



**Ebbfleet Development Corporation**

**Risk Management Strategy**

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### CHANGE HISTORY

Version No.	Date	Details of Changes included in Update	Author(s)
1.0	21 April 2015	Approved at EDC Board	Jane Sweeney
1.1	October 2017 and Jan 2018	To reflect EDC's risk reporting structure	Gerard Whiteman
1.2	March 2018	To include feedback from Jan ARAC	Gerard Whiteman
1.3	May 2018	To include feedback from April ARAC	Gerard Whiteman

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# Chapter 1

## Introduction

The identification and management of risk is an integral tool in the delivery of any successful project or programme, and the responsibility to identify risk falls to every member of the team, regardless of their role and function.

A risk is defined as **“an uncertain event or set of events which, should it occur, will have an effect on the achievement of objectives”**.

Risk management is a continual cyclical process through which the level of threat to a project / programme can be controlled and minimised, and through which opportunities can be maximised. When carried out effectively, risk management can significantly increase the probability of a projects success, help to support better decision making and protect against liabilities and delays.

The idea of major housing and commercial development at Ebbsfleet is not new and proposals for the area have been in the pipeline for a long time. However, despite the ambitions for the area, development has been slow to progress. In March 2014, the Government announced ambitious plans to establish a new Development Corporation to drive forward plans for a new garden city at Ebbsfleet, capable of providing up to 15,000 new homes based predominantly on brownfield land and former quarries.

This risk management strategy, which defines the procedures, tools and processes put in place to manage the successful delivery of the new garden city at Ebbsfleet, is the responsibility of the Senior Responsible Owner (SRO), in this case the Chief Executive of the Ebbsfleet Development Corporation.

Although the SRO has overall responsibility, it is the responsibility of all individuals involved in the programme to manage and report risks.

# Chapter 2

## Accountability and Governance

### Roles and Responsibilities

#### Chairman and Board

- Overall responsibility for ensuring that a sound system of internal controls is established.

Audit and Risk Assurance Committee - The ARAC Committee has responsibility for reviewing and where necessary challenging:

- the adequacy of risk management
- the policies and procedures governing probity and risk

In discharging these duties, the Committee plays a key role in supporting and advising the Accounting Officer and the Board in relation to the Corporation's strategic processes for control, risk and governance

#### The Chief Executive

- Senior Responsible Owner and has accountability for the successful delivery of the programme. Responsible for overall ownership of risk and ensuring that risk management structures and processes are in place.

#### Directors

- Responsible for ensuring the Risk Sub Committee functions effectively

#### Project / Programme Managers

- Responsible for ensuring that risk registers and reviews are in place and carried out. Ensuring that risks are, when necessary escalated to a senior level.

### Governance Structure

A diagram detailing the Risk Governance structure of the Development Corporation is attached at **Annex A**. In terms of risk management, the following applies:

- The Ebbsfleet Development Corporation Board agrees and approves the risk management strategy, regularly reviews the corporate strategic risk register and sets the risk appetite of the Corporation. As an Arms-Length Body the Development Corporation should ensure it is aware of the risk appetite of the Ministry of Housing, Communities and Local Government and takes this into account when making decisions. The Board also reviews and discusses risks on a 'by exception' basis (e.g. when a risk with a significant impact on delivery and/or the organisation will occur imminently).

- The Audit and Risk Committee (ARAC) is responsible for assessing and challenging the overall effectiveness of the risk management processes. The Committee may also carry out additional 'deep dive' reviews into specific areas of risk (e.g. planning, financial, etc.).
- The Infrastructure and Investment Panel (IIP) is responsible for regularly reviewing and monitoring the capital project and programme risks
- The Risk Sub-Committee is responsible for advising the Chief Executive, Audit and Risk Committee and, where appropriate the Ebbsfleet Development Corporation Board on risk management. The Risk Sub-Committee will be responsible for ensuring that the Corporation's risk management policy is adhered to, that robust control processes are in place, and that risks relating to their specific areas are regularly reviewed, and if necessary, escalated to the appropriate level. The Terms and Reference of the Risk Sub Committee are attached at **Annex B**.

All of the above is supported through the management of risk at an individual level across the organisation.

# Chapter 3

## Risk Management

### Management Procedures

Successful risk management involves identifying and assessing the potential threats and opportunities to the programme, putting in place the actions necessary to manage them, and monitoring and reviewing progress in order to establish whether further action is required.

Identification – determine what could happen throughout the lifetime of the programme, what can go wrong, how it can go wrong and why? What is the cause, effect and impact?

Assess – determine the likelihood and impact of the risk – is it almost certain to occur or extremely unlikely? How severe would the impact be on the project delivery, or the Corporation? Using the appropriate scales to assess likelihood and impact will enable risks to be assessed for overall severity.

Scales for estimating probability and impact are attached at **Annex C**.

Plan – identify a plan of action for dealing with the risk or opportunity.

- Treat or reduce the risk through mitigations designed to bring the risk down to an acceptable level.
- Tolerate or accept the risk, especially in cases where there is limited ability to affect the risk. If risks are accepted then contingency plans should be put in place to deal with the impact.
- Transfer by shifting the responsibility of the risk to another party.
- Terminate or avoid by taking the decision to not become involved in a risk situation, for example, by refusing to change the scope of the project. This action will not prevent future risks from occurring.
- Take opportunity by recognising when a risk provides a chance to do something which will enhance delivery.

Once a plan has been identified for each risk, then re-evaluate to determine and record what impact the mitigation will have on the likelihood and impact.

Ensure that every risk has an allocated 'owner'. This is the person who has overall responsibility for the risk, not necessarily the same person who will be responsible for carrying out the mitigating actions. The risk 'owner' needs to be someone with direct involvement in the area where the risk would have an impact, and should be someone who has the authority to influence those required to carry out the mitigation of actions.

Implement – action any mitigations / plans put in place to reduce or remove the threat. Ensure that every mitigation or plan has an action ‘owner’ who is responsible for ensuring that mitigating actions are carried out, monitored and reviewed.

Communicate – review and report risks. Have they changed? Are new risks emerging? Are there risks that need to be escalated to the Board?

## **Risk Register**

The Risk Register is a key audit tool for recording, monitoring and evaluating risks during the lifetime of the project. The register should set out:

- The Risk
- The cause of the Risk
- The effect that the Risk will have on the project, organisation, stakeholders, etc
- A measure of the severity of the Impact of the Risk
- The likelihood of the Risk occurring
- A pre-mitigating evaluation (RAG rating)
- The mitigating actions
- The post-mitigating evaluation of likelihood and impact.
- The responsible owner of the Risk
- The action owner responsible for one or more of the mitigations
- The review date.

Project risk registers will inform the Program risk register which in turn informs the Corporate Risk Register. Risk registers are auditable and should be dated, with previous risk registers filed for reference. The risk registers used by the EDC are detailed at **Annex D**.

## **Risk Appetite**

Central to any organisation’s risk management strategy is a decision on the organisation’s appetite for different types of risk. The EDC has inserted an additional third column in the risk register to reflect the projected risk level at a point in the future. Board are asked at regular intervals at Board meetings to review the risk register to consider if these are at an acceptable level and whether they are prepared to accept, tolerate or be exposed to high levels of risk for certain activities.

As an Arms-Length Body of DCLG it is important that the EDC is mindful of the risk appetite of the Department.

The EDC will continue to face challenging decisions throughout its life and these will need to be steered by the Corporation’s appetite for risk.

## **Timing and Reporting**

All risk registers are reviewed on a monthly basis. Key project risks are reported to IIP (within the project highlight report) at each IIP meeting. The Audit and Risk Committee will review the Strategic Corporate Risk Register on a six monthly basis whilst the Board will review the document at least annually.

## **Risk Thresholds**

The trigger for escalating a Risk is established by setting a threshold which dictates when a risk should be escalated. The Ebbsfleet Development Corporation has set the following three parameters against which risks should be evaluated:

- Delivery of objectives
- Financial
- Reputation

The trigger for escalating a Risk is based on the overall severity determined by impact and likelihood taken together. The thresholds for each of these parameters are formed from the impact scales as set out at **Annex C**.

## **Escalating Risk**

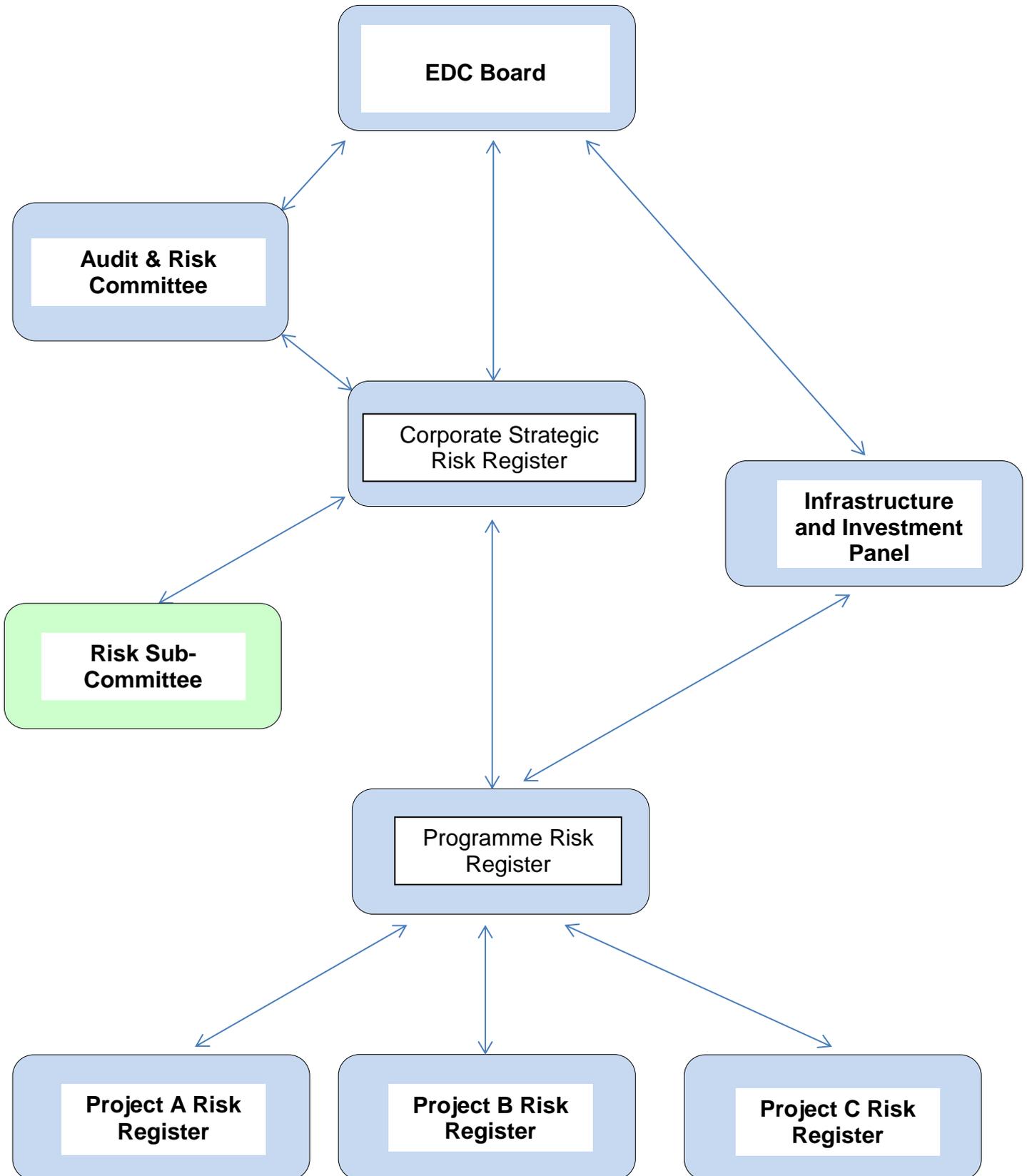
It may be necessary during the life of the organisation to escalate risks to a higher management level. Risks should be escalated in both directions, from the bottom up to senior management, and from the top down. It is important to establish and agree the risk appetite for the organisation which will determine the organisation's tolerance for its exposure to risk. The Ebbsfleet Development Corporation as an Arm's Length Body is aware of the Risk Appetite of the Ministry of Housing, Communities and Local Government.

## **Multiple Risks occurring simultaneously**

In the event that some risks occur simultaneously the EDC management will:

- Consider if the EDC Business Continuity Plan needs to be actioned
- Review the impact that the risks are causing, then determine the priorities of the organisation and implement a short term action plan
- Consider if an emergency Board meeting is required

### Governance Structure



## **Risk Sub-Committee**

### **Terms of Reference**

#### **Role**

The Risk Sub-Committee will be responsible for advising the Chief Executive, Audit and Risk Committee and where appropriate the Ebbsfleet Development Corporation Board on risk management, including:

- Reviewing and quality assuring the corporate risk register to ensure it is comprehensive and accurate;
- Agreeing the classifications of risk;
- Ensuring that identified mitigations are appropriate, deliverable and capable of reducing risk;
- Evaluating delivery and reputational risks and determining whether or not specific risks need to be escalated.

#### **Membership**

The Committee will be chaired by the EDC Chief Executive.

Membership is at Director level and will include all EDC staff at that level i.e.

Director of Finance  
Director of Projects  
Chief Planning Officer

#### **Behaviour**

Members of the Risk Sub-Committee are expected to make attendance at the Sub-Committee a priority, to actively challenge on risks and on the risk management process and control procedures.

#### **Reporting and Frequency**

The Risk Sub-Committee reports on a monthly basis. Standing items for discussion include the corporate risk register. The Risk Sub-Committee will also review any specific project risks.

## Scales

## Likelihood Scale

Rating	Likelihood	Definition
VH	More than 75%; almost certainly will occur	There is a very high chance this will materialise and impact on delivery of a strategic objective or high level programme or operational area – sooner rather than later
H	51- 75%; more likely to occur than not	There is a high chance this will materialise and impact on delivery of a strategic objective within the next 12 - 18 months, or weekly within an operational area
M	26 – 50%; fairly likely to occur	It is possible this will materialise and impact during the lifetime of a strategic objective, within the lifecycle of a high level programme, or monthly within an operational area.
L	5 – 25%; unlikely to occur	There is a small chance that this will materialise and impact during the lifetime of a strategic objective, within the lifecycle of a high level programme, or within six months within an operational area.
VL	Less than 5%; extremely unlikely to occur	This is highly unlikely to materialise and impact in a strategic environment, during the lifecycle of a high level programme, or yearly within an operational area.

## Impact Scale

<b>Rating</b>	<b>Delivery / Financial</b>	<b>Reputation</b>
VH	Prevent achievement of a project, or one or more key objectives	Event which would destroy the Corporations credibility with key stakeholders in the long term.
H	Has significant impact on the achievement of one or more key objectives	Event which will significantly damage the corporations credibility with key stakeholders for a sustained period, or at a critical point
M	Has short term impact on achievement of business objective	Event which will undermine the corporation's credibility with key stakeholders for a short period.
L	Has a minor short term impact on delivery of short term goals without affecting long term objectives.	Event which may lead to criticism amongst key stakeholders
VL	No impact on key objectives.	Event which will lead to criticism from external stakeholders.

## Risk Registers

- **Corporate Strategic risk register**
- **Programme risk register**
- **Individual Project risk register**