



RISK MANAGEMENT POLICY AND STRATEGY

December 2016

Foreword

In keeping with many public sector bodies the Tayside and Central Scotland Transport Partnership (Tactran) operates within a complex operational and financial environment, where conflicting demands and priorities present many challenges. It is important that scarce resources are directed and managed in a manner which maximises the achievement of the Partnership's key aims and objectives.

This may require difficult choices and decisions to be made regarding resources and priorities. There are a range of risks associated with achieving Tactran's corporate objectives. Risks are inevitable and, in practice, cannot be avoided. Risks, therefore, have to be managed, understood and controlled if the Partnership is to successfully meet its objectives.

To achieve compliance with the principles of best value and good corporate governance a robust system of Risk Management needs to be in place. Risks are managed throughout the organisation, either consciously or sub-consciously. This corporate policy framework exists to facilitate a consistent and logical approach to Risk Management which should, in turn, lead to better decision-making and optimum use of resources.

Ongoing management of risks is fundamental to ensuring that we fulfil our objectives. Tactran will be pro-active and prepared in the way it manages its risk portfolio. Incorporating a formalised approach to Risk Management in its day to day operations will enable the Partnership to deliver its responsibilities and work towards achieving objectives more efficiently and effectively.

Risk Management Policy and Strategy

Table of Contents

Foreword.....	2
1. INTRODUCTION.....	4
2. THE AIM OF RISK MANAGEMENT	4
3. THE BENEFITS OF GOOD RISK MANAGEMENT.....	5
4. THE CONSTITUENT PARTS OF GOOD RISK MANAGEMENT	5
5. OVERRIDING RISK MANAGEMENT AIM.....	6
6. THE RANGE OF RISKS FACING TACTRAN.....	6
7. THE RISK MANAGEMENT PROCESS	7
8. THE KEY ELEMENTS OF THE RISK MANAGEMENT FRAMEWORK	8
9. ACTION REQUIRED TO IMPLEMENT THIS STRATEGY.....	8

1. INTRODUCTION

This document forms the Tactran Risk Management Policy and Strategy. It sets out:

- what is meant by Risk Management;
- the benefits and constituent parts of good Risk Management;
- how Risk Management interacts with the objectives of the Partnership;
- the range of risks facing Tactran;
- what needs to be done to implement the strategy and how this will be monitored;
- the roles and responsibilities of individuals and groups in relation to Risk Management.

This policy and strategy states Tactran's aims and objectives regarding the management of risks in the short to medium term.

2. THE AIM OF RISK MANAGEMENT

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

Risk Management is the process by which significant risks are identified, evaluated and controlled. It is about making the most of opportunities, making the right decisions and achieving objectives once those decisions are made. This is achieved through transferring risks, controlling risks, and living with risk.

Risk Management is not simply about insurance – indeed many risks faced by organisations are not insurable. Risk retention, control and transfer are all legitimate aspects of Risk Management.

In a Tactran context the critical risks are in the following areas: -

- Corporate Governance
- structures and processes
- standards of conduct
- service delivery arrangements
- effective use of resources

3. THE BENEFITS OF GOOD RISK MANAGEMENT

Good and effective Risk Management supports the achievement of corporate and operational objectives and has a crucial role to play in ensuring the effective running of the Partnership.

The key benefits of a systematic approach to Risk Management are:

- ensuring a better understanding of risks;
- providing supporting tools and techniques to identify and appraise risk;
- the ability to communicate and share risk;
- the ability to take on more risk where appropriate and control this better;
- endeavouring to reduce/minimise risk.
- We need to manage risk to enable us to achieve our goals and meet our priorities within what are often challenging circumstances. Risk Management will positively influence the way we allocate resources in trying to achieve our goals

4. THE CONSTITUENT PARTS OF GOOD RISK MANAGEMENT

Risk Management is an integral part of good governance and is a process whereby:-

- there is shared awareness and understanding within Tactran of :-
 - (a) the nature and extent of risks faced;
 - (b) the extent and categories of risks regarded as acceptable;
 - (c) the likelihood and potential impacts of risks materialising;
 - (d) our ability to reduce the incidence and impact on the organisation of risks that do materialise.
- there is regular and ongoing quantification, monitoring and reporting of risk including early warning mechanisms;
- appropriate assessment is made of the cost of operating particular controls relative to the benefit obtained in managing the related risk.

The Risk Management process will be ongoing, embedded in our culture and have the potential to re-orientate us around performance and improvement. It is not about eliminating risk but about understanding risk and managing it more effectively, thereby enhancing performance.

Tactran will undertake ongoing review of the effectiveness of the systems of internal control in place and will report publicly on the results of reviews, explaining any actions that are taken to address any significant concerns identified.

5. OVERRIDING RISK MANAGEMENT AIM

All major activities undertaken by Tactran will be examined to ensure that the risks that are part of the activities have been examined and evaluated, and that the appropriate action has been taken to mitigate these wherever possible.

Risks should only be accepted where this is deemed acceptable in the furtherance of Tactran goals.

6. THE RANGE OF RISKS FACING TACTRAN

The range of risks can be categorised into strategic and operational and are listed below:-

Strategic Risks

These are risks associated with the development of our key objectives, and include:-

- **Political:** changes in political control or significant policy changes at a national or local level.
- **Economic:** changes in the economic environment within which Tactran operates, including national and local economic circumstances, and direct operational impacts around transport funding generally and Partnership funding specifically.
- **Social:** changes in demographic, residential or social trends which have direct or indirect impacts on the Partnership's delivery plans and strategy.
- **Technological:** unanticipated technological changes which may render significant investments obsolete or undermine key assumptions.
- **Legislative:** legislative change at Scottish Parliament, UK Parliament or European level could place significant new obligations on the Partnership and on transport networks or render particular practices illegal.
- **Environmental:** unexpected adverse environmental impacts leading to a need for a change in the nature of transport in the region.
- **Best Value:** inability to achieve continuous improvement in all of our activities.

Operational Risks

These are risks that are faced in Tactran's day to day activities, and include :-

- **Professional:** risks associated with the professional competence of our officers;
- **Financial:** inadequate financial availability and planning resulting in lack of funding to develop and deliver the Regional Transport Strategy;
- **Legal:** inadvertent breaches of legislation;
- **Physical:** lack of security, loss of utilities, premises etc.;
- **Contractual:** failure of contractors to deliver services to the Partnership at the agreed cost, quality specification and programme;
- **Technological:** uncontrolled over-reliance on IT and other operational systems or equipment;
- **Reputational:** the organisation's reputation and public perception including its efficiency and effectiveness are undermined;
- **Partnership:** projects, policies or other activities are unable to be delivered effectively to cost or on time because of the complexity of partnership working or partner failure in some aspect of delivery;
- **People Management:** the withdrawal of labour as a consequence of poor employee relations, out of date working practices or a lack of effective communication where change management is concerned. Also the inability to recruit and retain quality of staff required to ensure delivery of services

The above represent the main elements of risk facing Tactran. It is important to review all of these risks and their potential impact upon each other as well as trying to alleviate the individual categories of risk.

7. THE RISK MANAGEMENT PROCESS

There are a number of critical steps in the process of identifying and managing risk within Tactran activities. These are as follows:

- | | |
|--------|--|
| Step 1 | <i>Identifying risks</i> |
| Step 2 | <i>Analysing risks</i> |
| Step 3 | <i>Profiling risks</i> |
| Step 4 | <i>Prioritising action based on the approach to risk</i> |
| Step 5 | <i>Determining actions on risk</i> |
| Step 6 | <i>Controlling risk</i> |
| Step 7 | <i>Monitoring and reporting on progress</i> |

8. THE KEY ELEMENTS OF THE RISK MANAGEMENT FRAMEWORK

It is vital that everybody understands the role that they play in effective risk management.

Each officer of Tactran and each Member of the Tactran Partnership Board is responsible for ensuring effective Risk Management.

9. ACTION REQUIRED TO IMPLEMENT THIS STRATEGY

- ⇒ The identification of risks
- ⇒ The assessment of risks
- ⇒ Integration into the Business Planning process
- ⇒ Challenge and review of the process
- ⇒ Reporting