

Audit & Standards Committee

18th March 2021

Strategic Risk Monitoring

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. The workplan for the Committee sets out that strategic risk will be a standing item at each meeting.

1.2 This report informs the Committee on the progress made embed the revised approach across the organisation and provides an update on strategic risk.

2. Proposal and justification

2.1 Operationalising the Risk Management Policy and Process

Since the last report to the Committee in January a number of actions have been progressed to embed the revised risk management approach including:

Risk Champions have continued to work with 'Business Planners' to ensure consideration of risk is embedded into the corporate and business planning process and, that at the conclusion of the process risk registers will become the operation risk register for the relevant area. These registers will then be reviewed as part of the quarterly business plan review cycle.

The new Programme Management system which will be used for recording and monitoring risk for all projects and programmes has been aligned to the agreed risk management approach and is scheduled to go live w/c 22nd March. A Risk Management Strategy template has been designed and will be completed for each Programme. This will act as a communication tool to ensure all participants understand the risk process to be adopted for the Programme including the measure of probability and impact to be employed, how risks will be recorded, the timing of risk management activity and the responsibilities of each party. The strategy document will be produced conjunction with the MCA Risk Management Policy and Process.

A dedicated area on the staff intranet has been developed.

Next steps

Seeking feedback on the new MCA board paper template which has been re-developed to encourage better consideration of risk and scheduling training and roll out across the organisation.

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

A staff training/induction module 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	9	7	9	35
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	0	0	1	0	1	2
No. of risks closed since last report	0	0	0	0	1	1
No. of open actions	6	1	3	3	6	19
No. of actions overdue	2	1	0	2	2	7

2.3 Heat map

Impact	5	Extreme					
	4	Major/ Serious					
	3	Moderate		PM ↑	OM ↑	BM ↑	SF ↑
	2	Minor	G&CM ↑				
	1	Immaterial					
			Remote	Unlikely	Possible	Probable	Highly Probable
			1	2	3	4	5
			Probability				

Key

SF – Strategy Focus
 BM – Budget Management
 OM – Organisational Management
 PM – Programme Management
 G&CM – Governance & Compliance Management

Risk Score Key

Low
Medium
Medium-High
High

2.4 Risk Category – Strategy Focus (appendix A)

The risk score for the category ‘Strategy Focus’ remains at ‘Medium-High’ and continues to have a ‘highly probable’ risk linked to the strategy for the long-term sustainability of public transport.

Actions

The completion date for the action relating to lobbying for future funding linked to the CSR and future Shared Prosperity Funds has been revised to reflect the ongoing nature of the activity. Submissions were made to the one-year CSR process and the budget. The Strategic Economic Plan has been approved in the last quarter by both the LEP and MCA and so has set out the future regional growth strategy.

The completion date for the action relating to agreeing with Members a plan for gainshare has been revised to encompass the work underway to agree an Investment Strategy for Gainshare which will be considered at the MCA meeting 22nd March.

Movement

Probability and impact scores for risks within this category have not altered since the previous report.

2.5 Risk Category – Organisational Management (appendix B)

The risk score for the category ‘Organisational Management’ remains at ‘Medium’.

Actions

The completion dates for the action relating to the adoption of the Corporate Plan and the action relating to a full review of the establishment structure have both been revised to align with the conclusion of business planning activity and are on target. The new corporate plan and business plans will ensure clarity over priorities that will feed individual team and personal objectives.

One action is overdue. This relates to the consideration of an employee forum. A revised completion date will be agreed as part of integration work.

Movement

The score level for the impact of increased resignations and absenteeism has increased during the last period from minor to moderate this is due to churn, particularly in positions on fixed term contracts due to future budget uncertainty and loss of income in year as a result of a drop in rental income.

2.6 Risk Category – Budget and Financial Management (appendix C)

Since the last Risk reporting the MCA has concluded its Budget and Business Planning exercise for the new financial year. The budget is accompanied by a reserve strategy and a treasury management strategy.

The budget and accompanying financial strategies represent the MCA's defined approach to mitigating risk in its financial operating environment. The budget report notes that the Business Planning process has provided a useful tool to test, re-test, and define existing and emerging risks.

The most prominent of these risks remains around the future commercial viability of the public transport network (risk #4 rated 'highly probable') as the country moves out of the current pandemic phase. At the time of writing, both future demand for services and government's intentions for future support to the network remains unclear. The MCA's ability to influence both variables remains limited.

Since the last reporting-date it has, however, become clear that government's response may include regulatory change to the relationship between bus operators and local public bodies. Whilst this may give the MCA greater leverage in the design and provision of future services, it does represent a major change in the potential relationship and may expose the MCA to future risk.

The budget report notes the MCA's intention to mitigate some of this risk through the freezing of the transport levy and the creation of earmarked reserves to both protect priority services wherever possible, and provide resource to effectively manage the potential regulatory change around bus.

However, the report notes that despite mitigations adopted, should fare-paying patronage not recover across the network the sustainment of the network in its form will require adequate government intervention.

Since the last reporting date progress has been made in a number of other areas. Clarity around the availability and quantum of grants has been received following the Spending Review, whilst future commercial income generation has been tested as part of the Business Planning exercise. The proposed budget and reserves strategy has also allowed for the planned mitigation of risk in line with broader financial strategies, moving the MCA away from reactive to planned management. Finally, engagement with the elected members of the MCA has allowed for agreement to be reached on the deployment of next year's gainshare funding, and for progress to be made on the development of a longer-term investment strategy.

Actions

Budget re-baselining and presentation of a revised budget to MCA: a Budget Revision process has now been firmly embedded. The budget re-baselining and revision process has allowed for the budget pressures reported earlier in the year to be addressed. It is recommended that this action now be removed from regular monitoring, with budget reports instead shared with the Committee.

Development of exit strategies from the current public-subsidy model for the public transport network, and continued lobbying of government for sustained support to the network during Covid disruption: significant progress has been made on this action since the last reporting date with the submission of a Light Rail Recovery Plan to government and the creation of a Bus-Steering Group chaired by the Chief Executive and drawing on officer expertise from across the Group. A Bus Project Director has also been recruited to provide the necessary focus and leadership on this activity.

Movement

Risk #2: Loss of Income from Covid 19 and higher reactionary expenditure

The mitigated probability of this risk has been moved to unlikely, recognising greater near-term certainty and the creation of new earmarked reserves to mitigate financial shock.

Risk #3: Ending of major funding streams

The probability of this has been revised down to 'possible' to reflect the greater certainty we have over funding for the next financial year. Longer-term funding remains at risk

Risk #8: Consensus on use of Gainshare funding

The mitigated probability of this risk has been revised down to reflect the productive work that has been undertaken with and between members around the deployment of near-term resource and future investment strategies.

Risk #9: Regulatory change - NEW

This is a new risk reflecting the possibility that the government may look to change the current regulatory environment that governs the relationships between bus operators and local public bodies.

Despite these changes and the addition of a new risk the overall risk score for this category remains at 'Medium'.

2.7 Risk Category – Programme Management (appendix D)

Since the last report a number of proposals have been put forward that affect the risk register.

A Business Process Redesign tender has been put into the market to seek an independent expert to review the MCA's programme management processes. This review will seek to test the process flows and interfaces between scheme promoters and the MCA, with a view to identifying potential efficiencies.

This work may lead to the faster and better delivery of schemes, and mitigate some of the issues noted around managing the challenges of government funding deadlines.

The action plan in the risk register also notes the proposal taken forward as part of the Budget report for 2021/22 to create a 'Project Feasibility Fund'. This Fund is designed to provide revenue resource to facilitate the early stage development of schemes. This will, in turn, allow

for the creation of a sustainable pipeline of investable propositions that can be matched to government funding cycles as they arise.

It is hoped that the creation of such a pipeline of schemes will allow the MCA and partners to get ahead of problems and take pressure out of the development stage of activity. In turn this should allow for the design of better schemes at a faster pace. This action is detailed below.

Actions

NEW - The resourcing, design, and implementation of a Project Feasibility Fund: Subject to Member agreement the Fund will be resourced as part of the Budget setting process, with a further report to be taken to Members in June with recommendations on the implementation of the Fund.

Movement

Risk #4: Bus Review

The mitigated probability of this risk has been revised down from 'Probable' to 'Possibly' following the budget's proposal to create an earmarked resource to fund this activity. This reduces the overall mitigated probability score from 'Possible' to 'Unlikely'

The overall risk score for the category remains unchanged at 'Medium'

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

The risk score for the category 'Governance and Compliance Management' remains at 'Low'.

Since the last report risk #6 relating to failure to implement a Mayoral Remuneration Panel and agree an outcome has been closed. The MCA meeting in January considered a report from the panel and agree the Mayoral remuneration.

A new risk (#10) has been added relating to a potential lack of resource and expertise to deliver the 2022 Mayoral Election.

Actions

Two new actions have been added that relate to resourcing for the Mayoral Election and resourcing information governance activity.

Movement

Risk #3: governance and compliance issues as a result of ineffective planning for the integration of the PTE and MCA. The probability score for this risk has been revised down from 'Probable' to 'Possible' and the mitigated probability score revised from 'Possible' to 'Unlikely' this is due to the progress made towards scoping an assured process.

Risk #4: failure to have an effective approach to legislative, regulatory and statutory compliance. The probability score for this risk has been revised down from 'Probable' to 'Possible' and the mitigated probability score revised from 'Possible' to 'Unlikely' this reflects that there is an in-house legal function that is integrated into the organisation.

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 Finance

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.

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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Other sources and references: