

APPENDIX 1

THE SOUTH WEST OF SCOTLAND TRANSPORT PARTNERSHIP RISK MANAGEMENT PLAN 2011/12

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1. FOREWORD AND SCOPE

The SWestrans Annual Audit Plan 2009/10 identified the main risk areas for SWestrans under the following headings:

- Performance management framework and risk management arrangements;
- Budget pressures and the economic downturn;
- Acquisition of fixed assets – accounting implications; and
- Capital project management.

With respect to risk management arrangements the Audit Plan notes: “An important element of any performance management system is sound arrangements for managing risk. The partnership has to date relied on the risk management arrangements of Dumfries and Galloway Council. While these may be adequate for general operational risk it is essential that the Board are properly informed about risks which are specific to the partnership in order that their decision making is properly informed.”

Dumfries and Galloway Council has prepared and agreed guidance for Risk Management, and the Council's performance management tool, Covalent, is available for partner organisations to use.

As a partner organisation of the Council, and a member of the Community Planning Partnership, there are benefits to SWestrans in aligning its performance management framework with the Council's; not least in making it easier to demonstrate the contribution SWestrans is making towards delivery of the Council's corporate objectives and the Single Outcome Agreement.

The Council's Risk Management Guidance has been referred to in the preparation of this plan, and it is recommended that the potential is investigated for utilising Covalent for performance and risk management by SWestrans.

The Council guidance identifies different categories of risk:

- Corporate;
- Strategic;
- Operational;
- Projects;
- Partnership.
- Health and Safety at Work.

This plan is concerned only with the first three of the identified types of risk: Corporate, Strategic, and Operational. Risks associated with projects undertaken by or on behalf of SWestrans are transferred and managed by the project management methodology.

Partnership risks are those arising when the corporate body acts with another body over which it has no direct control. Although SWestrans is a partnership, it has its own dedicated governance structure, and as such acts as a single corporate body.

Health and Safety at Work risks are managed under a parallel process by Dumfries and Galloway Council.

2. INTRODUCTION

The purpose of this Risk Management Plan is to set out the framework for Corporate Risk Management within the South West of Scotland Transport Partnership, to allow the organisation to be risk aware rather than risk averse.

In this context Risk Management requires the identification, assessment, treatment, monitoring and reporting of risk, in order to support the effective management of the organisation's operations and other responsibilities.

Failure to identify and address risks can lead to serious consequences with negative impacts in the areas of finance, regulation, operations, reputation, and health and safety.

Risk Management is a key component of SWestrans' performance management framework. It is the process whereby risk is addressed in a methodical way, recorded and reported, and appropriate mitigation or contingency implemented.

Due to the recognised importance of managing risk, the purpose of this Risk Management Plan is to adopt a formalised approach to risk management. The main driver for this process is the need for Good Governance.

This Risk Management Plan will be an essential element of SWestrans' Governance and Performance Management framework, and will be focused around our key objective, to deliver the Regional Transport Strategy.

Risk Management is a dynamic process, and the mechanisms for managing this process are:

- A Risk Register (Annex A)
- The Annual Business Plan
- Board Reports
- Continuous Risk Management in conjunction with Performance Management

The Risk Register should not be regarded as a static document. Due to the dynamic nature of risk management it is likely that additional risks will continue to be identified and added to the Risk Register. Such changes need to be communicated through governance and performance management procedures.

3. OBJECTIVES

The primary objective of this Risk Management Plan is to implement and embed a robust Risk Management process for and within SWestrans.

The approach is to use good practice tools and techniques to address the risks that SWestrans faces, with the aim of ensuring the level of risk in the organisation is managed at a tolerable level and within the organisation's risk appetite. Good risk management will allow SWestrans to be risk aware rather than risk averse.

This Risk Management Plan will aim to focus on people and processes, and ensure that the awareness of risk and its importance is given due and appropriate attention, allowing risks to be managed in a controlled manner. It is also intended to make risk management an integral part of the strategic planning process through the Annual Business Plan.

This Risk Management Plan has the following objectives:

- To promote an awareness of risk and a responsibility for managing risk amongst Board Members, officers, members of the public and other stakeholders;
- To initiate measures that will reduce SWestrans exposure to risk and potential loss;
- To initiate measures that will enhance SWestrans ability to build on success and seize opportunities with greater confidence;
- To promote the open reporting of risk and improve the sharing of risk information to aid effective Risk Management and encourage Good Practice;
- To establish standards, principles and processes for the efficient management of risk including regular monitoring and review;
- To optimise the use of Risk Financing (spend to save) and Risk Transfer mechanisms (insurance);
- To encourage a continuous and ongoing development of the process of risk understanding, review and management.

4. FRAMEWORK

Control and Interfaces

Risk Management should be part of SWestrans Governance and Performance Management Framework. While the responsibility for Risk Management Policy development and co-ordination lies with the Lead Officer, there are a number of key interfaces that must be managed to ensure the effective management of risk.

The Board

The Annual Audit Plan 2009/10 noted that "...it is essential that the Board are properly informed about risks which are specific to the partnership in order that their decision making is properly informed."

Dumfries and Galloway Council

A number of services are either provided or made available to SWestrans by Dumfries and Galloway Council. Relevant services for Risk Management would include:

- Internal Audit
- Insurance
- Procurement
- Legal Services
- Communications
- Civil Protection, Resilience and Corporate Risk
- Health and Safety at Work

5. IMPLEMENTATION

Implementation of this Risk Management Plan will require the following:

- Identification, assessment and management of risks by the Lead Officer;
- Liaison with Dumfries and Galloway Council in respect of Insurance, Business Relations, Policy & Performance, Internal Audit, Corporate Finance and others as required;
- Inclusion of risk management input to the Annual Business Plan;
- Access to appropriate training courses for SWestrans officers;
- Appropriate risk management guidance to facilitate adequate input to Board reports;

To facilitate the implementation and embedding of an effective risk management culture within SWestrans the following additional actions are recommended:

- The use of Dumfries and Galloway Council's Risk Management Guidance as part of SWestrans' risk management process;
- Investigate the potential for utilising Dumfries and Galloway Council's Covalent performance management tool;
- The inclusion in the SWestrans Board report template of an Integrated Impact Assessment as appropriate.

6. **PROCESS**

Effective risk management includes having in place a systematic process for identifying, assessing, treating and monitoring the likelihood and impact of risks, the environment in which the risk is active, and the actions put in place to manage the risk.

- **Risk identification** is an ongoing task. Effective risk identification requires arrangements for gathering evidence about new issues, existing issues and important changes that may pose future risks.
- **Risk assessment** involves considering the likelihood of an event occurring and its potential impact. As this involves predicting future events, it naturally carries some degree of uncertainty and is based on judgement (preferably based on available evidence).

The ‘Risk Matrix’ shown below is used to establish a risk rating. The matrix is colour coded; green to indicate an acceptable risk rating, and red to indicate an unacceptable risk rating. The boundary between the two areas is referred to as the “risk appetite line”. All risks placed above the “risk appetite” line, i.e. coloured red in the diagram, must be planned and managed in some way.

Risk Matrix (Note: Covalent uses the same coordinate system)

			Impact			
			IV	III	II	I
			Negligible	Marginal	Critical	Catastrophic
Probability	A	Very High				
	B	High				
	C	Significant				
	D	Low				
	E	Very Low				
	F	Almost Impossible				

- **Risk Treatment** means taking action to reduce, as far as possible, the risk or its likely impact. Four general strategies are available: transfer, tolerate, treat or terminate the risk. Risks above the “risk appetite” line may require “treatment”. The purpose is not necessarily to eliminate the risk, it may be, e.g. to reduce the likelihood and/or impact should it occur.

Risks above the tolerability threshold will need to be regularly monitored and reported on, as appropriate.

7. OWNERSHIP AND RESPONSIBILITY

Risk ownership is fundamental to the risk process as it identifies the person best placed to manage and influence the risk.

It is the responsibility of the Lead Officer to manage risks on behalf of the Board. It is essential that the Board are properly informed about risks which are specific to the partnership in order that their decision making is properly informed

It is the role of Members of the Board to demonstrate consideration of risk, and Members have a responsibility to:

- Identify and manage corporate level risks; and
- Take reasonable steps to consider the risks involved in the decisions taken by them.

8. AWARENESS, COMMUNICATION AND TRAINING

A key element of successful risk management is ensuring that all stakeholders in the organisation are aware of the Risk Management Plan and of their own responsibilities in relation to it. It is therefore imperative that steps are taken to ensure widespread awareness of the Risk Management Plan.

Awareness raising begins with the reporting of the Risk Management Plan to the SWestrans Board, which will ensure that it is familiar to both members and officers.

As part of broader awareness the Risk Management Plan will be available on the SWestrans website, and a copy will also be sent to key stakeholders, including Dumfries and Galloway Council

The formal process for recording the risk management process is through the following mechanisms:

- A Risk Register (Annex A);
- The Annual Business Plan;
- Board Reports;
- Continuous Risk Management in conjunction with Performance Management.

Risk management needs to be undertaken as a dynamic and ongoing activity. Communication is a vital element of dynamic risk management to ensure that the organisation is adapting effectively to the changing situation. This will be managed through the mechanisms identified above, and within the SWestrans team through staff meetings and the Staff Development Review process.

A comprehensive training programme is being rolled out within Dumfries and Galloway Council, and it is intended that SWestrans officers should undergo such training as appropriate.