

## 8b WLEP RISK REGISTER UPDATE

### **WLEP BOARD RECOMMENDATION**

The WLEP Board is asked to:

- Note the changes to the WLEP risk profile following FAR Committee review at their meeting on 6 July 2021; and
- Note the escalation of two risks being assessed as 'net red' risks within the WLEP Risk Register and identify any further actions required to support risk mitigation strategies.

### **8.1 Context**

- 8.1.1 As outlined in the WLEP Local Assurance Framework (LAF), the Finance, Audit and Risk (FAR) Committee operate as a sub-group to the WLEP Board and meet on a quarterly basis. One of the FAR Committee's key roles is in ensuring that the necessary risk management systems are in place for WLEP operations.
- 8.1.2 This brief report provides an update on the risk profile for WLEP, following a review of the risk register undertaken at the FAR Committee meeting held on 6 July 2021.

### **8.2 WLEP Risk Management Principles**

- 8.2.1 As way of reminder, WLEP risks are assessed on a 5 x 5 matrix, which measures the probability and impact of a risk, to generate a score that is assigned one of four coloured ratings – Red, Amber-Red, Amber-Green, or Green.
- 8.2.2 As agreed at previous WLEP Board meetings, the Board is prepared to accept risk and has delegated responsibility for risk management to the FAR Committee to manage on its behalf. It was also agreed that any risk that is assessed as a 'net red' risk must be a priority for immediate management action and should be escalated to WLEP Board for information and decision as appropriate.
- 8.2.3 A decision would then need to be taken by WLEP Board whether to avoid, transfer or reduce the risk (recognising a 'net red' risk cannot be accepted).

### **8.3 WLEP Risk Register**

- 8.3.1 There are currently 18 risks identified on the WLEP Risk Register and at their meeting on 6 July 2021, the FAR Committee reviewed the risks, the mitigating actions in place and re-assessed their post-mitigation values, which resulted in the following changes to the risk profile:
- 2 risks were 'down-graded' i.e. a reduction in their probability and/or impact values
  - 12 risks had no change to their overall scores
  - 4 risks were 'up-graded' i.e. an increase in their probability and/or impact values
  - In addition, 3 risks were closed or consolidated to reduce duplication
- 8.3.2 It is important to note that the risk values assessed and recorded on the Risk Register are post-mitigation. As a result of the changes made, the risk profile of the WLEP Risk Register is now:

- Green – 4 risks
- Amber/Green – 8 risks
- Amber/Red – 4 risks
- Red – 2 risks

8.3.3 In accordance with the WLEP Risk Management Strategy, the FAR Committee are escalating to WLEP Board the fact that two risks are now categorised as net red risks. These are as follows:

- **(Score of 20/25)** – A political change in national LEP responsibilities results in a risk of the LEP failing to adapt to, or deliver on priorities, and potentially exacerbates existing risks.
- **(20)** – Risk that WLEP revenue funding available is insufficient to cover operating costs / staff resources to successfully deliver the WLEP economic strategy.

8.3.4 For more detail on the risks and the current mitigating actions in place, the full Risk Register is included as **Appendix 8c**.

8.3.5 The underlying issue for both risks, stems from the National LEP Review, and the current uncertainty surrounding future role and remit of LEPs and associated funding/implementation plans.

8.3.6 As reported in the 2021/22 Q1 Finance report, and at time of writing in early July, LEPs have still not received the £500k core funding from Government for 2021/22. This is despite correspondence from BEIS in May 2021 stating this would flow following a successful Annual Performance Review. The withholding of this funding has serious implications on WLEP's capacity to deliver national and local priorities. To give some context, WLEP has a forecast core budget of £652k for this financial year, meaning the withheld funds equate to over 76% of WLEP's annual budget.

8.3.7 There is also synergy with the four risks ranked as Amber/Red. These are also closely associated with the National LEP Review, and the recent changes in Government policy to change how funding for large-scale capital economic development programmes are routed to Local Authorities, and lack of clarity on future funding post Britain's exit from the European Union (i.e. UK Shared Prosperity Fund), which potentially will see some existing provision facing a financial cliff-edge unless alternatives are identified.

## **8.4 Mitigation Strategy and Next Steps**

8.4.1 Mitigation strategies are in place for all risks, including the two ranked as 'net red' risks.

8.4.2 WLEP are engaged with the LEP Review at Executive and Board level, with representation on the LEP Review sub-groups, and frequent review/feedback of emerging papers produced by the Review. The CEO and Director of Operations also have regular communication with BEIS at a local level on a fortnightly basis minimum to update on latest developments and share insights and local intel.

8.4.3 WLEP are also engaging with local Worcestershire MPs to lobby for a swift resolution and to understand what, if any, action can be taken on our behalf to assist Government.

8.4.4 Understandably, the ongoing focus around Britain's exit from the EU, and the response to the impact of the COVID-19 pandemic continues to dominate the political agenda nationally and therefore BEIS continue to report they are unable to define a timescale for any resolution to the LEP Review. The original plan to identify recommendations prior to Summer recess will not be met.

- 8.4.5 It is understood an announcement is 'imminent' (by mid-July) on the LEP core funding issue for 2021/22. WLEP have a budget reserve in place, built up over time, to manage the potential risk of redundancies. The Executive have also implemented a 'freeze' on recruitment, but this further exacerbates the talent attraction/retention issue well-rehearsed in the LEP environment due to the short-term 12-month funding cycles.
- 8.4.6 In the meantime, the WLEP Executive Team with the support of the Accountable Body continue to monitor the operating budget to identify any potential opportunities for rationalisation.
- 8.4.7 WLEP Board is invited to advise on additional mitigation strategies to address these net red risks.

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