

REPORT TO: WEST OF ENGLAND COMBINED AUTHORITY AUDIT COMMITTEE

DATE: 04 MARCH 2024

REPORT TITLE: RISK MANAGEMENT FRAMEWORK

RESPONSIBLE OFFICER: STRATEGIC DIRECTOR OF RESOURCES

Key Decision No

Purpose of Report

Update on the revised Risk Management Framework including setting the risk appetite for the West of England Combined Authority

Recommendation

To note and comment on the updated Risk Management Framework including the risk appetite section.

Reasons for recommendation

To provide Audit Committee Members with the opportunity to comment on the update and extension of the Risk Management Framework.

Voting arrangements

The voting arrangements of the West of England Combined Authority Audit Committee as set out at page A51 para. A20 of Part A of the West of England Combined Authority Constitution (as amended 17.3.2023) are not applicable as the West of England Combined Authority Audit Committee is asked only to note and comment on the report.

Publication Requirements

For publication

Background

1. As reported to the Audit Committee in December 2023, the risk management arrangements within the West of England Mayoral Combined Authority (MCA) have been updated through the Corporate Leadership Team (CLT) and the Governance Board. This includes a refresh of the process of identifying and reporting risks across the organisation, how the key risks are captured on the Corporate risk register (CRR) and an update and extension of the Risk Management Framework.
2. A key aspect of the Risk Framework is setting out the risk appetite of the Mayoral Combined Authority in order to guide appropriate acceptance of risk related to each activity in pursuit of the Mayoral Combined Authority's strategic priorities. This does not seek to give a precise answer in advance of specific decisions, but instead intends to give officers a steer about the Mayoral Combined Authority's sentiment with respect to risk/reward calculation in various fields of activity. An individual risk appetite has been defined for each risk category – financial, legal and governance, delivery, operational systems, external relationships, people and innovation and development – reflecting that risk tolerance will be greater in some aspects of the Mayoral Combined Authority's work than others.
3. To date the Mayoral Combined Authority has not operated within a formally defined risk appetite. It is therefore proposed that the risk appetite should be agreed by the Mayoral Combined Authority Committee, but there will be an important role for the Audit Committee in shaping this and we have provided a proposal in Section 17-32, Page 7-15 of the revised Risk Management Framework, as shown in Appendix 1.

Key Considerations

4. The West of England Combined Authority is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities associated with these activities. The Risk Management Framework (see Appendix 1) has been reviewed and now encompasses:
 - The principles on which risk management operates within the Mayoral Combined Authority.
 - The risk appetite of the organisation.
 - The framework (or hierarchy) of categories of risk.
 - Risk management process (identify and evaluate, treat, monitor and review).
 - Risk management templates and implementation plan.

5. The key changes since the previous iteration is as follows:

A revision of the risk categories, seven key risk categories have been identified that have the potential to create a significant impact onto delivery if not managed effectively. These are:

- Financial
- Legal and Governance
- Delivery
- Operational Systems
- External and Relationships
- People
- Innovation and Development

6. The framework sets out the overall process and activities that the Mayoral Combined Authority will use to identify and manage risk, together with roles and responsibilities for employees. Existing processes have been strengthened and an implementation plan has been included to further embed a risk management culture within the organisation.

7. Stated risk appetites and guidance on the application with new risk appetite matrices, risk definition guide and examples of scoring have been introduced. Further guidance has been included on the management of risk including monitoring and escalation action. A new risk appetite statement and guidance is presented for Audit Committees consideration. This has been developed through the Governance Board and an extended Risk Management session with CLT.

Alternative Options Considered

8. CLT have considered risk management and the emerging Framework on a number of occasions in order to agree the fundamentals on how risk management should be developed and operated. Several options were considered and CLT collectively agreed the products that we intend to use as presented in the Framework.

9. Audit Committee requested to be kept informed of the update and to be able to provide comment on, and input to, finalising the Framework and risk appetite. The aim is to approve and publish an updated version of the Framework which will empower Mayoral Combined Authority staff to take appropriate risks to make the organisation successful. The work should lead to more people using 'risk-based

decision making' to consider challenges and opportunities that arise.

Consultation and Engagement

10. The Risk Management Framework has been discussed and developed with the Corporate Leadership Team.

Key Risks

11. Without a formal risk management framework the Mayoral Combined Authority will not be able to anticipate and take preventative action to avoid risk and will instead incur time and cost in managing the consequences of unplanned events.

Equality, Diversity and Inclusion Implications

12. There are no specific implications arising directly from this report.

Climate Change Implications

13. There are no direct climate change implications arising from the Risk Management Framework or Risk Registers reports. Indirectly, there is significant potential for informing future decision-making within the Mayoral Combined Authority, because:

- The Framework provides clarity around risk appetite, and provides guidance for proportionality, noting that there are opportunities with regard to finance and innovation-based risks where these align with corporate objectives.
- The Corporate Risk Register specifically identifies the Climate and Ecological Emergencies and that the Mayoral Combined Authority will need to develop new funding and investment plans to address the gap between current delivery and future need.

Taken together, this should clarify the Mayoral Combined Authority's planning, and encourage consideration of proportionate risks for new proposals.

Financial Implications

14. The risk framework provides assurance that limited resources will be utilised to their best effect to ensure activity is appropriate and proportionate.

Legal Implications

15. The Legal Team has reviewed the Framework and provided advice on the wording of the Legal and Governance Appetite Statement which has been incorporated in the latest draft. They have also provided additional examples for when legal and governance risks would be Averse which have been added to the Framework.

Human Resources Implications

16. There are no immediate Human resources implications arising directly from this paper, the 'People' Risk Appetite Statement has been developed with CLT. If specific workforce risks are identified through the Framework process, they will be managed in line with policy and best practice with the Human Resources team.

Land/property Implications

17. None arising directly from this paper and we have not sought comment.

Commercial and Procurement

18. None arising directly from this paper and we have not sought comment.

Appendices

- Appendix 1 – Draft West of England Combined Authority Corporate Risk Framework 2024

Background papers: None

West of England Mayoral Combined Authority Contact:

Report Author: Abbie Evans, Governance and Delivery Assurance Manager
Contact Details: Abbie.Evans@westofengland-ca.gov.uk