



Date: 19 June 2013

Item 16: Update: Strategic Risk Management Q4 2012/13

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to update the Committee on the status of TfL's Non Project Strategic Risks (SRR) and proposed mitigations at Q4 2012/13.

2 Recommendation

- 2.1 **The Committee is asked to note this paper and the related paper on Part 2 of the agenda.**

3 TfL Non Project Strategic Risk Register at Q4 2012/13

- 3.1 The SRR included in Appendix 1, identifies TfL's key strategic risks and mitigations to minimise the potential impact to the business. It is aligned to the Four Pillars of Value, Delivery, Customers and People and, at Business Area level, to the Mayor's Transport Strategy. The TfL SRR identifies the risk the outcomes outlined in the TfL Business Plan, Budget and Scorecard.

The Strategic risk register trend changes in this quarter are as follows:

- 3.2 **SRR 5: Disruption to Quality of Service.** This risk trend has improved from last quarter following updated mitigations on the contributory risks from Rail and Underground and Surface Transport.
- 3.3 Rail and Underground has introduced an Access Implementation Plan which will improve the efficiency and reliability of access utilisation and improve the quality of how access to the operational network is managed.
- 3.4 Surface Transport has improved the risks to disruption to service owing to competing priorities. This is a result of the scale and scope of the Cycle Super Highways programme being established following the publication of the Mayor's cycling vision.
- 3.5 **SRR12: Environmental Impact of Delivering a Transport Service.** The current status of this risk remains high. The Target has been changed, to medium.
- 3.6 A two-stage plan has been implemented to reduce NOx emission from bus fleet by more than 20 per cent or 1,000 tonnes a year. The first stage of the plan will retrofit 900 older buses with NOx abatement technology. The second stage will bring forward the replacement of older buses with new ultra low emission Euro 6 engine.

4 Next steps

- 4.1 In Q2 2013/14, the ongoing process of refreshing the SRR in light of emerging developments that affect TfL's strategic objectives will include incorporating any changes that arise from the annual strategic business planning process.

List of appendices:

Appendix 1 - Strategic Risk Register

A paper on Part 2 of the agenda contains exempt supplemental information.

List of Background Papers:

None

Contact Officer: David Goldstone, Chief Finance Officer

Number: 020 7126 4871

Email: Davidgoldstone@tfl.gov.uk

TfL Strategic Risk Register Q4 2013

Value for Money						
1. Maintaining a long term strategic, balanced Plan within the constraints of available resources					Owner: Steve Allen	
<p>TfL undertakes a Business Plan each year, prioritising spend to ensure a long term strategic balanced plan. There is a risk in later years that available resources may not cover all required activities. This may be due to:</p> <ul style="list-style-type: none"> • revenue reductions • secondary revenue shortfall • market conditions that limit the financial viability of property development opportunities over station assets (Crossrail) • material shortfall in delivering the savings and efficiencies programme • disruption to financial markets impacting TfL's ability to borrow • Counterparty insolvency • Grant reduction. 	Current	Mitigating Actions	Status	Target	Trend	
	H		Cost control measures in place include the quarterly forecast and review process. This review will ensure the Business Plan remains balanced over the long term and take corrective action if necessary.	Ongoing	M	↔
			Periodic budget monitoring to review progress against secondary revenue target to act as an early warning indicator. Quarterly reviews held in line with the normal accounting cycle to monitor progress against targets.	Ongoing		
			Maintain cash balance via cash flow forecasting and daily checks on TfL's cash position by the Treasury team in the event market conditions prevent borrowing.	Ongoing		
			Annual review of the expected outturn of property proceeds is undertaken at the end of each year.	Ongoing		
			Effective scrutiny and challenge to savings delivery through greater analysis and challenge via existing BAU periodic reviews and reporting processes.	Ongoing		
			Monitor market conditions through daily checks and review of periodic reports issued by Banks on the current conditions to act as an early warning indicator.	Ongoing		
			Increase the prospective development proceeds for sites by exploring additional commercial opportunities where applicable.	Fallback		
		Ensure TfL has some flexibility with regards to sites offered on the market, thereby optimising the Over Station Development returns in the future.				

Key
Based on ARM scoring

	Very High
	High
	Medium
	Low
	Very low

Trend

↑	Worsening
↔	Level
↓	Improving

Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Review Comment: *Trend remains stable though there are concerns about the impact of funding reduction from Government Departments (DfT & DCLG) on TfL.*

Delivery

2. Ability to re-prioritise short term deliverables in response to external factors **Owner:** Steve Allen

	Current	Mitigating Actions	Status	Target	Trend
	TfL is required to respond to external factors from various bodies. There is a risk that TfL is required to reprioritise its short term operational challenges and requirements. This risk is focused on the immediate two year time frame and the impact is that TfL needs to be able to successfully deliver an integrated, cost effective transport solution, maintain service delivery pledges and successfully deliver Mayoral priorities.	M	TfL undertakes demand forecasting, service planning and reliability, a business planning and budgeting process and an investment approval process.	Ongoing	M
Leverage capability in Commercial Finance team to provide professional advice on projects, commercial agreements, areas of new business development and to analyse/structure TfL's involvement in mayoral priorities.			Ongoing		
Contingency planning to adjust for the impact of revenue shortfall on the short term deliverables.			Ongoing		
Align projects and activities in the capital investment portfolio with the Mayoral Transport Strategy (MTS) and TfL corporate strategic objectives via the transport outcomes and the wider benefits they enable.			In progress		
Manage stakeholders and keep them informed on the Business Plan position to reduce the likelihood for reprioritisation.			In progress		

Key
Based on ARM scoring

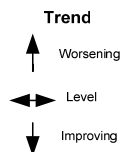
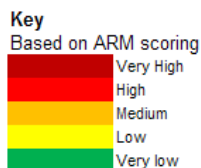
	Very High
	High
	Medium
	Low
	Very low

Trend

↑	Worsening
↔	Level
↓	Improving

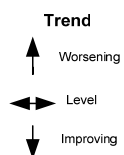
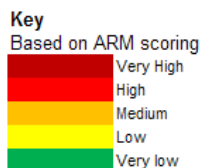
Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Value for Money					
3. Pension Fund					Owner: Tricia Riley
TfL recognises the importance of providing good pension benefits to members. There is a risk of a potential future TfL Pension Fund deficit. This may be due to adverse or unmatched movements, a collapse in investment markets and/or the non achievement of expected performance as a result of inappropriate actuarial assumptions (inaccurate member data or inaccurate asset information used by the Actuary for valuation).	Current	Mitigating Actions	Status	Target	Trend
	M	Ensure that TfL has a well diversified investment strategy across all portfolios to minimise risk.	Ongoing	L	↔
		Agreement and review of a prudent funding target with TfL Pension Fund Trustees to ensure that adequate contributions maintain the sustainability of the fund.	Ongoing		
		Regular monitoring of the funding position and communication with the Trustees/Actuary regarding employer contributions.	Ongoing		
Review Comment: <i>Agreement has been reached with the trustees to reduce the payments required to fund the pension deficit</i>					



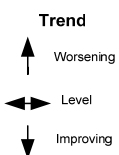
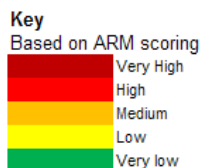
Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Delivery					
4. Delivery of capital investment portfolio and contract management					Owner: Mike Brown/ Leon Daniels
TfL needs to ensure efficient and effective project and contract management to enable it to meet its milestones. There is a risk that key elements of the capital investment portfolio could overspend and/or do not deliver the intended benefits.	Current	Mitigating Actions	Status	Target	Trend
	M	Corporate Gateway Reviews and Approvals process to inform cost effective delivery of capital investment portfolio	Ongoing	L	↔
		Review of capital projects and programmes in the Operating Businesses	Ongoing		
		Consultation with IIPAG on benchmarking to; demonstrate organisational competence in delivering the capital investment programme, demonstrate an efficient and cost effective approach to whole life asset management following PAS 55 accreditation.	Ongoing		
		Delivery of the programme management capability programme – an initiative to improve delivery capability and maturity across TfL.	In progress		
		Develop and implement a single, consistent framework across TfL (Pathway) to support delivery of capital investment portfolio - project controls effectiveness, process clarification and project management systems.	In progress		



Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our Customers and Users					
5. Disruption to quality of service				Owner: Mike Brown/ Leon Daniels	
<p>TfL aims to deliver the best quality service to its customers. There is a risk of disruption to quality of service due to:</p> <ul style="list-style-type: none"> implementing complex, major asset renewal and replacement programmes that are interrelated on an operational rail, bus operations, roads network frequent closures of lines or major stations changes to operational procedures and resource requirements after completion of asset upgrades. <p>These create the potential to disrupt customer service due to, possible asset/ systems failure on implementation and further knock-on effects.</p>	Current	Mitigating Actions	Status	Target	Trend
	M	Develop and implement operational readiness plans to support introducing new assets into service. This includes governance arrangements, programme monitoring, reliability forecasting, staff training and improved incident response	In progress	M	↓
		Delivery of the Access Improvement plan to review and improve the processes, structure and organisations involved in the planning and management of access. This includes creation of a single, accountable access delivery organisation for the operational railway	In progress		
		Additional investment via the Reliability programme to target the worst performing areas across TfL.	In progress		
Mitigate effects through diversion of resources to support travelling public. Redistribute Network Operations resources on targeted areas of the transport network to manage travel demand and minimise the worst effects of disruption.	Fallback				
Review comment: <i>Trend improved from worsening to stable following updates to the contributory risks from R&U and ST</i>					



Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our Customers and Users					
6. Security				Owner: Mike Brown/ Leon Daniels	
	Current	Mitigating Actions	Status	Target	Trend
TfL provides a mass public transport system for London. There is a risk of domestic or international terrorism which may cause casualties, disrupt operational service, damage assets and create fear in the travelling public.	M	Major incident prevention and response planning and critical infrastructure resilience.	Ongoing	L	↔
		Awareness training, CCTV, physical security measures, and internal resilience groups.	Ongoing		
		Terrorism Insurance Cover to assist with cost of repairs to damaged TfL assets.	Ongoing		
		Intelligence and liaison with police and security service.	Ongoing		

Key
Based on ARM scoring

	Very High
	High
	Medium
	Low
	Very low

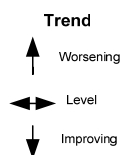
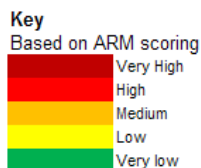
Trend

↑	Worsening
↔	Level
↓	Improving

Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

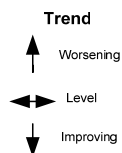
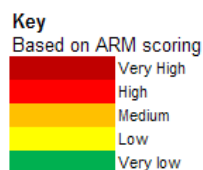
Our Customers and Users					
7. Major events				Owner: Mike Brown/ Leon Daniels	
	Current	Mitigating Actions	Status	Target	Trend
TfL provides the mass public transportation system for London. This includes providing services for irregular major events such as Royal and sporting occasions. When increased demand is required, and to ensure its good reputation, TfL must be able to successfully deliver enhanced transportation arrangements.	L	Revision of timetables and possible service enhancements.	Ongoing	VL	↔
		Contingency Planning with event organisers, police and other emergency services.	In progress		
		Close collaboration within TfL, with other transport providers and wider stakeholders.	In progress		
		Major events planning and operational readiness review programmes implemented to ensure customers and users are able to travel to major events in London in a safe and timely manner.	Ongoing		
Review comment: <i>No major events this quarter and the trend remains stable</i>					

* The Head of Strategic Co-ordination Unit will be the action owner for this risk once appointed, in the Interim Mike Weston and Alan Bristow.



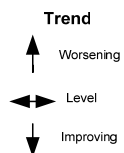
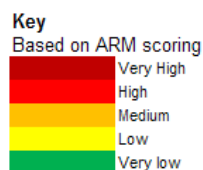
Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our Customers & Users					
8. Managing external stakeholder interests					Owner: Vernon Everett
<p>TfL has to adequately manage and respond to public criticisms from informed and knowledgeable leaders. These criticisms may influence stakeholders and could impact on the perception of the organisation which may influence the availability of funding and support.</p>	Current	Mitigating Actions	Status	Target	Trend
	M	Continue to build relationships with key stakeholders and maintain a capable stakeholder communications team.	Ongoing	M	↔
		Stakeholder management via the Local Implementation Plan (LIP) approval process to ensure boroughs transport policies and proposals align with the Mayoral Transport Strategy (MTS) and TfL priorities.	In progress		
		Manage Mayor's questions and produce periodic performance reports.	Ongoing		
Consultation with IIPAG on benchmarking to demonstrate organisational competence in delivering the capital investment programme; demonstrate an efficient and cost effective approach to whole life asset management following PAS 55 accreditation.		Ongoing			



Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our Customers and Users					
9. Major Incident – External					Owner: Mike Brown/ Leon Daniels
<p>TfL is dedicated to the safety of the travelling public. There is a risk of an incident that leads to wide spread service disruption, asset damage and injuries and/or fatalities. This could be due to a natural disaster or safety risk. The knock-on impact would be disruption and adverse impact on TfL's safety reputation.</p>	Current	Mitigating Actions	Status	Target	Trend
	M	Development of, and adherence to, Company Management System and TfL Standards.	Ongoing	M	↔
		Monitoring, audit and review of safety performance and safety management.	Ongoing		
		Communication with Environment Agency and Met Office for early warnings of significant weather effects/potential flooding.	Ongoing		
		Training programme to up skill managers and enable up to date risk assessments of operational assets.	In Progress		
		Develop, build and operate a co-located Command and Control Centre (LUCC) to bring together all of the main network system control functions which will enhance safety and improve response times to possible incidents.	In progress		



Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our Customers and Users					
10. Major incident – Internal systems					Owner: Vernon Everitt
TfL is committed to maintaining efficient back office infrastructure, systems and processes. There is a risk the fare collection system may fail temporarily and result in loss of revenue. This may also result in financial loss and damage to the integrity and confidence of the fare collection system.	Current	Mitigating Actions	Status	Target	Trend
	L	Develop and maintain Business Continuity plans to ensure speedy recovery and business resilience.	Ongoing	L	↔
		Ensure continuous monitoring and action via the Oyster Control Centre.	Ongoing		
		Manage and maintain a robust change control regime for Cubic and TfL Systems that integrate with the Ticketing System.	Ongoing		

Key
Based on ARM scoring

	Very High
	High
	Medium
	Low
	Very low

Trend

↑	Worsening
↔	Level
↓	Improving

Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our People					
11. Industrial Relations (IR)					Owner: Mike Brown/Leon Daniels
<p>TfL works in collaboration with Trade Unions (TUs). This ensures that issues are dealt with before they result in potential strikes or other work disruption. These issues may include the introduction of new technology and its perceived threat to job security, reorganisations, perceived threats to employment and employment conditions, implementation of TfL common policies and safety concerns. This could lead to a possible reduction in service and impact on TfL's reputation.</p>	Current	Mitigating Actions	Status	Target	Trend
	H	Maintain strong links with external organisations to monitor relevant industry trends and developments impacting IR and build effective working relationships with TUs	Ongoing	M	↔
		Embed Employee Relations Strategic Plan and adopt a tactical approach to dispute management taking into account the unique circumstances and our strategic principles	Ongoing		
		Develop and implement communications plan to enable timely engagement with staff in order to effectively counter negative messages from TUs	In progress		
Regular reports from franchise/concession (Bus and Rail) operators on the status of relationship with Trade Unions, ballots and pay negotiations.		Ongoing			
Review Comment: <i>No strikes or work disruptions this quarter and the trend is stable</i>					

Key
Based on ARM scoring

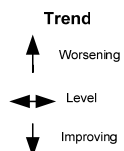
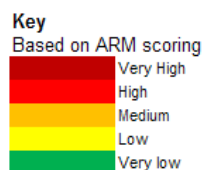
	Very High
	High
	Medium
	Low
	Very low

Trend

↑	Worsening
↔	Level
↓	Improving

Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our Customers and Users							
12. Environmental impact of delivering a transport service					Owner: Michèle Dix		
TfL aims to demonstrate its commitment to managing its environmental foot print in order to meet various regulatory targets for emissions and to deliver Mayoral aspirations for air quality. There is a risk that increased service intensity across the network will drive upward pressure on emissions and hinder TfL's ability to meet the regulatory targets.	Current	Mitigating Actions			Status	Target	Trend
	H	Deliver Mayoral aspirations on Air quality through capital investment programmes that support the improved air quality initiative.			Ongoing	M	↔
		Implement technology focused capital investment projects identified in the Business Plan to deliver reductions to NOx, CO2 emissions; these will enable TfL meet regulatory targets.			Ongoing		
Review comment: <i>Trend remains high as the business continues to work on the identification and development of additional mitigating actions to reduce the current risk status, and the risk target.</i>							



Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes

Our People					
13. People Strategy					Owner: Tricia Riley
<p>TfL recognises the importance of a skilled and motivated workforce to help deliver excellent transport services. There is a risk that OneHR is unable to completely deliver the objectives of TfL's People Strategy which include knowledge retention, timely access to scarce resources, staff development and retention</p>	Current	Mitigating Actions	Status	Target	Trend
	L	Develop Resourcing Strategy that facilitates resource planning for future needs and make provision to acquire these resources proactively.	Ongoing	VL	↔
		Develop the Management System directly related to People Management to ensure information is consistent, simple to understand and easy to find to assist staff and managers in relation to HR issues.	Ongoing		
		Utilise an IT solution to improve the accuracy of workforce planning.	In progress		
		Implement the Managing Essentials Programme for new managers to ensure they learn skills and processes applicable to their roles in TfL and increase managerial competence.	In progress		
Implement a single, unified Behaviour Framework to enable all TfL staff to work toward the same desired behaviours.		In progress			

Key
Based on ARM scoring

	Very High
	High
	Medium
	Low
	Very low

Trend

↑	Worsening
↔	Level
↓	Improving

Status	Definition
Fallback	Alternative plan
In progress	New action and/or business process
Ongoing	Existing controls or processes