

AUDIT & STANDARDS COMMITTEE

18th April 2019

Strategic Risk Management Monitoring

Purpose of Report

This paper is presented to ensure the Audit and Standards Committee has appropriate oversight of MCA strategic risk management arrangements.

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 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

The Committee is asked to consider the progress updates against risk management actions scheduled for quarter four, and identify any issues.

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 MCA's strategic risk management approach focusses on the effectiveness of, and compliance with, the components of the 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.
- 1.3** Strategic Risks are owned by the Statutory Officers Group and managed through Strategic Risk Management Action Plans. These plans capture the controls already in place to manage the risk, an assessment of whether the controls are adequate and effective, and any further actions required to reduce the likelihood of the risk occurring and to reduce the impact of the risk should it occur.

2. Proposal and justification

- 2.1** Statutory Officers of the Authority ran a workshop with senior members of the SCR Executive Team in December 2018 to refresh the strategic risks and review the actions plans.
- 2.2** A report was presented to the Audit and Standards Committee in January that provided an overview of the key actions that had been identified to manage each strategic risk over the next quarter. This report updates the Committee on the progress of each action. This can be found at appendix A.
- 2.3** A supplementary reading pack of Risk Management Action Plans has been provided for members. Each plan acts as a tool for risk owners and officers to monitor the effectiveness of controls in place to manage each strategic risk, and record any actions identified to provide further mitigation.

2.4 Next steps

In line with Mayoral Combined Authority AGM procedures, Risk Owners will be reviewed further to any changes of Statutory Officer responsibilities.

3. Consideration of alternative approaches

- 3.1** SCR's approach to strategic risk management has been endorsed by the Audit and Standards Committee and approved by the MCA.

4. Implications

4.1 Financial

Failure to manage significant risks could result in fines, loss of revenue etc.

4.2 Legal

Failure to manage significant risks could result in legal action.

4.3 Risk Management

Risk management is vitally important to the successful delivery of SCR MCA / LEP objectives. Therefore, a defined risk management process is a key component of the governance and control framework that underpins this. The Audit and Standards Committee plays a vital role in providing assurance to the MCA of the effectiveness of risk management arrangements.

4.4 Equality, Diversity and Social Inclusion

There are no equality, diversity or social inclusion implications.

5. Communications

- 5.1** Strategic risks, and the progress of their management, are communicated internally via Statutory Officer Group meetings, Senior Leadership team meetings and staff briefings.

6. Appendices/Annexes

- 6.1** Appendix A – Update on quarter four risk management actions

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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: none

Strategy Led Prioritisation (Owner – Dave Smith)	
<p>Risk description</p> <p>Cause: Failure to create, maintain and develop an effective strategic and operational approach to setting the SCR agenda for economic growth and identifying and validating transformational schemes that deliver maximum growth,</p> <p>Event: having the consequence of the inability to deliver potentially game-changing projects</p> <p>Consequence: having the impact of the MCA not capitalising on opportunities that could bring about most change</p>	
Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> • Commencement of the refresh of the SEP and developing a Local Industrial Strategy (as agreed by the LEP Board in September) • Developing the commissioning framework that identifies the drivers for priorities in the coming year i.e. Global Innovation Corridor (GIC), Trade and Investment etc • Recognising the unknown impact of Brexit ensure resource can flex to meet specific challenges as they arise. • Mayor's Vision for Transport will provide the context for the Transforming Cities bid • Work will continue to seek a resolution to unlocking the benefits of the 2015 devolution deal. 	<ul style="list-style-type: none"> • The refresh of the SEP is underway with a clear timescale – see 'Organisation Performance & Viability' below. • This needs to be addressed as part of the SEP development work and will therefore run in parallel. • Work will continue into the next quarter as implications become clearer. • SCR have been successful in securing £4.2m of funding (from the Transforming Cities Fund Tranche 1 Grant). The OBC for phase 2, seeking c£200m is being prepared for submission in June. • A consensus has been agreed and a letter sent to SoS (25th March 2019) The letter has been acknowledged however, at the time of writing, a response is awaited.
Financial & Asset Management (Owner – Eugene Walker)	
<p>Risk description</p> <p>Cause: Failure to create, maintain and develop an effective strategic and operational approach to financial and asset management</p> <p>Event: that would have the consequence of the MCA having the inability to adequately manage its resources and demonstrate compliance with statutory obligations</p> <p>Consequence: resulting in potentially poor financial management, accountability, transparency and ultimately a failure to achieve intended outcomes.</p>	

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> • A joint review of SCR and PTE Finance and Procurement functions in order to progress a 'group' approach. • Identifying strategic priorities as part of budget workshop with Leaders. • Procurement of external expertise to work with the MCA Group to develop the MCA Group Strategic Asset Management Strategy and Delivery Plan. 	<ul style="list-style-type: none"> • This review is underway, Statutory Officers will consider the options at their meeting 16th April. • Further to discussions with Leaders the budget was agreed at the MCA 25th March and series of workshop are scheduled to identify potential in-year efficiencies. • Statutory Officers are working with the SAMS Project Board to clarify the scope and objectives of the project to ensure alignment to current priorities.

Programme Performance and Portfolio Management (Owner – Ruth Adams)

Risk description

Cause: Failure to create, maintain and develop an effective strategic and operational approach to programme performance and investment management

Event: that would have the consequence of the MCA having the inability to adequately manage activity and demonstrate the effectiveness of its investments

Consequence: resulting in poor performance, accountability and transparency and, ultimately a failure to achieve intended outcomes and potential loss of grant.

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> • Improving the quality of support given to those developing business cases. • Reviewing and clarifying the role of the Appraisal Panel in assessing and making investment recommendations to MCA thematic boards in preparation for the implementation of new governance arrangements. • Scoping a technology-based solution for managing the capital programme to increase assurance around data accuracy and to improve efficiency. • Finalising the revised Transport model and obtaining DfT validation in order to better forecast the benefits of transport schemes. 	<ul style="list-style-type: none"> • 'Better Business Case' training has been rolled out to 56 members of the Executive Team. This will enhance the capacity of the team to support partners with regards to project development and maximise opportunities to secure funding for key priorities from central Government. • Proposals regarding enhancing the processes and transparency of the Appraisal Panel, including options, will be presented to the LEP Board 20th May. • A number of 'off the shelf' options have been explored however don't provide the flexibility required. A 'user requirements deck' has been drafted for internal consultation prior to approaching the market to identify an appropriate solution. • The model (TM1) build is now complete and has been accepted by DfT for the Mass Transit OBC. In early May SCR will meet with DfT to secure approval of the use of the

	model for the appraisal of the Innovation Corridor scheme. Subsequent to this, the SCR TM1 will become available for use to appraise transport schemes across the City Region.
Reputation Management (Owner – Ruth Adams)	
<p>Risk description</p> <p>Cause: Failure to create, maintain and develop an effective strategic and operational approach to engaging, communicating and influencing stakeholders and partners on a local, national and international level.</p> <p>Event: This could have the consequence(s) of less effective engagement and missed opportunities and as well as misaligned objectives and outcomes potentially being delivered that have not taken into account the views of those affected by changes.</p> <p>Consequence: This could result in a reputation which doesn't reflect SCR's successes or its future ambitions to deliver the Growth Strategy in partnership with stakeholders, including partners and residents.</p>	
Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Producing a revised and detailed corporate affairs, marketing and communications plan for the organisation. Undertaking a detailed analysis of stakeholders and putting in place a clear plan for engagement. Rolling out training on stakeholder and key messages. Undertaking a spot check of brand compliance. Monitoring the effectiveness of and introducing new approaches to internal communications. 	<ul style="list-style-type: none"> The appointment of a new LEP Chair and government announcements regarding Local Industrial Strategy development, Shared Prosperity Fund and the 2019 Comprehensive Spending Review necessitate the production of a revised strategy and plan for 19/20. This is now in development. Specific stakeholder mapping work has taken place for a number of key SCR workstreams, including the development of the new Strategic Economic Plan, Global Innovation Corridor and Transport Strategy work. This is being undertaken as part of the External Affairs Plan outlined above Dependent on the action above Outstanding – will be carried over into the next quarter with a deadline of Sept 19 Refreshed SCR intranet site has been developed and launched.
Decision Making and Transparency (Owner - Andrew Frosdick)	
<p>Risk description</p> <p>Cause: Failure to have in place clear, defined, effective decision-making processes that are in line with transparency rules and public accountability obligations</p> <p>Event: that would have the consequence of the MCA potentially making poor and questionable decisions</p> <p>Consequence: leading to a loss of stakeholder and partner confidence and ultimately a failure to achieve intended outcomes.</p>	

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Updating the Constitution and Scheme of Delegation to reflect agreed changes to MCA governance arrangements and implementing these which will bring about increased transparency as papers for decision making boards will be published. Implementing the requirements of the revised National Assurance Framework issued by Government January 2019. 	<ul style="list-style-type: none"> Constitution has been updated, approved and is published on the SCR website. New governance arrangements became effective from 1st April. Membership of the new thematic boards will be confirmed at the LEP Board 20th May. The revised Assurance Framework was approved by the LEP Board 4th March and the MCA 25th March. More details on the key changes to the Assurance Framework can be found at item 14.

Ethics & Integrity (Owner – Dave Smith)

Risk description

Cause: Failure to create, maintain and develop an effective strategic and operational approach to embedding high levels of ethical standards

Event: which may have the consequence of the MCA having the inability to identify and eliminate fraud and bribery and ensure transparency resulting in corrupt or improper practices

Consequence: leading to compliance issues, potential reputational damage and ultimately a failure to achieve intended outcomes.

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Roll out anti-fraud and bribery refresher training. 	<ul style="list-style-type: none"> Mandatory training will be reviewed as part of the corporate learning and development plan.

Information Assurance (Owner – Ruth Adams)

Risk description

Cause: Failure to create, maintain and develop an effective strategic and operational approach to information governance

Event: having the consequence of the MCA having the inability to manage and secure its information assets and systems

Consequence: potentially resulting in poor decision making, security breaches non-compliance and ultimately a failure to achieve intended outcomes.

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> As the 1st anniversary of the General Data Protection Regulation coming into force approaches, review the effectiveness of the policies and processes introduced in May 2018 to meet the requirements and identify any issues or any opportunities for improvement. 	<ul style="list-style-type: none"> An Internal Audit concluded during March and recommendations are now under consideration. The working group, convened in 2018 to deliver the changes required by GDPR, has been resurrected to respond to IA recommendations and to make improvements where necessary. The MCA became an employing body on 1st April. Statutory Officers and Senior SYPTE

<ul style="list-style-type: none"> Consider IT systems at 'group' level identifying future requirements should the MCA become an employing body. 	<p>Officers will meet as a 'group' executive on a regular basis to prioritise and implement changes on order to drive efficiency.</p>
Audit & Scrutiny Arrangements (Owner – Andrew Frosdick)	
<p>Risk description</p> <p>Cause: Failure to have in place effective audit and scrutiny arrangements</p> <p>Event: having the consequence of a lack of assurance that the MCAs affairs are administered in a proper and effective manner</p> <p>Consequence: resulting in poor accountability, transparency and ultimately a failure to achieve intended outcomes.</p>	
Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Monitoring the efficacy of the Overview and Scrutiny substitution policy and its impact on meeting quoracy requirements. Implementing new statutory guidance for OSC (this was due to be published by the end of 2018 but has been delayed). 	<ul style="list-style-type: none"> Since the introduction of the substitution policy in the latter half of 2018, two OSC meetings have been held, both of which were quorate. Monitoring will continue. At time of writing the guidance has not been published.
Business Continuity Management (Owner – Ruth Adams)	
<p>Risk description</p> <p>Cause: Failure to have in place an adequate, effective approach to business continuity management</p> <p>Event: having the consequence of the MCA having poor resilience to factors that could affect objectives, operations and infrastructure and</p> <p>Consequence: the inability to recover and continue to deliver its intended outcomes in the instance of a negative event or operational disruption.</p>	
Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Communicating the business recovery plan to all SCR team members to ensure awareness of roles and responsibilities and key actions required should the plan be invoked. 	<ul style="list-style-type: none"> This action has been put on hold pending a revision of the plan further to completion of building configuration and the appointment of new facilities management team members.
Risk Management (Owner – Dave Smith)	
<p>Risk description</p> <p>Cause: Failure to create, maintain and develop an effective strategic and operational approach to risk management</p> <p>Event: that would have the consequence of the MCA having the inability to actively identify, assess and manage threats and opportunities</p> <p>Impact: resulting in poor decisions and a failure to achieve intended outcomes.</p>	

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Work with internal audit to review the Risk Management Policy and Process ahead of the annual review by the Audit & Standards Committee in April. 	<ul style="list-style-type: none"> Policy and Process have been reviewed and are provided at item 10.
Leadership & Organisational Capability (Owner – Dave Smith)	
<p>Risk description</p> <p>Cause: Failure to have in place an appropriate organisational structure and effective leadership and to create, maintain and develop an effective strategic and operational approach to workforce recruitment, development and reward</p> <p>Event: that would have the consequence of the inability of the MCA to have in place a structured, skilled and empowered workforce</p> <p>Consequence: resulting in a lack of organisational capability and a failure to achieve intended outcomes.</p>	
Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> Addressing the issues of capacity and conflicts of interest presented by Statutory Officers occupying dual roles (SCR MCA and LA) Through the exploration of the MCA becoming an employing body determining an HR structure, recruitment processes, organisational policies and a learning and development strategy appropriate to the requirements of an MCA. Provide support and advice to the Mayor in reaching an MCA consensus on regarding the direction of travel that provides the best opportunity for the achievement of the desired economic growth. 	<ul style="list-style-type: none"> Statutory Officer roles and responsibilities will be reviewed in line with AGM processes. The MCA became an employing body on 1st April. Statutory Officers and Senior SYPTE Officers will meet as a 'group' executive on a regular basis to prioritise and implement changes to drive efficiency. A consensus has been agreed and a letter sent to SoS (25th March 2019) The letter has been acknowledged however, at the time of writing, a response is awaited.
Compliance (Owner – Andrew Frosdick)	
<p>Risk description</p> <p>Cause: Failure to create, maintain and develop an effective strategic and operational approach to ensuring legislative, regulatory and statutory compliance</p> <p>Event: having the consequence of the MCA having the inability to adequately demonstrate adherence to legal, regulatory and statutory duties</p> <p>Consequence: resulting in potential litigation, monetary penalties, an inability to maintain trust and confidence causing reputational damage.</p>	

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> • Reviewing compliance with the Equality Act and the Social Value Act. • Understanding the requirements of the Environmental Information Regulations 2004. • Resolving accessibility issues through the BSW building reconfiguration project. 	<ul style="list-style-type: none"> • Outstanding – will be carried over into the next quarter • Outstanding – will be carried over into the next quarter • The project to reconfigure the ground floor at BSW concluded on 29th March. The facilities are now DDA compliant and webcasting capability is in place to ensure SCR enhances transparency.

Organisational Performance & Viability (Owner – Dave Smith)

Risk description

Cause: Failure to create, maintain and develop an effective strategic and operational approach to managing the performance of the organisation and to ensuring organisational viability

Event: having the consequence of the inability of the MCA to adequately manage and demonstrate the effectiveness of its service and to be able to foster the sustainable development of the organisation.

Consequence: resulting in potentially poor performance, reputational damage, a failure to meet intended outcomes and longer term goals.

Agreed actions for Jan-Apr	Status
<ul style="list-style-type: none"> • Commencement of work to refresh the SEP and developing a Local Industrial Strategy (as agreed by the LEP Board in November) • Developing a Corporate Plan for 19/20 that sets out the key deliverables for the SCR MCA/LEP programme. 	<ul style="list-style-type: none"> • The refresh of the SEP is underway with a clear timescale. Additional data gathering and analysis for the SEP evidence base has begun (specifically inclusive economic growth and the Global Innovation Corridor). <ul style="list-style-type: none"> - SCR Policy Team have had several meetings with lead LEP Board members/LEP Chair and officers from individual local authorities to develop the SEP's themes. - Drafting work on the SEP document has begun and is ongoing. The consultation draft of the SEP will be ready by end of May 2019. - Development work on the LIS will commence as the consultation draft of the SEP takes shape. • The 2019/20 LEP Delivery Plan which will outline the key deliverables for LEP funded activity is currently being drafted. This will be presented to the LEP Board on 20 May 2019 for approval. The LEP Delivery Plan

<ul style="list-style-type: none"> • Developing KPIs that support the organisation in telling the story of the impact of investments and interventions made. • Progress work on developing personal objectives for all team members. • Formalise the monitoring of the Mayoral Manifesto Implementation Plan identifying activity that is mutually beneficial in terms of delivering SCR core strategic objectives. 	<p>forms part of the Corporate Plan for 19/20. The Corporate Plan will be presented to the MCA Board in draft form for approval on 3 June 2019</p> <ul style="list-style-type: none"> • KPIs are being developed as part of the SEP refresh work that is currently underway. • Work to formalise a PDR process will progress as part of the establishment of a new corporate identity. • Implementation Officer commenced role in January and has developed an overall programme implementation to be agreed with the Mayor. This identifies and timetables key priorities and monitoring arrangements.
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