



Audit and Governance Committee

28th 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 for November 2024.
B	To undertake a deep dive into Failure to deliver work programmes within budget and planned timeframes and Inflation risks.

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 and Heatmap, Appendices A-C
1.2	To undertake a deep dive into Failure to deliver work programmes within budget and planned timeframes and Inflation risks., Appendices D-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 November.
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All risks have been reviewed with risk leads and are reviewed monthly at the Corporate Management Team meeting, most recently on 28 October.

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), and now includes risks by Corporate Objectives. Appendix C maps the risks on a heatmap including which are above appetite. A summary of the risk scores is below:

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 risk

The red very high risk is Future Funding.

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

- Climate risk amendments: following feedback at the November A&G meeting, we have strengthened the climate controls by including what the climate service are delivering, see below for reference. Further information on climate delivery, including a review of corporate KPIs metric 10 and 11, will form part of the scheduled February 25 deep dive exercise.
 - A number of climate change projects have been approved via the Single Assurance Framework including the Schools Low Carbon Heating project, the Supporting Constituent Authority Biodiversity Responsibilities project, and the Climate Programme Bidding Round Programme, as noted in the [November Combined Authority Budget Monitoring report](#).
- The risk controls have been revised in advance of the deep dives on Inflation and Failure to deliver work programmes within budget and planned timeframes.
- Following the approval of the revised Risk Appetite Statement at November Board, due to the changing of the Data & Management Information appetite from Cautious to Minimal, it means the Cyber Security risk is above appetite. The risk has been reviewed by the risk owner and an extra control has been added, but it has been assessed that the current score is the correct score even though it keeps us slightly above appetite.
- As requested at November A&G, the corporate risk definition has been reviewed. The CPCA risk framework definition is below along with other official definitions of risk:

CPCA Risk Management Framework Section 4.2 p.11

‘Corporate level risk refers to the uncertainties and opportunities that may positively or negatively impact the Authority or have an impact upon the achievement of its objectives’.

A corporate risk is therefore essentially a risk that could impact on the deliverability of the CPCA Corporate Objectives. Each risk is now linked to one of the 5 CPCA Corporate Objectives to ensure alignment as set out in the risk dashboard.

Orange book definition

‘Risk is the effect of uncertainty on objectives. Risk is usually expressed in terms of causes, potential events, and their consequences’

ALARM definition International Standard Organisation definition

‘Risk can be defined as ‘the effect of uncertainty on objectives’ (ISO 31000:2018, clause 3.1). An effect is a deviation from the expected. It can be positive, negative or both, and can address, create or result in opportunities and threats.’

The Risk Management Framework is reviewed annually and we will take the opportunity to update definition guidance as required.

2.2 **Risk Deep Dive – Failure to deliver work programmes within budget and planned timeframes (Appendix D)**

	<p>The Failure to deliver work programmes within budget and planned timeframes risk was first identified and added to the register in January 2023.</p> <p>It was formally named Financial Underspend, but was renamed in October 2024 as it was identified that this is the risk that may then lead to failure to deliver timely and effective projects.</p> <p>The inherent risk score was Very High with a 3/5 moderate impact and 5/5 almost certain likelihood. The residual score (now that controls are in place) is a Medium risk, with a 3/5 moderate impact and 3/5 possible likelihood. The target is to get to a 2/5 minor Impact and 3/5 possible likelihood. This risk is within the CPCA Risk Appetite.</p>									
2.3	<p>Risk Deep Dive Inflation (Appendix E)</p> <p>The Inflation risk was first identified and added to the register in March 2022.</p> <p>It was assessed that continued inflation against a non-inflation linked (cash flat) devolution settlement effecting the Combined Authority ability to deliver.</p> <p>The inherent risk score was Very High with a 4/5 major impact and 4/5 likely likelihood. The residual score (now that controls are in place) is a Medium risk, with a 3/5 moderate impact and 3/5 possible likelihood. The target is to get to a 2/5 minor Impact and 3/5 possible likelihood. This risk is within the CPCA Risk Appetite.</p>									
2.4	<p>Schedule of Risk Deep Dives</p> <table border="1"> <thead> <tr> <th>Risk</th> <th>A&G Committee date</th> <th>Lead officer</th> </tr> </thead> <tbody> <tr> <td>Financial Underspend / Inflation</td> <td>December 2024</td> <td>Janice Gotts</td> </tr> <tr> <td>Climate</td> <td>February 2025</td> <td>Judith Barker</td> </tr> </tbody> </table> <p>Audit and Governance Committee members can suggest changes to this schedule and propose additions as required. Committee noted that a new schedule of risk deep dives be discussed at the February 2025 meeting.</p>	Risk	A&G Committee date	Lead officer	Financial Underspend / Inflation	December 2024	Janice Gotts	Climate	February 2025	Judith Barker
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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. Work continues in embedding the Framework and Procedure, including through training and software.</p> <p>The latest Audit and Governance Risk Development Session took place on 10 September 2024 focusing on Principles and Practice.</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. 5. Understand (explore) the effectiveness of current controls. 6. Understand (explore) the effectiveness of planned actions.

	<p>7. Understand (explore) the basis of assurance</p> <p>8. Provide appropriate challenge. 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	<p>A Risk Appetite Development Session took place with Corporate Management Team on 20 August 2024, where the original appetite statement within the Risk Management Framework was reassessed. A revised statement was taken to the 07 November A&G Committee and approved at the 13 November CPCA Board.</p>

4. Appendices

4.1	<p>Appendix A. Corporate Risk Register</p> <p>Appendix B. Corporate Risk Dashboard</p> <p>Appendix B. Corporate Risk Heatmap</p> <p>Appendix D. Risk Deep Dive – Failure to deliver work programmes within budget and planned timeframes</p> <p>Appendix E. Risk Deep Dive - Inflation</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