

|  |
| --- |
| Highways England Risk Management Policy and Strategy |

# Introduction and Scope

Risk is an inherent aspect of the company’s administrative and commercial business activities. The key objective of this policy is to ensure that the company has a consistent basis for identifying, measuring, controlling, monitoring and reporting risk across the business at all levels.

# The aim of Highways England’s risk management approach is not to eliminate risk completely from our activities, but to ensure that every effort is made to manage risk appropriately to maximise potential opportunities and minimise the adverse effects of risk. In doing so, the company aims to use risk management to take better informed decisions and improve the probability of achieving its strategic and operational objectives.

# Definitions

# For the purposes of this policy risk is defined as:

# An uncertain event, or set of events, which would affect the delivery of objectives. This could be a threat to planned outcomes, or an opportunity which, if exploited, could deliver improvements beyond planned outcomes.

1. An issue is defined as:

A risk which has either materialised already, or is certain to do so in the future.

# Risk Management Roles and Responsibilities

1. All staff within the company has a responsibility to report promptly on emerging risks that they identify during the course of their work to their line manager or the appropriate risk manager. This is so that the risk can be recorded, further assessed and escalated, if appropriate. To support Highways England’s approach to risk management a number of key responsibilities has been defined and is contained in Annex A.

**Our Approach**

1. Our risk management process is aimed at early identification and mitigation and our framework gives us the structure through which we can consistently identify, prioritise, manage, monitor and report risks. We take a thematic approach to risk reporting. There are nine themes which are linked to our Delivery Plan and the Performance Specification within the Road Investment Strategy. These are detailed in Annex B.
2. Our underlying principles are that:
   * risks are monitored continuously
   * any associated action plans are reviewed alongside the appropriate contingency plans
   * the information is reported through our established procedures
   * risk management is not just achieved through the use of risk registers, but also risk management activities such as scenario planning
   * Our contractors and suppliers use our approach for shared risks

# Risk Appetite

Risk appetite is how much risk we are willing to take as a company in order to meet our strategic objectives. Setting the appetite is important as it allows risk owners and risk managers room to agree a working tolerance for specific risks. While risk appetite is the high-level reaction to the amount of risk that we are prepared to accept, tolerance is the baseline that owners and managers can work within before they need to escalate the risk to senior management for further action.

1. Our appetite statements are aligned with our three key business imperatives of Health & Safety, Customer and Delivery. These are contained in Annex C.

**Taking advantage of opportunities**

1. Opportunities are an important aspect of our risk management process, and are recorded in efficiency registers, as well as within business cases. Opportunities will also be captured in project risk registers. Should a financial opportunity arise, the Investment Decision Committee process must be followed.

# Risk Identification

1. Formal risk identification exercises are conducted at all levels of the business at least once a year in line with setting or changing of objectives and key strategic aims. However, risks can be identified at any time and should be recorded whenever they are identified or changed.
2. The Board and Executive teams have formal annual free-thinking identification sessions.

# Risk Assessment

1. We assess our risk exposure in terms of their impact on the achievement of our corporate objectives and the likelihood of the risk materialising using a 5x5 matrix (Impact 1-5 x Likelihood 1-5) supported by guidance on how to score them.
2. An assessment is made of the risks in their raw state (before any controls are in place), current state (after controls are in place, but excluding any controls which are planned or in development) and forecast state (after the planned actions are in place). These are assessed against a target risk exposure set for each risk (high / medium / low). The target risk is the level of risk exposure we are willing to accept for a risk. It is informed by our risk appetite and an assessment of the cost and benefits of controls needed to manage the risk.
3. All identified controls (whether in place or planned) are auditable with clear decision making processes supporting them.

**Risk Recording**

1. All risks, once identified, are logged onto a corporate standard risk register. The template has been designed to ensure consistency in the reporting and escalation process, and will not be subject to any amendment without prior consent from the Head of Corporate Risk Assurance. All registers must be retained on the corporate records management system (Share). Any deviation from this must be agreed with the Head of Corporate Risk Assurance.

The register must contain details of all controls or further planned mitigation activities and should include any financial details (if appropriate). All controls should be monitored throughout the risk’s life (as part of the monitoring process). Should any control change, be superseded, or expire, an immediate review of the risk should be undertaken.

# Formal Risk Reviews

1. All risks must be reviewed by the risk owner on a periodic basis (determined by the proximity of the risk materialising). At each assessment, both controls and further planned mitigation activities should be assessed to identify whether they are still valid, operating effectively and, for further planned mitigating actions, whether they have been implemented.
2. Executive risk owners must review their corporate risks on a quarterly basis. The Audit and Risk Committee receives a progress update on the risk management process four times per year. It also conducts a deep dive on a specific risk, risk theme, or topic at these meetings.

# Escalation and Cascade

1. Risks will be owned and managed where they can be controlled and monitored most effectively. When risks exceed the tolerance of the risk owner they will be escalated to more senior management for review and / or further action. Similarly, risks requiring more devolved management will be cascaded for ownership at a more local level.
2. The ownership and management of risks cannot be escalated or cascaded without the knowledge and consent of the new owner or manager.

# Third Party Risks

1. Contractors, suppliers and agency staff must use our approach wherever there is an impact on Highways England deliverables and / or objectives.
2. There must be a Highways England owner for all ‘third party’ risks identified and these must be recorded within a Highways England risk register. Suppliers and contractors cannot own risks on our behalf, but may manage and / or implement controls that contribute to the mitigation / management of that risk.
3. We acknowledge that our Shareholder and Client bodies hold risks relating to the delivery of our strategic objectives. We will share our key risks and, where appropriate, align our risk management to ensure clarity and provide efficiency in their mitigation.

# Risk Retirement

1. All risks have a finite life. Highways England recognises that when a decision is made to retire a risk, a record should be kept so that lessons can be learned about the best way to effectively manage risks of that type in the future. This action also allows the risk to be reactivated, should the need arise.

# Assurance

1. Assurance over whether a risk is being properly managed is provided through a number of routes. Highways England brigades these into the ‘four lines of defence’ model:
   * line one - day-to-day management activity and reporting
   * line two - executive oversight and periodic review from a party outside of front line activity
   * line three - activity carried out by parties with operational independence, such as Audit and Assurance or Corporate Risk Assurance
   * line four - activity completed by external independent parties, such as the National Audit Office or the Highways Monitor
2. Corporate Assurance will undertake in-depth reviews on risk registers and will provide guidance and recommendation on their findings as appropriate.

# Annex A: Key Responsibilities

To support Highways England’s approach to risk management a number of key responsibilities has been defined and are provided below:

* Highways England Board – has overall responsibility for determining the nature and extent of the significant risks that it is willing to take in achieving our strategic objectives and shall define the overall risk appetite and risk management culture
* Audit and Risk Committee – supports the Board through reviewing performance, progress and compliance with the company’s risk management process and through providing assurance on the effectiveness of our internal controls and procedures to identify, assess and report risk
* Chief Executive (and Accounting Officer) – is responsible to Parliament (through the Permanent Secretary of the Department for Transport) for the stewardship of public money and has overall responsibility for ensuring that the company has effective systems of risk management, governance and internal control
* Executive Directors – should establish appropriate ownership for risk management throughout their directorate to ensure reliable, timely and up-to-date risk information can be provided. They should also promote the integration of risk thinking into core management processes
* Chief Financial Officer & SIRO (Senior Information Risk Owner) – Owns the organisation’s overall risk policy and risk assessment processes (including information risks) and ensures they are implemented consistently. They advise the Chief Executive on the information risk aspects of his/her statement on internal controls and own the organisation’s information incident management framework
* Corporate Assurance – Provides the Board and Audit and Risk Committee with independent assurance that risk is being identified and managed effectively, in accordance with the risk management framework
* Regional Directors – Responsible for maintaining a strategic overview of the regional contribution to national targets
* Directorate Performance Management Teams - Responsible for ensuring that the risk management policy and processes are complied with, and disseminating risk management guidance and training. They oversee the collation of risk registers within their directorates and validate risk assessments.
* Programme, Project and Process Managers –Responsible for actioning risk responses delegated to them by risk owners. They ensure a thorough understanding of risk responsibilities within their teams. In addition they co-ordinate the identification of risks from within their sphere of control

# Annex B: Themes mapped to KPIs

The table below shows the nine risk themes with linked corporate KPIs and targets:

| Theme | Performance Area | KPI | Target |
| --- | --- | --- | --- |
| **Health, Safety and Wellbeing** | Making the Network Safer | The number of KSIs on the SRN. | Ongoing reduction in Network KSIs to support a decrease of at least 40% by the end of 2020 against the 2005–09 average baseline. |
| Helping cyclists, walkers, and other vulnerable users of the Network | The number of new and upgraded crossings. |  |
| **Delivering Service to Customers and Communities** | Improving user satisfaction | The percentage of NRUSS respondents who are Very or Fairly Satisfied. | Achieve a score of 90% by 31 March 2017 and then maintain or improve it. |
| Supporting the smooth flow of traffic | Incident Management: percentage of motorway incidents cleared within one hour. | At least 85% of all motorway incidents should be cleared within one hour. |
| **Delivering Performance and Efficiency** | Improving user satisfaction | The percentage of NRUSS respondents who are Very or Fairly Satisfied with: Journey Time; Information and Signs; Management of roadwork’s; Feeling Safe; Upkeep. |  |
| Achieving Real Efficiency | Cost Savings: Savings on capital expenditure. | Total savings of at least £1.212 billion over RP1 on capital expenditure. |
| Delivery Plan Progress: progress of work, relative to forecasts set out in the Delivery Plan, and annual updates to that Plan, and expectations at the start of RP1. | Meet or exceed forecasts. |
| **People and Company** | Achieving Real Efficiency | Delivery Plan Progress: progress of work, relative to forecasts set out in the Delivery Plan, and annual updates to that Plan, and expectations at the start of RP1 | Meet or exceed forecasts. |
| **Improving the Environment** | Delivering Better Environmental Outcomes | Noise: Number of Noise Important Areas mitigated. | Mitigate at least 1,150 Noise Important Areas over RP1. |
| : Biodiversity: Delivery of improved biodiversity, as set out in the Company's Biodiversity Action Plan. | The Company should publish its Biodiversity Action Plan by 30 June 2015 and report annually on how it has delivered against the Plan to reduce net biodiversity loss on an ongoing annual basis. |
| **Asset Stewardship** | Keeping the Network in good condition | The percentage of pavement that does not require further investigation for possible maintenance. | Percentage to be maintained at 95% or above. |
| Supporting the smooth Flow of Traffic | Network Availability: the percentage of the SRN available to traffic. | Maximise lane availability so that it does not fall below 97% in any one rolling year.  Encouraging Economic Growth |
| Encouraging Economic Growth | Average delay (time lost per vehicle per mile). |  |
| **Licence to Operate** | Achieving Real Efficiency | Delivery Plan Progress: progress of work, relative to forecasts set out in the Delivery Plan, and annual updates to that Plan, and expectations at the start of RP1. | Meet or exceed forecasts. |
| **Supporting Economic Growth** | Encouraging Economic Growth | Average delay (time lost per vehicle per mile). |  |
| **Strategic Planning** | Achieving Real Efficiency | Cost Savings: Savings on capital expenditure. | Total savings of at least £1.212 billion over RP1 on capital expenditure. |
| Delivery Plan Progress: progress of work, relative to forecasts set out in the Delivery Plan, and annual updates to that Plan, and expectations at the start of RP1. | Meet or exceed forecasts. |

# Annex C: Risk Appetite Statements

The following table provides Highways England’s risk appetite in line with its 3 key imperatives.

|  |  |
| --- | --- |
| **Imperative** | **Statement** |
| **Safety** | We face various risks in the operation of our high-speed road network, and with our construction and maintenance activities.  Where it is not appropriate to eliminate all risk inherent in our activities, we will take reasonable measures to minimise the  potential for harm, or loss of life, for the public, road users, road workers or our staff. |
| **Customer** | We want to be trusted that we can deliver our commitments and be respected by those who use our services. In the pursuit of our delivery objectives, we will work to ensure risk outcomes have only potential for low-to-medium impact on our customers and stakeholders. |
| **Delivery** | We will identify risks which might impact our ability to meet key performance goals and capital outcomes. We will adapt our approach to optimise our ability to meet our short-term and long-term targets. |
| **Financial governance** | We are willing to accept some circumstances where we will actively  manage financial risk to optimise our long-term financial performance and our portfolio of performance and capital outputs. Decisions on these will be taken in accordance with our internal governance arrangements. |