



Report title: Review of Corporate Risk Register & Risk Register Improvements

To: Audit and Governance Committee

Meeting Date: 02 Dec 2022

From: Chris Bolton
Head of Programme Management Office

Key decision: No

Recommendations: The Audit and Governance Committee is recommended to:

- a) Note the Risk Management training undertaken and planned Risk Appetite training
- b) Note the full Risk Register and accompanying narrative.

Voting arrangements: A simple majority of all Members present and voting

1. Purpose

- 1.1 The purpose of this paper is to provide a progress update on the provision of risk management and risk appetite training sessions for members of the Audit and Governance Committee.
- 1.2 The Committee has received the full risk register for review that includes details on the top five risks and a summary of the movement of risks over time.

2. Background

- 2.1 The Corporate Risk Register is populated by reference to individual project risk assessments and over-arching corporate risks and is reviewed by the Executive Team of the Combined Authority at the Performance and Risk Committee. Any risks which arise, or which become more significant between their meetings are escalated to the next Executive Team or Performance and Risk Committee meeting. (PaRC).

- 2.2 Risks are reviewed monthly at PaRC where the performance and risks of all projects across the CPCA and its subsidiary companies are reviewed. Monthly highlight reports are reviewed at the meeting with performance dashboards being available at corporate and directorate levels. Actions now have recognised owners and dates for implementation, the proximity of risks are now noted, as well as an associated narrative including direction of travel. Mitigations for each risk are in place.

3. Risk Management and Risk Appetite

- 3.1 Risk Management training for members of the Audit and Governance Committee took place on the 21st November 2022. Further training for Programme and Project Managers in the CA and Subsidiary companies are to be scheduled in early December 2022.
- 3.2 Risk Appetite training is scheduled to take place for members of the Audit and Governance Committee in January 2023

4. Risk Register Top 5 risks

- 4.1 It is noted that the top 5 risks in the register are as follows:

- Future Funding
- Strategy Gap
- Future Viability of the CA
- Governance - VfM risk relating to governance
- Inflation

- 4.2. Most of the risks are related to the Governance issue highlighted by the EY Audit letter and value for money risks.

4.3 Future Funding

- 4.3.1 A lack of guaranteed future funding streams especially with existing streams coming to an end such as Transforming Cities Fund, housing investment funds and Local Growth Funding could affect the financial stability of schemes impacting on delivery on the devolution deal. Additionally, the pause on some DLUHC funding because of concerns raised by CPCA's auditors (EY) in a letter to the Chair of the A&G Committee could impact on the ability of the CPCA to make a balanced budget for 2023/24.

- 4.3.2 In mitigation, the CA will look to share risk with partners, liaise with government, Department for Levelling Up Housing and Communities, and M10 on potential opportunities for future funding and reconsider the use of CA financial freedom powers.

4.4 Strategy Gap

- 4.4.1 An insufficient focus on priorities and their alignment to resources has led to the risk that there will be a lack of strategic agreement and fitting of resources against new strategies. This potentially could lead to not meeting strategic objectives as per devolution deal and any associated performance measures.

4.4.2 As such, mitigations will be pursued including governance review - including informal policy pipeline work as noted in the CA Improvement plan Workstream B, Governance, Ways of Working.

4.5 Future Viability of the CA

4.5.1 Poor governance practice as identified by external auditor, DLUHC and BEIS and poor delivery in some areas of the Combined Authority work has been noted. This has led to loss of confidence from our regulatory stakeholders, the withholding of funding in two areas, (The Mayoral Capacity Fund and LEP core fund), and the risk that further funding could be withheld.

4.5.2 To mitigate the risk to the future viability of the CA an improvement plan has been developed to build confidence with central government. Integral to the Improvement plan is a move to more networked decision making and delivery with increased stakeholder involvement and improved communications between partners.

4.6 Governance - VfM risk relating to governance

4.6.1 The external auditor identified that there were weaknesses in the Authority's governance arrangements. As a result of these weaknesses, there was a risk that the Authority would have insufficient capacity, capability, and an inappropriate culture to support the effective governance and operation of the organisation and how it discharges its statutory services. Both the A&G and O&S Committees have been briefed on the issues and have made their own recommendations to the board and will work to support the CPCA in resolving the issues raised by EY.

4.6.2 It is to be noted that an interim CEO and Senior Management Team have been appointed to directly address these issues and an improvement plan has been developed to address the points raised in the EY letter.

4.7 Inflation

4.7.1 The risk that RPI Inflation is to rise to 10% in the short term, with staffing inflation is likely to be circa 4% was registered. The real value of the Combined Authority's core funding of £20m per year will be eroded over time due to inflation. Inflation could impact on programme delivery with our buying power decreasing over time with the ability to deliver strategic objectives impacted. It is noted that inflation is a live issue for our delivery partners, thus they may be less likely to take on the inflation risks in fixed contracts.

4.7.2 To mitigate this risk several actions are being pursued including lobbying government to highlight our position and what will happen without a more sustainable funding solution and a reconsideration of the use of CA powers to use financial freedoms. All these issues will be built into the development of the 2023/24 budget, improvement plan and MTFP including a line-by-line review of MTFP to understand inflationary risk against each type of budgetary expenditure.

4.8 As noted above 4 of the 5 top risks are related to the EY Audit letter and subsequent actions associated with the Improvement Plan. As such the trend for these actions has stayed level until the actions associated with the respective risks can be fully implemented. The risk of inflation has increased as the RPI level has increased recently. The inflation risk is also noted as a live issue and mitigations noted above have been enacted.

4.9 The full Risk Register is available in Appendix 1.

5. Financial Implications

5.1 There are no financial implications.

6. Legal Implications

6.1 There are no legal implications.

7. Appendices

7.1 Appendix 1: Updated Risk Register November 2022