



METROMAYOR
LIVERPOOL CITY REGION

RISK MANAGEMENT UPDATE



Audit and Governance Committee
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Laura A. Williams MA CPFA
Head of Internal Audit

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1. Introduction

- 1.1 The purpose of this report is to provide a summary of the Combined Authority's risk management activity for the fourth quarter of 2020-21 and first quarter of 2021-22.
- 1.2 It is prepared for the Audit and Governance Committee and its purpose is to facilitate the Committee in discharging its obligations as defined in its Terms of Reference: "to review the Combined Authority's financial affairs, internal control, corporate governance arrangements and risk management". It is also intended to assist in continuing the progress made to date in embedding effective strategic and operational risk management into the organisation.
- 1.3 The report covers:
- the work undertaken in respect of risk appetite;
 - the developments in respect of the Corporate Risk Register, including the ongoing work to review the Corporate Risk Register and align this with the new Corporate Plan;
 - the main updates made to the Risk Management Policy; and
 - the ongoing activity to embed risk management further into the organisation.

2. Risk Appetite

- 2.1 Risk appetite is defined as “the extent and nature of the risks the organisation is prepared to take so as to achieve its objectives”.
- 2.2 Significant work has been undertaken to develop the organisation’s view of risk appetite during the period, building on the work reported previously to the Committee.
- 2.3 Two specific sessions on risk appetite have been held with the Executive Leadership Team during the last year so as to explore the concept of risk appetite and develop a practical application of this which supports the organisation in delivering its objectives as defined in the Corporate Plan.
- 2.4 The outcome of these sessions has been a new model of criteria for consideration of risk scoring in respect of risk impact. This encourages risk owners to score each risk according to the various impacts a risk would have should the risk materialise. The criteria have been expanded so as to cover:
- Business Interruption;
 - Financial Exposure;
 - Reputation;
 - Health, Safety and Wellbeing;
 - Legislative / Regulatory;
 - Delivery of Service;
 - Environmental / Public Health; and
 - Economic.
- 2.5 The organisation therefore considers that exposures beyond a score of “5” on any of the above scoring categories is beyond its appetite for risk, and therefore appropriate action would need to be taken to reduce the impacts to an acceptable level by the application of additional controls, or a decision made to treat the risk in a different way, such as by terminating the risk or



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transferring it. These options are not always possible and need careful consideration so as to provide assurance that the organisation is not unduly exposed.

- 2.6 The revised model has been agreed and trialled as part of the Corporate Risk Register review, and the updated Risk Management Policy includes guidance to assist in the application of the model.

3. Corporate Risk Register

3.1 The Corporate Risk Register has been considered during the year by the Executive Leadership Team as a whole and by individual Executive Directors, with the objective of ensuring that:

- The risks identified are still pertinent;
- The control measures are still in place and working, and reflect any new or additional controls that have been implemented;
- The risk scoring identified is still considered an accurate representation;
- The actions identified are still the right ones, and progress is being made in progressing these;
- Any new or emerging risks are captured; and
- Risks that are reducing in score are identified and de-escalated to service risk registers as necessary.

3.2 However, it has been recognised that a fundamental review of the Corporate Risk Register has not been undertaken for some time, and additionally, that the risks identified are not aligned to the new 2021-24 Corporate Plan. Therefore, a review session was held on 26 May with ELT to commence this review, and this has been followed up with individual discussions with each Executive Director in relation to the risks for which they have been identified as Risk Owner. A further brief session is to be held with ELT on 14 July 2021 to agree the final version.

3.3 The review comprised:

- Usage of the revised risk impact scoring guidance as described in section 2 of this report;
- Identification of new risks or new aspects to existing risks so as to align with the new Corporate Plan;
- Alignment of all risks with the Corporate Plan objectives each one jeopardises; and
- Fresh consideration of risk treatment, including actions to be taken to reduce risk scores, refresh of controls and identification of target scores (which highlight the aspiration for each residual risk score once all actions have been completed).

- 3.4 The revisions to the Corporate Risk Register are being finalised at the time of writing this report, and the agreed document will be presented to the September meeting of this Committee. However, the main changes to the document are:
- Sixteen corporate risks have been identified, comprising eight existing risks and eight new risks.
 - The existing risks are being updated and expanded to align with the new Corporate Plan priorities and these are:
 - Devolution/collaboration - The LCRCA fails to collaborate and use its influence effectively with stakeholders so as to support them to deliver on the objectives for the City Region.
 - Transport Liquidity / Financial sustainability - Failure to plan and prepare effectively for service continuity in the event that a transport operator is unable to fulfil its contractual obligations.
 - Rolling Stock Project - Failure to deliver the identified financial and service delivery benefits of the Rolling Stock project.
 - Governance - The organisation does not maintain effective and robust governance that supports the delivery of the Corporate Plan objectives.
 - Capacity - The LCRCA does not have the capacity and skills to support the delivery of the Corporate Plan objectives.
 - Financial - The LCRCA fails to establish a robust Medium-Term Financial Strategy and sustainable funding mechanism that supports the delivery of the Corporate Plan objectives.
 - Cyber - The organisation does not have adequate arrangements in place to protect against a cyber-attack, or to respond in an effective and timely manner should such an attack occur.



- Major Incident - The organisation does not have appropriate plans in place to maintain continuity of service, or re-establish service in a timely manner, in the event of a major incident affecting the transport network.
- The new risks identified and being considered for inclusion are follows:
 - Project / Programme Delivery - Failure to manage project and programme delivery effectively, so as to generate benefits for the LCR in a timely manner.
 - Pipeline Readiness / Project Development - Failure to source and develop deliverable projects that can be brought into delivery and generate benefits for the LCR in a timely manner.
 - Complexity in funding Landscape - The LCRCA does not optimise the benefits of the devolved funding landscape.
 - Climate Emergency - The LCRCA fails to deliver the key projects (such as housing retrofit, Tidal) that will make a positive contribution to the City Region target of reaching net zero carbon by 2040.
 - Economic Recovery - The LCRCA fails to provide effective and timely support to the local economy so as to facilitate a strong economic recovery.
 - Devolution - The government has a change of policy regarding devolution to Mayoral Combined Authorities.
 - Equality - The LCRCA fails to use its position and influence to promote and advance the contribution made by the Black, Asian and ethnic minority population in the City Region.
 - Performance Management - The organisation fails to maintain an effective performance management system that supports delivery of the Corporate Plan objectives.



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- 3.5 It is also worthy of note that the transport risks meeting the criteria (i.e. a residual score of 16 and above) have been merged into the Corporate Risk Register, and the separate Transport Risk Register no longer exists. Those risks scoring below 16 which are of a transport nature have been incorporated into relevant service risk registers within the Integrated Transport Directorate. This allows focus on the most pertinent risks at corporate level and should also eliminate confusion.

4. Risk Management Policy

- 4.1 The Risk Management Policy is reviewed and updated on an annual basis so as to reflect the ongoing development of risk management arrangements across the organisation.
- 4.2 Given the significant developments over the last year, the Policy has again been reviewed and updated to include:
- Changes in Senior Management structure such as job titles;
 - Broadened risk impact scoring guidance described in section 2 of this report (see section 4 (Stage 2) of the Policy);
 - Update to the membership of the Risk Group to reflect its development during the year (see section 3 of the Policy);
 - The Corporate Risk Register template and guidance notes have been updated to reflect the revised risk appetite.
- 4.3 The revised Risk Management Policy is shown at Appendix B to this report, and the updates are highlighted in yellow for ease of review.

5. Embedding Effective Risk Management

- 5.1 Internal Audit continues to play a vital role in facilitating the system of risk management. Key strands of activity in the period have been:
- Organising and chairing the quarterly Risk Group meeting, which has representatives from all Directorates, to discuss emerging risks, progress in managing key risk issues, and promote discussion/awareness of governance issues across the organisation. The refreshed membership and expanded agenda for the Group is proving useful in raising the profile of risk management, and the role of members of the group as risk champions is to be further developed so as to provide a clear link between group members and their Directorates;
 - Facilitating review of risk registers via meetings with individual executive directors and their management teams;
 - Presenting to ELT on Risk Management, including discussion of risk scoring and risk appetite, and facilitating the Corporate Risk Register review session;
 - Ensuring that risk management skills are included within the core training offer for managers as part of the Developing our Organisation work, and also developing an e-learning package for all staff to provide general awareness of the principles;
 - Facilitating the review of service risks by Heads of Service, including facilitating the update of fraud risks, risks arising from the continued effects of the pandemic and other emerging risks; and
 - Providing corporate support in respect of risk management across the organisation, including facilitating risk workshops and supporting colleagues in their risk management activities.
- 5.2 It is important that the revised Corporate Risk Register is used as a tool, along with performance management, to facilitate delivery of the Corporate Plan priorities, and that the very positive progress made so far in embedding the process continues.
- 5.3 Internal Audit has completed a further review of the system of corporate risk management. The review resulted in a very positive overall opinion rating of Minor organisational risk. The review resulted in five recommendations, all of which were



focused on the contribution the Risk Management function makes to the overall corporate system, and all of which were graded as “advisory”. The recommendations, and progress made to date, are detailed in the table below:

	Recommendation	Agreed Action	Due Date	Progress Update
1	Further analysis should be undertaken to ensure each risk contained within the Corporate Risk Register is aligned, where possible, to a Business Plan/Corporate Plan objective; and is therefore genuinely seen as the most significant risk(s) to non-achievement of the respective objective.	<ul style="list-style-type: none">a) The Risk Manager is a member of the Corporate Plan development team for the 2021-2024 plan so that the priorities can be linked to the Risk Management process.b) A risk review session is to be held on 26 May with CEX and Directors to review the current Corporate Risk Register against the new priorities set out in the new Corporate Plan.	30/7/21	The meeting was held on 26 May 2021 and was well attended with very positive feedback. A further session was held on 14 July to agree a draft of the revised Corporate Risk Register.
2	The Risk Manager should continue to challenge and support the effective utilisation of the 'Risk and Mitigation' section, of the Democratic Services Report Template, for linking the subject matter of the report to a relevant Corporate and/or Service risk(s).	<ul style="list-style-type: none">a) The Risk Manager continues to be assigned reports for sign off and will not approve reports where there is insufficient "Risks and Mitigation" detailed within the report.b) There will be a review of the relevant service registers / project risk registers to ensure links between the relevant reports.	31/8/21	



3	<p>i) A decision should be taken as to whether to adopt a more formalised approach to providing feedback on Risk Registers and retaining such evidence in a more structured format e.g. when providing advice and guidance: it is reported in writing; documented; subsequently followed-up; and correspondence is saved in a structured format on the network.</p> <p>ii) As part of monitoring Risk Registers, the Risk Manager should establish a central repository (e.g. through SharePoint), where the most up to date Service Risk Register can be easily identified.</p>	<p>a) Directorate folders will be established for each review period to demonstrate interaction, guidance and advice given in said period.</p> <p>b) Teams and Sharepoint will be utilised to enable access to the latest version of each Service and the Corporate Risk Register.</p>	31/8/21	
4	<p>The Risk Manager should continue to provide a commensurate level of support to Directorates, to facilitate having in place an up to date Risk Register within each Service area.</p> <p>As part of supporting this process, the potential exists to:</p> <ul style="list-style-type: none">- Utilise a 'Glossary' within the Risk Management Policy;- Undertake training for relevant officers (where relevant - induction or refresher training).	<p>a) The corporate risk register template will be revised to include drop-down boxes on each column that provides a definition to assist the user when populating the registers.</p> <p>b) E-Learning on Risk Management to be created and available to all staff by September 2021</p> <p>c) Risk Management training programme will be developed and the roll out to staff will begin in September 2021.</p>	31/12/21	



5	A standing item should be added to the Risk Group agenda requesting any "lessons learned" examples are shared amongst the group, to continue to foster a culture of open learning from any risk management mistakes.	<p>a) The Risk Group agenda will be reviewed and updated prior to the next meeting on 21 May 2021. (Although the agenda already contains ample opportunity for Directorate representatives to discuss risk management successes, failures and lessons learned).</p> <p>b) Where relevant, professional literature (i.e. from risk management professional bodies), will be shared with the Group to continue strengthen the knowledge of the Risk Group. This will be ongoing and recorded on the Risk Group Hub.</p>	31/5/21	<p>Completed The agenda has been updated for the May Risk Group meeting and includes Feedback and lessons learnt.</p> <p>Professional literature from both ALARM and North West Insurance Officers Group has been shared and this will continue as and when relevant to the Risk Group.</p>
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5.4 It is also worthy of note that all recommendations arising from the 2019-20 review have now been implemented.

5.5 The quarterly reports to this Committee will continue to give an overview of the progress being made in delivering the activities above, and the effectiveness of these actions in increasing the level to which effective risk management arrangements are embedded into the organisation.