



IMPROVING GOVERNMENT'S RISK HANDLING CAPABILITY

FIRST REPORT ON THE RISK PROGRAMME – MAY 2003

EXECUTIVE SUMMARY

1. The Risk Programme, initiated by the Strategy Unit report "Risk: Improving government's capability to handle risk and uncertainty", has successfully completed its start-up phase. There is growing support from Ministers and Permanent Secretaries, and a network of Risk Improvement Managers is starting to drive change in their Departments and to share good practice.
2. There is a considerable challenge ahead. The programme builds on existing developments and has started to: enhance **capabilities** (skills, processes, leadership); and improve **risk handling** (anticipation, resilience, risk decisions). Over time, this should help achieve **better outcomes** (PSA targets, successful projects, public trust).

Progress Highlights

3. We do not currently have a full, systematic view of risk management capability and performance across government. The emerging picture is patchy – with operational Departments typically more advanced than those with primarily policy responsibilities.
4. Key areas of recent progress include:
 - Capacity to handle **disruptive threats** to the UK is steadily increasing:
 - A long term counter-terrorism strategy has been agreed, and plans are in place to enhance capabilities to respond to CBRN threats.
 - Response to SARS - DH, CCS and others developed precautionary, proportionate response; and are preparing plans to deal with possible escalation. Main challenges have been on risk communication.
 - Treasury is further developing contingency plans for handling threats to the UK's financial stability.
 - On Iraq: contingency planning anticipated domestic consequences; the COBR crisis management machinery was used effectively in planning and responding to events; and subsequent peacekeeping and reconstruction work is being based on structured risk assessments.
 - **PSA targets** – risk identification and management is a key part of the delivery planning process now being undertaken in all Departments for PSAs. The likelihood of delivery is systematically assessed by the Delivery Unit and HMT. About a third of targets are currently assessed as having low likelihood of delivery (red traffic light) – extra measures are being taken to address the risks in these cases.

- **Risks to major projects** – will be more closely managed through OGC’s introduction of Centres of Excellence and the focus on “eight common causes of failure”. Capability to manage project risk is also being systematically developed, enabling high risk projects, such as the Rural Payments Agency, to get the green light, and some Departments, e.g. DWP, to manage large programmes of high risk projects.
- Departments are making progress with **building public trust in risk handling**. Principles have been consulted on, and guidance is being developed and is starting to be applied, e.g. in DTI on electronic radiation from power lines. The move to publish performance against PSA targets shows openness and transparency, and takes an international lead. The National Patient Safety Agency, HGC and HFEA are establishing open approaches to handling risks to the public. The new Health Protection Agency takes a further step.
- **Horizon scanning** capacity has been improving, e.g. the Domestic Horizon Scanning Committee has had successes anticipating and making possible mitigation of the effects of the firefighters’ strike. DEFRA’s science horizon scanning programme helps identify potential risks and set targeted R&D in place.
- Departments’ management boards are increasingly using corporate risk registers to **manage top risks to key objectives**. Some have integrated this with planning processes, e.g. analysing options linked to balanced scorecards (MoD). Customs’ strategic business approach focuses on outcomes, driving key risk actions.
- **Corporate Governance** is being improved steadily. A majority of Departments expect to make a full Statement of Internal Control for 2002/03.
- **Innovative approaches to “well managed risk taking”** are starting to develop, e.g. the fire service’s Integrated Risk Management Plans will take the service from a formulaic basis to a risk-based, targeted approach.

Issues to address

5. Priorities for further action include:

- Further concentrated effort from Departments to build **resilience to external threats**, in line with the counter-terrorism strategy and e.g. continuing to address issues raised by NAO and PAC on the preparedness of the NHS. The Civil Contingencies Bill will give a new framework for civil protection.
- Meeting challenges of **communicating on risks to the public** (as in troop deployment at Heathrow and SARS) - need to ensure the ground is prepared for crisis management with open, transparent communication in normal times, making increasing use of electronic media to get government’s message across.

- Need to build and maintain **public trust**: by demonstrating **competence** – through successful handling of risks to delivery; **honesty** – through openness and transparency about risks faced; and that we **care** – by active engagement, and through offering choice and reassurance. And we need better, more systematic measurement of levels of trust.
 - Encouraging and supporting **successful innovation**. Ministers and top management need actively to develop a culture of “well managed risk taking”, and be clearer about risk appetite. This could draw on the current Strategy Unit study on innovation.
 - Exploring how we can better **balance risks to safety with taking opportunities for public service improvement** - particular issue for HSE and DfT on rail.
 - Analysing **relativities in public spending on reducing risks** in different programmes - to explain differences, consider the role of public perceptions, and seek to improve resource allocation in the longer term.
 - Developing skills and guidance - Departments are building their capabilities, but need to do more to **embed risk handling skills in key policy, planning and delivery roles**;
 - Building on the work of the Delivery Unit and HMT – further improve the **quality of risk handling in delivery plans** e.g. joint handling of risks with partners.
 - Embed systematic, explicit **risk analysis in policy making** – building on and extending pilot initiatives in e.g. Home Office, and exploring contribution from Centres of Excellence and role of the centre of Government.
 - Better **manage risks to our financial position** from contingent liabilities, to minimise likelihood of realisation. And explore options for extending role of insurance to encourage government bodies to manage risks better.
 - Explore better sharing of assessments of **cross-cutting long term threats** (e.g. social exclusion) to complement the CCS focus on the short/medium term.
6. Plans for making further progress and addressing gaps are being developed by Departments in the context of the timetables for core government processes – Spending Review, delivery planning, corporate governance. This will be supplemented by: a programme of events with Ministers and senior officials; events with Risk Improvement Managers and strand leaders; and ongoing support from the central Departments.
7. The next progress report will be produced in six months time.

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