

## Audit, Risk & Assurance Committee

<b>Date</b>	2 November 2021
<b>Report title</b>	WMCA Strategic Risk Update
<b>Accountable Chief Executive</b>	Laura Shoaf, Interim Chief Executive Email: <a href="mailto:laura.shoaf@wmca.org.uk">laura.shoaf@wmca.org.uk</a> Tel: (0121) 214 7444
<b>Accountable Employee</b>	Linda Horne (Finance Director & Section 151 officer) Email: <a href="mailto:Linda.Horne@wmca.org.uk">Linda.Horne@wmca.org.uk</a> Tel: (0121) 214 7508
<b>Report has been considered by</b>	Linda Horne (Finance Director & Section 151 officer)

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

### Audit, Risk & Assurance Committee is recommended to:

- (1) Consider and note the strategic risks contained within the WMCA Strategic risk register (appendix 1).
- (2) Note the additional consideration of Covid19 risks shown in the updated Register.
- (3) Note the risks highlighted in 2.4 which have been subject to significant changes since the register was last presented to the committee in June 2021.

### 1. Purpose

- 1.1 This report provides an update on the current status of the Strategic Risk Register as presented as Appendix 1 to support Audit, Risk and Assurance committee (ARAC) in its function to monitor the operation of risk management at West Midlands Combined Authority.

## 2. Background

- 2.1 The WMCA Strategic Risk Register (SRR) supports the identification and management of Strategic Risks faced by the organisation in achieving its organisational or strategic objectives. The SRR captures only the high level strategic risks facing the WMCA which are of such significance they require SLT oversight and assurance. Strategic Leadership Team (SLT) maintains ownership and responsibility for management of the risks housed within the SRR. The SLT monitors WMCA's risk environment on a regular basis to ensure key risks are captured on the Strategic Risk register and effective mitigation measures are in place to actively reduce or eliminate the resulting effects. The register has been reviewed by SLT at their 1<sup>st</sup> September 2021 Meeting and is next due for presentation on 10<sup>th</sup> November 2021.
- 2.2 The Strategic Risk Register has been updated to align to the new Strategic Risk Management Framework published on 1<sup>st</sup> July 2021, the alignment was completed by September 2021 (this framework can be viewed in its entirety at [SRMF V1.0](#)). There is a Risk Management audit issue (2.2) and action (A005) that was contingent on the completion of this alignment by September 2021. Thus, the presentation of the Strategic Risk Register to both SLT & ARAC will be aligned to the new framework, setting the tone for the rest of the organisation to follow (the updates/changes for this review cycle are shown in red text within the register for to aid identification by ARAC).

The new framework carries a number of additional requirements in the completion of the SRR to fulfil the alignment including; the addition of a target resolution date and the need for the risk to be scored at both the Inherent or uncontrolled level and at the residual level (the risk level after controls or mitigants have been introduced). This allows for prioritisation of risk response, particularly in the case of emerging risks.

The new framework includes a revised scoring system, this should be taken into consideration when reviewing the risk trend based upon the previous risk score. This is particularly important as some residual risk scores have changed purely as a result of the new scoring model being applied rather than as a result of changes in the risk profile. The risks that this applies to are detailed below in the report (see section 2.4). The SRR has been subject to two review cycles since its last presentation at ARAC and the updates are captured in amber for the current review cycle and red for the prior review cycle.

- 2.3 The updated SRR continues to reflect the current risk environment including the effect and response to strategic risks resulting from the Covid 19 pandemic. The Covid 19 element of each risk is captured with the letter B as its suffix in the Risk ID column of the risk register. N.B. as the Covid elements are subset of the main risks, they are not scored from a residual perspective in their own right.

The management of the risks identified is essential, the SRR currently houses **21 strategic level risks**. Due to the significance of these risks they are closely monitored by SLT. The register continues to record 9 risks with a materiality level of high. This includes:

- Financial Assumptions of the Investment Programme (SRR-R001, Previously S01)
- External Factors (SRR-R002, Previously S11) which are recorded with the highest residual scoring of 25; and a newly escalated risk from the Finance and Business Hub
- Financial resilience of WMCA to absorb fiscal shocks (SRR-R021).

It also records a further 10 risks with a moderate materiality level (amber). The remaining 2 risks are rated as low (green) (see appendix 2 page 3 for risk heat map).

## 2.4 The Committee's attention is drawn to the following:

Aside from the additional fields within the risk register, there have also been several significant amendments to the register since it was last reviewed by ARAC as a collective and as such ARAC's attention is drawn to the following (see appendix 2 page 6):

- SRR-R009 (Previously S12) – The overall residual risk score has decreased from 4x 5 (20) to 2 x 5 (10), based on a reduced likelihood of the risk materialising due introduction of enhanced mitigants.
- SRR-R018 – The residual risk score has decreased from 8 (2x4) to 6 (2x3) based on a reduction in the impact score following embedding of existing mitigants.
- SRR-R021 (**New Strategic Risk**) – This risk owned by Finance has both an inherent and residual materiality of 4 x 5 (20). This risk centres around Reduced levels of financial reserves / resources which are available to deal with fiscal shocks. A mitigation strategy is in place to manage this risk.

The following score changes are as a result of the introduction of a new scoring system rather than as a result of genuine materiality/ risk profile changes, as referred to above (see page 5 appendix 2):

- Risk ID SRR-R012 (Previously S13) – The overall residual risk score has reduced from 3 x 4 (12) to 3 x 3 (9) – Remains moderate
- SRR-R013 (Previously S08) - The overall residual risk score has reduced from 3 x 4 (12) to 4 x 2 (8) – Remains moderate
- SRR-R017 (Previously S07F) – The overall residual risk score has reduced from 2 x 4 (8) to 1 x 4 (4) – Reduces from moderate to low
- SRR-R019 (Previously S20) - The overall residual risk score has increased from 2 x 4 (8) to 2 x 5 (10) – Remains moderate
- SRR-R020 (Previously S07C) – The overall residual risk score has reduced from 2 x 3 (6) to 2 x 2 (4) – Reduces from moderate to low

## 3. Financial Implications

N/A

## 4. Legal Implications

N/A

## 5. Equalities Implications

N/A

## 6. Inclusive Growth Implications

N/A

## 7. Geographical Area of Report's Implications

N/A

**8. Other Implications**

N/A

**10. Schedule of Background Papers**

Appendix 1 - Strategic Risk Register

Appendix 2 - High-level Strategic Risk Update – November 2021