

Audit, Standards and Risk Committee

Wednesday, 25 January 2023

Risk Management Monitoring Report

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

Director Approving Submission of the Report:
Gareth Sutton, Chief Finance Officer/s73 Officer

Report Author(s):
Claire James, Head of Corporate Governance
Claire.james@southyorkshire-ca.gov.uk

Liz Morris
Liz.morris@southyorkshire-ca.gov.uk

Executive Summary

This report provides an update on the progress of the implementation of the Risk Management Framework and a revised Framework document (appendix A)

A Risk Management Dashboard, incorporating risk registers is included at appendix B and includes:

- The corporate risks of the Mayoral Combined Authority (MCA).
- 'High' and 'Medium/High' risks at Directorate level (operational risk)
- Risks with a health and safety 'theme' with a score of 5 or over.

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, the proposed revisions to the Framework and the Risk Management Dashboard.

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. Subsequently, work commenced to embed the Framework and implement a new version of the IT risk management tool already operational within the PTE. During August and September, the system was configured to the requirements of the Framework, training sessions were delivered to risk owners across the organisation and risks input into the system.

2. Risk Management Framework Implementation – Progress since October

2.1 In October, alongside activity to continue to embed the Framework, a post-implementation self-assessment commenced. This review took into account the recommendations of the internal audit report on risk management previously considered by the Committee in July.

The findings of the assessment culminated in a report to the Executive Leadership Board on 13th December providing an appraisal of the extent to which the Risk Management Framework had been embedded to that point in time and set out options for further activity along with potential amendments to the Framework. The revised Framework is included at appendix A.

2.2 Outcome of the Post-implementation Review

Reflecting on the findings of the post-implementation review and the recommendations from the previous Internal Audit report, the Executive Leadership Team agreed that the approach to risk management needed to be pragmatic and proportionate and that ownership and accountability for risk management should be aligned to the delivery of objectives. The following changes and clarifications were agreed:

Risk reviews and reporting

The Internal Audit report suggested that the flexibility built into the reporting schedule within the Framework could cause confusion or lead to an inconsistent approach and therefore recommended that all risks graded at the same level should be subject to the same oversight and frequency of review. In response to this recommendation the recording, reporting and monitoring and review timetable

within the Framework has been simplified. The approach now specifies that Risk Owners review **all** recorded risks on a monthly basis (prompted by an automated reminder from the IT system). Low scoring risks will be reported to Directorate and Leadership Team meetings on an annual basis and medium scoring risks on a six-monthly basis. Medium and medium/high scoring risks will be reported to Directorate and Leadership Team meetings on a quarterly basis before progressing to the Audit, Standards and Risk Committee. Any Health & Safety risks with a score of 5 or above (over the agreed tolerance/exceeding the risk appetite) will be treated as 'high' and reported as such.

Page 9 of the Framework document has been revised to reflect this change and the Executive Leadership Board agreed a timeline to operationalise the review and reporting cycle.

Clarity on accountability, ownership and responsibilities for managing risk

The Internal Audit report suggested that more clarity was needed on responsibilities for managing risk at an operational level. This is addressed in part by the revised review and reporting schedule referred to above. In addition, Executive Leadership clarified that Directors should have a strong lead on risk management ensuring they have an appropriate level of oversight of the risks being managed within their teams, monitoring the progress of any mitigating actions and should play a role in assessing any new risks before they are recorded. It was also agreed that the Corporate Governance Team would provide advice and guidance on the management of risk, the administration of the IT system (ensuring users are adequately trained, have the correct permissions etc) and generate the quarterly reports required by the Executive Leadership Team and the Committee.

Target scores

The Internal Audit report suggested that the use of target scores aligned to risk appetite should be introduced to provide assurance, or to measure when a risk has been mitigated to an acceptable or tolerable level. Whilst it is recognised that target scores can also assist in understanding whether mitigating actions are worth the time, effort and cost, it has been agreed that during this phase of embedding risk management practice, this could add too much complexity to the process and will therefore be re-considered at an appropriate point in the future.

The risk appetite statement is included in the Framework at page 16 and is unchanged from the previous version.

Escalation and de-escalation

The Internal Audit report recommended that once directorate/team level risk registers were in place, any low scoring corporate risks should be de-escalated and managed at directorate level. The Framework defines corporate risks as risks that are 'cross-cutting, on-going or longer-term and have an impact on SYMCA and its strategic objectives' (page 6) rather than being defined by the risk score therefore, it has been agreed that low scoring corporate risks will continue to reside on the corporate risk register and will not be 'de-escalated'.

Similarly, any high scoring directorate level risks will not automatically become corporate risks however, through monitoring at directorate and Executive Leadership level a decision may be taken to define a new corporate risk.

Escalation and de-escalation are addressed in the Recording and Reporting section of the Framework (page 9).

Thematic Boards

The Internal Audit report suggested that consideration should be given to providing Thematic Boards with risk reports generated from the central risk management system. Given the remit of the Thematic Boards it has been agreed the current approach is appropriate that accountability for the monitoring and management of risk should continue to reside with the Executive.

The role and responsibility of Thematic Boards in relation to risk is set out in the table on page 10 of the Framework.

- 2.3 Following completion of the exercise to populate the IT system, the Executive Leadership Board also reviewed all corporate risks and directorate level risks with a 'high' or medium/high' residual score and all health and safety 'themed' risks with a score of 5 or above. Each Director took an action to work with their risk leads to review and moderate all risks within the system.

3. Risk Dashboard

- 3.1 The Risk Dashboard provided at appendix B provides the following information:

Corporate Risks

Corporate risks by 'strategic group' - a bar chart that demonstrates the volume of risks and respective ratings by strategic 'group' (the categories established by the Framework for reporting purposes)

Corporate risks by 'risk score' – a bar chart that demonstrates the spread of corporate risks by current risk score.

Corporate risks by 'Directorate' – a bar chart that demonstrates the risks and where they reside within the directorates of the MCA.

Heat Map - The heat map provides a visual representation of the position of the risks within the probability and impact scoring grid and indicates the change in score from inherent to residual following the application of controls.

Corporate Risk Register – provides the risk description, inherent risk score, controls, residual risk score and mitigating actions. Lists risks from high to low.

Summary

The table below summarises corporate risks with residual scores of 'medium/high' and 'high'. More detail can be found within the Risk Dashboard Report Risk Register.

Reference	Title	Owner	Assignee	Status	Inherent	Residual
COR0007	Net Zero, Sustainability/ Climate Change	John Dowie	Richard Sulley	● Open	25	25
COR0009	Bus: Recovery Funding	John Dowie	Tim Taylor	● Open	25	20
COR0015	Tram Services	John Dowie	Pat Beijer	● Open	25	20
COR0022	Doncaster Sheffield Airport Closure.	Martin Swales	Martin Swales	● Open	25	20
COR0017	Transport	John Dowie	John Dowie	● Open	20	15
COR0021	Heightened Cyber Security Threat	Gareth Sutton	Gareth Sutton	● Open	25	15

3.2 Directorate/Team Risks

Volume of risks by risk score per Directorate - a bar chart that illustrates the volume of risks by residual risk score

Volume of risks per team within each Directorate - a bar chart that illustrates the volume of risks by residual risk score distributed across teams within a Directorate.

Directorate/Team level Risks Register - provides the risk description, inherent risk score, controls, residual risk score and mitigating actions for all risks scoring medium-high and high (amber and red).

Summary

There are 21 risks at directorate level with a residual risk score of 'medium/high' and 'high'. There are no 'medium/high' and 'high' scoring risks within the Strategy and Development Directorate. More detail can be found within the Risk Dashboard Report Risk Register.

Reference	Title	Owner	Assignee	Status	Inherent	Residual
BP0049	Organisational agility to respond to people resource needs (517)	John Dowie	Pat Beijer	● Open	20	20
BP0151	Declining Patronage (463)	Tim Taylor	Tim Taylor	● Open	25	20
BP0156	Application of Regional Policies	John Dowie	Chloe Shepherd	● Open	20	16
BP0026	Lack of Common Standards	Nick Brailsford	Nick Brailsford	● Open	25	15
BP0030	Road Traffic Collision at Bernard Road Junction (552)	Tim Taylor	Tim Taylor	● Open	20	15
BP0032	Balance Anchor Weight Failures (553)	Tim Taylor	Tim Taylor	● Open	15	15
BP0046	Inability to think strategically (523)	Pat Beijer	Pat Beijer	● Open	20	15
BP0065	Inability to fund the costs of tram asset renewal (462)	Pat Beijer	Pat Beijer	● Open	20	15
BP0068	Disruption due to concession handback (514)	Pat Beijer	Pat Beijer	● Open	20	15
BP0114	Cost inflation	Colin Blackburn	Colin Blackburn	● Open	25	15
BP0154	Third Party Reliance on Bus Operators to deliver Net Zero targets	Tim Taylor	Tim Taylor	● Open	20	15
BP0191	AEB - Workforce	Adam Greenwood	Adam Greenwood	● Open	25	15
BP0206	Tram Structures Inspections Identify Significant Remedial actions	Tim Taylor	Tim Taylor	● Open	25	15

BP0020	Exposure to the commercial performance of the transport network	Mike Thomas	Mike Thomas	● Open	25	12
BP0027	Operational Use of Non-corporate IT Business Tools	Nick Brailsford	Nick Brailsford	● Open	16	12
BP0089	Ending of funding for Business Growth Advisors assigned to LAs	Jim Dillon	Muz Mumtaz	● Open	16	12
BP0091	Programme Slippage	Sue Sykes	Sue Sykes	● Open	20	12
BP0116	Sporadic Funding Opportunities	Colin Blackburn	Colin Blackburn	● Open	16	12
BP0135	Dilapidated Connect Totems - Sheffield City Centre (547)	Rebecca Roe	Rebecca Roe	● Open	12	12
BP0153	Net Zero - MCA Operation	Martin Swales	Richard Sulley	● Open	16	12
BP0159	Net Zero - increasing cost and devalued investments	Gareth Sutton	Richard Sulley	● Open	16	12

3.3 Health & Safety Risks

Risk Register of risks with a health and safety ‘theme’ – provides the risk description, inherent risk score, controls, residual risk score and mitigating actions for all risks with a score of 5 or above. There is a low appetite for any risks which have a health and safety element to them.

Summary

There are 19 risks scoring 5 or over, two of which have a residual score of ‘medium/high’ the remaining 17 have a residual score of ‘medium’. More detail can be found within the Risk Dashboard Report Risk Register.

4. Consultation on Proposal

4.1 Not applicable

5. Timetable and Accountability for Implementing this Decision

5.1 The revised Framework will progress for MCA approval in March and will be applicable for the financial year 2023/24.

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 other than the ongoing requirement to add IT users to the user group for the risk management IT system.

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 Revised Management of Risk Framework

B Risk Management Dashboard

Background Papers

None