RISK MANAGEMENT STRATEGY

Risk Management Policy Statement

British Triathlon is determined to maintain a commitment to continuous improvement through reshaping the way we deliver the functions of the National Governing Body of Triathlon, Duathlon and Aquathlon in Great Britain.

Over recent years we have developed a culture of creating realistic budgets and keeping to them. Our commitment is now to continue to optimise the best possible delivery functions while working within tight budget constraints and recognising that there are risks involved in everything we do. It is the duty of everyone involved to manage these risks in a balanced, structured and cost effective way.

Risk management is about improving the quality of information about the likelihood and consequences of these incidents occurring and subsequently using this information to make informed decisions and judgements.

Approval and publication of this Policy Statement demonstrates this intention. The Policy is fully supported by Board Members, the Chief Executive and the Senior Management Team who are accountable for the effective management of risk within British Triathlon.

British Triathlon's Risk Management objectives are to:

1. Create an environment where risk management becomes an integral part of planning, management processes and the general culture of the business rather than being viewed or practised as a separate function.

2. Achieve better quality decision making.

3. Work with partners, providers and contractors to develop awareness and a common understanding of British Triathlon's expectations on risk management.

4. Minimising possible failure through a thorough knowledge and acceptance of potential impacts of each major decision taken.

To achieve these objectives, British Triathlon will:

Develop a systematic and consistent risk management approach that will:

- • Implement effective risk management as a key element of good governance and rigorous performance management.

- • Consider risk is an integral part of corporate and business planning and delivery.

- • Encourage considered and responsible risk taking as a legitimate response to opportunity and uncertainty.

- • Achieve better outcomes for the business through a more realistic assessment of the challenges faced; improved decision-making and targeted risk mitigation and control.

- • Embrace, reinforce and replicate good practice in risk management.

The Risk Management Strategy will be reviewed annually to take account of changing legislation, government initiatives, best practice and experience gained within British Triathlon. Any amendments will be submitted for approval by the Board.

1. INTRODUCTION

1.1   British Triathlon operates in an environment where it has to balance expenditure pressures against the need to meet its statutory duties and delivery functions continually in the most effective and efficient manner. At the same time the business is trying to ensure the protection of members, staff, the public, assets, reputation and the environment.

1.2   Success or failure in achieving the right balance depends on many factors, but perhaps the most important and wide ranging, is the quality of decisions that are made. Decisions will range from those surrounding strategic planning through to everyday operational judgements.

1.3   All decisions present different levels of risk to the business. In some cases, the risks will be very apparent and as a result, people taking the decision will consider the risk formally or intuitively. In other cases, risks will not be so clear, and as a result, the consequences will not be considered in arriving at the decision. The consequences of a bad decision can be very damaging with limited budgets, reserves and resources.

1.4   The first problem for management of risk is one of information. These responsible for identifying and mitigating risk will need to know something about the probability of an incident occurring and its impact (cost) if it does occur. Management will be able to improve the quality of decision-making as it gains better information about probabilities. Risk management is therefore about improving the quality of information about the likelihood and consequences of these incidents occurring and subsequently using this information to make informed decisions and judgements.

1.5   Our commitment is therefore to create an environment where risk management becomes and integral part of planning, management processes and the general culture of the business rather than being viewed or practised as a separate function. This will result in better quality decision-making.

2. DEFINITION OF RISK

Risk: British Triathlon defines risk as *"an incident or action or opportunity that could impact on the business's ability to achieve its objectives and to execute its strategies successfully".*

2.1   Risk can be defined as qualitatively as "exposing oneself to or being exposed to a *chance* of loss and/or other bad consequences" (Oxford English Dictionary).

2.2   Risk can also be defined quantitatively as the combination of the probability of an incident and its consequences in a monetary cost.

2.3   Risk can only be managed effectively if its nature is properly understood. Only risks that have been clearly identified can be managed. In identifying risks, care should be taken to avoid stating impacts that may arise as being the risks themselves, and to avoid stating risks that do not impact on objectives; equally care should be taken to avoid defining

risks with statements that are simply the converse of the objectives (Table 1). A statement of a risk should encompass the cause of the impact, and the impact on the objective ("cause and consequence") that might arise.

Table 1

Risk:	*"Leads to"* Exposure:	*"Results in"* Consequence
❖ Fire	❖ Death/Injury	❖ Compensation claim
	❖ Building/property /asset destroyed	❖ Unable to provide service
		❖ Displaced staff
		❖ Press (negative)
		❖ Fire investigation
		❖ Corporate manslaughter charge

3 WHAT IS RISK MANAGEMENT?

Risk Management: *Risk management at British Triathlon is regarded as a tool for exploiting opportunities as well as a safeguard against potential threats. British Triathlon will therefore use risk management to promote innovation as well as to help secure existing objectives.*

3.1   Risk management is a central part of British triathlon's strategic management. It is the process whereby the Board, management teams and operational managers methodically address the risks attaching to their activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

3.2   Risk management is the process by which risks (both threats and opportunities) to delivering on these strategies and objectives are identified, and evaluated. This will enable the business to take decisions about the best way of controlling and managing the risk, and whether to transfer it (through insurance or through contract) or accept and finance it in-house. Risk is traditionally seen as a negative factor i.e. the chance of things going wrong. However, if it is properly managed, risk can also have a beneficial impact.

3.3   Risk management is an umbrella discipline that cuts across all areas of the Business's activities, from the strategic to the operational, and needs to be integral to all activities.

3.4   The nature of a risk can determine the level of accountability. The Business then needs to be able to handle risk at three levels: strategic, senior management and operational.

3.5   Best practice emphasises that risks should be managed at the lowest possible level within the business, with clear accountability established and systems and processes designed to support this approach.

3.6   To quote from a CIPFA/ALARM publication Risk Management in the Public Services

"There is no mystery about risk management, but there is a lot of jargon. It really is about business decision making and enabling the process of taking risk"

3.7   *Th*e questions that need to be considered include:

• What is the risk? (Risk identification)

• What will happen to create desired outcomes? (Risk evaluation – impact)

• How likely is the incident to happen? (Risk evaluation – likelihood)

• Does the benefit outweigh the risk? (Risk/benefit analysis)

• Can we do anything to reduce the risk? (Risk reduction)

• Has anything happened which alters the risk? (Risk monitoring)

•What plans can we put in place in case the incident should happen? (Contingency/service continuity planning).

•What insurance can we buy to mitigate the risk, or can we contract out this risk? (Risk transfer)

•What financial provisions should we hold for the primary or residual risk? (Risk funding)

4. WHY DOES BRITISH TRIATHLON NEED TO MANAGE RISKS?

4.1   Good corporate governance requires that risk management be 'embedded' into the culture of our Business. This does not mean solely having an internal audit function checking on risk management procedures. The Business needs to look ahead, be dynamic, respond to change and maximise business opportunities. To take the most logical steps, the Senior Management Team and Management Teams need to review past data, forecast what might happen and predict outcomes. Then recommended action should be taken following Board approval. The risks associated with the business need to be managed if outcomes are to be optimised.

4.2   Risk management is an integral part of good business practice, in the same way as good personnel and financial management is essential.

5. RISK MANAGEMENT PROCESS

5.1   The Business' Risk Management Strategy is to ensure that all activities associated with risk management are embedded within the mainstream performance management framework. The Business' Risk Register will be regularly monitored regularly by the Board.

6. ROLES AND RESPONSIBILITIES

6.1   In determining roles and responsibilities, consideration has been given to the need to ensure that Risk Management is embedded in policy approval (Strategic Risks) and delivery (Operational Risks) as well as the need to provide sufficient resources to both implement the Strategy and ensure systems are sustainable.

6.2   Table 2 provides an overview of the key roles and responsibilities.

Table 2: Roles and Responsibilities

Individual/Group	Summary of role/responsibilities
Board Members	Will approve the risk management strategy Scrutinise performance, including the effectiveness of risk management measures.
Senior Management Team	Manage strategic risks, as well as operational risks in their individual areas of responsibility. Leads on all risk management issues. Primary role is to manage operational risks. Supports the continued development of the Risk Management strategy in a co-ordinated, consistent way.
Managers	Actively involved in the identification, analysis and profiling of risks.

7 IDENTIFY THE RISKS

7.1   This is probably one of the most important steps of the process, as we can only attempt to manage risks once we have identified them. Risk identification should be undertaken at Senior Management Team level. The important thing is that the brainstorming should have a structure to ensure that a complete identification of risk is achieved. Such exercises should be conducted on an annual basis to coincide with the governance audit requirements, but the risk action plan should be reviewed frequently in accordance with these guidelines to ensure that risks are being effectively mitigated.

7.2   The purpose of the exercise is to identify the major risks facing the Business. Understanding and the identification of creeping risk which gradually moves from being unimportant to important over time.

7.3   Understanding the breadth of risks facing the Business will help operational management identify all the potential risks associated with providing their services efficiently and effectively. Subdividing risks into the following categories provides a useful checklist:

• *At strategic (Board) level* – risks that need to be taken into account in judgements about the medium – to long-term goals and objectives of the Business. Managing strategic risks is a core responsibility.

• *At Senior Management level,* identify risks using the existing delivery planning process. All service plans should identify the key risks faced by individual areas in achieving their objectives as well as any measures and actions to manage these risks. The risks identified are:

    • those that could significantly impact on the achievement of the business' overall objectives and priorities.

    • recorded in the Risk Register;

• *Operational* – risks that managers and staff will encounter in the daily course of their work.

• *At partnership level,* the key stakeholders will identify the risks that could impact on the successful delivery.

    • those that could significantly impact on the achievement of the partnerships aims and objectives.

7.4   A systematic approach to the identification of risks is essential. Risk categorisation is not an exact process. The initial process will generate duplications. This is unavoidable and can only be dealt with as the results are interpreted and refined. To help in ensuring that all potential risks are evaluated, systematic approaches such as that shown in Table 3 can give a structure to the identification process. Another approach is to focus on the corporate plan/business plans and build on the categorisation of business objectives. This is the preferred option as it ensures that the risks identified are clearly linked with the Business' objectives and medium term priorities. The risk categories in Table 3 aim to provide high-level headings of the types of strategic/operational risks encountered.

Table 3 Risk Categories

Risk categories	
Strategic	**Operational**
• Political	• Professional
• Economic/financial	• Financial
• Social	• Legal
• Technological	• Physical
• Legislative	• Contractual
• Environmental	• Technological
• Competitive	• Environmental
• Member	• Information

7.5   On completing the risk identification process, all risks must be mapped. The risk map (more commonly known as the Risk Register) will be our working document.. It will be produced in stages and subsequent developments are dealt with in the following paragraphs.

8 ANALYSING/PRIORITISING THE RISK

8.1   British Triathlon does not have the resources to manage every risk all of the time, so we will consider which risks are most likely to happen and what their likely impact would be. When risks have been identified, each one will be assessed to determine the likelihood and impact should the risk occur.

8.2   To ensure that we are consistent, we have developed criteria for likelihood and impact, which will help managers to assess whether the risk is high, medium or low.

8.3   Impact

        Impact is assessed on a scale of low (1) to high (3) indicating increasing seriousness. The impact is assessed looking at credible scenarios (taking prevailing circumstances into consideration) and looking forward to the risks that arise from these scenarios. The examples detailed in Table 4 will help ensure a consistent approach.

Table 4 – Impact criteria

Description	Example Detail
High (3)	Death or life threatening Serious service failure Negative <u>national</u> publicity or widespread adverse local publicity Serious impact felt across more than one Department Legal action almost certain and difficult to defend Financial impact not manageable within existing funds and requiring approval for additional funds i.e. in excess of £50,000 Non-compliance with law resulting in imprisonment
Medium (2)	Extensive, permanent/long term injury or long term sick Negative <u>local</u> publicity but not widespread Expected impact, but manageable within contingency plans Legal action expected Financial impact manageable within existing budget but requiring Director approval for additional funds i.e. between £5,000 and £50,000 Non-compliance with law resulting in fines
Low (1)	Short term sick absence, first aid or medical treatment required Some risk to normal delivery but manageable within contingency arrangements Negative customer complaints Possible impact, but manageable Legal action possible but unlikely and defendable Possible financial impact manageable within service budget i.e. less than £5,000 Non-compliance with regulations / standards or local procedures resulting in disciplinary action.

8.4 Likelihood

Following the identification of a risk through looking at the impact of particular scenarios, the likelihood of the risk occurring is estimated on the basis of historic evidence, or experience that such situations have materialised, or are likely to do so again.

Table 5 gives example details of how the likelihood is assessed. The likelihood needs to be assessed in terms of 'has it happened before and is it expected to happen in the near future'.

Table 5 Likelihood Criteria

Description	Example Detail
High (3)	Has **happened** in the past **year**; or is **expected** to happen in the next **year** More than **50% probability**
Medium (2)	Has **happened** in the past **2 – 5 years**; or is **expected** to happen in the next **2-5 years** Between **25% to 50% probability**
Low (1)	Has **not happened** in the past **5 years or more**; or is **not expected** to happen in the next **5 years or more** Between **1% to 25% probability**

8.5   There will be measures in place to minimise any identified risks – known as mitigating actions (existing controls). However, it is important to bear in mind that in the first instance, risks are assessed on the basis that there are no measures in place or on the basis that any existing measures are not operating effectively. In other words, we are seeking to ascertain the worst case scenario if the risk were to occur.

8.6   RESPONSE TO RISKS

Most risks cannot be eliminated altogether and risk management involves making judgements about what level of risk is acceptable.

8.7   Best practise risk management details four categories of response – transfer, treat, terminate and tolerate – known as the Four T's.

Table 6 Heading

Response	
Transfer	Some risks can be *transferred* to an insurer e.g. legal liability, property and vehicles etc. Service delivery risks can be transferred to a partner. Some risks cannot be transferred e.g. reputational risks.
Treat	Some risks will need additional *treatment* to reduce their likelihood or impact. This response is most likely where the likelihood or impact is such that a risk has been identified as a high/red risk.
Terminate	In some instances, a risk could be so serious that there is no other option but to *terminate* the activity that is generating the risk.
Tolerate	This response will be appropriate where you judge that the control measures in place are sufficient to reduce the likelihood and impact of a risk to a *tolerable* level and there is no added value in doing more.

8.8   Generally, any red risks (i.e. those risks that appear in the matrix after taking any mitigating actions into account) are viewed as unacceptable in the first instance and are to be "treated" by a action plan.

8.9   At this stage some form of cost benefit analysis may be needed to ensure that the cost of further risk mitigation action does not outweigh the cost of tolerating the risk.

8.10   The Senior Management Team are responsible for considering the Action Plan and any cost benefit analysis. They will make the decision as to whether or not these risks will be treated further.

8.11   Amber risks can be acceptable, but the risk should be reduced as low as reasonably practicable. Contingency plans will also be developed. Green risks are broadly acceptable.

8.12   The acceptance of a risk represents an informed decision to accept the impact and likelihood of that risk and is recorded as a "tolerated" risk in the Risk Register.

9 ACTION PLANS

9.1   Each identified mitigating action (those risks that are above the tolerance line (red) and we have decided to treat) will be allocated an "Action Owner," who is responsible for confirming the existence and effectiveness of the current mitigating actions and ensuring that any proposed mitigating actions are implemented. Such accountability helps to ensure "ownership" of the mitigating action.

9.2   The title and/or name of the Action Owner are recorded in the Risk Action Plan. The Action Owner is not necessarily the same officer as the Risk Owner.

10 MONITOR AND REVIEW

10.1   All managers are responsible for identifying risk, implementing and monitoring any appropriate risk management control measures within their service areas and scope of responsibility. In situations where significant risks have been identified and where local controls are considered to be potentially inadequate, managers must adhere to the reporting process.

10.2   Risk management is not a one off exercise – it needs to become an integral part of the way we work. To realise this aim regular monitoring of identified risks is vital. Monitoring:

- o   is part of existing performance monitoring timetables;

- o   focuses on those risks that, because of their likelihood and impact, make them management priorities;

- o   is delegated to a single responsible body.

10.3 To achieve this, the following monitoring frequency has been agreed:
Table 7 Heading

High risk, prompt action, monitor at least monthly and may require daily updates at peak risk
Medium risk, contingency plan, monitor at least quarterly
Low risk, monitor at least half yearly

10.4   Effective risk management requires reviewing and a reporting structure to ensure that risks are effectively identified and assessed and that appropriate controls and responses are in place.

10.5   Regular internal monthly reports will enable senior managers to be more fully aware of the extent of the risks and the changes occurring to them.