking into account the increasing volume of resignations. The 'Mitigated Impact' of Impact #5 has been refreshed to 'Moderate' from 'Major/Serious'.

Applying the consistent methodology results in, the 'Overall Mitigated Probability' as 'Unlikely' and 'Overall Mitigated Impact' remaining as 'Minor' and the 'Residual Risk Score' is maintained at 'Medium'.

3.3 Risk Category – Budget and Financial Management (Appendix C)

3.3.1 Summary

The 'Overall Mitigated Probability' for the category remains 'Possible', the 'Mitigated Impact Score' is maintained as 'Minor' and the 'Overall Risk Score' remains 'Medium'.

Risks #3 and 7 have been refreshed to reflect the latest related position whilst a new risk has been included reflecting the significant inflationary pressures which are materialising.

Whilst short term funding pressures have been released through recovery funding, up to the end of the financial year, risks #5 and 6 are still considered to be 'Highly Probable'.

The primary focus of the risk is income shortfalls, financial and commercial viability, refranchising the Supertram and the financial implications of transport responsibilities.

There are currently eleven live risks within the category

3.3.2 Actions

Budget and financial management risk continues to reflect the ongoing impact of, and fiscal response to the pandemic along with the change driven by the MCA's continuing devolution journey. The ongoing commercial sustainability of the passenger transport network remains highly contingent on the scale and longevity of government support. The MCA has adopted a financial strategy that allows it to play its role in supporting the network in the interim, but this risk report reflects that it is predominantly the government that has the necessary powers and fiscal levers to shape post-pandemic provision.

Government funding for both bus and tram has now been committed to the end of the financial year, providing near-term stability. There is early indication that further funding may be available beyond March 2022 however, it is unclear what DfT and HMT are considering.

Funding for bus has been linked to the development and implementation of the Bus Service Improvement Plan (BSIP). Work continues on the development of the tram sustainability plan, additional detail is in section 3.1.2.

Since the last reporting date, the impact of the inflationary environment has become clearer and begun to emerge as a key planning risk. In particular, the cost of buying back the existing portfolio of bus tendered services is now expected to be considerably more than current values. This cost escalation will impact upon policy choices and diminish the MCA's wider financial resilience to the macro sustainability risks described.

Given the continued uncertainty with funding and the considerable challenges associated with the latest Government advice to work from home, coupled with cost inflation, operators are likely to plan for the worse-case scenario. This is likely to lead to operator decisions to withdraw services, which will need to be registered with DfT by the end of January 2022 (assuming a 70 day registration timescale) or by the end of February (if the pandemic flexibility to 35 day registration deadline is extended into 2022).

The MCA is proposing a transport levy freeze for the forthcoming year, following a decade of reductions. This, along with forecast budget savings and the release of previously earmarked reserves will provide the basis of a financial mitigation package.

The MCA has entered its Business Planning and Budget exercise for 2022-23, which provides an opportunity to coordinate and consolidate its funding position against business plans for the year to ensure that we plan for the challenges that lie ahead.

Integration activity is progressing at pace and is covered as a separate agenda item. An integration budget exists and spend is monitored and utilisation reported upon to the Programme Board.

Since the last reporting date the MCA has accepted HM Treasury's offer of a borrowing cap for financial year 2021/22 enabling government to begin the process for the laying of secondary legislation. Subject to local authority consents this legislation is expected to be tabled in Parliament in January.

3.3.3 Movement

The wording of risk #3 and #7 have been updated to reflect the likely policy shift relating to the LEP and the CRSTS intended allocation. A new risk, #11, has been added to reflect the inflationary pressures. There has been no change to the 'Overall Average Mitigated Probability', which is 'Possible', the Overall Mitigated Impact Score' which is 'Minor' and the 'Residual Risk Score', which is Medium.

The Actions have been updated to reflect the movement since our last report and the proposed next steps.

3.4 Risk Category – Programme Management (Appendix D)

3.4.1 Summary

The 'Overall Mitigated Probability' score for the category remains 'Unlikely'. The 'Overall Mitigated Impact Score' remains 'Moderate' and the 'Overall risk score' remains at 'Medium'.

Risk #9 has been updated to reflect positive movement on the Getting Building Fund programme however, the 'Mitigated Probability' has been moved to 'Highly Probable'. Previous reporting has highlighted the delivery underperformance in this area and the limited mitigation opportunities. The MCA has engaged government on this issue and is awaiting a response. There are currently nine risks within the category.

3.4.2 Actions

An existing mitigation has been refreshed to reflect the independent expert procured to review business processes has now made a number of recommendations, which are being progressed by a Task and Finish Group nominated by the SY and MCA CEX.

An additional weakness has been added to reflect the global and national supply chain pressures, which impact on delivery mechanisms and result in cost inflation and time delays. This is primarily driven by the pandemic and a pressure, which is being experienced more widely, and is not isolated to the MCA.

The aged action to roll out Better Business Training has been initially concluded as in 2019-20 all employees of the MCA, including some within the PTE and Business Advisers, undertook the formal Better Business Cases Training course and examination. The aim being to upskill and better equip colleagues for their role.

Employees who joined the MCA in 2020-21 received induction sessions on the MCA's assurance, procurement and contracting processes. This was partly due to pandemic restrictions being in place and partly awaiting HM Treasury's publication of the revised Green Book, which was published in September 2021. Subsequently, around 140 employees from the MCA and local authorities attended

a series of training workshops, in Autumn 2021, on the assurance and business case development process following the revisions to the Green Book. The intention is still to roll out the formal Better Business Cases training to MCA employees who have not previously been trained as well as to local authority officers. Budget is currently being planned to roll-out the training in 2022-23, subject to any further pandemic-based restrictions. This action will continue to be monitored and reported on.

The MCA has received Period R04 Adult Education Budget delivery data from providers. Initial analysis of provider performance shows a mixed picture emerging. Some providers have already delivered above their related period allocation whilst others are yet to claim funding for any delivery. More detailed analysis which compares actual to profile (at this point in the academic year) will need to be produced to better understand and articulate the position. This analysis will also facilitate performance review meetings with providers and reconciliation. The next provider data, R05, is due in Jan 22.

Finally, a new mitigation has been included within the report concerning resource available to support the delivery of the CRSTS programme. This revenue resource provides some flexibility to begin preparations and early pre-capitalisation activity now.

3.4.3 Movement

The 'Mitigated probability' of risk #9 has been increased to 'Highly Probable' to reflect the current status. The 'Overall mitigated probability' remains 'Unlikely', the 'Overall mitigated impact score' is 'Moderate' and the 'Residual risk score' is 'Medium' in line with previous reporting.

3.5 Risk Category – Governance & Compliance Management (appendix E)

3.5.1 Summary

The 'Overall mitigated probability score' remains as 'Unlikely' and the Overall Mitigated Impact is 'Minor'. The overall 'Residual risk score' for the category remains at 'Medium'. No new risks have been added and no risks closed.

One new 'Existing Mitigation' has been added to reflect an officer scheme of delegation has now been implemented, which establishes consistent officer delegations between the PTE and MCA. This forms a key control within the overall control environment of the integrated organisation.

There are currently eight live risks in the category.

3.5.2 Actions

Each of the five actions has been updated to reflect the movement since the last ASRC report and specifically the next steps.

Monitoring of procurement breaches and reporting has been established and demonstrated through the reporting to the ASRC, consequently we propose to close the action.

The Contract Procurement Rules Guidance is being updated for re-issue by the end of March 2022. One Action is held purely for ongoing monitoring purposes, AEB Data Management, and this has been updated to reflect the current position, which is that R04 data has been received from providers and there are no surprises or issues arising. Provider performance monitoring is being considered,

delivery by some providers is under profile and for other providers it is over. Reconciliation across the whole provider landscape is to be undertaken.

Recruitment of the Election Manager has taken place and a plan to deliver the election developed, which addressed the recorded action. Delivery of the plan is now underway.

Detailed activity relating to the accessibility action is underway with many of the actions being completed. e.g. move to a new website platform, others are in train and others will be addressed in 2022 e.g. the remaining pdf documents.

The activity within the Governance & Compliance Management Workstream is being taken forward as part of the Integration programme and includes the development of a single risk management approach, which is progressing well. The post to cover information governance is also being considered as part of the integration and we will hold the action until the responsibilities are assimilated into the structure.

3.5.3 Movement

The 'Overall mitigated probability score' is 'Unlikely' and the 'Overall mitigated impact score' is 'Minor' and the 'Overall risk score' remains stable at 'Medium'. A new 'Existing mitigation' has been added to capture the Scheme of Delegation.

4. Consultation on Proposal

4.1 Not applicable

5. Timetable and Accountability for Implementing this Decision:

5.1 Not applicable

6. Financial and Procurement Implications and Advice

6.1 Failure to effectively manage risk could have significant financial and reputational implications and for the MCA.

7. Legal Implications and Advice

7.1 There are no legal implications as a result of this report.

8. Human Resources Implications and Advice

8.1 There are no human resources implications as a result of this report.

9. Equality and Diversity Implications and Advice

9.1 Any risks relating to equality and diversity will be captured in the risk category of Organisational Management.

10. Climate Change Implications and Advice

10.1 There are no climate change implications as a result of this report.

11. Information and Communication Technology Implications and Advice

11.1 There are no ICT implications as a result of this report.

12. Communications and Marketing Implications and Advice

12.1 There are no communications or marketing implications as result of this report.

List of Appendices Included

- A Strategy Focus Risk Management Action Plan
- B Organisational Management Risk Management Action Plan
- C Budget & Financial Management Risk Management Action Plan
- D Programme Management Risk Management Action Plan
- E Governance & Compliance Management Risk Management Action Plan

Background Papers:

MCA Risk Management Policy