

Audit, Standards and Risk Committee

19 October 2022

Risk Management Monitoring Report

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

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Executive Summary

This paper provides an update on the progress of the implementation of the Risk Management Framework and on the corporate risks of the Mayoral Combined Authority (MCA). The latest version of the Corporate Risk Register is attached as Appendix A. A narrative summary setting out key activity the MCA is taking against the high and medium/high corporate risks and any closed or new risks since the last report in June is provided at section 3.

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

ASRC members are asked to note and comment on the progress of the implementation of the Risk Management Framework and the Corporate Risk Monitoring Report.

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

Not applicable

1. Background

1.1 Following the recommendation of the Audit, Standards and Risk Committee, the MCA approved the new Risk Management Framework at their meeting in July.

2. Risk Management Framework Implementation

2.1 The MCA risk management journey has continued to progress at pace.

The implementation of the new Risk Management Framework and the risk management IT system has largely been delivered in line with the timetable shared with the Committee in July.

July	RAG
➤ Agree the contract for the refreshed IT system	Green
➤ Commence recruitment of additional Governance Team resource	Red
➤ Risk Management Framework to be considered by the MCA	Green
➤ Agree the risk review timetable and clarify roles and responsibilities	Green
➤ Roll out into business as usual, promoting the value of risk management and demonstrating the commitment from senior management	Green
August	Grey
➤ Publish the Framework on the website and include in the Corporate Documentation Library on the intranet and manage through agreed process	Green
➤ Supporting content/resources available on intranet	Green
➤ Live IT system configured and single sign on arrangements in place	Green
➤ IT system training for Governance Team administrators	Green
➤ Corporate Risks migrated to the live IT environment	Green
➤ Annual awareness/comms plan agreed	Green
September	Grey
➤ Business Plan/Directorate Risks (approximately 200-230) input into IT system	Green
➤ IT system training delivered to relevant officers across the MCA (this will be ongoing).	Green
➤ Ongoing delivery of risk workshops, to ensure continued visibility of the Framework and risks are effectively reviewed, refreshed and new risks identified	Green
➤ Induction module developed and in place	Red
➤ Team Risk Registers reviewed and refreshed in line with the reporting section of the Framework.	Amber
➤ Directorate level reviews scheduled in line with the reporting requirements of the Framework.	Red

2.2 Issues (red and amber indicators)

The recruitment of additional resource to the Corporate Governance team to support ongoing risk and assurance activity has not progressed due to an organisational review of vacant posts however, re-engagement with the Interim Risk Manager

commenced w/c 10th October to increase capacity to ensure continued focus on the implementation of the Risk Management Framework.

An induction module, which will include some of the training resources (videos etc) developed as part of the implementation activity, will be established for the new year.

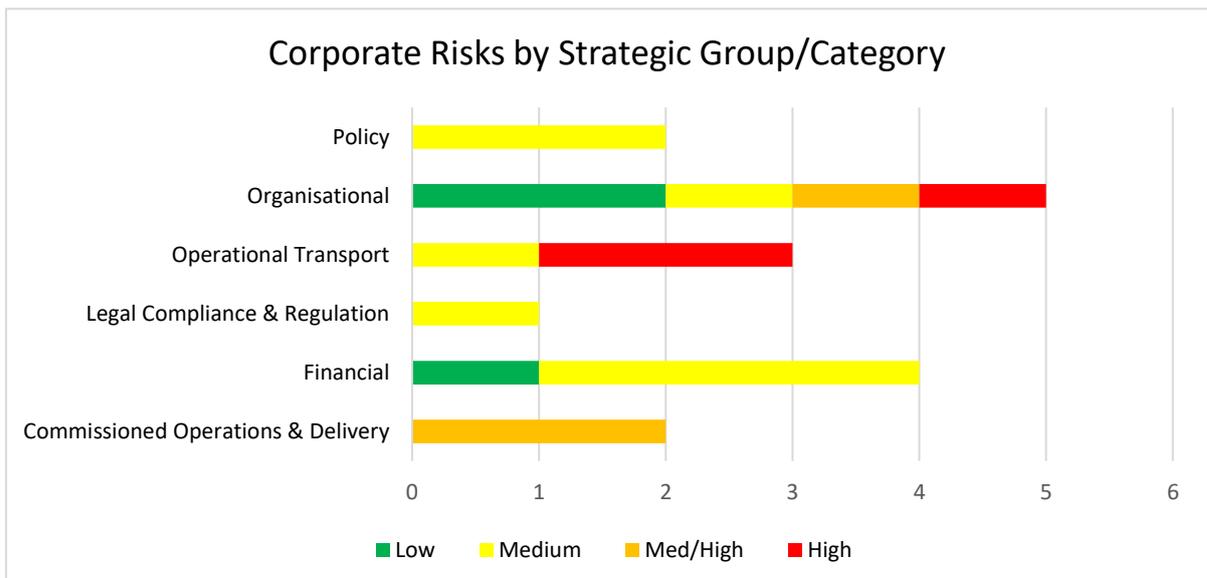
Directorate/Team risk registers have been reviewed ahead of risks being added to the IT system and a monthly item has been scheduled, along with associated review deadlines, at Management Board to consider high and medium/high risks. This activity is currently marked as amber in the table above until the Corporate Governance team have configured the automated reminder functions in the IT system appropriately.

2.2 Corporate Risk Monitoring

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

Corporate risks by 'strategic group'

The following bar chart demonstrates the volume of risks and respective ratings by strategic 'group' (the categories established for reporting purposes)



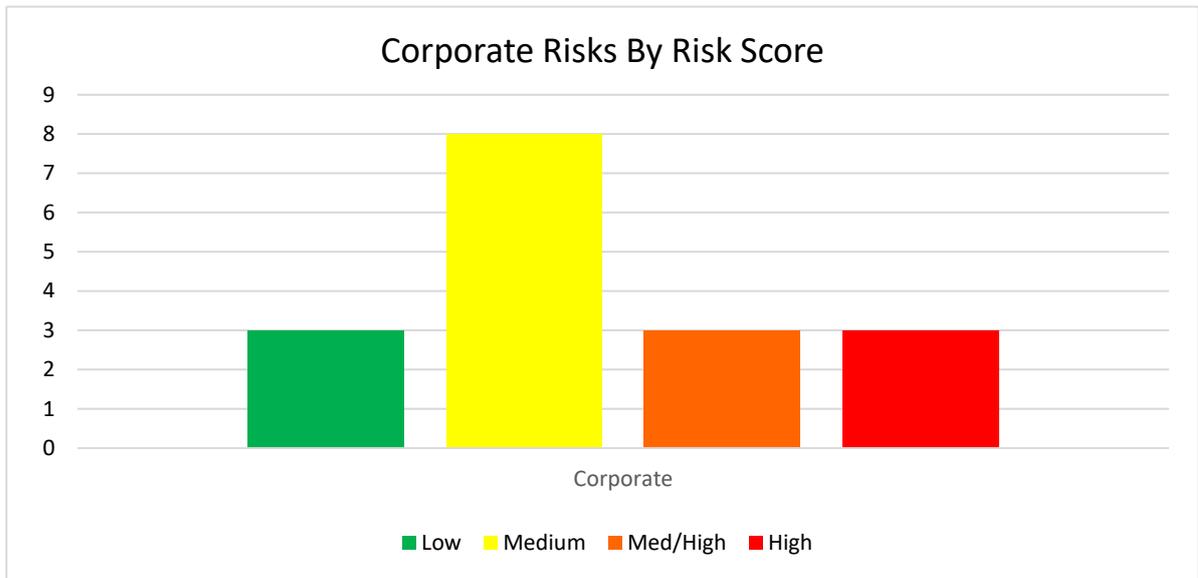
In summary:

- the group with the greatest volume of risk is Organisational, which includes one high and one medium/high risk.
- the group with the greatest volume of high-level risks is Transport.
- Commissioned Operations and Delivery contains two medium/high risks
- Organisational one medium/high risk

Section 3 of this report provides a narrative against each of the high and medium/high corporate risks.

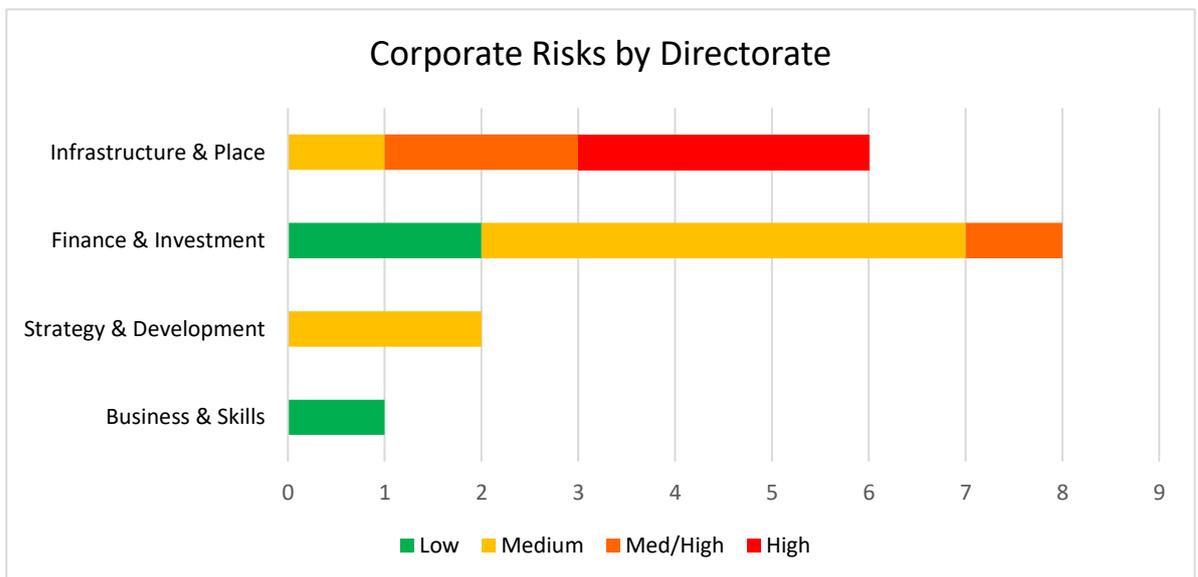
2.3 Corporate risks by 'risk score'

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



2.4 Corporate risks by Directorate

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



Infrastructure and Place Directorate holds the majority of high and medium/high risks. Whilst Finance and Infrastructure contains the greatest volume of risk albeit lower scored.

2.5 Heat Map

The heat map (appendix B) provides a visual representation of the position of the risks within the probability and impact scoring grid. There are three high level risks and three medium/high. More information is provided in section 3.

2.6 Changes to the risk score since the last report

The changes to the current risk score, since the last report, are indicated as follows:

COR0007 – Net Zero, Sustainability/Climate Change

Further consideration of the risk has resulted in a slightly higher risk score – ‘medium/high’ to ‘high’ – recognising the work required to co-ordinate and aggregate activity.

COR0020 – Inadequate Workforce Planning

Due to the current mayoral organisational review a more conservative assessment of the level of risk has been taken resulting in a shift from ‘low’ to ‘medium’. This will be kept under review until the process has concluded.

3. Narrative Report

Detailed risk reporting below sets out the controls and actions against the high and medium/high risks and the risks that have been closed.

3.1 High Risks (score of 16 – 25)

COR0008 – Bus Recovery Funding (Residual score 20)

Due to reduced/terminated recovery funding from central government and lower levels of patronage, there is a risk that we end up with an unviable transport system necessitating major cuts, resulting in a spiral of decline.

Controls & Actions

Recovery funding has now been secured until March 2023, the detail from January 2023 is to be confirmed. Dialogue with DfT officials and ministers is ongoing to shape existing and future proposals. Protection of priority services has been established and funded from reserves, with the view of providing support and short-term mitigations to Summer 2023. Payment of concessions at pre-pandemic rates is taking place until April 2023. Adjustments to pre-pandemic rates proportionate to network mileage to allow underspend to be retained and potentially used for future network protection

The MCA continues to work with government officials to influence process and funding. Work is also ongoing with bus operators to identify services at most risk of reduction and prepare a prioritised list of services for consideration. Arrangements will also need to be agreed for a return to concessionary payments (based on actuals) and opportunity to recycle any underspend to support services.

COR0015 – Tram Services (Residual score 20)

Due to a failure to conclude future operating model for tram services beyond the current operating concession, there is a risk that the MCA is exposed to operational transport and financial risks, resulting in financial and capability and capacity pressures.

Controls & Actions

An interim Programme Director for Light Rail Transport Operation is in place and the Light Rail Development Programme established along with governance arrangements and reporting and engagement plans agreed. A tram project reserve has been agreed to support readiness activity.

The MCA Board will consider proposals for the future tram operating model at their meeting on 18th October.

COR0007 – Net Zero, Sustainability/Climate Change (Residual score 16)

Due to an inability to galvanise the required level of support, consensus and leadership across the region, from our partners and stakeholders both private and public, there is a risk that the approach is fragmented, resulting in a failure to achieve the net zero target, by 2040.

Controls & Actions

The MCA's response to the Net Zero agenda is embedded in its core activity and work is underway with partners and stakeholders to develop projects that take into account de-carbonisation.

The MCA is working with Sheffield University to develop regional data to understand the impact of programmes and projects, in addition, a tool is under development to assess the contribution that a Business Case would make to the 'greener' pillar of the Strategic Economic Plan. The tool, aligned to supplementary guidance to HM Treasury's Green Book, will help applicants consider how their project could be adapted or modified to add value or impact around the net zero agenda and ensure our response to net zero is integrated into investment decision making processes. In addition, work is underway to identify the interventions most impactful in address climate change issues.

3.2 Medium/High Risks (score of 12 – 15)

COR0017 – Transport (Residual score 15)

Due to the award of the CRSTS programme funding will provide related regional capital funds for five years from April 2022 and will be closely monitored by DfT. There is a risk that the capacity and capability in the region is insufficient to deliver extensive projects in the programme within timescale, resulting in potential damage to the reputation of the MCA and Mayor.

Controls & Actions

The MCA is working with local authority partners in developing and submitting project proposals more efficiently for the CRSTS programme. Resource plans have been developed and the actions to implement the recommendation of the Business Process Reengineering Review have been implemented through the refreshed Assurance Framework including work to establish a Feasibility Fund.

The MCA has reached agreement for disbursement of the CRSTS revenue grant, working with local authorities to agree individual plans for the Districts and continues to work with those partners to create a pipeline of activity and projects.

COR0021 - Heightened Cyber Security Threat (Residual score 15)

Due to an increase in the number of cyber-attacks, due to the pandemic, there is a risk that there is a successful attack, resulting in operational disruption, data corruption, systems outage and loss of finances.

Controls & Actions

The MCA has an IT Policy, which is updated regularly. Good practice password requirements are used including multi-factor authentication. Long established anti-virus software, which is updated hourly, is installed across the infrastructure. Mimecast, Advanced Threat Protection, is also installed and constantly evolves to address the latest threats whilst filtering and blocking emails. Additional Web-Filtering software is utilised, which prohibits unauthorised access and protects data. Software patching takes place to maintain systems security. Outsourced specialist penetration testing takes place, which is part of the requirements of Cyber Security Essentials.

Further analysis has been undertaken and action in train to achieve the Cyber Essentials Accreditation and this indicates that the majority of the requirements have been met. Additional Management Board reporting of cyber threats and attacks prohibited is being developed as part of the development associated with the Corporate Assurance Board.

COR0001 - Adult Education Budget Performance (Residual score 12)

Due to performance monitoring of AEB provider delivery, under performance has been identified within the programme therefore, there is a risk that we fail to deliver all of the planned academic year outputs for the region and its people, resulting in reputational impact on the MCA and partners.

Controls & Actions

The MCA has set out and published Funding and Performance Rules, which set out the conditions by which providers are required to operate and how underperformance will be addressed. Performance monitoring with all providers is underway to understand forecast delivery volumes and plans for delivery. Additional performance reporting to Management Board and the MCA has taken place. Redeployment of funding is an option for the MCA in underperforming areas.

Further performance analysis is taking place to test outputs achieved to date to facilitate forecasts to the end of the year and inform additional remedial action. An options paper is to be prepared and shared with Management Board and presented to the Skills Board and MCA. Evaluation of 2021/22 approach is to be completed by the end of December 22 and this will be used to help determine the required provision and commissioning.

3.3 Risks for De-escalation

The most recent internal audit report recommended that Corporate Risk with 'low' risk scores could be de-escalated and managed at operational level. To apply this recommendation the following risks would be de-escalated and managed at Directorate level:

COR006 - Dispersed ownership of inclusion policy objective

Due to dispersed strategic level ownership of the Inclusion policy objective, there is a risk that there will be a drift in direction, resulting in delayed and/or ineffectual delivery mechanisms and inefficient use of resources.

COR0013 - Borrowing leads to financial risk

Due to new borrowing vires, there is a risk that the MCA is exposed to new financial risk around exposure to interest rates and debt management and also a new compliance regime, resulting in HM Treasury consents for annual borrowing caps being required.

COR0019 - Post Integration Embedding of Organisational Design

Due to staff understanding of roles and responsibilities in the new organisation structure, there is a risk that there remains uncertainty about the structure, processes and respective roles of staff, resulting in a loss of momentum in delivering organisational goals.

The Committee are asked to consider the recommendation to de-escalate these risks.

3.4 Escalated Risks

All risks at Directorate/Business Plan level are now included in the new system. Management Board will consider, in the next quarter, the totality of the risks and review 'high' scored risks to determine if these should be escalated to Corporate level.

3.5 Closed Risks

The following risks have been closed since the last report:

- COR0004 Mayoral Election
- COR0005 Growth Imperative Hindered
- COR0008 Integration
- COR0011 Enhanced Partnership - DfT Funding

Further detail is included in the risk register at appendix A.

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

B Corporate Risk Heat Map

Background Papers

n/a