

**Report to:** Governance and Audit Committee

**Date:** 16 October 2023

**Subject:** Risk Management

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Is this a key decision?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in by Scrutiny?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information or appendices?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
If relevant, state paragraph number of Schedule 12A, Local Government Act 1972, Part 1:	Paragraph 3
Are there implications for equality and diversity?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No

## 1. Purpose of this Report

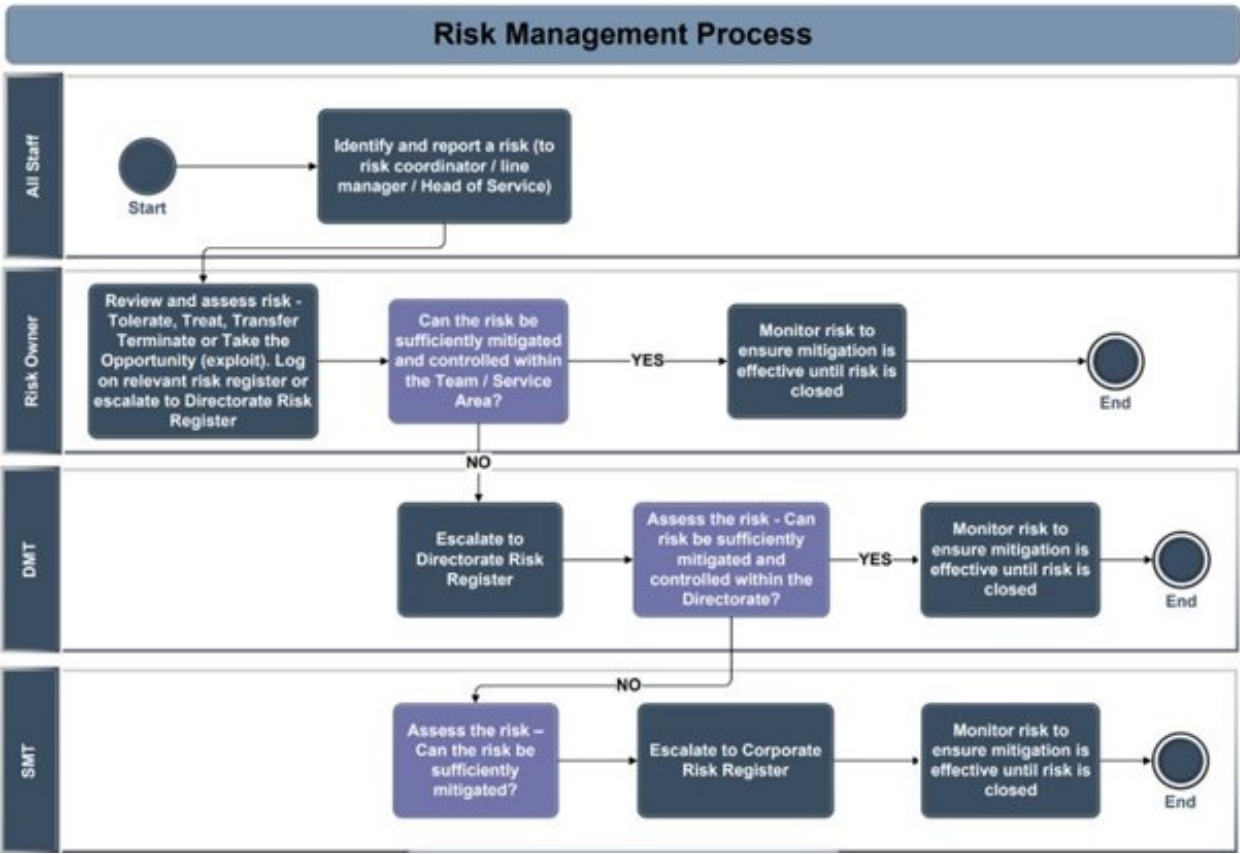
- 1.1 To provide the Committee with an update on the Combined Authority's risk management strategy.
- 1.2 To provide the Committee with a copy of the Combined Authority's corporate risk register.

## 2. Information

### Risk Management Strategy

- 2.1 At their meetings over the course of 2023 the Committee has been advised on plans to review the organisation's corporate risk management strategy and approach to risk management tools to bring these into alignment with the Combined Authority's outcome led operating model and structure.
- 2.2 In March the Committee endorsed this proposal, noting:
  - The move to a model which revolves around delivery of outcomes and corporate performance;
  - The ambition to foster a simpler, active, discussion led approach; and
  - The desire to apply a differentiated approach to risk management at the different levels of management of the organisation.
- 2.3 Combined, these elements will update how and where risks are viewed and managed across the Combined Authority.

- 2.4 Since March, a review of the corporate approach to risk has been underway and consultation has been held with officers at various levels of management internally, as well as information gathering sessions with comparable Mayoral Combined Authorities.
- 2.5 This exercise has helped inform and shape next steps. It is clear that whilst the organisation is undergoing such a significant period of change, the priority is to ensure that risk management is effectively embedded within the new structure. The current risk management strategy, updated to reflect new roles and responsibilities, provides a sound basis for this with resource focussed on supporting the organisation to effectively implement and embed this to allow officers to actively manage risk across the organisation. It may be that in due course we adopt a revised risk management strategy, but at the present time the considered view is that, if applied consistently across the revised officer model, the existing strategy (updated) should be effective and support to implement and embed risk will be the primary aim.
- 2.6 The diagram below is taken from the existing risk management strategy and provides a summary of the current risk management process.



- 2.7 Work has started on refreshing the approach to risk management at directorate level as well as corporate level to ensure that risks are being captured and mitigated at the appropriate level within the officer structure from operational to strategic, with appropriate scrutiny and clear escalation levels. A holistic approach is being adopted to ensure that project and programme risk is not reviewed in isolation and this includes looking at reforms to the assurance framework and monitoring of delivery, in order to apply greater systematic

considerations of risk. This will include a review of our approach and presentation of risk more generally.

- 2.8 Additional activity proposed includes a review of the organisation's risk appetite statement together with the risk evaluation guidance to ensure it reflects the current context, ambitions and challenges facing the Authority.
- 2.9 Work will continue on all these aspects over the next few months and an update will be provided to this Committee at its next meeting.

#### Corporate Risk Register

- 2.10 Over the course of the summer, the Chief Executive and Directors together with senior managers have held a number of workshops and meetings to review and refresh the corporate risk register with the aim of focussing this solely on the strategic risks facing the Authority with other risks held and managed at Directorate or Service level below that.
- 2.11 The decision was taken to compile a new strategic register from a point in time, and the resulting document is included as Appendix 1, and exempted aspects of the register as Appendix 4. Appendices 2 and 3 set out the current risk evaluation guidance and risk matrix respectively, which provide the basis upon which the risk ratings have been assessed.
- 2.12 There are currently two risks and one issue categorised as "Very High" included in the corporate risk register:
- Cyber security (see Appendix 4).
  - Funding uncertainty (issue)
  - The possibility of market failure and reduced provision of bus services.
- 2.13 Each risk on the register has mitigations identified, as well as further mitigations. The current mitigations demonstrate the work which is already being undertaken to prevent and protect against the risks identified, after which the impact and likelihood is considered. The further mitigations are additional activities identified but not yet implemented which are intended to reduce the likelihood or impact or both.
- 2.14 It is worth noting that the significant risks identified are broadly similar to those of Mayoral Combined Authority counterparts.
- 2.15 The corporate risk register will be actively managed at senior officer boards, with clear actions taken on the further mitigations that have been identified as necessary. Further updates will be reported to the Committee in due course. As part of this, the intention is to develop an action plan with due dates for the further mitigations to enable Directors and the Committee to track progress. It is also proposed that the high and very high risks identified at a Directorate level are also shared with the Committee to provide a broader perspective on the key risks facing the organisation.

### **3. Tackling the Climate Emergency Implications**

- 3.1 The risk management strategy and tools will allow the Combined Authority to identify and mitigate risks associated with the climate emergency. As referenced in the body of this report an existing corporate risk is the failure to meet net zero ambitions for the region.

### **4. Inclusive Growth Implications**

- 4.1 There are no inclusive growth implications directly arising from this report. The risk management strategy and tools will allow the Combined Authority to identify and mitigate risks associated with Inclusive Growth.

### **5. Equality and Diversity Implications**

- 5.1 There are no equality and diversity implications directly arising from this report. The risk management strategy and risk management tools will allow the Combined Authority to identify and mitigate risks associated with Equality and Diversity.

### **6. Financial Implications**

- 6.1 There are no financial implications directly arising from this report.

### **7. Legal Implications**

- 7.1 The information contained in Appendix 4 is exempt under paragraph 3 of Part 1 to Schedule 12A of the Local Government Act 1972 as it contains information relating to the financial or business affairs of any particular person including the Combined Authority. It is considered that the public interest in maintaining the content of Appendix 4 as exempt outweighs the public interest in disclosing the information, as publication could prejudice the financial or business affairs of the Authority.

### **8. Staffing Implications**

- 8.1 There are no staffing implications directly arising from this report.

### **9. External Consultees**

- 9.1 No external consultations have been undertaken.

### **10. Recommendations**

- 10.1 That the Committee notes and endorses the proposal to review the risk management strategy, with an update on progress to be provided to the Committee in early 2024.
- 10.2 That the Committee notes work ongoing to embed risk management through all layers of officer governance.
- 10.3 That the Committee notes and endorses the revised corporate risk register.

**11. Background Documents**

Risk Management Strategy (2020)

**12. Appendices**

APPENDIX 1 – Redacted Corporate Risk Register

APPENDIX 2 – Risk Evaluation Guidance

APPENDIX 3 - Risk Matrix

APPENDIX 4 – Unredacted excerpts of Corporate Risk Register (exempt)