

GMCA Audit Committee

Date: 25th January 2023

Subject: Risk Management Update Report

Report of: Sarah Horseman, Head of Audit and Assurance

PURPOSE OF REPORT:

The purpose of this report is to inform Members of the Audit Committee of changes in the GMCA Strategic and key operational risks and to provide an update on the risk management activities undertaken since the last Meeting.

RECOMMENDATIONS:

Audit Committee is requested to note the report.

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1.1 Equalities Impact, Carbon and Sustainability Assessment:

N/A

Risk Management

N/A

Legal Considerations

N/A

Financial Consequences - Capital

N/A

Financial Consequences - Revenue

N/A

Number of attachments included in the report:

BACKGROUND PAPERS: N/A

TRACKING/PROCESS	
Does this report relate to a major strategic decision, as set out in the GMCA Constitution?	No
EXEMPTION FROM CALL IN	
Are there any aspects in this report which means it should be considered to be exempt from call in by the relevant Scrutiny Committee on the grounds of urgency?	No
TfGMC	Overview & Scrutiny Committee
N/A	N/A

1 Introduction

This report provides an overview of GMCAs Strategic Risks and its highest scoring Organisational and Operational risks. It also provides an update on progress with the implementation of the GMCA Risk Management Framework since the last update to the Committee in October 2022.

2 Activity in the period

A Risk Workshop was held in November 2022 with the Chief Executive's Management Team to review the Strategic Risk Register. The objective of the workshop was to provide review and challenge of the strategic risks and scoring and to identify potential emerging risks. Follow up meetings were subsequently held with individual risk owners to complete the updates to the risks.

One notable change to this version of the risk register is that it has been reformatted to organise the Strategic Risks around GMCAs Corporate Objectives, as defined in the GMCA Corporate Plan 2022-25.

Work has begun with risk owners to set a target risk score for each strategic risk. By monitoring progress in managing a risk down from its current 'residual' (i.e. Current) score to a target score we will encourage a realistic assessment of the true level of risk we are having to tolerate and whether our risk actions are being effective. The target scores will continue to be refined further in future reporting. Actions needed to reduce risk to the target scores have also been identified and again, these will be monitored and refined at each review of the risk register to include target dates etc.

Previously, the impact of Covid had been a major theme within the strategic risk register. This is predominantly reflective of the timing of the last substantive review of the strategic risks. After this recent review, the focus of a number of risks has been refreshed and now reflects factors such as inflation, rising energy prices, industrial relations and supply chain issues.

The scope of the risks has been reviewed to ensure they focus on those activities and outcomes that GMCA has specific responsibility for delivering. This will avoid trying to manage outside our control.

3 Movements in risks

This section provides a summary of the movements in the strategic and escalated risks in the last quarter.

Strategic risk scoring changes

- *SR8 Climate Change*: the risk description has been updated to focus more on the delivery of climate change initiatives led by the Combined Authority. The residual score has been raised from 9 to 12 to better reflect continuing challenges such as volatility in energy prices and securing corporate and citizen behavioural change.
- *SR9 Scrutiny over improvements in GMP performance*: following the removal of GMP from special measures this risk has been amended to focus on the effectiveness of continuing scrutiny over improvement actions and preparing for future internal and external HMICFRS reviews. The residual score of 15 remains the same.

Significant updates to risk definitions and/or risk actions

- *SR2 GM operating environment*: the importance of strong internal performance using Corporate Health Indicators and performance frameworks have been added as risk actions.
- *SR3 Volatile economic climate*: additional economic factors affecting both strategic and operational objectives have been added to the scope of this risk

together with use of a dynamic cost of living dashboard to track the impact on GM citizens particularly important.

- *SR5 Wider Impact on GMCA and GM District finances from multiple economic factors*: the risk title and description have been amended to reflect a wider series of factors than just COVID that included inflationary pressures and uncertainty over future levels of government funding.
- *SR6 GMCA delivery of outcomes within the GMS*: with the risk now focusing on threats to the delivery of outcomes that the Authority has responsibility for, rather than the outcomes from all GM stakeholders.
- *SR7 Transport finances from bus and Metrolink*: this risk has been extended to cover bus as well as Metrolink patronage together with the impact of higher operating costs.

Top Organisational and Operational Risks

In line with previous reports, Appendix 2 provides an overview of the highest rated risks at an organisational and directorate level.

Notable changes:

- Previously, risks with an *inherent* score of 16 or more have been included in this listing. On the advice of the Corporate Risk Manager, going forward, risks with a *residual* (i.e. current) score of 16 or more are included. This reflects the effect of existing risk mitigations is taken into consideration.
- Reflecting the same trend seen at the strategic risk level, a number of escalated 'directorate' risks also reflect uncertainty over current and future funding together with the impact of multiple economic factors.

- GMFRS now have three risks with residual scores of 16 or more. The escalated risks are:
 - RR11 - Industrial Action;
 - RR38 - Spending Review and funding; and
 - RR22 - Supply Chain and Cost of Living Crisis.

4 Risk Management Action Plan 2022/23

The risk management action plan continues to be implemented, with the following activities to be undertaken this quarter:

- Review of PCCJF risk register to identify which are GMCA and which are GMP risks and ensure that they fall within the appropriate governance and oversight arrangements;
- Identify risk management awareness training that can be rolled out to staff;
- Work with any Directorates that do not currently fall within the “Conforming” range to develop their risk management arrangements; and
- Support all directorates in the ongoing maintenance and development of risk registers and associated risk management activities, including ensuring their risk actions are SMART.

Appendix 1 - Summary of Strategic Risks (January 2023)

Ref	Risk	Current Score	Target Score	Risk Actions
Corporate Objective 1: Deliver Core/ Devolved services for the public				
SR3	Economic factors such as energy prices, inflation, interest rates and supply chain issues impact the Combined Authority's ability to deliver planned services and programmes for the public.	15	10	<p>Use of a dynamic cost-of-living dashboard to inform decision-making, for example on service provision.</p> <p>Economic insight anticipates and informs practical strategies to support continuity within programmes and challenge within contracting.</p>
SR7	Significant financial risk to transport (bus and Metrolink) resulting from reduced patronage levels (caused by behaviour changes as a legacy of the pandemic), increases in operating costs and uncertainty over longer term government funding support.	16	12	Department for Transport (DfT) funding has mitigated impact of revenue losses with funding confirmed into Quarter 4 2022.

				<p>TfGM Recovery Plan for Metrolink with ongoing lobbying with Government encompassing market renewal and efficiency work to support request for additional funding.</p> <p>Seeking cost saving measures within overall transport budgets.</p> <p>Rephasing of capital spend, to fund renewals programme.</p>
SR9	Insufficient and/ or ineffective governance and scrutiny over Greater Manchester Police fails to identify and address areas of underperformance in the service provided to victims of crime, residents and communities.	15	10	<p>Continuing work with GMP to monitor implementation of outstanding improvement actions.</p> <p>Plan / prepare any necessary work ahead of the next HMICFRS inspection. For example, by engaging with city-region and national bodies to anticipate and understand potential areas of focus.</p>
Corporate Objective 2: Secure, and manage, funding and investment at a Greater Manchester level for agreed activity				
SR1	Changes in central government affects the devolution agenda meaning that devolved powers (including those from being a trailblazer city region) are not further developed or are reduced, access to funding is	15	10	Continuous discussions with departments - lobbying to develop a Memorandum of Understanding for a devolution agreement.

	reduced and/or our ability to influence the devolution agenda is reduced.			
SR5	Factors such including inflation, energy costs, covid legacy and uncertainty around government funding have a major impact on districts ability to deliver public services.	12	9	<p>CA continues to lobby government for more District funding. Creating a bigger voice with Government.</p> <p>Complete 2023/24 budget position through close engagement with all stakeholders.</p>
Corporate Objective 3: Work with the ten local authorities to drive collective activity that puts Greater Manchester at the forefront of tackling social, economic and environmental issues				
SR6	Economic, social, behavioural and financial impacts such as COVID and the cost of living affect the timescales of delivery of GMS outcomes.	8	6	<p>GMS has been refreshed, as a 10-year strategy, to reflect long term strategy learning from Covid, IIC etc with a strong focus on the system wide actions needed to achieve a greener, fairer, more prosperous GM in all parts of the conurbation. This includes 3-year commitments, targets and ways of working, with some neighbourhood floor targets.</p> <p>Monitored by a cross agency/sector Delivery Support Group to ensure the GM system as a whole is delivering</p>

				the changes needed to achieve GM's social, economic and environmental aspirations.
SR8	GMCA is unable to deliver its responsibilities in relation to climate change initiatives due to insufficient funding, capacity, support and behaviour change as well as supply chain issues. This results in long term climate change risks to population, business, biodiversity and infrastructure.	12	9	<p>Mission based approach - Challenge Groups and T&F groups reviewed and re-constituted – responsible for driving increased scale of the challenge and ensuring appropriate joined up actions by all partners</p> <p>Bids submitted for external funding to deliver programmes at scale and development of innovative policy and finance mechanisms.</p> <p>Progress towards targets regularly reviewed through Green City Region Partnership</p> <p>6 monthly updates on GMCA actions in response to its declared Climate Emergency to be reported to CA</p> <p>Review and upscale our communications strategy with districts - to drive stimulate behaviour change, e.g. Bee Net Zero.</p>

				Development of Strategic Outline Business Case to increase level of private sector investment
Corporate Objective 4: Ensure Greater Manchester is speaking with one voice – developing, leading & implementing our evidence-based strategies, building our networks and partnerships and influencing policy				
SR2	GMCA fails to further develop trust, cohesion and credibility with and between local GM systems and partners due to ineffective stakeholder engagement, poor GMCA performance or ineffective decision making resulting in failure to deliver outcomes of GMS and failure to develop and share good practice.	9	6	<p>GMCA Performance Framework uses corporate health indicators to monitor and enhance performance.</p> <p>Best practice in the Assurance Framework helps mitigate against adverse inspections by the likes of the ORR and HMICFRS and maintains strong relationships with the 10 districts.</p>

Appendix 2 - Escalated Risks (January 2023)

Organisational Risks

There are no organisational risks with a residual risk score of 16 or more.

Escalated / “Top” Directorate Risks

There are a number of directorate risks with residual risk scores of 16 or more. Many of these link directly to GMCA’s strategic risks, be it insufficient funding, devolution agenda, cyber threats or the cost of living crisis. A mapping showing the linkage of high scoring directorate risks to Strategic risks is shown below:

Strategic Risk	Linked Directorate Risks with Score (16 or above)
SR1 – Devolution Agenda impacts available funding and future ambition	DIR-EWS-03: Uncertainty around the devolution/levelling up of Education, Work and Skills responsibilities at the national level may negatively impact GMs ambitions and priorities
	DIR-GMD0-02: Digital inclusion ambition is unfunded and therefore fails to deliver manifesto ambitions
	GMFRS-RR38 : Significant risk that future funding will be affected, and also that one off funding (Protection) will not continue beyond 2022/23. New round of austerity expected with anticipated need for spending reductions as part of Spending Plans for 2023/24 budget year.
	DIR-EWS-05: Uncertainty around future Devolution / Levelling Up agendas translates to uncertainty to whether current provision will be sufficiently supported into and beyond 2023.
SR2 – Failure to work effectively with GM Partners	DIR-EWS-04: Lack of sufficient GMCA / LA capacity to support EWS' commissioning, procurement, and implementation requirements

SR3 - Economic factors impact GMCA's ability to deliver planned services and programmes for the public.	GMFRS-RR22: Significant delay or increase the cost of goods in GMFRS' supply chain, which may result in a pressure on contracts due to end and / or currently held (Fire & supplier) stock leading to a restricted ability to deliver on a number of emergency response objectives (equipment maintenance spares, emergency response consumables, fire gear for recruits).
SR6 – Covid legacy and cost of living crisis impact deliverability of GMS outcomes	DIR-GMD-03: Covid related impacts on local finances impacting deliverability of key initiatives
SR8 – Unable to deliver responsibilities in relation to climate change	DIR-ENV-19: Unable to deliver Public Sector Decarbonisation Scheme Phase 3a within timescales set out in grant conditions.
SR9 – Underperformance of GMP	DIR-PCCJF-08: Reporting, investigation and prosecution of RASSO (rape and serious sexual offences) do not meet the standards expected for victims
	DIR-PCCJF-12: Police complaints are not appropriately actioned
	DIR-PCCJF-13: Failures in the historical investigations relating to reports of CSE

There are a small number of discrete, high scoring directorate risks that do not have direct links to strategic risks. These are:

Directorate	Ref	Risk Title	Description	Residual Score (Current)
HROD	DIR-HR-05	Pension Detriment	Risk of legal action arising relating to remedy benefits for retired members and serving members due to retire. There are a number of financial risks to individuals and GMFRS which are currently being considered by LGA/ FBU/Home Office to amend previously agreed MoU.	25
GMFRS	RR11	Industrial Action	Potential of future strike action by operational staff over proposed changes to firefighter's terms and conditions, fire fighter pension schemes and the current status of the national pay negotiations.	20
Digital	DIR-DIG-04	Cyber Security	GMCA is subject to a Cyber attach	20