

Risk Management Process

Document Properties

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1. Context

Sheffield City Region Mayoral Combined Authority (MCA) is responsible for the strategic economic development decision making for the Sheffield City Region (SCR). The MCA works closely with the private sector led Local Enterprise Partnership (LEP) to ensure local business representatives are actively involved in decision making processes.

The LEP leads on the development of the Strategic Economic Plan (SEP), which captures the ambition, vision and strategic ambition of the LEP and MCA for the economic development of the city region. The growth deals and current devolution deal supports the aspirations of the SEP. Working closely with the LEP, the remit of the MCA is to coordinate and drive forward economic regeneration development and transport initiatives for the benefit of citizens and the business community within its boundaries. The SEP is prepared with the support of the SCR Executive Team who develop the plan and establish a set of commissioning plans against the priorities of Skills, Infrastructure, Transport, Housing and Business Growth.

The MCA recognises that an effective governance framework is vital to the successful delivery of the SEP and is committed to ensuring that the management of the risks to this is an integral part of the organisation's internal control and governance arrangements. By maintaining an effective governance framework and managing the risks to it effectively Sheffield City Region (SCR) will be in a stronger position to minimise or avoid threats and exploit opportunities to deliver the objectives of the SEP.

SCR also recognizes that the Accounts and Audit Regulations 2015, section 3, requires a relevant authority to have '*... effective arrangements for the management of risk.*' And, in addition, that Principle F of CIPFA's Delivering Good Governance in Local Government (2016) outlines risk management as an important and integral part of performance management and crucial to the achievement of outcomes.

The purpose of this Risk Process is to provide the components for delivering the Policy and ensuring that risk management arrangements are maintained.

The components of the process are:

- Roles and responsibilities
- Risk management process
 - Risk review
 - Risk acceptance
 - Risk recording
- Guidance, training and facilitation
- Assurance
- A three year ~~Strategic Pp~~lan

These components are ~~further~~-detailed later in this document.

Whilst the principles and mechanics of risk management remain fairly constant, SCR's role, in a context of a growing policy agenda, growing resources, ambitions and expectations to ~~deliver~~, is continually evolving fast. The MCA therefore recognises that where there is change, there is risk. Consequently, it is critical that both the MCA and the SCR Executive Team are clear regarding the importance of an effective and proportionate governance and control framework and the importance of managing the risks to it effectively.

2. Introduction

What is Risk & Risk Management?

Risk is defined as: an event or situation that could impact positively or negatively on the achievement of SCR's objectives.

A 'risk' is made up of an **event**, which if it manifests will have an **negative impact** on the SCR's **objectives**.

Risk is considered in terms of the probability of an occurrence, together with the possible impact, usually expressed by the potential financial loss, and damage to reputation.

However, risk should also be considered and thought of more positively in terms of the context of both missed opportunities, and opportunities that have not been maximised or properly exploited.

Risk Management is defined as: the culture, activities and structure that are directed towards the effective management of potential opportunities and threats to an organisation.

Why manage Risk?

Risk management provides a mechanism for identifying risks which represent opportunities, and those which represent potential pitfalls. It enables the organisation to develop response strategies and allocate resources appropriately.

SCR recognises the importance of maintaining a robust risk management system to facilitate and support the evolving governance of the region and the agenda the region faces in a newly devolved set of functions. SCR is clear that embedded risk management processes will ultimately contribute to the provision of assurance regarding the MCA's compliance, performance and overall robustness of its internal control and governance framework.

SCRs Approach to Risk Management

The MCA recognises the importance of having an enabling governance infrastructure through which all activities and responsibilities are discharged. This has been articulated through the identification of a number of themes. These themes, (shown in Annex A) form the basis of the core strategic infrastructure. The risk management approach at this strategic level will therefore focus on how the effectiveness of the themes are and how they are complied with in order to deliver the MCAs objectives. By managing risk to this governance and control framework effectively, SCR will be in a stronger position to minimise or avoid threats and exploit opportunities in order to deliver its objectives.

The risk management approach at operational level uses Directorate operational objectives, operationalised through articulated in Business Plans and Delivery Plans, as a basis for the identification of threats. Risks to Project project objectives are identified by scheme promoters and reported through Assurance Framework processes. Further information regarding the reporting and escalation of risks is detailed at section 4.2 and 4.6.

The aim of the Risk Management Policy and Process is to manage risks that threaten the successful delivery of project objectives, Directorate objectives and ultimately the governance and control framework that underpins the successful delivery of SCR's strategic, operational and project objectives and, where possible, reduce these to an acceptable level.

This process also document sets out how a culture of risk management will be further developed and maintained in the next few years as the organisation evolves.

3. Roles and Responsibilities

In order to ensure that SCR's risk management arrangements are implemented and delivered effectively, it is essential roles and responsibilities are clearly defined.

Risk management is the responsibility of everyone at SCR, but the Mayoral Combined Authority, Audit and Standards Committee, Statutory Officers Group and Senior Leadership Team will have specific responsibilities that directly contribute to the effectiveness of the risk management process.

The main roles and responsibilities for risk management at SCR are summarised below:

The MCA

- Provides strategic direction and determines risk appetite.
- Overall accountability for risk management and sets risk management policy.
- Ensures an appropriate risk management framework is in place.

Audit and Standards Committee

- Provides assurance to the MCA on the effectiveness of the risk management framework.
- Reviews group risk profile and strategic Risk Management Actions Plans (Risk Registers)

Statutory Officers Group

- Owns and manages SCR's strategic risks.
- Ensures appropriate focus and resources are applied to risk management.
- Ensures that key strategies include appropriate risk focus.
- Fosters a supportive environment to promote an 'open' culture which encourages risk reporting.
- Has oversight of the Strategic Risk profile of subsidiary bodies (PTE)

SCR Executive Senior Leadership Team

- Encourages business-wide application of risk management.
- Ensures the effective and timely upward reporting of significant and emerging risks to Statutory Officers Group
- Provides input to Statutory Officers Group review of strategic risks by reviewing significant strategic, operational and project risks.

Operational Teams

- Implement operational risk management processes including where required the maintenance of operational Risk Management Action Plans for the management of operational high risk areas.
- Prepares quarterly reports-Reports on significant risks for-to the Senior Leadership Team for escalation as appropriate.

Governance and Compliance Function

- Establish and maintain an effective risk management framework.
- Design and develop risk management policy and procedures.
- Provide support and guidance on the management of risk.
- Obtain independent assurance from Internal Audit regarding the effectiveness of and compliance with risk management processes

Individuals

- Comply with SCR's risk management policy.
- Apply risk management processes within their own area.

The key elements of Sheffield City Region's risk management process are shown in Figure 1.



4.1 Risk Identification

SCR uses the governance framework underpinning the delivery of the SEP, operational and project objectives as a basis to identify risk. This generates a comprehensive list of threats and opportunities which potentially affect the achievement of objectives. Both external and internal factors are considered.

All reports to the MCA are required to provide details of any potential significant risks in proposed policy changes, Programmes or Projects. The report must include a specific section on Risk Management implications, where an articulation of the significant risks associated with the proposal, along with assurances that appropriate mitigations actions are (or will be) in place should be detailed. This activity will ensure that report authors are able to provide accurate and appropriate information on the management of risk enabling for appropriate escalation where necessary.

4. Risk Management Process

The Risk Management Process provides a systematic and effective method of managing risks at different levels within SCR. The starting point for an effective risk management process is a clear understanding of the organisation's objectives and the governance framework that underpins this. This will provide the basis for identifying potential risks that threaten the effectiveness of the governance framework and therefore hinder the delivery of objectives.

The process requires every significant risk to be:

- Identified
- Recorded and owned / allocated to a named manager
- Assessed for likelihood and impact
- Mitigated or treated
- Monitored and reviewed

4.2 Risk Recording & Ownership

Recording

Strategic and Operational

The recording, control and monitoring of strategic and operational risks is facilitated through Governance and Compliance function within the SCR Executive Team. Risk Management Action Plans (Risk Registers) incorporate specific information about individual risks, the existing controls in place, and action plans intended to further mitigate those risks. SCR's standard risk description is outlined in Annex B along with further information regarding SCR's Risk Management Plan template.

Project and Scheme

The SCR Assurance and Accountability Framework includes a comprehensive issue and risk management approach developed in accordance with the Government Green Book guidance and project management methodology. For projects or schemes seeking investment from SCR risks are referenced in the Business Case and appraised as part of the assurance process. Appropriate contractual conditions are attached to any funding to manage potential risks. Once in contract, project/scheme risks are recorded and managed by individual scheme promoters. Risks are referenced in the Business Case and appraised as part of the assurance process. Each project is asked to report its most significant risks to SCR on a quarterly basis and escalate any requiring the attention are escalated to Statutory Officer and to the respective Board if necessary.

Ownership

Every risk is assigned a risk owner and action owner(s). The risk owner carries ultimate responsibility for ensuring the risk is managed and monitored. A risk owner will have sufficient authority to ensure the

risk is managed effectively and may assign responsibility to another member of staff with the relevant expertise to manage the risk on their behalf and act as action owner.

4.3 Risk Assessment

Risk assessment is an important step that assists in determining the significance of the risk and informs decisions on where to focus activity to reduce the level of risk. Risks are assessed according to their potential likelihood and impact.

SCR's Risk Assessment Guidelines are included at Annex C.

4.4 Risk Mitigation or Treatment

Action plans are developed to manage and reduce the level of risk. Action plans focus on reducing the likelihood of the risk occurring and reducing the impact of the risk should it occur. Contingencies are identified in the event that the risk occurs and the cost of taking action to control the risk is proportioned to the potential benefit gained. Potential 'losses' associated with a risk occurring are weighed up against the 'cost' of controlling that risk.

4.5 Risk Monitoring

The active monitoring of risks is essential to ensuring that risk information remains relevant. Risk Management Actions Plans are formally reviewed and updated as a minimum on a quarterly basis to ensure that new risks are identified, existing risks are continually re-assessed and the effectiveness of controls is reviewed. Regular review and monitoring of risks are embedded into ongoing operational processes. Regular monitoring provides assurance that progress is being made towards controlling risks and that controls are effective.

Each Risk Management Action Plan is subject to a formal periodic review by plan owners both in relation to current risks, and the consideration of new and emerging risks. Following each review, those risks falling outside of defined acceptance levels ~~should be~~ escalated in accordance with the Risk Acceptance Model.

~~Any~~ Operational Risk Management Action Plans ~~in place~~ are also subject to periodic ~~detailed and~~ facilitated reviews, or 'Challenges' undertaken by the Operational Contracts Team. This process includes the consideration of generic risks, and the reporting and escalation arrangements for 'out of tolerance' risks.

4.6 Risk Reporting & Escalation

To ensure effective risk management, risks are reported and escalated to the appropriate level in the business. SCR has a reporting and governance structure that is based on a top-down meets bottom up approach which supports risk management at strategic, operational and project/scheme level - this is illustrated in the Risk Reporting Framework at Annex D.

Strategic Risks: Strategic Risks are owned by the Statutory Officers Group and managed through the Strategic Risk Management Action Plan. Statutory Officers along with the SCR Executive Team will undertake regular reviews to identify any new risks and refresh risk assessments. The strategic risk profile will be presented regularly to the Audit Committee.

Operational Risks: Operational risks are managed by the appropriate SCR Executive team. Risk Management Actions Plans are ~~developed~~ for high risk operational areas ~~are formally reviewed in line with~~ an agreed reporting cycle. The most significant risks are reported by the Risk Owner to the Appraisal Panel. This Panel reviews and scrutinises these risks to ensure appropriate controls are in place, or in progress, and provide a regular report to the Statutory Officers on significant risks that could that could impact strategic priorities or objectives.

Project/Scheme Risks: Project/scheme risks are recorded and managed by individual scheme promoters and ~~and~~ monitored by the SCR Contracts team. The most significant project risks are

escalated to Statutory Officers and to the respective Board- if necessary.

In the event that Risk Management Actions Plans are not updated in line with reporting requirements this will be brought to the attention of the relevant board or committee.

5. Risk Appetite and Acceptance

Risk appetite and risk acceptance both set boundaries for how much risk the organisation is prepared to accept in the pursuit of achieving its objectives. Appetite and acceptance are considered through the escalation process. Risk exposure and the requirement for action is considered case by case acknowledging that appetite will differ depending on context.

6. Guidance, Training and Facilitation

- ~~BMBC Risk Management Section provide specialist advice and guidance to the MCA and SCR Executive Team. Key members attend the MCA, Audit Committee and Statutory Officers Group Meetings as well as working closely with the Governance and Compliance function with the SCR Executive Team.~~
- Key SCR Executive Team roles are required to complete appropriate Risk Management training.

7. Assurance

The provision of assurance that risks are understood and managed appropriately is an essential measure of the adequacy and effectiveness of the MCA's Risk Management Framework. This assurance is provided in the following ways -

~~The BMBC Risk Management Section supports the SCR Executive Team in the presentation of an There will be an annual Risk Management report to the Audit and Standards Committee on the effectiveness of risk management arrangements. This will be supplemented by further update reports throughout the year, and specific reports on the development of the Strategic Risk Management Action Plan. These reports are considered developed and updated by the Statutory Officers Group prior to being presented to the Audit and Standards Committee. Reports on the development of the Strategic Risk Management Action Plan will also be presented to the Senior Leadership Group, Audit Committee and Combined Authority.~~

A periodic (annual), independent review of Risk Management arrangements process and compliance with it will be undertaken by Internal Audit to provide assurances to management and the Audit and Standards Committee. The process will and are also be subject to review as part of the Annual Governance Review process for the compilation of and reported on in the Annual Governance Statement.

8. Development Plan

The consideration of longer term objectives for the Governance and Compliance function in relation to Risk Management are detailed below:

Phase	Year	Activity
Embedding of Risk Management processes into operational processes	2018/19	<ul style="list-style-type: none"> Self-assessment against Institution of Risk Management best practice Increase the number of risk champions within the SCR Executive team Formalise and embed processes for management of operational high risk areas Internal audit of risk management processes
Working towards a risk maturity model	2019/20	<ul style="list-style-type: none"> Assessment of benefits of establishing an in-house risk management function
	2019/21	<ul style="list-style-type: none"> Develop and formalize Programme Risk Management for high level risks Increase number of risk champions within SCR Executive team Introduce risk management section to corporate induction

