Risk Management Strategy

TRANSPORT FOR THE
NORTH

Contents

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1. Risk Management Strategy

Purpose

1.1. The Risk Management Strategy (RMS) aims to support the strategic objectives of the business and sets out Transport for the North's (TfN) approach to risk management. It provides guidance in its application for the management of risk by describing TfN's:

- Risk Management Process;
- Risk Management Reporting;
- Issues Management

1.2. The document is intended to act as a communication and management tool to ensure TfN's Programmes and Directorates have clarity regarding:

1.3. The Risk Management Processes to be adopted;
- Scales of probability and impact and the tools to be used;
- Reporting of risk and the timing of risk management activity.

1.4. Not all risks can be eliminated, but staff and senior management should be aware of the risks affecting TfN's Projects/programmes and Directorates in order for the risks to be understood and, where possible, managed and mitigated.

1.5. The RMS supports key principles in the following ways:

- **Building trust and respect**: by being open about our risks, we can build trust and respect
- **Delivering our promises**: by managing risk we can deliver our commitments

2. Introduction to Risk Management

2.1.   TfN faces a wide range of risks (both threats and opportunities) at all levels across the organisation. The nature of TfN's activity means that not only is risk management central to the achievement of its strategic objectives, but the process by which it addresses risk (related to its activity) has the potential to achieve sustained benefits across the full portfolio of projects and programmes.

2.2.   The focus of good risk management is the identification and management of risk. Management of risk involves the systematic application of methods and practices to the tasks of identifying, estimating, and evaluating risks. This in turn allows mitigation measures to be identified and implemented. This provides a disciplined environment for proactive decision-making.

2.3.   The Risk Management Strategy will provide the framework for managing risk in a consistent manner and raises awareness of the need for effective risk management. Adopting the RMS will support the aim of integrating risk management into working arrangements so that risks are proactively identified and managed.

2.4.   Furthermore, the approach to Risk Management will involve identifying and realising potential opportunities. This process is designed to encourage the consideration of opportunities and the communication of these within TfN.

Benefits to Risk Management

2.5.   Proactive Risk Management provides a number of primary and secondary benefits including:
- Reduced exposure to the negative impacts of uncertainties;
- Confidence in achieving targets and maximising outputs and outcomes through improved understanding of uncertainties;
- Risks owned by parties and/ or individuals best able to manage them; and
- Facilitation of effective communication across the organisation.

Common Process Barriers

2.6.   It is recognised that there are barriers and constraints common to the implementation and embedding of risk management.

2.7.   The most common barriers to successful risk management are:

- Lack of time or resources allocated to risk management;
- Lack of risk strategy, process, or plans;
- Lack of a senior risk champion;
- Lack of training, knowledge or formal risk tools or techniques;
- Lack of 'buy-in' from the teams;
- Lack of clear guidance for managers or staff.

2.8.   It is the responsibility of managers, assisted by the Risk Manager, to reduce the likelihood of encountering these barriers whenever possible. Where obstacles

arise that are beyond the ability of the manager to address, it is important to escalate it to the Risk Manager who will work with the Project Manager to take appropriate action.

Key Terminology

2.9. The key risk management terminology referred to in this document are as follows:

- **Risk**: Defined as an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives. Such an event that potentially creates a benefit for the organisation is termed as an opportunity (+ve risk) while an event with a potentially negative impact is viewed as a threat (-ve risk).
- **Risk Management**: The identification, evaluation, analysis, treatment and reporting of uncertainties, threats and opportunities associated with Project, Programme, Directorate and Portfolio objectives.
- **Risk Culture**: Refers to an organisation's set of attitudes, values, and knowledge of risk management. An effective risk culture rewards individuals for taking the right risks in an informed manner.
- **Risk Cause**: A description of the source of the risk, i.e. the event or situation that gives rise to the risk.
- **Risk Impact**: The extent of the adverse or positive effect on objectives.
- **Risk Proximity**: Defined as short-term, medium-term, and long-term, risk proximity is a prioritisation technique which assists risk owners in deciding the risks upon which to focus mitigation and management activity.
- **Risk Probability/ Likelihood**: The possibility of a risk event occurring.
- **Risk Score / Profile**: A comparative indication of how serious the risk is likely to be.
- **Inherent Risk**: Refers to the (gross) risk position. That is, before any mitigation measures / controls are in place.
- **Current Risk**: Refers to the managed level of risk. That is, the existing level of risk, taking into account current controls/mitigation measures put in place.
- **Target Risk**: Refers to the ultimate level of risk that is desired by the organization, when planned controls and mitigation actions have been implemented.
- **Control:** Ongoing 'business as usual' activities, which are embedded into processes, procedures, systems, projects, or programmes.
- **Mitigation**: Measures/ actions taken to reduce the possibility of the risk event occurring.
- **Fallback Plan:** A fallback plan will define how to minimise the impact after the event.
- **Predict**: Risk management software implemented by TfN to record, review, update and manage all risks.
- **Risk Appetite:** risk appetite as "the amount and type of risk that an organization is prepared to pursue, retain or take."
- **Risk Register**: The document which holds specific information regarding each risk associated with individual programmes/directorates.
- **Risk Reference**: The unique number given to each risk on the risk register.

- **Risk Transfer**: The movement from a risk owner to another appointed owner who is better placed to manage the risk.
- **Risk Closeout**: Where a risk/ potential risk event is no longer valid and has been formally shutdown.
- **Early Warning**: An advanced indication that a potential risk is about to materialise, allowing appropriate measures to be adopted.
- **Qualitative Risk Report (QRR)**: Refers to a detailed qualitative evaluation of risks. The report highlights the current and target risk position taking into account the spread of risks on a Probability and Impact Matrix.
- **Qualitative risk ranking**: the risk score, using colours (Red, Amber, Yellow, Green) to denote the severity of a risk.
- **Issue**: A risk that has materialised and which is affecting the programme, requiring immediate resolution through a management response.
- **Assumption**: A "logical belief" rather than a matter of proof. Assumptions may include exclusions from programme scope, estimates or budgets.
- **SWOT**: Strengths, Weaknesses, Opportunities and Threats – A strategic planning or evaluation technique.
- **PESTLE**: refers to Political, Economic, Social, Technological, Legal and Environmental – an analytical technique useful for decision-making.

3. Risk Appetite

3.1. **Risk Appetite**: Risk appetite is 'The amount of risk that an organisation is prepared to accept, tolerate, or be exposed to at any point in time" (Orange Book, 2004)

3.2. The purpose of a risk appetite statement is to provide the parameters for individuals to help inform decision making.

3.3. **TfN Risk Appetite Statement** "The level of risk TfN is prepared to tolerate (or not) in pursuing its strategic objectives." The risk appetite is based on an assessment of the current level of risk and will be regularly reviewed to ensure it remains appropriate.

3.4. TfN, the only statutory Sub-national Transport Body in England, funded by the government has a **cautious risk appetite** meaning a preference for safe business delivery options.

3.5. According to the Government's Risk Appetite guidance (Orange Book, 2021), a cautious approach means *a preference for safe options that have low degree of risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity.*

3.6. On the probability impact matrix, a current threat scoring of 14 or above (High) is considered to be outside of TfN's risk appetite. All mitigations should be proportional to the level of threat a risk poses. TfN do not have full control over all mitigation actions. The avoidance and reduction of the assessed impacts are contingent on partners and members taking further action.

Table 1: Probability Impact Matrix for Risks

Threat Scoring

PROBABILITY		Very Low 1	Low 2	Medium 3	High 4	Very High 5
75 – 100%	Very High 5	5	10	17	20	25
51 – 74%	High 4	4	8	14	18	20
26 – 50%	Medium 3	3	7	10	15	19
6 – 25%	Low 2	2	6	8	11	17
≤5%	Very Low 1	1	2	4	8	13
		Very Low 1	Low 2	Medium 3	High 4	Very High 5

IMPACTS

Score		Threat Response
Very High	19-25	These risks are outside of TfN's risk appetite. Controls, mitigation actions, and fallback planning are required to reduce probability and impacts of the risk. These risks must be escalated to the Senior Responsible Owner (or functional director) and considered for reporting to TfN's Operating Board.
High	14-18	These risks are outside of TfN's risk appetite. Controls and mitigation actions are required to reduce the probability and impacts of the risk. These risks should be considered for escalation to the Senior Responsible Owner (or functional director).
Medium	7-13	Controls may be appropriate to manage the risk through daily activities and mitigation actions should be considered. Risks should be monitored through monthly risk workshops.
Low	1-6	Controls and mitigations actions to be considered. Risks to be monitored through monthly risk workshops but can be tolerated.

Table 2: Threat Responses

3.7. TfN acknowledges there will be some areas of exception, where TfN's risk appetite will vary; these are detailed below.

3.8. **Compliance and relevant laws and regulations, Health and safety, Information technology and cyber security:** In these areas, TfN has a risk averse appetite. The Orange Book defines an averse risk appetite as *an avoidance of risk and uncertainty in achievement of key deliverables or initiatives. Activities undertaken will only be those considered to carry virtually no risk.*

3.9. The risk appetite will be communicated to staff through training and to be included as part of new starter inductions.

4. Risk Management Process

4.1.   The primary purpose of the Risk Management Process (RMP) is to identify the effect of uncertainty on project/programmes and business objectives and to formulate and implement measures to reduce or optimise the effects. In addition, an appropriately functioning RMS is a key driver for fostering effective communication and decision-making.

4.2.   Risk Management is an iterative process through which risks are continually identified, assessed, managed and monitored. The process is not dependent upon the Risk Manager's presence, and members of staff are encouraged to consider risk management throughout the delivery of their activities.

4.3.   The Risk Management Process is subdivided into seven key steps listed below:

1.   Establishing the Context;
2.   Risk Identification
3.   Risk Analysis;
4.   Risk Evaluation;
5.   Risk Treatment;
6.   Monitor and Control
7.   Risk Communication

4.4.   Collectively, these steps form a logical sequence, necessary for the adoption of a robust approach to the implementation of risk management. As represented below, the steps are represented as an iterative process, as it will be common for the entire process to be completed a number of times during the life of a business activity.

Figure 1: TfN's Risk Management Process.

Establishing the context

4.5.   This step involves defining the internal and external criteria, to be taken into a count when identifying and managing risk. Collating all information with regards to the activity. For example, scope documents, business case, cost estimates, assumptions log, schedules, PESTLE analysis, stakeholder requirements and constraints), thus enabling the identification of risks that may have an impact upon TfN's objectives. Information collated will assist in defining appropriate probability and impact scoring.

Risk Identification (Threats & Opportunities)

4.6.   Risk identification sets out to identify the exposure to uncertainty. This process should identify sources of risk and opportunities where these are deemed to have an effect. Risks and opportunities will be identified against the explicit activity objectives identified during establishing the context. As such, a comprehensive list of risks, known as a risk register, will be developed.

4.7.   Opportunities need to be identified along with threats. Each item will be identified by category and given a distinct risk reference.

4.8.   It is important that risk identification is conducted as a group activity that considers the opinions of relevant team members and, where appropriate, Subject Matter Experts (SME). This process should be facilitated by the Risk Manager or allocated Risk Champion.

4.9.   Risks that the organisation face need to be considered when establishing the assurance programme.

Risk Categories

4.10.   The categorisation of risks in the table below will enable risks to be classified and assessed consistently across the organisation.

4.11.   The following categories should be considered when assessing risks:

Item	Risk Category	Description / Risks associated with
1	Corporate Objectives	• Corporate objectives relate to possible risks (threats and opportunities) that may either hinder or enhance the chances of successfully achieving TfN's business plan. • Risks such as funding / delivery management, integrated transport strategy and transport solutions • Reputation and political environments are also to be considered.
2	Resources	• Resources concentrate on the availability and engagement of appropriately skilled people (internal and external) and their ability to collaborate in the successful delivery of programmes. • Skills and experience, knowledge, and talent development of the existing workforce are all considered. • Tools including equipment, office space, IT, etc., are risks that also fall under this category.

3	Commissioning, Commercial and Financial / Funding	• Commissioning risks, include the ability to develop effective procurement and contracting strategies, and secure appropriate commercial agreements. • Commercial risks include an understanding of market or industry factors affecting the delivery and operations, and the contractual arrangements necessary to deliver successful outcomes. • Financial/ Funding risks include effective costing, budget estimating and cost control. Affordability and value for money are also key considerations, as well as the associated risks of the funding of projects and programmes.
4	Technical Performance	• Risks include the specification, design, build, commissioning and testing of project/ programme deliverables (e.g., new assets, processes, etc.) • Technical performance also includes how well the solutions are performing and delivering expected benefits.
5	Public, Media and Stakeholders	• Public, Media and Stakeholder related risks encompass the requirements and influences of Partners, Customers, Campaigners and associated reputational risks.
6	Legislation and Regulation	• These risks relate parliamentary/ legislative processes, and the requirements of central government and transport regulators that may possibly impact on TfN's objectives. • This category also includes the risk of changes in political policy, support, and regulations.
7	Governance	• The Governance category looks at the risks in relation to effective and efficient decision making, particularly in respect of TfN's responsibility as an STB for determining investment priorities across the North of England.
8	Delivery Partners	• This category includes for commissioning related risks in respect of TfN's relationships with its third-party delivery Partners, including Network Rail, Highways England, and HS2. • Interdependencies between the separate organisations' objectives and timescales are also considered.
9	Service Delivery	• Service delivery – or operational – risks include those factors that may hinder and/ or enhance TfN's current operations and future services. • In addition, service functionality and the opportunity to add value to customers and the wider public is also a consideration.

Table 3: Risk Categories

4.12. Further risk categories may be established at any time in consultation with the Risk Manager.

Risk Description

4.13. An accurate risk description (i.e. describing a risk in a structured manner) should be formed of three parts as follows:
- The Risk: Defined as an uncertain event or set of events that, should it occur, will have an effect on the achievement of objectives;

- Risk Cause: A description of the source of the risk, i.e. the event or situation giving rise to the risk;
- Risk Impact: The extent of the adverse or positive effect on objectives.

Risk Analysis and Evaluation

4.14. Risk assessment and evaluation is the process of analysing and evaluating risks and opportunities by applying the probability and impact rating of individual risks and opportunities. The exercise enables the risk identifier to prioritise risks to establish a most-to-least-severity ranking.

4.15. When a risk is identified, an estimate of the probability of the risk occurring and the likely impact needs to be determined.

4.16. Probability is the evaluated likelihood of the identified risk occurring.

4.17. Impact is the evaluated effect or result of a particular risk occurring. TfN assesses risk against 5 impact categories.

- Cost
- Reputation
- External Relationships
- Quality
- Time

4.18. For example, there may be a "Low" probability of damage to a relationship with a key delivery partner, but enormous reputation impact may result if the risk occurs. Conversely, a "High" probability risk of a systems failure may not have a major impact on the business.

5x5 Risk Matrix and Scoring

4.19. A Probability Impact Matrix (PIM), as illustrated below, is a tool that allows risk severity to be calculated. Risks are plotted according to the probability of occurrence and the impact upon an activity should the risk happen.

4.20. The qualitative risk ranking (risk score) will be generated by multiplying the probability with the maximum of the impacts for each risk. The risks with the highest scores will be reported for review and decision-making.

THREAT SCORING

PROBABILITY		Very Low 1	Low 2	Medium 3	High 4	Very High 5
75 – 100%	Very High 5	5	10	17	20	25
51 – 74%	High 4	4	8	14	18	20
26 – 50%	Medium 3	3	7	10	15	19
6 – 25%	Low 2	2	6	8	11	17
≤5%	Very Low 1	1	2	4	8	13

IMPACTS

Table 4: Probability Impact Matrix for Risks

Score	
Very High	19 – 25
High	14 – 18
Medium	7 – 13
Low	1 - 6

Table 5: Threat Scoring

OPPORTUNITY SCORING

PROBABILITY			Very Low 1	Low 2	Medium 3	High 4	Very High 5
75 – 100%	Very High 5		-5	-10	-17	-20	-25
51 – 74%	High 4		-4	-8	-14	-18	-20
26 – 50%	Medium 3		-3	-7	-10	-15	-19
6 – 25%	Low 2		-2	-6	-8	-11	-17
≤5%	Very Low 1		-1	-2	-4	-8	-13
			Very Low 1	Low 2	Medium 3	High 4	Very High 5

IMPACTS

Table 6: Probability Impact Matrix for Opportunities

Score	
Very High	-19 - -25
High	-14 – -18
Medium	-7 – -13
Low	-1 - -6

Table 7: Opportunity Scoring

Risk Treatment (also referred to as Mitigation Actions)

4.21. During risks assessment, mitigation plans should be identified. The 3 types of plans are;

Controls – Ongoing 'business as usual' activities, which are embedded into processes, procedures, systems, projects, or programmes. Controls should be applied after the inherent assessment. Controls should be ongoing but reviewed to ensure they remain appropriate.

Mitigation Actions – Specific actions to reduce risk from current to target level. Actions should have an agreed completion date.

Fall back plans – If the risk does occur a fallback plan will define how to minimise the impact after the event. Fallback plans should be captured for all very high risks.

4.22. A suitable response strategy should be selected for threats, opportunities and issues. Appropriate ownership will be identified in the risk register for all risks, together with the associated mitigating actions.

4.23. A mitigation response strategy is a key stage in the management of risks. It is the process by which a project/programme/directorate decides how and by whom risks will be managed. For example, programme teams may agree to transfer a particular risk from one team to another.

Treatment Response Strategy (TRS) for Threats

TRS	Description
Tolerate	Accept the threat without any further action.
Treat	An action taken to minimise both the probability and impact of risk.
Transfer	Transfer risk to another programme / party.
Terminate	Choose a different option to completely eliminate the threat.
Share	Share the risk with another programme / third party.

Table 8: Treatment Response Strategy (Threats)

Treatment Response Strategy (TRS) for Opportunities

Table 9:

TRS	Description
Enhance	Action taken to increase the probability or impact of the opportunity occurring.
Exploit	Take action to ensure the opportunity happens, and the outcome is optimised.
Share	Share the opportunity with another programme / third party.
Accept	Accept the opportunity and move on.

Treatment Response Strategy (Opportunities)

4.24. To understand how TfN's corporate risks are impacted by the mitigation activities TfN has assessed the level of control on the risk actions and the extent to which TfN is able to influence or control those risk outcomes.

4.25. TfN do not have full control over all mitigation actions. The avoidance and reduction of the assessed impacts are contingent on partners and members taking further action.

4.26. Corporate risks have been subject to an evaluation by identifying the level of control:

- **High Control:** TfN has direct control over most of the available mitigation options - strategies that TfN has the power and/or ability to implement and as a result, contribute to the successful mitigation of the associated risk.

- **Medium Control:** TfN has some control over the available mitigation in conjunction with collaborative efforts with relevant partners or other stakeholders to be successful in the management of the action plans. TfN may be able to deploy additional resources to increase its ability to influence risk outcomes.
- **Low Control:** TfN has very limited control over the identified mitigations which must be a collaboration with the relevant internal and external parties. Without joint involvement, the likelihood of the risk materialising increases. Whilst TfN can attempt to influence the factors impacting on these risks, it has a low level of control over if or how these mitigations are implemented.

Monitor and Control

4.27. This is the process by which the risk planning measures are monitored and controlled. Usually conducted as part of regular risk reviews, the monitoring activity will enable the generation of Action Reports and an updated Qualitative Risk Report. The output of this process step will allow for corrective action to be taken should the risk planning measures be judged as not working effectively and thus further actions may be required.

Risk Communication

4.28. In support of the six steps outlined above, the effective communication of risk is the process whereby risk information is shared amongst relevant parties in a consistent manner, thus promoting and enhancing a coordinated approach to Risk Management.

4.29. Any projects/programme's exposure to risk evolves over its lifecycle and continuous effective communication is therefore critical to the identification of new threats and opportunities or changes within the programme. In particular, the identification of new risks depends upon the maintenance of good communication networks. It is imperative that management engages with staff across the project/programme and ensures stakeholders have:

- Clearly defined roles and responsibilities;
- Clear and precise understanding of the risk escalation channels;
- Good knowledge of transferred lessons learned.

5. Risk Reviews

5.1. The frequency of risk review workshops will depend on the current risk score, as shown below:

Score	Frequency
1-6	Quarterly
7-13	Quarterly
14 -18	Monthly
19-25	Monthly

Table 10: Risk Workshop Frequency

Predict Software

5.2.	Predict is the Risk Management system, which TfN has adopted to record, review update, and manage risks across the organisation from corporate to project and programme level. It provides a central location for Risk Management and provides visibility and transparency across the organisation.

5.3.	Training for Predict is provided to new TfN employees. If there is a version update it is communicated to all users and training will be provided.

5.4.	If staff have a query in regard to use of the system, they can email risksystem@transportforthenorth.com for support.

5.5.	All risks, issues, opportunities and actions are recorded into the Predict software and are reviewed and updated following risk workshops. Progress comments should be provided as an audit trail.

6. Risk Reporting

6.1. An efficient and effective risk reporting process allows management to be informed regarding key threats and opportunities that requires attention at a higher level, and the results of the risk assessments may be presented in a variety of formats depending on the stakeholder audience and reporting needs. Generally, key risks are presented in the form of graphs and tables with the most probable outcome plotted for a range of values and probabilities.

6.2. As a corporate body, the overarching risk reporting diagram illustrates the required risk governance that the organisation has adopted.

6.3. For governance and transparency reasons, risks will be managed and reported. As TfN uses project information to identify cross cutting risk themes that are sufficiently significant, either in their own right or in aggregate, to be reported to and discussed by the Operating Board as risks requiring corporate focus. Furthermore, critical challenges and issues which may require the attention of senior executives will be escalated to TfN's Operating Board (OBT).
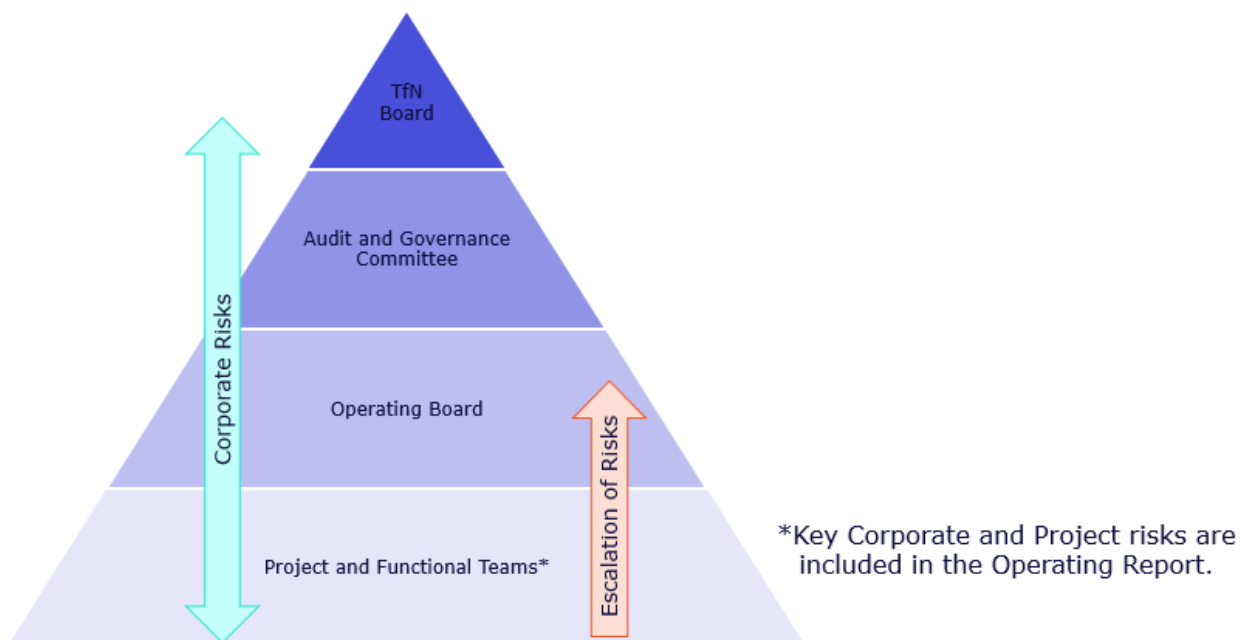

Figure 2: TfN's Reporting Structure

6.4. Conversely, it is imperative for strategic risks identified at the corporate level to be shared across departments to ensure a "bottom up" and "top down" risk awareness prevails.

Operating Board

6.5. In accordance with Transport for the North's constitution, paragraph 63.4.11 emphasises that "the Operating Board manages the risk management arrangements to ensure the appropriate management of risks" is in place across the organisation.

6.6. Operations Board manage and develop the risk management arrangements and oversee health and safety risks, ensuring compliance with health and safety legislation and an appropriate management of those risks. With support from the Risk Manager, the Operating Board will implement the risk management strategy, ensuring ownership and the active management of risk and the reporting of significant risks. If required, key significant risks across all programmes will be reported to OBT to ensure there us transparency and visibility of programme risk exposures and if required make informed decisions to mitigate reported risks.

Audit and Governance Committee (AGC)

6.7. "Audit and Governance Committee is a key component of corporate governance providing an independent, high-level focus on the audit, assurance and reporting framework underpinning financial management and governance arrangements. Its purpose is to provide independent review and assurance to Members on governance, risk management and control frameworks. It oversees financial reporting, the Annual Governance Statement process and internal and external audit, to ensure efficient and effective assurance arrangements are in place".

6.8. The terms of reference for the Audit and Governance Committee includes the requirement for the committee to "monitor Transport for the North's risk and performance management arrangements including review of the risk register, and progress with mitigating action".

6.9. TfN's corporate and key programme risks are reported to the AGC to provide assurance to the committee that risks, and challenges related to the programmes are being recognised, analysed, and robustly managed.

6.10. For further information on the core functions of the Audit and Governance, please see the TfN Constitution.

TfN Board

6.11. The ultimate decision-making body with regards to Transport for the North activity. The board has delegated the assurance of Risk Management to the Audit and Governance Committee. Therefore, the corporate risks dashboard and executive summary will be presented to board bi-annually.

6.12. The guiding principles are that reporting will be:

- Understandable
- Recognisable
- Concise
- Logical
- Consistent

6.13. The below table outlines how risks will be reported. It summaries the key risk documents, the target audience, and the responsible owner(s) to ensure they are disseminated in a timely manner.

Governance Platform	Document	Frequency	Author
TfN Board	Section 1 Corporate Risk Register. Covering paper to include assurance statement from AGC and any material modifications to the RMS	Bi-Annual	Risk Manager
Audit and Governance	Updated Corporate Risk Register and RMS	Quarterly	Risk Manager
Operating Board	Updated Corporate Risk register, risk management process updates and escalated project risks (Very High/High) if appropriate	Quarterly/ Ad Hoc with key updates	Risk Manager
Public (published online)	Operating Report, including key risks (Very High/High) for each delivery area and corporate considerations	In line with Operating Report cycle	Risk Champions

Table 11: Risk Reporting

Roles and Responsibilities

6.14. Below summarises the key roles and responsibilities involved in managing risks across TfN;

Chief Executive Officer

- Understand the most significant risks to the organisation.
- Contributes to defining risks and mitigations actions.
- Owns and manages risks with the support of the board.

Finance Director S151 Officer

- TfN's Constitution states the S151 Officer is responsible for discharging the functions of the 'responsible financial officer' under the Accounts and Audit (England) Regulations 2015, including ensuring risk is appropriately managed.

Examples duties for Risk Management that have been adopted in TfN include:

- Contributes to defining risks and mitigations actions.
- Ensure that risks within the organisation are effectively managed.
- Owns and manages risks with the support of the board.
- Approver of all corporate risks.
- Ensure that risk management is closely integrated with the business plan.
- Model the principles of good risk management.

Risk Manager

- Take responsibility for the delivery of an effective and professional Risk Management service across TfN.

- Promote a robust Risk Management Strategy and framework throughout TfN.
- Work with Risk Champions, Senior Managers, Directors and CEO to support the embedding of risk management across the organisation.
- Lead the work of the Risk Champions to enhance collaboration and sharing of best practice and knowledge.
- Lead on the development, implementation and regular review of the risk management methodology, processes, procedures and practices.
- Design, develop and deliver training and provide support tools to help staff in managing risk effectively.
- Manage Risk Management software.
- Facilitate a risk aware culture within the organisation.
- Facilitate corporate risk workshops and manage corporate risk register.
- Compile risk information and prepare reports for OBT, AGC and TfN board.
- Model the principles of good risk management.

Risk Champions

— Facilitate the effective and proactive identification, management and communication of threats, opportunities, and issues.
— Promoting the risk management process for the programme/project/function and a proactive risk management culture.
— Organising and managing risk workshops and risk reviews as required.
— Ensure Predict risk software is updated with appropriate information and audit trails.
— Working with project team to identify actions for risks and adequate risk fallback plans.
— Escalating risks to the Functional Director/Senior Responsible Owner, as required
— Share best practise with other risk champions
— Support the risk manager with any risk audit processes
— Support the risk manager with audit and governance reports
— Ensure risk mitigation actions are being pursued by risk owners
— Review and advise on top risks for the operating report.

Functional Directors

Actively supporting and encouraging the implementation of formal risk management process.
Well informed about the external environment in which TfN operates, with a strong command of relevant issues.
Review of risk status reports/ other reports.
Review of escalated risks/issues and approve proposed risk responses.
Ensure that risks have been identified, assessed, and managed across all their work areas.
Attend risk reviews, manage and own risks, opportunities and issues at corporate level.
Ensure that key risk considerations are included in decision making processes.
Provide feedback on the Risk Management process and promote compliance to TfN Risk Management Strategy within the team.

Senior Management Team

- Actively supporting and encouraging the implementation of formal risk management process, ensuring compliance with the TfN Risk Management Strategy.
- Attend and contribute to risk workshops, taking ownership risks/opportunities and mitigation actions/fallback plans where required.
- Consider risks for escalation to director level if required.
- Approval of new and closed risks for risk register.

Project Managers

Actively supporting and encouraging the implementation of formal risk management process, ensuring compliance with the TfN Risk Management Strategy.
Ensure project has an up-to-date risk register, with risk and action owners assigned and appropriate controls/mitigation actions/fallback plans dependant on the level of risk.
Attend and contribute to risk workshops, identification, assessment and taking ownership of risks, opportunities, issues and mitigation actions/fallback plans where required.
Produce up to date project risk reports.
Consider risks for escalation to Senior Management Team.

Risk Owner

The relevant individual with responsibility for ensuring identified risks are managed effectively in accordance with the RMS.

Action Owner

— The relevant individual with responsibility to ensure mitigating actions are successfully managed and completed in accordance with the RMS.

6.15. All employees within in the organisation has a role in identifying, assessing monitoring and managing TfN's risks and opportunities. They should be aware of the risk management strategy and understand the risk process.

RACI Chart

6.16. The below Responsible, Accountable, Consulted and Informed (RACI) chart shows the distribution of responsibilities in risk management.

Key:

R: Responsible		A: Accountable		C: Consult		I: Inform	

Activity	Risk Manager	Risk Champions	Risk/Action Owner	Project Manager/ Snr Management	Project Team	Functional Directors	Finance Director	CEO
Management of Predict inc. all risk and issue registers	A	R	C	C	C	C/I	C/I	
Preparing for and facilitating functional and project risk workshops	A	R	C	C	C	I		
Functional risk workshop attendance	C	R	R	C	C	A		
Project risk workshop attendance	C	R	R	A	C	C/I		
Raising new risks/ transferring risks/ closing risks	C	C	R	A	C	I		
Escalating risks/ issues	C	R	R	A	I	C		
Operating Report top risks/issues	C	R	C	C	C	A	I	I
Completing mitigation actions/ fallback plans/ issue resolution	C	C	R	A	R	R	R	R
Providing risk advice and guidance	A	R						
Aligning functional and corporate risks	A	R		C	C	I	I	
Corporate risk workshop attendance	A		R			R	C	C
Corporate risk register	R		R			C	A	C
Corporate risk/issue report	R					C	A	C
Maintaining Risk Management Strategy	R	C				C	A	C
Risk Training	R	I	I	I	I	I	A	I

Table 12: Risk Management RACI chart

7. Issue Management

7.1.   Issue management plays an important part in TfN's risk management approach. An issue arises when a risk has crystallised or materialised and the actual event is known and currently occurring or has a 100% probability of happening unless action is taken immediately.

7.2.   When a group of high severity risks are judged as issues, it is a requirement for the project team to report the issues to TfN's Operating Board.
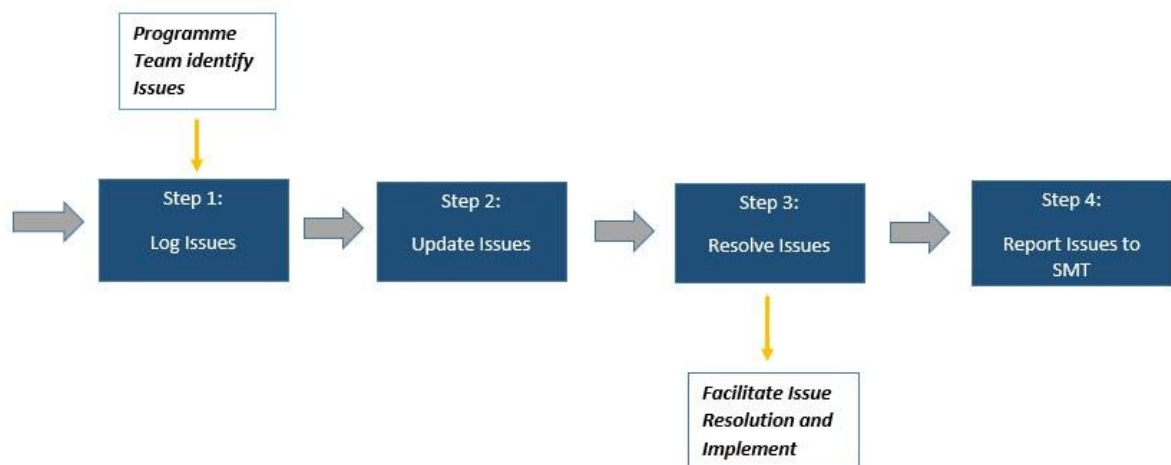

Figure 3: Issues Reporting

Issue Management Process

7.3.   As depicted below, the Issues Management process diagram depicted below follows a cyclical process with five discrete steps.

7.4.   The Issues Management process will focus on critical issues, also known "showstoppers". A showstopper is an event that is serious enough to halt an activity or a programme.

7.5. Unlike risk ranking, all critical issues will be treated as very significant (i.e. Very High) including those requiring external interface and internal resolution. Individual reviews will be held on a regular basis with issue owners to update the status of the issues.
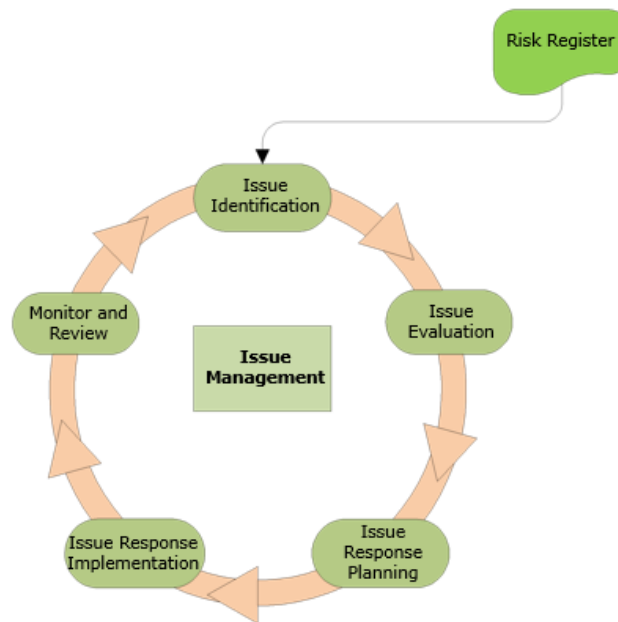

Figure 4: Issues Management Process

- **Issue Identification:** the process by which issues are identified and recorded in an Issues Register. An event can either be identified originally as an issue or as a form of crystallised risk.

- **Issue Evaluation:** the process by which identified issues are analysed based on the information known. The output of this evaluation greatly assists in determining the appropriate management response strategy.

- **Issue Response Planning:** the creation of appropriate management response to the issues evaluated.

- **Issue Response Implementation:** the process by which management puts a response strategy in place to tackle the identified issues. Including the dissemination of mitigation strategies and the allocation / implementation of required responses.

- **Monitoring and Review:** This component enables the management team to evaluate the effect of the response strategy implemented. That is, the effectiveness of the mitigation strategies and actions is monitored.

8. Reference

Figures:

Tables:

9. Appendices

Appendix 1: 5x5 Threat and Opportunity Scoring Criteria

5 x 5 Threat Impact Scoring Criteria

Likelihood Criteria	Very Low	Low	Medium	High	Very High
	≤5%	6-25%	26-50%	51-74%	>75%
Impact Criteria	**Very Low**	**Low**	**Medium**	**High**	**Very High**
Cost (Tier 1 - £0-£2m Budget)	£0 - £10k	£10k - £20k	£20k - £50k	£50k - £80k	£80k - £100k
Cost (Tier 2 - £2-6m Budget)	£0 - £40k	£40k - £80k	£80k - £200k	£200k - £320k	£320k - £400k
Cost (Tier 3 –£6-14m Budget)	£0 - £100k	£100k - £200k	£200k - £500k	£500k - £800k	£800k - £1m
Reputation	Minimal negative local media coverage quickly remedied /loss of trust and credibility	Minor negative local media coverage quickly remedied /loss of trust and credibility	Moderate negative regional media coverage/loss of trust and credibility	National short – term negative media coverage/considerable loss of trust and credibility	National long – term negative media coverage, significant loss of trust and credibility
External Relationship	Minimal strained relationship with partners/third parties	Minor strained relationship with partners/third parties	Moderate strained relationship with partners/third parties	Evidence of relationship issues with partners/third parties	Severe relationship issues with partners/third parties
Quality	Work is fit for purpose but may require minimal changes	Work is fit for purpose but may require minor changes	Moderate changes or specialist resource required to provide high quality outputs	Scope changes required to provide high quality outputs	Project outputs are not credible/robust, with no assurance and partners do not endorse reports
Time	0 – 1 month	1 – 3 months	3 – 9 months	9 – 12 months	12 – 18 months

5 x 5 Opportunity Scoring Criteria

Likelihood Criteria	Very Low	Low	Medium	High	Very High
	≤5%	6-25%	26-50%	51-74%	>75%
Impact Criteria	**Very Low**	**Low**	**Medium**	**High**	**Very High**
Cost (Tier 1 - £0-£2m Budget)	£0 - -£10k	-£10k - -£20k	-£20k – -£50k	-£50k - -£80k	-£80k - -£100k
Cost (Tier 2 - £2-6m Budget)	£0 - -£40k	-£40k – -£80k	-£80k - -£200k	-£200k - -£320k	-£320k - -£400k
Cost (Tier 3 –£6-14m Budget)	-£0 - -£100k	-£100k - -£200k	-£200k - -£500k	-£500k--£800k	-£800k- -£1m
Reputation	Minimal positive local media coverage/ increase of trust and credibility	Minor positive local media coverage/increase of trust and credibility	Moderate positive regional media coverage/increase of trust and credibility	National short – term positive media coverage/considerable increase of trust and credibility	National long – term positive media coverage, significant increase of trust and credibility.
External Relationship	Minimal increase in TfN's relationships with partners/third parties	Minor increase in TfN's relationships with partners/third parties	Moderate increase in TfN's relationships with partners/third parties	There is considerable evidence that TfN's relationships with partners/third parties is increasing	Relationships with partners/third parties significantly increased, benefitting TfN's credibility
Quality	Work is high quality with minimal changes	Work is high quality with minor changes	Moderate changes and no additional specialist resource to provide very high-quality outputs	Scope changes not required to exceed high quality outputs	Exceeds credible/robust project output expectations, with assurance & partners endorse reports
Time	0 – -1 month	-1 – -3 months	-3 – -9 months	-9 – -12 months	-12 – -18 months