

**WEST OF ENGLAND COMBINED AUTHORITY
CORPORATE RISK FRAMEWORK 2022**

Introduction

1. This document sets out the West of England Combined Authority's approach to risk management. It sets out the process and activities the Combined Authority undertakes, and the roles and responsibilities for all staff, to ensure that key risks to the Combined Authority's delivery of its strategic objectives are identified, managed and monitored.
2. The West of England Combined Authority is committed to delivering its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.
3. Risk can be defined as the effect of uncertainty on objectives. This effect can either be a positive or negative deviation from what is expected (ISO 31000). The focus of good risk management is the identification, evaluation, control and review of risks and opportunities to enable the delivery of key objectives.
4. There is significant benefit arising from the effective management of risk, including:
 - Informing business decisions
 - Enabling effective use of resources
 - Enhancing strategic and business planning
 - Overcoming threats impacting on delivery
 - Providing confidence in our ability to achieve our objectives
 - Making informed investment decisions
 - Strengthening contingency planning

Policy Statement

5. The West of England Combined Authority takes a proactive approach to risk management based on the following key principles:
 - Risk management activity is aligned to corporate and business plan aims, objectives and priorities. The scope covers all strategic and operational areas where events may prevent the Combined Authority from fulfilling its strategic aims
 - Where possible we will anticipate and take preventative action to avoid risk rather than managing the consequences
 - We will seek to realise the benefits and opportunities that arise from the monitoring of risk
 - We will employ a consistent approach for the identification, assessment and management of risk which is embedded throughout the organisation
 - Risk control and mitigation will be effective, appropriate, proportionate and affordable
 - All employees are required to take responsibility for the effective management of risk in the organisation
 - The Senior Management Team and Heads of Services are responsible for implementing this policy and for the escalation of risks to the Corporate Risk Register as required

Risk Management Structure and Approach

6. Risk management is an integral part of the Combined Authority’s performance reporting process as set out in our Monitoring & Evaluation Framework and illustrated below.

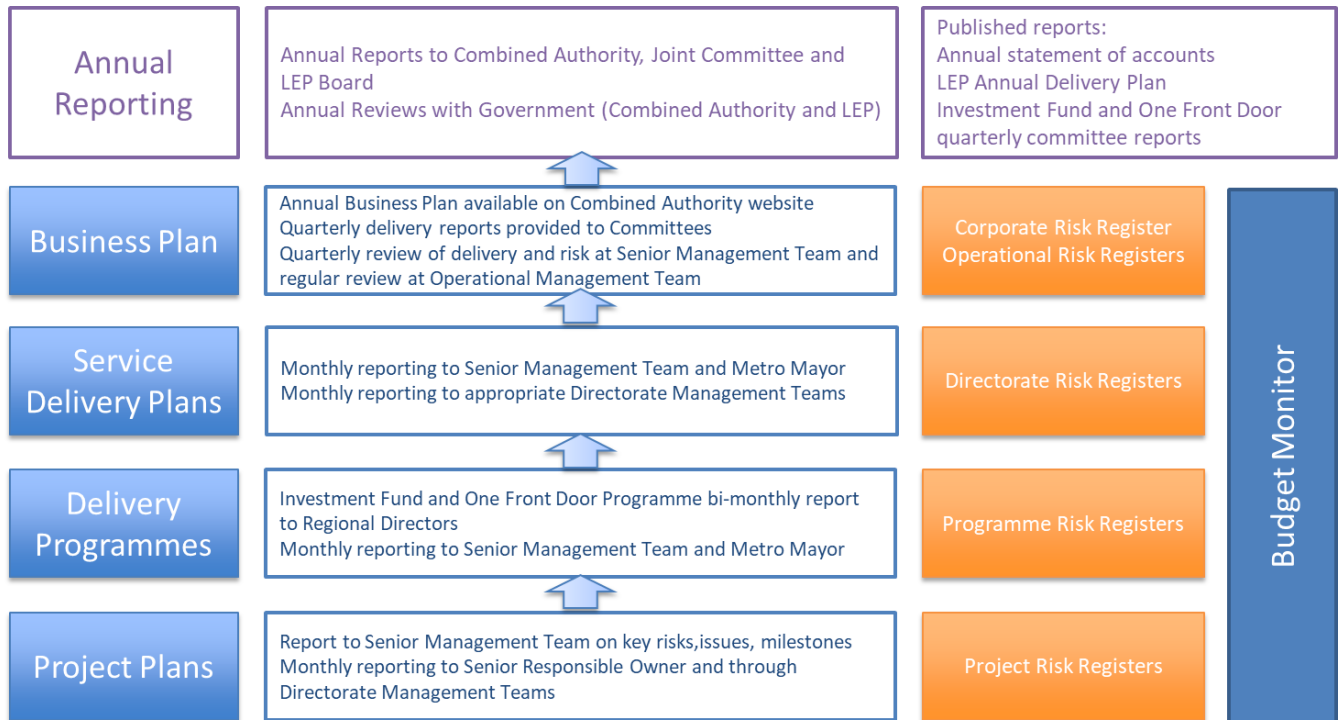


Figure one: West of England Combined Authority performance reporting process

7. Risk management is a cyclic process as illustrated below. Activities to identify and manage risks require regular monitoring of progress against the objectives in the business plan, the key risks to delivery, emerging risks and the impact of mitigating actions.

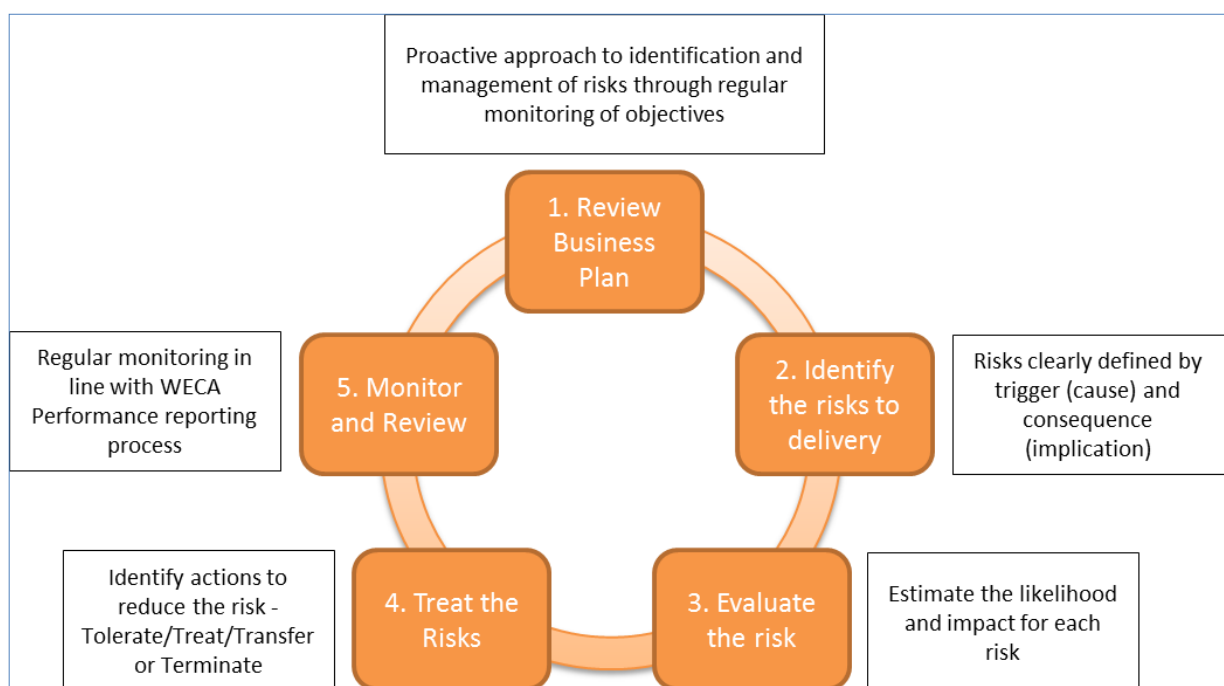


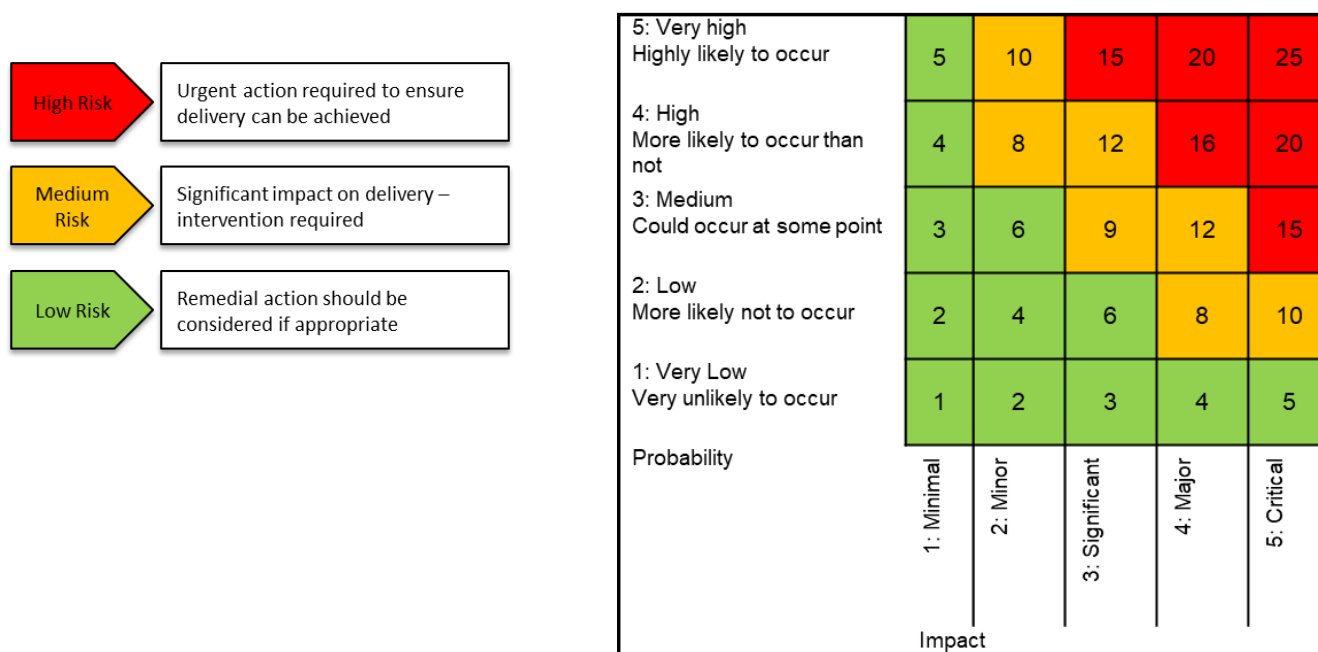
Figure two: West of England Combined Authority risk management process

8. The Combined Authority has strengthened this process during 2021, working with the Operational Management Team (Heads of Service and SMT members) to review the cross-cutting risks to delivery and to draw on collective expertise and understanding to help identify mitigations. Further detail of the role of OMT in both performance and risk management is set out in paragraphs 15 to 16 and figure four of this framework.

Evaluation Criteria and Risk Appetite

9. Each risk is clearly defined and the cause and consequence stated. Six key risk categories have been identified that have the potential to create a significant impact onto delivery if not managed effectively. These are: Cost, Benefits, Reputation, Delivery, Legal & Governance and Health & Safety.
10. The impact of each risk is evaluated on a five-point scale, with one representing a minimal risk and five a critical risk. Detailed criteria for each of the risk impact categories are provided in Appendix 1.
11. The likelihood of each risk occurring is also evaluated on a five-point scale with one indicating very low through to five for a very high likelihood of occurrence.
12. Once assessed, risks are mapped using a scoring matrix to ensure the Combined Authority has a clear view of its overall risk profile. An overall 'risk score' is generated (multiplying the impact and likelihood scores) to help identify the key risks requiring immediate intervention.
13. Risks are recorded on a risk register which captures the scoring for risks before and after proposed intervention (inherent and residual risks). The scoring matrix is set out in figure three and a template risk register is provided in Appendix 2.

Figure three: West of England Combined Authority risk scoring matrix



14. Once a risk has been assessed and ranked four strategic options are available to manage them. These are described below should be considered along with the cost/benefit of the proposed intervention:

Treat	Take direct action to reduce the level of risk to an acceptable level. Actions must be SMART (specific, measurable, agreed, realistic, timed) and allocated to individuals.
Tolerate	No additional actions taken.
Transfer	Transfer the risk to another organisation or partner to resolve.
Terminate	The risk may be so serious that withdrawal from the activity should be considered.

Management of Risk

15. As illustrated in figure four our approach ensures that risks are escalated upwards from project and programme risk registers through to Directorate risk registers which are reviewed each month by Directorate Management Teams.

16. For 2022 we are moving from a monthly to a quarterly cycle of formal reviews of Directorate, Operational and Corporate Risk to better align with reporting to Senior Management Team and to Committees.

17. The diagram below illustrates the specific roles of Directorate Management Team, Operational Management Team and Senior Management Team in relation to Risk Management and Performance Management.

Performance & Risk Management: Roles & Responsibilities Summary		
Directorate Management Teams	Operational Management Team	Senior Management Team
Performance: <ul style="list-style-type: none"> - Monitor project and programme progress through regular project and programme highlight reports - Agree detail to include in monthly mayoral delivery/issue/mitigation conversation 	Performance: <p>Review of business plan scorecards* and/or specific projects (regular schedule) to:</p> <ul style="list-style-type: none"> - discuss specific areas of risk and potential mitigations - celebrate success - identify lessons learned - Review quarterly report/scorecard for Mayor in advance of discussion at SMT 	Performance: <p>Regular review of business plan scorecards to discuss issues and risks arising from OMT</p> <p>Formal quarterly review of progress and agree quarterly report/scorecard for Mayor</p>
Risk: <p>Own and monitor Directorate Risk Register with quarterly formal review</p> <p>Review OMT and Corporate Risk Register in advance of formal quarterly discussion at OMT</p>	Risk: <p>Own and monitor OMT risk register with quarterly formal review</p> <p>Review Corporate Risk Register in advance of formal quarterly discussion at SMT</p>	Risk: <p>Own and monitor corporate risk register with quarterly formal review</p> <p>Agree quarterly update of corporate risk register to be shared with Mayor along with quarterly report/scorecard</p>

* Scorecards in development, initial reporting likely to be project based.

Figure four: Roles and responsibilities of SMT and OMT in performance and risk management

Roles and Responsibilities

18. The management of risk is a responsibility of all staff at the Combined Authority. Roles and responsibilities are set out below:

Role	Responsibility for Risk Management
West of England Combined Authority and Joint Committee	Oversee effective delivery of the Combined Authority's objectives and management of risk
West of England Combined Authority Audit Committee	Provide independent assurance of the risk management framework
West of England Combined Authority Scrutiny Committee	Provide scrutiny on progress to deliver the business plan
Senior Management Team	Accountability for delivery of the business plan and management of the risks affecting its delivery. Ownership of Corporate Risk Register
Operational Management Team	Review the cross-cutting risks to delivery and draw on collective expertise and understanding to help identify mitigations
Operations & Performance Team	Oversee the corporate risk management process, supporting Directors to ensure risks and mitigations are clearly defined. Provide quarterly risk updates to SMT and OMT. Draw on best practice to ensure approach remains up to date, including participating in network of combined authority risk managers.
Heads of Service	Ensure the risk management process is promoted, managed and implemented effectively in the organization. Manage departmental risks
Programme and Project Boards	Own programme and project risk registers, escalating risks to the Head of Service/Director as appropriate
Employees	Identify and manage risk effectively in their jobs, liaising with their managers to identify new or changing risks
Internal Audit	Review the risk management process and provide assurance to officers and members on the effectiveness of controls

Appendix 1: Risk Impact Scoring Criteria

Consequence	1: Minimal	2: Minor	3: Significant	4: Major	5: Critical
Costs	Costs could increase by up to 1% or £10k and under whichever is lower.	Costs could increase between 1% and 5% or overspent between £10k to £50k whichever is lower.	Costs could increase between 6% to 15% or overspent between £50k and £250k whichever is lower.	Costs could increase between 16% to 25% above budget or between £250k and £500k whichever is lower.	Costs could exceed budget by greater than 25% or overspent of £500k or greater.
Benefits	Benefits could decrease by up to 1% or £10k and under whichever is lower.	Benefits could decrease between 1% and 5% or overspent between £10k to £50k whichever is lower.	Benefits could decrease between 6% to 15% or overspent between £50k and £250k whichever is lower.	Benefits could decrease between 16% to 25% above budget or between £250k and £500k whichever is lower.	Benefits could decrease exceed budget by a reduction of greater than 25% or decrease by £500k or greater.
Legal & Governance	All constitutional and legislative requirements have been met and the Combined Authority 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. Litigation, claims or fines up to £10K	Discretionary opinion on the interpretation of legislation or contractual terms is applied to confirm the Combined Authority's ability to proceed with activities. Litigation, claims or fines up to £25K	Discretionary opinion is not followed and action taken contrary to advice of legal colleagues. Litigation, claims or fines up to £50k.	Failure to comply with legislation and contractual obligations leading to the possibility of a litigation, arbitration or adjudication claim being brought. Litigation, claims or fines up to £100K.
Delivery	Threat could have a minimal impact on the quality of, or delivery delays of up to 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.
Reputation	Minimal reputational impact.	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 but over a prolonged period.	Inability to maintain relations with stakeholders. Potential for national media coverage impacting on stakeholder confidence in the Combined Authority	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 the Combined Authority Breakdown in relations with key stakeholders.

Appendix Two: Risk Register Template

WECA Risk Register															
ID	Category	Date entered on register	Risk Description	Risk Impact	Inherent Risk Score			Mitigation	Residual Risk Score			Risk Owner	Action Owner	Status	Date of last update
					L	I	Score		L	I	Score				
Unique reference - allocated centrally	Financial / Reputation / Delivery / Health & Safety / Legal & Governance		Description of the risk	Description of the impact should the risk occur	Likelihood (Score 1-5)	Impact (Score 1-5)	Overall Score (Impact x Likelihood)	Proposed mitigations - including timeframes	Likelihood after mitigation (Score 1-5)	Impact after mitigation (Score 1-5)	Overall Score after mitigation (Impact x Likelihood)	Typically Director level	Officer responsible for mitigating actions	Open or Closed	