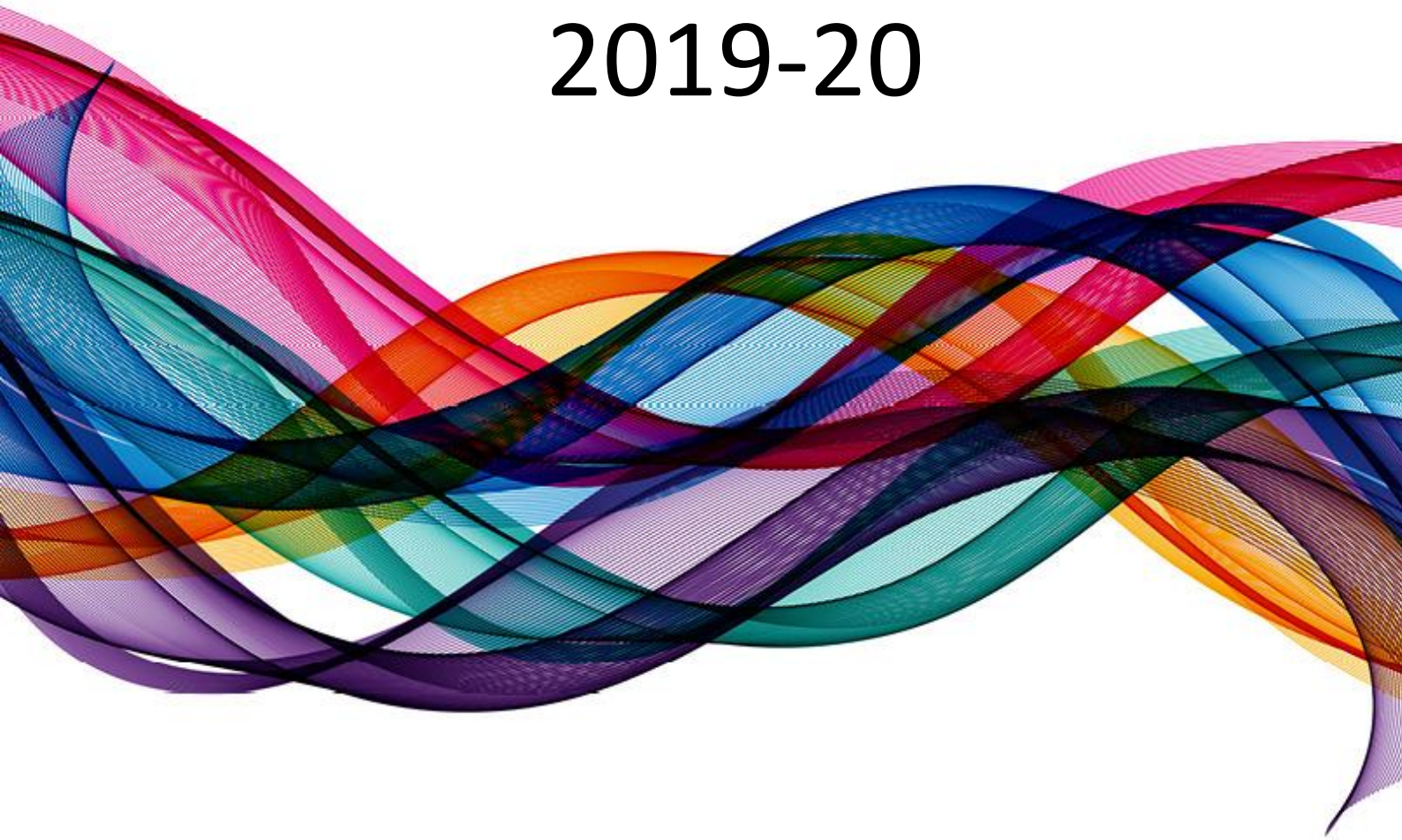


# **Active Black Country Risk Framework**

**2019-20**



## **1. Introduction**

The Active Black Country Partnership (ABC) business plan focuses on a four-year period from 2018-2022 with a purpose of achieving the objectives set out within the strategic framework detailed in the 'Towards an Active Black Country strategy (2017-2033).

Active Black Country is an unincorporated business – hosted by Black Country Consortium Ltd. The partnerships Assurance Framework defines its organisational design and sets out the accountabilities, roles and decision-making responsibilities of its constituent parts – Black Country Consortium Ltd, its Board and the Partnership.

The hosting relationship means risk management is shared between BCC Ltd and Active Black Country Board. This Framework seeks to ensure clarity, specifically regarding risk management ensuring accountability and mitigation.

To structure and formalise the risk management arrangements across all functions, Active Black Country, through BCC Ltd, aims to have a logical process of managing business risk within a comprehensive framework to ensure it is managed effectively and efficiently across the organisation and host.

The adopted approach sets out the methodology for identification, evaluation and control of risk to ensure there is continued financial and organisational well-being.

## **2. Active Black Country Board Commitment**

Active Black Country is committed to ensuring retained risk is of an acceptable and tolerable level in order to maximise opportunities and demonstrate it has made full consideration of the implications of risk to the delivery and achievement of strategic and business objectives.

The ABC Board is clear that the responsibility for managing risk belongs to everyone and that there needs to be an appropriate level of understanding of the nature of risk by all elements of our organisation. We recognise the need to equip our workforce with the skills and expertise to manage risk and provide the necessary resources to ensure this can be delivered. This includes not only the potential threats but also exploiting opportunities to ensure benefits can be realised.

Active Black Country strives to have an open approach to risk and not be perceived as risk averse whilst ensuring that the most vulnerable are protected and there is increased collaboration with our partners, communities and residents.

Our risk management objectives are a long-term commitment, inherent to good governance practices and fully supported by the partnership team, host agency and Board.

### **3. Objectives**

- Preserve and protect Active Black Country and Black Country Consortium Ltd's reputation.
- Promote corporate governance by integrating risk management and controls.
- Promote a risk aware culture in order to avoid unnecessary liabilities and costs, but to encourage the taking of calculated risks in pursuit of opportunities that benefit the partnership.
- Anticipate and respond to emerging risks, internal and external influences and a changing operating environment
- Enhance the ABC Board's reputation and ethos with stakeholders and the wider community
- Improve business performance.

### **4. Risk Management Framework**

To ensure it is effective, risk management needs to be aligned with corporate aims, objectives and business priorities. The approach aims to ensure the Active Black Country Partnership understands the impact, both positive and negative of its actions in providing the strategic leadership for sport and physical activity for the Black Country.

For risk management to be successful, it is imperative that there is a single yet flexible approach for the management of business risk, adopted through all levels of the organisation and that the risk management framework is our end to end process of managing risk.

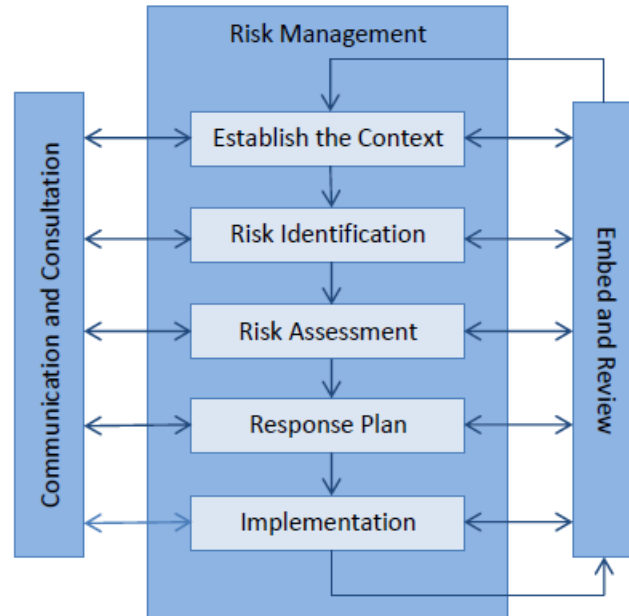
Section 7 sets out specific roles and responsibilities but ABC aligns with host BCC Ltds Risk Management Policy and Framework, including use of risk registers. The ABC Board Vice Chair sits on BCC Ltds Audit Committee which receives quarterly reports against the corporate risk which features respective ABC risks.

In line with the revised role and partnership re-structure the ABC board the risk framework refresh needs to ensure collective identification and ownership of risks by the ABC Board associated with Active Black Country work programmes and implementation of 'Towards an Active Black Country', including:

- Headline risks specific to Active Black Country and how they integrate into the BCC Corporate Risk Policy.
- The collective level of risk appetite for the Active Black Country Partnership.
- Risk scoring, reporting and mitigation
- Reporting by exception for those risks exceeding an agreed threshold.

## 5. Risk Management Process

The risk management process is outlined by the diagram below;



### 5.1.1 Establish Context

The risk management process begins by establishing the context and operating environment to identify and assess risks. This could relate to an activity, objective or outcome and is especially important in the context of ABC Partnerships work in the context of hosting and reporting through the existing BCC Ltd risk policy.

### 5.1.2 Risk Identification

Risk identification sets out to identify an organisation's exposure to uncertainty. This requires knowledge of the organisation, the market in which it operates, the legal, social, political and cultural environment in which it exists, as well as the development of a sound understanding of its strategic and operational objectives, including factors critical to its success and the threats and opportunities related to the achievement of these objectives.

Acceptable risks – Risks associated with proposed actions and decisions need to be clearly identified, evaluated and managed to ensure exposure is acceptable, care is needed when considering actions that could:

- Have an adverse effect on the Board's and company's reputation and/or performance.
- Undermine the independent and objective review of activities.
- Impact on the governance and operations of the Active Black Country Board, in line with the UK Code of Governance for Sport.
- Impact on Stakeholder involvement and collaboratively.
- Result in financial loss.

Intolerable risks are those that could:

- Non-compliance with governance or funding award conditions.
- Negatively affect the safety of employees or our customers/clients.
- Have a damaging impact on our reputation.
- Lead to breaches of laws and regulations.
- Endanger the future operations of Active Black Country.

### 5.1.3 Risk Assessment

Once identified, the risks need to be assessed and assigned a score for both their impact and probability.

A risk matrix is used to evaluate the risks so that there is an understanding of the risk exposure faced, which in turn influences the level of risk treatment that should be applied to manage/reduce/prevent the risk from occurring.

Ensuring that all business risks are assessed and managed through the adopted risk management methodology drives consistency through the risk management framework and enables risks to be compared and reported on against a like for like basis. The Impact Guide is designed to assist risk owners and managers determine the scores applied to any risk, a 5 x 5 scale for impact and likelihood is used.

| <u>Key</u>   |          |  |                       | <u>Impact</u>   |   |   |   |  |
|--|----------|--|-----------------------|---|---|---|---|--|
| 1-5 Very low risk  |          |  |                       | <b>1</b>  | <b>2</b>  | <b>3</b>  | <b>4</b>  | <b>5</b>   |
| 6-10 Low risk  |          |  |                       | <b>Not significant</b>                                | <b>Minor</b>                                      | <b>Moderate</b>   | <b>Major</b>  | <b>Severe</b>  |
| 11-15 Medium risk  |          |  |                       | Very low impact on operations, no stakeholder concern | Low impact on operations, low stakeholder concern | Moderate impact on operations, moderate stakeholder concern | Moderate to significant impact on operations, significant stakeholder concern | Significant impact on operations, very significant stakeholder concern |
| 16-20 High risk  |          |  |                       |   |   |   |   |  |
| 21-25 Extremely high – unacceptable risk   |          |  |                       |   |   |   |   |  |
| Risks are assessed by taking into consideration past and external events and then looking forward over the next six to twelve months |          |  |                       | <b>&lt;£10k</b>                                       | <b>£10k-£50k</b>                                  | <b>£50k-£100k</b>   | <b>£100k-£200k</b>  | <b>&gt;£200k</b>   |
| <b>Likelihood</b>  | <b>5</b> | Expected to occur regularly under normal circumstances | <b>Almost Certain</b> | <b>5</b>  | <b>10</b>   | <b>15</b>   | <b>20</b>   | <b>25</b>  |
|  | <b>4</b> | Expected to occur at some time                         | <b>Likely</b>         | <b>4</b>  | <b>8</b>  | <b>12</b>   | <b>16</b>   | <b>20</b>  |
|  | <b>3</b> | May occur at some time                                 | <b>Possible</b>       | <b>3</b>  | <b>6</b>  | <b>9</b>  | <b>12</b>   | <b>15</b>  |
|  | <b>2</b> | Not Likely to occur in normal circumstances            | <b>Unlikely</b>       | <b>2</b>  | <b>4</b>  | <b>6</b>  | <b>8</b>  | <b>10</b>  |
|  | <b>1</b> | Could happen but probably never will                   | <b>Rare</b>           | <b>1</b>  | <b>2</b>  | <b>3</b>  | <b>4</b>  | <b>5</b>   |

#### 5.1.4 Response Plan

Following identification and assessment, a decision must be taken on how best to respond to the risk and if accepted then control measures need to be determined to manage the risk. There should be communication and consultation throughout the process and the need for continual monitoring and review of the risk(s) throughout the lifecycle of the activity/objective/outcome.

The four ways of responding:

- **Avoidance** - deciding not to continue or proceed with the activity in view of the level of risks involved.
- **Transfer** - which involves another party bearing or sharing the risk, a typical example is the use of insurance.
- **Control** – by ensuring existing controls are effective by periodic review and testing, and implementing additional controls where considered necessary.
- **Acceptance** – certain risks cannot be adequately treated by either avoidance, transfer or control and must be accepted. Details of how these risks and their possible effects are to be managed must be recorded in the corporate Risk Register and be subject to regular review.

#### 5.1.5 Implementation

The Partnership's approach is to embed an appetite for risk management by creating a culture spreads best practice and identifies and communicates lessons learnt.

Risk management has to be proactive and reviewed to ensure that corporate and operational risks are effectively managed through the risk registers by identifying;

- Controls and mitigating actions already in place
- Gaps and issues
- Further mitigating actions required

#### Risk Levels

Our approach to risk management is founded upon ensuring risk is effectively and consistently managed across all levels of the organisation.

- **Programme/Project Level:** The day to day management activities provide reasonable assurance that the main tactical and operational risks arising from business as usual operations are identified, assessed, managed and monitored. Close links between officers and Director strengthens the process and ensure consistency in the risk messages are in place at monthly team meetings.
- Where there is a programme/project risk register in place officer level risk ownership will be assigned and consideration should be made as to the inclusion of an overarching risk on the relevant risk register, which are fed into BCC Ltd Corporate risk register. There is regular reporting of the significant programmes and projects to the Active Black Country Board/BCC Ltd and if a risk exceeds a pre-agreed threshold then it will be escalated.
- **Strategic Level:** Board support focuses on the strategic and business critical risks that could impact on the achievement of objectives. Reports on the top business critical risks are

reviewed and discussed by the Active Black Country Board/BCC Ltd Audit Committee on a quarterly basis. This level sets the tone for effective risk management across the whole organisation. At this level, the risk management framework is agreed and endorsed and its principles championed by the strategic leaders of Active Black Country/BCC Ltd.

#### Threshold and escalation

- 5-10 – Active Black Country Partnership Officer level
- 10+ - Active Black Country Board/BCC Ltd Audit Committee

A risk may need to be escalated to a higher level if:

- The risk becomes too unwieldy to manage at the current level
- The risk rating cannot be controlled/contained within its current level
- The risk remains very high even after mitigations are implemented
- The risk will impact on more than one service/project or function if the risk event materialises
- The risk moves outside the appetite boundaries / comfort zone.

A risk may need to be moved to a lower level if:

- The risk can be controlled / managed at a lower level
- The risk rating decreases significantly
- The risk event will only affect one service/ project / programme and the impact will be limited then this should be controlled more locally at a lower level

These headline risks that ABC report through are:

| <b>Risk No</b> | <b>BCC Risk</b>  |
|----------------|--|
| 1              | Implementation of Business Plan                                      |
| 3              | Loss of Key Personnel  |
| 7              | Delivery of Partner Work Priorities                                  |
| 2              | Funding Risks  |
| 10             | Change of Local/National Policy/Political Control & Direction.       |
| 11             | Poor Partner Perception and Issues.                                  |
| 16             | Failure to deliver Cross Sport Services to meet National Priorities. |
| 19             | Programme delivery under performance and funding risk.               |



## **6. Risk Appetite**

Risk appetite is best summarised as “the amount of risk an organisation is willing to accept” and is about looking at both the propensity to take risk and the propensity to exercise control.

Ensuring the on-going effectiveness of risk management requires strong and sustained commitment by the Board and senior managers of the Active Black Country, as well as strategic and rigorous planning to achieve commitment at all levels. The tone set by senior management towards risk management has the greatest impact on organisational appetite.

It is recognised that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. We are working to strengthen and clarify our definition of risk appetite to ensure it reflects the acceptable levels of risk across the services of the organisation. Culture, strategy and competitive position all influence our risk appetite and defining it forces the debate and ensures our risks are made explicit.

Active Black Country aims to be risk aware, but not overly risk averse and to actively manage business risks to protect and grow the organisation. To deliver its strategic aims, the organisation recognises that it will have to take and manage certain business risks.

## **7. Role and Responsibilities**

All representatives of ABC have a role to play in ensuring that risk is effectively managed.

Risk management is only considered to be truly embedded when it functions as part of Active Black Country day to day operations. In order for this to be achieved it is vital that clarity exists to determine the various roles and responsibilities of individuals involved throughout in the risk management process and this strategy formalises those responsibilities.

In line with the partnership roles and responsibilities matrix in section 5.4 in the ABC 2018-2021 Business Plan the below table sets out specific responsibilities for the respective levels of ABC Partnership/BCC Ltd.

| Group/ Stakeholder responsible | Role Description   |
|--------------------------------|--|
| BCC Ltd Board of Directors     | <ul style="list-style-type: none"> <li>The Board of Directors is ultimately responsible for overseeing risk management within Black Country Consortium Limited as a whole. Their fundamental role is to set the tone and agree the 'risk appetite' of the company.</li> </ul>  |
| BCC Ltd Audit Committee        | <ul style="list-style-type: none"> <li>The Audit Committee monitors the performance of the risk management process, ensuring that appropriate controls are in place to manage identified risks and reports its findings to the Board of Directors.</li> </ul>  |
| BCC Ltd LMT                    | <ul style="list-style-type: none"> <li>The Leadership Management Team (LMT) is responsible for identification of risks, maintenance of the Risk Register and the 'scores' of each individual risk. They should also ensure that mitigating controls and actions are completed in a timely manner. LMT should ensure that each risk is scrutinised at least quarterly, or more frequently if it is deemed necessary due to the severity of the risk.</li> </ul>   |
| ABC Board                      | <ul style="list-style-type: none"> <li>The collective level of risk appetite for the Active Black Country Partnership.</li> <li>Identification of specific risks associated with Active Black Country work programmes and implementation of 'Towards an Active Black Country' and ownership of those risks by the ABC board, including risk mitigation</li> <li>Risk scoring for the ABC specific risks to be undertaken by the board to ensure collective ownership to feed into the BCC Audit Committee</li> <li>Annually review the effectiveness of risk management arrangements</li> <li>Set the tone for risk management, promote the benefits of effective risk management and lead by example in embedding the risk management framework</li> <li>Regularly discuss and review the strategic risk register and associated risk reports.</li> </ul> |
| ABC Director                   | <ul style="list-style-type: none"> <li>Responsible for overarching alignment between ABC specific risk and BCC Ltd corporate risks</li> <li>Establish a culture where risk can be effectively assessed and managed.</li> <li>Consider and challenge the management of risk to provide assurance that a strong control framework and good governance arrangements are in place</li> <li>Overall accountability for the effective delivery of the partnerships risk management function</li> <li>Ensure risk management features as part of the partnerships proper administration to protect the authority from financial and reputational risk.</li> </ul>   |
| ABC Staff                      | <ul style="list-style-type: none"> <li>Manage risk as part of their role and report risks to their managers</li> <li>Ensure adherence with the risk management strategy and framework</li> <li>Take ownership for risks within their work area and ensure risk registers are regularly discussed, reviewed, updated and escalated as appropriate</li> <li>Where necessary escalate risks</li> <li>Develop understanding of risk management</li> <li>Maintain awareness of risks, their impact, including costs, and feed these through the adopted risk management process.</li> </ul>   |

## **8. Control**

Risk management compliments Active Black Country internal control processes, alongside other financial, operational and compliance controls.

This is in line with the Sport England Governance Code with the requirement, the roles and responsibilities, and governance framework for risk management that are in place, demonstrating responsibility for risk management throughout the organisation.

This is supported by the internal audit process for our host agency, providing check and challenge to the risk management strategy, process and delivery.

Active Black Country works with internal audit and governance colleagues to ensure the principles of good governance are adopted. Auditing of the business risk management framework is undertaken by an external audit team in accordance with their audit plan and recommendations arising are fed back through the risk management framework to ensure continual improvement.

## **9. Assurance and Review**

To ensure the risk management framework remains fit for purpose, we continually seek to review and improve our risk management methodology and embrace new initiatives and industry practices that suit the needs of our organisation, working with our host agency.

We adapt to our changing operating environment and economic conditions and have a risk framework with sufficient flexibility to cope with these changes. We aim to improvise, innovate and experiment in addressing challenges and exploiting opportunities learning from both success and failure.

The risk management framework is annually reviewed to ensure the impact of new legislation, government guidance or internal changes in practice are captured and reflected.