



# Risk Management Strategy

DRAFT

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## Contents

1. Introduction;
2. What is Risk Management?;
3. Risk Management Policy;
4. Responsibilities;
5. Risk Management Process;
6. Risk Registers;
7. Training and awareness;
8. Monitoring and reporting.

Appendix 1 – Risk Management Overview



## 1. Introduction

- 1.1 Strathclyde Partnership for Transport (the Partnership) is an employer, service provider and purchaser of goods, services and works. Risk management impacts on all areas of service delivery.
- 1.2 We (the Partnership) are committed to maintaining and promoting a risk managed culture to service delivery by ensuring SPT employees and members are risk aware in the everyday workplace environment and decision making process.
- 1.3 The management of risk is integral to the Partnership's governance arrangements. This strategy outlines the Partnership's arrangements for the management of risk.
- 1.4 The outputs from effective risk management include assurance, compliance, and enhanced decision-making.

## 2. What is Risk Management?

- 2.1 Risk and Risk management are defined as follows:

**Risk** is defined as:

*'the threat that an event or action will adversely affect an organisation's ability to achieve its objectives and to successfully execute its strategies'*

*'the effect of uncertainty on objectives, where effect is a deviation from the expected – positive or negative' (ISO: 31000)*

**Risk Management** is defined as:

*'the process by which risks are identified, evaluated and controlled'.*

## 3. Risk Management Policy

- 3.1 SPT is dedicated to the management of risks within its control in order to safeguard employees, protect assets, preserve and enhance service delivery, maintain effective stewardship of public funds and promote a favourable corporate image.

Within SPT, risk management aims and objectives are as follows:

- to initiate measures which will reduce SPT's exposure to risk and potential loss;
- to promote an awareness of risk amongst SPT employees and members of the public who use SPT's services;
- to establish standards and principles for the efficient management of risk.  
(This process will involve the identification, analysis and evaluation of risks)



to create practical and cost effective means of avoidance or risk control measures);

- risk financing techniques, including insurance, will be used as risk control measures. Self-insurance will be used within agreed financial parameters to optimise the benefits of risk retention, relative to premium economy; and
- risk management is recognised as a continuous process demanding awareness and action from members and employees, at every level, to reduce the possibility of injury and loss.

In implementing the Risk Management Policy, SPT will:

- promote a positive risk management culture in respect of working practices;
- raise the level of awareness of risk management through the dissemination of information and appropriate training;
- liaise with partnership organisations and service users;
- identify and evaluate risks for likelihood and impact in order to implement practical and cost effective methods of avoidance or risk control; and
- maintain a comprehensive record of risks, their impact on service delivery and the actions taken to mitigate risk.

## 4. Responsibilities

4.1 Everyone has a role in the management of risk, as follows:

|                       |  |
|-----------------------|--|
| <b>Partnership</b>    | to oversee the management of risk throughout SPT, and consider the effectiveness of the Partnership's risk management arrangements.  |
| <b>Strategy Group</b> | to provide a high level of service based on the needs and expectations of our customers, make responsible decisions about how we operate and protect the environment by minimising the consumption of resources.   |
| <b>Services</b>       | to meet their statutory responsibilities for risk management ensuring SPT's exposure to risk is reduced. To achieve this, managers at all levels have a responsibility for implementing and monitoring risk management practices in their area of work.                                  |
| <b>Employees</b>      | every employee is a risk manager, all employees are encouraged to make suggestions that assist and contribute to risk control measures. SPT expects employees to make every effort to be aware of situations which may place themselves or others at risk and report identified hazards. |



## 5. Risk Management Process

### Risk identification

5.1 Risk can be identified in various ways, including (by):

- Members;
- Strategy Group;
- Service management;
- Service delivery;
- Business change;
- Project management;
- Assurance provider reporting, including Internal Audit and External Audit;
- Partner and provider engagement and awareness.

### Risk analysis and evaluation

5.2 Following identification, each risk is analysed and evaluated in accordance with the risk appetite (attitude towards risk).

### Risk appetite

5.3 SPT's risk appetite can differ across our services from risk avoidance to risk managed.

5.4 There are a number of ways to control, manage and mitigate risk, which are split into four categories:

**Terminate:** risk avoidance – where the proposed activity is out-with the current risk appetite level;

**Treat:** risk reduction – where proactive action is taken to reduce the likelihood or impact of an event occurring or limiting the consequences should it occur (e.g. install virus protection software on all computers);

**Transfer:** risk transfer – where the liability for the consequences is transferred to an external organisation in full or part (e.g. insurance cover);

**Tolerate:** – where certain risks are accepted.



### Likelihood and impact

- 5.5 The likelihood of each risk occurring and impact on service delivery is assessed using a risk matrix, as follows:

| <i>Likelihood</i> |              | <i>Impact</i>     |              | <i>Risk Level</i> |
|-------------------|--------------|-------------------|--------------|-------------------|
| <b>Assessment</b> | <b>Score</b> | <b>Assessment</b> | <b>Score</b> |                   |
| Almost certain    | 5            | Catastrophic      | 5            | High              |
| Likely            | 4            | Major             | 4            | Moderate          |
| Possible          | 3            | Moderate          | 3            | Low               |
| Unlikely          | 2            | Minor             | 2            | Very Low          |
| Rare              | 1            | Almost none       | 1            | Minute            |

- 5.6 The risk matrix provides an assessment score (1 to 5) for both the likelihood and impact of each risk. The score for each element is then multiplied together (e.g. 3 x 3 = 9) to provide an overall risk score.

### Mitigation

- 5.7 As part of each assessment, the mitigation (systematic reduction of the frequency, magnitude or severity) of each risk occurring and its impact is documented.
- 5.8 Mitigation can be taken from various sources of assurance, known as the ‘three lines of defence’:

**First line:** assurances from management designed controls and that these controls are being implemented on a day-to-day basis, including the framework of policies, procedures, processes and controls in place (system of internal controls);

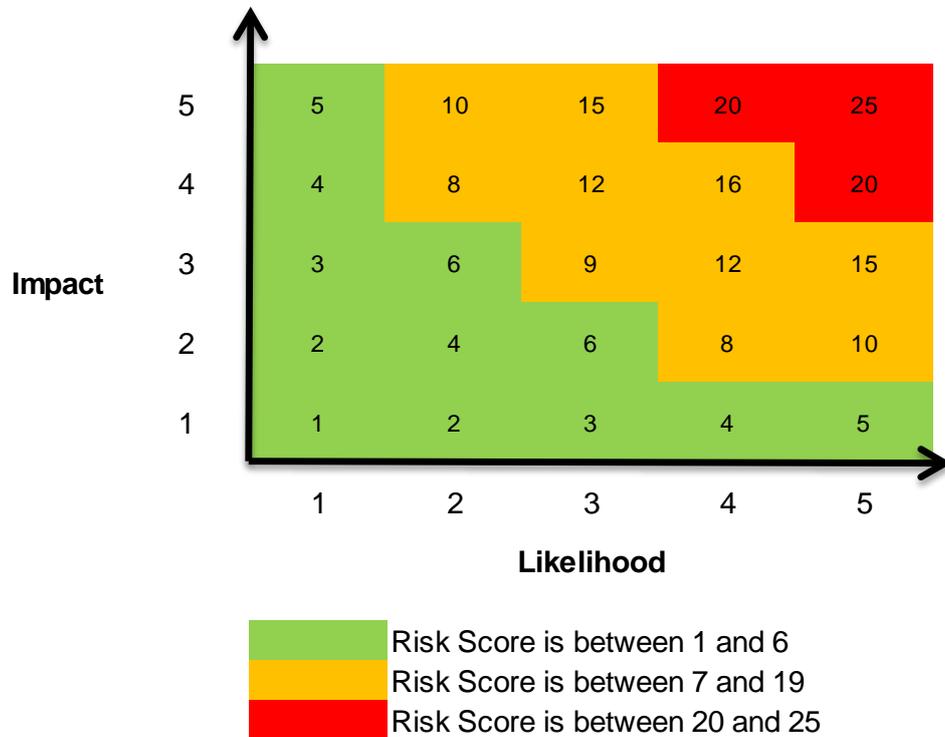
**Second line:** assurances from the risk management arrangements and compliance functions, including oversight functions (e.g. Health & Safety) within SPT that co-ordinate, facilitate and provide assurance over the risk and control environment;

**Third line:** assurance from Internal Audit, which provides independent assurance in respect of the effectiveness of governance, management controls and risk management arrangements, including activities carried out by the first and second lines.

SPT also receives assurance from external bodies, including external auditors, inspectors and health and safety regulators.

## Risk score

- 5.9 Following identification, analysis and evaluation (including mitigation) of each risk, a risk score is then calculated and shown as a number, as illustrated below:



- 5.10 The risk score is then highlighted using traffic light methodology:

**Red** – a high level risk, with a risk score between 20 and 25;  
**Amber** – a moderate level risk, with a risk score between 7 and 19;  
**Green** – a low level risk, with a risk score between 1 and 6.

## 6. Risk Registers

- 6.1 Risk is recorded on a (relevant) risk register, either on a project risk register, or a departmental risk register, or the corporate risk register.
- 6.2 An identified risk can escalate (or deescalate) between registers following receipt of new/additional information from internal or external assurance sources.
- 6.3 Risks are categorised, in each register, into six risk areas, namely; financial, governance, operational, physical, reputational and technological. Each register provides the following information:



- Description of the risk;
- Effect of risk on service delivery;
- Assessed impact on service delivery;
- Assessed likelihood of risk occurring;
- Risk score;
- Mitigation;
- Fall back plan;
- Responsible officer;
- Review date; and
- Date of last change.

6.4 A risk identifier is then allocated to each risk for ease of reference.

6.5 Risk Registers are kept by relevant officers in each department, as follows:

- Corporate Risk Register is maintained by the Audit and Assurance manager;
- Departmental Risk Register(s) is maintained by a designated officer in each department;
- Project Risk Register(s) is maintained by the designated Project Manager.

## **7. Training and awareness**

7.1 SPT understands that the key to implementing a successful Risk Management Strategy is to continue to raise awareness and provide programmed training.

7.2 Risk identification training is provided to our employees; who are involved in, manage or assess risk arrangements; to ensure that their responsibilities and duties are understood and are kept up-to-date.

## **8. Monitoring and reporting**

8.1 The Partnership's Standing Orders, Committee Terms of Reference, Scheme of Delegated Functions and Financial Regulations outline the roles and responsibilities for the monitoring and reporting of risk management within SPT.

8.2 All reports presented to the Partnership/Committee require an assessment of risk consequences to be detailed to support the decision making process.

8.3 The Corporate Risk Register is reviewed at each Strategy Group meeting, with reporting lines to the Audit and Standards Committee.

8.4 Departmental and Project Risk Registers are reviewed at departmental/project management meetings.

## Appendix 1 – Risk Management Overview

### Risk Management Overview

