CAMBRIDGESHIRE
& PETERBOROUGH
COMBINED AUTHORITY

Agenda Item No: 8

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

To:	Audit and Governance Committee
Meeting Date:	27 Jan 2023
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 process update following the recent Internal Audit report of Risk Management. 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 an update on the Risk Management process following a recent Internal Audit report.

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 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.

2.3. A recent Internal audit review found that the necessary updates to strengthen the risk management processes were in progress with areas such as the provision of training and the development of the risk appetite exercises being delivered or in planning.

The review noted that the control framework does require further strengthening to ensure that all areas of risk can be consistently identified, managed, reviewed, and reported.

It was also noted that the updated Risk Management Strategy was yet to be approved, (it is due to follow as part of the Improvement Plan Workstream E Performance Management work), and inconsistencies in the completeness of a sample of two Programme and two Portfolio risk registers were noted. (action owner and risk scores were missing).

Though it was noted that some improvements and progress has been made since our last review in 2020/21, it was evident that further work is required to ensure that a fully robust and effective risk management framework is in place.

3. Risk Management process and escalations

3.1 Risk management processes are structured to include:

a. risk identification and assessment to determine and prioritise how the risks should be managed at project, programme and portfolio levels. (classification and scoring)
b. the selection, design and implementation of risk treatment options that support achievement of intended outcomes and manage risks to an acceptable level. (mitigations)
c. the design and operation of integrated, insightful, and informative risk monitoring; (regular monitoring), and
d. timely, accurate and useful risk reporting to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities. (reporting)

3.2 Risk Promotion or escalation is the term used when a project risk is deemed to be a programme/portfolio or even a corporate risk.

A risk should be promoted from a project to a programme risk when the project risk is deemed to have an impact on a programme.

Project risks can move up the promotion process to programme then to portfolio and then to corporate risk, there is also opportunity for a project risk to go direct to portfolio level.

Project risks can be escalated to programme level at forums such as the Skills Programme Board. Equally, programme risks can in follow be escalated to the corporate risk register at the monthly Performance and Risk Committee or at any time by the relevant risk owner or Director.
It is the decision of the relevant Risk Owner (as per the Roles and Responsibility table within the Risk Management Strategy) to decide to promote the risk. (Appendix 2).

A risk can be deemed to have project, programme, portfolio and corporate significance and therefore might stay on all three risk registers with different levels of action / mitigation and different risk owners.

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 core funding as a consequence of the EY Audit letter could impact on the ability of the CPCA to make a balanced budget 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 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. As such inflation on core running costs, (including approx. £8m staffing costs) will exceed available funding over time. 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.

4. 8 The full Risk Register is available in Appendix 1.

5. Financial Implications

5.1 There are no financial implications.

6. Legal Implications

6.1 Effective audit and risk management assist in good governance and probity of the Combined Authority's actions.

7. Appendices

7.1 Appendix 1: Updated Risk Register December 2022 Corporate Risk Register Dec 2022.xlsx

7.2 Appendix 2: Cambridgeshire and Peterborough Combined Authority Risk Management Strategy CPCA Risk Management Strategy.pdf