

# Strategic Risk Management Framework V1.0

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**Following publication of this Framework, an embedding period of 6 months will follow to allow time for implementation, compliance and appropriate assurance to confirm compliance across the organisation. Organisation wide compliance with this framework is expected by 01/02/2022.**

## 1.0. Summary of Changes from Prior Version

Prior version section name/number	Current version section name /number	Description of change / addition	Who does it impact	Significant changes for
V1.0	N/A	N/A First Publication	N/A	N/A

## 2.0. Introduction and Overview

Strategic Risks are defined within Her Majesty’s Treasury (HMT’s) Orange Book – (Management of Risk – Principles and Concepts) as, ‘Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change)’. This Strategic Risk Management Framework (SRMF) is designed to govern the way in which the West Midlands Combined Authority both identifies and manages its strategic risks and supports the requirements detailed in the Single Assurance Framework ([see Related Documentation](#)). This Framework is to be subject to a minimum of an annual review and challenge, and approval by the respective Accountable Officer and the relevant committee(s). This Framework is required to be uniformly understood and adhered to, and any cases of question of interpretation may be decided upon only by the Accountable Officer for the Framework. A definitions table has been included within the appendices to aid understanding of terminology used within the document [link](#).

The Strategic Leadership Team including Statutory Officer Group have the right to require and request the amendment to the SRMF.

Risk is inherent within all of the activities in which the West Midlands Combined Authority (WMCA) engages to deliver high quality services. It is acknowledged that the Combined Authority (CA) cannot be wholly risk averse and be successful. Effective and meaningful risk management is important in taking a balanced approach to managing opportunity and risk. It should be an embedded part of the planning and decision making process and not separate from it. Failure to correctly identify and manage those risk exposures appropriately and proportionately, to within reasonable appetite levels may lead to the failure of WMCA to achieve its objectives in terms of strategic priorities and to lead to reputational damage. This is not about adding new processes; rather it is about ensuring the integration of effective risk management in the way we lead, direct, manage and operate. Through the SRMF the organisation can identify and manage those risks to a reasonable residual (within appetite) level, whether at Corporate, Project/Programme, Directorate or Operational level, ensuring that all risks are subject to appropriate levels of ongoing monitoring. Risks that are at the strategic level (risks faced by the WMCA that may impact on its ability to accomplish its strategic objectives), are documented within the CA’s Strategic Risk Register, which is aligned to the strategic objectives of the CA.

## Risk Culture and Employee Responsibilities

This includes the governance arrangements appropriate to the business, scale and culture of the CA, including the communication and embedding of the expected values and behaviours at all levels across the organisation by the appropriate accountable officer(s) within the Strategic Leadership Team, as stipulated in HM Government's Orange Book (Management of Risk – Principles and Concepts).

The West Midlands Combined Authority (WMCA) is committed to maintaining a robust risk culture in which:

- Leaders and Managers expect, model, recognise and reward the correct risk behaviours in terms of risk and control
- All employees identify, manage and escalate risk and controls matters and meet their responsibilities relating to risk management
- Informed investment decisions and approvals can be made

All employees across the CA must play their part in the effective management of the organisations risk. All employees should be familiar with risk management policies, know how to escalate actual or potential risk issues, and have a role appropriate level of awareness of the process for managing risk as defined in the SRMF.

### 2.1. Framework Purpose

The purpose of the SRMF is to:

- a. Set out clear standards of risk management to protect WMCA and stakeholders.
- b. Support the WMCA Board, Chief Executive Officer, Statutory Officers and Senior Leaders in the embedding of a strong risk culture within the organisation by setting out clear risk management practices and requirements.
- c. Identify and document the Strategic Risks faced by the organisation.
- d. Describe the way in which the organisation establishes its Risk Appetite, in aggregate and for each Strategic Risk (as appropriate) and operates within it. The Risk Appetite<sup>1</sup> is the level of risk with which the WMCA aim to operate in the pursuit of its strategic objectives and overall business strategy. This is in addition to the organisations [risk tolerance](#) position.
- e. Document the key responsibilities of different groups of employees (the Lines of Defence) in enabling the organisation to operate within its Risk Appetite.
- f. Specify risk management accountabilities and responsibilities for key roles.
- g. Detail the governance of risk within the organisation

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<sup>1</sup> Risk Appetite is defined by the CA within Risk Appetite Statements, which detail the CA's attitude to risk and provide guidance to those responsible for management of risk of the level of risk that the WMCA has deemed to be tolerable. All risk must be managed, and Strategic Risk Appetite allows risks to be prioritised accordingly.

## 2.2. Scope

This document applies to the whole organisation whether at corporate level, directorate, or at project and programme level. Risk Management activity will be aligned to all corporate and business plan aims, objectives and priorities. The golden thread refers to the approach of aligning strategic organisational objectives through Directorate and Team plans down to individual performance, so all outputs meet the aims of the organisation. The golden thread will connect the organisational vision by a common understanding as to how the vision, goals and values of the organisation are intrinsically linked to everyday tasks.

The primary identification, assessment and management of risk is at Project and Directorate or Head of business area level consistent with the structure of the of the WMCA. Leaders are responsible for implementing this Framework policy within Directorates/business areas and for the escalation of risk to the Strategic Risk Register as appropriate.

## 2.3. Responsibility for SRMF

The Chief Executive Officer (as Accountable Executive) and Section 151 Officer (as Accountable Officer) are accountable for the creation, maintenance and implementation of the SRMF within the West Midlands Combined Authority. In addition, Statutory Officers<sup>2</sup> take risk under consideration as part of Corporate Governance and Strategic Leadership Team (SLT) have responsibility for its oversight. The SLT are responsible for signing off the SRMF including appetite statements, along with the Audit Risk & Assurance Committee (ARAC), both at inception and at annual refresh and where appropriate, following significant change. All material changes will also be subject to review at the Risk Committees of the organisation (Audit, Risk and Assurance Committee) as well as, at the Board of the organisation (WMCA Board), where deemed appropriate.

Strategic Leaders, including Statutory Officers will establish the criteria used to assess the implementation of this SRMF. This includes the initial and annual approval of the SRMF by the SLT, ARAC and where appropriate WMCA Board, Risk Appetite established for each Strategic Risk, creation of risk frameworks and policies and minimum of Biennial risk training for all managers. The progress on implementation will be reported to the Audit Risk & Assurance Committee (ARAC) at least annually.

## 3.0. Strategic Risks

The following risks, referred to as strategic risks, account for the most significant risks faced by the Combined Authority, they are those which have the potential to impact its ability to deliver its strategic objectives:

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<sup>2</sup> The Statutory Officers of the WMCA are Monitoring Officer, Chief Exec in their capacity of Head of Paid Services & Finance Director in their capacity of Section 151 Officer

Risk Category	Risk Definition
1. Political	Risks faced by organisations that political decisions, events, conditions or regime change will significantly affect the organisations business objectives/conditions. Additionally, those Risks associated with a failure to deliver either local or central government policy, or to meet the local administrations manifestos commitments.
2. Governance	Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.
3. Programme Delivery	Risks relating specifically to failure of the CA to deliver against commitments. Potential causes are: lack of alignment of Programmes projects / partnerships in which the CA is involved with strategic priorities or failure to adequately manage project/programme risks resulting in the failure or projects /programmes to successfully and safely deliver requirements and intended benefits to time, cost and quality (including VfM).
4. Economic	Economic risk centres on macroeconomic circumstances that may result in significant loss for an organisation. Also, Those Risks affecting the ability of the CA to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance to cover external macro-level economic changes, or the consequences of proposed investment decisions.
5. Financial	Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.
6. Information	Risks arising from the failure to reasonably and proportionately protect information assets (digital or hardcopy), systems and networks, against temporary or permanent loss and/or the compromise of its confidentiality, integrity or availability. Also, failure to exploit data/information to its full potential. Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.
7. Reputational	Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.
8. Operations	Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.
9. Innovation & Development	Risks relating specifically to uncertainty of opportunity in change/ innovation projects/programmes in which the CA is involved. That potential change programmes and projects are not aligned with and complementary to or conflict with strategic priorities and do provide opportunities to

	deliver or maximise the outcomes defined within the strategy or long term benefits for the West Midlands region.
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It should be noted that, individual events may relate to more than one risk. For example, failure to deliver devolution commitments may expose the CA to reputational risk as well local economic impacts. This is not an exhaustive list of the risks which the organisation is subject to. The Combined Authority is also subject to operational risks etc.<sup>3</sup> and whilst these may be of great consequence and assessed on occasion in the planning and decision making of the organisation, they are not generally considered to be Strategic Risks. Risks such as Operational Risk must, however, be subject to consistent and appropriate levels of risk management and are, subject to this framework and oversight by Risk Management. Operational Risks may be escalated to the Strategic Risk Register if they are deemed to be sufficiently material or if the Strategic Leadership Team and Risk Owners deem it to be appropriate.

The SLT is accountable for the development and implementation of frameworks, policies and or standards/procedures (as appropriate) for each of the Strategic Risks. These are subject to limits, monitored, reported and escalated as appropriate. The exceptions to the above are, the Monitoring Officer is accountable for the Governance and Conduct Framework (**conduct risk means** any action of an organisation or an individual that has the potential to cause harm to consumers/stakeholders or market integrity) and Reputational Risk and Legal Risk. Whilst responsibility for creation and maintenance of Frameworks and Polies is as set out above, responsibility for compliance sits with all employees within the Combined Authority.

## 4.0. Risk Appetite

### 4.1. Overview

Risk Appetite is defined as the level of risk 'with which an organisation aims to operate' (HMT Orange Book, Oct 2020) and is a driver of strategic risk decisions.

The WMCA will endeavour to keep all hazard risks managed/mitigated in terms of residual risk levels to, as low a rate as is reasonably and practically possible (ALARP). In doing this we will demonstrate a focus on risk awareness and ensure Risk Appetite is in line with the CA's objectives.

Appropriate appetite levels will depend on the risk type and the CA will develop measures for different risk categories, the agreed appetite range of the CA is documented within appendix [9.3](#). In defining its risk appetite, WMCA can arrive at an appropriate balance between uncontrolled innovation and excessive caution. The Risk Appetite of the organisation must:

- a. Specify the level of risk the organisation is willing to accept and why
- b. Consider all Strategic Risks individually and in aggregate, where appropriate. Risks not specifically mentioned in section 2 may be subject to limits and/or tolerances which

<sup>3</sup> Operational Risks may be considered for inclusion as Strategic Risks, where in aggregation they considered to be of sufficient materiality or where it is otherwise deemed to be appropriate to do so.



originate from the Strategic Risk appetite but will not have a separately specified Risk Appetite.

- c. Consistently communicate the acceptable risk level for different types of risk; this may be expressed in financial or non-financial terms. It should be measured as is applicable appropriate or proportionate, and effectively monitored.
- d. Be given adequate consideration in key / tactical decision-making processes including business planning, investment programme approval, new product/project approvals and business change initiatives.

Risk control and mitigation will be effective, appropriate, proportionate and affordable. Risk controls will not be implemented where cost and effort are disproportionate to the expected benefits. Where the CA deems it necessary to extend its risk appetite in order to achieve optimum delivery, such an extension will be undertaken following a review of the individual business case on the understanding that such an extension will not threaten the organisation's statutory and legal obligations. Where a decision is made by WMCA to proceed with the acceptance of risk, this is subject to ensuring that all potential benefits and risks relevant for informed decision taking are fully understood. Acceptance of risk will be carefully scrutinised, and the risk profile and appetite reviewed regularly, with a minimum of an annual frequency, to ensure it remains appropriate for the changing risk landscape.

## 4.2. Setting Risk Appetite

Senior Leaders are responsible for setting, reviewing and approving both the Risk Appetite of the organisation and all Strategic Risks.

The Combined Authority's CEO is accountable for:

- a. Leading in the development of the Combined Authority's strategy that aligns to our Strategic Goals, Purpose and Values within the approved Risk Appetite.
- b. Leading and organising Senior Leadership to execute the Combined Authority's strategy and programmes/business plans within the Risk Appetite as approved by the WMCA Board.
- c. Managing the Combined Authority's financial and operational performance within the approved Risk Appetite.

The Combined Authority's Strategic Leadership Team (SLT) are accountable for:

- a. Managing the Risk Appetite setting process, including the recommendation of Risk Appetite to the appropriate WMCA Board Risk Committee(s), currently ARAC.
- b. Developing, operating and maintenance of a robust and comprehensive risk management framework for WMCA to manage and monitor the Risk Profile/landscape of the organisation against the Board approved Risk Appetite.
- c. Providing accurate, clear and timely reporting to the ARAC and where appropriate WMCA Board that compares the actual Risk Profile of the Combined Authority against the Risk Appetite set for the Organisation. This should be by risk type and, where deemed appropriate, be in aggregate.

Risk appetite is approved and communicated across Directorates, departments/business areas, to support the management of activities across the organisation (see appendix [9.3 Risk Appetite Table](#)). It is a guide for Risk Owners/Managers on permitted risk levels, encouraging consistency in approach in the treatment/ management of risk. These limits help reduce the likelihood and/or impact of one-off losses or risks materialising. The Risk Appetite must be formally reviewed on at least an annual frequency in line with the SRMF and approved by the Senior Leaders, ARAC and where deemed

appropriate, by WMCA Board. Organisational Units must establish if the risks or issues within their remit are within the relevant approved Business Risk Appetite or tolerance limits. Management may only risk accept exposures that are within their risk tolerance. Risks outside of tolerance must either be treated directly or escalated for treatment or risk acceptance. The individual specific risk appetite levels of the WMCA is illustrated within the below table.

Strategic Risk	Appetite	What this means
Political	Averse	The CA have a very low tolerance to any risk to Political relations. This is due to the need for WMCA to demonstrate to Central Government that WMCA is able to work as a collective to deliver the Strategic Economic Plan, Industrial Strategy & Annual Plan.
Governance	Averse	The CA have a very low tolerance in this area as funding devolved to the CA must be spent in accordance with agreed terms and conditions and abide by public sector procurement requirements and devolved funding assurance frameworks as approved by Central Government.
Reputational	Averse	The WMCA has zero appetite for any decisions with high chance of repercussion for organisations' reputation due to the potential of it leading to destruction of trust and relations.
Operations	Cautious	The WMCA is cautious in taking risks that may lead to the disruption to delivery of its key business functions that support wider business operations.
Programme Delivery	Cautious	The WMCA is cautious regarding taking risks that may have an impact on delivery as the CA and the Mayor will be judged on performance against delivery commitments in this area.
Economic	Cautious	The WMCA is currently cautious to taking risks in this area because of the uncertainty with external factors.
Financial – (Loss)	Cautious	The WMCA is cautious regarding taking risk that may have a Financial Loss impact for the organisation. Seeking safe delivery options with little residual financial loss only if it could yield upside opportunities.
Information - Personally Identifiable Information (PII)	Cautious	The WMCA is cautious to taking any risks that may impact any Personally Identifiable or Personally Sensitive Information for which it has legislated (UK Data Protection Act/EU GDPR) Data Controller or Data Processor responsibility.
Information - All other non (PII) Information	Open	The WMCA is willing to accept a moderate level of risk when managing information assets and systems if there is likely to be a clear benefit to the achievement of WMCA's objectives but only for those categories of risk that do not impact on the safety and security or privacy of our employees and the data subjects for which we have a legislative (Data Privacy) responsibility to protect.
Innovation & Development	Open	WMCA is open to programme development / innovation opportunities where additional benefits can be delivered which are aligned with strategic objectives and are complementary to existing workstreams if finances and resources permit additions.

## 5.0. Risk Assessment

The SRMF ensures that risks are assessed and effectively managed across the organisation at all levels and are escalated as appropriate ([see 5.5.](#)).

**Strategic Risks:** These are the risks that are most significant within the organisation, they are those that would have a significant impact on the organisations ability to achieve its strategic objectives, statutory obligations and commitments if they were to materialise. The responsibility for the oversight of this group of risks lies with SLT (collectively). Additionally, this group are risks are reported to, monitored by and managed under the oversight of ARAC.

**Directorate Risks:** These risks are those that are particular to the directorates within the WMCA. They are the risks that would have an impact on the achievement of objectives within the various directorates and may include both operational and project risks relevant to the directorate. The responsibility for oversight and where appropriate, escalation of these risks lies with the appropriate SLT members responsible for each directorate.

**Project & Programme Risks:** These risks are those arising from change initiatives within the organisation they are identified and managed at project or programme level.

**Project Risks:** Are those specifically impacting each project and are specifically managed within the project and are captured within project risk registers. The most significant project risks where appropriate may be escalated to the Programme and or Strategic level subject to materiality.

**Programme Risks:** Are those risks impacting programmes and are managed at the programme level, any significant programme level risks are reviewed at and managed under the oversight the appropriate Programme Board. Subject to materiality Programme level risks may be escalated to where appropriate to the Directorate or Strategic Level.

Once identified Risks must be documented on the appropriate risk register. The Strategic Risk Register (SRR) provides a lens for the CA to clearly determine its overall strategic risk profile/landscape and facilitates identification of key risks which require immediate attention. WMCA will assess all risk and issues including those classified as strategic risks with the use of a Risk & Issues Classification Matrix (RICM), otherwise known as a risk scoring matrix. The RICM ([see 5.4](#)) determines the escalation and reporting requirements commensurate with the overall risk exposure. The RICM is applied across all Directorates, Functions, Programmes, Projects & Services (which will for the purpose of this document from here on in be referred to as Organisational Units/Business areas).

The Risk Score is calculated by multiplying the Likelihood score by the Impact score following assessment of the Likelihood and Impact of the risk should it materialise (see below 5.1 & 5.2). This Risk Score facilitates a proportionate and consistent approach to risk management by risk owners.

### 5.1. Likelihood

The likelihood refers to the probability of the risk occurring or the predicted frequency with which the risk may be realised/occur. The agreed range is as follows: Very Low/Very Unlikely, Low/Unlikely, Medium/Moderate/ Possible, High/ Likely or Very High/ Very likely/Certain (see below table for descriptions). Likelihood is assessed using a score of between 1-5 as per the below table ([See appendix for detailed likelihood table](#))

Likelihood Score	Likelihood Rating	Description
1	<b>Very Low / Very Unlikely to occur</b>	<ul style="list-style-type: none"> <li>Very unlikely to occur. Very Low perceived chance of the risk manifesting.</li> </ul>
2	<b>Low / Unlikely to occur</b>	<ul style="list-style-type: none"> <li>More likely not to occur. Known internal and external factors mean there is a possibility of the risk manifesting.</li> </ul>
3	<b>Medium/ Moderate/ Possible</b>	<ul style="list-style-type: none"> <li>Could occur at some point. Known internal and external factors mean the possibility of the risk manifesting is more likely than not.</li> </ul>
4	<b>High/ Likely</b>	<ul style="list-style-type: none"> <li>More likely to occur than not. Unknowns and instability mean there is a high probability of the risk manifesting.</li> </ul>
5	<b>Very High Very Likely/ Certain</b>	<ul style="list-style-type: none"> <li>Very likely to occur/ has occurred</li> </ul>

## 5.2. Impact

Impact refers to the consequences if the risk is realised or the risk manifests. Consideration should be given to both Financial and Non-Financial impacts, impacts include, but are not limited to, Programme Delivery, Benefits Realisation, Performance Management, Governance, Service, Schedule Impact and Reputational. A risk that manifests may have multiple impacts or consequences ranging from financial to reputational and where this is the case the most material impact is used to calculate the risk score. The impact categories are as follows: Minimal -Very Low, Minor-Low, Significant-Moderate, High-Major/, Exceptional-Critical. Impact is also assessed using a score of 1-5 as per the following table ([See appendix for detailed impact table](#)).

1.Minimal - Very Low	2. Minor - low	3. Significant - Moderate	4. High - Major	5. Exceptional - Critical
The nature of this failure may result minor adjustments but will not have any noticeable effect on outcomes.	The nature of this failure may result in minor annoyance or inconvenience, delivery will continue as planned.	Failure would cause some dissatisfaction which may include annoyance, and failure to deliver all anticipated outcomes.	The scale and nature of failure would result in a high level of dissatisfaction, localised reputational damage with possible reporting to the Regulatory body and severe impact on outcomes.	If the risk manifests it will; compromise safety; result in legal or constitutional noncompliance and project failure. Severe reputational damage and investigations will ensue.

## 5.3. Calculating the Risk Score

As stated above the risk score is calculated by multiplying the Likelihood and Impact scores, with the use of a 5x5 scoring matrix, the RICM ([see 5.4](#)). Strategic Risks will initially be graded red, amber or green depending on the magnitude of the risk (likelihood x impact) in line with the risk appetite<sup>4</sup> of the organisation, as per the RICM. The initial calculation is based on the risk position in the absence of any controls or mitigation being applied (the Inherent position). Once the Inherent Risk score has been established a response to the risk must be formulated in order that the risk is managed

<sup>4</sup> Risk Appetite - 'The level of risk that an organisation is willing to accept, tolerate or be exposed to at any point in time' – Orange Book

appropriately and proportionately within the appetite of the CA. The Various risk management strategies/ responses are as follows:

- **Treat** – Risk response for risks that can be further treated by the introduction of cost effective corrective controls or mitigations to reduce the risk to an acceptable level following employing mitigations.
- **Tolerate** – Risk response that is appropriate when the level of risk is within appetite. Accepting the risk, taking no further mitigating action.
- **Transfer** – Risk response for risks that are outside of risk appetite that the organisation wishes to transfer all or some of the risk to a third party by means of insurance, contract or in some cases by joint venture or alliance.
- **Terminate** – Risk response is appropriate when the level of risk is not acceptable to the organisation or outside of appetite and no further cost effective mitigation is possible. It means ceasing the activity generating the risk.

Strategic risks will also be re-graded based on the position with application of controls and or mitigation plans to give a residual risk score. In the case of residual risk, it must take into account any mitigating controls and the effectiveness of the control environment and any history of Risk Events or Issues. In addition, the assessment should also take into consideration whether the potential risk exposure is within or exceeds the appropriate organisational risk appetite/tolerance. WMCA requires that all risks are reviewed regularly. Red risks on the strategic risk register are required to develop risk profiles with detailed risk mitigation plans. These plans will require testing at appropriate timeframes to ensure that the controls remain effective.

#### 5.4. The Risk & Issues Classification Matrix (RICM)

The Risk & Issues Classification Matrix (RICM) used for scoring all risks is captured below.

Likelihood	5 - Very high	5	10	15	20	25
	4 - High	4	8	12	16	20
	3 - Medium	3	6	9	12	15
	2 - Low	2	4	6	8	10
	1 - Very low	1	2	3	4	5
		1 Minimal	2 Minor	3 Significant	4 Major	5 Critical
		Impact				

See section 4.1 and 4.2 for scoring detail

## 5.5. Risk Escalation

It may be necessary to escalate risks within the risk hierarchy of organisation, raising the management of the risk to a level above that which it has previously been managed. A risk may be escalated for a variety of reasons including the following: It exceeds an agreed threshold (particularly where the risk score increases over time), it impacts multiple areas of the organisation or has a high residual impact even after mitigations have been adopted.

The RICM must be used to assess Risk and Issue materiality on the basis of impacts to the WMCA at entity level. Organisational units (directorates, projects, programmes, business areas) may use a localised version of the scoring matrix when local materiality levels are deemed to be more appropriate to assess risks and issues identified. Where localised versions are used this **must** be approved by the Risk Accountable Owner within the organisational unit. However, where an alternative scoring matrix is authorised risks **must** be escalated based on residual risk in line with the mandatory minimum escalation thresholds requirements as set out in the below escalation matrix.

	Escalation	Rating	
	Local /Business Head	Limited	
	Risk Owner/Director/ *SRR	Medium	*Where deemed appropriate by WMCA SLT SRR = Strategic Risk Register
	SLT/ARAC/SRR/ **WMCA Board	Very High	** Where deemed appropriate by ARAC

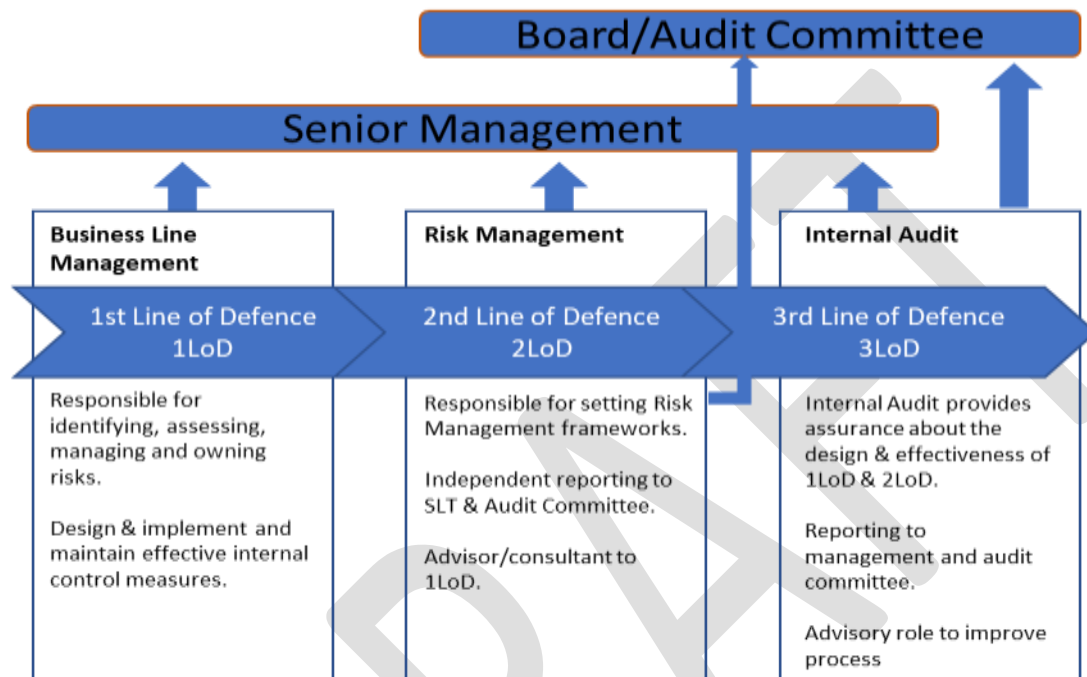
Organisational Units/Business Areas must report all risk and issues to all appropriate Business Area Forums, Risk Forums and Risk Committees in accordance with local procedures and the Organisations RICM escalation as follows:

1. Risks assessed as being low/limited/Minor using the RICM are to be managed at local level through the Project/Programme/Portfolio/Directorate/Operational Risk Registers by accountable risk owners. These are to be escalated by exception only where deemed appropriate. Accountability for escalation of risks sits with the Risk Owner.
2. Risks scored Major/Considerable/Medium using the RICM are to be managed at local level under the oversight of the Risk Owner/ Director or business head, but **must** be escalated to WMCA Strategic Leadership Team for **consideration** of impact on Strategic Objectives and **consideration** for inclusion on the Strategic Risk Register (Public document) where deemed appropriate by WMCA SLT. Accountability for escalation of risks sits with the Risk Owner.
3. Risks scored/assessed as Critical/Very High using the RICM **must** be escalated to WMCA Strategic Leadership Team (SLT) and the Strategic Risk Register (Public document) and managed under the oversight of both WMCA SLT & ARAC. Accountability for escalation of risks sits with the Risk Owner.

Organisational Unit discretion may be applied, where deemed appropriate, to increase the escalation level e.g. if there is an issue which is under particular focus across the organisation, or where remediation within an urgent timescale is considered necessary.

## 6.0. Risk Management and Separation of Duties

All colleagues, regardless of position within the organisation have a responsibility for facilitating the organisation to operate within its Risk Appetite. Such responsibilities are defined in terms of the role of the employee within the Three Lines of Defence (3LoD). The lines of defence have a common objective: to help the organisation achieve its objectives with effective management of risks. They often deal with the same risk and control issues. The accountable officer and the board should clearly communicate their expectation that information be shared and activities co-ordinated across each of the 'lines' where this does not diminish the effectiveness or objectivity of any of those involved.



### First Line of Defence (1LoD):

The first line comprises all employees in the operational, customer facing, project and programme management and all associated support functions. This includes but is not limited to: Finance, Human Resources, Technology, Information Risk etc. Employees in the first line have primary responsibility for the risks, this responsibility includes:

- Identifying and managing all of the Risks in the activities in which they are engaged and developing where appropriate policies (and standards/minimum standards) and controls to govern the activities in which they are engaged.
- Operating with in any and all limits which the Risk and Corporate Governance functions establish in connection with the Risk Appetit of the organisation.
- Escalating risk events to senior management and to Risk and Governance as is appropriate.

The 1LoD must establish their own policies and controls (subject to the appropriate Framework(s) of the WMCA), particularly in relation to strategic and operational activities and require employees to manage all controls/mitigations to specified tolerances as dictated by Risk Appetite. Such control

related activities are also considered first line and are permitted so long as they remain in line with applicable limits established by Risk and where appropriate Governance. All activities within the first line are subject to oversight from the relevant areas of the second and third lines of defence.

#### Second Line of Defence (2LoD):

The second line is comprised of Risk, Assurance & Governance. The role of 2LoD is to establish the limits, rules and constraints under which the first line activities shall be undertaken, this will be consistent with the Risk Appetite of the Organisation. The 2LoD will monitor the performance of the 1LoD against the limits, rules and constraints set out, a risk based approach to assurance activities will be adopted by 2LoD. In the event of a breach of limits or a contravention of the rules or constraints by the first line, the second line may, as it sees appropriate, direct the activities of the first line to ensure a return to compliance. This must be under the oversight of the appropriate Risk Committee. It is within the authority and the responsibility of the second line to perform independent challenge of all risks within the first line at any time deemed appropriate. Such assurance activity will help to inform the risk management process in terms of the effectiveness of the control environment.

It should be noted that the second line will not as a custom usually establish limits for all first line activities, particularly those which relate to Operational Risk. Controls in these areas generally are to be established by Controls specialists/ Subject Matter Experts who are expected to operate within the Controls/ appropriate Frameworks of the Combined Authority. Both the inherent and residual operational risks of the Combined Authority will be self-assessed as part of Risk and Control Self-Assessment (RCSA) /Risk Assessment Programme and will be subject to the oversight of the second line.

The second line is responsible for defining policies which detail its own responsibilities and the activities which govern them. This includes establishing controls to both manage its performance and assess conformance to the policies and controls. The Senior Leaders will assign ownership of the policies within the Risk department. The Monitoring Officer will assign ownership for Conduct and Reputational Risk Policies. The Monitoring Officer will assign ownership for policies within the Legal department.

The second line can/will undertake certain additional activity if, the Monitoring Officer judges that this will reduce the overall exposure of the Combined Authority to risk.

#### Third Line of Defence (3LoD):

The third line of defence is comprised of Internal Audit, who are responsible for providing independent assurance to the WMCA Board, ARAC and the Executive Management of the effectiveness of governance, risk management and control over current, systemic and evolving risks. In addition, the Senior Leaders including Statutory Officers produce an Annual Audit Plan that will include any audit activity for assessing wider WMCA systems of control as well as activity relating to projects and programmes which requires approval from the Audit, Risk and Assurance Committee (ARAC).

The legal department does not sit in any of the three lines, but it does support them all in relation to the legal powers and duties of the organisation and compliance with governance process. The Legal department is, however, subject to oversight from Risk and Governance, in respect to Operational and Conduct Risks.

Regardless of function all teams who manage processes within the organisation, are responsible for designing, implementing, monitoring, remediating and testing of the controls for those processes.



## 7.0. Governance and Responsibilities

All staff are responsible for understanding and managing risks within the context of their own roles and responsibilities, in line with the West Midlands Combined Authority Values and Risk Appetite. Staff are required to familiarise themselves with the Strategic Risk Management Framework. The Governance Protocols for the WMCA are outlined in the WMCA Constitution, these include details relating to the proceedings of the Annual Meeting and Ordinary Meetings, and the circumstances in which extraordinary meetings are required or can be called. The Constitution also details procedure rules as well as details on public access.

Of particular relevance to the Risk Management Framework, the Constitution outlines the protocols under which the governance of the WMCA can evolve and change through the creation of Committees, Sub-Committees and Working Groups of the WMCA.

### 7.1. Roles with Additional Accountabilities/Responsibilities

Certain roles within the Combined Authority carry additional responsibilities and accountabilities with respect to the management of risk and the SRMF, most notably the roles of the three Statutory Officers as defined in the WMCA Constitution, these are: Head of Paid Service, Section 151 Officer and Monitoring Officer.

- **Head of Paid Service** – The WMCA Chief Executive fulfils the role of the Head of Paid Service, discharging the functions in relation to the WMCA as set out in section 5 of the Local Government and Housing Act 1989.
- **Section 151 Officer** – The WMCA Director of Finance fulfils the role of Section 151 Officer in accordance with section 151 of the Local Government Act 1972.
- **Monitoring Officer** – The WMCA Monitoring Officer discharges the functions in relation to the WMCA as set out in section 5 of the Local Government and Housing Act 1989.

In addition, WMCA's Strategic Leadership Team (SLT) is accountable for developing, operating and maintenance of a robust and comprehensive risk management framework for WMCA to manage and monitor the Risk Profile/landscape of the organisation against the Board approved Risk Appetite. In order to embed a strong risk culture within the Combined Authority, particularly regarding identification, management and escalation of risk matters, in accordance with this framework. For full details of roles with additional accountabilities and or responsibilities see appendix [9.6](#).

## 8.0. Detailed Scope

### 8.1. In Scope

This framework applies to:

- a. West Midlands Combined Authority;
- b. All employees and contractors of any business area, directorate, project programme detailed within (a) above.

### 8.2. Out of Scope

This framework does not apply to:

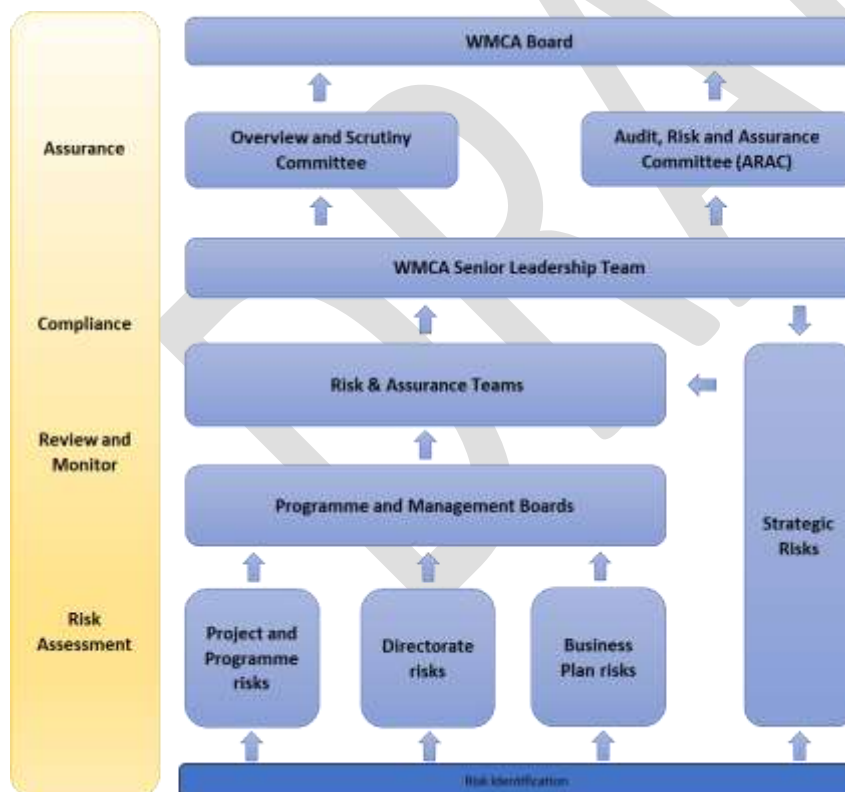
- a. Any entity in which WMCA has an interest and which is a non-consolidated entity or to any employee of any such entity

### 8.3. Local Amendments

Local amendments to this SRMF, supporting frameworks or policies are acceptable only in the following circumstances:

- Within the designated review cycle.
- There is a conflict with an applicable legal or regulatory provision (typically where a higher standard is required locally than that which is applied across WMCA).
- Amendment to the SRMF, supporting frameworks or policies, must be captured via an addendum to the original, rather than modifying the original framework.
- In such cases approval must be sought from the SRMF owner or appropriate delegate and arrangement for such local amendments to be incorporated must be made with the owner of the relevant framework or policy.

### 8.4. Overview Risk Management Structure & Committees



The WMCA Board and Risk Committees are illustrated above.

#### 8.4.1 The WMCA Overview & Scrutiny Committee

The Overview & Scrutiny Committee comprises members appointed by the WMCA's constituent and non-constituent member authorities and has the power and responsibility to:

- Undertake pre-decision scrutiny of a matter yet to be determined when it has been invited to by the decision-maker, or where it considers that such pre-decision scrutiny would provide for a more considered and informed decision to be made than would otherwise be the case.
- Make a report and recommendations on any issue affecting the WMCA's area or inhabitants and which falls significantly within the powers of the Mayor, the WMCA Board or one of its committees.
- Contribute to the delivery of the WMCA's policies and strategies by undertaking work that is tailored to help support the WMCA Board in its own work programme. It might do this by undertaking research or scrutiny into a policy area, the outcomes of which will help in the delivery of a particular corporate workstream.
- Review and scrutinise any decision taken by the Mayor, the Portfolio Lead Members/WMCA Board or its committees and to make recommendations back to the decision-maker when it considers that there has been a significant flaw in the manner in which the decision was taken (Call-in)

Overview & Scrutiny Committee performs a key role within the governance arrangements of the WMCA and is publicly accountable for the effective exercise of these responsibilities. Members appointed to sit on the committee undertake this role principally to ensure that the decisions of the Mayor, Portfolio Lead Members/WMCA Board and its committees effectively and efficiently deliver the strategic objectives of the WMCA set out in its Annual Plan and other corporate strategy documents. The Terms of Reference for the Overview and Scrutiny Committee are detailed in the WMCA Constitution ([see Related Documentation for link](#)).

#### 8.4.2 The WMCA Audit, Risk & Assurance Committee (ARAC)

The WMCA has an Audit, Risk and Assurance Committee (ARAC) which is responsible for approving the statement of Accounts and reviewing the Authority's Risk Register and Annual Governance Statement. ARAC also debates and agrees Audit Actions that require implementation by the WMCA. In addition to the above the functions of ARAC are:

- Approving the Annual Accounts
- Reviewing and scrutinising the WMCA's financial affairs
- Reviewing and assessing the WMCA's risk management, internal system of controls and corporate governance arrangements
- Reviewing and assessing the economy, efficiency and effectiveness with which resources have been used in discharging the WMCA's functions
- Making reports and recommendations to the WMCA in relation to the above points.

The WMCA Constitution details the membership of ARAC, the process for selection of a Chair and the Committees functions and procedures. The Terms of Reference for the Audit, Risk & Assurance Committee are detailed in the WMCA Constitution ([see Related Documentation](#)).

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

The role of the Assurance and Risk teams 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 strategic risks.

The management of risk is captured within all areas of business activity, as represented below.

Role	Responsibility
<b>Audit, Risk and Assurance Committee</b>	<ul style="list-style-type: none"> <li>• Reviews and scrutinizes the WMCA's financial affairs.</li> <li>• Review and assess the WMCA's risk management, internal control and corporate governance arrangements.</li> <li>• Approves design of SRMF along with SLT &amp; the WMCA Board (where appropriate). Review and assess the economy, efficiency and effectiveness with which resources have been used in discharging the WMCA's function.</li> <li>• Provide overall oversight of WMCA risks and opportunities.</li> <li>• Oversees internal and external audit to ensure efficient and effective assurance arrangements are in place.</li> </ul>
<b>WMCA Board</b>	<ul style="list-style-type: none"> <li>• Accountability for the business plan and risks affecting its delivery.</li> <li>• Approves design and completeness of SRMF and monitors its implementation.</li> </ul>
<b>Operational Management and Programme Delivery Boards</b>	Owns departmental business plans and associated risk registers, escalating risk to the Strategic Risk register as appropriate and reporting on the risk environment to Transport Delivery Committee
<b>Assurance</b>	<ul style="list-style-type: none"> <li>• Develops and maintains the Single Assurance Framework.</li> <li>• Provides the organisation with independent assurance on the adequacy and effectiveness of Programme delivery.</li> </ul>
<b>Risk</b>	<ul style="list-style-type: none"> <li>• Develops and maintains SRMF</li> <li>• Develops and maintains the Strategic Risk Register, reports on risk activity to senior officers, Boards and the Audit Risk and Assurance Committee (ARAC).</li> </ul>

<b>Governance</b>	<ul style="list-style-type: none"> <li>• Prepares and delivers a risk based audit plan to satisfy Audit and Standards committee satisfactory internal control arrangements are in place.</li> <li>• Investigates and reports on cases of whistleblowing and suspected fraud.</li> </ul>
<b>Finance</b>	Arranges and maintains comprehensive insurance for CA assets, personnel and all insurable liabilities.
<b>Senior Leaders, Managers &amp; Statutory Officers</b>	<ul style="list-style-type: none"> <li>• Manage departmental risks, reporting through the Annual Business Plan with escalation of risk to Management and Programme Boards.</li> <li>• Set and approve Strategic Risk Appetite.</li> <li>• Approve design of SRMF along with ARAC &amp; the WMCA Board.</li> <li>• Define and manage Strategic Risks</li> </ul>
<b>All Employees</b>	<ul style="list-style-type: none"> <li>• Compliance of all policies and procedures.</li> <li>• Identify and manage risks within their own roles, reporting risk to managers and through the Annual Business Plan as appropriate.</li> </ul>

## 9.0. Appendices

### 9.1. Glossary

<b>1LoD</b>	1 <sup>st</sup> Line of Defense
<b>2LoD</b>	2 <sup>nd</sup> Line of Defense
<b>3LoD</b>	3 <sup>rd</sup> Line of Defense
<b>ALARP</b>	As Low As is Reasonably Practical
<b>ARAC</b>	Audit Risk & Assurance Committee
<b>CA</b>	Combined Authority
<b>HMT</b>	Her Majesty's Treasury
<b>PII</b>	Personally Identifiable Information
<b>RICM</b>	Risk & Issues Classification Matrix
<b>SLT</b>	Strategic Leadership Team (also referred to as WMCA SLT)
<b>SRMF</b>	Strategic Risk Management Framework
<b>SRR</b>	Strategic Risk Register
<b>ToR</b>	Terms of Reference
<b>WMCA</b>	West Midlands Combined Authority
<b>WMCA SLT</b>	West Midlands Combined Authority Strategic Leadership Team (also referred to as SLT)

## 9.2. Definitions

<b>Risk</b>	'Risk is the combination of the probability of and event and its consequence. Consequences can range from positive to negative' – IRM, Fundamentals of Risk management.
<b>Issue</b>	An Issue is a risk that has already been realised. Having either a positive (Opportunity) or adverse (Threat) impact on the achievement of the WMCA's objectives.
<b>Risk Appetite</b>	Risk Appetite is defined as the level of risk with which an organisation aims to operate. This is informed by organisational mission and strategic objectives. – HMT's Orange Book
<b>Risk Tolerance</b>	Risk Tolerance is defined as the level of risk with which an organisation is willing to operate, given current constraints. This balances the funding position with the position outlined in organisational mission and objectives. – HMT's Orange Book
<b>Inherent Risk</b>	The inherent risk refers to the threat posed by a given risk (exposure) before any mitigating activities or controls have been introduced to reduce either the likelihood or the impact of the risk.
<b>Residual Risk</b>	The residual risk refers to the threat posed by a given risk (exposure) after any mitigating activities or controls have been introduced to reduce either the likelihood or the impact of the risk.
<b>Risk Treatment</b>	Risk treatment is the response that an organisation takes to mitigate or address the risks it identifies. Typical treatment options include 4T's, Tolerate, Treat, Transfer Terminating the risk.
<b>Tolerate</b>	Also sometimes referred to as accepting or retaining the risk. The risk exposure may be tolerable without any/any further action being taken. Even if the risk is not tolerable, the ability to address some risks may be limited, or in some cases the cost of taking any action may be disproportionate to the benefit gained and there for prohibitive.
<b>Treat</b>	Also sometimes referred to as controlling or reducing the risk. The majority of risks will usually be addressed in this way. Treated by way of introduction of cost effective corrective controls or mitigations to reduce the risk (likelihood and or impact) to an acceptable level following employing mitigations.
<b>Transfer</b>	For some risks the best response may be to transfer them. This may be done with conventional insurance or it might be done by paying a 3 <sup>rd</sup> party to take the risk in another way (via contractual arrangements). This option is particularly good for mitigating financial risks or risks to assets.
<b>Terminate</b>	In some cases, the risk will only be treatable or containable to acceptable levels, by terminating the activity generating the risk. It is noted that the option to terminate activities in local government may be more restricted than in the private sector.
<b>Risk Owner</b>	A risk owner is a person or entity that has been given the authority to manage a risk and is accountable for doing so.
<b>Likelihood</b>	Likelihood refers to possibility or probability with which the risk is expected to materialise. It is also sometimes known as the risk frequency
<b>Impact</b>	The Risk Impact refers to the impact to the WMCA if the risk should materialise. A risk may have a single or several impacts including: Financial, Governance, Operational, Reputational & Service.
<b>Risk Score /Risk Materiality</b>	Is a calculation of the cumulative effect of the impact and likelihood of the risk occurring when assessed using the RICM or Scoring Matrix.

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### 9.3. Risk Appetite Table

Risk Appetite	Description
Open	Willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.
Cautious	Preference for safe options that have a low degree of residual risk and may only have limited potential for reward.
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.

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### 9.4. Likelihood Table

Likelihood Score	Likelihood Rating	Description
1	<b>Very Low / Very Unlikely to occur</b>	<ul style="list-style-type: none"> <li>Very unlikely to occur. Very Low perceived chance of the risk manifesting.</li> <li>The risk is not expected to occur in the next 25 years.</li> <li>&lt;10% probability of materialising.</li> <li>There are no open audit or compliance issues related to this risk / issue.</li> <li>There are no known Risk Events/Near Misses/Key Control failures within the last 10 years.</li> <li>The risk has been assessed as within appetite/tolerance by the Risk Owner, indicating that there is no perceived threat to WMCA Strategy.</li> <li>There have been no known significant External Risk Events relevant to the risk/issue.</li> </ul>
2	<b>Low / Unlikely to occur</b>	<ul style="list-style-type: none"> <li>More likely not to occur. Known internal and external factors mean there is a possibility of the risk manifesting.</li> <li>10-29.9% probability of materialising.</li> <li>The risk may occur in the next 5 years and is expected to occur in the next 25 years.</li> <li>There have been no significant external events related to the risk/issue.</li> <li>There are no open audit or compliance issues related to this risk/issue.</li> <li>There are no known Risk Events/Near Misses/Key Control failures within the last 5 years.</li> <li>The risk has been assessed as within appetite/tolerance by the Risk Owner, indicating that there is no perceived threat to WMCA Strategy.</li> </ul>
3	<b>Medium/ Moderate/ Possible</b>	<ul style="list-style-type: none"> <li>Could occur at some point. Known internal and external factors mean the possibility of the risk manifesting is more likely than not.</li> <li>30-49.9% probability.</li> <li>The risk may occur in the next 12 months and is expected to occur in the next 5 years.</li> <li>Significant external risk events have been identified but not in the last 12 months.</li> <li>There are no known Risk Events/Near Misses/Key Control failures within the last year /12 months, there relevant examples within the last 5 years.</li> <li>The risk has been assessed as being at appetite/tolerance by the Risk Owner and is being assessed/monitored for its impact to WMCA Strategy.</li> </ul>
4	<b>High/ Likely</b>	<ul style="list-style-type: none"> <li>More likely to occur than not. Unknowns and instability mean there is a high probability of the risk manifesting.</li> <li>50-79.9% probability of materialising.</li> <li>The risk is expected to occur in the next 12 months.</li> <li>There are open Audit or Compliance Issues related to the risk/issue with significant remediation still ongoing/outstanding/required.</li> </ul>

		<ul style="list-style-type: none"> <li>There have been significant, multiple or recurrent internal (operational) Risk Events /Near Misses or Key Control failures related/directly related to the risk/issue within the last year / 12 months.</li> <li>The Organisational Unit has made provisions for the risk.</li> <li>Significant external risk events relevant to the risk have been identified within the last 12 months.</li> </ul>
5	<b>Very High Very Likely/ Certain</b>	<ul style="list-style-type: none"> <li>Very likely to occur</li> <li>&gt;80% probability of materialising</li> <li>The risk impact has materialised, an issue has occurred or there has been a Near Miss (a Risk Event has occurred).</li> <li>Failure is inevitable.</li> </ul>

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## 9.5. Detailed Impact Table

\* Percentiles are subject to maximum financial values in line with Financial impact

Impact Category	1 Minimal -Very Low	2. Minor - low	3. Significant - Moderate	4. High - Major	5. Exceptional - Critical
<b>Financial Impact – Financial Loss</b>	<£50,000	£50,000 -£100,000	£100,001 - £500,00	£500,001-£1,000,000	>£1,000,000
<b>Cost % Budget</b>	<2.5% increase*	2.5% - 4.9% increase*	5% -7.49% increase*	7.5% -10% increase*	>10% increase *
<b>Schedule Impact<sup>5</sup></b>	Delivery impact of up to 3 months	Delivery impact of between 3 and 6 months	Delivery impact of between 6 and 9 months	Delivery impact of between 9 and 12 months	Delivery impact of greater than 12 months
<b>Client /Customer /Partner</b>	None	Jeopardises continuing good business relationship with Client/Customer/Partner	Damages business partnership with Client/Customer/Partner	Severely damages business partnership with Client/Customer/Partner	Irretrievably destroys business partnership with Client/Customer/Partner
<b>Health &amp; Safety</b>	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.
<b>Service</b>	<p>-Minor outages to non-key services or, business processes or locations</p> <p>-Outages limited to a single non key service for a short period of time &lt;1 hour</p>	<p>-Minor degradation to a key service, business process or locations.</p> <p>-Outage limited to a single service for a short period of time up to 3 hours.</p>	<p>-Significant but not widespread degradation to 1 or more key services, business processes or locations.</p> <p>- Short term localised disruption to noncritical business operation3-12 hours</p>	<p>-Significant degradation or outage internal or third party, impacting a business area, key service or location.</p> <p>-Short term and localised disruption to critical business operations.</p> <p>-Outage impacting a single service/product for a period of 12-24 hours.</p>	<p>- Multiple business areas and or locations critically impacted as a result of widespread key service degradation</p> <p>- Repeated planned industrial action, epidemics/ pandemics, terrorist threats, natural disasters or civil unrest that causes material disruption to the organisation impacting our ability to carry out normal business activities.</p> <p>-Sustained outage internal or third party impacting 1 or more services/products for a period of 24 hours or &gt;.</p>
<b>Operations</b>	Minimal threat to the running of daily operations which can be managed through management control	Minor threat to the running of daily operations which have the potential to escalate but can be managed through management controls.	Significant threat to the running of daily operations which will escalate if not managed through management controls.	Major threat to the running of daily operations needs active management through management controls.	Severe threat to the running of daily operations needs immediate management through management controls.
<b>Programme Delivery</b>	Threat could have a minimal impact on the quality of, or delivery delays of up to 2 weeks	Threat could have a minor impact on the quality of, or delivery delays of between 2 weeks and 1 month.	Threat could have a significant impact on the quality of, or delivery delays of between 1 and 2 months.	Threat could have a major impact on the quality of, or delivery delays of between 2 and 3 months.	Threat could have a critical impact on the quality of, non-delivery, or delivery delays of greater than 3 months.
<b>Reputational</b>	-Minor poor media coverage or negative stakeholder relations contained locally over a short period of	Poor media coverage or negative stakeholder relations contained locally, extending to TV	-Inability to maintain effective relations with stakeholders. -Poor local media	-Inability to maintain relations with stakeholders. -Potential for national	-Inability to deliver political policies. -Serious negative media coverage over a sustained period of

<sup>5</sup> Schedule Impact relates to scheduling impacts other than those impacting Programme delivery level.



	time including social media.  -Adverse reputation impacts judged to be short term and manageable at a local/project level	coverage over short period of time.  -Cause embarrassment and loss of credibility within the business community, general public, customers and markets.	coverage over a prolonged period.  -Causes severe embarrassment and increased loss of credibility within the business community, general public, customers and markets.	media coverage impacting on stakeholder confidence of WMCA  -Cause extreme embarrassment and increased loss of credibility within the business community, general public, customers and markets.	time leading to political and/or public loss of confidence in WMCA.  -Breakdown in relations with key stakeholders.  -Cause extreme embarrassment and total loss of credibility within the business community, general public, customers and markets.
<b>Regulatory/ legal/ Governance</b>	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 WMCS'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 litigation, arbitration or adjudication claim being brought. WMCA exceeds its legislative powers (Ultra Vires)
<b>Colleague / Staff</b>	-Very Low levels of negative impact on colleague/staff engagement and morale isolated staff indicators being outside of tolerance.  -Rare incidents of colleagues/staff being impacted by occupational stress.  -Loss of colleague personal sensitive data impacting isolated colleague numbers.	-Low levels of negative impact on colleagues/ staff engagement and morale isolated staff indicators being outside of tolerance.  -Infrequent incidents of colleagues/staff being impacted by occupational stress.  -Loss of colleague personal sensitive data impacting isolated colleague numbers.	-Considerable negative impact on colleague/staff engagement and morale with multiple staff indicators being outside tolerance.  -Multiple incidents of colleagues/staff suffering illness or being impacted by occupational stress.  -Loss of colleague personal and sensitive data impacting multiple colleagues.	-Pervasive negative impact on significant numbers of colleagues' engagement and morale with a high number of staff indicators being outside tolerance.  -High numbers of colleagues/staff suffering illness or being impacted by occupational stress.  -Loss of colleague personal and sensitive data impacting a high concentration of colleagues.	-Pervasive negative impact on significant numbers of colleagues' engagement and morale with the majority of staff indicators being outside tolerance.  -A significant number of colleagues/staff suffering illness or being impacted by occupational stress.  -Loss of colleague personal and sensitive data impacting a significant concentration of colleagues.
<b>Benefits Realisation &amp; Performance Management</b>	The Benefits identified to be delivered will be the same, however there will be a minimal delay to realising the benefits (5%< duration of planned)	There is a minor impact to the benefits identified to be delivered effecting x 1 of the objectives or a monetary impact (BCR = 0.25 or less) and/or a minimal delay to the benefits being realised (6%-10% duration of planned)	There is a significant reduction in the benefits identified to be delivered effecting x 2 of the objectives or a monetary impact (BCR = 0.5-1) and/or a significant impact to the benefits being realised (11%-30% duration of planned)	There is a major reduction in the benefits identified to be delivered effecting x 3 of the objectives or a monetary impact (BCR = 1-2) and/or a major impact to the benefits being realised (31%-50% duration of planned)	There is a critical reduction in the benefits identified to be delivered effecting x 4 of the objectives or a monetary impact (BCR = 2+) and/or a critical impact to the benefits being realised (50%+ duration of planned)

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## 9.6. Roles with Additional Risk Accountabilities/Responsibilities

Role	Responsibility
<b>Chief Executive – Head of Paid Services</b>	<ul style="list-style-type: none"> <li>• Identification of Accountable Officer(s) for Strategic Risk and delegation to them the authority to manage the Strategic Risk Profile/Landscape of the Combined Authority, subject to the documented Risk Appetite.</li> <li>• In conjunction with WMCA Board appoint Strategic/Senior Leadership Team, which is accountable for the overall design and implementation of the Combined Authority's programme of internal controls. In order to embed a strong risk culture within the Combined Authority, particularly regarding identification, management and escalation of risk matters, in accordance with this framework.</li> <li>• Provide the strategic leadership that endorses WMCA's risk management framework.</li> <li>• Ensure that risk management is closely integrated with the business plan, audit plan and financial and operational strategies.</li> <li>• Drive forward the identification and review of key risks.</li> <li>• Model the principles and behaviours of good risk management.</li> </ul>


	<p>In addition the Head of Paid Services has additional responsibilities delegated in Statute, these are set out in the WMCA's Constitution (<a href="#">see Related Documentation section</a>).</p>
<p><b>Section 151 Officer – Accountable Risk Officer</b></p>	<ul style="list-style-type: none"> <li>• Develop and Maintain the SRMF and secure annual Board Approval of the same.</li> <li>• Ensures implementation of the SRMF across the WMCA.</li> <li>• Lead and manage the Strategic Risk Function across the Combined Authority.</li> <li>• Managing the Risk Appetite setting process, including the recommendation of Risk Appetite for the CA to the appropriate WMCA Board Risk Committee(s). Input (where appropriate) into objectives and performance management of employees/colleagues who are in a position/able to expose the Combined Authority to significant risks.</li> <li>• ensure that expected values and behaviours are communicated and embedded at all levels to support the appropriate risk culture.</li> <li>• Report to Combined Authority's Risk Committee(s) regulators and other stakeholders on the Strategic Risk position in relation to Risk Appetite of the Combined Authority, in addition to enterprise wide risk and control.</li> <li>• To identify and assign actions which are required to be undertaken by the Combined Authority in order to comply with the Framework.</li> <li>• To access any part of the organisation and any information deemed necessary to perform their role.</li> <li>• To in conjunction with Statutory Officers escalate, suspend whilst investigating and where appropriate stop any decision or activity where, in their opinion the risks to the Combined Authority are not being adequately addressed.</li> <li>• Oversee and review Strategic Risks, enterprise wide and recommend new Strategic Risks to the Senior Leaders.</li> <li>• Ensure the allocation of appropriate resources for risk management, which can include, but is not limited to people, skills, experience and competence</li> <li>• Ensure Value for Money (VfM) is achieved for all proposals and that this is in line with HMTs VfM principles.</li> </ul> <p>In addition the Section 151 Officer has additional responsibilities delegated in Statute, as set out in accordance of the Local Government Act 1972 &amp; Section 73 of the Local Government Act 1985, these are set out in the WMCA's SAF &amp; WMCA's Constitution (<a href="#">see Related Documentation section</a>)</p>
<p><b>Monitoring Officer</b></p>	<ul style="list-style-type: none"> <li>• Be accountable to the Senior Leaders, ARAC &amp; WMCA Board for the oversight of regulated activities undertaken by the Combined Authority.</li> <li>• Oversee the effective management and escalation to the WMCA Board, as appropriate of the organisations Conduct and Reputational Risks.</li> <li>• Input (where appropriate), in conjunction with Senior Leaders, into objectives and performance management of employees/colleagues who are in a position/able to expose the Combined Authority to significant risks.</li> <li>• Use their mandate to access any part of the organisation and any information, to bring to the attention of line and senior management, ARAC or the WMCA Board (where appropriate) any situation that is of concern from a Conduct or Reputational Risk management perspective that could materially violate Risk Appetite guidelines.</li> <li>• Ensure there is a robust whistleblowing process in place on an enterprise wide basis and ensuring that it is effectively managed.</li> <li>• Contribute to the promotion and maintenance of high standards of conduct through provision of support to ARAC.</li> <li>• Oversee investigations into complaints made under the Members Code of Conduct and, where appropriate, make reports or recommendations in respect of them to the Standards Committee.</li> <li>• Advise whether decisions are within the budget and policy framework and whether any particular decision or proposed decision constitutes a key decision.</li> </ul>

	<ul style="list-style-type: none"> <li>• Provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to the Mayor, Members and Officer, and generally support and advise Members and officers in their respective roles.</li> <li>• A mandate in consultation with the Combined Authority CEO, to escalate any unresolved Conduct and Reputational Risk concerns directly to the Chairperson of the appropriate Board Committee(s) ARAC.</li> </ul> <p>In addition the Monitoring Officer has additional responsibilities, for legal and governance affairs of the WMCA including acting , these are set out in the WMCA’s Constitution &amp; SAF &amp; Constitution (<a href="#">see Related Documentation section</a>).</p>
<p><b>Strategic Leadership Team</b></p>	<p>Collective Responsibility:</p> <ul style="list-style-type: none"> <li>• Developing, operating and maintenance of a robust and comprehensive risk management framework for WMCA to manage and monitor the Risk Profile/landscape of the organisation against the Board approved Risk Appetite. In order to embed a strong risk culture within the Combined Authority, particularly regarding identification, management and escalation of risk matters, in accordance with this framework.</li> <li>• Managing the Risk Appetite setting process, including the recommendation of Risk Appetite to the appropriate WMCA Board Risk Committee(s).</li> <li>• Overall ownership and management of Strategic Risk and Cross-organisational /overarching/thematic organisational risks.</li> <li>• Ensuring appropriate risk mitigating actions are defined and implemented across the organisation.</li> <li>• Collective responsibility for regular review of the Strategic Risk Register.</li> <li>• Collective responsibility for satisfying themselves and ARAC that risks are being escalated (where appropriate) to the Strategic Risk Register based on their breadth and or severity (as per RICM escalation model).</li> <li>• Ensure risks are appropriately considered within the decision making process.</li> <li>• Providing accurate, clear and timely reporting to the ARAC and where appropriate WMCA Board that compares the actual Risk Profile of the Combined Authority (possibly in both normal and stressed conditions) against the Risk Appetite set for the Organisation. This should be by risk type and, where deemed appropriate, be in aggregate.</li> <li>• Model the principles and behaviours of good risk management.</li> </ul> <p>Individually:</p> <ul style="list-style-type: none"> <li>• Ownership and management of the risks faced by their directorate.</li> <li>• Advocating and role modelling appropriate risk management culture and appropriate behaviours within their directorates.</li> <li>• Escalation of any directorate risks that require oversight at a strategic or corporate level (as per RICM escalation model).</li> </ul>
<p><b>Audit Risk &amp; Assurance Committee (ARAC)</b></p>	<p>In line with ARAC Terms of Reference:</p> <ul style="list-style-type: none"> <li>• To provide independent assurance to the Authority of the adequacy of the risk management framework and the internal control environment</li> <li>• To review the Authority’s corporate governance arrangements against the good governance framework and consider annual governance reports and assurances.</li> <li>• To review the annual governance statement prior to approval and consider whether it properly reflects the risk environment and supporting assurances, taking into account internal audit’s opinion on the overall adequacy and effectiveness of the Authority’s framework of governance, risk management and control.</li> <li>• To consider the Authority’s arrangements to secure value for money and review assurances and assessments on the effectiveness of these arrangements.</li> </ul>

	<ul style="list-style-type: none"> <li>To monitor the effective development and operation of risk management in the Authority.</li> <li>To monitor progress in addressing risk-related issues reported to the committee.</li> <li>To consider the Authority's framework of assurance and ensure that it adequately addresses the risks and priorities of the Authority.</li> <li>To consider reports on the effectiveness of internal controls and monitor the implementation of agreed actions.</li> <li>To review the assessment of fraud risks and potential harm to the Authority from fraud and corruption.</li> <li>To monitor the counter-fraud strategy, actions and resources.</li> <li>To receive additional assurance reports from the Corporate Assurance team.</li> </ul> <p><a href="#">For full ARAC ToR see Related Documentation section</a></p>
<b>Heads of Functions /managers</b>	<ul style="list-style-type: none"> <li>Identification, management and ownership of the operational risks faced by their function/team</li> <li>Demonstrating appropriate risk management behaviours and proactive identification and management of risks</li> <li>Where appropriate, reflecting appropriate risk management responsibilities in the performance objectives of their team.</li> <li>Allocation of resources to undertake the actions identified to mitigate risks.</li> <li>Continually monitor and assess the risk profile/landscape within the team as well as the adequacy and effectiveness of the mitigating actions/controls.</li> <li>Escalate to their respective SLT member any risks that are increasing to such an extent they may need to be escalated to a directorate, strategic risk register level (as per RICM escalation model).</li> </ul>
<b>Project Managers</b>	<ul style="list-style-type: none"> <li>Ensure every project within their remit has an appropriate (and proportionate) consideration of risk, including a project risk register</li> <li>Act as a custodian of the risk register, ensuring that it is kept as a live and up to date document.</li> <li>Ensure that project risks are regularly monitored, reassessed and reported.</li> <li>Escalate as necessary any risks that meet the criteria that would require them to be monitored at a different level within the risk management framework (as per RICM escalation model).</li> </ul>
<b>Programme Accountable Risk Owners</b>	<ul style="list-style-type: none"> <li>Review the risk management arrangements for programmes within their remit, ensuring accuracy and completeness of risk information</li> <li>Maintain programme risk oversight</li> <li>Ensure risk is given appropriate consideration at all phases of Programme(s) with their remit</li> <li>Escalate programme risks to the appropriate level (directorate, strategic etc) depending on the severity and trend of the risk (as per RICM escalation model)</li> </ul>
<b>Internal Audit 3LoD</b>	<ul style="list-style-type: none"> <li>Providing independent assurance to the Audit Committee on the effectiveness of the governance, risk management and internal control arrangements in place within the CA</li> <li>Development of an annual Internal Audit Plan which is a risk-based plan prepared in conjunction with management that will take into consideration: corporate, strategic and key operational risks.</li> </ul>

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### 9.7. Related Documentation

Document Name	Document Location/ Pathway / Link
Anti-Fraud & Corruption Policy & Procedures	<a href="https://www.wmca.org.uk/policies/">https://www.wmca.org.uk/policies/</a>
ARAC Terms of Reference (ToR)	 Audit%20Risk%20and%20Assurance%20C
Single Assurance Framework	<a href="https://www.wmca.org.uk/media/4238/strategic-hub-single-assurance-framework.pdf">https://www.wmca.org.uk/media/4238/strategic-hub-single-assurance-framework.pdf</a>
Whistleblowing Policy	<a href="https://www.wmca.org.uk/policies/">https://www.wmca.org.uk/policies/</a>
WMCA Constitution	<a href="https://wmca.assetbank-server.com/assetbank-wmca/assetfile/196.pdf">https://wmca.assetbank-server.com/assetbank-wmca/assetfile/196.pdf</a>

### 9.8. Document Governance

Document Governance	
Framework Owner(s)	Chief Executive Officer as Accountable Executive ( <b>Deborah Cadman, OBE</b> ) & Director of Finance Accountable Officer (Linda Horne)
Framework Approver(s)	Strategic Leadership Team & <b>ARAC</b>
Version	1.0 Draft
Review and Approval Date	<b>1<sup>st</sup> Published (1<sup>st</sup> July 2021 TBC)</b>
Next Review Date	<b>12 months from published date</b>
Framework Contact	<b>Fiona Bebbington/ Victoria Harman – Finance &amp; Business Hub</b>

### 9.9. Approvals

Approver	Approver Role	Approval Date	Evidence
Linda Horne	Director of Finance & Business (Accountable Officer for Risk)	13 <sup>th</sup> May 2021	 <b>13.05.21 LH Sign Off SRMFmsg</b>
Strategic Leadership Team	WMCA Strategic Leadership Team	28 <sup>th</sup> April 2021	 <b>28.04.21 SLT Minutes Sign Off</b>
Audit, Risk & Assurance Committee (ARAC)	WMCA Audit Risk & Assurance Committee (Endorsement)	June 2021	
<b>WMCA Board</b>	<b>For noting via ARAC Meeting Minutes</b>	<b>TBC</b>	

### 9.10. Version Control

Version	Date	Author	Change/Comments
1.0		Victoria Harman	N/A 1 <sup>st</sup> Draft for WMCA SLT & ARAC

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