



Risk Overview

24 March 2021

Purpose



As a member, you are responsible for risk as part of your overall duties as a board member.

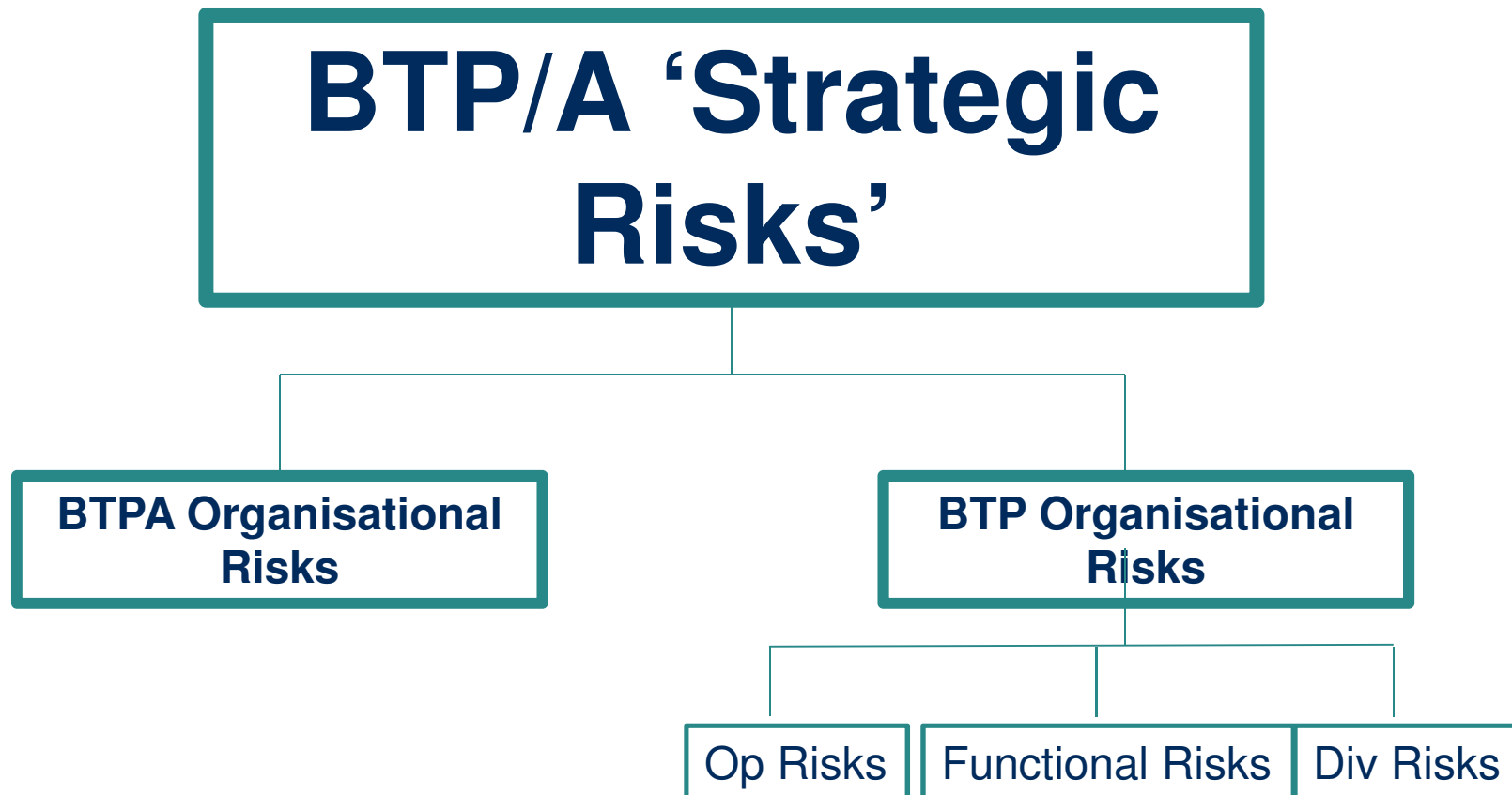
Risk is outlined in the Code of Governance as an area of responsibility.

By the end of this session, you will obtain a foundation of knowledge about risk management, and how it is applied at BTP/A.

What is Risk?



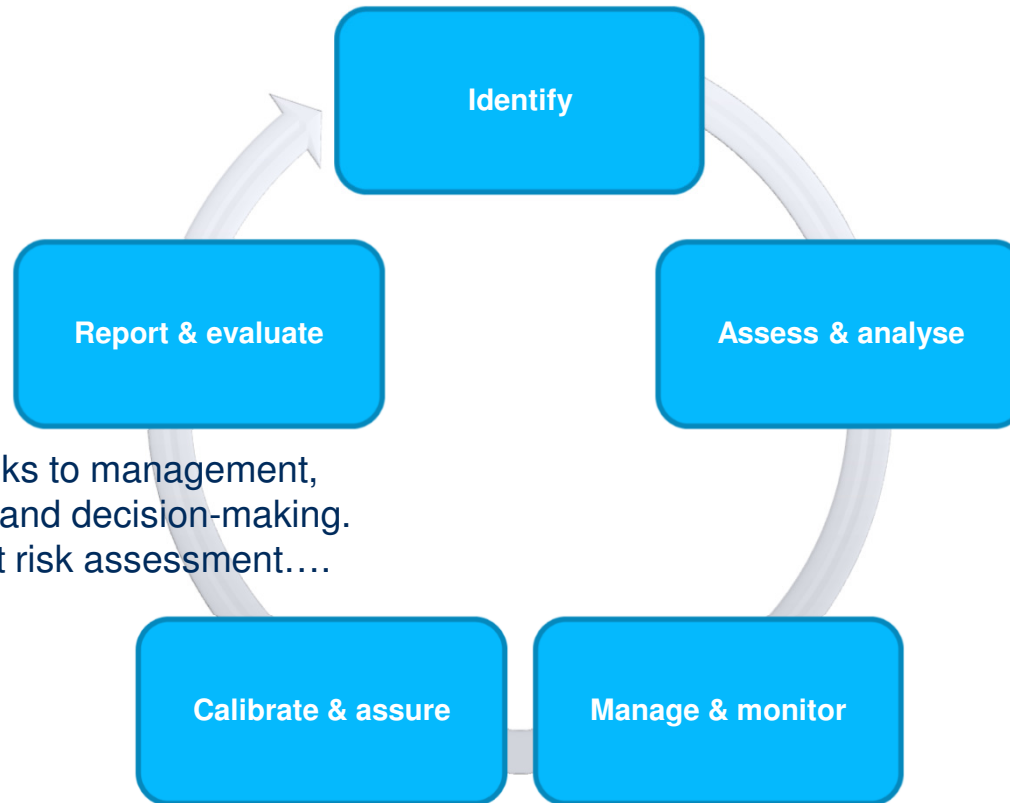
- Risk is the effect of uncertainty on objectives.
- Threats / opportunities
- Cause, event and consequence



Risk Management Process



What are our risks?



How bad is the threat?
Can we live with it,
based on our appetite?

Provide information on risks to management,
to support their oversight and decision-making.
Decisions may then affect risk assessment....

What assurance do we have
over our risks?

How do we monitor our risks,
understand if they change?

Risk Scoring



Inherent Risk: The risk that exists before any mitigations

Residual Risk: is the level of risk BTP/A faces now when considering risk drivers and current effectiveness of the controls that mitigate the risk

Scoring:

Impact: the estimated severity of the risk in terms of various measures such as damage to stakeholder confidence, operational impact, financial loss or harm to our staff

Likelihood: the estimated probability or frequency of an identified risk occurring

Score = Impact x Likelihood

Probability	VHI	5	10	15	20	25
	HI	4	8	12	16	20
	MED	3	6	9	12	15
	LO	2	4	6	8	10
	VLO	1	2	3	4	5
		VLO	LO	MED	HI	VHI
		Impact				

Risk Dashboard Summary



Strategic Risks	Risk score														Score change from last quarter	Future trend - Short Term (6 months)	Future trend Medium-Long Term (1-5 years)	Owner
	25	20	16	15	12	10	9	8	6	5	4	3	2	1				
A1 - Political, Legal & Regulatory: Failure to manage impact of political change, follow relevant laws, regulations, business rules & ethical codes	I	R													→	↑	→	CEO
A2 - Health & Safety: Failure to protect the health & wellbeing of our employees, operational partners and the general public	I		R												→	→	↓	CEO
A3 - Security & Business Continuity: Failure to protect and effectively manage our data, critical assets & infrastructure	I		R												→	→	↓	CEO
A4 - Stakeholder Confidence: Loss of confidence in BTP/BTPA by rail industry, government, the public and media		I		R											→	↓	→	CEO
A5 - Management of Change: Failure to manage internal and external change	I	R													→	→	→	CEO / CC
A6 - Financial Sustainability: Failure to manage the threats to the long-term sustainability of the BTP fund	I	R													→	→	↑	CFO
A7 - Major Incident Response: Failure to provide the capacity and capability to prepare for and manage a major incident	I	R													→	→	↓	CC
A8 - Operational Policing: Failure to provide effective policing across the rail network	I		R												→	→	→	CC

Risk Appetite



Risk appetite is “**the level of risk that an organisation is prepared to accept in pursuit of its objectives**”^{*} and before action is deemed necessary to reduce the risk.

BTP/A Risk Appetite Statement:

BTP/A is not averse to taking risks; and our approach is based on judgement and the circumstances of each potential intervention, and an assessment of its impact. This means we will not seek to intervene in all situations, rather we prioritise in terms of risk, cost and perceived benefits in a consistent and transparent way, choosing the most appropriate course of action from our suite of enabling, educational and enforcement tools.

*Institute of Risk Management

Risk Treatment



Aim: To bring risk back in line with appetite

Treat: Put mitigations in place to reduce the impact and/or likelihood of the threat occurring

Transfer: Give somebody else the risk, e.g. insurance

Terminate: Stop doing a process / project altogether

Tolerate: Management chooses to accept the level of risk

Assurance



The HM Treasury defines assurance as:

“an objective examination of evidence for the purpose of proving an independent assessment on governance, risk management, and control processes for the organisation.”

There are a number of assurance mechanisms in use at BTP/A through the Three Lines of Defence Model :

Third Line of Defence: NAO, GIAA, HMIC, ICO, IPCO, MOPAC....

Second Line of Defence: Audit & Assurance team, ARIC, BTPA scrutiny

First Line of Defence: Management oversight

To bring this all together, we will start doing Deep Dives.

Deep Dives



A deep dive is an end to end review of a specific risk, priority, focus area or concern

Approach

- Review assurance work
- Consultation with relevant committee
- Aligned with revised ARIC approach
- One Strategic Risk to be reviewed each quarter

Draft Schedule to be developed and presented to Members' Workshop 2021

Next Steps



May Authority Meeting – workshop

- Revisit the Strategic Risks
- Revisit Risk Appetite
- Horizon Scanning