

Date: 7 June 2018

Item: Strategic Risk Management Update

This paper will be considered in public

1 Summary

- 1.1 The purpose of this paper is to provide an update to the Committee on progress with development of TfL's approach to Strategic Risk Management.

2 Recommendation

- 2.1 **The Committee is asked to note the paper.**

3 Background

- 3.1 We presented an update to the TfL Executive Committee on 2 May 2018 which included a new Enterprise Risk Management Framework (ERMF), a consolidated Enterprise Risk Assessment Matrix (ERAM), our approach to risk tolerance and appetite and an update to the TfL Strategic Risks. These are attached as Appendices 1 to 4.
- 3.2 These were all endorsed by the Executive Committee subject to further consultation.
- 3.3 Work has commenced on 'deep dive' reviews of all of TfL's strategic risks and we are planning to complete this work by the end of June 2018.
- 3.4 These reviews include identification of causes and consequences, quantified cost risk assessments, identification of key risk indicators and the assignment of strategic risks to a relevant panel or committee.
- 3.5 All strategic risks will be assessed against four impact categories: Health, Safety and Environment (HSE); Customers/Stakeholders; Finance and Reputation.
- 3.6 Tolerances have been set for all four impact categories based on TfL's risk appetite themes set in November 2017, subject to approval by the Board.
- 3.7 Those responsible for the management of strategic risks will be required to identify controls or mitigating actions addressing any impact category assessed as outside of TfL's corporate tolerance, or alternatively give a rationale for accepting the current risk exposure.
- 3.8 Next steps include a review of TfL's risk policy, gaining input and approval from the Board on TfL's risk tolerance and appetite, completing the strategic risk deep dives and implementing the new ERM Framework and assessment methodology.

List of appendices to this report:

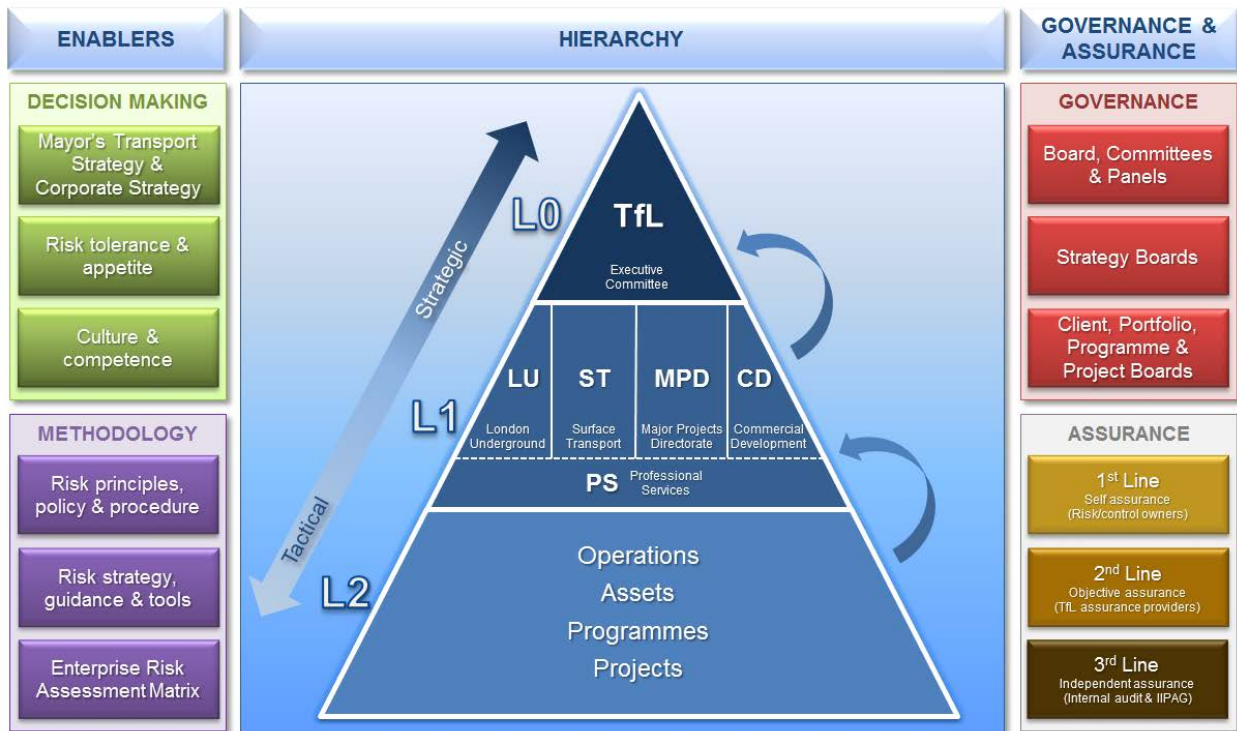
- Appendix 1 - Enterprise Risk Management Framework (ERMF)
- Appendix 2 - Enterprise Risk Assessment Matrix (ERAM)
- Appendix 3 - Risk tolerance and appetite approach
- Appendix 4 - TfL's Strategic Risks

List of Background Papers:

None

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Appendix 1: TfL's Enterprise Risk Management Framework (ERMF)



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Appendix 2: TfL's Enterprise Risk Assessment Matrix (ERAM)

THREAT ASSESSMENT MATRIX	1. Very Low	2. Low	3. Medium	4. High	5. Very High
Health, Safety & Environment	Minor health issue or Minor injuries or Minor localised environmental harm	Minor health issue with potential for regulatory action or Minor injuries with potential for regulatory action or Minor localised / short term environmental harm with potential for regulatory intervention	Moderate health issue leading to regulatory action or Major injuries leading to regulatory action or Moderate environmental harm leading to potential regulatory action	Significant health issue leading to adverse regulatory outcome or Single fatality leading to adverse regulatory outcome or Significant long-term / large scale environmental harm leading to adverse regulatory outcome	Life changing / Multiple health issues leading to prosecution or Multiple fatalities leading to prosecution or Major long-term / large scale environmental harm leading to prosecution
Customer & Stakeholder	Small number of customers/stakeholders affected with minimal disruption to service delivery or impact to assets EJT < 0.005 LCH < 100k	Minor impact to: • service delivery • assets; or • delivery of the MTS EJT 0.005 to <0.023 LCH 100k to <500k	Moderate impact to: • service delivery • assets; or • delivery of the MTS EJT 0.023 to <0.046 LCH 500k to <1m	Major impact to: • service delivery • assets; or • delivery of the MTS EJT 0.046 < 0.232 LCH 1m to <5m	Catastrophic failure or gross negligence resulting in an inability to deliver multiple services and/or a total loss of assets or inability to deliver significant elements of the MTS EJT > 0.232 LCH > 5m
Finance	<£1m	£1m to <£5m	£5m to <£10m	£10m to <£50m	≥£50m
Reputation	Negative feedback from customers or stakeholders via the Customer Service Centre, media outlets, Twitter or blogs	Short term negative media coverage	Negative media coverage resulting in loss of confidence with regulator or stakeholder intrusion	Ongoing negative media coverage resulting in loss of confidence with significant regulator or stakeholder intrusion	Extensive ongoing negative media coverage resulting in major loss of confidence with significant regulator or stakeholder intrusion or loss of licence to operate
	1. Very Low	2. Low	3. Medium	4. High	5. Very High
Probability	<5%	5% to <25%	25% to <50%	50% to <80%	≥80%
Frequency	Less than once in 20 years	Less than once in 5 years	Between once in 5 and once in 2 years	More than once in 2 years	Once or more per year

EJT = Excess Journey Time, measured in decimal minutes; LCH = Lost Customer Hours

OPPORTUNITY ASSESSMENT MATRIX	1. Very Low	2. Low	3. Medium	4. High	5. Very High
Health, Safety & Environment	Minimum environmental / health requirements met with no additional value added	Minimum environmental / health requirements met with short-term limited value added	Medium-term positive environmental / health performance across more than one aspect but not considered for whole life of change	Long-term positive environmental / health performance improvement across most aspects for whole life of change	Sustained positive environmental / health performance across full range of relevant aspects for whole life of change
Customer & Stakeholder	Minor improvement to services.	Minor improvement to services. Enhanced relations with local stakeholders for less than a month.	Moderate improvement to services. Enhanced relations with local stakeholders for longer than a month. An element of the MTS delivered quicker and over and above expectations.	Major improvement to services. Significantly enhanced relations with key stakeholders for less than a month. Some elements of the MTS delivered quicker and over and above expectations.	Exceptional improvement to services. Significantly enhanced relations with key stakeholders for more than a month. Significant elements of the MTS delivered quicker and over and above expectations.
Finance	<£1m	£1m to <£5m	£5m to <£10m	£10m to <£50m	≥£50m
Reputation	Positive feedback from customers or stakeholders via the Customer Service Centre, media outlets, Twitter or blogs.	Short term positive media coverage.	Positive media coverage resulting in temporarily increased confidence from regulator or stakeholders.	Ongoing positive media coverage resulting in temporarily increased confidence from regulator or key stakeholders.	Extensive ongoing positive media coverage resulting in sustained increased confidence from regulator or key stakeholders.
	1. Very Low	2. Low	3. Medium	4. High	5. Very High
Probability	<5%	5% to <25%	25% to <50%	50% to <80%	≥80%
Frequency	Less than once in 20 years	Less than once in 5 years	Between once in 5 and once in 2 years	More than once in 2 years	Once or more per year

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Appendix 3: TfL's approach to risk tolerance and appetite

Impact Categories	Risk tolerance themes (Nov 2017)	Risk appetite themes (Nov 2017)	TfL's Corporate Risk Tolerance		
			Averse	Neutral	Open
Health, Safety & Environment (HSE)	- Very low tolerance for 'Jeopardising Safety'	- Significant appetite for 'Positive environmental impact'			
Customer / Stakeholder	- Low tolerance for 'Impairment of customer experience' - Low tolerance for 'Impairment of performance of core services' - Low tolerance for 'Employee/employer discord'	- Significant appetite for 'Building capability and competence'			
Finance	- Very low tolerance for 'Impairment of Financial sustainability' - Low tolerance for 'Capital delivery shortfalls'	- Significant appetite for 'Extending revenue generation'			
Reputation	- Low tolerance for 'Impairment of customer experience' - Very low tolerance for 'Falling below high performing organisation standards'	- Significant appetite for 'Positive social and economic impact' - Significant appetite for 'Relevance and willingness to innovate'			

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Appendix 4: TfL's Strategic Risks

Closed risks	
Risk	Reason
Unexpected loss of income	Merged with SR 7 – Financial Sustainability
Managing railway or strategic road network asset base	Merged with SR 13 – Operational Reliability
Decreasing ridership in buses	Covered by SR 9 – Ability to meet changing demand
Delivery of modernisation for LU	Managed within LU directorate at Level 1

Changed risks	
Risk	Reason
SR 2 – Workforce adaptability	Renamed to SR 2 – Talent Attraction and Retention
SR 3 – Governance Suitability	Renamed to SR 3 – Governance and Controls Suitability
SR 16 – Delivery of Elizabeth Line	Renamed to SR 16 – Opening of the Elizabeth Line; Deep dive review resulted in a new risk assessment, identification of causes, consequences, controls and a key risk indicator.

List of Strategic Risks						
#	Risk	Owner	Manager	Mayors Transport Strategy / Corporate Strategy	Suggested Panel / Committee	Above tolerance (S/C/F/R)
SR 1	Safety standards	Gareth Powell	Jill Collis	MTS: Healthy streets and healthy people	SSHRP	R
SR 2	Talent attraction and retention	Tricia Wright	Rachel Kerry	CS: People	SSHRP	F,R
SR 3	Governance and controls suitability	Howard Carter	Andrea Clarke	CS: People	AAC	
SR 4	Foresight strategy	Shashi Verma	Michael Hurwitz	CS: Finance	FC	F,R
SR 5	Technological or market developments	Vernon Everitt	Shashi Verma	CS: Finance	FC	F
SR 6	External stakeholder expectations	Vernon Everitt	David McNeill	CS: People	CS&OP	F
SR 7	Financial sustainability	Simon Kilonback	Tom Page	CS: Finance	FC	F,R
SR 8	Delivery of commercial revenue targets	Graeme Craig	Ken Youngman	MTS: New homes and jobs	FC	F,R
SR 9	Ability to meet changing demand	Mark Wild	David Hughes	MTS: New homes and jobs	CS&OP	R
SR 10	Catastrophic event	Mark Wild	Nigel Holness	MTS: Healthy streets and healthy people	SSHR	R
SR 11	Significant technology failure or major cyber security incident	Vernon Everitt	Shashi Verma	MTS: Healthy streets and healthy people	CS&OP	R
SR 12	Delivery of key investment programmes	Stuart Harvey	Nick West	MTS: New homes and jobs	PIC	F,R
SR 13	Operational reliability	Mark Wild	Nigel Holness	MTS: A good public transport experience	CS&OP	F,R
SR 14	TfL's impact on the environment	Alex Williams	Sam Longman	MTS: Healthy streets and healthy people	SSHR	F,R
SR 15	External environment impact on TfL	Alex Williams	Sam Longman	MTS: A good public transport experience	SSHR	F,R
SR 16	Opening of the Elizabeth Line	Mark Wild	Howard Smith	MTS: New homes and jobs	PIC	F,R

Tolerance key:	
S:	Health, Safety & Environment
C:	Customer/Service stakeholder
F:	Finance
R:	Reputation

Panels & Committees key:	
SSHRP	Safety, Sustainability & Human Resources Panel
AAC	Audit and Assurance Committee
FC	Finance Committee
CS&OP	Customer Services & Operational Performance Panel
PIC	Programmes and Investment Committee