

# **Risk: Good Practice in Government**

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March 2006





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ISBN 10: 1-84532-149-9

ISBN 13: 978-1-84532-149-9

# CONTENTS

		<b>Dept</b>	<b>Page</b>
Foreword	Risk: Good Practice in Government		<b>1</b>
	Analyses Categories		<b>3</b>
Example 1	High risk, high profile, high budget	DFES	<b>7</b>
Example 2	Spotting emerging risks	DEFRA	<b>9</b>
Example 3	Creating a 'no surprises' culture	DfT	<b>11</b>
Example 4	Working it out together	DfT	<b>13</b>
Example 5	Finance and reputation	DTI	<b>15</b>
Example 6	The perfect match – aligning portfolio to strategy	OGC	<b>19</b>
Example 7	Managing debt, managing risk	DWP	<b>21</b>
Example 8	Rising to the challenge	DEFRA	<b>23</b>
Example 9	New challenges for HM Revenue and Customs	HMRC	<b>27</b>
Example 10	Learning from failure	HO	<b>29</b>
Example 11	Top threats and the Board	DEFRA	<b>31</b>
Example 12	Risk and a Royal Takeover	DFID	<b>35</b>
Example 13	Mind the gap	HMRC	<b>37</b>
Example 14	“The best thing to come out of Whitehall.....”	ODPM	<b>39</b>
Example 15	Managing risky HR IT system	NIO	<b>41</b>
Example 16	Joining up justice	NIO	<b>43</b>
Example 17	Expect the unexpected	FCO	<b>47</b>
Example 18	Designing a common risk register	Scot. Exec.	<b>49</b>
Example 19	Streamlining gateway reviews	Scot. Exec.	<b>51</b>
Example 20	Asking the right questions	Scot. Exec.	<b>53</b>
Example 21	Doubling of direct payment	DWP	<b>55</b>
Example 22	Getting staff to be risk savvy	DVLA	<b>57</b>
Example 23	What do we tell the Board?	HO	<b>59</b>
Annex A	Contact Details		<b>61</b>



# FOREWORD RISK: GOOD PRACTICE IN GOVERNMENT

The Prime Minister has said: “Risk management – getting the balance right between innovation and change on the one hand, and avoidance of shocks and crises on the other – is now central to the business of good government”<sup>1</sup>.

I chair a sub-Committee of the Permanent Secretaries’ Management Group overseeing a programme of change to identify and promulgate good practice and to encourage further improvement in risk handling capabilities in central Government.

There are several types of risk in the business of Government: policy or strategic risk; financial risk; risk to the public or groups of stakeholders; project/delivery failure; and reputational risk. Through the leadership of Boards and the embedding of good practice, we need to create a culture where people at all levels in our organisations recognise and manage risk effectively.

Government Departments and Executive Agencies are committed to some challenging targets to deliver public services, to implement a process of reform, and to meet challenging efficiency targets. We will only deliver on those targets if we understand, anticipate and manage risks. We also need to create a culture where people in our Departments feel equipped and supported to take well managed risks, to create innovative solutions.

Crucial to all this is the need to ensure that we learn from good practice, and share our experience so far. Many departments have introduced a number of innovative and effective approaches to incorporate risk management into their day-to-day business. We have collated some of the best examples here and I hope they will prove instructive and stimulating.

In May 2005 the Prime Minister stated in his ‘Risk and the State’ speech: “We cannot eliminate risk. We have to live with it, manage it.” Risk management is not about ticking boxes. As these examples show, it’s about making a real difference.



Brian Bender

Permanent Secretary, DTI and Chair, Permanent Secretaries’ Management Group sub-Committee on Risk

<sup>1</sup> Foreword to the Cabinet Office’s Strategy Unit report *Risk: Improving government’s capability to handle risk and uncertainty*, published in November 2002.



# ANALYSES CATEGORIES

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The areas of good practice covered by each example have been listed according to:

- Categories of Good Practice
- Risk Management Assessment Framework (RMAF) Categories
- Functional Groupings

Ref.	Example	Dept	Categories of Good Practice
			Communication
I	High risk, high profile, high budget	DfES	Project Management
II	Spotting emerging risks	DEFRA	Innovation
III	Creating a 'no surprises' culture	DfT	Working with Ministers
IV	Working it out together	DfT	Stakeholders – Joint Exercises
V	Finance and reputation	DTI	Stakeholders – Early Engagement
VI	The perfect match – aligning portfolio to strategy	OGC	Senior Management Challenge
VII	Managing debt, managing risk	DWP	Risk Gap Identification
VIII	Rising to the challenge	DEFRA	Portfolio Management
IX	New challenges for HM Revenue and Customs	HMRC	Policy
X	Learning from failure	HO	Piloting
XI	Top threats and the Board	DEFRA	Independent Review
XII	Risk and a Royal Takeover	DFID	Incentivisation
XIII	Mind the gap	HMRC	Horizon Scanning
XIV	“The best thing to come out of Whitehall.....”	ODPM	Deployment of Resources
			Contingency Planning
			Board Reporting
			Alignment of Risks & Planning

Ref.	Example	Dept	Categories of Good Practice																	
			Communication						❖	❖										
			Project Management	❖	❖		❖	❖	❖	❖										
			Innovation	❖	❖						❖	❖								
			Working with Ministers								❖									
			Stakeholders – Joint Exercises		❖															
			Stakeholders – Early Engagement	❖	❖	❖						❖								
			Senior Management Challenge																	❖
			Risk Gap Identification									❖	❖	❖						
			Portfolio Management																	
			Policy																	
			Piloting		❖															
			Independent Review				❖	❖												
			Incentivisation																	
			Horizon Scanning																	
			Deployment of Resources			❖								❖						
			Contingency Planning																	
			Board Reporting												❖	❖				
			Alignment of Risks & Planning										❖	❖						
XV	Managing risky HR IT system	NIO																		
XVI	Joining up justice	NIO																		
XVII	Expect the unexpected	FCO																		
XVIII	Designing a common risk register	Scot. Exec.																		
XIX	Streamlining gateway reviews	Scot. Exec.																		
XX	Asking the right questions	Scot. Exec.																		
XXI	Doubling of direct payment	DWP																		
XXII	Getting staff to be risk savvy	DVLA																		
XXIII	What do we tell the Board?	HO																		

Examples Analysed by :

b) Risk Management Assessment Framework (RMAF) Categories, and

c) Functional Groupings

Ref	Example	Dept	RMAF Groupings						Functional Groupings								
			Leadership	People	Policy & Strategy	Partnerships	Processes	Risk Handling	Outcomes	Human Resources	Technology	Information Mgt	3rd Parties	Project Mgt	Communication	Resources	Procurement
I	High risk, high profile, high budget	DfES				❖		❖	❖	❖				❖			
II	Spotting emerging risks	DEFRA					❖							❖			
III	Creating a 'no surprises' culture	DfT	❖				❖	❖								❖	
IV	Working it out together	DfT				❖	❖					❖					
V	Finance and reputation	DTI							❖					❖		❖	
VI	The perfect match – aligning portfolio to strategy	OGC						❖						❖		❖	
VII	Managing debt, managing risk	DWPP	❖						❖					❖		❖	
VIII	Rising to the challenge	DEFRA							❖			❖				❖	
IX	New challenges for HM Revenue and Customs	HMRC	❖					❖									
X	Learning from failure	HO						❖	❖			❖			❖		
XI	Top threats and the Board	DEFRA	❖					❖									
XII	Risk and a Royal Takeover	DFID		❖				❖		❖						❖	
XIII	Mind the gap	HMRC		❖				❖	❖		❖	❖			❖		
XIV	“The best thing to come out of Whitehall.....”	ODPM				❖	❖	❖								❖	
XV	Managing risky HR IT system	NIO	❖	❖			❖	❖	❖	❖	❖	❖		❖			
XVI	Joining up justice	NIO				❖	❖	❖	❖		❖		❖	❖			❖
XVII	Expect the unexpected	FCO		❖		❖										❖	
XVIII	Designing a common risk register	Scot. Exec					❖							❖			
XIX	Streamlining gateway reviews	Scot. Exec.					❖							❖			
XX	Asking the right questions	Scot. Exec.						❖						❖	❖		
XXI	Doubling of direct payment	DWPP	❖	❖			❖	❖	❖		❖			❖	❖		
XXII	Getting staff to be risk savvy	DVLA	❖				❖	❖			❖	❖				❖	
XXIII	What do we tell the Board?	HO	❖				❖					❖					

# HIGH RISK, HIGH PROFILE, HIGH BUDGET [DFES]

**1.1** Education Maintenance Allowances (EMAs) are a radical initiative developed by the Department for Education and Skills (DFES) to keep more students aged 16+ in education. The idea behind the Allowances is simple: in return for regularly attending classes and making progress against a learning agreement, young people are directly paid an EMA.

**1.2** With the Government's emphasis on education, EMAs were a high profile, high-investment – and potentially high-risk – proposal. While it's still far too soon to say how much impact they will have on continuing education over the long term, the policy has already achieved its short term objective; namely, getting many thousands of young people to stay on in education. By 2006, EMA will support over 400,000 young people who are choosing to stay on in education after 16, improving the education and economic prospects for themselves, and also for their families and the nation as a whole.

## Developed and delivered in partnership with young people

**1.3** In the academic year 2004/05, the Government spent £260 million on EMAs. This amount will build over time, contributing to a 10% increase in government funding for education for 16-19 year olds. As a radically different way of encouraging young people to stay on in school past 16, the scheme was also attracting a lot of attention from the media, the public, and other interested parties, both in the UK and abroad.

**1.4** As the key aim of the programme was to encourage greater participation in education post-16, the Department decided at a very early stage to involve its partners in the development and implementation of the scheme. As well as involving end-users in the design, development and delivery of the scheme, the staff from the private sector contractor who were eventually appointed to administer the scheme were also involved at an early stage.

## Commissioned independent reviews

**1.5** As one of the Department's high-risk - and mission-critical initiatives – the EMA scheme was also subjected to the usual Office for Government Commerce Gateway Review™ Process for ICT-enabled projects. However, useful as Gateway was, the EMA team wanted to be doubly sure that the project would deliver what it promised. Consequently, they commissioned a series of independent reviews following an initial assessment to risk to delivery. These reviews focused on fraud, stakeholder management and the overall health of the project.

**1.6** At every stage of the Scheme's development and implementation, the project team put milestones in place that were both product and date driven and then appointed a board to tightly monitor the Scheme's progress and ensure that those milestones were being met. The board was broadly drawn from the project's main stakeholders, and included amongst others: the DFES; other Government Departments; non-government representatives; and other key stakeholder groups, such as the Association of Colleges.

**1.7** In September 1999, the first pilot EMA schemes were rolled-out in 15 diverse Local Authority areas. Once the pilots were successfully implemented, they were evaluated, and the lessons learned were incorporated into a national programme, that was developed by the DFES-led project team. In September 2004, the Department started to phase in the scheme nationally.

### Measure of success

**1.8** While there are many medium to long-term economic benefits of having greater numbers of more highly educated people in the UK, at present the Scheme's success is being measured purely in quantitative terms, i.e. how many children are staying on in education post-16. As of July 29, 2005, nearly 300,000 young people had enrolled for EMA under the national scheme, with over 297,000 young people already receiving their payments.

**1.9** On the basis of the evaluation of the EMA pilots, it's projected that the national scheme will increase participation in education at Year 12 by 3.8 percentage points per annum, and by 4.1 percentage points per annum amongst Year 13s. And this impact will be particularly strongly felt in the key target groups, namely young males; poor academic achievers and pupils from the lower socio-economic groups.

**1.10** Not only have EMAs helped to highlight the importance of a good education to young people, they are also proving the importance of being properly educated about risk management.

#### **How to successfully introduce a high-risk, high-profile, high-budget policy**

1. Before you even start, get visible agreement and support at the senior level, including the SRO, Accounting Officer and Minister, that if the risks to delivering the policy on time become too great, they will either agree to put back the start date or stop the initiative all together.
2. As early as possible, get partners, key stakeholders and particularly end-users involved in the development of the policy.
3. Pilot your policy extensively to help identify and solve potential problems, such as the potential for fraud, or lack of buy-in from stakeholders, before any national roll-out.

# 2

## SPOTTING EMERGING RISKS [DEFRA]

**2.1** As a Department, DEFRA's policy portfolio includes risks - like climate change, for example - which might only mature over the very long-term. Predicting the future with any accuracy has always been incredibly difficult; but any failure to identify and respond to these potential risks today could have potentially enormous consequences tomorrow.

**2.2** So, to help them spot these emerging risks, and put suitable responses in place early enough for them to be effective, the Department has introduced an 'Horizon Scanning and Futures' programme. The programme seeks to identify the key trends and drivers that could shape DEFRA's external environment over the next 50 years, and give the Department a head start in predicting – and preventing – the biggest problems.

### Tomorrow's World

**2.3** The concept of horizon scanning and futures is not a new one for DEFRA. The programme has been running for over three years and now has a wealth of experience in the subject. The original programme set up a series of research projects on various themes, covering a range of timescales. These initial projects taught the Department a lot, particularly about how it could maximise the use of horizons scanning and futures.

**2.4** As the programme developed, the Department decided to conduct a scan of scans, known as the 'Baseline Scan'. This produced a common base of information on key political, economic, social, scientific and technological trends and drivers. This information was then brought together in a web database that can be searched and analysed by researchers and policy makers, using a number of different criteria.

**2.5** Once the information had been collated and analysed, DEFRA organised a series of seminars to inform staff within the Department and across Government about how the data was being used to create new policies.

#### Using Horizon Scanning to support new policies – some examples

The data from the Horizon Scanning and Futures programme has already proved its use in a number of different ways. It has:

1. Identified key drivers for farming over the next ten years, which helped to inform the evidence base for DEFRA's Farm Regulation and Charging Strategy.
2. Established an evidence base of critical trends and drivers to help shape future strategy and research priorities for natural resource protection - one of DEFRA's strategic priorities.
3. Provided input on 'future context' to DEFRA's Better Policy Pathfinder projects.
4. Been used to design and facilitate a joint DTI / DEFRA blue skies thinking workshop for Non-Food Crops, in June 2005, which identified, evaluated and prioritised key trends and developments. These insights were then used to define critical actions to ensure the healthy long-term development of the Non-Food Crops sector, and are feeding into the work of the DEFRA/DTI Non-Food Crops Project Board; the National Non-Food Crops Centre Strategy Group; and both the DTI's industrial biotechnology strategy, and technology programme.

**2.6** Now that it's proved its worth, DEFRA's Horizon Scanning and Futures programme will continue to work with policy areas, to help them to incorporate more horizon scanning into their policy development work. The Horizon Scanning and Futures team is also working on developing a new strategy and programme of work, including a series of training days for colleagues.

**2.7** While we still can't predict tomorrow's world, the Horizon Scanning and Futures programme is helping to ensure that whatever tomorrow brings, DEFRA will be ready for it

#### **How to introduce 'Horizon Scanning and Futures'**

1. Consult other government departments with extensive experience of horizon scanning and futures for models of best practice and information on how to set up a successful programme.
2. Make use of your own existing resources – most Departments have done some sort of 'horizon scanning' activity in the past, all that information needs to be brought together and properly collated into a database.
3. Where timeframes are appropriate, use them consistently and uniformly across all data.
4. Encourage people to use data by making databases as accessible as possible – DEFRA is putting the Horizon Scanning database on the web, and has made sure that it can be searched using a variety of terms.
5. Tell people about it – horizon scanning has many useful applications, but only if the right people know what it is, how to access it, and how to use it. Publishing successful results through seminars and brochures will help your message reach a wide audience.
6. Give serious thought to how to build your project team - horizon scanning projects are most successful when the project team is composed of a range of experts including futurists, subject experts and policy makers. You will need external skills to develop methodologies, but it is vital that policy workers are involved in the entire process so that results can be translated into policy.

# 3

## CREATING A ‘NO SURPRISES’ CULTURE [DfT]

**3.1** Sometimes, the best ideas are the simplest ones. Just over a year ago, the Department for Transport (DfT) decided to integrate their approaches to business planning and risk management. It’s still early days, but the new approach is already bearing fruit – and picking up potentially enormous risk while policies are still at the drawing board stage.

### No more nasty surprises

**3.2** The Department decided to adopt a new approach because they recognised that risk management could play a key role in helping them to deliver on their PSA targets. They also wanted to minimise the nasty ‘surprises’ that can occur all-too-frequently in a busy and high profile department, and ensure that when things did go wrong, they were able to deal with them.

**3.3** “Risk management could play a key role in helping them to deliver.”

**3.4** The first step was to create an easy-to-use risk management framework, which clearly set out the Department’s reasons for wanting to improve risk management. The framework document also clearly spelled out the roles and responsibilities of staff at each level, and underlined the fact that from now on, identifying, managing and escalating risks would be encouraged and rewarded.

### Clear risk criteria

**3.5** At the same time, the Department’s risk management team put together some guidance to help their staff to identify risks, and understand their potential impact, if they occurred.

**3.6** The criteria were split between four main areas: risks that would affect delivery; risks that could affect the Department’s reputation; financial risks; and the likelihood of any particular risk actually happening.

#### When to escalate risks up

Risks had to be reported to Board level if they:

1. Would potentially account for more than 10% of an area’s budget for programme funding.
2. Could lead to sustained damage to the department’s reputation both across the media and within Government.
3. Could lead to a PSA target, or a flagship legislative requirement not being delivered.

### Identifying risk upfront

**3.7** Very quickly, Directorates started to use the new processes to plan ahead, and identify risks at a much earlier stage. Any significant risks that surfaced in the Directorate’s regular ‘Delivery’ reports to the Board were recorded in the Department’s ‘Corporate Risk Log’.

**3.8** “Directorates started to use the new processes to plan ahead, and identify risks at a much earlier stage.”

**3.9** Ten risks that are either serious or crosscutting form the Department's 'Corporate Risk Register'. They are all looked at by the DfT Board on a regular basis and, more importantly, there is a cycle to discuss papers in depth to seek ways of mitigating risks. As a result, the Board now has much better-quality information, and is able to make better decisions and more joined-up decisions about how to manage these risks and what to do if they come about.

### **'Lack of resources'**

**3.10** Take Ministers' view that Government needed to look at the benefits road pricing might bring, which fits firmly in the 'high profile, high risk, high reward' category.

**3.11** Early on in the risk management process, it became clear that the Department didn't have sufficient resources in the right place, as things stood, to implement this work. This was brought to the Board's attention, and steps have now been taken to identify and plan the resources needed.

**3.12** Risks to this work are also one of the ten areas on the Department's corporate risk register. By asking themselves how it could go wrong; and what happens if it does, the DfT's integrated approach is actually ensuring that things now have a greater chance of going right.

#### ***How to adopt an integrated approach:***

1. Combine or hold regular meetings between the risk management and business planning functions.
2. Make people responsible for individual parts of the process.
3. Keep your risk management framework simple. Ensure that management at every level understand it and know what risks to escalate up – that means educating them about what 'risk' is, and providing them with clear criteria.
4. Liaise closely with people on the ground – get out and talk to them. You can't impose it from a great height, and key risks will often be spotted first at lower levels.
5. Put a 'challenge' process in place, to ensure that the right sort of information is being captured and presented to the Board. Give feedback on the risks escalated so staff really know what a risk looks like, and how they can manage it more effectively.
6. Target particular areas – if there is one area suffering from weak management, or that is particularly sceptical about the benefits of risk management, make them your priority.

# 4

## WORKING IT OUT TOGETHER [DfT]

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**4.1** How can you manage risks that affect the centre, when many of those risks might occur in - and be managed by - separate and autonomous agencies? When the Department for Transport asked themselves that question, they came up with a new approach that involved much better joint working with their agencies.

### Risk management in its infancy

**4.2** Three years ago, the concept of risk management at the Department for Transport (DfT) was very much in its infancy. But that didn't stop some of the wise heads in the Department from thinking about adopting a more joined-up approach to risk management.

**4.3** The DfT now has a network involving the central Department and a further six agencies. In the past, different parts of different organisations would go off and do their own thing on risk, and the DfT Board had no clear overview of what was happening where – even when it involved risks that could directly affect the centre's delivery, finances or reputation.

**4.4** “In the past, different parts of different organisations would go off and do their own thing on risk, and the DfT Board had no clear overview of what was happening where.”

**4.5** To try and counter this, in 2002 the Department decided to set up a DfT /Agencies Risk Information Group, to share good practice and discuss any policies and processes related to risk. Colleagues from ODPM also joined the meetings, because of the close links between the Departments.

### Agency experts

**4.6** Risk management experts in the Agencies had greater experience than colleagues in the central Department and helped to set the agenda for the group. This instantly ensured that all the organisations participating in the group bought in to the idea of having it.

**4.7** As well as bringing detailed knowledge about their own organisations to the table, the agency experts were also involved in developing new policies and processes to help tackle risks.

### Two-way process

**4.8** The group now meets around four times a year, and it has played a crucial role in promoting more trust and cooperation on risk issues between the Department and its agencies.

**4.9** “The group's member organisations have been able to share good practice with each other, and learn from each other's mistakes. They've also been able to share resources and knowledge to identify and tackle risks that are common to all of them.”

**4.10** Perhaps most importantly of all, the specialised knowledge of the agency 'experts' has enabled the DfT and ODPM to develop risk processes that will work in practice, not just in theory, and to gain a much better understanding of the work being done by its agencies.

**4.11** But it's very much a two way process. The central departments aren't imposing their processes on agencies; rather, they are trying to learn from them, and deal with their Agencies' concerns in a positive and productive way.

## **Affecting Government across the board**

**4.12** But this spirit of greater cooperation and understanding isn't just being felt in DfT – it's also having a knock-on effect across Government. Treasury are increasingly 'floating' any relevant proposals before the DfT's joint working group, to get some early feedback on their workability and amend their proposals accordingly.

**4.13** It used to be that the risk management people just commented on the risk associated with existing policies. But the experience of the Joint Working Group shows that increasingly, risk management people are being asked to use their expertise to develop policies from scratch.

**4.14** This pragmatic approach to policy-making won't just reduce risk; it's hoped that it will also help to create policies that have a much better chance of being successful in the first place.

### **How to reduce risk by working with others**

1. Involve the key stakeholders or Group members from the outset.
2. Communicate the real value of participating in a Joint Working Group on risk – it's not an excuse for a free lunch, but an opportunity to share good practice, float ideas and find solutions.
3. Identify a group of like-minded individuals to participate in the group.
4. Arrange to meet regularly, co-ordinate the meetings centrally, and ensure that the Group is being managed proactively.
5. Be clear about what the group should achieve.
6. Take the time to put together some proper Terms of Reference, and circulate an agenda and any discussion papers or new policy documents from other Government Departments a few days' prior to the Group's next meeting.
7. If working with Agencies, give them enough flexibility to work to their own risk criteria, but ensure that they fit in with your own risk criteria, so it's clear when something needs to be escalated up.
8. Give participants in the group regular feedback about how their information or advice is being acted upon, so they can see for themselves that their contributions are valuable and are making a real difference.
9. Keep the channels of communication open – don't wait for the next meeting to talk to Group members. Feel free to pick up the phone and have an informal chat.

**5.1** In common with many other Government Departments, the Department for Trade and Industry (DTI) committed itself to making significant annual efficiencies (£380 million) in the 2004 Spending Review. This commitment supported the DTI's vision to create a smaller, simpler and more responsive core Department, focused on its policy making and influencing role with DTI services delivered in partnership with its "Arms Length Bodies" and contractors.

### High profile, high risk

**5.2** There's a lot to be said for efficiency programmes. They can spur organisations on to use resources more effectively; encourage them to find innovative ways of working; and do away with practices and ideas that worked well once, but are now just holding an organisation back.

**5.3** But they also bring with them a high degree of risk in terms of financial and reputational exposure. Also, with over 20 Arms Length Bodies involved in delivering efficiencies, there is a need to develop a consistent and coherent approach to managing risk in partnership across the whole programme.

**5.4** That's the big picture. But from an individual perspective, efficiency programmes are often viewed with suspicion, which makes successfully implementing an efficiency programme a real challenge.

#### Initial Key Risks to delivering the DTI's efficiency programme

1. Getting buy-in from their partner organisations.
2. Encouraging staff to adopt an efficiency culture.
3. Not being joined-up between different areas.
4. Having efficiency measurement systems that weren't effective.
5. Leaving the Department with insufficient skills, understanding or resources to meet its objectives.

### Managing risks at the project level

**5.5** From the outset, the DTI decided to put sound risk management and governance arrangements in place for the programme. The first step was to invite senior people across the Department and representatives of the arms length bodies to attend a risk workshop, where the key risks could be identified and understood up-front.

**5.6** One of the biggest hurdles was that many of the efficiency gains needed to be made in partnership with over 20 Agencies and Non-Departmental Public Bodies. So, the risks were effectively divided up: the DTI's Efficiency Programme Board would manage the key risks for the programme as a whole; the appropriate work stream within the DTI would manage risks at project level.

**5.7** A risk at project level would be escalated up to the Programme Board if it posed a fundamental problem to the success of the overall efficiency programme. A report would be submitted to the Board at each meeting, highlighting the key risks at project level, so that the Board could discuss with the Senior Responsible Officer how the risk is being managed. This process allows the DTI to give their partners as much autonomy as possible to manage their risks, while still maintaining appropriate oversight.

**5.8** A working group was also established to encourage work streams to learn from each others' experiences. This group considers: the risks that the DTI can help particular work streams to manage; common risks experienced by work streams across the board; ways of sharing knowledge, and best practice on managing common risks; and actions for the DTI to take in respect of risks, and any changes that need to be made to the risk registers.

**5.9** The Chairman of the DTI's Efficiency Programme Board is also a Director General who sits on the Department's Executive Board, and can highlight any particularly severe risk to the Department's senior management.

**5.10** The approach taken by DTI to managing risk for the Efficiency Delivery Programme has also drawn favourable comment from the OGC Gateway Review Team.

### **Recognising the possibility of failure**

**5.11** One shared risk that was identified very early on concerned the cultural change that would need to occur to make the efficiency programme work. As well as letting go of the old way of doing things, staff across the DTI and its partner bodies would also have to be willing to come up with new and innovative ways of doing things if efficiencies were to be delivered.

**5.12** But this threw up an interesting challenge in itself: when you try new things, you can't be sure that they are going to work, so an increased chance of failure is inevitable. The DTI has had to embark on an educational process to convince staff that taking risks is sometimes vital if you are to succeed, and that failure is not necessarily a bad thing. That is, as long as you have recognised and managed the risks from the outset, and you apply the lessons learned from that failure in the future.

**5.13** "Taking risks is sometimes vital if you are to succeed".

**5.14** Inevitably, some of the innovative efficiency projects have been more successful in delivering efficiency gains than others. However, problems in particular projects have been identified at an early stage and discussed openly by the Programme Board. This has helped to reassure stakeholders and staff that risks are being effectively managed, and reduced the possibility of a "blame culture" developing around the programme.

***How to mitigate the risks associated with implementing an efficiency programme:***

1. Take risk seriously when you are developing the programme;
2. Make sure you've got a clear structure in place to manage risk – this leads to openness and transparency about what the big problems are, and how to overcome them;
3. Put the right processes in place, particularly in relation to managing operations and change properly;
4. Develop a communications strategy to try and 'sell' the benefits of efficiency to your staff, and try to keep staff morale high;
5. Make sure that your partners have bought into the project, are aware of the risks and share their own risks with the other parties involved;
6. Encourage the ability to take risks and try new things – efficiencies can only come from new processes, but you have to try before you know which ones will work;
7. Don't become risk-averse.



# 6

## THE PERFECT MATCH – ALIGNING PORTFOLIO TO STRATEGY [OGC]

**6.1** With 50 projects and more in their portfolio, the Office of Government Commerce (OGC) was aware of the need to carefully balance risk to its risk appetite and to make sure that projects were aligned to its overall strategy. By introducing a new ‘strategic value assessment’, processes for governing its portfolio and effective reporting formats, the OGC has managed to shrink its portfolio down to just over 20 projects.

### Finding out what the organisation really needed

**6.2** A little while back, people at the OGC began to recognise that having such a large portfolio was making it harder for the organisation to put enough emphasis on the projects that really mattered.

**6.3** “Each project stood on its own merits and there was no easy way to assess the overall contribution of the portfolio to strategy.”

**6.4** The situation initially came about because projects were being initiated by individual directors who had localised improvements in mind. This led to a large portfolio of projects that each stood on their own merits, making it difficult to see how they contributed to OGC’s overall strategy.

**6.5** So the first job in bringing the projects together was to define standard criteria against which to measure good ideas, and get the Investment & Implementation Board (IIB), which is made up of OGC Board members and an external stakeholder, to agree to them.

### Coming up with a workable plan

**6.6** The importance of the task at hand was recognised by those at the top level, and thanks to their sponsorship, the OGC quickly came up with a workable plan. Priority was given to getting certain processes and governance in place. Firstly, they decided that all existing projects would be ‘mapped’ against the OGC’s key strategic targets. A project had to show that it was either: contributing to the OGC’s target of delivering £21.5 billion efficiency gains across government; delivering value for money savings; improving the success of mission-critical projects; or was strategically aligned.

**6.7** Another of the key criteria was that the project had to have a certain strategic value. The IIB examined each proposal, looking at whether it was achievable, economically viable, and posed any risk to the OGC’s reputation.

### A reality check

**6.8** “Even if it was a great idea, if it was impossible to implement, it was out.”

**6.9** Projects only survived the cut if they had a convincing case for how they would help OGC achieve its goals. If it was a good idea, but would cost an excessive amount of money to implement, it was out. If it was a great idea, but was impossible to implement, it was out. At the other end of the scale, if not pursuing a project would seriously damage the OGC, it was given much greater priority; ditto if a project would bring benefits across the wider public sector, and not just to the OGC itself.

**6.10** By the end of this process, the OGC had created a slimmed-down portfolio that enabled it to focus its efforts on the most important things.

### **Balancing risk and reward**

**6.11** It's now much easier for the OGC to ascertain what any given project's risk and reward might be, and to take steps to manage its risk in line with the board's strategic priorities and appetite for risk.

**6.12** Because risk is now being looked at across the OGC as a whole, high-value, high-risk projects like the Efficiency Programme are being successfully counter-balanced by a number of projects that are high-value, but low-risk.

**6.13** "The organisation now has much better control over how its people and resources are allocated."

**6.14** Another benefit of the new portfolio governance structures and processes that were put in place is that the organisation now also has much better control over how its people and resources are allocated.

**6.15** Every month, the OGC goes through the portfolio, to re-evaluate it. By developing strict criteria and centralising the decision-making, it hasn't just eliminated 'low-value' projects from its portfolio; it's also preventing submissions from becoming low-value projects in the future.

#### **How can you replicate OGC's success?**

1. Recognise that there is an issue – if you don't make it plain that there is a problem, you won't get the senior management buy-in you'll need to start solving it.
2. Have a clear strategy – you need a clear strategy in order to assess what factors are important, and what factors aren't, when re-evaluating projects.
3. Create a relatively simple mechanism for judging projects – a lot of it is common sense. If a project isn't helping you to achieve a strategic objective, isn't otherwise crucial to the smooth running of the business, and is costing a fortune, why keep it?
4. Consult widely about what the criteria, and their relative weightings, should be – people will be much happier with the decision-making process if they've had a hand in designing it.

# 7

## MANAGING DEBT, MANAGING RISK [DWP]

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**7.1** The Department for Work and Pensions (DWP) Debt Management Business Unit has just over 2000 staff across 10 Debt Centres. Each year the Secretary of State sets the Business Unit a target for recovering overpayments made to claimants. For 2005/06 that target was set at £206.80 million.

### A mountain of debt

**7.2** Fraudulent overpayments, failures to disclose – every year, this adds up to millions of pounds of Social Security Debt, which the DWP's Debt Management Business Unit is tasked with recovering.

**7.3** It's not an easy job at the best of times. But when you're also trying to introduce a new IT system, it can make a difficult job even harder.

**7.4** The potential problems range from inaccuracy and delays in commencing recovery of overpayments to prioritisation of staffing resources, but they all add up to the same thing: a real risk that targets won't be met, nor business objectives achieved.

**7.5** The Business Unit recognised this, and decided to do something about it. In 2002, the management consultant arm of PricewaterhouseCoopers had been brought in to help them review their approach to business risk management. Their brief was to make it more efficient and effective, and to ensure that the Business Unit had a sound system of internal control.

**7.6** The consultants suggested that the Business Unit follow the 'Objectives, Risks, Controls and Alignment' approach for managing their business risks, known as ORCA, for short.

### ORCA

**7.7** ORCA recognises the Business Unit's business objectives; identifies risks to those objectives; and ensures that adequate controls are put in place to mitigate those risks. The end goal is to align business objectives with business risks, and business controls.

**7.8** That's the theory. In practice, it meant that, whilst they already believed that risk management is an integral part of good management practice, the Debt Management Business Unit had to improve the systems they were using.

**7.9** From the top, they had to start managing their risks from a business perspective, where they were looking at their overall objectives. They integrated their key controls with their plans to mitigate risk. As well as stating what the Business Unit needed to do by when, they now had clear guidelines as to how the Business Unit would achieve their targets.

**7.10** The aim of the new improved risk management strategy was to help staff within the Business Unit to prioritise, and to ensure that they were all working to the same goal.

## Dead set against more bureaucracy

**7.11** At the same time, the Business Unit also looked at mitigating risks from a nuts and bolts viewpoint. That meant recommending that extra system controls be put in place to prevent staff from making repeated errors; identifying where staff would need additional training and guidance; and recommending that checklists be introduced for users.

**7.12** But while they were keen to make risk management more of a priority, Debt Management were dead set against introducing another layer of bureaucracy. Instead, they preferred to incorporate risk management into their existing structure, philosophy and working practices.

**7.13** So instead of introducing new risk management meetings, they decided to introduce risk as a new agenda item for the Executive Team and Operational Directors' regular monthly meetings.

**7.14** The centrally located Business Risk Management and Assurance team was charged with the job of collating information on risk throughout the business, and turning it into a monthly risk report.

## Turning risk management into 'performance management'

**7.15** Now, risk management is an integral part of the Business Unit's approach, and has been incorporated into their day-to-day management. Staff there no longer see it as something separate to their work, but as a crucial tool to help them perform better on the job.

### ***How to make risk management an integral part of your business:***

1. When you're managing risks to a particular programme, remember that it is equally important to manage risks to your business – this can involve a cultural change, so make sure that your staff are 'risk aware', that is that they have the tools to identify risk, identify its root cause, figure out what can be done about it...and do it!
2. Don't do it to anyone – get staff buy-in and get them involved in the process.
3. Incorporate risk management into your existing management functions wherever appropriate – it may not always be necessary to set up specific risk review boards.
4. Make sure you are getting and giving information at the right level – for example, if you want to minimise process-related risks, you need to speak to the people who are dealing with the processes every day. If you pitch risk-management at too high a level, you might end up only looking at problems strategically, and failing to find workable solutions for them.

# 8

## RISING TO THE CHALLENGE [DEFRA]

**8.1** Innovative ideas, by their very definition, are all about trying something new. Unfortunately, many innovative ideas don't make it past the 'business plan' stage, where the preference is often for policies and initiatives that have already been tried and tested.

**8.2** Back in 2003, the Department for Environment, Food and Rural Affairs (DEFRA), recognised they were failing to identify and capture many of their staff's 'bright ideas', which in turn meant they weren't maximising their opportunities to improve the way they worked.

**8.3** They came up with the idea of 'challenging' their staff to think more creatively, and to look at how they could improve the way they were working. And so, in October 2003, DEFRA's Challenge Fund was born. Two years' on, the focus on trying new things is really paying off.

### Innovative ideas

**8.4** In October 2003, the call went out to the whole of the Department to start coming up with innovative ideas that fulfilled the following qualifying criteria. Ideas had to:

1. Have the potential to build delivery capacity, for example by improving quality or reducing costs, or bringing measurable improvements to both internal and external stakeholders or customers.
2. Include a significantly new or innovative element.
3. Incorporate details of how any lessons learned would be shared with others in DEFRA, and
4. Be unable to go ahead without Challenge Fund money.

### The Challenge Fund vision

***The Challenge Fund would contribute to DEFRA becoming an organisation where:***

1. Staff worked in teams that encourage ideas, innovation and managed risk taking, and where they feel confident that they can challenge the way things are done.
2. Staff felt that their ideas for improving the way things are done have been listened to and discussed within their teams.
3. Staff knew who their customers are and how to address their needs.
4. Customers and stakeholders were aware that things looked different, and would benefit from improvements to service delivery.

**8.5** The Challenge Fund team received 61 expressions of interest from all over the department and from staff at all grades. Of these, an informal panel approved 33 bids for further development into business cases, and bidders were then given more details and information about the Fund's requirements at an away day that was held in January 2004.

**8.6** The feedback the Department got from this event was very positive, and resulted in 29 formal bids. A formal panel, including some of DEFRA's top team, approved 19 bids for funding totalling £1.6M. With the help of the Challenge Fund team, the competition 'winners' then got down to turning their business cases into detailed project plans.

**8.7** Of the 19 projects initially awarded funding, 15 went ahead with the project planning process in April 2004.

### **A safe avenue to try something new**

**8.8** The projects were varied, and ranged from an IT project to improve the way data was stored and used, to the setting up of a vocational qualification in wildlife and countryside skills for DEFRA staff working at the Wildlife Unit.

**8.9** Some of the projects acted as pilot studies, so they only lasted for a year. Other projects are providing ongoing benefits, because they are continuing to be funded by business areas.

**8.10** But each project brought some individual benefit to DEFRA's people, customers and business. For the Department's staff, the Challenge Fund provided them with a safe avenue to try something new, and in the process boost their personal development, creative thinking and project management skills. More generally, taking the 'risk' out of working in new ways also helped to increase staff motivation and confidence.

### **Benefits to customers, benefits to business**

**8.11** Meanwhile, DEFRA's customers benefited from this 'can do' attitude. The Challenge Fund led to the creation of a number of projects that have directly improved the service the Department is offering. For example, one project is helping DEFRA promote and target grant aid for commercial and rural community projects to the areas where it is needed most. Another, the creation of the State Veterinary Service (SVS) International Trade Business Centre, has led to DEFRA providing a more efficient and valued export service.

**8.12** And there were direct benefits for the business, too. A project to develop DEFRA's Capacity in Intelligence, for example, led to a proof of concept report containing recommendations for the potential use of intelligence in the Department, and a pilot intelligence exercise. Another project established technical working groups of livestock farmers, allowing DEFRA to have technical discussions on proposals for regulations, schemes and policy measures with farmers.

**8.13** All in all, the Challenge Fund has proved to be a great success, and has effectively stimulated change in the Department by giving staff at all levels the chance to participate in the process. DEFRA ran the scheme again for 2005/06, and opened the competition up to its six Executive Agencies, too. The Challenge Fund will be launched again in April of this year for the third year running.

**Successfully stimulating change using a challenge fund**

1. Make sure that staff know about the competition – DEFRA used a multi-faceted publicity campaign to get the message out.
2. Encourage as many people as possible to participate – the more ideas you get, the more chance you'll end up with some good ones.
3. Stress the innovation – you don't want retreats of safe – but old – ideas. Innovation means taking some risks.
4. If you're given a good idea, act on it – allowing staff to see their good idea in action provides an instant morale boost, and encourages them to think up more.



# 9

## NEW CHALLENGES FOR HM REVENUE & CUSTOMS

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**9.1** Tight budgets. Improving performance. Managing risk. Are all three achievable, simultaneously?

**9.2** The answer from HM Revenue & Customs is yes, following the introduction of an integrated planning and performance management process to help meet the department's Public Service Targets.

**9.3** The Cipfa programme was introduced after a review of the HMRC's financial management by the Chartered Institute of Public Finance & Accountancy.

### Bringing financial performance and business performance together

**9.4** While managers were successful in keeping spending within tight limits, the review recognised that the way resources were linked to outputs could be improved. Using a set of standardised templates, the programme introduced a three-year planning process that not only set budgets but also more clearly linked resources with activities and objectives.

**9.5** Now, monthly performance reports are used to show directors whether performance is on track, and managers are starting to use this information to discuss any variances and attendant risks at their monthly meetings. As a result, risk management is now becoming an integral part of departmental planning and performance.

### Not an Overnight Change

**9.6** These benefits could not be realised simply by an overnight cultural shift. One major change has been the need to manage resources and departmental objectives in tandem, rather than viewing each element separately. To assist this change the programme ran three prototypes, which illustrated it would take up to 12 months to introduce the processes. Business managers would also need support to develop skills to use incomplete data, in addition to managing teams to improve the quality of data.

**9.7** The programme team provided training to managers and their support teams on how the reports could be used as a management tool, both to review past performance and forecast the future. The programme was also publicised through HMRC's intranet site, to raise awareness of the programme's aims and objectives. The programme's introduction was independently evaluated through interviews with senior managers, to assess feedback and act where things could be improved. There were also links with other departmental learning initiatives to ensure the rollout programme was integrated with other performance management initiatives.

**What was learned?**

1. The introduction of the CIPFA Programme raised some important points with regard to how change can and should be managed. This was led by HMRC's Chairman, Sir David Varney, who held quarterly reviews with each director to review their performance, and demonstrated his commitment to the changes. The need for buy-in from directors was critical in ensuring the new processes were successful. This was aided by the fact that while the programme provided a common framework, it was also sufficiently flexible for users to adapt it to their specific needs. New roles of financial business partners were also introduced to support each director in implementing the changes.
2. A further vital lesson was the need to ensure the programme was introduced with other departmental initiatives, to help deliver corporate objectives and ensure a common approach. OGC project management standards enabled HMRC to plan out the changes, and break down the programme into manageable tasks with clear accountability for delivery.

**10.1** Every department has its high-profile system failures. In the wake of the Chinese cockle picker tragedy at Morecambe Bay and the enquiry into how a reporter gained employment at HMP Woodhill – to name but a couple - the Home Office decided to evaluate seven of their recent high-profile departmental failures, to find out what lessons had been learnt from them.

### Learning the lessons

**10.2** As is usually the case, after each of these ‘systemic failures’, an enquiry was held in to what went wrong, and how the same mistakes could be avoided in the future. For the first time, the Home Office Audit Committee commissioned some investigative work to analyse these enquiries, with a view to finding out what lessons had been learned and what the common themes were.

**10.3** The approach involved ‘holding a mirror up’ to the department to show how it dealt with, and learned from, high profile enquiries. When the main learning points and supporting recommendations from this piece of work were presented to the Home Office Audit Committee in late 2005, its findings were taken very seriously.

#### Risk appetite after a major event

The work provided some new insights into how risk appetite changes after a major event:

1. The appetite for a recurrence in the short term is often very low.
2. Low risk appetite can lead to extensive and costly mitigating actions that may require process and behavioural changes that take time to implement.
3. It's possible for risk appetite to increase before the mitigating actions can be implemented.

### Prioritising recommendations

**10.4** As a result, the Home Office gained a number of important insights in to how it was ‘learning the lessons’ after a major failure, and how it could improve the way it responded to enquiry findings.

**10.5** One hidden danger that the work threw up was the perceived lack of appreciation of the levels of risk that the department is carrying in its discrete business areas and projects. Consequently, more work is now being done on addressing risk appetite in the department, with a paper to go to the Home Office risk sub-group.

**10.6** Another direct change is that when the Department receives findings from enquiries in the future, it will now prioritise the recommendations in terms of criticality, immediacy and affordability, etc. And to ensure there are no misunderstandings, the department will be upfront about this new approach and explain why it's taking this proactive stance to the necessary stakeholders.

## Risk management is absolutely critical

**10.7** More broadly, the Department recognised that it could improve the way it handles the findings of enquiries, and that more needed to be done to develop its understanding of how the Department's appetite for risk changed after a major event.

**10.8** Further developments are in the pipeline in all of these areas, but perhaps the biggest lesson learned is also one of the most obvious: in any inherently risky undertaking, whether it's a new programme or a novel project, adopting some form of risk management isn't an option – it's an absolute necessity.

### Learning the lessons from system failures:

1. Weaknesses in systems are often foreseeable, but not foreseen. In some cases the high-risk undertakings had no risk identification or management processes, yet they could or should have been aware of the potential problems. In some cases weaknesses were known by some staff, but not managed as a risk.
2. There was evidence that business areas knew there was a risk in some cases, but didn't really quantify those risks and if they did, didn't have an appetite for the consequences. In some cases risks were identified, but no action was taken. In other cases, action was taken but the mitigations and contingencies weren't enough to meet the risk, should it materialise.
3. Sometimes, control systems weren't being operated. This covered a wide range of what were principally system errors that could be said to have come about due to management failure to oversee or supervise existing systems, including contract management protocols and procedures, HR vetting procedures and also risk management.
4. Improvements are needed to improve the implementation of remedial measures after the incidents, and following the enquiries. When recommendations are made, they are often done so without undertaking any cost benefit analysis, and without due consideration of the wider context in which the business function is placed.
5. Recommendations should be considered and prioritised in the context of other affordability and business pressures. Also, questions need to be asked about whether it is even desirable to expect 100% compliance with enquiry recommendations, or whether this approach engenders risk-averse behaviour.
6. There is often no formal follow-up process with high profile enquiries. The follow-up usually falls to the line management chain after the event, when interest in the enquiry is beginning to wane and other business priorities are being felt.
7. As there is often little choice in the undertakings that departments take forward, the levels of risk inherent in these undertakings are often overlooked, or taken as 'a given'. But despite this perceived 'responsibility without control', the exact level of risk still needs to be determined, and appropriate counter measures drawn up.

# TOP THREATS AND THE BOARD [DEFRA]

**11.1** In common with many other government departments, the Department for Environment, Food and Rural Affairs (DEFRA) has a register of ‘Top Threats’ that are regularly reviewed at Board level. But DEFRA recognised that it wasn’t enough for their Board simply to look at risks; they also needed to ensure that staff at every level were anticipating risks, and that the right risks were being identified and escalated.

**11.2** The answer was to put a risk-recognition system in place, and ensure that any ‘Top Threats’ had been thoroughly scrutinised by other senior management, before being presented to the Board.

## Board level champions

**11.3** To earn a place on the ‘Top Threats’ register at DEFRA, a risk has to meet one of several criteria, ranging from posing a major problem for the Department’s budget; to being a high-profile policy, where headline criticism needs to be avoided; or where the issue may cause strong public concern.

**11.4** At present, DEFRA has five risks on its register, and each threat is assigned a board-level champion. That champion is then responsible for ensuring that a coherent and robust action plan is produced, and they are held accountable for bringing the risks involved down to an acceptable level.

**11.5** So far, not so unusual. But it’s the way that progress towards reducing risks is monitored that makes DEFRA’s approach so interesting.

## Code red

**11.6** A risk is classified as being ‘red’ if the way the Department is handling it is considered to be poor or critical. Practically speaking, risks are usually given code red when they have been newly identified, and no action plan has been produced, or when none of the key actions planned to mitigate the risk has had time to work.

**11.7** At the next level, amber means that a good action plan has been prepared and has even been kicked off, but that the risk is continuing, rather than being reduced. Again, in practice this means that there is still quite a high likelihood of something going wrong, or that a critical deadline is looming which requires some real progress to be made, and quickly.

## Giving the green light

**11.8** If a risk is given a green traffic light, this shows that DEFRA is happy with the current state of affairs. There may still be some way to go before the risk level is reduced to a more acceptable level. But, a comprehensive action plan, with targets, has been prepared; the risk is responding well to early actions; and good performance monitoring is in place to ring alarm bells if any problems develop with the risk.

**11.9** In an ideal world, of course, all the risks on DEFRA’s register would be on green. But the traffic light approach is valuable because it enables the Department to see at a glance where it needs to focus its attention, and take remedial action.

## The Griffiths' Test

**11.10** Throughout the year, DEFRA's board also subjects the top threats to the 'Griffiths Test'. The test is named after a non-executive director, Bill Griffiths, who has played a key part in sharpening-up the Department's ability to identify and deal with risks.

### What is the Griffiths' Test?

There are three main elements to the Griffiths test:

1. Do board members collectively understand the scope of the threat?
2. Do they have a clear understanding of all the things that are already being done today to manage and control the threat?
3. Does the board have an explicit understanding of the key weaknesses in their current approach?

## Know thy weakness

**11.11** Of all these questions, DEFRA believes the real key is for the board to know its weaknesses in a particular area, and to focus its attention on them. By their very definition, any risk on the 'Top Threat' register will be one with crosscutting implications – all problems being discussed at this level are collective problems across DEFRA.

**11.12** Complementing the traffic light approach is the key role that DEFRA's Audit and Risk Committee (ARC) plays in scutinising risk management. The Committee has recently initiated a series of discussions with Director Generals to see to what extent good risk management is taken on board and whether connections are made with the Top Threats, at local level.

**11.13** Director Generals are asked to review recent business cases, policy submissions and programme board papers. They are then invited to present to the Committee their assessment of how well risk was considered in discussions about how to deal with risk, what trade-offs should be made, and the costs and benefits of proposals.

## Double-edged approach

**11.14** So the question is, has this double edged approach worked to reduce risk? The answer, broadly, is a resounding yes. Take the Emergencies Top Threat. DEFRA has put a great deal of effort into contingency planning; business continuity planning; undertaking regular exercises; and learning lessons from various scares, particularly on the animal health front.

**11.15** As a result, both the likelihood and potential impact of an emergency have been reduced. It's obviously impossible to completely eliminate every strategic risk. But thanks in part to their traffic light approach, and to the work of the ARC, DEFRA is continuing to improve its ability to spot and respond to potential risks and keep them at an acceptable level.

**How to give your approach to risk the green light:**

1. Where possible, bring in a non-executive with a risk background who can challenge your approach to risk at board level.
2. Make one member of the board responsible for each particular risk, and hold them accountable for meeting any targets contained in the relevant action plan.
3. Focus on your key weaknesses. Once you know what they are, board members can use their clout to try to minimize them.
4. Don't just rely on the risk owner to provide information – seek out as many different perspectives as possible, to ensure that you have a risk properly 'covered' from all its angles.



# 12

## RISK AND A ROYAL TAKEOVER [DFID]

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**12.1** On February 1st 2005, Nepal's King Gyanendra sacked the country's government and declared a state of emergency. Phone lines were cut, flights to the capital cancelled and the media censored. The King said the Government had failed to bring peace to Nepal, which has faced a Maoist insurgency for years.

**12.2** For the Department for International Development (DFID), the palace coup in Nepal brought increased risks to the security of staff, (including contractors and partners) and to the continuing viability of DFID-Nepal's ongoing aid programme, which is worth £32 million a year.

**12.3** DFID had to rapidly re-assess its previous agreements and arrangements for programme delivery, and consider whether to withdraw from Nepal, or suspend their support programmes - with obvious consequences for the fight against poverty.

### **Staff stayed safe, and programmes continued to deliver**

**12.4** In the event, neither option was necessary. DFID Nepal had already established systems for monitoring political and security risks and was used to working flexibly in an uncertain environment. All staff and programmes were trained in risk management, and knew their roles and responsibilities. As a result, most of their operations were able to adapt, and continued with relatively little disruption.

**12.5** DFID's staff remained safe and continued to work, and their programmes continued to deliver benefits. Most importantly, DFID's managers were making decisions on the basis of good information and analysis.

**12.6** The risk posed by the palace coup in Nepal was successfully managed because DFID routinely plans for and manages disruption to its programmes. As well as their annual planning cycle, DFID also carries out quarterly and six monthly reviews of their performance and risk, and additional reviews are also carried out when situations change or new issues are identified.

### **From planning to practice**

**12.7** DFID Nepal was able to respond effectively to the significant turmoil created by the Palace coup because it had put in place systems, procedures and training to enable staff to work in unpredictable environments.

### Planning ahead - DFID Nepal

DFID Nepal was able to cope with the coup because it had already:

1. Undertaken extensive analysis of the conflict and political situation in Nepal.
2. Established a joint Risk Management Office with German official development agency, GTZ. This office coordinated field risk monitoring systems, ensured staff were properly trained to work safely and disseminated information rapidly.
3. Integrated conflict, political and social analysis into their project design and appraisal.
4. Established improved monitoring systems.
5. Established a system of trained district emergency coordinators to manage communications in case of an emergency caused by military action, civil disturbance or natural disaster.
6. Introduced satphones, where possible and safe, to ensure continuity of communications.
7. Improved the way DFID and the UK's policy and practices in Nepal were communicated.
8. Worked with the UN, the EC and eight bilateral donors to devise and introduce a common set of Basic Operating Guidelines (BOGs). These guidelines were carried by all field staff and detailed the principles of impartiality, staff responsibilities and the minimum conditions required from conflict parties.

## Keeping the momentum going

**12.8** By putting effective risk management procedures and practices in place, DFID Nepal managed to keep the momentum of their development programme going, even though normal life for most people in Nepal was disrupted by the coup.

### How to manage risk abroad

1. Establish clear criteria for decision making - in the case of Nepal, the criteria were staff safety and maintaining the effectiveness of their aid in the changed political environment.
2. Work jointly with other donors and agencies - linking up with other agencies spreads the risk and increases the capacity to cope.
3. Coordinate with other Government Departments - shared analysis of political and security issues is invaluable.
4. Plan for contingencies – DFID had already considered responses for different scenarios, and were able to adapt their plans to the situation on the ground in Nepal fairly easily.
5. Build flexibility into your programmes – adapt and shift the balance of how you spend and operate according to the context you find yourself in.

# 13

## MIND THE GAP [HMRC]

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**13.1** Ensuring that people pay the right amount of tax is not a new problem, by any means. Failure to do so puts the core aim of Her Majesty's Revenue and Customs, ie, collecting money, at risk.

**13.2** In 2003, the Customs and Excise introduced a pilot project to make tax compliance more flexible and responsive to staff, which they hoped would, in turn, start to close the 'Tax Gap' between the amounts that Customs was owed, and the amounts they were collecting.

### Central compliance system

**13.3** Before 2003, the traditional way of ensuring that people complied with the tax rules on VAT was based on a central risk analysis system, which highlighted a number of risks that were then followed up by Customs' staff. In itself, it wasn't a bad system, and it was getting results.

**13.4** But there was little innovation. And managers at what was then Customs and Excise were sure that they could introduce a new way of working that would enable their staff to react much faster and more effectively to new information or circumstances.

**13.5** That new way of working was tested out in a regional pilot, which began in 2001, which introduced a new approach to Compliance Risk, and particularly Risk Research in relation to indirect taxes like VAT. The pilot saw the introduction of a number of new techniques, that tested: whether there was a risk that the wrong amount of tax was being paid; how that risk might be addressed; and whether the risk was of a large enough magnitude to be addressed at the national level.

**13.6** Without giving too much information away on how the HMRC now tests for – and reacts to – non-compliance when it comes to paying taxes, the pilot made a virtue of allowing staff the freedom to identify potential risks as early as possible. In a departure from the norm, staff were also able to escalate their ideas from the local to national level, to ensure that risks were both identified and addressed in the most effective way.

### Making informed judgments

**13.7** At the same time as the pilot, Customs also commissioned some national qualitative research with the aim of identifying and prioritising those sectors which presented the greatest compliance risks in VAT, in terms of their monetary value. This new approach to Risk Research quickly proved its value, and was adopted nationally. Customs rolled it out as quickly as possible, in the hope of closing tax gaps in the highest-risk sectors as quickly as possible.

**13.8** However, there was a fly in the ointment: good as the Risk Research was, Customs only had sketchy information on a few particular sectors. Rather than delay projects until every detail of analysis was in, Customs instead decided to review whatever information they did have, and extrapolate the likelihood of any particular project succeeding.

## Staff buy-in

**13.9** But perhaps the biggest risk, or ‘blocker’ to the new approach working was the fact that many people didn’t believe that their idea would be passed up the chain of command, and be responded to.

**13.10** To overcome this, Customs put a great deal of focus on staff buy-in, and provided a range of information and training on project methodology and teamwork. The Department also made an effort to engage external stakeholders, including accounting bodies and trade bodies.

**13.11** As well as keeping these bodies abreast of any changes that might affect them or the businesses they represent, the Department also made a real effort to educate their members, so that they would be able to comply with the relevant tax issues voluntarily.

### How to adopt a new approach to Compliance Risk

1. Adopt a structured approach to risk research, as it prevents duplication and encourages structured learning for both individuals and the organizations they work in.
2. Have clear governance and decision-making responsibilities, so that everyone understands how to route a risk idea, and knows how it will get escalated.
3. The key to making effective decisions on addressing risks is to undertake local and national research to get clear evidence.
4. Project methodology can and should be tailored to meet the needs of any given situation.
5. Assimilate key evidence as quickly as possible.
6. Take a pragmatic and balanced view of missing evidence and extrapolate other evidence where appropriate.
7. Tell decision makers about the judgements you have made in regard to addressing risks, and the likelihood of their success.
8. Involve key stakeholders in your plans as the earliest opportunity.
9. Remember that good practice is a two-way street.

# 14

## “THE BEST THING TO COME OUT OF WHITEHALL....” [ODPM]

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**14.1** When you spend a lot of money on public services, you want to see that investment maximised at the local level. But the proliferation of targets, red tape and bureaucracy meant that local authorities and their partners were pursuing isolated policies at the cost of joining up the bigger picture. It also meant that many opportunities to pool resources and deliver complementary outcomes were being missed at the local level.

**14.2** Something needed to be done to make it easier for central government and local partners to come together to ensure that an area’s priorities can be met in the most sensible, efficient and flexible way. That ‘something’ turned out to be a Local Area Agreement (LAA’s), which Sir Brian Briscoe at the Local Government Association has called “The best thing to come out of Whitehall since 1997.”

### Tied up in red tape

**14.3** The old system of funding was creating more problems than it was solving. A mapping exercise in Derby, for example, showed that having to cope with over 70 different funding streams and apply them to 600 targets was a real obstacle to the success of the local authority. This evidence came about at a time when government was keen to reduce bureaucracy, streamline processes, and hand over responsibility for delivery design and day-to-day management to local authorities.

**14.4** The Derby case was another push that was needed to support a radical cross government approach to change that would combine central government’s ‘bigger picture’ with the local knowledge of councils.

### Getting both sides of the story

**14.5** The answer was to involve the local partnerships more in planning their own agenda. And so, the Local Area Agreement was born. LAAs are three-year agreements that government and its local partners settle together, which set out priorities for the local area.

**14.6** Many pilot LAAs kicked off the process with a major partnership event, involving participants from statutory, voluntary and community organisations, to scope out what they wanted to achieve through the LAA, how themes could be taken forward and which funding streams could be included.

**14.7** The agreements are based on four ‘blocks’: Children and Young People; Safer and Stronger Communities; Healthier Communities and Older People; and Economic Development and Enterprise. Central Government sets targets for each block, based on PSAs and floor targets. The local areas are then given the chance to discuss these targets. Then, together with the Local Strategic Partnership, they decide on how funding can be shared across the blocks, and consider what freedoms and flexibilities they need in order to meet the targets.

**14.8** The proposals are then negotiated with central government and the resulting LAA is signed-off with the top tier local authority, which becomes the Accountable Body.

**The key goals of the LAA's are to:**

1. Rationalise and simplify funding streams from central Government.
2. Provide a strong focus on achieving outcomes.
3. Help join up public services more effectively and strengthen partnership working.
4. Provide flexibility for local solutions for local circumstances.

**The key to success**

**14.9** The key to a successful LAA is that central government is able to make clear its national priorities but give the local area flexibility to tailor these to their needs and deploy budgets more flexibly.

**14.10** Another factor that makes the LAA's work is that central government doesn't prescribe how outcomes are to be met. Local areas themselves make the running to identify local outcomes and funding streams, which would form the basis of the LAA.

**Results**

**14.11** Although LAA's are still evolving, their benefits are already being seen. Partnership activity is on the increase, and the commitment of partners is also being strengthened. Practically, this is manifesting itself in increasing voluntary sector collaboration; better co-ordination across public sector programmes; more efficient back office functions; and reduced financial and performance reporting on individual funding streams. Add to this the fact that, through the use of LAA's funding streams, targets and associated bureaucracy have been reduced, and everyone's a winner.

**14.12** To date, 21 pilot LAA's have already been signed. 66 Agreements are currently being negotiated to begin in April 2006, and full roll out with the remaining 63 areas will begin in April 2007.

**How to combine central targets with local priorities:**

1. Have common outcomes that all local service providers need to work in partnership to meet.
2. Engage effectively with the voluntary and community sectors and local businesses - a strong Local Strategic Partnership will help to do this.
3. Be flexible in the way budgets can be pooled and aligned to meet agreed outcomes.
4. Keep clear as to your overall objectives, but be flexible about how they should be achieved, so that you can seize and build on opportunities when they arise.

# 15

## MANAGING RISKY HR IT SYSTEM [NIO]

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**15.1** The Northern Ireland Prison Service (NIPS) employs over 2000, staff located at five sites. It's also responsible for keeping in safe and humane custody those committed by the courts. In 1998, the Prison Service decided to introduce a new, modern Human Resources computer system, called the Computerised Personnel and Salary System (COMPASS).

**15.2** Through a combination of choosing the right technology, having the right staff and skills on board, and adopting the right risk management procedures, they ensured that COMPASS was delivered on time, and on budget.

### Two levels of risk

**15.3** As with most major IT projects, the Service was facing two main levels of risk. The first risk was that COMPASS would fail to meet the basic system delivery requirements, or would fail to be delivered on time, and on budget.

**15.4** The second risk was that the IT would fail to deliver the business benefits that it was being introduced to accomplish. These were: enabling personnel functions to be decentralised; enabling the different HR manual and IT systems that were used to manage human resources across the Service to be rationalised; and future-proofing the Service, and enabling it to further develop electronic working to meet wider e-government targets.

### Putting the emphasis on people

**15.5** So how did the team responsible for COMPASS mitigate these risks? First of all, they appointed a Senior Responsible Owner from the Senior Civil Service to be the project's sponsor and chair the project board. This person continued in that role until the 'go live' stage of the system.

**15.6** The project board contained representatives from all of the business areas affected by the proposed changes. As it predated Office of Government Commerce (OGC) Gateway reviews, a member of the OGC also sat on the project board to provide independent project assurance and change management support.

**15.7** An experienced project manager led the project, and the project team was largely made up of ICT and business experts. As COMPASS was being introduced against the backdrop of a wider programme for change across the Prison Service, an experienced programme manager was also invited to sit on the project board. The programme manager was largely responsible for managing wider contractual issues and also handled negotiations with the suppliers.

### The secret of success

**15.8** The project, which finished in 2002, was a great success. For the first time, COMPASS gave the Prison Service a properly integrated HR service, supported by a modern and efficient ICT system. In one area alone, COMPASS led to an 80% reduction in the paperwork involved; in another, it led to four old ICT systems being discontinued. Perhaps most importantly, it introduced to Prison Service staff the concept that information could be held once, centrally, and then accessed many times.

As well as reducing red tape and the time spent copying over the same information, holding data centrally also made the management of staff information more secure.

***How to introduce an integrated HR service and ICT system***

1. Have the right people on board – the previous experience of the Senior Responsible Owner, the programme and project managers and the business experts were key to identifying and mitigating potential risks.
2. Don't just focus on technical changes, remember that the project is ultimately about changing business structures and achieving business benefits.
3. Don't reinvent the wheel. COMPASS was a PRINCE2 project, which meant that all the planning, work packages and reporting were handled through tried and tested templates and processes. Having templates helped to standardise the processes involved, and save a lot of time.
4. Make Key Performance Indicators that are related to the project outcomes part of the annual reports of Programme Board and Project Board members – doing this helped to ensure accountability and buy-in at senior levels.
5. Ensure that you have the right change management skills as part of your programme and project teams – it's a critical part of IT-enabled business change.
6. Learn from other people's mistakes – don't be afraid to talk to other organisations that have introduced a similar programme or project to find out what they would do differently or better.

# 16

## JOINING UP JUSTICE [NIO]

**16.1** With six Criminal Justice agencies, the Causeway Programme to join up Northern Ireland's criminal justice organisations electronically (CJOs) is a very ambitious undertaking – and also one fraught with potential problems and risks.

**16.2** When the programme was first developed, the scale of integration it envisaged was unprecedented. There were no examples of jurisdictions where similar programmes had been successful, and no existing technical solutions to copy.

**16.3** Ensuring that the companies bidding to provide the £50 million IT project could deliver on their promises was key to minimising Causeway's main risks.

### Effective information sharing

**16.4** The first challenge was to find out what information-sharing processes could be shared electronically. Over the course of six months, Causeway ran more than twenty analysis workshops, involving over seventy representatives from the CJOs to identify what information was being moved between agencies, and what controls needed to put in place in terms of security and access.

#### Which agencies and organisations are involved in the Causeway programme?

- The Criminal Justice Directorate of the Northern Ireland Office
- The Public Prosecution Service for Northern Ireland
- The Police Service of Northern Ireland
- The Northern Ireland Court Service
- The Northern Ireland Probation Service
- The Northern Ireland Prisons Service
- Forensic Science Northern Ireland

**16.5** At the heart of Causeway are two databases. The Operational Data Store stores information such as names, addresses, charges, and sentences. Meanwhile, the Document Store contains unstructured information such as statements and pictures.

**16.6** As well as managing the exchange of information to and from these databases, Causeway has also been designed to notify interested parties when records are created or updated. It also makes sure, by enforcing access controls, that no-one unauthorised is accessing the system.

### How does Causeway work?

**16.7** At its most basic, Causeway provides Criminal Justice Organisations in Northern Ireland with a secure and efficient electronic way to share data and information with each other.

## Proof of concept

**16.8** IT was at the heart of delivering the Causeway system. Therefore, a key risk to the programme was that the supplier selected would not actually be able to develop a working system. Given that the costs of implementation were expected to be some £50m it was important that this risk should be successfully mitigated. Consequently, the programme team decided to include a proof of concept stage in its procurement competition.

**16.9** The proof of concept stage required each of the three short-listed bidders to build a working prototype of its solution, and demonstrate how this solution met the programme's requirements. Causeway agreed to part-fund this work and, in order to promote close working, provided office space for the bidders alongside the programme team. At the end of the proof of concept phase, the bidders' software, documentation and processes were subjected to detailed review, with only those suppliers who had met or surpassed an agreed threshold being invited to submit a Best And Final Offer.

## Unable to deliver a working prototype

**16.10** The benefits from this approach were significant. Causeway was able closely to monitor progress by all three bidders throughout the three-month phase. This included evaluating their approaches to: planning and estimating; project execution and progress reporting; and also their ability to work with the CJOs' and Causeway teams.

**16.11** Of the three companies invited to develop proofs of concept, only two demonstrated the required delivery capabilities to a fully acceptable standard. One bidder, whose proposals had – at least on paper – appeared technically and commercially the most attractive, was unable to provide sufficient evidence to justify further inclusion.

**16.12** Had the programme followed a more traditional procurement route, this bid might well have been accepted, with potentially disastrous results. In addition, the process enabled a strong relationship to be built with the successful supplier's team, whilst the Programme Board and Steering Group were assured that the programme was feasible.

**16.13** Since the procurement, Causeway has successfully implemented half its planned information-sharing services, and is well on the way to implementing the remainder.

***How to successfully procure a big IT project:***

1. Have a very clear idea of what the required IT needs to do – Causeway committed six months simply to scoping the project out.
2. Get your partners involved from the start. Causeway was working with a number of different agencies, and had to get their buy-in and approval for any new ways of working.
3. Make sure potential suppliers can deliver what they promise - where a project requires an innovative and untested technical solution to complex business problems, ask short-listed suppliers to develop a technical prototype.
4. Promote close working with the supplier – where possible, co-locate, share staff and put procedures in place to ensure that the lines of communication between you and your suppliers are working well.



**17.1** While the risks involved in helping to rescue UK nationals abroad caught up in horrific man-made crises (such as suicide bombings) or devastating natural disasters (like the Asian Tsunami or Hurricane Katrina) may seem unique, the lessons learned in dealing with these unexpected events can be applied closer to home.

**17.2** For the Crisis Management Team in the Consular Directorate of the Foreign and Commonwealth Office (FCO) risk isn't just part of the job, managing risk is the job. It's an approach based on identifying what skills and resources are needed, and ensuring that they are present in the right quantities, at the right time and at the right locations.

### **Over-deploy and scale back**

**17.3** The Crisis Management Team is responsible for providing consular services to British nationals caught up in mass casualty - or potentially mass casualty - incidents overseas. By its nature, it's an extremely high-risk role. As well as the reputational risk to the UK Government if the Team puts a foot wrong, there is also the enormous risk of British nationals being deeply distressed, or worse.

**17.4** That's why the Team's mantra is to over-deploy and scale back. A crisis can come out of nowhere and escalate exponentially. If inadequate resources are applied in crisis response at the outset, then the Team would run the risk of always playing catch up. To help them deliver on this approach, the FCO created Rapid Deployment Teams (RDTs).

**17.5** The catalyst for the creation of the Rapid Deployment Teams was the Bali bombings in 2002. The FCO was criticised for the time it took them to respond to the incident. Since then, the FCO has been working hard to identify how to improve their crisis response.

#### **What are Rapid Deployment Teams?**

1. Rapid Deployment Teams are the FCO-led government-wide response to an overseas crisis involving (or potentially involving) British nationals. At the heart of the initiative is a 'core Rapid Deployment Team' that is made up of volunteers from across the FCO. These volunteers are on call 24/7, and are ready to deploy anywhere in the world where a crisis breaks out, to support the resources of the local mission.
2. The team is made up of individuals with consular, administrative, press and technical skills. Where necessary, they can also draw on medical advice from doctors and nurse teams from International SOS, or receive psychological support services from the British Red Cross Society.
3. Others from the FCO and from across Whitehall, might also be deployed as part of the Team. For example, if Disaster Victim Identification skills are required, then the Police could be included in a Team.

## Putting the right resources in the right places

**17.6** Since Bali, RDTs have proved invaluable in responding to many major incidents across the globe, including bombings, earthquakes, hurricanes, transport accidents and the Tsunami. For example, when Hurricane Katrina struck the Southern United States in the autumn of 2005, RDT volunteers were able to deploy directly to the affected areas in Louisiana to locate missing British nationals.

**17.7** Speed of response is of the essence. So it made sense to set up regional RDTs in long-haul destinations, who could then respond far quicker than a London-based RDT. The first regional Team was established in Hong Kong, and had only been operational for a few days before it was deployed to respond to the 2005 bombings in Bali. As well as taking much longer to arrive on the scene, a London-based RDT would also have cost much more. It cost £120,000 to train and equip the Hong Kong team, whereas a chartered aircraft to Bali would have cost £500,000.

## It pays to be prepared

**17.8** While the day-to-day readiness for a crisis response is planned for within existing budgets, the Emergency Disaster Reserve (EDR) helps to defray the extra, unexpected costs associated with responding to crises. The Reserve is funded from an Emergency Consular Premium (ECP) that is levied on all passports sold. This Premium helps to increase the Reserve by about £3m per year.

**17.9** The Foreign Office's Rapid Deployment Teams work in extremely high pressure environments and deal with challenging clients - those worried about missing loved ones and the bereaved. In such a tough and sensitive environment, mistakes will sometimes be made. But the RDTs are committed to minimising the fallout from those mistakes, and making sure they won't be repeated.

### How to respond to an unexpected crisis

1. Forethought is key: Identify what sort of skills would be needed in a crisis, and put together a team of people that could be called on to provide them at short notice.
2. If you are operating in geographically diverse locations, think about speed of response. If key team members are all located in one geographical area, you may need to train or recruit others closer by.
3. Over deploy resources initially – they can always be scaled back.
4. Operate on a learn, not blame, basis; encourage staff to say how they might have approached a situation better so mistakes are not repeated.
5. After each crisis, hold 'best practice' sessions, to see what could have been done better and ensure that any mistakes aren't repeated.
6. As well as managing the danger that comes with any risk, don't forget to also focus on the huge opportunity that each risk can offer for learning, developing and enhancing preparatory measures for next time.
7. Always plan ahead, and undertake regular training exercises – the FCO is constantly updating its training for its staff, both overseas and within the UK.

# 18

## DESIGNING A COMMON RISK REGISTER [SCOT. EXEC.]

**18.1** The Scottish Executive appreciates the need for each project to have a risk register. The problem was, every time a new project was begun, its staff were reinventing the wheel by creating from scratch themselves their own format for a project risk register. But a new initiative being led by the Scottish Executive's Centre of Expertise for Programme, Policy and Project Delivery (CoE) is helping to standardise the project risk registers being used, and ensure that Scottish Executive staff take a more corporate approach to the management of risks within projects.

### Registering the difference

**18.2** As part of their regular OGC Gateway Review process, a Scottish Executive Gateway Review Team looked at the Executive's project on the Common Agricultural Policy (CAP) Reform – and were very impressed by what they saw. The CAP team had developed an online Risk Register to help them track the management of the various project risks, and the Review Team were impressed by the register's design and scope.

**18.3** It had already proved its worth to the CAP Project Team. But the Gateway Review Team felt that sharing the online Risk Register with other users would provide other staff within the organisation with a template that they could follow, and help to both standardise project risk registers across the Executive, and improve their quality.

**18.4** The online risk register had a number of levels, ranging from basic risk information, through to counter measures and costs. Its format and level of depth meant that it could be used for any project, from the most simple and inexpensive, to the most costly and complicated. At its most basic, the register could be used just to log a risk statement, with just a line describing what the risk was, and who owned it.

**18.5** For more complicated or costly projects, users could then go on to detail what could happen if the risk were to materialise; the level beyond that discussed what counter measures were or could be taken, and their associated risks and costs; and the final level allowed for greater detail about what contingency plans were, or could be put, in place, and their associated costs.

### Spreading the word

**18.6** Initially, the CoE considered whether to make using the project Risk Register Template mandatory across the Executive, but they decided that simply promoting it as an example of good practice would be a more effective way of encouraging staff to use it.

**18.7** The CoE has embedded references to the risk register in the Scottish Executive's training courses on Project Management and Policy Delivery. The CoE continues to look for ways in which the risk register can be improved to offer wider corporate application.

**18.8** The CoE is currently in the process of making the risk register accessible to staff over the intranet, too, making it even easier for them to just download and use a first-rate project risk register.

**Encouraging the spread of good practice:**

1. Ensure that your good practice example is easy to understand, easy to adapt, and has obvious benefits for potential users – the CAP team’s risk register had many different layers, which meant that it was suitable for both simple and complex projects. Also, one of its biggest selling points was that it would save other staff members time, and provide them with what they needed for their own projects.
2. Don’t make it mandatory – it’s better to adopt a gradual approach, and enable potential users to realise the benefits for themselves from the bottom up, rather than be seen to impose the template.
3. Make it easy to access and raise its profile – put it on your intranet, mention it in training courses, refer to it in speeches, and make sure that interested parties know where to go if they want to see it, or use it, for themselves.
4. Give credit where credit is due – ensure that the people who developed the good practice buy-in to its corporate application, and get recognition for their work.
5. Use feedback to enhance good practice. Just because something is good, doesn’t mean it can’t be improved. Encourage feedback on how to tweak the good practice to make it even better, and act on any useful suggestions.

# 19

## STREAMLINING GATEWAY REVIEWS [SCOT. EXEC.]

**19.1** Everyone agrees that OGC Gateway Reviews are a great idea for big, Mission Critical projects or high profile, high-risk policies. In the case of smaller projects Gateway Reviews are scaled appropriately, according to the level of project risk. Given this, the Scottish Executive pondered how they could replicate the benefits of the Gateway Review process for lower risk projects, without replicating the resources required – and came up with the idea of Peer Group Reviews.

### Looking for wider opportunities

**19.2** The Scottish Executive is no stranger to the benefits of OGC Gateway Reviews. Indeed, Tom McCabe, the Minister for Finance and Public Service Reform, recently announced that the Gateway Review process would be made mandatory for all Mission Critical or High Risk capital projects with a budget of £5 Million or more. Currently, the Scottish Executive's Gateway Reviews are managed from their Centre of Expertise for Programme, Policy and Project Delivery (CoE).

**19.3** Staff at the CoE realised that mandatory reviews could stretch their pool of Gateway Reviewer resources, and started to think about ways in which they could nurture new streams of reviewers whilst still getting the risk management message out to staff. During one of their training courses for new Gateway Reviewers, one of the participants, a senior manager in IT, noted that while the principles behind Gateway Review were helpful, most of his projects would never be risky enough to merit one.

**19.4** He asked the CoE's staff if they would train his IT staff in the key principles of Gateway Review, so at least they had some grounding in spotting and managing risks at crucial junctures in a project's development. One thing led to another, and before long, the CoE was formulating plans to establish a peer review network across the Executive's IT functional specialism.

### As easy as 1, 2, 3...

**19.5** Where Gateway is typically a three day review, involving three people and has five Gates, the Peer Group Review process has been streamlined: based on Gateway Review and PRINCE2, it takes one day, requires two people and consists of just three steps. The CoE worked closely with the IT department, to identify when the three key review steps should take place and how best to capture the information on staff experience.

**19.6** Step one is Business Justification. When the Project Board are ready to consider the Project Initiation Documentation, they will also have in front of them an independent report from the Peer Group Review Team comparing the project's delivery with what the review team would expect to find in a well managed project.

**19.7** Step two occurs at the Investment Decision point, where another review is carried out just before the project goes out to procure services or develop options. The third and final step is carried out prior to the Project Board agreeing that the new system, service or product should "go live". The Peer Group Review Team will have considered whether the Project Team have put in place appropriate communications, user and system support training and documentation.

## Future plans

**19.8** At the beginning of 2006, the Executive had completed two Peer Group Review pilots across the IT department and trained nine people in the necessary skills required to conduct a Peer Group Review. Having evaluated the findings from the pilots they have now written to over 200 IT functional specialists inviting them to participate in the Peer Group Review process.

**19.9** The CoE is also exploring whether the Peer Group Review process could be replicated by their policy colleagues, and are currently working with them to look at the policy cycle, and identify key points where a Peer Group Review could be helpful. While Gateway Reviews certainly aren't for every project, the Scottish Executive is finding that even lower-risk projects can benefit from some professional challenge, and professional risk-management procedures.

### Adopting Peer Reviews:

1. Look out for opportunities where peer review could potentially make a difference.
2. Get buy-in from colleagues – once you explain the benefits of the review process, most people will be keen to participate.
3. Use colleagues' knowledge and expertise to identify the three 'key' review points for every process – no-one knows the potential pitfalls better than those people who have worked on similar projects.
4. Ensure that participants are properly trained – it will require some resources upfront, but the long-term benefits are immense. It will also help junior staff to pick up skills that in due course will contribute to their own personal development, as well as helping to support Gateway Reviews.
5. Minimise the strain on resources by making the peer review programme self-administering – the Scottish Executive is in the process of developing a skill matrix on their intranet, where staff can put together their own properly qualified peer review team for a project.

# 20

## ASKING THE RIGHT QUESTIONS [SCOT. EXEC.]

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**20.1** When you're involved in looking across a number of OGC Gateway Review projects, you soon see a number of similar themes and messages appearing. That was certainly the case for the Scottish Executive, who decided to take the 'lessons learned' from the Gateway Reviews, boil them down into a few key questions, and then present those findings to their staff.

### Learning the lessons

**20.2** The Scottish Executive first adopted the OGC Gateway Review process back in 2002. At the end of 2003, the Executive created its Centre of Expertise for Programme, Policy and Project Delivery (CoE) and gave it the responsibility for managing the Executive's Gateway Review programme. The CoE took its duties very seriously, and at the end of 2004, published their first annual report into the Lessons Learned from the first two years of conducting Gateway Reviews.

**20.3** Up to the latter part of 2004, the Executive undertook 19 Gateway Reviews, each of which resulted in a report. Staff at the CoE went through these reports with a fine toothcomb to pick out the main recommendations made by the review teams. They categorised the recommendations under broad headings, and then presented the lessons learned as a series of questions that a Senior Responsible Owner or Project Manager could ask themselves about the delivery of their project.

**20.4** The idea was to have a list of questions, based on the lessons learned, that any senior manager could ask themselves before undertaking a new project or developing a new policy. Many of the questions are obvious: Why are we doing it? What are we being asked to deliver? What are our objectives? etc. But many failed policies and projects attest to the fact that the most obvious questions either aren't asked, or properly responded to.

**20.5** The report also contained some relevant statistical information. Before the draft was published, the CoE sent it to colleagues who had actually conducted the reviews for their feedback. Then, a hard copy of the report was published in December 2004, and sent round to all Heads of Division and above. Meanwhile, a PDF version of the report was made available on the Executive's intranet, for all other members of staff.

### Finding it useful, or just not finding it

**20.6** The CoE says that after the initial publication of their Lessons Learned report, they got two main types of feedback. In the first place, many people contacted them to say that they had found it very helpful; but many other people hadn't heard about the report. With the CoE poised to publish their second Lessons Learned report at the beginning of 2006, they have taken their own advice and are looking at how they can improve their communications around the report, so that more staff know what it is, what it does, and where they can find a copy.

**20.7** The report isn't just a peek at the lessons learned from the ongoing Gateway Review programme. For many staff, particularly at the lower band level, it's also providing their first glimpse of the benefits that risk management can bring, and the importance of asking themselves some hard questions about their work.

**Publishing a Lessons Learned report**

1. If you are publishing a 'Lessons Learned' report on risk management for the first time, concentrate on getting it right. If you rush to just try and get something out, it won't make as good a first impression and may not be taken as seriously.
2. Make it clear that the report is not a one-off, and that each subsequent report will build on lessons learned in its predecessors.
3. Weave the report into the fabric of the business. It's a great way of introducing the basic concepts of risk management, and encouraging staff to challenge themselves about their own work at every level of the business.

**21.1** The Department for Work and Pensions' Payment Modernisation Programme (PMP) was set up to deliver Ministers' policy on modernising the payment of benefits and pensions.

**21.2** The DWP was given a PSA target to increase the percentage of customers paid by Direct Payment (which meant that their money would be paid directly into their bank or building society account) from 43% to at least 85%. Direct payment would not only increase financial inclusion by ensuring more people had bank or building society accounts, by 2010 it would also achieve more than a billion pounds of savings for the taxpayer.

**21.3** It was a challenging target, and as the failed Benefit Payment Card proved, there were no guarantees of success.

### **Reaping the benefits of good risk management**

**21.4** With the spectre of the Benefit Payment Card before them, the Payment Modernisation Programme decided early on that risk management should be the core priority for the Programme's senior management.

**21.5** The team also did its homework. They carried out research to investigate a similar 'direct payment' scenario in the U.S. and in other countries, and also undertook research into how customers were expected to react to the change back home in the UK.

**21.6** A programme of work that involved various special interest groups further supplemented this customer reaction research. The findings from this research helped to decide the direction of the Payment Modernisation Programme, and were particularly useful in shaping the Programme's communications strategy.

**21.7** Another key 'behind the scenes' development was that the Programme was providing regular briefings to Ministers, to keep them informed about new developments and progress, and ensure that there were no "surprises". In turn, Ministers felt confident about giving the Programme their visible support.

### **Keeping meetings risk-orientated**

**21.8** With the initial research, risk activity and ministerial support in place, the next stage was to turn the plan for direct payment into reality. To this end, a customer conversion centre was created to allow claimants to sign up to the new system. These call centre activities were outsourced through an existing framework of suppliers who had been pre-screened, which helped to reduce the programme's delivery time by avoiding a lengthy tendering process.

**21.9** The Programme was then delivered in phases, which were piloted using a control group of customers. The marketing campaign targeted letters and calls to different groups of customers, to ensure that the right people were getting the right messages about the switch to direct payments. Throughout, the risks were linked to the planning process, and a baselined risk log was used as an agenda item to keep meetings risk-oriented.

## PSA target achieved a year early

**21.10** The attention to detail and focus on risk management really paid off when DWP achieved its 85% PSA target a year early. By May 2005, 97.1% of benefits were paid by Direct Payment, all payments by Order Book had ended, and cheque payments were available on all systems for customers who could not or would not provide their account details.

**21.11** The 790,000 customers who had not provided account details - compared to a business case forecast of 1.9 million and a contingency plan capacity of 3 million - were all migrated successfully to payment by cheque. Some of them subsequently converted to Direct Payment in the following months.

**21.12** The Programme's high quality risk management was subsequently recognised by the Office of Government Commerce, through its awards for Mission Critical Programme of the Year and Project Manager of the Year.

### Why was the Payment Modernisation Programme so successful?

1. Its approach focused on the required outcome.
2. It gave a high priority to the risks of not achieving that outcome.
3. It developed appropriate commercial arrangements to manage delivery.
4. It took action, including extending the length of postings, to ensure continuity of leadership.
5. It created the right team of individuals with the necessary skills, commitment and motivation.
6. It celebrated success and recognised exceptional performance.
7. It put together an effective marketing strategy that met the instruction to stay "non-newsworthy".
8. It focused on six critical success factors, underpinned by deliverables, rather than on Key Performance Indicators.

### The PMP method of managing critical risks

1. Managing critical risk requires a new and innovative approach - PMP always focused on the question "What could stop us achieving our goals/outcomes?"
2. Managing risks should be the key focus of senior management.
3. Risks must be analysed simply, and presented to decision-makers.
4. Critical risks require early action, including: de-risking, avoidance, mitigating impacts, and contingency planning.
5. Programmes should assess the risk of dependencies on new IT solution delivery.
6. Pre-planning is essential to secure appropriate space in departmental IT work plans.
7. The underlying PMP ethos was that "if you manage the risks then the plan takes care of itself" and this proved to be true.

# 22

## GETTING STAFF TO BE RISK-SAVVY [DVLA]

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**22.1** In 2002, risk management was a very new concept to the DVLA. There was no corporate risk register, no risk tracking tools – and not even a risk management office, to speak of. Since then, however, the agency has become increasingly risk aware, with staff members from the lowest through to the highest grades taking a hand in identifying – and managing – risks.

### Driving the risk management agenda forward

**22.2** In 2002, the DVLA took its first tentative step on the road towards good risk management by creating a new risk management office, and appointing a risk manager to head it up. One of the office's first jobs was to find out just how much risk management was actually happening within the organisation.

**22.3** After making some enquiries, it soon became clear that the Agency was starting from scratch, in terms of risk management. There were no top 10 risks, no corporate risk register and real understanding of the importance of managing risks. So the risk management office rolled up their sleeves, and started building up the DVLA's corporate risk framework from scratch.

### Risk not under control

**22.4** One of the first things they did was to ask staff at lower grades to identify what they thought were the main risks to the organisation; and then compared the answers with what the DVLA's board believed to be the main risks – and the answers were illuminating.

**22.5** There were instances where senior management believed that a particular risk was under control, when staff further down the corporate ladder were saying exactly the opposite. It became clear that the flow of information about risk throughout the organisation wasn't very good.

### Establish the risk register

**22.6** To try and address this, the risk management office went to all Heads of Group and asked them to point out the key experts on every specific area of business. They weren't looking for people at senior grades, they were looking for whoever knew the business. These individuals, who ranged from AOs up to Grade 7s, were then invited to attend a number of risk workshops.

**22.7** At the workshops, they were asked what their primary objectives were. Then, they were asked about the main threats that could prevent them from being accomplished. Their answers were collated, and shown to the DVLA's directors, who highlighted the threats that particularly concerned them. And the DVLA's first corporate risk register was born.

### Real progress

**22.8** Since then, the DVLA's corporate risk framework has come on in leaps and bounds. Today, the Agency's operational areas run their own risk registers, and there is a clear escalation route via the appropriate boards to the Risk Management Office.

**22.9** They have introduced a risk-tracking tool, to track the status of risks over a period of time and give a clear picture of the risk profile of the Agency. The Office has also trained up 35 staff across the DVLA as part-time risk liaison officers, who every month speak to their contacts across the agency to try and find out about any forthcoming risks.

**22.10** The corporate risk register is now reviewed every month at the Executive Board meeting, and it's also published on the intranet for all the staff to see. Recently, the Office also completed and presented some research on risk appetite within the agency.

**22.11** In the future, the Risk Management Office is hoping to consolidate all risk management functions across the DVLA. And they are also keen to start forging stronger links with the business planning side, which they believe to be their next big challenge.

**22.12** Over the course of four short years, risk management at the DVLA has gone from being an interesting theory, to being an integral part of the way the agency now does business.

***Building up risk management from scratch:***

1. Start off with a bit of marketing about risk management, and make it as interesting as possible. At the DVLA, they used old pictures of people building skyscrapers in New York to grab people's attention.
2. Don't give people the heavy theory about risk management – instead, give them practical reasons for why it's a good idea, and ideas about how it can work.
3. Get as many people as possible involved. DVLA has managed to build up a network of 35 risk liaison officers with relatively little resource. And people are far more likely to respond to a regular, friendly chat about upcoming risks than a formal meeting.

**23.1** In late 2004, the Home Office carried out a review of corporate governance. That review highlighted the fact that any lack of clear leadership from the top – and clear guidelines about escalating potential problems – could pose a serious risk to the running of the business. At the same time, the review also acknowledged that the top Group Executive Board (GEB) of the Home Office only had limited time to look at risk.

**23.2** To solve both these problems, a risk sub-board was set up that would look at all the corporate risks in more detail at an early stage, prioritise them and report those ‘critical few’ risks to GEB.

### **‘Clear and Present Danger’**

**23.3** The sub-board got its first real try-out when the Home Office undertook a full review of all the corporate risks facing the department. All of the Group Executive Board members and senior directors were interviewed for the review, which used the Home Office 2004-08 Strategic Plan as a starting point.

**23.4** The review threw up a list of more strategic, newly identified risks. These new risks were then juxtaposed with the old corporate risks in a workshop chaired by the departmental Permanent Secretary. By the end of the workshop, the Home Office had managed to develop a new, more strategically-focussed, corporate risk register, and had also identified a secondary set of less severe - but still top level - business risks.

### **Bringing the structure and the process together**

**23.5** Now, it was time to put the new structure, new processes, and the new risk register together. The risk sub-board quickly became a ‘filter’ for risk issues for the Group Executive Board; it was also a forum where the escalation and de-escalation of risks from the corporate risk register and second tier risk registers could now be considered.

**23.6** This new approach meant that if a business area risk was becoming increasingly severe, it could now be spotted and addressed early on, and if necessary, referred on to the Board.

**23.7** The next stage was to tell staff about the new way the Department was working with risk. A departmental risk management policy document and operational framework document was produced. And the Home Office’s risk team also created a dedicated training course about the new system, which was targeted at key staff.

**23.8** To cap it all off, the Home Office also introduced a process to identify those risks that posed a ‘clear and present danger’ to the group as a whole. The GEB sub-group would discuss the main risks coming up through the register, and then select the top three or five risks that the Board itself really needed to discuss.

### **Lack of grip**

**23.9** Having the new sub-board and processes in place means that the Home Office has successfully managed to tackle the problem of ‘lack of grip’ on corporate risk management. Now, the Group Executive Board isn’t overwhelmed with information about risk, which means that they can focus their time and attention on the key issues.

**23.10** What's more, the Board also now has the information they need to decide what difficult mitigating actions need to be taken across the group.

**23.11** Risk-counter-measures and contingencies have gone from being a peripheral part of Board meetings, to being an integral, and sometimes even leading, part of their discussions about departmental performance.

#### **Why the new approach worked?**

While the Home Office already had some routine approaches to risk management in place, taking a fresh look at the risks the department faced, putting in a better organisational structure and creating a new escalation process helped to improve the situation immensely. The new approach worked because the Home Office:

- Improved the system; which led to
- Better quality, clear and simple information being sent to the Group Executive Board; which enabled
- More corporate discussions and better-informed, clear and collective decisions.

### **Increased likelihood of meeting targets**

**23.12** By putting the emphasis on risk management, the Home Office is improving its corporate governance, improving the management of the department as a whole, and making it more likely that the Department will be able to meet its key targets.

#### **Making the most of limited Board time:**

1. Get buy-in for any new structure and approach from the top of the office right at the beginning – in the Home Office's case, the Permanent Secretary was committed to effective risk management, and had the power to make things happen.
2. If you want to introduce a sub-board, make sure that it's chaired by a member of the top management board, so that it can make high-level decisions in its own right about which corporate risks to prioritise and escalate up to the main Board for action.
3. Reassess the corporate risk register every quarter – having a 'second tier' of business area risk registers has proved invaluable to the Home Office. As well as enabling them to escalate risks upwards, it also means that when risks are 'de-escalated', they are still being managed appropriately at a lower level.
4. Make sure you put the right policy and framework documentation in place, to support the new system – staff need to be told how the new system works, and what they need to do.

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ISBN 1-84532-149-9



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