

Enterprise M3 Board Meeting

7 December 2023

Enterprise M3 Risk Register – Item 10

Enterprise M3 Board is asked to:

DISCUSS and APPROVE the updated Enterprise M3 Risk Register.

1. Enterprise M3 Risk Register

- 1.1 Article 4.20 of our Assurance Framework states that “*Enterprise M3 retain a Risk Register, which will be reviewed on a regular basis.*”
- 1.2 The Enterprise M3 Risk Register is maintained to capture and monitor all key risks related to the organisation as a whole. It considers risks of the following nature: strategic, governance and financial, people, and projects and programmes.
- 1.3 The Risk Register is reviewed at each meeting of the Resources, Finance and Audit Committee (RFAC) and is a standing item on each agenda of the group. It was last reviewed by the RFAC on 21 November 2023, and is attached at Appendix 1.
- 1.4 The Risk Register is considered by the Board in each financial year. The Board last reviewed it in February 2023.
- 1.5 We have sought to keep the register at a high level to give an indication of key risks and mitigating actions for the Board, Sub-groups and Managing Director. To enable publication on our website, any commercially sensitive content has been removed from this version of the register.

2 Overview

2.1 Table 1 below summarises the overall risk levels currently on the risk register:

Table 1: Enterprise M3 Risk Register levels				
	Red	Amber	Green	TOTAL
November 2023	7	7	5	19

- 2.2 Out of the 19 risks reflected within the Risk Register, a total of 7 risks are identified as Red. These reflect the current uncertainty arising from the future integration of LEPs into local democratic institutions and specifically what the changes in the delivery of Enterprise M3 functions mean both for our staff and for the LEP’s projects/programmes (ongoing and planned).
- 2.3 Of the 7 Amber risks, some of these also relate to the impending changes to the delivery of current Enterprise M3 LEP functions and the subsequent implementation of these. We continue to monitor these risks closely; we will reassess the risk levels once the integration process is fully understood and the changes are underway.

Elizabeth Seaman
 Performance and Governance Manager
 24 November 2023

	Risk (with causes and consequences)	Likelihood	Impact	Level	Response	Controls in place	Stakeholders	Action Owner
		1 to 5	1 to 5		Avoid; Transfer; Mitigate; Accept			
STRATEGIC								
1.1	<p>LEP's ability to deliver against its priorities is impacted by difficult economic environment</p> <ul style="list-style-type: none"> - Caused by major economic impact such as recent inflationary pressures post pandemic issues. - Leads to EM3 unable to respond to external/wider factors. 	3	3	9	Mitigate	<ul style="list-style-type: none"> - Regular Business Intelligence meetings - monitoring impact on local businesses. - EM3 continues with monitoring and evaluation of external business factors and will use staff and Board to respond to factors as required. - Enterprise M3 is continuing with its Revive and Renew strategy and working with partners to take forward response. 	Board EM3 MD	EM3 MD
1.6	<p>EM3 unable to continue to add value to existing and potential projects due to uncertainty about future of LEPs</p> <ul style="list-style-type: none"> - In light of March 2023 Budget announcement and Government announcement in August, lack of strategic direction due to changes in priorities. - Leads to EM3 unable to fund high potential projects that support economic development and growth. 	4	4	16	Mitigate	<ul style="list-style-type: none"> - EM3 engaging with Accountable Body and Surrey CC to understand likely future of LEPs - The Local Industrial Strategy is a long-term strategic framework demonstrating principal areas within which Enterprise M3 can flexibly operate as priorities change. - EM3 continues to identify opportunities to fund projects with added value potential and also has discussions with partner organisations until the future of the LEP is confirmed. 	Board	Board Chair
1.7	<p>EM3 Board effectiveness and/or engagement is reduced as a result of future uncertainty</p> <ul style="list-style-type: none"> - The future is uncertain and the potential impacts are not yet known or understood. - Leads to Board members becoming disengaged in work of LEP, and also being under-prepared for decision-making or providing advice. 	3	4	12	Mitigate	<ul style="list-style-type: none"> - Board Directors are kept informed of Enterprise M3's work via bi-monthly Board meetings and Enterprise M3's regular newsletter. Strategic workshops have taken place, and more are planned for the future. - Individual Board Directors are chosen as leads on work streams e.g. communications, Annual Report/Annual Conference. - In-person and hybrid meetings chaired in an inclusive manner, with opportunities to engage both in the meeting and via 'chat function'. - Enterprise M3 continues to operate in line with its governance procedures and papers and minutes of Board meetings continue to be published. - Enterprise M3 Chair meets regularly with members of the Board and the EM3 team, as well as with partners and stakeholders. - Board Evaluation has been completed in 2022. 	Board	EM3 MD
1.11	<p>Reduced capacity to deliver all of EM3's 23/24 core objectives due to uncertainty of LEP's future.</p> <ul style="list-style-type: none"> - Uncertainly caused by confirmation by Government of transfer of LEP functions to local government from April 2024. - Negatively impacts motivation of staff and partners, also potential reduction in match funding and resources. - Leads to EM3 not achieving Delivery Plan and not meeting stakeholder expectations. 	3	5	15	Mitigate	<ul style="list-style-type: none"> - Enterprise M3 will continue to deliver against its Strategic Economic Plan, Local Industrial Strategy, Revive and Renew Plan and Delivery Plan. - Cross-LEP working will continue to be a priority for Enterprise M3 and we will keep working with neighbouring LEPs as part of cluster activity. - Continue to work closely with the LEP Network and other LEPs. - Enterprise M3 continues to demonstrate its impact and engage with its funding partners including LAs, FE and HE through regular meetings. - Enterprise M3 Communications Manager communicates our impact, supported by an external communications agency. - News stories, case studies and project details are uploaded to our website, www.enterprisem3.org.uk, to demonstrate our impact. - Agreed budget for 2023/24 and medium-term outlook provides evidence of a robust financially stable position, with ability to deliver LEP functions into the medium-term. 	EM3 MD Board	EM3 MD

	Risk (with causes and consequences)	Likelihood	Impact	Level	Response Avoid; Transfer; Mitigate; Accept	Controls in place	Stakeholders	Action Owner
		1 to 5	1 to 5					
1.12	<p>Future delivery of LEP functions is uncertain following Budget announcement and Government decision in August</p> <ul style="list-style-type: none"> - Uncertainty during March-August surrounding Government's announcement that it was consulting on transferring LEP functions to local government from April 2024, and - Uncertainty concerning potential next steps following the outcome of the devolution deal announcements over the summer, and - Uncertainty concerning LEP transition steps following confirmation on 4 August that Government will no longer fund LEPs after March 2024. - Leads to lack of clarity and shared purpose with stakeholders re: future delivery of economic development. 	4	5	20	Mitigate	<ul style="list-style-type: none"> - Enterprise M3 is engaging closely with its stakeholders/partners, closely involving its Accountable Body, in relation to transfer of delivery of LEP functions to local authorities - Enterprise M3 continues to demonstrate its impact and value through our communications activities, including our website and publications, as well as through key meetings with partners across the area. - Enterprise M3 continues to provide timely responses to information requests from Accountable Body and from Surrey CC to support their development of transition planning. 	EM3 MD Board	EM3 MD
GOVERNANCE AND FINANCE								
2.3	<p>Reduced EM3 financial capacity to take forward 23/24 activity, due to:</p> <ul style="list-style-type: none"> - Revenue income/funding uncertainty in the medium term impacts delivery functions within EM3. - Decline in expected capital and/or revenue income because of deferral or default of loan repayments and reduced interest payments <p>Leads to:</p> <ul style="list-style-type: none"> - Lower than expected levels of both capital and revenue funding which impacts the running of Enterprise M3 team. - EM3 being unable to fulfil all planned activities in 23/24 Delivery Plan. 	3	4	12	Mitigate	<ul style="list-style-type: none"> - Agreed budget for 2023/24 provides evidence of a robust financially stable position, with ability to deliver LEP functions - Continue to ensure reserves are kept at an adequate level to ensure the running of Enterprise M3's functions. - Keep financial strategy under close review with RFAC to ensure reserves policy is not breached in future years. - Organisational review implemented to ensure the organisation can continue to be staffed and deliver on its priorities. - Legal agreements are drafted and contracted to ensure repayments are made and recourse is available to the LEP in the event of non-receipt of loan repayments. - Work is ongoing with partners to ensure repayment schedules are adhered to and that any issues are brought to the attention of the LEP as soon as the recipient is aware. -The Enterprise M3 team is regularly reviewing cash flow and taking steps through regular discussion and contracting to reduce the risk of defaults or deferrals. 	RFAC EM3 MD	EM3 MD
2.5	<p>EM3 Board is unable to maintain its calibre and quality of its membership</p> <ul style="list-style-type: none"> - Uncertainty following Government's announcement that it is transferring LEP functions to local government from April 2024. - Leads to vacancies being left open as recruitment is currently paused. 	3	4	12	Mitigate	<ul style="list-style-type: none"> - Keep existing Board members fully briefed and engaged with work of EM3. - Two Board members will reach the end of their final term in 23/24. Until plans to transition LEP functions to LAs is clarified, we have paused recruitment of new Board members/directors. 	Nominations Committee EM3 MD	EM3 MD

	Risk (with causes and consequences)	Likelihood	Impact	Level	Response Avoid; Transfer; Mitigate; Accept	Controls in place	Stakeholders	Action Owner
		1 to 5	1 to 5					
2.6	<p>A negative Annual Performance Review</p> <ul style="list-style-type: none"> - Non-compliance by EM3 with the Assurance Framework. - Leads to poor perception of EM3 by stakeholders and in turn impacts EM3 staff morale. 	1	3	3	Avoid	<ul style="list-style-type: none"> - Governance and assurance arrangements ensure the organisation complies with the Assurance Framework. - The Assurance Framework is regularly updated and was reviewed in August 2023. - Induction of Board Directors and staff has been introduced to ensure that Assurance Framework requirements are well understood. - Enterprise M3 received a positive result for 2022/23 APR in relation to governance and was praised for its adherence to the Assurance Framework. - DLUHC have confirmed that they expect the APR will take place as part of the assurance cycle but this is likely to be lighter touch this year. 	Board	Board Chair
2.7	<p>Failure to meet Government requirements for Board composition</p> <ul style="list-style-type: none"> - Board composition is impacted by pausing recruitment and changes in local government representatives. - Leads to EM3 not meeting required targets for Board membership. 	3	3	9	Avoid	<ul style="list-style-type: none"> - Continue to monitor Board numbers and composition and once EM3 future is understood, recruitment can take place using existing procedures if required. - Nominations Committee review position regularly to ensure that forward planning activity takes place and that potential Board changes over the next 12 months are well understood. - EM3 Board composition will be changing but DLUHC has set out mitigations / handling therefore no change to scores. 	Nominations Committee	Nominations Committee Chair
2.8	<p>Reduced financial contributions from partner organisations</p> <ul style="list-style-type: none"> - Organisations are unable to provide expected contributions to EM3 due to their own funding challenges and uncertainty about LEP's future. - Leads to a reduction in available funding which in turn impacts EM3's ability to deliver planned activity in future financial years. 	5	3	15	Mitigate	<ul style="list-style-type: none"> - The EM3 MD is continuing to contact partners and providing reports of our activity to ensure contributions are provided. - The Head of Finance has undertaken scenario planning taking into account the potential contributions from partners. - Agreed budget for 2023/24 and medium-term financial outlook provides evidence of a robust financially stable position, with ability to adapt to changes in good time. - The LEP will seek to maintain current funding from partners, and look for other opportunities to gain further funding. - Higher interest rates are offsetting any reduced incomes. 	EM3 MD RFAC Board	EM3 MD
2.9	<p>EM3 finances impacted by high inflation</p> <ul style="list-style-type: none"> - Inflation leads to increased staff and other costs. - Hinders the ability of the LEP to deliver planned activities and in turn hampers financial viability. 	2	3	6	Mitigate	<ul style="list-style-type: none"> - Ongoing monitoring with adjusted forecasts to monitor the impact and identify cost saving measures. - Current economic forecasts for changes in inflation and interest rates, indicate financial viability into medium term. - Agreed budget for 2023/24 and medium term financial outlook provides evidence of a robust financially stable position, with mitigation against inflationary pressures. 	EM3 MD RFAC Board	RFAC Chair
OUR PEOPLE								

	Risk (with causes and consequences)	Likelihood	Impact	Level	Response Avoid; Transfer; Mitigate; Accept	Controls in place	Stakeholders	Action Owner
		1 to 5	1 to 5					
3.6	<p>Teams unable to deliver activities/services due to single points of failure</p> <ul style="list-style-type: none"> - Certain roles in teams lack 'back up' and therefore have potential single points of failure. - Leads to delays in delivery of planned activities and business-as-usual activities. 	4	3	12	Mitigate	<ul style="list-style-type: none"> - Review of organisation identified key roles and put in place a structure and support to ensure Enterprise M3 is able to deliver key contracts/activities. - Risk cannot be completely eradicated due to the size of the organisation. However, impact reduced following re-alignment of responsibilities through the review of organisation. - Changes includes additional input from HCC in respect of procurement and legal support. - EM3 are implementing cross-training where possible and documenting processes. 	EM3 MD	Management Team
3.8	<p>Unable to deliver all EM3's 23/24 core objectives and deliverables, due to the impact of uncertainty on staff</p> <ul style="list-style-type: none"> - Uncertainty due to Government announcing plans to transfer LEP functions to local government from April 2024, and pausing of some planned activities. - Changes to MD leadership at EM3 and within Careers Hub. - Continued uncertainty around future organisational structure and potential job roles. - Leads to lower staff morale and difficulty in maintaining effective workforce. - Leads to increasing difficulty in retaining staff and with consequent increased pressure on remaining staff. - Recruitment challenges to backfill posts given uncertainty about post-LEP future. 	5	4	20	Mitigate	<ul style="list-style-type: none"> - Ongoing discussions with HCC and SCC to confirm which activities can proceed. - Staff comms and engagement plan in place to ensure staff remain engaged through a period of uncertainty. - All positions filled, no vacancies. If required, other methods of staff recruitment can be used to ensure sufficient resourcing across work streams (e.g. consultants) - Staff can be re-assigned to increase the resilience across the organisation and help to provide support if any key roles cannot be recruited to swiftly. - Following Joint Managing Director's departure, clear communication to staff and stakeholders meant that there is no ambiguity about how the EM3 management team operates with one Managing Director. - One Board member continues to provide strategic support on key projects and activities. - Regular updates from Managing Director to staff on HCC and SCC plans. 	EM3 MD	Management Team
OUR PROJECTS AND PROGRAMMES								
4.2	<p>Enterprise Zone investments are delayed</p> <ul style="list-style-type: none"> - Investment in interventions delayed resulting in low take up by companies and consequent reduction in business rate income growth. - Leads to reduction in ability to invest in the Enterprise Zone. 	2	3	6	Accept	<ul style="list-style-type: none"> - Head of Enterprise and Innovation (responsible for overseeing Enterprise Zones) has engaged with PSG and partners to discuss funding and priorities to accelerate delivery. - External consultancy is ongoing to update the EZ Implementation Plan, which will drive the future of the EZ, identifying investment focuses, and reassessing future income. 	Board EM3 MD EZ PSG	EM3 MD
4.6	<p>Non-delivery or delayed delivery of Careers Hub KPIs for current academic year</p> <ul style="list-style-type: none"> - Uncertainty about post-2023/24 delivery arrangements. - Leads to EM3 unable to deliver commitments under the Careers and Enterprise Company funding agreement. 	2	3	6	Mitigate	<ul style="list-style-type: none"> - Enterprise M3 are working closely with the Careers and Enterprise Company (CEC) and maintaining open communication relating to capacity, delays or issues. - Careers Hub staff fully recruited and recruitment includes temporary cover for Careers Hub operational manager; staff can be re-allocated within the programme to minimise the risk of missing targets/KPIs. - We have good support from the CEC and have regular discussions with CEC (funding partners), to discuss 2023/24 delivery arrangements. - Surrey CC now delivering CH within their area, related CH staff exited Enterprise M3 on 31 August. 	EM3 MD	EM3 MD

	Risk (with causes and consequences)	Likelihood	Impact	Level	Response Avoid; Transfer; Mitigate; Accept	Controls in place	Stakeholders	Action Owner
		1 to 5	1 to 5					
4.8	<p>EM3's new Future Fund (capital fund) does not meet Delivery Plan targets and stakeholder expectations</p> <ul style="list-style-type: none"> - Scope of Future Fund is not clearly communicated or understood. - Projects selected are not aligned with the longer term vision for economic development of EM3 successor bodies. - Future of LEP in light of Government announcement means that start of Future Fund is delayed and/or its scope is reduced. - Leads to Future Fund not delivering its objectives or meeting expectations of stakeholders. 	3	3	9	Mitigate	<ul style="list-style-type: none"> - Future Fund governance and operational processes were re-developed before the funding opportunity opened in August 2023. - Review of Future Fund has been conducted with EM3 Board Chair and Future Fund objectives aligned with EM3 Vision with EM3 Board involvement in development of Future Fund processes. - Decisions in the project selection process will be carried out with good governance and transparency; with due regard to the longer term arrangements; and in consultation with the Accountable Body. - HCC updated regularly on progress of Future Fund project selection and are also undertaking due diligence. - Funding opportunity opened in August, shortlisting took place in September with team presentations completed in October as part of the due diligence process. 	Board PMG	Board Chair
4.9	<p>Non-delivery or delayed delivery of Growth Hub 23/24 KPIs due to:</p> <ul style="list-style-type: none"> - Embedding of new staff and data recording processes - Uncertainty about post-2023/24 delivery arrangements leads to staff leaving EM3 - Leads to EM3 being unable to deliver our commitments for the Growth Hub service. 	2	4	8	Mitigate	<ul style="list-style-type: none"> - Resourcing through other means such as consultancy to ensure ongoing delivery. - EM3 running marketing campaigns to promote Growth Hub and ensure pipeline of customers. - GH is fully staffed. - Data collection and recording processes were reviewed; regular data collection and monitoring support provided to GH team since May 2023. - The Apr-Sep 2023 six-monthly report to DBT had all required data inputs available; report submitted by EM3 before deadline. 	EM3 MD	EM3 MD