



Date: 1 October 2013

Item 11: Update: Strategic Risk Management Q1 2013/14

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 and proposed mitigations at Q1.
- 1.2 A more detailed paper is considered in Part 2 of the agenda.

2 Recommendation

- 2.1 **The Committee is asked to endorse this paper**

3 Background

- 3.1 The reporting of non project strategic risk at Business Area level is well established within TfL. Rail and Underground, Surface Transport and the Corporate Directorates all have comprehensive risk assurance processes.
- 3.2 The objective of the Strategic Risk Register (SRR) is to capture the key risks that could impact the delivery of TfL's strategic objectives through the thematic aggregation of the strategic Business Area level risks.

4 TfL Non Project Strategic Risk at Q1 2013/14

- 4.1 At Q1 2013/14, the risks that feed into the SRR were assessed as part of the Business Areas quarterly forecast reviews. Overall there have been no significant changes from the position reported to the Q4 2012/13 update tables at the Audit and Assurance Committee on 19 June 2013. The Q1 2013/14 SRR included in appendix 1 has been provided for information only.
- 4.2 The Q2 2013/14 SRR will be presented to the Value Group and Leadership team (LT) as part of their quarterly review meetings in October and November respectively. The update to the Audit and Assurance committee will be provided for the meeting of the Committee on 18 December 2013.

5 Next Steps

- 5.1 **Strategic Risk Management Panel.** In June 2013, the CFO chaired the first Strategic Risk Management Panel (SRMP). The meeting, attended by the Business Area Finance Directors set out the key next steps and associated timeline for the development and implementation of a pan TfL framework for the management of risks in respect of all strategic, tactical and operational

activities. The main elements of the framework proposed are governance, reporting, and processes. The framework will go-live from the next financial year, 1 April 2014/15.

- 5.2 **Pan TFL risk management framework.** Following the SRMP meeting on 30 September 2013, the outline plans for the roll out of the pan TfL risk management framework will be presented to the Value Group meeting on 29 October 2013, and at the Leadership team meeting on 6 November 2013. Following feedback from those sessions, an update will be provided for the Audit and Assurance Committee meeting on 18 December 2013, and the TfL Board in the new year.

List of appendices of this report:

Appendix 1 - Strategic Risk Register

List of Background Papers:

None

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TfL Strategic Risk Register Q1 2013/14

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. 	H	Mitigating Actions	Action Owner(s)	Status	Target	Trend
		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.	Richard Flanders Patrick Doig Andrew Freeman	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.	Richard Flanders Patrick Doig Andrew Freeman	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.	Simon Kilonback	Ongoing		
		Annual review of the expected outturn of property proceeds is undertaken at the end of each year.	Julian Ware	Ongoing		
		Effective scrutiny and challenge to savings delivery through greater analysis and challenge via existing BAU periodic reviews and reporting processes.	Andrew Pollins David Hendry Andrew Freeman	Ongoing		
		Monitor market conditions through daily checks (Bloomberg) and review of periodic reports issued by Banks on the current conditions to act as an early warning indicator.	Simon Kilonback	Ongoing		
		Increase the prospective development proceeds for sites by exploring additional commercial opportunities where applicable. Ensure TfL has some flexibility with regards to sites offered on the market, thereby optimising the Over Station Development returns in the future.	Julian Ware	Fallback		
Review Comment: <i>Trend remains stable though there are concerns about the impact of funding reduction from Government Departments (DfT & DCLG) on TfL.</i>						

Key
Based on ARM scoring

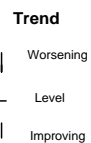
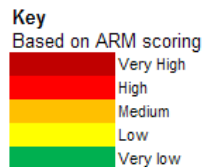
	Very High
	High
	Medium
	Low
	Very low

Trend

	Worsening
	Level
	Improving

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

Delivery						
2. Ability to re-prioritise short term deliverables in response to external factors					Owner: Steve Allen	
<p>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.</p>	Current	Mitigating Actions	Action Owner	Status	Target	Trend
	M	TfL undertakes demand forecasting, service planning and reliability, a business planning and budgeting process and an investment approval process.	Richard Flanders Patrick Doig Andrew Freeman	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.	Julian Ware	Ongoing		
		Contingency planning to adjust for the impact of revenue shortfall on the short term deliverables.	Andrew Pollins David Hendry Andrew Freeman	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.	Lili Matson	In progress		
Manage stakeholders and keep them informed on the Business Plan position to reduce the likelihood for reprioritisation.		Steve Allen	In progress			



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	Action Owner	Status	Target	Trend
	M	Ensure that TfL has a well diversified investment strategy across all portfolios to minimise risk.	Stephen Field	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.	Stephen Field	Ongoing		
		Regular monitoring of the funding position and communication with the Trustees/Actuary regarding employer contributions.	Stephen Field	Ongoing		
Review Comment: <i>Agreement has been reached with the trustees to reduce the payments required to fund the pension deficit</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

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	Action Owner	Status	Target	Trend
	M	Corporate Gateway Reviews and Approvals process to inform cost effective delivery of capital investment portfolio	Andy Eastaugh	Ongoing	L	↔
		Review of capital projects and programmes in the Operating Businesses	David Waboso Dana Skelley Alan Bristow	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.	Charlotte Leonard	Ongoing		
		Delivery of the programme management capability programme – an initiative to improve delivery capability and maturity across TfL.	Andy Eastaugh	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.	Andy Eastaugh	In progress		

Key
Based on ARM scoring

Very High
High
Medium
Low
Very low

Trend

Worsening
Level
Improving

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Our Customers and Users

5. Disruption to quality of service Owner: Mike Brown/
Leon Daniels

	Current	Mitigating Actions	Action Owner	Status	Target	Trend
<p>TfL aims to deliver the best quality service to its customers.</p> <p>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>	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	Nigel Holness	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	George McNulty	In progress		
		Additional investment via the Reliability programme to target the worst performing areas across TfL.	Phil Hufton	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.	Dana Skelley Alan Bristow	Fallback		

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: *No major disruptions this quarter and the trend remains stable*

Key
Based on ARM scoring

Very High
High
Medium
Low
Very low

Trend

Worsening
Level
Improving

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Our Customers and Users						
6. Security					Owner: Mike Brown/ Leon Daniels	
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.	Current	Mitigating Actions	Action Owner	Status	Target	Trend
	M	Major incident prevention and response planning and critical infrastructure resilience.	Mike Weston Geoff Dunmore	Ongoing	L	↔
		Awareness training, CCTV, physical security measures, and internal resilience groups.	Mike Weston Geoff Dunmore	Ongoing		
		Terrorism Insurance Cover to assist with cost of repairs to damaged TfL assets.	Nigel Blore	Ongoing		
		Intelligence and liaison with police and security service.	Mike Weston Geoff Dunmore	Ongoing		

Key
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Very High
High
Medium
Low
Very low

Trend

Worsening
Level
Improving

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Ongoing	Existing controls or processes

Our Customers and Users						
7. Major events					Owner: Mike Brown/ Leon Daniels	
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.	Current	Mitigating Actions	Action Owner	Status	Target	Trend
	L	Revision of timetables and possible service enhancements	Geoff Dunmore	Ongoing	VL	↔
		Contingency Planning with event organisers, police and other emergency services	Geoff Dunmore	In progress		
		Close collaboration within TfL, with other transport providers and wider stakeholders	Geoff Dunmore	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	Geoff Dunmore	Ongoing		
Review comment: <i>No major events this quarter and the trend remains stable</i>						

Key
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	Very High
	High
	Medium
	Low
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Our Customers & Users						
8. Managing external stakeholder interests					Owner: Vernon Everitt	
	Current	Mitigating Actions	Action Owner	Status	Target	Trend
<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>	M	Continue to build relationships with key stakeholders and maintain a capable stakeholder communications team.	David McNeill	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	David Rowe	In progress		
		Manage Mayor's questions and produce periodic performance reports.	David McNeill	Ongoing		
		Consultation with IIPAG on benchmarking to; <ul style="list-style-type: none"> 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 	Charlotte Leonard	Ongoing		

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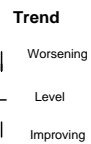
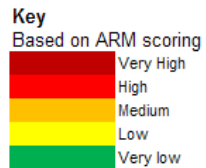
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Our Customers and Users						
9. Major Incident – External					Owner: Jill Collis/ Mike Weston	
<p>TfL is dedicated to the safety of the travelling public. There is a risk of an incident that leads to wide spread service disruption, asset damage and 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	Action Owner	Status	Target	Trend
	M	Development of, and adherence to, Company Management System and TfL Standards	Ian Gaskin	Ongoing	M	↔
		Monitoring, audit and review of safety performance and safety management.	Clive Walker (Audit) Ian Gaskin (Monitoring & Review)	Ongoing		
		Communication with Environment Agency and Met Office for early warnings of significant weather effects/potential flooding.	Richard Jones	Ongoing		
		Training programme to up skill managers and enable up to date risk assessments of operational assets.	Ken Davidson	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.	Richard Jones	In progress		



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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	Action Owner	Status	Target	Trend
	L	Develop and maintain Business Continuity plans to ensure speedy recovery and business resilience.	Shashi Verma	Ongoing	L	↔
		Ensure continuous monitoring and action via the Oyster Control Centre.	Shashi Verma	Ongoing		
		Manage and maintain a robust change control regime for Cubic and TfL Systems that integrate with the Ticketing System.	Shashi Verma			

Key
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	Very low

Trend

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-	Level
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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	Action Owner	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	Gerry Duffy	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	Gerry Duffy	Ongoing		
		Develop and implement communications plan to enable timely engagement with staff in order to effectively counter negative messages from TUs	Simon Hardaker	In progress		
Regular reports from franchise/concession (Bus and Rail) operators on the status of relationship with Trade Unions, ballots and pay negotiations.		Clare Kavanagh	Ongoing			
Review Comment: <i>No changes or reduction in risk</i>						

Key
Based on ARM scoring

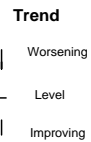
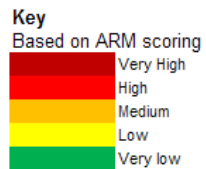
Very High
High
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Trend

	Worsening
-	Level
	Improving

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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: Mike Brown/Leon Daniels	
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	Action Owner	Status	Target	Trend
	M	<p>Deliver Mayoral aspirations on Air quality through capital investment programmes that support the improved air quality initiative</p> <p>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.</p>	<p>Lilli Matson</p> <p>Mike Weston Gareth Powell</p>	<p>Ongoing</p> <p>Ongoing</p>	L	↔
Review comment: <i>Trend revised to stable following the programme being implemented to reduce NOx emissions.</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	Action Owner	Status	Target	Trend
	L	Develop Resourcing Strategy that facilitates resource planning for future needs and make provision to acquire these resources proactively.	Tricia Riley	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.	Tricia Riley	Ongoing		
		Utilise an IT solution to improve the accuracy of workforce planning.	Tricia Riley	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.	Tricia Riley	In progress		
Implement a single, unified Behaviour Framework to enable all TfL staff to work toward the same desired behaviours.		Tricia Riley	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