

# Draft Corporate Risk Management Strategy

**West  
Yorkshire**  
Combined  
Authority

**LEP** LEEDS CITY REGION  
ENTERPRISE  
PARTNERSHIP

## Document History

Version	Comments	Date
0.1	First draft for approval 06/10/17	September 2017
0.2	CT Amends	October 2017
0.3	LP Further Amends	October 2017
0.4	LP amends following LT/Governance & Audit Committee feedback	November 2017

## 1. Policy Statement

- 1.1. Risk management is a planned and systematic approach to the identification, evaluation, prioritisation and control of risks and opportunities facing an organisation.
- 1.2. The West Yorkshire Combined Authority<sup>1</sup> (WYCA) recognises that effective risk management is an integral part of good corporate governance and as such should be a

part of everyday management processes across the organisation. WYCA is committed to ensuring robust risk management arrangements are in place and operating effectively at all times. The Leadership Team will champion risk management, providing a management lead and ensuring that appropriate arrangements are maintained but the day to day management of risk sits with Directors, Heads of Service and risk owners.

### 1.3. WYCA commit to:

- Use a structured and consistent risk management approach to focus discussion, prioritise resources and enable justifiable risk-taking.
- Ensure that risk management is applied in a scaleable and proportionate way.
- Make the best use of management information to build a complete picture of the key risks and issues and to jointly report on risk and performance management.
- Publish the corporate risk register.
- Ensure risks are owned and managed in line with the organisation's commitment to outcomes-based accountability.
- Listen to feedback and review our risk management arrangements to make sure they are still fit-for-purpose.

## **2. Achieving Effective Risk Management**

### 2.1. This will be achieved by:

- Clear risk management roles and responsibilities (see Appendix 1) and formal risk reporting lines.
- Incorporating risk management into WYCA's decision-making arrangements.
- Applying risk management to budget, project and business planning processes.
- Actively involving elected members in identifying and managing key risks.
- Providing risk management guidance and training to staff and elected members.
- Monitoring and reviewing our risk management arrangements regularly to ensure they remain effective and comply with risk management standards, legislation and good practice.

## **3. Benefits**

3.1. Risk management is acknowledged as an integral part of good management and a key feature of corporate governance. Effective risk management works alongside our financial management, performance management and other elements of strategic and operational management to demonstrate transparency and accountability and to support the successful delivery of the Strategic Economic Plan (SEP).

<sup>1</sup> Where the West Yorkshire Combined Authority (WYCA) is referenced, this incorporates the activities of the Local Enterprise Partnership (LEP).

## **4. Risk and Risk Management Definition**

*"Risk is most commonly held to mean "hazard" and something to be avoided. But it has another face - that of opportunity. Improving public services requires innovation - seizing*

*new opportunities and managing the risks involved. In this context risk is defined as uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. It is the combination of likelihood and impact, including perceived importance.*

*Risk management covers all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress. Good risk management helps reduce hazard, and builds confidence to innovate.”*

*-HM Treasury*

#### Risk v Issue

- 4.1. Risk can be defined as uncertainty of outcome and can be either a threat or an opportunity.
- 4.2. Issues are events that have happened, were not planned, are currently affecting WYCA, the portfolio, a project etc. in some way and need to be actively dealt with and resolved. Risks, should they occur become issues.

## **5. Risk Appetite Statement**

- 5.1. Risk appetite is the level of risk WYCA is prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.
- 5.2. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.
- 5.3. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Our approach is to minimise exposure to compliance and reputational risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives.

#### Risk Appetite Tolerances

- 5.4. Risk Appetite tolerances can be described in the following key categories:
  - 5.4.1. **Compliance & Regulation** – WYCA recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.
  - 5.4.2. **Operational/Service Delivery** – WYCA accepts a moderate level of risk arising from the nature of the Authority’s business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.
  - 5.4.3. **Financial** – WYCA aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria:
    - WYCA requires to set a balanced overall revenue budget by February every year and Directors must then contain net expenditure within approved service totals;

- An appropriate level of unallocated general reserves, calculated in accordance with the approved risk based reserves strategy; and
- Working within a set of Treasury management principles that seek to protect funds rather than maximise returns.

5.4.4. **Reputational** – It is regarded as essential that WYCA preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities to avoid damage to that reputation through adverse publicity.

5.4.5. **Strategic Transformational Change** – The environment WYCA works in is continually changing through both its internal operations and the services it provides. Change projects provide WYCA with an opportunity to be the leading force in the Region and also to establish benefits for the longer term. WYCA recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

5.4.6. **Development and Regeneration** – WYCA has a continuing obligation to invest in the development and regeneration of the Region. To continue to be progressive and innovative in the work performed WYCA is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

5.4.7. **People and Culture** – WYCA recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making WYCA a fulfilling and supportive place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure WYCA is continually improving.

Review

5.5. The levels of risk appetite set out above and summarised below have been arrived at through consultation with and combining the views of the Audit and Risk Management Group of Officers, the Health and Safety Committee, the Leadership Team and the Organisational Management Team, and the Members’ Governance and Audit Committee. WYCA’s risk appetite statement is reviewed annually by these groups.

	<i>Low Risk Appetite .....High Risk Appetite</i>				
	<i>1</i>	<i>2</i>	<i>3</i>	<i>4</i>	<i>5</i>
<b>Compliance and Regulation</b>					
<b>Operational/Service Delivery</b>					
<b>Financial</b>					
<b>Reputational/Marketing/PR</b>					
<b>Strategic Transformational Change</b>					
<b>Development and Regeneration</b>					
<b>People and Culture</b>					

## 6. Risk Management Approach

### Risk Registers

6.1. WYCA collates risks into the following registers. These can be summarised as follows:

- **Corporate Risk Register** – contains the main on-going or long term risks to WYCA on an organisation wide basis. These risks are owned and managed by the Leadership Team.
- **Directorate Risk Registers** – contains risks specific to the processes and actions for each directorate. These risks are managed by Directors and their Heads of Service. Risks within Directorate Risk Registers can be escalated to the Corporate Risk Register with agreement from OMT and Leadership Team.
- **Portfolio Risk Register** – contains risks specific to the portfolio of funding programmes. These risks are managed by the Portfolio Management Group. Risks within the Portfolio Risk Register can be escalated to the Corporate Risk Register by the Portfolio Management Group.
- **Funding Programme Risk Registers** – contains risks specific to each of the Funding Programmes that WYCA is responsible for. These risks are managed by the relevant Programme Funding Group (e.g. Growth Deal Management Group). Risks within Funding Programme Risk Registers can be escalated to the Portfolio Management Risk Register by the relevant Programme Funding Group.
- **Project and Programme Risk Registers** – contain specific risks related to individual projects and programmes and are owned by project and programme managers with oversight from the relevant Head of Service. Risks within these registers can be escalated to the relevant Funding Programme Risk Register by the relevant Project or Programme Board.

6.2. All risk registers must use the Risk Register Template available here [LINK](#).

6.3. All risk registers, other than project and programme risk registers, must be saved on the WYCA Risk Management SharePoint Site. Project and programme risk registers must be available on request.

### Assessment of Risks

6.4. The assessment of probability and impact for risks must be undertaken according to the matrices below and set out in Appendix 2.

### Risk Rating

6.5. Once each risk has been assessed for probability and impact, the risk rating is determined from the following table:

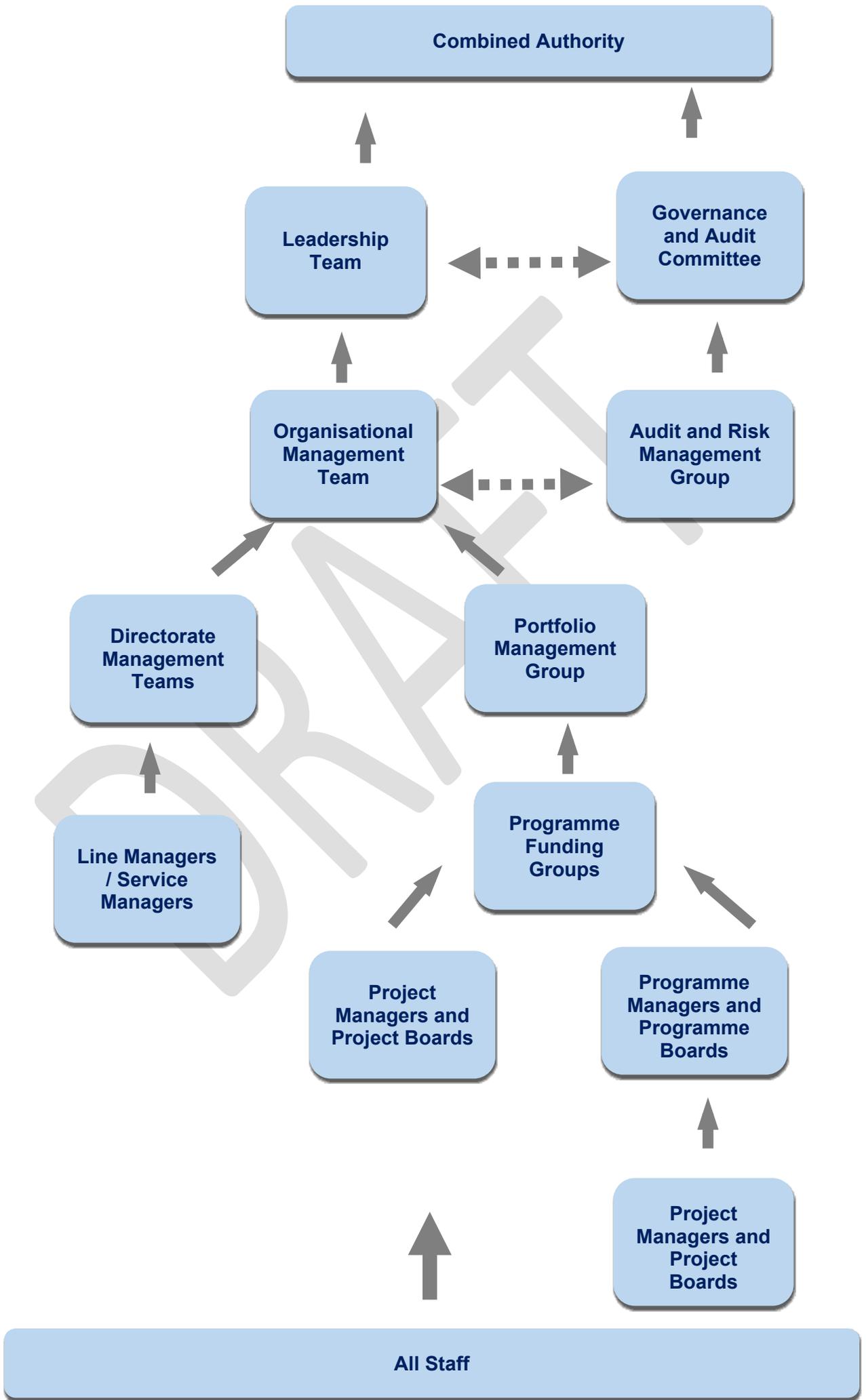
<b>Impact</b>	Highly Sig.	High	High	Very High	Very High	Very High
	Major	High	High	High	Very High	Very High
	Moderate	Medium	Medium	High	High	High
	Minor	Low	Low	Medium	Medium	Medium
	Insignificant	Low	Low	Low	Low	Low
		Rare	Unlikely	Possible	Probable	Almost certain
		<b>Probability</b>				

## Programme and Project Risk

- 6.6. All programmes and projects must create, baseline and maintain a risk register. The format of these is to be determined by the promoters. However, promoters as a minimum are required to submit their key risks to the WYCA PMO using the Risk Register template and included in the Expression of Interest and Business Case at the appropriate Decision Points, as part of any change request and as part of WYCA's monitoring and reporting requirements.
- 6.7. All transport projects must also include a quantified risk allowance (QRA) at Decision Points 3, 4 and 5 of the Assurance Framework (Outline Business Case, Full Business Case and Full Business Case with Finalised Costs). The probability value will be agreed with WYCA. It would typically be expected that the Promoter would include either the P50 or P85 value. The value would be decided by the Promoter in association with WYCA and would depend on local circumstances associated with the project.
- 6.8. Non transport projects must include a costed risk register, which can be in a simpler form, which must be agreed with WYCA.
- 6.9. The QRA / Costed Risk Register amount will not be held by WYCA and therefore will not be managed at portfolio level, but will be managed by the programme and / or project and included in the funding agreed and detailed in the funding agreement between WYCA and the Promoter. It will be the responsibility of the Promoter to manage the QRA. It is also the responsibility of the Promoter to advise WYCA through WYCA's monitoring and reporting requirements on the status of the QRA amount.

## **7. Risk Reporting and Escalation Process**

- 7.1. The formal route for reporting on and escalating risk is set out overleaf:



7.2. The formal route for reporting on risks is further summarised below, along with further details regarding alternative escalation arrangements in-between formal reports.

7.3. All Very High risks will be reported on, rather than reporting on just the top 5 risks as has historically happened.

Risk Register	Reporting arrangements	Alternative Escalation Arrangements	Responsibility
<b>Corporate Risk Register</b>	<b>Leadership Team</b> Quarterly risk report to include quarterly review <b>Organisational Management Team</b> Monthly performance snapshot Quarterly risk report to include quarterly review	Significant changes to be reported through weekly Leadership Team meetings	Corporate Planning and Performance Team
<b>Directorate Risk Registers</b>	<b>Directorate Management Teams</b> Monthly review <b>All staff</b> Regular review at team meetings and staff 1 to 1's	Significant changes to be reported through regular Directorate Management Team meetings or with relevant Director / Head of Service  If changes affect the corporate risk register, Directors to report to Leadership Team.	Directors
<b>Portfolio Risk Register</b>	<b>Portfolio Management Group</b> Bi monthly review	Significant changes to be reported to Director of Delivery  If changes affect the corporate risk register, Director of Delivery to report to Leadership Team.	PMO

Risk Register	Reporting arrangements	Alternative Escalation Arrangements	Responsibility
<b>Funding Programme Risk Registers</b>	<b>Programme Funding Groups(e.g. Growth Deal Management Group)</b> Monthly review	Significant changes to be reported to Director of Delivery If changes affect the corporate risk register, PMO to report to Director of Delivery	PMO
<b>Programme Risk Registers</b>	<b>Programme Boards</b> Review at each Programme Board meeting	Significant changes to be reported to the relevant SRO If changes affect the funding programme risk register, SROs to report to PMO	Programme Managers
<b>Project Risk Registers</b>	<b>Project Boards</b> Review at each Project Board meeting	Significant changes to be reported to the relevant SRO If changes affect the programme risk register, SROs to report to relevant Programme Board If the project is not part of a programme, if changes affect the funding programme risk register, SROs to report to PMO	Project Managers

## APPENDIX 1 – RISK MANAGEMENT ROLES AND RESPONSIBILITIES

Group	Responsibilities
<b>Governance and Audit Committee</b>	<ul style="list-style-type: none"> <li>• Provides a Member overview of the audit and risk arrangements in place.</li> <li>• Reviews and assesses the Risk Management Policy annually and Corporate Risk Register quarterly</li> </ul>
<b>Leadership Team</b>	<ul style="list-style-type: none"> <li>• Approves the Risk Management Policy</li> <li>• Reviews the Risk Management Policy annually</li> <li>• Owns and reviews the Corporate Risk Register</li> <li>• Reviews any changes to corporate risk as these are escalated</li> </ul>
<b>Audit and Risk Management Group</b>	<ul style="list-style-type: none"> <li>• Reviews risk management arrangements and the Corporate Risk Register bi-monthly</li> <li>• Considers new areas of risk to which WYCA is exposed, the management of these risks, training in risks and awareness of risks across the organisation.</li> <li>• Reviews progress on the internal audit plan, ensuring any emerging risk issues are appropriately addressed in the plan</li> </ul>
<b>Health and Safety Committee</b>	<ul style="list-style-type: none"> <li>• Identifies and Reviews Health and Safety risks which need to be escalated to the Corporate Risk Register</li> </ul>
<b>OMT</b>	<ul style="list-style-type: none"> <li>• Reviews the Corporate Risk Register</li> </ul>
<b>Directorate Management Teams</b>	<ul style="list-style-type: none"> <li>• Owns the Directorate Risk Register</li> <li>• Reviews Directorate Risk Register and escalates corporate risk issues to OMT</li> </ul>
<b>Portfolio Management Group and Programme Funding Groups</b>	<ul style="list-style-type: none"> <li>• Owns their Risk Register</li> <li>• Reviews and escalates risks as necessary.</li> </ul>
<b>Project, Programme and Service Managers</b>	<ul style="list-style-type: none"> <li>• Owns individual project, programme and service risk registers</li> <li>• Reviews and escalates risks as necessary</li> </ul>

Group	Responsibilities
<b>Corporate Planning &amp; Performance Team</b>	<ul style="list-style-type: none"> <li>• Updates and administers the Risk Management Policy and the Corporate Risk Register</li> <li>• Prepares risk and performance reports for OMT, Leadership Team</li> <li>• Reports to Audit and Risk Management Group and Governance and Audit Committee on risk matters</li> </ul>
<b>All WYCA Staff</b>	<ul style="list-style-type: none"> <li>• Consider the risks to the achievement of their day-to-day objectives and the WYCA's priorities.</li> <li>• Ensure that any risks which they cannot manage or that have a cross-cutting impact are escalated to their managers. At a Head of Service level, this may mean adding the risks to the directorate risk register. At a directorate level, this may mean proposing a risk for referral to the corporate risk register.</li> </ul>
<b>Internal Audit</b>	<ul style="list-style-type: none"> <li>• Uses risk management techniques in its audit processes</li> <li>• Considers the corporate risk register when developing its audit plan.</li> </ul>

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## APPENDIX 2 – ASSESSMENT MATRICES

### Assessment of Risks

#### Probability

If you're not sure about the percentage chance of a risk happening over a given timescale and you don't have the data to assess its frequency, use the probability descriptors (i.e. 'Unlikely', 'Almost certain' etc.) to determine the most suitable score.

The risk timescale – i.e. the period of time during which the risk could materialise - will vary according to the type of risk it is. For example:

- For a budget risk, it might be expected to materialise over this financial year or over the period of the Medium Term Financial Plan.
- For a project risk, it could be either over the whole of the project lifecycle or for a particular phase within the project.
- With regard to an event, the timescale will be from now until the date of the event.
- For a number of the more cross-cutting strategic risks such as those on the corporate risk register, it is likely that the risk could materialise at any time. In these instances, it would be useful to consider the frequency: e.g. has this ever happened in the past in Leeds and, if so, how often and how recently? Has anything changed to make the risk more likely to occur?

#### Impact

Many risks could have a range of consequences: for example, a Health & Safety breach could affect an individual as well as lead to reputational and financial damage for an organisation. It's therefore possible that you assess the risk as having an impact of '3' using the Health & Safety impact, '2' for Finance and '4' for reputation.

Although you could break the risk down into several different risks covering all these areas and then score each of them to address the varying impact scores, often this can crowd a risk register and take the focus away from the actual risk 'event': i.e. the Health & Safety incident. Where possible, it's better to have 1 risk and use your best judgement to give an overall single impact assessment score. In the example above, this might be a '3' if you were to average the 3 impact scores or '4' if you decided to go with a worst-case scenario.

Probability Score	1	2	3	4	5
Probability Descriptor	Rare	Unlikely	Possible	Probable	Almost certain
Frequency (How often might it happen)	This will probably never happen	Not expected to happen	Might happen	Will probably happen	Will undoubtedly happen
% Likelihood	Less than 5% chance	Around 10% chance	Around 25% chance	Around 60% chance	Around 90% chance

Impact Score	1	2	3	4	5
Impact Descriptor	Insignificant	Minor	Moderate	Major disruption	Highly significant
<b>Projects / Programmes</b>	Little or no schedule slippage. No threat to anticipated benefits & outcomes.	Minor delays but can be brought back on schedule within this project stage. No threat to anticipated benefits & outcomes.	Slippage causes delay to delivery of key project milestone but no threat to anticipated benefits / outcomes.	Slippage causes significant delay to delivery of key project milestone(s). Major threat to achievement of one or more benefits / outcomes.	Significant issues threaten entire project. Could lead to project being cancelled or put on hold.
<b>Financial Impact</b>	No or minimal financial cost.	Losses / costs incurred of 1-2% of budget.	Losses / costs incurred of 3-5% of budget.	Losses / costs incurred of 6-10% of budget.	Losses / costs incurred of more than 10% of budget. Not covered by insurance.
<b>Reputation</b>	No adverse publicity. Rumours.	Single adverse article in local media or specific professional journal. WYCA / Partner one of a number of agencies referred to.	A number of adverse articles in regional / social media mentioning WYCA / Partner. Some recirculation via social media. Single request for senior officer / member to be interviewed on local TV or radio. Adverse reaction by LCR residents in social media / online forums. Short-term reduction in public confidence.	Series of adverse front page / news headlines in regional or national media. Wider recirculation via social media. Sustained adverse reaction by LCR residents in social media etc. Repeated requests for senior officer / member to be interviewed on local TV or radio. Long-term reduction in public confidence.	Sustained adverse publicity in regional media and / or national media coverage. Extensive / prolonged recirculation via social media channels. Repeated requests for Leaders / Chief Execs / WYCA MD to be interviewed on national TV or radio. Possible resignation of senior officers. Total loss of public confidence.
<b>Service Interruption</b>	Negligible. No impact on services.	Minor inconvenience for service users and staff. Services quickly restored.	Some client dissatisfaction but services restored before any major impacts.	Major disruption to service delivery. This could be through a single event or a series of outages.	Massive disruption to services. Recovery difficult or even impossible.
<b>Staff</b>	No impact on staff or service delivery.	Short-term low staffing level that temporarily reduces service quality. No impact on staff morale.	Medium-term low staffing level / insufficient experienced staff to deliver quality service. Some minor staff dissatisfaction.	Late delivery of key objective / service due to lack of experienced staff. Low staff morale.	Non-delivery of key objective / service due to lack of experienced staff. Very low staff morale.
<b>Statutory Duties</b>	No or minimal impact or breach of guidance / statutory duty.	Minor breach of statutory legislation / regulation. Reduced performance rating if unresolved.	Single breach in statutory duty. Challenging external recommendations / improvement notice.	Several breaches in statutory duty. Enforcement action and improvement notices. Critical report. Low performance rating.	Multiple breaches in statutory duty. Prosecution. Complete systems / service change required. Severely critical report. Zero performance rating.
<b>Health &amp; Safety</b>	No ill effects	Short-lived / minor injury or illness that may require First Aid or medication. Small number of work days lost.	Moderate injury / ill-effects requiring hospitalisation. Risk of prosecution from enforcement agencies.	Single fatality and / or long-term illness or multiple serious injuries.	Multiple fatalities and / or multiple incidences of permanent disability or ill-health.
<b>Environment</b>	No effect on local infrastructure, communities or the environment.	Superficial damage to local infrastructure (e.g. minor road) but little disruption caused.	Medium damage to local infrastructure (e.g. minor road) causing some disruption.	Key elements of local infrastructure (e.g. school, major road) damaged causing major disruption.	Extensive damage to critical elements of local infrastructure (e.g. school, hospital, trunk road) causing prolonged disruption.