AUDIT & STANDARDS COMMITTEE

18th April 2019

Strategic Risk Management

Purpose of Report

This report presents a reviewed Risk Management Policy and Risk Management Process.

Freedom of Information and Schedule 12A of the Local Government Act 1972

Under the Freedom of Information Act this paper and any appendices will be made available under the 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

The Audit Committee is asked to endorse the revised Risk Policy (Appendix A) and the Risk Management Process (Appendix B) for recommendation to the Mayoral Combined Authority.

1. **Introduction**

    1.1   The Mayoral Combined Authority Constitution specifies that the Audit and Standards Committee should oversee the effectiveness of the Authority's risk management arrangements.

    1.2   SCR's strategic risk management approach focusses on the effectiveness of, and compliance with, the components of SCR's governance and control framework. This approach was endorsed by the Audit Committee in January 2017. Since then, the Committee has played a key role in ensuring this approach has been embedded and, in monitoring its effectiveness.

2. **Proposal and justification**

    2.1   The Risk Policy and Process have been reviewed and are provided at appendix A and B.

    No substantive changes have been made to the Risk Policy.

    Key areas of change to the Risk Process include:

    - Updated introduction/context
    - Clarification regarding recording of risk at project/scheme (section 4.2)

- Clarification of the escalation process of project/scheme risks to ensure the process better reflects current practice (section 4.6)
- Removal of reference to BMBC (section 7)
- Refreshed development plan (section 8)

2.2 Effectiveness of the Policy and Process

The effectiveness of SCR's risk management approach is reviewed as part of the Annual Governance Review and is reported on in the Annual Governance Statement. During 18/19, the application and effectiveness of the policy and process has been evident in working practices, for example:

- LEP agreement to decoupling Local Growth Fund (LGF) from schemes in the pipeline that were failing to hit milestones, in order to better manage the pipeline and mitigate risks of capital programme slippage.
- Escalation of declining Business Investment Fund (BIF) pipeline and the prioritisation of a targeted fund within this aimed at proactively supporting the digital business sector.
- Management of risks related to outturn position
- State Aid issue with private sector scheme sponsors including for example DSA.

2.3 Internal Audit have also reviewed the policy and process and concluded that current arrangements are fit for purpose and effective.

2.4 Next steps

The policy and process will be reviewed on an annual basis however, further to the development and approval of a refreshed Strategic Economic Plan and a Local Industrial Strategy, it may be that the policy and process will require a mid-year review. In addition, as the new Thematic Boards become established reporting and escalation routes may also need to be revisited.

Further to endorsement by the Audit and Standards Committee, the Risk Policy and Risk Management Process will be presented to the Mayoral Combined Authority for approval.

3. Consideration of alternative approaches

3.1 It is recognised that the approach to risk management will continue to evolve and the SCR Executive team will act on this in liaison with the Audit and Standards Committee.

4. Implications

4.1 Financial

As SCR risk management processes evolve there may be resourcing implications and associated costs for the MCA group. This will be considered as appropriate with Statutory Officers, and all viable options will be costed in conjunction with the MCA Senior Finance Manager.

4.2 Legal

There are no legal implications relating to the development and embedding of SCR's risk management processes. However, risk management is a fundamental requirement of good governance, therefore Monitoring Officer and Internal Audit oversight is a continuous process.

4.3 Risk Management

Risk management is vitally important to the successful delivery of SCR's objectives. Therefore a defined risk management process is a key component of the governance and control framework that underpins this.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity and social inclusion issues relating to the development and embedding of SCRs risk management processes.

5. Communications

5.1 SCR's risk management processes are internal and do not require external communications. However, the Policy will be publicly available, as will any papers on risk management presented to the MCA and the Audit and Standards Committee. Internal communication will be undertaken appropriately.

Should a risk materialise that has the impact of adverse public or Government reaction communication will be managed appropriately.

6. Appendices/Annexes

6.1
- Appendix A – Risk Management Policy
- Appendix B – Risk Management Process

REPORT AUTHOR   **Claire James**
POST   **Governance & Compliance Officer**
Officer responsible   **Ruth Adams**
Organisation   **Sheffield City Region**
Email   **Ruth.adams@sheffieldcityregion.org.uk**
Telephone   **0114 220 3442**

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: n/a