

## AGENDA ITEM 7

### PAPER FOR FINANCE AND AUDIT COMMITTEE 14/12/2021

#### 1. Corporate Risk

##### 1.1. Risk Closures

###### 1.1.1. Risk Ref 4 | Operational | LEP's response to COVID

Considered that the period in which the LEP would be challenged for its response to COVID has now passed, and therefore the reputational damage and potential impact on future funding is no longer applicable.

###### 1.1.2. Risk Ref 14 | Reputational | Criticism of effectiveness of LEP in responding to crisis

The crisis management phase of the pandemic is considered to have ended, as the pandemic moves into a maintenance phase. In addition, the risk of excess demand for new initiatives has now closed.

##### 1.2. Risk Score Changes

###### 1.2.1. Risk Ref 6 | Operational | Resources of LEP and ability to respond to business closures or opportunities

The residual impact of the risk has been changed from 5 (catastrophic risk) to 3 (moderate risk). The landscape of likely business opportunities and closures has stabilised, and the significant uncertainty posed by the pandemic for businesses has reduced. In addition, with resources within the LEP being moved from Marketing Cheshire to the Growth Hub to support businesses, the risk to the amount of intelligence the LEP can gather, and the onward support is further reduced.

##### 1.3. Potential New Risk Areas for Discussion

A full review of the corporate risk register is planned for the coming months, with a particular emphasis on ensuring the corporate risk register focuses on the core reputational and strategic risks and less on the operational risks. We welcome opinions from the board on the following proposed risks to be added to the register, and seek:

- Agreement to these posing risks to the LEP;
- Agreement to these being monitored in the corporate risk register;
- View on impact and likelihood

###### 1.3.1. Levelling up white paper and delivery plan

There is uncertainty on both the content and timing of the Levelling Up White Paper, and this poses a risk to the LEP's ability to prepare a coherent delivery plan for the upcoming year.

Officers could either:

- prepare a delivery plan in the absence of the White Paper, which may therefore require significant future re-work, and therefore the posed risk would be wasted resources in drafting and debating a delivery plan that is not adopted, at least not in full;
- wait to produce the delivery plan until the White Paper has been published, posing a risk for the LEP's ability to produce a quality and approved delivery before the end of the financial year.

###### 1.3.2. (Absence of) Metrics and KPIs connected to our future delivery plans and vision

There is uncertainty, in the absence of metrics and KPIs, as to whether the LEP is on track to delivery its vision and recovery plan, with subsequent potential impacts on the LEPs reputation. However, it should be noted if the LEP confirms metrics and KPIs against its vision and future delivery plans new risks would result:

- whether the specific measures selected are correct, leading to potential challenge;
- the LEP would monitor progression against the vision and delivery plans without the delivery mechanisms to effect significant change.

#### **1.3.3. Single points of failure (SPOFs)**

There are multiple areas of single points of failure within the LEP, and therefore there is poor resilience within the organisation, particularly if the SPOFs resulted from something other than resignation (i.e. maternity/sickness). This would therefore produce (short-term) impacts to loss of knowledge, relationships, processes etc. and would put additional strain on other employees.

#### **1.3.4. Relationship with the three local authorities**

Notably we believe that this risk would be very low, however as the LEP serves a geography spanning three local authorities there is an inherent risk that may have value in monitoring regarding the relationship of the LEP with the three different local authorities. In particular, there is the probability for the following to vary between each local authority:

- Agreement of the priorities of the area
- Level of engagement

| CATEGORY    | RISK SCENARIO  |  | FUTURE CONTROLS / MITIGATION MEASURES  |   | Residual risk rating |                  |       | Direction of travel |
|-------------|--|--|--|---|----------------------|------------------|-------|---------------------|
|             | RISK   | IMPACT   | Mitigation   | Planned actions   | IMPACT {1-5}         | LIKELIHOOD {1-5} | TOTAL |                     |
| Financial   | EZ receipts received not in line with forecasts  | Unable to undertake the necessary EZ investments, repay loans and develop other areas of LEP activity.   | Continue to liaise with business rate function staff to improve forecast accuracy and determine contingencies. Establish a reserve within EZ funds. Manage expectations about availability of finance and reduce investment programme accordingly if need be.  | Improve forecasting and understanding of cashflow and monitoring of income. Ensuring that we have sufficient levels of reserves to manage short-term variances in EZ income. Ensure sufficient flexibilities to turn on and off commitments.  | 4                    | 3                | 12    | →                   |
| Economic    | Uncertain economic conditions make it difficult for the LEP to support economic development.   | It's hard to identify how the LEP can tackle all the issues that are likely to crystallise as a result of the pandemic. The LEP may not have the means to adequately and comprehensively respond. Could impact the reputation of the LEP.  | Recovery plan being developed in conjunction with stakeholders which will convey the scope of what the LEP intends to do to aid recovery   | Investment in developing business cases and "Place" marketing has been approved by the board and further use of EZ retained business rates is expected to continue creating opportunities and awareness. Committees are tasked with redirecting funding for failing projects in order to prevent loss of funding. Continue Horizon scanning to drive pipeline of appropriate projects.  | 4                    | 3                | 12    | →                   |
| Operational | Failure to successfully deliver projects and programmes which the LEP is responsible for [in compliance with the funding conditions]                       | Reputational damage, loss of funding, damage to stakeholder relationships, LEP needs to find funding to underwrite costs, not able to deliver the SEP/LIS  | Ensure all bids are reviewed to ensure they're properly costed and all paper's include a FD opinion. Look at delivery options to see if risk can be shared or transferred. Consider contracts and all terms to ensure they are understood and as tight as possible. Independent appraisal then ongoing monitoring and managing of contracts.   | Make it a mandatory part of the approval process that FD opinion is given on all bids. Consider writing into the LAF. Carry out a review of all existing funding contracts so that the LEP fully understands and can account for the financial implications of those programmes e.g. Accelerate which requires the LEP to cash flow the delivery costs with the funds only being reimbursed if the targets are met.   | 4                    | 3                | 12    | →                   |
| Financial   | LEP review, spending review and Pm Speech on devolution could and will create change, ambiguity and need to change LEPs objectives and internal structure. | LEP review may mean that staffing structure of the LEP needs to change to meet new priorities to ensure LEP has the right skills and expertise. May cause staff motivation and uncertainty. issues Board and committee members might become disengaged, not seeing the value in committing their time to the LEP given revised priorities. | Work with ministers and officials to help reduce ambiguity to help better inform LEP structures and objectives. Work with LAs and LEP network to help shape those discussions and understand what ministers really want to achieve. Make sure that the views of C&W LEP are heard. Ensure mgt of internal structure and finances maintain max flexibility to respond to changing priorities. Work to reassure staff and that the LEP is expected to grow. Budget setting will need to account of budget uncertainty. | Continue to review position and align response accordingly. Continue to brief staff and board as the position evolves and a positive view of what the future role of the LEP will be. Work to actively keep board and committee members committed to supporting the LEP. Working on review of LEP within C&W. Develop comms plan which promotes the achievements of all the different funding initiatives so that while the capital funded programmes may be coming to an end, the LEP is involved in far more activity which adds value. | 4                    | 3                | 12    | →                   |

