



Audit and Governance Committee

08 November 2024

Title:	Corporate Risk Report
Report of:	Janice Gotts, Executive Director, Resources
Lead Member:	Cllr Edna Murphy
Public Report:	Yes
Voting Arrangements:	No vote required

Recommendations:

A	To endorse the Corporate Risk Register, Dashboard and Heatmap
B	To undertake a deep dive into Future Funding risk
C	To review the schedule of deep dives
D	To endorse the risk appetite approach and review the draft statement

Strategic Objective(s):

The proposals within this report fit under the following strategic objective(s):

X	Achieving ambitious skills and employment opportunities
X	Achieving good growth
X	Increased connectivity
X	Enabling resilient communities
X	Achieving Best Value and High Performance

1. Purpose

1.1	To endorse the Corporate Risk Register, Dashboard and Heatmap, Appendix A-C.
1.2	To undertake a deep dive into Future Funding risk, Appendix D.
1.3	To continue to review the schedule of deep dives in 2.3
1.4	To endorse the risk appetite approach and review the draft statement, Appendix E.

2. Proposal

2.1 Risk Register, Risk Dashboard and Risk Heatmap (Appendix A-C)

There are fourteen corporate risks on the register as of end of October.

All risks have been reviewed with risk leads through our 4Risk software and are reviewed monthly at the Corporate Management Team meeting, most recently on 28 October.

Since the previous A&G report there have been some changes to the Corporate Risk Register. These are set out below:

- Climate risk amendments: The risk has been substantially changed, with the risk description, cause and effects all being amended to focus on what CPCA can control. With this, the residual score has been reevaluated from a 12 to a 17.
- Financial underspend risk reworked: The risk has been renamed to 'Failure to deliver work programmes within budget and planned timeframes'. It was assessed that this is the risk that may then lead to failure to deliver timely and effective projects.

Appendix A details the risks in a register format. Appendix B is the risk dashboard which shows the risks by category, proximity and score (inherent, residual and target). Appendix C maps the risks on a heatmap including which are above appetite.

There are 14 risks on the Corporate Risk Register. The residual risk scores (risks scores after controls are in place) are:

1 red very high risk
2 amber high risk
9 yellow medium risks
2 green low risks

The 1 very high risk is Future Funding, and this is the only risk above appetite.

At the previous A&G meeting it was suggested we map each risk against our corporate objectives. Following this we identified that 9 risks are against Achieving Best Value and High Performance, 1 against Enabling Resilient Communities, 1 against Ambitious Skills and Employment Opportunities and 3 against Improving Connectivity. We will look to add this to appendix A or B for the next meeting.

2.2 Risk Deep Dive – Future Funding (Appendix D)

The schedule of Deep Dives was agreed at the September Committee, and for Future Funding to be the focus of the November meeting.

Supporting documentation is in the appendix and the Risk Owners are available to respond to questions.

The Future Funding risk was first identified and added to the register in March 2022.

The inherent risk score is Very High with a 5/5 critical impact and 5/5 likely likelihood. The residual score (now that controls are in place) is also Very High, with a 5/5 critical impact and a 3/5 possible likelihood. The target score is high with a 4/5 Major impact and a 2/5 unlikely likelihood.

Therefore, due to the controls in place, the likelihood has reduced, but the risk remains above risk appetite.

More information on this risk is in Appendix D.

2.3 Schedule of Risk Deep Dives

Risk	A&G Committee date	Lead officer
Future Funding	November 2024	Janice Gotts
Financial Underspend / Inflation	December 2024 (28 Nov)	Janice Gotts
Climate	February 2025	Judith Barker

	Audit and Governance Committee members can suggest changes to this schedule and propose additions as required.
2.4	<p>Risk Appetite Statement (Appendix E)</p> <p>The current risk appetite approach was developed, implemented and approved during the course of 2023 and included within the Risk Management Framework document dated September 2023. It has subsequently been reviewed and considered by the Executive Team in August 2024.</p> <p>The approach used by the Authority aligns to good practice and the principles laid out within the Treasury’s Orange Book on risk management. The approach essentially takes into consideration that there is not one risk appetite for an organisation, and that there will be multiple risk appetites, depending upon the nature of the type of risk in question. The Authority utilises 8 risk appetite themes, and these can be found in the summary table on slide 5, alongside an appetite level and threshold. Each theme is then expanded upon on the subsequent slides, to create the ‘Risk Appetite Statement’, this is what outlines the Authority’s risk appetite.</p> <p>Undertaking a review of risk appetite every 12-18 months is in line with good practice, given that operating environments change and need to be considered and discussed in light of the Authority’s strategy and current position, to help inform risk-based decision making. Challenging the risk appetite statement and its associated elements, risk appetite theme, levels and thresholds is an important component of effective risk management.</p> <p>The risk appetite statement provides the parameters for the management and decision making of the risks being faced by the organisation. Different categories of risk have been defined, each of which has an appetite aligned to it.</p> <p>The associated risk appetite level aids in informing the target risk score for each risk within the corporate risk register, leading to the determination of whether further action is required to reduce the residual risk to within appetite. Changes made as a result of the review include:</p> <ul style="list-style-type: none"> • Data & Management Information – moved from Cautious to Minimal, to reflect increasing data security threats • Partnerships – moved from Cautious to Open as this is a core part of achieving the Authority’s objectives and by continuing with a Cautious approach this could stifle the organisation. • Culture & Confidence – amended from talking about Improvement plan, to about embedding values and behaviours. <p>The revised Risk Appetite Statement is in Appendix E, which will be taken to Board on 13 November.</p>

3. Background	
3.1	<p>The Combined Authority Risk Management Framework and Procedure was approved at 08 September Audit & Governance Committee, and 20 September Combined Authority Board.</p> <p>Work continues in embedding the Framework and Procedure, including through training and software.</p>
3.2	<p>The Framework states that the Programme Management Office are responsible for ensuring that the Corporate Risk Register is maintained, updated and that risks are regularly reviewed with the Executive Director of Resources, Corporate Management Team, Audit & Governance and the Risk Owners.</p> <p>The Audit and Governance Committee is responsible for overseeing the Authority's Risk Management Framework and Procedures and the Corporate Risk Register, to ensure that risk management is being done to the appropriate standard and in line with this framework.</p> <p>This item is key to ensuring this is completed.</p>
3.3	<p>A summary of the 8-step process to undertaking deep dives is below, an appendix was taken to September A&G with more detail on these steps.</p> <ol style="list-style-type: none"> 1. Be clear on the purpose and approach of the deep dive. 2. Make suitable preparations for a deep dive. 3. Focus the deep dive on a strategic risk or matter. 4. Understand the strategic risk.

	<p>5. Understand (explore) the effectiveness of current controls.</p> <p>6. Understand (explore) the effectiveness of planned actions.</p> <p>7. Understand (explore) the basis of assurance</p> <p>8. Provide appropriate challenge.</p> <p>Audit and Governance Committee role is to review if risks are being managed appropriately (steps 4, 5, 6 and 7 above) and provide the appropriate challenge (step 8 above).</p>
3.4	The latest Audit and Governance Risk Development Session took place on 10 September 2024 focusing on Principles and Practice.

4. Appendices

4.1	<p>Appendix A. Corporate Risk Register</p> <p>Appendix B. Corporate Risk Dashboard</p> <p>Appendix C. Corporate Risk Heatmap</p> <p>Appendix D. Future Funding Deep Dive</p> <p>Appendix E. Risk Appetite Statement</p>
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5. Implications

Financial Implications

5.1 There are no direct financial implications to this report.

Legal Implications

5.2 The Cities and Devolution Act 2016 established the requirement for Combined Authorities to appoint an audit committee whose functions include reviewing and assessing the authority's risk management, internal control and corporate governance arrangements.

The Authority has a statutory responsibility under Part 2 – Internal Control of the Accounts and Audit Regulations (England) 2015 to have arrangements in place for the management of risk. It also forms part of the seven core principles within the best practice guidance, 'Delivering Corporate Governance in Local Government: Framework' published by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Society of Local Authority Chief Executives (SOLACE)

Public Health Implications

5.3 None

Environmental & Climate Change Implications

5.4 None

Other Significant Implications

5.5 None

Background Papers

5.6 None