

Audit & Standards Committee

21st January 2021

Risk Management

Purpose of Report

This paper reports on the progress of embedding the revised approach to risk management and provides an update on strategic risks.

Thematic Priority

Cross cutting.

Freedom of Information

Under the Freedom of Information Act this paper and any appendices will be made available under the Mayoral Combined Authority Publication Scheme. This scheme commits the Authority to make information about how decisions are made available to the public as part of its normal business activities.

Recommendations

Audit and Standards Committee Members are asked to:

- Note the progress of embedding the revised risk management approach across the organisation.
- Note the update on strategic risks

and identify any issues.

1. Introduction

- 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 and Standards Committee endorsed the revised policy and process in October and, following their recommendation, it was approved and adopted by the MCA at their meeting in November. This report informs the Committee on the progress made embed the revised approach across the organisation. In addition, the report provides and update on strategic risk.

2. Proposal and justification

2.1 Operationalising the Risk Management Policy and Process

Since the endorsement of the new approach by the Audit and Standards Committee and subsequent adoption by the MCA a number of activities and actions have been undertaken to begin to embed the revised risk management approach including:

Consideration of risk has been embedded into the corporate and business planning process. Risk Champions are working with 'Business Planners' to ensure the agreed process is applied appropriately.

The new Programme Management system under development and currently in 'build/test phase' has functionality for recording and monitoring risk for all projects and programmes which is aligned to the agreed risk management approach.

The MCA board paper template has been re-developed to encourage better consideration of risk and regular risk sessions have been built into the Management Board meeting schedule.

Next steps

The business planning process will conclude by the end of Q4, at which point the plans will become operational. At this point the risk register developed during the developmental stages will become the register for the relevant programme of work and will be reviewed and reported on in line with the Risk Management Policy and Process.

Work will continue on the new Programme Management system to ensure alignment to the agreed approach.

Risk sections of Business Case documentation will be reviewed to ensure alignment to the agreed approach.

A staff training/induction module and a dedicated area on the intranet will be developed.

2.2 Strategic Risk Update

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

	Strategy Focus	Org M'Mt	Budget & Fin M'Mt	Prog M'Mt	Gov & Comp M'Mt	Total
No. of risks in category	5	5	8	7	9	34
Overall/average mitigated probability score						
Overall/average mitigated impact score						
Overall/average mitigated risk score						
No. of highly probable risks	1	0	2	0	0	3
No. of new risks added since last report	1		1	0	0	2
No. of risks closed since last report	0	0	0	0	0	0
No. of open actions	6	3	4	3	4	20
No. of actions overdue	3	1	0	2	2	8

2.3 Risk Category – Strategy Focus (appendix A)

The Risk Management Action Plan continues to have a red risk linked to the strategy for the long-term sustainability of public transport. Despite some additional resource being allocated from central government, this remains a high rated risk.

An additional risk (#5) has been added relating to the capacity in the system to develop and deliver an expanding and complex programme.

Two of the mitigation controls have been slightly adapted to take into account additional activity.

All actions are either completed or are underway, actions including those lobbying for funding for public transport and resources linked to future CSR, budget and SPF are on-going actions with no final date for any submission. An amendment to the action for the gainshare Investment Plan will be defined and added to the action plan.

Movement

Risk #2 'Failure to engage stakeholders in Renewal Action Plans etc leads to lack of funding to address economic challenges'

Probability remains the same at Probable

Mitigated probability has increased from Possible to Probable

The overall mitigated probability for category has increased from Possible to Probable.

Impact #1 'sustained economic recession'

Impact level has increased from Moderate to Major/Serious

Mitigated impact level remains the same at Moderate

Impact #2 'lack of investment for locally delivered interventions'

Impact level remains at Major/Serious

Mitigated impact level has increased from Moderate to Major/Serious

The overall risk score for the category has increased from Medium to Medium/High.

2.4 Risk Category – Organisational Management (appendix B)

The Risk Management Action Plan is broadly unchanged since the one presented to members. The overall risk score for the category remains Medium.

Members are asked to note that all actions have been delivered in the timescales set except for one action... consider the options for an employer voice forum, originally scheduled for November 2020.

The rationale for this is that during lockdown a large additional programme of employee communication has been implemented as illustrated below:

Continuing with the fortnightly remote, but in-person CEX briefing for all staff,

A Daily, now weekly briefing from the Deputy Chief Executive to all staff;

A staff consultation plan covering all aspects of communication,

Weekly Mayoral written briefings and quarterly Mayoral remote (in-person) briefing for staff

A monthly Management Session Deputy CEX and all AD,

A management remote planning workshop (December 2020)

The instigation of a Health and Safety employee forum (Jan 2021)

In view of the work planned on the integration of the MCA and PTE, Management Board are proposing to relook at a formal employee forum as part of the Integration Workstream on Organisational Development, and believe that the activity detailed above is sufficient in mitigating any risks of lack of clarity regarding priorities and also business continuity.

2.5 Risk Category – Budget & Financial Management (appendix C)

Budget and Financial Management risks continue to be closely monitored as the operating environment changes with each phase of the pandemic and the resultant response from national government.

A number of risks highlighted below have been adjusted reflecting the outcome of the Spending Review.

Initial reactive budget pressures arising from the March lockdown have now largely been addressed, and whilst Covid related pressures are an inherent risk, our ability to identify, measure, and mitigate is now much stronger than earlier in the year.

Whilst more certainty was garnered from the Spending Review around some funding streams, and the outline of a roadmap for bus funding has been communicated by government, there is still a lack of overall clarity and more specifically no plan for tram funding. This issue is reflected in a number of enhanced risks, reflecting that as we edge towards the new financial year without a solution these risks become more prominent

A new risk relating to asset management (#4) has been added to this Risk Management Action Plan. This reflects a number of issues that have now converged around inconsistencies in our approach to asset management and landlord functions.

Movement

Risk #2 'Loss of income/budgetary pressures as a result of COVID'
Probability has decreased from Probable to Possible
Mitigated Probability remains as Possible

Risk #3 'Ending of major funding streams leading to shortfall in income'
Probability has decreased from Highly Probable to Probable
Mitigated Probability remains at Probable

Risk #7 'Failure to find local contribution required to attract Government funding for mass transit renewal'
Probability remains Highly Probable
Mitigated Probability has increased from Possible to Probable

Impact #1 'Financial stability compromised due to unsustainable use of reserves'
Impact level remains Extreme
Mitigated impact level increased from Moderate to Major/Serious
Overall mitigated risk score for the category remains Medium-High.

2.6 Risk Category – Programme Management (appendix D)

There have been some minor changes to the register which are as a consequence of greater certainty to mitigate the risk of AEB implementation, following receipt of implementation resource from DFE.

Of the three actions there is one action that has slipped in timescales this being the implementation of the programme management system. The slippage was as a result of needing to do more bespoke technical work, including integration of the agreed risk management format. The revised date is for go-live in April 2021.

We are monitoring a further action which is to roll out Better Business Case training. HMT released a revised Green Book late 2020 and we are proposing on the back of this to roll out in

partnership with HMT a significant programme of training. We have no timescales from HMT for this and will monitor in case a localised training programme is required to be developed.

Movement

Risk #6 'Scale and complexity of work to deliver the Transforming Cities Funding'
Probability has increased to Highly Probable
Mitigated Probability has increased from Possible to Probable

Overall mitigated risk score for the category remains Medium.

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

There have been no significant changes to this Risk Management Action Plan since the last report.

Movement

Risk #8 - 'Information asset and GDPR approach for AEB'
Probability decreased from Probable to Possible
Mitigated Probability decreased from Possible to Unlikely

Impact #3 'Potential data breach and penalties'
Mitigated impact level decreased from Moderate to Minor
Overall mitigated risk score for the category has decreased from Medium to Low.

3. Consideration of alternative approaches

3.1 The approach to risk management has been endorsed by the Audit and Standards Committee and approved by the MCA however, the style and content of reporting will continue to evolve.

4. Implications

4.1 Financial

Failure to adequately manage risk could have significant financial implications for the MCA.

4.2 Legal

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

4.3 Risk Management

Risk is one of the fundamental controls that IA consider and that forms a fundamental aspect of the work of the ASC work.

This report follows a significant review of risk by the Statutory Officers and the Management Board of the Authority.

4.4 Equality, Diversity and Social Inclusion

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

5. Communications

5.1 Risk reporting is in line with the agreed policy and process.

6. Appendices

6.1 Appendix A – Strategy Focus Risk Management Action Plan
Appendix B – Organisational Management Risk Management Action Plan
Appendix C – Budget & Financial Management Risk Management Action Plan

Appendix D – Programme Management Risk Management Action Plan
Appendix E – Governance & Compliance Management Risk Management Action Plan

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Background papers used in the preparation of this report are available for inspection at: 11 Broad Street West, Sheffield S1 2BQ

Other sources and references: