

**WEST OF ENGLAND COMBINED AUTHORITY
CORPORATE RISK FRAMEWORK 2021**

Introduction

1. This document sets out WECA's approach to risk management. It sets out the process and activities WECA will adopt for identifying and managing risk and sets out the roles and responsibilities for employees.
2. The West of England Combined Authority (WECA) is committed to deliver its strategic objectives whilst having a clear focus on the potential risks and opportunities that face our business activities on an ongoing basis.
3. The key purpose of the corporate risk framework is to ensure that key risks to WECA's delivery are identified, managed and monitored.
4. 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).
5. The focus of good risk management is the identification, evaluation, control and review of risks and opportunities to enable the delivery of key objectives. This is a responsibility of all employees at WECA.
6. There is significant value in 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

7. WECA will demonstrate a proactive approach to risk management 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 managing 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
 - All employees are required to take responsibility for the effective management of risk throughout the organisation
 - WECA SMT 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

8. Risk management is an integral part of WECA's Performance reporting process as set out in figure one.

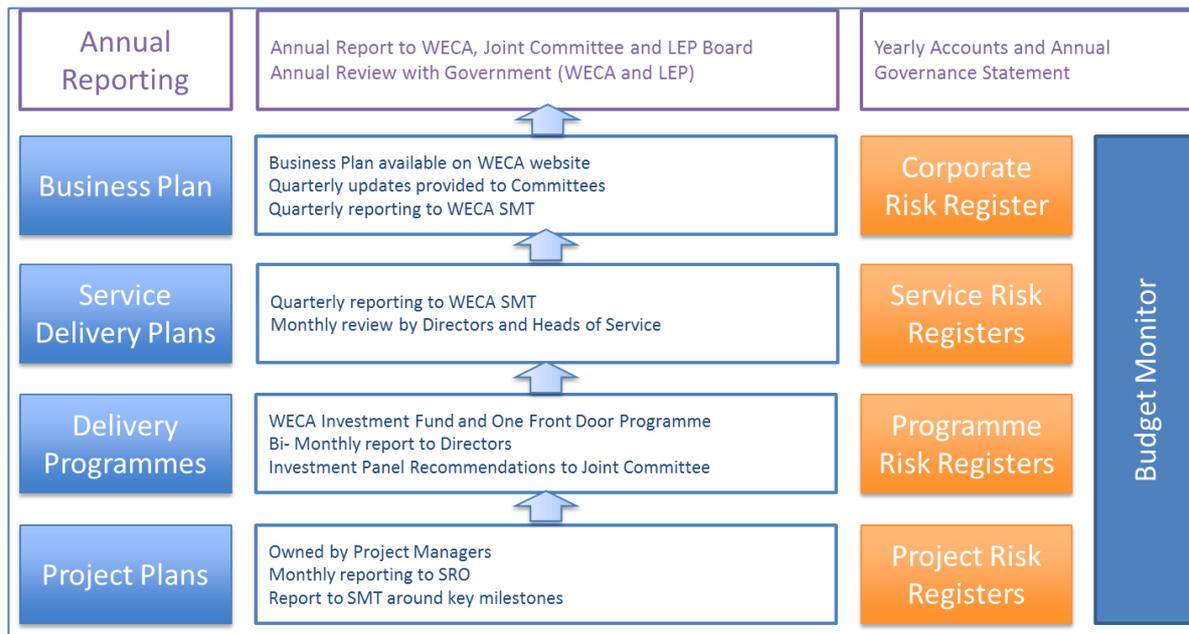


Figure one: WECA performance reporting process

9. Risk management is a cyclic process and activity to identify and manage risks, which is achieved through regular monitoring of progress against the objectives in the business plan and following the process illustrated in figure two.

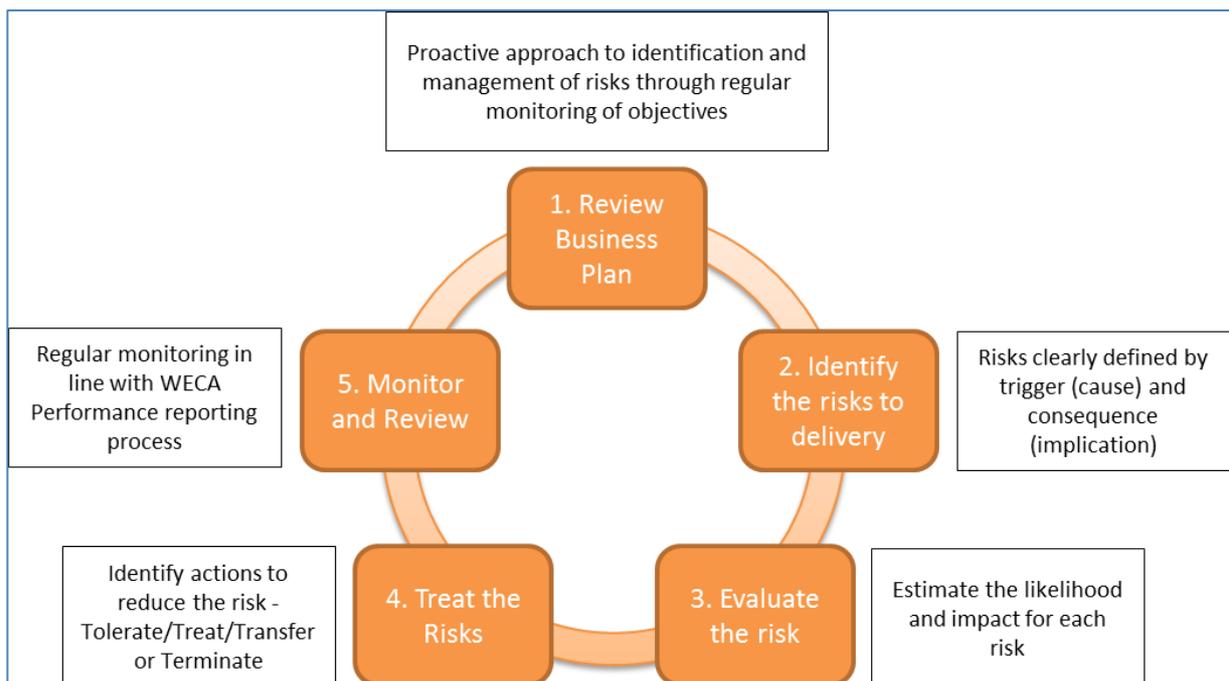


Figure two: WECA risk management process

Evaluation Criteria and Risk Appetite

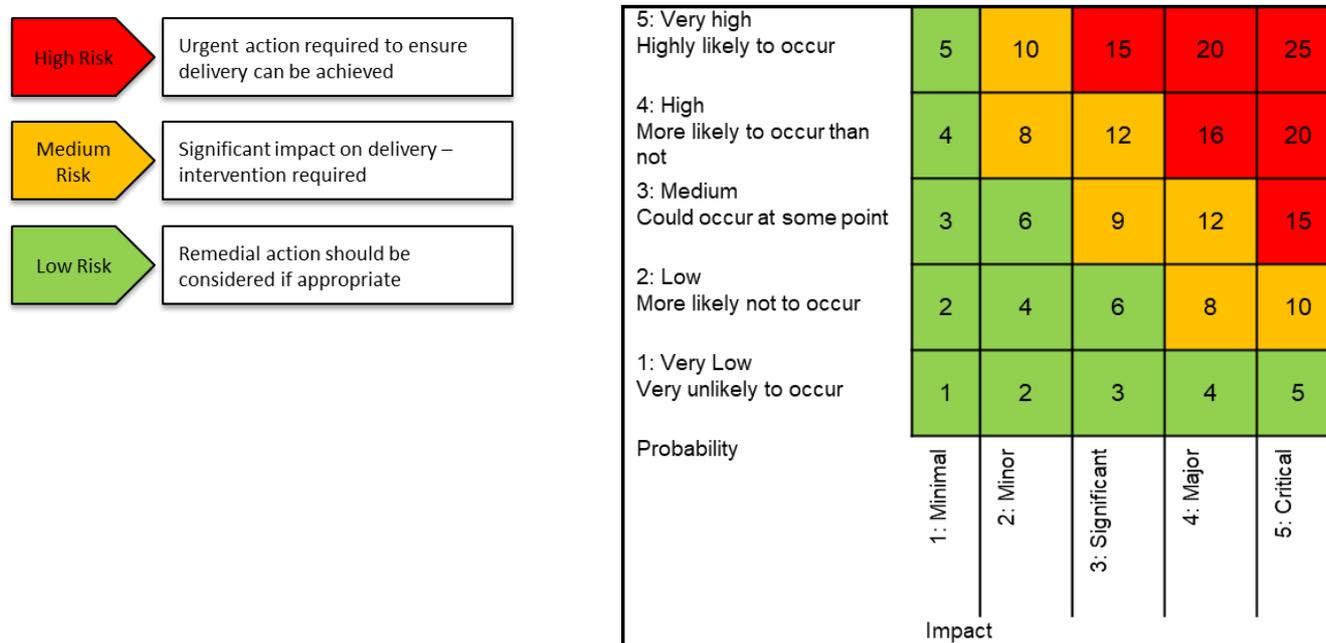
10. Each risk is clearly defined by stating the cause and consequence of each risk. Six key risk categories have been identified that have the potential to create a significant impact onto delivery if not managed effectively. These are: Cost, Benefits, Reputation, Delivery, Legal & Governance and Health & Safety.
11. 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.
12. The likelihood of each risk occurring is also evaluated on a five-point scale with one indicating very low to five which indicates a very high likelihood of occurrence.
13. Once assessed risks will be mapped using a scoring matrix to ensure WECA 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. Risks will be recorded on a risk register which will capture 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.
14. Once assessed and ranked, four strategic options are available to manage risks and these 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. The Corporate Risk Register is reviewed each month by WECA Management Team (SMT plus Heads of Service) alongside the Directorate Risk Registers.
16. A quarterly update on the Corporate Risk Register is provided to WECA SMT as part of our wider reporting processes and a summary of key risks is provided in our quarterly progress reviews to WECA and Joint Committee.

Figure three: WECA risk scoring matrix



Roles and Responsibilities

17. The management of risk is captured within all areas of WECA activity as set out below:

| Role | Responsibility for Risk Management |
|------------------------------|---|
| WECA and Joint Committee | Oversee effective delivery of WECA's objectives and management of risk |
| WECA Audit Committee | Provide independent assurance of the risk management framework |
| WECA Scrutiny Committee | Provide scrutiny on progress to deliver the business plan |
| WECA SMT | Accountability for delivery of the business plan and management of the risks affecting its delivery. Ownership of Corporate Risk Register and departmental risk registers |
| 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 WECA 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 WECA 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 WECA'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 of WECA. | 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 WECA. 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 | |
| | | | | | | | | | | | | | | | |
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