

# Swansea Bay City Deal Portfolio Risk Management Strategy



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# Contents

- 1. Introduction ..... 1**
  - 1.1 Overview..... 1
  - 1.2 Purpose ..... 1
  - 1.3 Definitions..... 2
  - 1.4 Principles ..... 3
- 2. Risk Management..... 3**
  - 2.1 Risk Management Policy Statement ..... 3
  - 2.2 Benefits of Risk Management ..... 4
  - 2.3 Risk Categorisation..... 4
  - 2.4 Risk Classification..... 5
- 3. Risk Management Model..... 6**
  - 3.1 Introduction..... 6
  - 3.2 Identify Risks ..... 7
  - 3.3 Assess Risks ..... 8
  - 3.4 Address Risks..... 10
  - 3.5 Review and Report Risks..... 11
- 4. Issues ..... 13**
- 5. Governance ..... 13**
  - 5.1 Governance Structure ..... 13
  - 5.2 Escalation of Risk ..... 14
  - 5.3 Responsibilities ..... 16

# 1. Introduction

## 1.1 Overview

- 1.1.1 The Swansea Bay City Deal (SBCD) will deliver an estimated portfolio investment of £1.13bn across nine project and programmes in partnership with four local authority areas within the Swansea Bay City Region.
- 1.1.2 The SBCD Portfolio Business Case provides details on the management of the portfolio of programmes and projects that respond to the regional needs to increase regional GVA, opportunities for high level skilled jobs and inward investment. These programmes and projects will be delivered against a set of constraints affecting cost, benefits and risk, whereby each will be assessed against the Green Book five business case model.
- 1.1.3 The SBCD Risk Management Strategy is aligned to the HMT Green Book supplementary guidance: [The Orange Book](#).
- 1.1.4 Risk is defined as this uncertainty of outcome, whether positive opportunity or negative threat, of actions and events. The risk must be assessed in respect of the combination of the likelihood of something happening, and the impact which arises if it does happen. Risk management includes identifying and assessing risks and then responding to them.
- 1.1.5 Risk is unavoidable, and every organisation needs to take action to manage risk in a way which it can justify to a level which is tolerable. The amount of risk which is judged to be tolerable and justifiable is the risk appetite.
- 1.1.6 The level of risk after these internal controls are known as the residual risk and is the exposure the SBCD has in respect of the identified risk and therefore should be deemed acceptable or justifiable and within the SBCD risk appetite.
- 1.1.7 SBCD risk management considers the environment in which it operates and provides full consideration to the risk priorities of SBCD partners organisations, as these will influence the risks and provide context on how they should be managed.
- 1.1.8 The PoMO functions are based on P3M (Portfolio, Programme and Project) development and delivery.
- 1.1.9 The risk management strategy will be led from the top of the SBCD and embedded in standard practices and processes of the SBCD governance arrangements. All stakeholders will be made aware of the importance of risk management and how it supports the achievement of the SBCD objectives, where training and support will be made available via the SBCD PoMO.

## 1.2 Purpose

- 1.2.1 The Swansea Bay City Deal Portfolio purposefully seeks to promote an environment that is risk 'aware' and strives to place risk management information at the heart of key decisions. This means that the SBCD PoMO, primary stakeholders, governance structures and third parties can take an effective approach to managing risk in a way that both address significant challenges and enable positive outcomes for the SBCD Portfolio.

1.2.2 The purpose of this Risk Management Strategy is to provide a systematic and effective method by which risks can be consistently managed throughout the SBCD Portfolio and thus will:

- Inform stakeholders how risks will be identified, assessed, addressed and managed
- Provide a common strategy and understanding of portfolio management that will enhance the capability, willingness and understanding of appropriate governance and assurance and thereby increasing the likelihood of successful delivery of the SBCD aligned to the regional ambitions
- Detail the key roles and responsibilities of groups and individuals associated with the SBCD with respect to programme management
- Signpost to additional resource, support and training
- Provide standard definitions and language to underpin the risk management process
- Implement an approach that follows best practice

## 1.3 Definitions

**The City Deal** means the Swansea Bay City Deal agreed between the Member Authorities and UK and Welsh Governments.

**SBCR** is a partnership between the local authorities of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.

**P3M** means Portfolio, Programme and Project management functions, best practices, principles and practices.

**The PoMO** means the Portfolio Management Office which oversees the SBCD development and delivery and in particular, P3M functions such as assurance, risk and issue management, benefits and value, communications and stakeholder engagement, information management, finance, resource management, reporting and administration.

**Risk** can be defined as the 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** is the systematic application of all the processes involved in identifying, assessing and judging risks, assigning ownership, taking actions to mitigate or anticipate them, and monitoring and reviewing progress.

**Risk Owner** is a person with accountability and authority to effectively manage the risk.

**Risk Strategy** is the overall organisational approach to risk management as defined by the Accounting Officer and/or governance board. This should be documented and easily available throughout the organisation.

**Risk Appetite** the amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time.

**Inherent Risk** is the exposure arising from a specific risk before any action has been taken to manage it.

**Residual Risk** is the exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective.

## 1.4 Principles

- 1.4.1 The SBCD portfolio risk management Strategy is based on five principles. These principles aim to assist with increasing confidence in achieving the programme outcomes and making better decisions by utilising forward-looking and proactive tools that enable the SBCD to build a better chance for successful socio-economic outputs and outcomes for the region. They are:
- **Dialogue** - with and amongst key stakeholders to identify risks
  - **Debate and challenge** - collective debate and constructive feedback to challenge organisational and traditional thinking to ensure the decisions are the right ones to make
  - **Culture** - that cultivates creativity, diversity and open ways of thinking from staff engagement and empowerment to contribute and be listened to
  - **Risk appetite** - clear on conduct, behaviour and the level of risk that the SBCD is willing to accept or tolerate in order to operate safely
  - **Independent thinking** - obtaining views from someone who can independently challenge the risk management strategy, practices and ways of thinking to overcome the issues associated with “groupthink”
- 1.4.2 By adhering to these principles, the SBCD will remain relevant, move forward and assure a sustainable future for our region.
- 1.4.3 The SBCD risk management strategy is targeted to all the projects and programmes associated with the portfolio and the key stakeholder members on the governance boards of the SBCD and the UK and Welsh government as sponsoring bodies.

## 2. Risk Management

### 2.1 Risk Management Policy Statement

- 2.1.1 The SBCD faces numerous risks (opportunities and threats), which have the potential to disrupt achievement of the investment objectives of the SBCD, for better or worse. The SBCD will use risk management to take better-informed decisions and improve its ability to achieve or exceed its strategic and operational objectives.
- 2.1.2 The SBCD considers risk management to be fundamental to good P3M practice and a significant aspect of governance. Accordingly, risk management must be an integral part of the SBCD routine decision-making and must be incorporated within strategic and operational planning processes at all levels.
- 2.1.3 The SBCD’s **Risk Management Strategy (RMS)** supports this policy statement and contains details of the processes by which risk management will be carried out, reported and managed, including the tools and systems to be used.
- 2.1.4 The RMS will be led from the top of the SBCD and embedded in standard practices and processes of the SBCD governance arrangements. All stakeholders will be made aware of the importance of risk management and how it supports the achievement of the SBCD objectives.
- 2.1.5 The SBCD PoMO will regularly review and monitor the risk management process and the development of an appropriate risk management culture across the SBCD.

## 2.2 Benefits of Risk Management

2.2.1 There are several benefits that result from adhering to structured and standardised Risk Management. Most importantly:

- Identifies threats and opportunities to SBCD Portfolio and raises awareness
- Reduces the level of risk which threatens the delivery of SBCD Portfolio
- Elevates communication between stakeholders and the SBCD Portfolio
- Improves decision making at all levels
- Provides confidence from primary stakeholders and governing committees that risks are effectively identified, monitored and evaluated
- Results in fewer surprises

## 2.3 Risk Categorisation

2.3.1 The SBCD portfolio risk register captures and monitors key portfolio level risks to the delivery of the City Deal and achievement of its aims and objectives. It will be monitored by Joint Committee, Programme Board, Economic Strategy Board and Joint Scrutiny Committee via circulation prior to each meeting and issues tabled for discussion as necessary. This identifies what aspect of the SBCD portfolio could be impacted. See Appendix 1 for more detail on the Impact Criteria.

Category	Ref. No	Description
Contractual	C1	Ineffective use or management of contacts leads to increased costs
Environmental	C2	Environmental incidents
Financial	C3	Financial risks facing the Councils
Health & Safety	C4	Harm to employees / public
IT	C5	Failure of systems / cyber attack
Objectives	C6	Threat to achieving portfolio objectives
People / Social	C7	Threat to / from society / groups / public
Physical / Assets	C8	Damage to organisational property
Political	C9	Adverse actions caused by changes in local/ regional/national governments
Professional	C10	Lack or loss of qualified employees
Projects	C11	Threat to / from individual projects
Regulatory / Legal	C12	Changes to regulations / law
Reputation	C13	Negative publicity
Schedule/Timescales	C14	Threats to timelines / critical path(s)

## 2.4 Risk Classification

2.4.1 The identification and assessment of risks in the risk register are aligned to the UK and Welsh Government Guidance, where risks fall into three main categories:

<b>Business</b>	Business related risks remain with the public sector and can never be transferred
<b>Service</b>	Service-related risks occur in the design, build, funding and operational phases of a programme / project and may be shared between the public and private sectors
<b>External</b>	External systemic risks affect all society and are unpredictable and random in nature

2.4.2 **Business-related risks** that can affect the scope, time and cost at portfolio level are summarised as follows:

- Displacement as a result of competing with other regions across Wales
- Lack of funding from Welsh and UK Governments
- Lack of inward investment from private sector
- Lack of quality human capital within the region
- Political conflict at Regional, UK and Welsh Government levels

2.4.3 **Service-related** risks will be managed by each of the City Deal programmes / projects, who will maintain, manage and monitor their own risk registers in line with guidance from the Green Book and the PoMO governance arrangements. Any significant risks that may affect portfolio deliverables will be escalated to the PoMO and reported and managed via the regional governance structure.

2.4.4 **External Risks:** Although not within the control of the portfolio the following external risks are significant to portfolio delivery and are therefore monitored accordingly.

2.4.5 **Brexit:** In 2016 a referendum was held to decide whether the UK should remain in the European Union or not. No dedicated process is in place to monitor the effects of Brexit (at July 2020) due to delays in implementation by UK Government. High-level monitoring is being undertaken at Welsh Government and Local Authority level.

2.4.6 **Covid-19:** At the time of the Business Case update in July 2020, the long-term effects of Covid- 19 and the Brexit situation are largely unknown. This situation will be closely monitored over the coming months, where risks and mitigating actions will be continually under review. To support this process, the SBCD PoMO coordinated all projects to populate a Covid-19 Impact Assessment template, which is reported through governance structures to actively manage the identified Covid-19 risks. This is a live document that is regularly reviewed by the PoMO.

2.4.7 Key business risks captured in a SBCD risk register and Covid-19 impact assessments include SBCD partner withdrawal, delays to project approval, funding draw down and portfolio delivery delays, achievement of targets, reputational effect and change to scope and objectives.

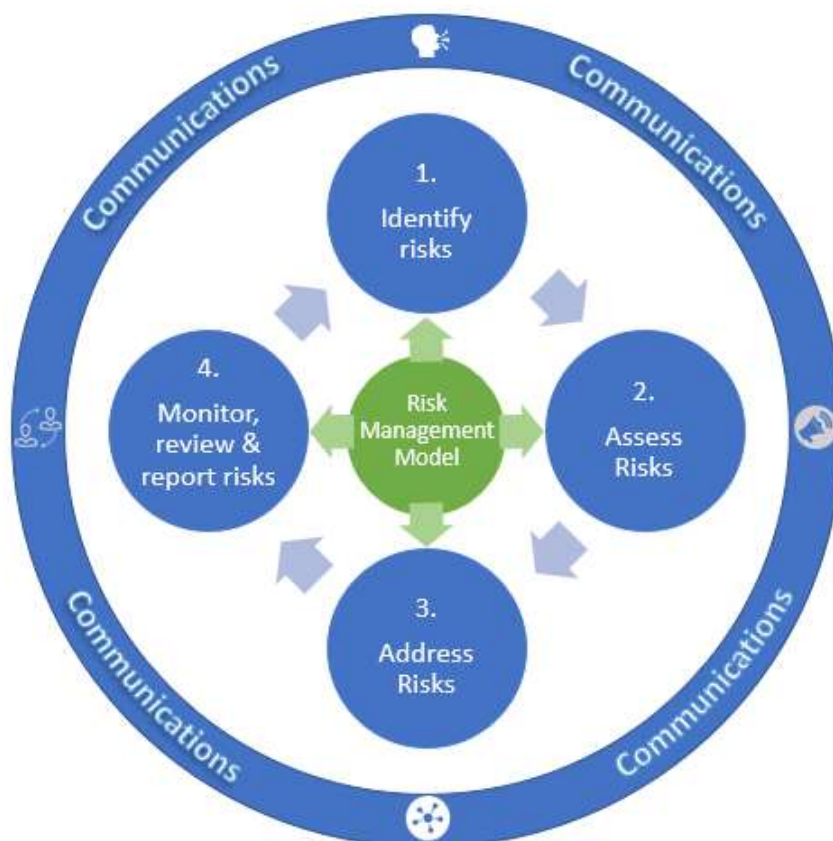


## 3. The Risk Management Model

### 3.1 Introduction

- 3.1.1 SBCD portfolio works towards a comprehensive and integrated approach to risk management where:
- Staff are clear about what risk management is intended to achieve
  - Significant risks are being identified and managed effectively
  - Guidance on risk management is easily accessible
  - A consistent approach is followed across the portfolio, programmes and projects using a common language for risk management and it is seen as an integral part of good corporate governance
- 3.1.2 The PoMO risk management approach is based on P3M (Portfolio, Programme and Project) and HM Treasury Orange Book best practice principles and practices.
- 3.1.3 This section details the agreed arrangements that are needed to ensure the effective management of risk across the portfolio. The SBCD approach to risk management is based on best practice and involves four key steps as outlined in Section 3.1.4 below.
- 3.1.4 The risk management model is non-linear, whereby the elements of risk management need to be balanced with each other for it to be effective. Risks are also treated together as the management of one risk may be more effective by controlling several simultaneously. The process to manage risks is represented by four main elements for illustrative purposes, but in practice they blend together.

#### The SBCD Risk Management Model:





3.1.5 Effective communication and consultation between SBCD portfolio is critical to the successful management of risk. These are not one-off standalone events but important factors at every point of the process and it is vital that staff at all levels across the organisation are involved if risk management is to be truly embedded and a useful management tool.

## 3.2 Identify Risks

3.2.1 Risks should be related to objectives and should encompass the cause of the impact and impact of the objective (the cause and impact) which might arise. Once identified risks will be assigned to an appropriate owner who has the authority and responsibility to manage and monitor the risk. The risk owner may not be the person who addresses the risk. Risks can be identified by either commissioning a risk review and/or by self-assessment.

3.2.2 **Continuous risk identification** is then necessary to identify new risks that were not initially seen and to monitor any changes in already reported risks.

3.2.3 Risks are identified by a variety of means, (e.g. brainstorming, SWOT analysis, workshops, previous experiences, etc). SWOT Analysis through a workshop environment is the technique the SBCD PoMO adopt to determine the Strengths, Weaknesses, Opportunities and Threats to deliver the portfolio both internally and externally. This technique enhances the ability to identify risk within the wider government context.

<b>S</b> trengths	<b>W</b> eaknesses
What do you do well? What unique resources can you draw on? What do others see as your strengths?	What could you improve? Where do you have resource limitations? What are you lacking?
<b>O</b> pportunities	<b>T</b> hreats
What opportunities are open to you? Media / press coverage How can you turn strengths into opportunities?	What threats could harm you? What threats do your weaknesses expose? Regulatory changes

3.2.4 Describing the risk is equally important to ensure that risks are fully understood, and to assist with the identification of actions, the cause and impact of each risk must also be considered. A good risk description avoids ambiguity and confusion. Typical phrases used to do this include:

Cause	Risk	Impact
Lack of clarity in programme / project specification leads to ...	Failure to deliver outcomes as expected resulting in ...	Customer dissatisfaction and damage to reputation

3.2.5 Once the risk, the cause and the impact to the SBCD portfolio has been identified the risks are recorded in the Risk Register.

### 3.3 Assess risks

3.3.1 Once a risk is clearly defined, the SBCD’s approach to risk management is to assess the risk in terms of probability of occurrence and the plausible impact that its potential consequences using the Risk Assessment Matrix detailed below.

Risk Assessment Matrix		Impact				
		Insignificant (1)	Minor (2)	Moderate (3)	Major (4)	Fundamental (5)
Probability	Almost Certain (5)	Low	Medium	High	High	High
	Likely (4)	Low	Medium	Medium	High	High
	Possible (3)	Low	Low	Medium	Medium	High
	Unlikely (2)	Low	Low	Low	Medium	Medium
	Extremely Unlikely (1)	Low	Low	Low	Medium	Medium

3.3.2 **Probability** is scored as follows:

- 5 = Probability is **certain** will occur in most circumstances >80%
- 4 = Probability is **likely** to occur 51% - 80%
- 3 = Probability is **possible** of occurring 26% - 50%
- 2 = Probability is **unlikely** to occur but potentially exists 10% - 25%
- 1 = Probability is **extremely** unlikely to occur <10%

3.3.3 **Impact** is scored using a 1 to 5 scale (See Appendix 1 for Impact Criteria):

- 5 = Incidence would be **fundamental** to the ability to deliver the portfolio at all
- 4 = Incidence would be **major** on the ability to deliver the portfolio
- 3 = Incidence would be **moderate** on the ability to deliver the portfolio
- 2 = Incidence would be **minor** on the ability to deliver the portfolio
- 1 = Incidence would be **insignificant** on the ability to deliver the portfolio

3.3.4 The outcome of the risk assessment is determined by multiplying probability by impact and will produce a score that translates into an evaluation of the risk as being high, medium or low.

3.3.5 The assessment needs to be compared to the risk appetite to determine the level of action required. Focus needs to be given to residual risk i.e. the risk after control has been applied and therefore is the actual exposure that SBCD portfolio faces. Information about the inherent risk is also considered to determine if there is over-control in place. The risk assessment will provide the SBCD portfolio with a risk profile that enables the SBCD PoMO to prioritise risk, capture the reasons for decisions, records how risk is being addressed and facilitates the sharing, facilitation and monitoring of risks for all those concerned with risk management.

3.3.6 In order to maintain consistency across the SBCD portfolio, the ‘5 x 5’ scoring matrix (3.3.2) should be used for managing and reporting risks for the City Deal portfolio, programmes and projects. Risk magnitude is determined by categorising as High, Medium or Low.

3.3.7 Risks are given two scores; Firstly, at the point the risk is identified, with any existing controls in place (i.e. before anything new has been done to manage it). This is the “inherent risk” score and is calculated only once, at the time the risk is identified. The score remains unchanged thereafter, to act as a baseline for future risk management activity.

### **Risk Appetite**

3.3.8 The amount of risk, the SBCD portfolio is willing to take on, accept, tolerate or be exposed to, in the pursuit of its objectives, is known as its risk appetite. It is essential to consider risk appetite prior to considering how to address risks. Application of risk appetite requires a standardised escalation process across the portfolio, programmes and projects.

#### **Risk Appetite Status**

<b>Status</b>	<b>Management action required</b>
<b>Comfortable</b>	The Joint Committee and Programme Board accepts the level of risk presented as within its' comfort zone
<b>Manageable</b>	The Joint Committee and Programme Board accepts the level of risk presented, subject to suitable and effective risk controls being in place, working and evidenced
<b>Unacceptable</b>	Risks at this level <u>may</u> be accepted, subject to approval of Joint Committee and Programme Board, based on rigorous control measures and regular evidenced reporting of control effectiveness by SBCD PoMo

3.3.9 Within the parameters set by its Risk Tolerance, the SBCD portfolio will be open to risk taking in activities which support the fulfilment of its objectives. Objectives may carry numerous inherent risks and within this context, risk appetite may vary on a case-by-case basis. Risks will therefore be assessed as they arise, in proportion with the opportunities that they present and the controls that will be introduced to protect the SBCD portfolio from financial/reputational loss or non-compliance with legislation.

3.3.10 The SBCD portfolio maintains an effective management process to manage risks. Any risks that are an unacceptable exposure to the SBCD, stakeholders or third parties are mitigated as far as possible. Where a proposed activity or venture has a residual risk that is considered unacceptable and there is no means of reducing the risk to an acceptable level the activity may be rejected.

3.3.11 The SBCD will seek to enhance sustainability and improve the region. The SBCD will be open to risk taking to achieve these goals.

3.3.12 In deciding the risk appetite and delegated risk appetite (risk tolerance levels), consideration needs to be given to:

- Environmental and wider economic factors, including current government

- required reductions in budgetary spending
    - Funding levels and its overall capacity to bear risk
    - The amount of risk that is acceptable (what risk could be justified if it happened)
- 3.3.13 The SBCD will seek to enhance knowledge and understanding of national and globally important issues through its commitment to excellence in economic development. SBCD portfolio is open to an appropriate level of risk taking which is beneficial to advancing the region and supports the achievements of its objectives.
- 3.3.14 The SBCD's reputation will directly influence its ability to attract interest and inward investment, which in turn will influence the opportunities on offer. To this extent, the SBCD will ensure that appropriate measures are in place when exposed to risks which promote and enhance its ambition to become more productive.
- 3.3.15 The SBCD recognises that it must build infrastructure to fulfil its potential and achieve its strategic objectives. The SBCD consists of a portfolio of programmes and projects to transform its economic landscape and infrastructure, whereby risks will be controlled through robust project management, oversight and governance.
- 3.3.16 The SBCD operates in a challenging environment with economic recovery from Covid-19 and Brexit, increasing competition and political differences. The SBCD aims to be competitive by attracting industry, creating highly skilled jobs and creating an ecosystem of innovation, enterprise and engagement. The SBCD will be open to risk taking in order to achieve these goals.
- 3.3.17 The SBCD must be responsive to increasing demands within the various sectors in which it operates and will reflect upon its efficiency and effectiveness with the aim of delivering strategic change within the region for these sectors. Regional change will expose the SBCD to risk and this will be mitigated through strong leadership and meaningful engagement with all stakeholders in order to promote a culture of innovation, development and resilience.

## 3.4 Address Risks

- 3.4.1 The SBCD will address risks through internal controls and by defining its level of tolerance to achieve its objectives by setting the parameters which determine the acceptance of risk (risk tolerance).
- 3.4.2 Risks rated as Red will be deemed to have exceeded tolerance levels and will be subject to escalation to Programme Board (PB) and Joint Committee (JC) for review and action. The target residual rating for a risk is expected to be 'medium' or lower. In the event that this is not deemed realistic in the short to medium term, this shall be discussed as part of the Governance Boards, and this position regularly reviewed with the ultimate aim of bringing the level of risk to a tolerable level.
- 3.4.3 Not all risks will be required to be managed continually, so having assessed and prioritised the identified risks, cost effective action needs to be taken to manage those that pose the most significant threat.
- 3.4.4 Some risks are unavoidable, and it is not within the ability of the SBCD portfolio to completely manage it to a tolerable level - for example many organisations have to

accept that there is a risk arising from COVID-19 as referred to in 2.4.1 which they cannot control. In these cases, contingency planning is required.

- 3.4.5 The SBCD will accept a degree of financial risk in order to develop and improve; whilst overall, it will adopt a cautious approach to promote financial stability.
- 3.4.6 The SBCD operates in a highly political and legislative environment and will operate within the relevant value for money, legal and regulatory frameworks. The portfolio will not seek to take risks to systemic compliance in these areas.
- 3.4.7 The SBCD portfolio will accept risks that could result in short term adverse but will seek to avoid any longer-term exposure to adverse publicity.
- 3.4.8 There are five key aspects to addressing risk.

<b>Tolerate</b>	Agree that any further action to treat a risk is not cost effective or proportionate in relation to the current risk and decide to tolerate it as it is.
<b>Treat</b>	Implement cost effective measures to reduce or further control a risk to an acceptable level.
<b>Transfer</b>	Move the responsibility for risk or a specific component of risk to another party. This might be achieved through legislation, contract, insurance or other means.
<b>Terminate</b>	Choose an alternative solution or not to be involved in, or to withdraw from, an activity or opportunity because of the risk involved.
<b>Take the opportunity</b>	Actively take advantage of risk through realisation, enhancement and exploitation, where it is seen as an opportunity to gain benefit.
<b>Monitor, review and report risks</b>	Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure that prompt and appropriate action is taken to reduce their likelihood and/or impact. The Risk Register is used to monitor, track and review risks to become more proactive to provide solutions to problems that could have been anticipated.

### 3.5 Monitor, Review and Report Risks

- 3.5.1 Risk management should be thought of as an ongoing process and as such risks need to be reviewed regularly to ensure:
  - Prompt and appropriate action is taken to reduce their probability and/or impact
  - New risks are identified and evaluated
  - Mitigating actions are in place to control the risk
  - Risk management is effective
  - The current risks still exist
- 3.5.2 The Risk Register is an important tool that forms an integral part of the SBCD Portfolio Risk Management Strategy and helps the PoMO document risks, track risks and address them through preventative controls and corrective measures.

### 3.5.3 Risk Register Template

Risk Theme	Ref	Title	Date Raised	Category	Owner	Risk Description	Inherent Probability	Inherent Impact	Inherent Rank	Original Control Actions	Review Update/Control Actions	Revised Probability	Revised Impact	Revised Rank	Reported Change	Review Date
	SBCD001			C6 C14			4	3	12			3	3	9	↑ (2,3)	Jan-21

### 3.5.4 The Risk Register includes the following elements:

<b>Risk Theme</b>	SBCD Portfolio Risk Register defines risks associated to 1. Development 2. Implementation 3. Operational 4. Financial
<b>Reference</b>	A numerical identifier for each risk
<b>Title</b>	Summary of Risk
<b>Date Raised</b>	Date the risk was first identified
<b>Category</b>	The category to which the risk could impact (See 2.3)
<b>Owner</b>	Accountable point of contact for the risk
<b>Risk Description</b>	Description of the Risk, cause and Impact on the Portfolio
<b>Inherent Probability</b>	Assessed at the point of risk identification, how likely is it that the risk will occur prior to any mitigating action.
<b>Inherent Impact</b>	Assessed at the point of risk identification, how significant would the impact be if the risk were to occur prior to any mitigating action
<b>Inherent Risk</b>	The exposure arising from a specific risk before any action has been taken to manage it
<b>Original control action</b>	First steps to control the risk after being identified
<b>Update/Control</b>	Regular progress update / steps that are planned to mitigate the risk
<b>Revised Probability</b>	The probability of the risk occurring after mitigating action has taken place. This can deviate from the inherent probability depending on whether controls in place are taking effect. This can change month on month
<b>Revised Impact</b>	The impact if the risk occurs after mitigating action has taken place. This can deviate from the inherent impact depending on whether controls in place are taking effect. This can change month on month
<b>Revised Risk</b>	The exposure arising from a specific risk after action has been taken to manage it and making the assumption that the action is effective

- 3.5.5 The SBCD PoMO are responsible for creating, maintaining, reviewing and reporting on the Portfolio Risk Register. Frequency of review will be dependent on the circumstances and environment around the risks but will be a minimum of every three months. Risks rated Red will be subject to more detailed and frequent monitoring. Programme / project risks will be the responsibility of the allocated lead. These risks will be reported to the PoMO on a quarterly basis.
- 3.5.6 Portfolio risks will be reported on a quarterly basis to the SBCD governance structures and shared with Welsh and UK Governments on the same basis enabling senior managers and primary stakeholders to be more fully aware of the extent of the risks and progression being made to manage them.

## 4. Issues

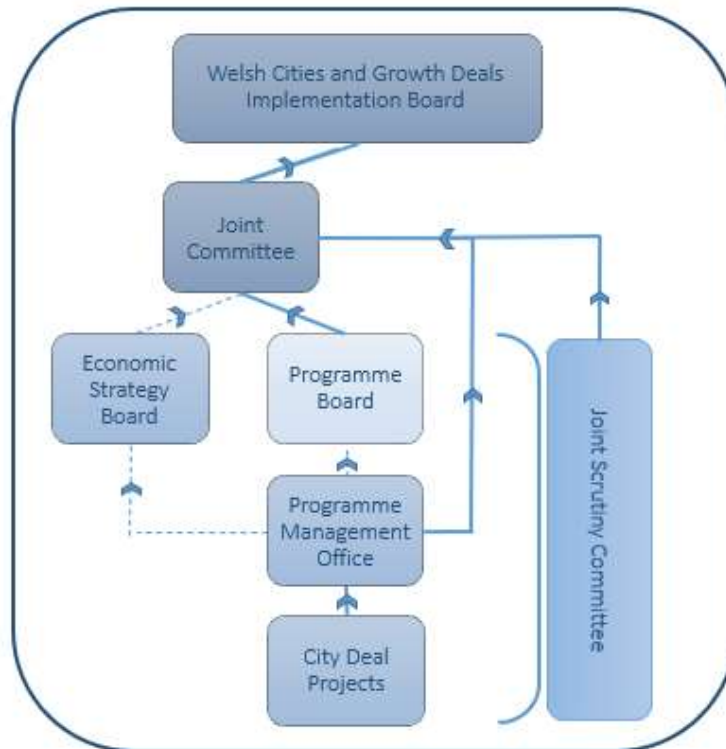
- 4.1 Risks are events which can be anticipated, but when or how often they may happen is uncertain.
- 4.2 Issues are events which have happened or are known to be about to happen and thus their occurrence is certain.
- 4.3 The urgency with which an issue must be addressed is potentially higher than that for a risk, (i.e. a threat or opportunity), because its occurrence is no longer subject to uncertainty. However, the information that needs to be recorded for the issue remains the same as for a risk, as does the way it is managed; identify and implement control actions, monitor and review to determine if further control actions are required, reporting, etc.
- 4.4 Issues will be captured, assessed and monitored via an Issues Log.

## 5. Governance

### 5.1 Governance Structure

- 5.1.1 To ensure risk management is effectively implemented, the PoMO are responsible for ensuring that an agreed approach is in place for adequate and effective risk management and control. All primary stakeholders should have a level of understanding of the SBCD risk management approach and regard risk management as part of their responsibilities. Staff and managers that are accountable for achieving an objective are accountable for managing risks to achieve the objective.





5.1.2 The SBCD governance and delivery structure, as outlined above is operational with established Terms of Reference, membership/post holders, and plans and processes in place to govern and deliver the SBCD portfolio.

## 5.2 Escalation of Risk

5.2.1 A key element to effective risk management is on-going vigilance and the communication and escalation of risk information to the appropriate management level. The reporting and escalation of risk within the SBCD portfolio is based on the Governance structure.

5.2.2 Risk escalation is based on the following key principles:

- Escalation process needs to be managed and have ownership. It is not sufficient to simply escalate a risk to the next management level. It is important that when a risk is escalated, it is reassessed as to its impact on the achievement of objectives at that next level.
- All SBCD staff are empowered to escalate. Importantly, escalation should not be seen as a failure. Escalation is a tool to ensure that risks that cannot be resolved at one level are relayed to the next level to ensure that every effort is made to mitigate the risk.
- Escalation needs to be timely. It is important that risks are escalated early and in good time to affect a resolution.
- Escalation should be documented. It is important that all risks are recorded, where appropriate, in risk registers. Any verbal escalation should be followed up with written or email documentation detailing the risk and retained.

5.2.3 Reasons for Risk escalation:

- The Probability and / or Impact scores of a risk when periodically assessed may increase significantly
- The probability and / or Impact scores of a risk when first identified is significant enough to warrant escalation immediately
- The scope of the risk may increase, (additional stakeholders included, range of causes and / or consequences increases)
- Existing controls not taking a positive effect
- Uncertainty as to what additional / amended controls to apply
- Budget / resources / staffing no longer sufficient to operate existing controls

5.2.4 Escalating risk does not always delegate the management of risk upwards. Risks can sometimes be de-escalated if risk owners feel there are appropriate resources to mitigate the risk at the lower level.

5.2.5 Once escalated, the next management level becomes alerted to the risk, reassesses the risk as to its impact on the achievement of objectives at that next level and takes appropriate action. This may mean:

- Accepting risk at the higher level
- Changing the activity, or
- Adjusting the level of risk, they judge suitable for the level below to manage

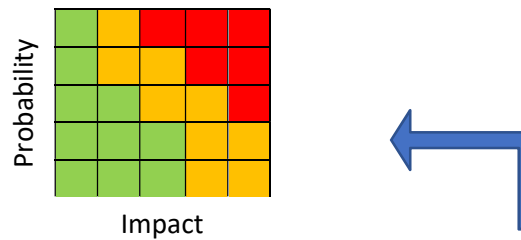
5.2.6 In order to ensure that only those risks which truly require consideration for additional support are escalated, the following guidelines should apply:

	<b>Automatically</b>		<b>Exceptionally</b>
<b>Risk Score</b>	Residual risk score of 20 or 25 And Score not expected to reduce without additional control actions being implemented	<b>OR</b>	Residual risk score of 15 or 16 And The risk owner does not have sufficient knowledge / resources to effectively manage the risk and do not expect the residual risk score to reduce without additional action

## 5.2.7 Risk escalation process

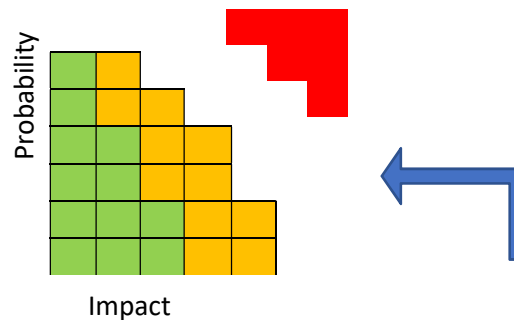
### Level 0

Joint Committee  
Welsh Cities & Growth  
Deals Implementation  
Board



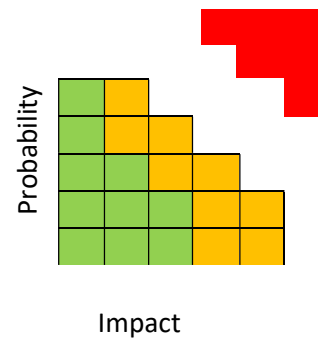
### Level 1

Joint Scrutiny Committee  
Programme Board  
Economic Strategy Board  
SBCD Portfolio



### Level 2

Programme  
Project



## 5.3 Responsibilities

The following section details the key staff and groups involved in the SBCD Risk Management Strategy and their associated roles and responsibilities.

### All SBCD related employees

- Manage day to day risks and opportunities effectively and report risk management concerns to their line managers
- Participate fully in risk workshops and action planning as appropriate
- Attend training and awareness sessions as appropriate

### Risk Owners

- Ensure risks are clearly defined to make explicit the risk the cause and the impact that may arise
- Provide assurance that the risks for which they are the risk owner are being effectively managed.
- Ensure the controls that are in place to manage the risk are proportionate to the context and level of risk
- Confirm the existence and effectiveness of existing actions and ensuring that any further actions are implemented

## Portfolio Director

- Ensure that effective risk management arrangements are in place to ensure the SBCD exposure is at an acceptable level
- Promote and demonstrate the behaviours and values that support well-informed and considered risk taking, while maintaining accountability
- Establish and monitor that clear, effective and proportionate governance is in place for all programmes and projects, including risk management
- Evaluate the adequacy of the risk management strategy and supporting documentation to achieve SBCD objectives
- evidence provided or in the depth or scope of the reviews undertaken
- Encourage open and frank conversations about risks, ensuring appropriate reporting and escalation as required
- Report to Joint Committee on a quarterly basis
- Report to Programme Board on key risks via PoMO Highlight report on a monthly basis and Quarterly Monitoring reports
- Report to Joint Scrutiny Committee on a two-monthly basis

## Portfolio Management Office

- Provide a full toolkit of guidance and documentation to the SBCD portfolio including a reporting template risk register template, risk assessment matrix, guidance on categorisation of risks, reporting schedule and frequency of reporting
- Has overall accountability for the SBCD risk management process
- Constructively review the risks held on the portfolio risk register and holds regular risk workshops to identify new risks
- Provide adequate information in a timely manner to primary stakeholders and third parties on the status of risks and controls
- Identify gaps in control and/or over control, and provide the opportunity for continuous improvement
- Provide direction and guidance to programme and project leads to ensure consistency of reporting and recording risks and ensure appropriate action is being taken to mitigate risks

## Programme / Project Leads

- Identify, assess and monitor risk appropriately document significant project or programme risks
- Where risks remain intolerable, these will be formally reported to the Portfolio Director for resolution
- Clearly identify risk ownership
- Ensure timely reporting of risks to the PoMO on a quarterly basis
- Record risk via the standardised risk template
- Report risks via programme / project board and host organisation

## **SBCD & Programme / Project Senior Responsible Owner (SRO)**

- This applies to both portfolio and programme / project SRO
- To understand how the objectives of the SBCD and project / programme SRO may be affected by risks to the portfolio
- To escalate risks and issues to the Joint Committee chair
- Oversee portfolio director / project lead to monitor and control risks and issues
- To identify, understand and drive the successful mitigations of portfolio risks

## **Section 151 Officer (Chief Finance Officer) & Monitoring Officer**

- Active involvement in all business decisions to ensure immediate and longer-term implications, opportunities and risks are fully considered

## **Accountable Body**

- Carmarthenshire County Council is the Accountable Body responsible for discharging City Deal obligations for the four Local Authorities
- The Accountable body is the primary interface for the City Deal with the Welsh Government and the UK Government

## **Joint Committee**

- The Joint Committee comprises the four local authority Leaders of Carmarthenshire, Neath Port Talbot, Pembrokeshire and Swansea.
- The Joint Committee has ultimate responsibility and accountability for decisions taken in relation to the SBCD
- Have strategic responsibility for risk management as part of their responsibility for governing delivery of the SBCD
- To ensure that portfolio, programme and project risks are effectively identified and managed and that any impacts on SBCD portfolio that may follow implementation are reported and managed
- Report any risk impact to Joint Committee host organisations
- Continual review of portfolio risk register via quarterly updates by PoMO
- Understand that good risk management is a key part of the Member Authorities culture

## **Joint Scrutiny Committee**

- The Joint Scrutiny Committee shall comprise of 12 members in total, 3 each from the 4 Constituent Authorities
- Provide a scrutiny function to ensure greater public accountability over decisions made by the Joint Committee and any of its sub-committees/related entities
- Provide advice, challenge and support to the Joint Committee on risk management
- Consider the implications of risks and provide relevant advice

## Programme Board

- Programme Board will consist of the Chief Executives from each of the Councils or another officer nominated by the Chief Executive and accountable to the Joint Committee, the Programme Board prepare recommendations on the SBCD portfolio
- Support programme and project development
- To ensure that portfolio, programme and project risks are effectively identified and managed and that any impacts on SBCD portfolio that may follow implementation are reported and managed.
- consider the implications of risks and provide relevant advice
- Continual review of portfolio risk register via quarterly updates by PoMO
- Provide advice and guidance on key programme and project risks on a monthly basis via Highlight Report provided by the PoMO

## Economic Strategy Board

- Reporting to the Joint Committee, the Economic Strategy Board is made up of representatives from the private sector in key City Deal themes including energy, life sciences, manufacturing and housing
- The Economic Strategy Board acts as the voice of business, providing strategic direction for the City Deal through advice including but not limited to risk management
- Monitor progress of SBCD portfolio risk register
- Provide independent assurance to the on the overall adequacy of the risk

## Appendix 1 – Impact Criteria

Category	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Fundamental
<b>Contractual</b>	Barely noticeable reduction in scope/ quality / schedule	Minor reduction in scope / quality / schedule	Reduction in scope or quality, project objectives or schedule.	Significant reduction in ability to meet project objectives or schedule	Poor contractor management results in inability to meet project objectives.
<b>Environmental</b>	Activities with hardly any environmental risk or impact that are site specific	Activities with little environmental risk or impact that are site specific	Activities with moderate environmental risk or impact that are site specific	Activities with high environmental risk or impact that are site specific	Major incident
<b>Financial</b>	Damage, loss, (£< 1k)	Damage, loss, (£1- 10k)	Damage, loss, (£10- 100k).	Damage, loss, (£100k- 1m).	Damage, loss, (£>1m).
<b>Health &amp; Safety</b>	Trivial injury(ies)	Minor injury(ies)	Major injury	Major injuries	Death(s)
<b>IT</b>	Interruption not impacting service delivery	Short-term interruption to service delivery	Interruption with unacceptable impact on service delivery	Sustained interruption to service delivery	Permanent loss of service delivery leading to knock on effects
<b>Objectives</b>	Barely noticeable reduction in scope / quality / schedule	Minor reduction in scope / quality / schedule	Reduction in scope or quality, project objectives or schedule	Significant reduction in ability to meet project objectives or schedule.	Inability to meet project objectives.
<b>People/Social</b>	Complaints results in barely noticeable effect on scope / quality / schedule	Local media coverage with minor effect on scope / quality / schedule	Local media coverage with medium effect on scope / quality / schedule	National media coverage with significant reduction in scope / quality / schedule	International media coverage with inability to meet project objectives.
<b>Physical / Assets</b>	Damage, loss, theft (£< 1k)	Damage, loss, theft (£1-10k).	Damage, loss, theft (£10-100k)	Damage, loss, theft (£100k-1m).	Damage, loss, theft (£>1m).
<b>Professional</b>	Staffing / competence results in barely noticeable reduction in scope /quality / schedule	Staffing / competence results in minor reduction in scope / quality / schedule	Staffing / competence results in reduction in scope or quality, project objectives or schedule.	Staffing / competence results in significant reduction in ability to meet project objectives or schedule.	Staffing / competence results in inability to meet project objectives.
<b>Projects</b>	Minor internal threat to / from individual projects	Major internal threat to / from individual projects	Minor external threat to / from individual projects	Major external threat to / from individual projects	Stops work
<b>Regulatory / Legal</b>	Minor internal breach	Major internal breach	Minor external breach	Major external breach	Stops work
<b>Reputation</b>	Complaints	Local media	Regional media	National media	International media
<b>Schedule / Timescales</b>	<10% overrun	10% - 15% overrun	15% - 25% overrun	25% - 50% overrun	>50% overrun