

Programme Management Office Risk Management

1 The Purpose of this risk management policy is to identify the Programme Management Office's (PMO) objectives, approach, responsibilities and the context for procedures.

The PMO is committed to the effective management of risk throughout the organisation and to:

- Provide the effective delivery of the outcomes for which the BC LEP was established
- Provide the appropriate management of finances and funding to secure those same outcomes
- Protect the reputation of the Black Country LEP and its partners
- Ensure compliance with regulations and guidance from government which oversee the LEPs

2 Objectives

- Improve business performance
- Ensure effective corporate governance
- Promote a risk aware culture
- Avoid unnecessary Programme liabilities and costs
- Encourage the taking of calculated risks in pursuit of opportunities that would benefit the organisation as well as the Black Country

3 Risk Management Approach

- Effective risk management of the funding programmes need to be aligned with the BC LEP objectives and priorities
- Risk management culture that spreads best practice, identifies and communicates lessons learnt from both internal and external experiences as part of management practice
- Uses appropriate expertise and has a clear ownership structure
- Applies up-to-date and reliable information about risks
- Promotes decision-making supported by a consistent risk analysis framework
- Regular processes in place to monitor risks
- Cost-effective controls in place to manage the risk
- Recognition that many of the risks handled by BC LEP will be interdependent on partners and the risks need to be handled jointly where appropriate

4 Risk management has to be proactive to ensure that programme risks are

- Identified

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- Evaluated by considering the impacts and probability of their occurrence;
- Effectively managed by identifying suitable controls and countermeasures and assessing the cost effectiveness of the mitigating actions proposed.

Effective risk management anticipates and avoid risks rather than dealing with the consequences of events happening. However, not all risks can be managed, particularly those that are caused by external factors over which the organisation has no control (e.g., severe weather). BC LEP will therefore separately develop a business continuity plan in order to reduce the impact should a major event occur.

5 Risk Responsibilities

The PMO is responsible for:

- Producing monthly programme dashboard reports on the progress of all projects for review and to provide information on any risks that have been identified as well as the proposed solutions thereof.

The Accountable Body is responsible for:

- Ensuring that BC LEP Funding streams and programmes are effectively managing risk
- Producing a yearly report on risk and appropriate RAG status of all projects, once the annual project audits are completed.

The LEP Board is responsible for:

- Receiving monthly programme dashboard reports on the progress of all projects and to review and risks that have been identified

6 Programme Financial Risk Management

Any programme with pre-committed annual spend targets will undergo a year-end risk assessment with the relevant Accountable Body and the PMO. This will include analysis of the following project conditions:

- The project must be deemed value for money, have the ability to deliver the required outputs and capable of spending the required funding before any programme deadlines as specified by central government
- A project may be withdrawn/de-committed if the Full Business Case or any other relevant project documentation has taken longer than 12 months to come forward
- Any site investigation or feasibility study must be complete before a capital scheme can be considered for approval must not be any known compliance issues – i.e., State Aid compliant or the lack of an available procurement framework;
- There must not be any known other issues – e.g. Inability to provide security

If any of the above criteria has not been met, then the project could be RAG rated as 'RED'.

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7 **Project Risk Profile and RAG rating system**

Impact	4. Very High: The project objectives and benefits will not be achieved.
	3. High: Risk that has the potential to significantly impact project cost, schedule or performance by >15%
	2. Medium: Risk that has the potential to moderately impact project cost, project schedule or performance by >5% - <15%
	1. Low: Risk that has relatively little impact on cost, schedule or performance by <5%
Probability	4. Expected: Greater than 80% probability of occurrence (likely to occur, to be expected).
	3. Probable: Between 50% and 80% probability of occurrence (not surprised, will occur in given time).
	2. Possible: Between 20% and 50% probability of occurrence (could occur occasionally).
	1. Remote: Below 20% probability of occurrence (unlikely, though possible).
Risk Score	This is calculated field based on the values selected for both Risk Impact and Probability of Occurrence.
	o Red: 4-4 (Very High, Expected), 4-3 (Very High, Probable), 3-4 (High, Expected), 3-3 (High, Probable)
	o Amber: 4-2 (Very High, Possible), 3-2 (High, Possible), 2-4 (Medium, Expected), 2-3 (Medium, Probable), 2-2 (Medium, Possible)
	o Green: 4-1 (Very High, Remote), 3-1 (High, Remote), 2-1 (Medium, Remote), 1-4 (Low, Expected), 1-3 (Low Probable), 1-2 (Low, Possible), 1-1 (Low, Remote)
Risk Owner	Identify who is responsible for the management, monitoring and control of the identified risk. Note that the actual task of monitoring may be delegated
Mitigation	Define the actions required to reduce the probability, improve the controls and/or reduce the financial impact using the following Risk Responses as guidance:
	Terminate the Risk - by doing things differently and this removing the Risk, where it is feasible to do so. Countermeasures are put in place that either stop the threat or problem from occurring or prevent it having any Impact on the Project or business.
	Treat the Risk - take action to control it in some way where the actions either reduce the likelihood of the Risk developing or limit the impact on the Project to acceptable levels.
	Transfer the Risk - this is a specialist form of Risk Reduction where the management of the Risk is passed to a third party via, for instance, an insurance policy or penalty clause, such that the impact of the Risk is no longer an issue for the health of the Project. Not all Risks can be transferred in this way. Consideration must also be given as to whether all facets of a Risk can be transferred. E.G. while the financial impact of a Risk might be transferred, the brand impact may not be.
	Tolerate the Risk - conscious decision to maintain threat where nothing can be done at a reasonable cost to mitigate it or the likelihood and impact of the Risk occurring at an acceptable level.

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