Appendix 1

West Midlands
Combined Authority

Corporate Risk Management Strategy (draft)

Version: 0.9 (draft)

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WEST MIDLANDS COMBINED AUTHORITY

Introduction

The West Midlands Combined Authority (WMCA) is committed to deliver its strategic objectives whilst having a clear focus on the awareness and the management of threats that may impact its expected outcomes.

As part of this, consideration is given to the potential risks and opportunities that face our business activities on an ongoing basis. The responsibility of managing risk sits with all officers and is driven with a focus on actively being aware of all risks and not risk avoidance.

Risk can be defined as: - an uncertain event, or set of events that, should it occur, will have an effect on the achievement of business activity. Threat is an uncertain event that could have a negative impact, and opportunity is an uncertain event that has the ability to provide a positive outcome. The process to identify, assess and manage business risks is risk management.

This policy focusses on monitoring risk associated with the key areas of activity that will ensure the strategic aims of the WMCA are met.

Purpose

Risk has been identified as having a key role in the delivery of the Assurance framework as agreed by DCLG (version 12, 14th June 2016). The framework recognises that risk will be identified, monitored and managed appropriately whether at a corporate level and at a project and programme level.

The key principle of the Corporate Risk Register is to account for risks that face the WMCA as a whole.

This document sets out the organisation's approach to risk management and supports the risk management requirements as detailed in the Assurance Framework.

It aims to explain the purpose of risk management, and what is expected of employees to achieve the desired outcomes.

Risk management helps the organisation to:

- Make informed decisions
- Overcome threats impacting on delivery
- Provide confidence in our ability to achieve its objectives
- Protect its assets and resources
- Make informed investment decisions

Policy statement

The WMCA will demonstrate a proactive approach to risk management which is based on the following key principles:

- Risk Management activity will be aligned to corporate and business plan aims, objectives and priorities. It will encompass all strategic and operational areas that may prevent the Combined Authority from fulfilling its strategic aims.

- It will anticipate and take preventative action to avoid risk rather than manage the consequences.

- It will seek to realise opportunities that arise from the monitoring of risk.

- A consistent approach for the identification, assessment and management of risk will be embedded throughout the organisation.

- Risk control and mitigation will be effective, appropriate, proportionate and affordable. Risk controls will not be implemented where the cost and effort is disproportionate to the expected benefits.

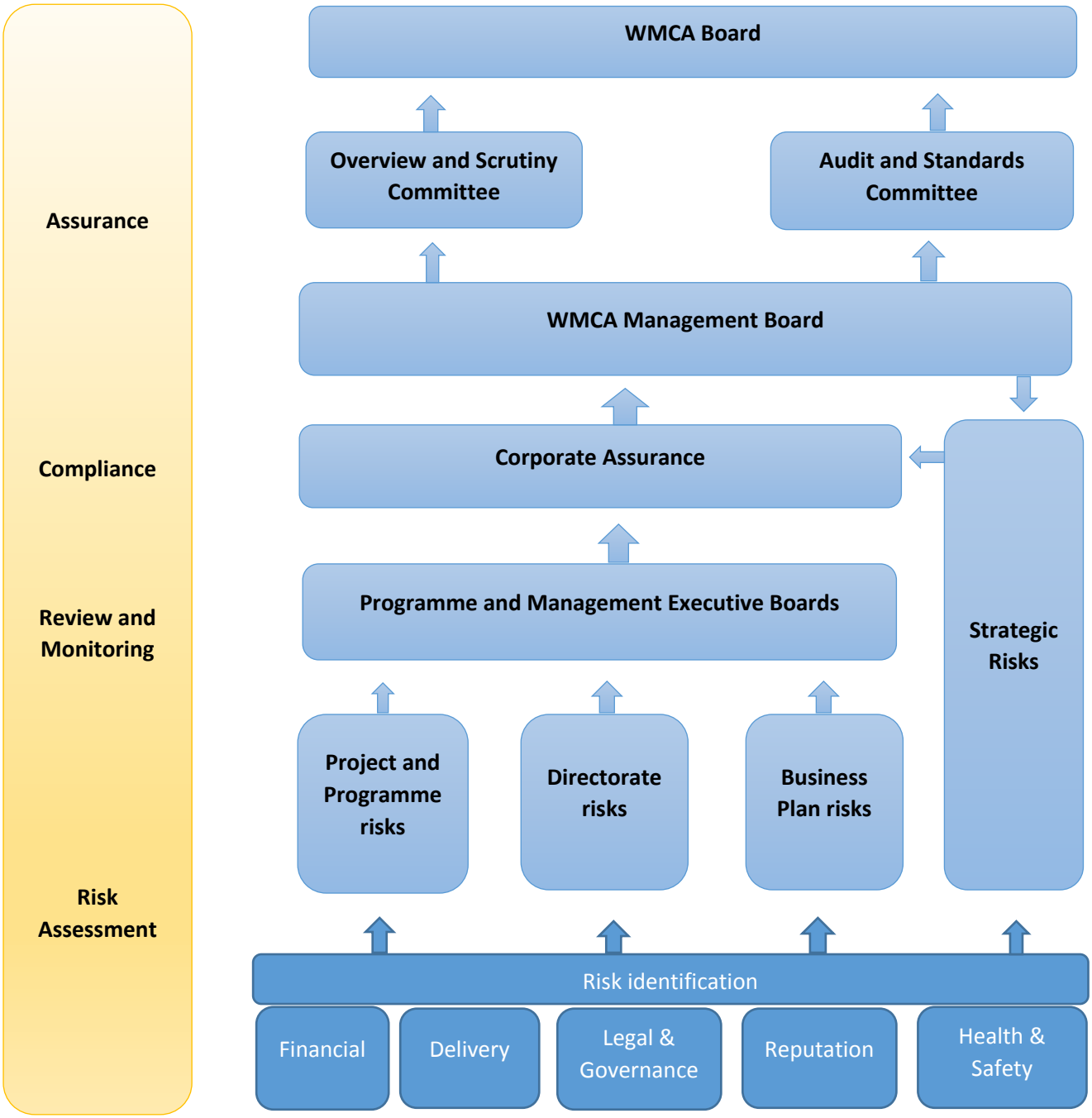
- All employees are required to take responsibility for the effective management of risk throughout the organisation.

- Directors are responsible for implementing this policy within Directorates and for the escalation of risks to the Corporate Risk Register as required.

Risk Management Structure

The management of risk is captured within all areas of business activity, as represented below. An overarching risk register covering strategic and key risks, as identified within all risk activities, are incorporated into the Corporate Risk Register.

The role of the Business Assurance team provides oversight across all risk activities within the organisation and ensures there is a consistent approach to risk management reporting and escalation that fully meets the organisations' needs and demonstrates best practice. This includes the development of an Assurance Map to demonstrate active risk management is in place for all corporate risks.



Risk Management Process

Risk management follows a cyclic process and is seen as a pro-active activity to help identify and manage risks to ensure the organisation's strategic aims, and delivery of the Annual Business Plan can be achieved through regular monitoring of objectives.

This process follows 5 steps as demonstrated in the diagram below and is maintained through risks being clearly recorded within a risk register, and example of this is contained as Appendix 1.

Confirm the business plan: The objectives and key outputs of the business plan should be clearly understood before a risk assessment is completed.

Identify the risk: Consideration should be given to any threats that could impact on the organization's ability to deliver the objectives. Risks can materialize from a number of sources with some examples being highlighted on page 7 of this document. Alternatively a PESTLE analysis can be undertaken looking at risks falling under the headings of Political, Economic, Social, Technological, Legislative, and Environmental.

Evaluate the risk: Once risks have been identified, consideration needs to be given to the likelihood of the risk materializing, and the impact it will have on delivery of objectives. Risks should be evaluated by determining the risk magnitude, which is the combination of likelihood and consequence. Decisions can then be made about whether the risk is acceptable or if further action is required and is governed by the organization's risk appetite.

Treat the risk: Once the level of risk has been identified, consideration should be given to determine and take appropriate steps to ensure the risk does not have a detrimental effect on delivery of the objective. This can include **Tolerating** the risk and no further action being required, **Treating** the risk to reduce the opportunity for the risk to materialize, **Transferring** responsibility for the risk to another party (e.g. Insurance), or taking steps to stop or **Terminate** the risk from occurring.

Monitor and review: Risks are regularly monitored to ensure mitigation measures are effective and the level of risk remains at an acceptable level, or further actions or a change in approach can be sought. Risks are monitored and addressed at a business level with further assurance and oversight of risk management of corporate risks being directed through the Audit and Standards committee and WMCA Board.

Risk Appetite

The WMCA will endeavour to keep all risks rated to As Low a level As is Reasonably Practical (ALARP) and will ensure risk activity is proportionate to the severity that each risk brings to the delivery of objectives. In doing this, we will demonstrate a focus on risk awareness but not be risk averse.

As an organisation we strive to continually excel in the delivery of our strategic aims and in achieving this, it may be necessary to extend our risk appetite in order to achieve optimum delivery. Any extension on the risk appetite will be undertaken following a review of the individual business case and will not threaten the organization's statutory and legal obligations.

WMCA recognizes five key risk categories that have the opportunity to create a significant impact on business operations if not managed effectively. These include Finance, Reputation, Delivery, Legal & Governance and Health & Safety, details of the extent of risk for each is captured in the table overleaf.

Consequence	Minimal (1)	Minor (2)	Significant (3)	Major (4)	Critical (5)
Financial	Costs could increase by **upto 2.5%** above budget	Costs could increase between **2.5 and 5%** above budget	Costs could increase between **5 and 7.5%** above budget	Costs could increase between **7.5% and 10%** above budget	Costs could exceed budget by **greater than 10%.**
Reputation	**Minor poor media coverage** or negative stakeholder relations **contained locally** over a short period of time including social media.	**Poor media coverage** or negative stakeholder relations **contained locally,** extending to TV coverage over short period of time.	**Inability to maintain effective relations** with stakeholders. Poor local media coverage over a **prolonged period.**	**Inability to maintain relations** with stakeholders. Potential for national media coverage impacting on stakeholder confidence of WMCA.	**Inability to deliver political policies**. Serious negative media coverage over a sustained period of time leading to political and/or **public loss of confidence in WMCA.** Breakdown in relations with key stakeholders.
Delivery	Threat could have a minimal impact on the quality of, or delivery delays of **upto 3 months.**	Threat could have a minor impact on the quality of, or delivery delays of between **3 and 6 months.**	Threat could have a significant impact on the quality of, or delivery delays of between **6 and 9 months.**	Threat could have a significant impact on the quality of, or delivery delays of between **9 and 12 months.**	Threat could have a critical impact on the quality of, non-delivery, or delivery delays of **greater than 12 months.**
Health & safety	Known H&S threats effectively managed through appropriate control measures.	Potential for **minor injury** to occur that can be satisfactorily managed through Safety Management Systems.	Potential for **moderate injury** or dangerous occurrence to be sustained, possible reporting to the Regulatory body.	Potential for a breach in H&S rules resulting in likely intervention by the Regulatory body.	**Severe injury or fatality** likely to occur. Regulatory body intervention probable with threat of statutory enforcement or prosecution.
Legal	All constitutional and legislative requirements have been met and WMCA is acting within its statutory powers.	There is **potential for legal action** but measures to mitigate against any action can be demonstrated and no legislation has been breached.	**Discretionary opinion on** the interpretation of **legislation** or **contractual terms** is applied to confirm WMCA's ability to proceed with activities.	**Discretionary opinion is not followed** and action taken contrary to advice of legal colleagues	**Failure to comply with legislation** and contractual obligations leading to the **possibility** of a litigation, arbitration or adjudication **claim being brought.** WMCA exceeds its legislative powers (Ultra Vires)

Management of risk

Once assessed, risks will be recorded on a risk register to assist its ongoing management, and will also be mapped into a scoring matrix for a picture of overall risk to be developed. This will enable the organization to clearly determine its overall risk profile and the key risks requiring immediate intervention. Risk monitoring will be undertaken at regular intervals with reporting to Programme and Management Boards monthly to ensure risks are effectively being managed, with independent assurance being undertaken quarterly at the Audit and Standards committee.

5 - Very high Very likely to occur	**5**	10	15	20	25
4 - High More likely to occur than not	4	8	12	16	20
3 - Medium Could occur at some point	3	6	9	12	15
2 - Low More likely not to occur	2	4	6	8	10
1 - Very low Very unlikely to occur	1	2	3	4	**5**
Probability	**1** Minimal	**2** Minor	**3** Significant	**4** Major	**5** Critical

Impact

High risk	• Risk is beyond tolerance levels and urgent action is required to demonstrate delivery can be achieved.
Medium risk	• Risk is considered to have a significant impact on delivery of objectives and targeted intervention is required.
Low risk	• Level of risk indicates no major concerns to threaten delivery of objectives. Remedial action should be considered if appropriate.

Roles and Responsibilities

The management of risk is captured within all areas of business activity, as represented below. An overarching risk register covering strategic and key risks, as identified within all risk activities, are incorporated into the Corporate Risk Register.

The role of the Corporate Assurance team provides oversight across all Assurance activities within the organisation and ensures there is a consistent approach to risk management reporting and escalation that fully meets the organisational needs and demonstrates best practice.

Role	Responsibility
Audit, Risk and Assurance Committee	Reviews and scrutinizes the WMCA's financial affairs. Review and assess the WMCA's risk management, internal control and corporate governance arrangements. Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the WMCA's function. Provide overall oversight of WMCA risks and opportunities.
WMCA Management Board	Accountability for the business plan and risks affecting its delivery.
Operational Management and Programme Delivery Boards	Owns departmental business plans and associated risk registers, escalating risk to the Corporate Risk register as appropriate and reporting on the risk environment to Transport Delivery Committee
Corporate Assurance	Provide the organisation with independent assurance on the adequacy and effectiveness of Programme delivery. Prepares and delivers a risk based audit plan to satisfy Audit and Standards committee satisfactory internal control arrangements are in place. Investigates and reports on suspected cases of fraud. Develops and maintains the Corporate Risk register, reports on risk activity to senior officers, Boards and the Audit and Standards Committee. Arranges and maintains comprehensive insurance for CA assets, personnel and all insurable liabilities.
Senior Managers	Manage departmental risks, reporting through the Annual Business Plan with escalation of risk to Management and Programme Boards.
All Employees	Compliance of all policies and procedures. Identify and manage risks within jobs, reporting risk to managers and through the Annual Business Plan as appropriate.

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Appendix 1 – Template Risk register

Risk Ref. and owner	Risk title and description	Controls and measures already in place	Current risk score			Further actions required to mitigate risk	Responsibilitiy	Timescales for completion	Residual Risk score	Target date	Assurance
			Likelihood	Impact	Score						