

## Audit, Standards and Risk Committee

06 June 2022

### Risk Management Report

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

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#### **Executive Summary:**

This paper provides an update on the corporate risks of the Mayoral Combined Authority (MCA), which have been devised and reviewed over the preceding months. Management Board have had the opportunity to re-consider the Corporate Risk Register again in May 2022. The latest version of the Corporate Risk Register is attached as Appendix A.

This paper also provides the Audit, Standards and Risk Committee with an update on the risk management development activity, which has been progressing well to develop initial risk registers at a team/business plan level.

This paper also provides the ASRC with a narrative summary setting out key activity the MCA is taking against the high and medium/high corporate risks facing the MCA, the closed risk and the risk proposed for closure next month.

#### **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:**

In line with the ASRC Work Plan, this paper provides the Risk Management Report for consideration at the June 2022 meeting. ASRC members are asked to note the updated position and to raise any questions that are 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 ASRC 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.

Risk Management documentation and processes have been refreshed again, over the latter months of 2021, as part of the Integration to bring together the MCA and the PTE. A refreshed Risk Management Framework document has been devised taking account of the good practice of both the PTE and MCA, comparable organisations and risk management standards and guidelines. ASRC members have commented and independent members have made specific contributions and recommendations on the content to reach the final version, which ASRC agreed in March 2022.

In parallel, the Corporate Risk Register has been developed with senior leaders and key employees. In January 2022, the ASRC agreed to stand down the previous MCA risk registers and utilise the revised format and content. The updated version is included as Appendix A to this paper.

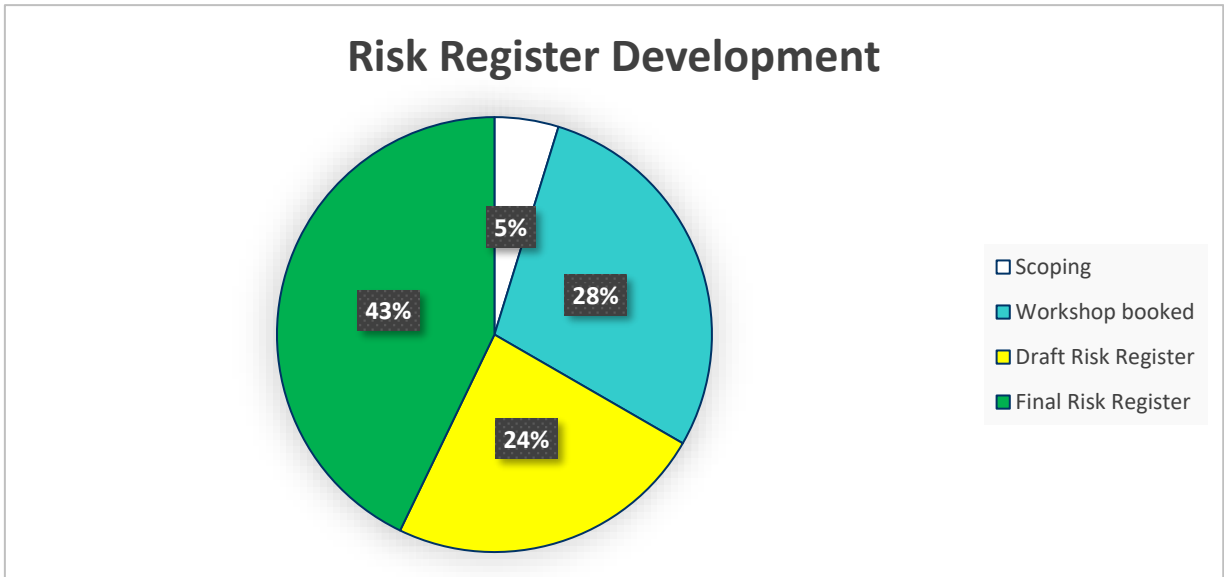
### **2. Risk Management Development**

- 2.1 The MCA risk management development journey has progressed at pace and since the last ASRC meeting workshops have been planned and held with business plan owners and respective members of the team. The workshops include a presentation on the core principles of risk management to help generate discussion, socialisation of the Risk Management Framework and a conversation about what that means for the directorate, managers and teams.

The workshops are then focused on a Control, Risk Self-Assessment exercise to identify, assess and evaluate risks within the team and against the business plan deliverables. The deliverables, risks which arose in the Integration Programme workstreams, 4Risk and the old MCA risk registers are being considered in the planning, discussion and development of the team/business plan risk registers, the output of the workshops. This activity is being delivered to implement the Framework, develop the MCA risk profile and build consistency of approach across the MCA.

At the point of writing this paper, proposals are in place to deliver 21 workshops, 14 have been concluded and risk registers prepared, six are diarised and one is to be booked. Progress is plotted in the following table and pie chart:

Risk Management Development – Team level	Volume
Scoping	1
Workshop booked	6
Workshop Delivered and Draft Risk Register Issued	5
Agreed Final Risk Register	9



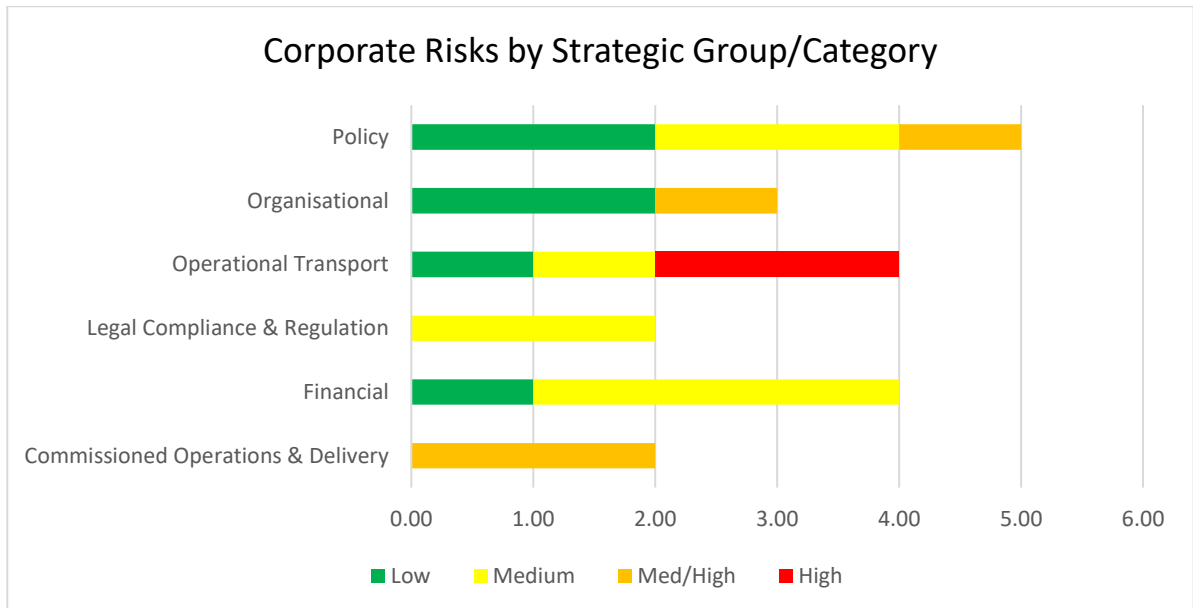
Additionally, testing of a refreshed version of the 4Risk system is taking place and is intended to create a central repository for risks, enhance risk reporting and functionality and greater reporting in a dashboard style to create additional visual representation. In the interim, and as part of our testing data and graphics have been extracted from the test system and manually adapted to create the visual depiction in this paper and to help address a request from ASRC members.

### Visual Summary

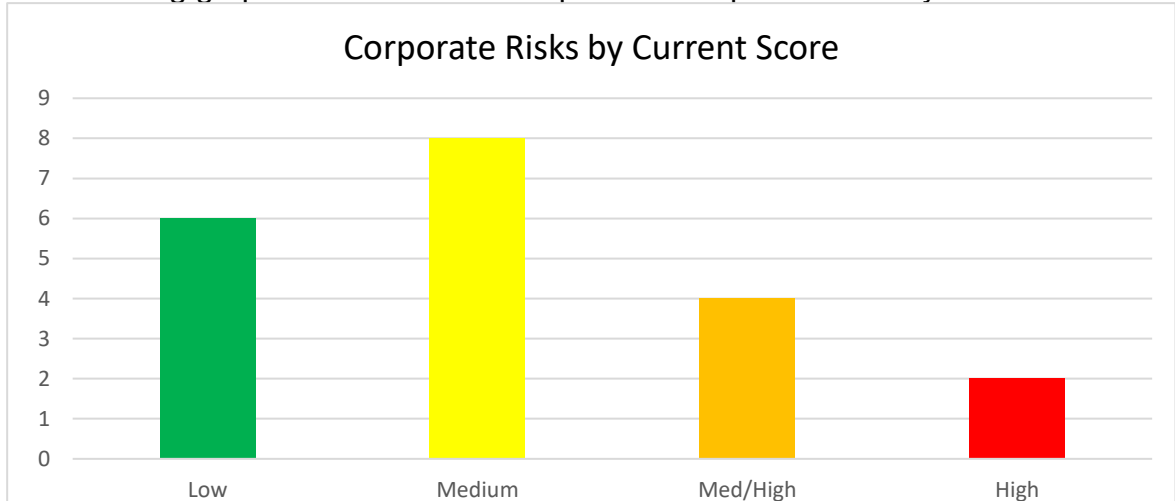
2.2 The graphs and heatmap below provide a visual summary of the corporate risks.

#### Bar Chart

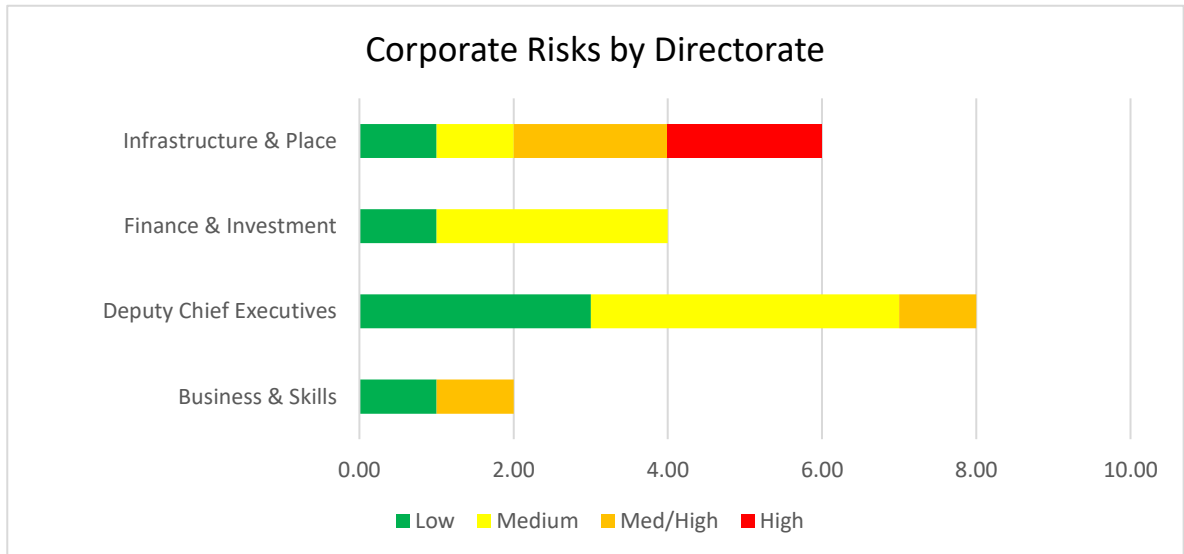
The following bar chart demonstrates the volume of risks and respective ratings by strategic group, the categories established for reporting purposes. The group with the greatest volume of risk is Policy. The group with the greatest volume of high-level risks is Transport. Commissioned Operations and Delivery contains two medium/high risks and Organisational and Policy one medium/high risk is contained in each. Further information relating to the high and medium/high risks is recorded in section 3 of this paper.



The following graph demonstrates the spread of corporate risks by current risk score.



The following graph demonstrates the risks and where they reside within the directorates of the MCA.



## Heat Map

The following heat map provides a visual representation of the position of the risks within the probability and impact scoring grid. There are two high level risks and four medium/high. Further information is recorded within section 3 below.

<b>5. Critical</b>	1	3	2	2	
<b>4. Serious</b>	1	1	2		
<b>3. Moderate</b>		2	1		
<b>2. Minor</b>	1	3			
<b>1. Immaterial</b>				1	
	<b>1. Highly Unlikely</b>	<b>2. Unlikely</b>	<b>3. Possible</b>	<b>4. Probable</b>	<b>5. Highly Probable</b>

The changes to the current risk score, since the last report, are indicated in the following heat map:

<b>5. Critical</b>					
<b>4. Serious</b>	+1	-1			
<b>3. Moderate</b>					
<b>2. Minor</b>					
<b>1. Immaterial</b>		-1			
	<b>1. Highly Unlikely</b>	<b>2. Unlikely</b>	<b>3. Possible</b>	<b>4. Probable</b>	<b>5. Highly Probable</b>

## 3 Corporate Risk Reporting

- 3.1 Detailed risk reporting below presents an update against the high and medium/high risks and the risks that have been closed and proposed for closure shortly.

### Risk #003 Mayoral Election – Propose to Close

The activity and action to deliver the election has concluded and a new Mayor elected. The risk is being held until 30<sup>th</sup> June 2022 and the risk will be closed thereafter as it becomes spent.

### Risk #008 Recovery Funding

Bus and light rail recovery funding is in place and has recently been confirmed to 4<sup>th</sup> October 2022. Confirmation of the total amount allocated to SYMCA has been received and stands at £5,656,487. This includes an allocation for Light Rail of £4,000,000. Engagement with operators continues to ensure that current services remain protected between now and 4<sup>th</sup> October and some additional support funding

has been proposed of up to £1.9m to ensure service stability whilst the network review takes place to agree the post-October network.

Whilst planning assumptions remain based on worst-case scenario, there is some indication that operators are slightly more optimistic on patronage recovery between now and the end of the funding period. However, we should still work on the assumption that there is insufficient revenue funding to cover all reductions or service losses being proposed and prioritisation must take place regarding what is protected. The decisions will clearly have implications on the revenue budget for 2023-24 and the amount of tendered services funding required therein.

### **Risks #009 and #010 Enhanced Partnership**

Future funding for bus has been linked to the development and implementation of the Bus Service Improvement Plan (BSIP), which was approved by the Transport and the Environment Board for submission to the DfT on 29 October 2021. Following a 28-day consultation period with bus operators and a six-week period of public consultation in January and February 2022, the BSIP was confirmed as SYMCA's Enhanced Partnership Plan for buses. This document sets out the region's long-term ambitions for the bus network and was informed by the recommendations from the Bus Review.

In April 2022, Government confirmed its decision not to award BSIP funding to South Yorkshire. Despite this South Yorkshire has demonstrated its commitment to the ambitions, by progressing the Enhanced Partnership arrangements against the original timescales. On 21 March 2022, the MCA approved the start of a Statutory Enhanced Partnership and making an Enhanced Partnership Scheme with effect from 1 April 2022.

Work on establishing and implementing the Enhanced Partnership Board, the Enhanced Partnership Forum and supporting systems is progressing at pace, with Terms of Reference and meeting cycles to be confirmed. The first Enhanced Partnership Board will meet prior to 30 June 2022.

In parallel, capital funding sources to support the development of the Enhanced Partnership Plan are being formalised (e.g. CRSTS) or actively explored (e.g. LUF).

### **Risk #011 Tram Services**

Work is ongoing to develop options for the end of the existing tram concession as part of the Light Rail Development Programme, which has been established. The interim Programme Director is progressing the delivery programme through the supporting programme governance structure. The MCA Chief Executive and a small group of senior leaders and key employees are meeting every four weeks to discuss and drive progress forward on this major MCA programme and key risk area.

Tram Sustainability and Asset Renewal Plans, aligned to medium and long-term needs, continue to be developed and will be subject to the MCA assurance and decision-making process.

An assessment of future operating model options (after the concession end) has now been completed, with the intention to submit a paper to the July 2022 MCA Board seeking approval of a preferred operating model. Resource and external procurement mobilisation are progressing and need to continue at pace to ensure we achieve the time-critical milestones of this major programme and manage the associated risks. It is worth noting, the implementation of the contents of the

programme will take several years to conclude. Financial reporting to the Board has flagged growing concern around the MCA's exposure to the tram's operating performance from 2024 onwards.

### **Risk #015 Cyber Security**

Work is ongoing to achieve Cyber Essentials Accreditation and development of internal reporting. The actions recorded to manage the risk were due in April 2022 and are outstanding. In part this is due to the resource levels and to the need to assess and take action to migrate any dated legacy systems onto supported technology. There are a small number of systems, which are currently in use which cannot be supported, and these are subject to further assessment. Where it is determined that it is not possible to migrate, due to the dated programming of specific systems, decisions need to be made on how to progress through purchase of new and supported systems. This will take time to carry out.

### **Risk #016 Integration – Closed**

This risk was focused on the Integration Programme and following the actual integration on 1<sup>st</sup> April 2022 this risk has now been closed. Any residual action and activity will be aligned to Risk #013 Organisational Design. Integration workstream risks are being considered, and where appropriate, aligned to the respective team risk register.

### **Financial risks #018 Financial Health, #019 Borrowing and #020 Supply Chain**

As with other private and public bodies the MCA remains sensitive to macro factors in its operating environment.

The impact of the pandemic and societal behavioural changes continues to impact on the organisation. With patronage levels on the public transport network still below commercial sustainability levels the organisation is coming under sustained pressure to use its financial resource to sustain at risk services. Whilst government support is now committed to 4<sup>th</sup> October 2022 the quantum is insufficient to maintain the existing network and services in the longer term. Managing a finite body of reserves to mitigate immediate and medium-term risk remains a challenge with few definite planning assumptions.

Post-pandemic behavioural changes continue to impact upon income streams. Rental returns from space at the interchanges and at the AMPTC continue to be subdued, reducing un-restricted income. These issues have been budgeted for, with shortfalls being offset by use of reserves. In the longer-term this practice will be unsustainable.

Over the last quarter the impact of the inflationary environment has become clearer as a key 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, whilst inflationary risk around the cost of utilities has crystallised with gas and electricity costs continuing to escalate across the MCA's estate. This cost escalation will impact upon policy choices and diminish the MCA's wider financial resilience to macro sustainability risks.

Inflationary pressures within the capital programme are also impacting the pace of delivery, with some projects now exceeding their cost envelope despite existing contingency and risk allocations. Where costs cannot be met from other sources re-design and cost-reengineering is required. Officers are working with scheme delivery agents and funding bodies to identify mitigations.

The MCA has now received borrowing powers following the successful passage of legislation through Parliament. Application of these powers will be subject to a consultation launched by Government on the Capital Framework, and in particular the approach to providing for debt repayments. This consultation is of importance to the MCA's emerging Investment Strategy, and the MCA and partners have made representation to Government on proposals. We await the response from Government on the outcome of the consultation.

### **Risk #021 Adult Education Budget**

A medium high-level risk continues to be reported into the ASRC, this relates to the Adult Education Budget (AEB). Analysis of provider performance data, at the mid-year point has identified underperformance against each of the four procured AEB lots. This is still the case at the end of April, Provider Funding Return Period R09, which is three month following the mid-year point. This has led to the maintenance of the risk focused on provider delivery at the end of the academic year failing to achieve the intended benefits for South Yorkshire and its people.

Performance monitoring visits continue to take place and self-declared provider projections obtained to gain a clear understanding of the position, at a provider and then programme level, in order to define appropriate mitigation action to address the risk prior to the academic year end. Proposals for allocating growth funding have recently been made to senior leaders and agreed in principle.

Additionally, an evaluation exercise is yet to be commissioned, which is intended to support the learning of lessons and lead to enhancements to existing processes, which are to be applied for the future.

A specific AEB risk register is currently being developed with colleagues from multiple teams across the business. A Skills based risk register will also be developed as the two are inextricably linked and aims to create a full risk profile for this important area of MCA business.

Furthermore, additional interim resource has been secured to support this workstream, whilst further resource is in the process of being recruited.

## **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 There are no specific financial risk implications however, failure to effectively manage risk may have significant financial and reputational impact 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 There are no equality and diversity implications as a result of this report.

**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 Corporate Risk Register

**Background Papers:**

n/a