

Date: 18 December 2013

Item 12: Strategic Risk Management Quarter 2 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 the end of Quarter 2 through discussion of the Strategic Risk Register.
- 1.2 A further paper will be considered in Part 2 of the agenda considering TfL's Quantified Strategic Risk Schedule.

2 Recommendation

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

3 Overview

- 3.1 TfL currently captures strategic risk through the Strategic Risk Register (SRR), the objective of which 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.
- 3.2 As outlined in previous meetings, the Strategic Risk Management Panel (SMRP) has been set up to develop and implement a pan TfL strategic risk framework for the management of risks and better support decision-making. The Chief Finance Officer and Business Area Directors have agreed an approach to ensure continuous improvement of current strategic risk reporting.
- 3.3 Details of this proposal will be tabled at a future Audit and Assurance Committee meeting.

4 Q2 Strategic Risk Register update

- 4.1 At Q2 2013/14, the risks that feed into the SRR were assessed as part of the Business Areas quarterly forecast reviews.
- 4.2 TfL's strategic risk relating to People has increased from Low to Medium. This is due to the challenges around delivering people change elements of the New Savings Programme (NSP).
- 4.3 TfL is continuing to explore proposals through the Business Planning process in order to mitigate this risk as much as possible.
- 4.4 The Q2 2013/14 SRR is included in Appendix 1.

List of appendices to this report:

Appendix 1 – TfL Strategic Risk Register

List of Background Papers:

None

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APPENDIX 1: TfL Strategic Risk Register

Quarter 2 2013/14



Strategic Risk Register (SRR) Overview



- The format adopted for use in reporting TfL's strategic risk is based on the standard risk reporting currently employed across all Business Areas (BAs). Risk is typically reported and evaluated on a qualitative basis.
- To facilitate comparative assessment, all BAs within TfL use the same assessment criteria. The four impact categories are: cost, time, customer service and reputation.
- All risks are scored on a scale ranging from 'Very High' to 'Very Low'.
- The 'Current' score assigned to each risk identified within the SRR is based on an assessment of the current status of the risk; this includes all mitigations that are currently under way.
- The 'Target' reflects the maximum possible impact that can be achieved if all the mitigations identified are completed.
- Trends are identified to highlight whether the risk is improving, worsening or is unchanged, allowing for appropriate management action to be taken where necessary.
- Currently the SRR has 13 strategic risks as follows;
 - 1) Maintaining a long term strategic, balanced Plan within the constraints of available resources
 - 2) Pension Fund
 - 3) Ability to re-prioritise short term deliverables in response to external factors
 - 4) Delivery of capital investment portfolio and contract management
 - 5) Disruption to quality of service
 - 6) Security
 - 7) Major events
 - 8) Managing external stakeholder interests
 - 9) Major Incident – External
 - 10) Major incident – Internal systems
 - 11) Environmental impact of delivering a transport service
 - 12) Industrial Relations (IR)
 - 13) People Strategy

Value for Money					
1. Maintaining a long term strategic, balanced Plan within the constraints of available resources					Owner: Steve Allen
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:	Current	Mitigating Actions	Status	Target	Trend
<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 • Further Government Grant reduction in future years. 	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. 2013 Business Plan is being reviewed and will be approved in December	Ongoing	M	↔
		Periodic budget monitoring to review progress against cost, fares and 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. (Crossrail)	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 (Bloomberg) 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. Ensure TfL has some flexibility with regards to sites offered on the market, thereby optimising the Over Station Development returns in the future. (Crossrail)	Fallback		
Review Comment: <i>Draft Balance Business Plan being prepared and to be discussed at TfL Board in December 2013.</i>					

TfL Strategic Risk Register Q2 2013

Value for Money					
2. 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		

Key
Based on ARM scoring

	Very High
	High
	Medium
	Low
	Very low

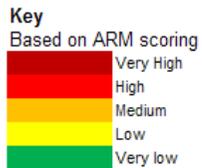
Trend

	Worsening
-	Level
	Improving

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

TfL Strategic Risk Register Q2 2013

Delivery					
3. 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	Status	Target	Trend
	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		



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

TfL Strategic Risk Register Q2 2013

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		
Review comment: <i>A Project/Programmes Delivery Directorate (PPD) has been set-up in Surface Transport to facilitate project delivery in line with Pathway. The PPD will embed resource planning capability to help optimise people deployment and deliver its planned capital portfolio in a cost effective manner.</i>					

Key
Based on ARM scoring

	Very High
	High
	Medium
	Low
	Very low

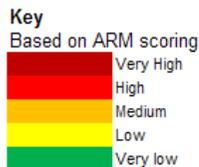
Trend

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TfL Strategic Risk Register Q2 2013

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				
		Develop an overarching Road Space Management Strategy, gain buy-in from the command chain and articulate to wider stakeholders. This will be combined with increases in operational capability through a network of pervasive intelligent sensors as part of a Road Space Management Cooperative System (RSMCS).	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					



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Ongoing	Existing controls or processes

TfL Strategic Risk Register Q2 2013

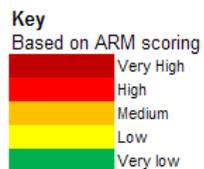
Review comment: No major disruption this quarter and the trend is stable. Feasibility work commenced on pinch points across the bus network in ST and the Access Improvement plan gained RUB approval for its Gate A submission in August 2013.

Our Customers and Users

6. Security

Owner: Mike Brown/
Leon Daniels

Current	Mitigating Actions	Status	Target	Trend
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		
	Continuous reviews and prioritisation of resources based on intelligence and liaison with police and security services.	Ongoing		



Trend

- | Worsening
- Level
- | Improving

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TfL Strategic Risk Register Q2 2013

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	Status	Target	Trend
	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		

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Trend

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TfL Strategic Risk Register Q2 2013

Our Customers & Users					
8. Managing external stakeholder interests					Owner: Vernon Everett
	Current	Mitigating Actions	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.	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; <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 	Ongoing		

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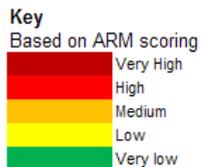
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TfL Strategic Risk Register Q2 2013

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	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		
		A co-located Command and Control Centre (LUCC) is in operation and it brings together all the network system control functions to enhance safety and improve response times to possible incidents.	Ongoing		



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TfL Strategic Risk Register Q2 2013

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		

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	Medium
	Low
	Very low

Trend

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TfL Strategic Risk Register Q2 2013

Our Customers and Users							
11. Environmental impact of delivering a transport service					Owner: Michele 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
	M	Deliver Mayoral aspirations on Air quality through borough programmes that support the improved air quality initiative			Ongoing	L	↔
		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 revised to stable following the programme being implemented to reduce NOx emissions. Nine hundred older vehicles in the bus fleet will be retrofitted to ensure they conform to the required emission standard. To date, a third of these vehicles have been retrofitted and the plan to bring the remaining vehicles up to the required standard by 2015 is on target.</i>							

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TfL Strategic Risk Register Q2 2013

Our People							
12. 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 progress		
		Regular reports from franchise/concession (Bus and Rail) operators on the status of relationship with Trade Unions, ballots and pay negotiations.			Ongoing		

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TfL Strategic Risk Register Q2 2013

Our People					
13. People Strategy					Owner: Tricia Riley
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. In addition, there are people challenges in delivering the NSP target.	Current	Mitigating Actions	Status	Target	Trend
	M	Develop Resourcing Strategy that facilitates resource planning for future needs and make provision to acquire these resources proactively.	Ongoing	VL	↑
		Ongoing development of a company 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		
Review comment: <i>Worsening trend is due to the people challenges of delivering the NSP target.</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