

## Audit, Risk & Assurance Committee

<b>Date</b>	14 January 2019
<b>Report title</b>	WMCA Strategic Risk Register
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<b>Report has been considered by</b>	Senior Leadership Team

**Recommendation(s) for action or decision:**

**Audit, Risk and Assurance Committee is recommended to:**

- (1) Consider and note the top 3 Strategic Risks included within the Strategic risk register.
- (2) Note the status of Directorate Risk Registers.

## 1. Purpose

Further to previous risk discussion at Audit, Risk and Assurance Committee in November 2018, Senior Leadership Team (SLT) has undertaken a further review of the key risks captured on the Strategic Risk Register to re-assess their risk status and to establish details of key risks contained within Directorate risk registers.

This report provides a summary on the current status of the top 3 strategic risks as confirmed by Senior Leadership Team at its meeting on 12<sup>th</sup> December 2018.

## 2. Background

### Top 3 Strategic Risks.

#### 2.1 Risk ID: S01 – Financial Assumptions for Existing Programmes

There continues to be a funding shortfall in the Investment Programme for which a prioritisation exercise is to be undertaken. It is anticipated the exercise will be completed and presented to the Investment Board by March 2019. Until this exercise has been completed and the findings can be considered, this remains the primary strategic risk and Senior Leadership Team have confirmed the inherent risk status should be increased to the highest level available at the present time.

#### 2.2 Risk ID: S02 – Human Resources

It has been confirmed this risk is to be reviewed from the current setting. The risk was identified in 2017 at the time when senior management roles were not fully established and now requires a review to consider the risk exposure of capability and capacity across the organisation rather than that of Leadership team alone.

All roles within the Senior Leadership Team have been fulfilled with the recent appointment of a Communications Director. The departure of the Finance Director in December 2018 will result in further recruitment activity for this role, however interim arrangements have been established to ensure continuing senior management cover is in place in the intervening period.

Risks surrounding capacity and capability are mostly focussed within the Corporate Services teams. This is due to corporate priorities not being clear, organisational change, and new initiatives requiring unplanned Corporate Services intervention are adding to the pressure around these areas. Mitigations for this risk will be established as part of the 2019/20 Annual Business Plan preparatory works and the embedding of organisational performance management processes to agree and track priorities.

Recruitment remains at a high level within the organisation to support delivery of WMCA's new initiatives, particularly within Housing and Regeneration, 5G and Productivity and Skills. The recruitment process is indicating no difficulties in attracting prospective employees to the organisation however recruiting officers are finding the availability of individuals with the necessary skillset for these pioneering initiatives challenging. These vacant posts are being covered by consultancy resource from framework agreements wherever possible to ease pressures.

## **2.3 Risk ID: S07 – Delivery**

It has been recognised programmes highlighted within the delivery risk warranted separate coverage on the strategic risk register and these are to be presented as five individual risks in the future. Details of the key risks for each programme is detailed below:

### **2.3.1 Transfer of West Midlands Fire Service Governance**

The Statutory Order has been delayed and the Home Office are now advising that the Order can be laid on the 14<sup>th</sup> January 2019. Legal checks by the relevant central government bodies are still being completed as at 12<sup>th</sup> December 2018. The Order must be laid by mid-January in order to achieve the 1<sup>st</sup> April 2019 target date. Political instability could still affect these timings hence our ability to deliver by the target date is currently set as a high risk (red).

### **2.3.2 Police and Crime Commissioner**

The project plan for the transfer of the role of the Police and Crime Commissioner to the West Midlands Mayor in May 2020 remains on target with the Consultation Stage 1 (Principles) commencing on 16<sup>th</sup> November 2018. The consultation period remains open until 11<sup>th</sup> January 2019 followed by Stage 2 (Governance) between 14<sup>th</sup> January and 11<sup>th</sup> March 2019.

The initiative is therefore on-track however the outcome is subject to other associated risks, such as political risk and it is therefore considered the risk of delivery is to currently be set as a medium risk (amber).

### **2.3.3 Devolvement of Adult Education Budget (AEB)**

The transfer of the Adult Education budget will take effect on 1<sup>st</sup> August 2019 and will result in WMCA being responsible for the management and oversight of Adult Education services, currently maintained by Local Authorities.

Detailed work plans have been established to deliver the preparatory works and achieve the necessary approvals from the Department for Education, all of which have been achieved. The remaining preparedness activities require supplier contracts to be in place by April 2019, creating a key dependency on specialist procurement resource to deliver.

Initial plans for delivery of this activity had been drawn up through a specialist third party however due to a conflict of interest being identified, alternative arrangements have had to be established at short notice, and has resulted in the identification of a threat to the delivery due to the limited availability of specialist resource to support this work.

The tender process is expected to commence on 14<sup>th</sup> January 2019 in order to fulfil procurement rules and achieve delivery by April 2019, and is dependent upon robust tender documentation in place prior to this date. A recruitment exercise has been undertaken and this key role has been fulfilled, however the individual is unable to join the team until 14<sup>th</sup> January, causing greater pressure on the AEB and Procurement teams in their ability to fully prepare and meet the deadlines due to lack of lack of experience in this field. This risk is currently been set with an amber (medium) risk rating.

### 2.3.4 5G Pilot

Development of this project is still at an early stage and the programme still has a number of uncertainties and complexities due to the number of stakeholders involved. Further discussions are ongoing with the Department of Culture, Media & Sports (DCMS) regarding the structure of the joint venture to ensure that all legal, commercial and financial interests are safeguarded.

The team is developing a governance structure that meets all requirements and allows the delivery entity to be agile in funding and deploying proof of concept trials within 3 to 6 months in most cases, with supporting business cases focussing on potential rather than achievable benefits. There is a risk that slower than anticipated progress will create some frustration in the market place. Risks to delivery of this programme are currently considered to be high (red) due to the ongoing discussions however they will be mitigated by continuing dialogue with all stakeholders and a reliance on expert professional advice.

### 2.3.5 Commonwealth Games (CWG) – WMCA led Initiatives

The most significant risk regarding the Commonwealth Games is in relation to funding. Budgets are not confirmed and are unlikely to be established before May 2019 due to its budget requiring processing via the Governments Major Projects Review Group (MPRG). Transport for West Midlands (TfWM) is expending significant monies in advancing the transport planning for the Games, however there is a financial risk that these will not be fully reimbursed and a reputational risk that any agreed budget will be inadequate to fulfil national, regional and local expectations of transport services.

Spend currently requires approval in advance of expenditure by the Joint Transport Group (JTG) and the Chief Executive Officers Group (CEOG) for which TfWM is chairing the multi-agency Joint Transport Group, and WMCA is also represented at CEOG. A review of transport budgets was undertaken by JTG in Summer 2018 and is due to be reviewed again in early 2019. All budget and planning assumptions are being tracked to ensure control of budgetary expenditure is maintained. This risk is currently considered a high risk (red) on the strategic risk register.

WMCA's obligations to the delivery of the CWG relate to 4 distinct workstreams:

- a. Capital Infrastructure Programme – the majority of this funding is coming from the investment programme, this consists of the sprint and new stations projects.
- b. Athletes village most investment, £165m – confirmation is required how this funding is going to come to WMCA.
- c. Games Time Operations – transport plan for the games. TfWM will need to support travel to organising committee – Birmingham City Council are leading on this with TfWM supporting the transport plan arrangements. WMCA's Director of Network Resilience is leading on this with BCC.
- d. WMCA is making a £25m contribution to the games from the Investment Programme. BCC have stated that they will use this to support Alexander Stadium refurbishment.

Monitoring arrangements for the above are in place with the CWG governance arrangements. WMCA are being represented on the various groups by Mayor of West

Midlands, WMCA Chief Executive, and Managing Director Transport for West Midlands and Director of Development & Delivery, TfWM - Programme Development.

### **2.3.6 Housing**

The Housing and Land Board on 20th December 2018 reviewed progress across the whole suite of activities under the WMCA housing and regeneration programme and objectives agreed with HM Government in March 2018. Solid progress was recognised in delivering across the programme, particularly on housing starts, net additions, and unlocking key regeneration sites and securing the funding needed for success; most notably £165m for the regeneration of Perry Barr and a new £100m land acquisition fund in a landmark housing deal with Government.

A detailed work plan for 2019 was signed off by the Housing and Land Board including WMCA role and mission, its key work programmes, milestones and Key Performance Indicators, and a discussion was held regarding some of the risks to delivery. These include complexities arising from national and international economic uncertainty on investor confidence and the property market; the potential for skills shortages and increased construction costs in the event of the UK exiting the EU in March 2019; and potential issues arising from a lack of progress with local plans at a local authority level.

Each of these risks are being assessed as part of the emerging risk register for the Housing and Regeneration directorate and will be incorporated into the Strategic Risk Register once the risk exposure has been fully established.

### **3. Directorate Risk registers**

The Corporate Assurance Team works closely with all WMCA Directorates to support the establishment and ongoing management of Directorate risk registers.

Comprehensive registers are in place for Corporate Services and TfWM. Key risks noted on these registers reflect similar themes to those recorded on the strategic risk register regarding funding streams to deliver transport related initiatives, and capacity and capability.

Registers continue to be developed for the more recently formed departments, some of which are yet to be fully established and is being undertaken with the support of the Corporate Assurance Team to ensure a consistent approach is maintained in the recording and measurement of risk throughout the organisation. These risk registers will form part of operational Performance Monitoring Framework being developed and will be reviewed by the Performance Management Group.

### **4. Financial Implications**

Not applicable.

### **5 Legal Implications**

Not applicable.

**6. Equalities Implications**

Not applicable.

**7. Inclusive Growth Implications**

Not applicable.

**8. Geographical Area of Report's Implications**

Not applicable.

**9. Other Implications**

Not applicable.

**10. Schedule of Background Papers**

Appendix 1 – WMCA Strategic Risk Register (December 2018)