



The Risk Programme

Improving Government's Risk Handling

Second report to the Prime Minister

SUPPORTING ANALYSIS AND EXAMPLES OF GOOD PRACTICE

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Using this paper. There are three levels of detail:

- i. Section 1 contains a summary [2 pages]
- ii. Sections 2, 3, 6 and 7 outline progress and plans [7 pages]
- iii. Sections 4 and 5 give a more detailed account of progress and are a source of practical examples [29 pages]

The glossary explains acronyms used in this paper, including those Departments that contributed to this paper.

1. Summary

1. The Risk Programme has reached its halfway point, one year on from publication of the Strategy Unit report in November 2002. This supporting paper to the executive report¹ presents more detailed analysis and examples of where good risk management is making a real difference to delivery of projects and services, and in handling risks to the public.

2. Across government there is now awareness of the importance of good risk management – key drivers are the increasing focus on delivery, and growing use of project and programme management, and the development of corporate governance. Basic processes are usually in place, and there is a range of action to improve performance.

3. Section 3 of this paper demonstrates that, across government as a whole, there has been measurable improvement in the capability to manage risk. It also shows that there is still a wide range of performance.

4. Departments have increasingly clear plans for further improvement, and a number have set specific targets for the coming year. A number of Departments aim to make significant progress with embedding risk management into their core business processes in the next year. But it is clear that full culture change – with risk management becoming an integral, and natural part of the way most people work – will take considerably longer. Full embedding and culture change may not be achieved without some further stimulus subsequent to the end of the Risk Programme.

5. Risk management is becoming established and understood as a valuable element of business and corporate management. Departments report extensive use in project and operational areas. Boards and senior management are increasingly addressing risk in strategic decision-making, and promulgating its use throughout their Departments. However it is clear, for example from Gateway reviews and Departments' reviews of plans, that there is a need to improve the quality of understanding of the risks faced, and the active management of these risks.

6. There is a clear trend to support PSA delivery by regular, structured analysis and management of risks – through delivery planning, programme management, and at Management Board meetings. Even so, this is a developing area and there remain concerns about the quality of risk management in a number of key delivery areas.

7. Key challenges for the year ahead include:

- ⌘ **Embedding risk management in business processes** - most importantly in planning and performance management. Departments report the need to develop effective use of risk techniques, and improve the quality of analysis.
- ⌘ **Managing risks with partners** – many Departments report plans to develop their understanding of the risks faced by their delivery partners, and their risk

¹ The Risk Programme: Improving Government's Risk Handling: Second Report to the Prime Minister

management processes, and to ensure an integrated approach to improve achievement of objectives.

- ⚡# **Improving management of risks to the public** – implementing the principles published in September, ensuring effective decision making, and good communications.
- ⚡# **Policy making** – there is a need for further work with policy makers to ensure that policy announcements are underpinned by a good understanding of the risks, and that innovations to improve public services involve well-judged and well-managed risk taking.
- ⚡# **Leadership** – building on recent momentum, to ensure that Ministers and senior officials are actively involved in making key risk judgements (e.g. for PSA delivery), and in driving forward improvement of risk management capabilities.
- ⚡# **Corporate Governance** – ensuring that the corporate governance framework for government supports delivery and encourages effective risk management.

8. The Treasury Risk Support Team and others from the central departments will support Departments in addressing these and other issues, through a programme of events, guidance, and one-to-one meetings. There will be a renewed focus on learning from good practice: this report contains a wide range of examples; we aim to increase our learning from the private sector (BP, AstraZeneca, Zurich and others); and from the best Local Authorities. We will also aim to further share and expand our understanding of good practice in other countries – focusing on Canada, Australia and New Zealand.

2. Introduction

9. The Strategy Unit report “Risk: Improving government’s capability to handle risk and uncertainty” was published on 20 November 2002. It initiated a two-year programme of change – the Risk Programme – to: better embed risk in policy making, planning and delivery; improve handling of strategic risks; develop management and communication of risk to the public; improve leadership and develop the right culture; and enhance skills and guidance.

10. The Chief Secretary submitted a first report to the Prime Minister on 23 May. A full, systematic view of risk management capability and performance across government was not available at the time, and the emerging picture was patchy – with operational Departments typically more advanced than those with primarily policy responsibilities. However, Departments were making steady progress, for instance in: handling disruptive threats; managing risks to the delivery of PSA targets and major projects; horizon scanning capacity; and corporate governance. Innovative approaches to well managed risk taking had started to develop.

11. The overall assessment was that there was a long way to go in truly embedding risk management in the way government works, and priorities for further action included: further efforts to build resilience to external threats; building and maintaining public trust; encouraging and supporting successful innovation; better balancing risks to safety with taking opportunities for public service improvement; and embedding risk handling skills in key policy, planning and delivery roles. Since then Departments have been building their capabilities and demonstrating improved risk management.

12. A range of Risk Programme action has supported this progress:

- Ø **Active networking** – between Departments and within Departments (including agencies and NDPBs) – to address common issues and share good practice.
- Ø **Developing common guidance and tools** – e.g. the Principles of Managing Risk to the Public and supporting guidance, Communicating Risk: a Toolkit , were published in September.
- Ø **Linking networks** – bringing together the risk programme with those responsible for e.g. business planning, delivery planning, risk communications, business continuity planning, Spending Review, horizon scanning. And developing **training and guidance** for these staff to help them incorporate risk management in their work.
- Ø **Developing senior support** – engaging Ministers, Permanent Secretaries, and Management Boards
- Ø **Online risk support tools** – cross-government Internet and Intranet sites with guidance, good practice and other resources; also Departments developing their internal intranet resources.

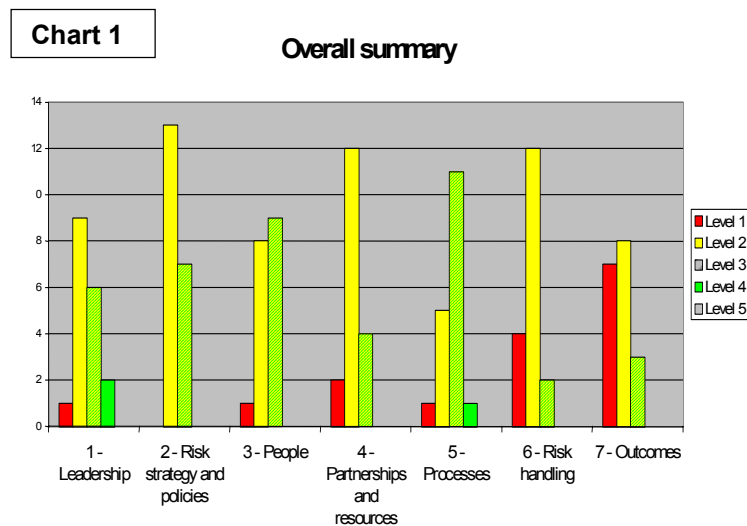
13. The second report on the Risk Programme assesses progress to date and plans and prospects for the future.

3. How well is government risk management developing?

14. This was a difficult question to answer at the time of the first report, six months ago. So an assessment framework² was developed to help Departments judge, on a common basis, their risk management capabilities and how far these are helping them to achieve their objectives. The framework was used by nearly all main Departments to assess:

- Ø five aspects of their capabilities: leadership; strategy and policies; people (skills etc); partnerships and resources; processes.
- Ø two measures of results or effectiveness: the quality of risk handling; and the impact of this on achieving the Department's outcomes.

15. Evidence was gathered for each criteria and a five point scale (1, low – 5, high) was used to score the level attained³.



16. This summary chart (Chart 1) shows the range of levels reached by Departments⁴. It shows that most Departments are either at level 2 or level 3 for individual capabilities, i.e. they are either implementing, or have already implemented the necessary risk management arrangements. However, very few felt they had fully embedded their risk management in the way the Department works (level 4). (There was also significant variability in maturity between

different parts of Departments – some have used the assessment framework to identify those parts in most need of improvement.)

17. There was less ability to produce, at this stage, evidence that risk management had contributed to achieving outcomes (though a number of good examples are available in the supporting analysis paper).

18. Smaller Departments were slightly more likely to achieve higher scores than main Departments. This reflects experience with Statements on Internal Control (SICs), where 86% of all government bodies responding made a full statement for 2002/03, as against 56% of main Departments. The lower figures for main Departments are likely to be due to their greater size and complexity.

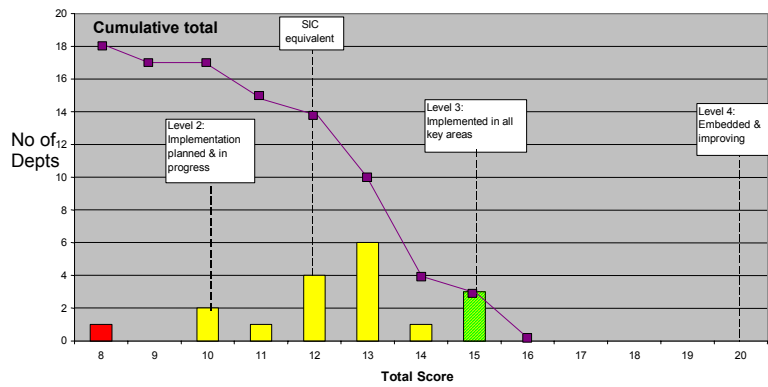
² Available at http://www.hm-treasury.gov.uk/media/7B1D9/risk_assessment_framework_220903.pdf

³ There are more detailed descriptions for the levels, but, in summary, for capabilities these were defined as: 1 – Awareness; 2 - Implementing; 3 - Implemented in key areas; 4 - Embedded; 5 – Excellence. For results, the levels are 1 – No evidence; 2 – Satisfactory; 3 – Good; 4 Very good; 5 – Excellent.

⁴ The charts in this report are based on reports from 'Main' Departments, defined as those with Cabinet Ministers, plus Customs & Excise, Inland Revenue, and including the Scottish Executive and Welsh Assembly. A number of other Departments also used the assessment framework.

Chart 2

Summary of capabilities



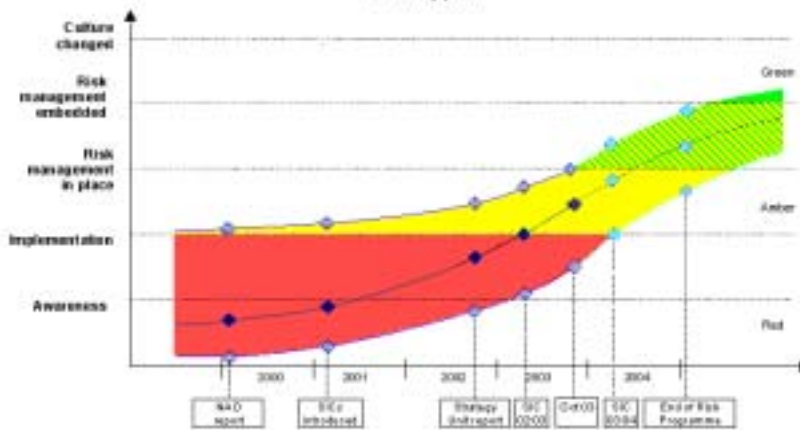
19. Chart 2 shows the total scores for capabilities (i.e the sum of five individual scores) for the main Departments. It shows that, by October 2003, nearly all Departments judge that they have reached at least level 2 across the board. But very few consider that they are in aggregate at level 3. 75-80% of Departments consider they are now at or above a

score compatible with the SIC requirements for 2003/04⁵. This seems to indicate significant progress during the current year⁶.

20. A number of Departments are also setting themselves targets for improvement over the current year (often to level 4, though in some cases level 3).

Chart 3

Progress of Risk Management in Government - the likely path



21. The Treasury Risk Support Team have attempted to bring this together with what we know about the past to show the long-term picture for risk management. Chart 3 shows the likely progress to date (drawing on studies and surveys by NAO, Treasury, and the Strategy Unit), and extrapolates a possible future path. It shows a

broad 'average' position in Departments, and gives an idea of the likely spread.

22. The main judgements here are: that many Departments will be able to achieve some measure of embedding over the next year, but that full culture change – so that risk management is an integral, and natural, part of the way most people work - will take considerably longer. Full embedding and culture change may well not be achieved without some further stimulus subsequent to the end of the Risk Programme.

⁵ This is judged to be, very broadly: Leadership, people, partnerships – level 2; strategy & policies, and processes – level 3.

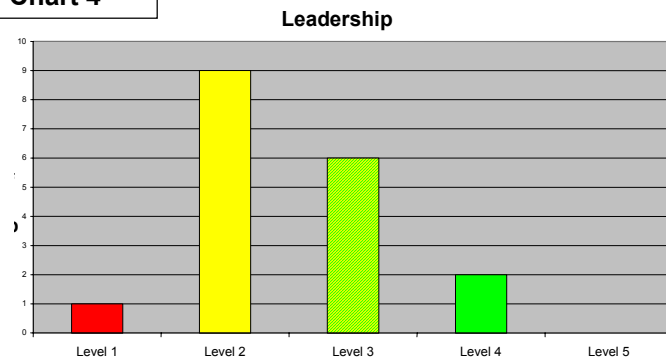
⁶ The figure of 75-80% can roughly be compared to the 56% figure for 2002/03. And the improvement may actually be more marked than this because the requirements for the SIC for 2003/04 have been widened.

4. Are we developing the necessary capabilities to manage risk well?

4.1 Leadership

Do senior management and Ministers support and promote risk management?

Chart 4



23. Many Senior Managers and Ministers are now taking an active interest in risk management. There is substantial evidence from most Departments of activity by **management boards** - including regularly reviewing risk registers and taking responsibility and ownership of key strategic risks. Boards are also increasingly using

corporate risk registers to manage top risks to key objectives and PSA targets. Some Departments have integrated this with planning processes, e.g. analysing options linked to balanced scorecards (for example **MOD**). Departments are generally ensuring that management of risks is a regular item for discussion on Board agendas and in proposals for programmes, projects and, to a lesser extent policies. Boards are also increasingly promulgating use of risk management throughout Departments.

Box 1. Risk and performance management.

MOD has made good progress in integrating active consideration of risk into its performance management regime so that, **every time the Defence Management Board (DMB) considers performance, it considers risk too.**

This means that the Department has, at Board level, a quarterly assessment of the key risks that are being managed across the organisation and the impact they are likely to have on performance across the span of our objectives. This is underpinned by active consideration of risk at all levels of the Department, brought together at Top Level Budget (TLB) and then Service Executive Committee level. "We are seeking to build on this by improving our ability to identify longer-term threats and we are keen to develop 'horizon-scanning' techniques as a means of doing this."

- Ø **DFID** – Management Board assesses corporate risk register every quarter; undertakes annual review of Directors' Delivery Plans including risk management strategies set out in these.
- Ø **CPS** – Board considers risks to delivery as part of its review of performance against PSA delivery.
- Ø **PCO** – Management Board regularly discusses risk management; high-level risk register endorsed by Accounting Officer, Management Board and Audit and Risk Committee.

- Ø **Home Office** - Group Executive Board considers corporate risk register quarterly; Performance Board (chaired by Permanent Secretary) considers performance and risk, in context of PSA targets, monthly
- Ø **Defra** – the Permanent Secretary has placed risk management on the Board's agenda on a number of occasions, and hosted a workshop on embedding risk management with his Director Generals and Directors, and a representative from No.10.
- Ø **HMT** - senior management and Ministers in are committed to ensuring that risk is assessed and addressed across the organisation. The Treasury Management Board (TMB) maintain a high level risk register which they review on a regular basis. Each PSA target owner reports on progress to TMB quarterly – the report highlights the targets which are at risk. TMB has a programme of regular horizon scanning in order to identify possible future events which may impact on Treasury objectives, and put in place means of mitigating any associated risks.
- Ø **ONS** – the National Statistician and ONS Management Board lead on introducing practices and policies which seek to ensure risks are well managed and escalated to an appropriate level. Board also discuss emerging risks, which are escalated by Divisional Directors as part of a quarterly emerging risk report.
- Ø **FCO** – strong leadership from the board; each month FCO board discusses in depth progress towards, and risks to the delivery of, one of its twelve PSA targets and risk management and contingency plans drawn up.
- Ø **HSE** – integration of risk reporting with overall management information system; balanced scorecard put to board quarterly.
- Ø **Welsh Assembly** – at each Executive Board meeting one risk from within the risk register is reviewed as the “Risk of the Month”.
- Ø **NIO** – Board now considers risk as an agenda item.
- Ø **FSA** – Chairman, Board members, and senior officials actively support and promote the principles of the proportionate management of risks to the public within the FSA's remit, for example through speaking at conferences and workshops.
- Ø **HMCE** – Management Committee Directors are identified as owners of strategic operational and corporate risks on the Central Risk Register. A monthly progress report is provided for all ‘Red’ risks, and the CRR is updated on a quarterly basis.
- Ø **ODPM** – new arrangement for reporting the status of risks has been developed as part of the Performance Management Report. The Report is discussed monthly by the Board and covers PSA targets and business critical projects. A range of management information is presented for each PSA or project – including the status of key risks, progress on work-streams and financial, human and other resource issues. Before being submitted to the Board, material for the Report is considered by the PSA and project owners, by the relevant Director-General and by project, risk and financial experts.

24. Departments have **drawn on private sector organisations' leadership** practices (including BP, Astra Zeneca, Cadbury Schweppes, British Airways). BP's approach (presented to the Steering Group and the RIM network) has struck a number of chords, e.g. their group risk profile used at Board level, divides risks into three categories: external threats, risks inherent to the business (operational risks), and 'self imposed' risks, e.g. from setting challenging targets or taking on high risk/reward projects and initiatives. These drive action to ensure achievement of objectives. Some Departments are exploring use of its model.

- Ø **Defra** – now looking at its top threats through this 3-fold classification.
- Ø **DTI** – took on board the profile outlined by BP, and used the categories to structure a short discussion with the Executive Board at the end of October. “This has led to a request for a formal risk identification session / workshop which we will arrange shortly. This is a major breakthrough in our efforts to establish visible leadership for risk management in the Department.”

25. There is increasing attention by **Ministers and Permanent Secretaries**. The Chief Secretary hosted a series of three **breakfast meetings** on risk management for **junior ministers** earlier this year (risk in policy making; communicating about risk). This series is being continued this autumn/winter for a core group of ministers (corporate governance; risk in delivery planning and Spending Review). Points made at these meetings are taken forward in relevant processes.

- Ø **ODPM** – Yvette Cooper has specific responsibility within the Ministerial team for corporate issues including business planning and risk management.
- Ø **FCO** – Ministers are less formally engaged, though risks are more clearly expressed in policy submissions to them. Increasing ministerial engagement is a priority.
- Ø **DWP** – the Permanent Secretary leads through the agreement of PPA targets relating to effective governance and risk management arrangements. He also has a personal involvement with the development of the strategic risk register.

26. **Audit Committees**, and **Management Committees** are strongly involved. **Non-Executives** are also becoming increasingly involved with the agenda.

- Ø **DfT** – Performance, Delivery and Risk Committee has been established to scrutinise delivery plans and monitor risks against Departmental objectives.
- Ø **OFWAT** - Management Committee pursues embedding risk management into all key activities.
- Ø **DfES** – a Risk Committee monitors key business risks.
- Ø **DCMS** – a Non-Executive Director with an active interest in risk management now chairs the Audit Committee; also an independent external member.
- Ø **NIO** – a NED is chair of the Audit Committee.
- Ø **Cabinet Office** - Sir David Omand spoke on managing risk at board level at a Non-Executive Director network seminar for Departmental and Agency NEDs.
- Ø **PCO** – Non-Executive Director chairs Audit and Risk Committee, which met for the first time in March.
- Ø **DCA** – Audit Committees are providing a supporting role to the boards in the responses to the controls identified and will challenge them.
- Ø **HMCE** – the Audit Committee’s new NED chair has vigorously reinforced the Committee’s role in monitoring the Department’s management of its most significant risks.

27. And **senior managers** are increasingly engaged.

- Ø **Home Office** – senior managers’ event chaired by the Permanent Secretary, including among the speakers Sir David Omand and Sir Tom McKillop, Chief Executive of Astra Zeneca. This event, designed to enthuse managers about risk

management, received very favourable feedback and has helped reinforce a culture of risk leadership in the Department.

- Ø **DFID** – senior managers are active in ensuring that risk management is consistently and thoroughly applied through the organisation;
- Ø **NIO** – Permanent Secretary led a risk seminar on 14 October for all Directors and senior managers in NIO to set a clear agenda for future progress towards a risk management structure in line with best practice.
- Ø **CPS** – senior managers are engaged in risk management through the Strategy and Planning Sub-Group of the CPS Board. Senior responsible Officers have been identified for Compass and Charging – two major change programmes and other key projects. Willingness to pilot new ways of working shows leadership support for managed risk taking
- Ø **MOD** – established a Risk Identification Forum for the identification of new strategic level risks to provide a basis for Board review.

28. There is still much work to do to develop environments where risk management is a fundamental part of the **culture** in all aspects of Departments activities and whilst some Departments are seeking to ensure innovation and a spirit of 'well managed risk taking' it is not fully embedded into the culture of most Departments.

- Ø **DfES** – cultural change necessary to remove the fear of recrimination associated with failures of risk management and to set a more positive tone with regards to the opportunities generated by good risk management.
- Ø **Defra** – the Permanent Secretary has taken a number of actions to tackle concerns about 'blame' that were raised during the latest Staff Survey.

29. Many Departments consider **risk appetite** a key area to develop. The Steering Group has stressed the need to be more explicit about our appetite for taking risks. A working group drawn from the RIM network with support from HMT and OGC is working on guidance in this area.

- Ø **FCO** – organisational risk appetite not yet defined – awaiting guidance.
- Ø **Charity Commission** – the board will further consider the appetite for risk as the scene is set for next business planning cycle.
- Ø **DfES** – more could be done to define the Department's risk appetite.
- Ø **Defra** – not yet dealt with this in a structured way. Using good practice from BP to encourage a more consistent view of the 'hierarchy' of risk and the need for senior managers to sign off the level of risk that is acceptable beneath them.
- Ø **MOD** - the amount of risk that the Department is prepared to tolerate is considered by the Board as an integral element of its quarterly performance reviews.
- Ø **ONS** - key areas for development are in setting an overall risk appetite and balancing the portfolio of risk within this appetite.

30. Accountability and responsibility is also an area for development although Departments are looking increasingly at the issue of **corporate governance**. The Steering Group has provided input to the scoping study for a review of corporate governance in central government.

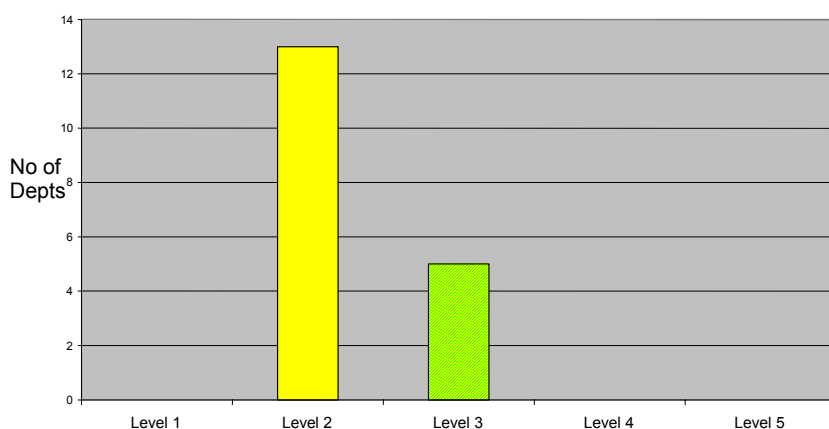
- Ø **Scottish Executive** – Scottish Executive Management Group has established a Corporate Issues sub-group which is now actively pursuing risk amongst other issues of corporate governance.
- Ø **DWP** – investment in the setting up of Corporate Governance Division to drive forward the Governance and Risk agenda and clear accountabilities for management of risks are assigned at a senior level.
- Ø **DH** - Delivery Programme governance arrangements address risk but progress is reported as patchy and some report a tension between political imperatives and sound risk management.
- Ø **DTI** – “Further to our discussions on the DTI’s formal governance process, we have completed a review of the process. It has been positively endorsed across the Department, with a request for minimal changes for this year. Comments were made that it helped to identify areas for improvement as well as giving greater clarity over corporate governance accountabilities. It also encouraged a more honest appraisal of risk management activity at Director General level.”
- Ø **HMCE** – created a Corporate Governance team back in 2000, tasked with taking forward the governance and risk management agenda.

4.2 Risk Strategy and Policies

Is there a clear risk strategy and risk policies?

Chart 5

Risk Strategy and Policies



31. Perhaps surprisingly, given a focus on this for some time, this seems **less well developed** than some other areas. Risk management strategies are in place for virtually all Departments, but policies are not always well developed. There is little evidence to show how well staff is using these documents.

32. Virtually all Departments have set out a **strategy/framework** for how risks should be managed, which in most cases has been approved by the Departmental management board. Strategies are increasingly actively **communicated** to staff (including **DFID, CPS, DfT, Land Registry**).

- Ø **DfT** – strategy endorsed by board, supported by guidance, and sets out criteria for escalation to board.
- Ø **FCO** – Risk Management Framework approved by board, and communicated to all staff.
- Ø **GCHQ** – detailed policy and guidance statement for managing risk within key change programmes and underlying projects published.

- Ø **Charity Commission** – policy document states the importance of creating a culture of well managed risk taking. Top Priority List and Framework document updated to reflect more clearly a risk based and proportionate approach.
- Ø **DCMS** – risk management policy recently updated and approved by Audit Committee and Management Board – to be circulated to all staff supplemented by a toolkit of practical guidance.
- Ø **DfES** – clear risk strategy with examples of risk management in ICT, health & safety and procurement. More could be done to check how effectively the strategy is communicated and to manage risks falling outside programme structures.
- Ø **Defra** – a 5-year strategy has been in place since April 2002. Given the need to make significant cultural changes in some areas, 18 months into the Strategy it is not yet effective in all key areas.
- Ø **ONS** – considerable progress in implementing a corporate governance infrastructure. Risks are managed at the lowest possible level, with clear accountability established, within a corporate risk framework. ONS Risk Task Force has reviewed and agreed the current draft of the risk strategy. This has also been updated with "types of risk" to use for risk identification and aggregate reporting.
- Ø **FSA** – “In the process of developing a conceptual framework which will underlie our approach to dealing with different food risks; The (Phillips) BSE Enquiry identified a large number of “lessons” to be learned about the whole process for handling risk. The FSA developed this into a framework of questions to ask when we deal with food risks. This is available on the FSA website”.
- Ø **DTI** – a working risk assessment criteria matrix, to be used to support business planning and risk escalation; Risk Management Policy aims to define high-level roles, responsibilities and actions.
- Ø **HMCE** – a wide range of strategic and Directorate guidance is in place. A single, definitive risk management policy document, the “Governance and Risk Management Framework” (GRMF), is due for publication in early 2004.
- Ø **HO** – Board has set out the organisation’s attitudes to risk, and defined the structures for the management and ownership of risk; there is a clear statement that sets out the organisation’s risk policies and its approach to risk taking and innovation. NAO review concluded that: “Home Office has developed a well thought out strategy for the implementing of risk management ...” (April 2003).
- Ø **Welsh Assembly** - risk management policy document has been adopted by the Executive Board and published on the Assembly’s intranet and it’s website. A common process for risk identification and management has been developed across the Assembly.
- Ø **DCA** – approved a policy document and framework that is available on the Department’s infonet. Corporate Board and Local boards endorse the policies.
- Ø **DWP** – Risk Management Framework which sets out standards and principles for risk management has been endorsed by the Corporate Governance Steering Group; an established risk management methodology is mandatory in all projects and programmes.
- Ø **DH** – Board-endorsed risk management policy and standard. The Department’s risk framework is published on the intranet and has been brought to the attention of staff.
- Ø **NIO** – issued first version of the NIO Risk Toolkit (based on best practice elsewhere).

33. The **Civil Contingencies Secretariat** continues action to deliver a **single statutory and regulatory framework for civil contingencies**. Proposals were published in June, including a draft bill with public consultation ending 11 September. A Joint Committee was established to undertake pre-legislative scrutiny in July, which will report in November. Timetabling of the revised Bill and the introduction to Parliament are dependent on consultation outcomes, further collective agreement, and Government priorities.

34. Some Departments consider risks in relation to e.g. **strategic management** or **performance management**.

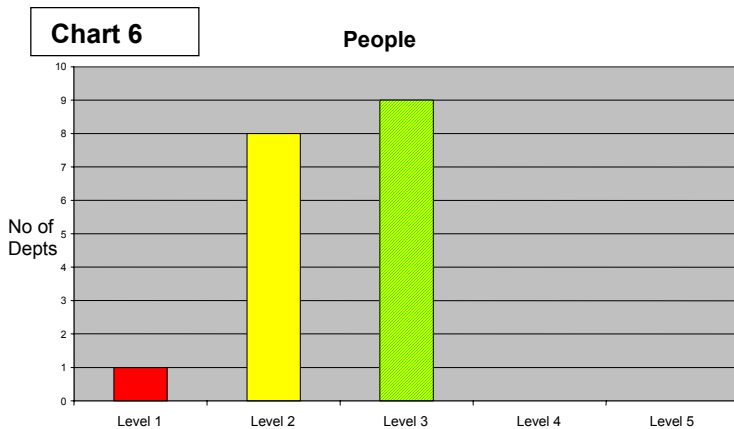
Box 2. Risk and strategic management.

HSE is implementing new strategy through the **Strategy Implementation Programme**, which includes analysis of risks and dependencies, how to manage risks and how to respond to sudden crisis quickly. Non-prescriptive 'general statement of approach' developed, describing good practice in risk management – as an **integrated part of HSE's overall approach to managing the organisation**. Upcoming external evaluation of risk framework 'Reducing Risks, Protecting People' will inform the development of HSE's **risk-based decision making framework**.

Ø **MOD** - Defence Management Board (DMB) has identified and promulgated the key areas where risks are most likely to impact on Defence over the next 4 years and considers how best to manage risk in these areas as an integral element of its performance reviews. Risk management has been fully integrated with performance management through the Department's use of the balanced scorecard.

4.3 People

Are people equipped and supported to manage risk well?



35. There is **generally good progress** in this area. **Training and development** cover risk management well in most Departments, and **guidance** is available to most staff. Both areas are supported by the centre through strands of work of the Risk Programme. There are indications of **some culture change**, with key people equipped to manage risk effectively, though more need to

be done to encourage staff to be more innovative.

36. Work is underway in many Departments to **encourage the appropriate culture to support well-managed risk taking**, but there are still concerns about blame culture and support for innovation.

- Ø **HSE** – exploring new ways of working to encourage appropriate innovation and risk management measures, including taking acceptable risks and being recognised for doing so. Creating awareness among managers at all levels of their role in identifying and managing risk across the organisation without developing rigid, bureaucratic reporting procedures.
- Ø **DfES** – universal agreement amongst staff of the importance and relevance of risk management, but need to address continuing perception of a blame culture that is inhibiting the sense of empowerment, innovation and creativity.

Box 3. Defra's Challenge Fund.

“A culture that has issues around blame will find it harder to encourage its staff to be innovative and risk-taking. As part of **Defra's** wider change programme, specific funds have been set aside to develop a Challenge Fund. This will provide **one-off grants** for the 2004/05 financial year for good ideas that aim to make us more effective and efficient in the way we work, by **encouraging innovative and creative thinking**. The Fund is there to pay for ideas that would not normally be included as part of the business planning process, which means we can look at **ideas that might otherwise be considered too risky**.”

- Ø **ONS** - a culture of openness in risk management, which is being further promoted by the central risk management database enabling managers to see how similar risks are being managed across the organisation and therefore share best practice.

- Ø **ODPM** - A network of colleagues with an interest or specialism in risk has been established as a ginger group and to provide practical advice to the RIM on the corporate and strategic risks.
- Ø **FSA** - Ensuring that the principles of handling risk, set out in our published documents, are embedded in training and are fundamental to our approach. More effective to create a culture where consideration is automatically given to risk, rather than simply adopt a checklist approach that is resource-intensive to monitor and may not deliver a real change.
- Ø **Forestry Commission** - staff are encouraged and supported to be innovative but realistic (rather than optimistic or pessimistic) of any risks.
- Ø **HMCE** – a culture of (risk) responsibility and awareness has developed within each of the business areas; risk management is undertaken at the strategic, programme and operational levels.
- Ø **Welsh Assembly** - a requirement for responsibility for risk management has been built into performance management processes for 2003-04

37. In order to **stimulate further culture change**, the Risk Programme Steering Group has suggested engaging **the Public Accounts Committee (PAC)** outside its traditional programme of hearings. **HMCE** has taken the lead, and will in January be inviting the PAC to visit a site/programme/project to see practical risk management. A presentation will also be given to the PAC (by the Senior Responsible Owner of the Risk Programme, Sir David Omand) highlighting what government is doing to improve risk management.

38. Most Departments feel confident that they have **adequate training arrangements in place** (either embedded in other training or specific risk management courses - for many Departments both) for several ranges of staff, and that this is **resulting in an increased level of skills and knowledge in key people**. Much work has been done to define responsibility and create awareness throughout Departments, but more work is necessary to ensure that all business areas are covered, to reach all levels of staff, and to instil awareness of the need to incorporate risk into day-to-day business activities. Departments are continuing to focus on this and developing new approaches, e.g.:

Box 4. Core training script for risk management in the Foreign Service.

In **FCO** risk management training is being rolled out through integration of risk management modules into existing relevant training courses. A **core training script** has been developed to **ensure consistency of vocabulary and approach** used in risk management. The core script is used as the **basis for risk modules on different courses** (e.g. inductions, management officers, objective setting, international drugs and crime, Deputy Heads of Mission, Heads of Mission). FCO plan to develop this further and also use it as the basis for half-day courses solely on risk management.

- Ø **DfT** – guidance, supported by advice and workshops provided by private sector risk experts to line management
- Ø **NIO** – in some areas risk management is unstructured and undocumented and still relies heavily on skills and knowledge of often a few key senior staff.

39. The **centre is supporting** these efforts. **CMPS** has reviewed its portfolio of courses to ensure that risk management is well covered, made **new courses** on risk available, established new collaborative relationships, and organised ministerial breakfast meetings. CMPS is also considering further courses on risk and a joint event with Cabinet ministers and senior officials, and is developing core training scripts. Important to **ensure a consistent message** across a wide range of courses and keep course directors up to date with current thinking about risk handling, and to target the right audience. CMPS aims to provide an ongoing risk networking service beyond the end of the Risk Programme. The centre can continue helping Departments and RIMs by e.g.: getting through to Ministers; continuing with RIM events; using CSMB to push the message; developing the SCS core competencies; and continuing to embed risk in training courses, particularly regarding policy making.

40. **Guidance** on risk management, sometimes including examples of good practice, is generally disseminated to staff at various levels in most Departments (including **FCO, Defra, Home Office, CPS, National Archives, DfT, MOD, ONS**) using a variety of means, e.g. intranet, databases. It is still unclear how effectively staff use this guidance, and there may be e.g. terminology issues to address. **Land Registry** and **DfT** have developed common language. **ONS** has noted evidence that their risk management database and corporate risk reporting have helped raise awareness of the need to manage risks proactively and have contributed to the development of a risk management culture.

41. The centre is updating current guidance, and developing new, complementary guidance.

- Ø Work is ongoing to update **HMT** Orange Book, and an update of **OGC's** Management of Risk guidance will follow thereafter. **OGC** are continuing to promote the Management of Risk guidance; wide range of accredited trainers now offering MoR courses leading to MoR qualification.
- Ø **HMT** has developed a chapter on risk management for Government Accounting (due out in December 2003).
- Ø Development of a glossary/thesaurus on risk management terms is being considered by **OGC**.

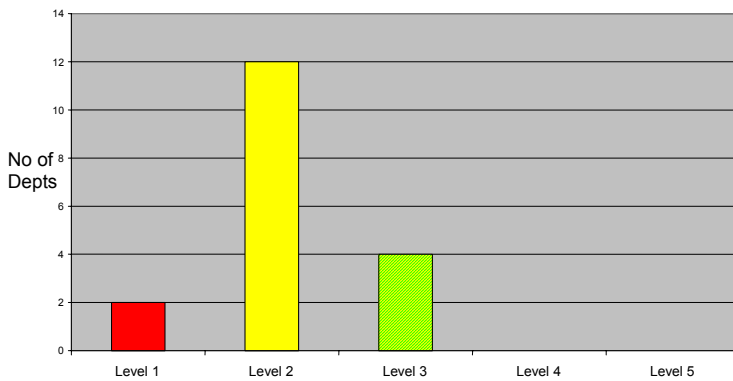
42. A key contributor in **raising awareness of good practice** is by Departments being proactive about sharing their experiences with other Departments: **DTI** organised an event in May; and **HMCE** plan to organise an event in November (including their risk-based approach to programme management).

4.4 Partnerships and resources

Are there effective arrangements for managing risks with partners and are there appropriate supporting resources?

Chart 7

Partnerships and Resources



43. Both working with partners and continuing the development of resources are key areas of challenge for Departments.

44. Managing risks in delivery **partnerships** is increasingly important, and work is ongoing to ensure effective arrangements are in place. The centre is providing support in developing arrangements for improved capacity to handle cross-cutting disruptive threats

to the UK (Civil Contingencies Secretariat). Work is also being done on PFI by HMT in conjunction with NAO and OGC relevant to risk transfer issues. However Departments feel there is further to go in understanding the risks faced by their partners and how they manage risks, and in developing successful ways of working together to manage risks to common objectives: even where contracts and arrangements such as PFI agreements are in place, Departments recognise that careful attention is needed to ensure that all parties fully understand the level and nature of risks they carry.

45. Work on joining-up risk management techniques and capabilities is being conducted with many different partners, including agencies, NDPBs, OGDs and external organisations. Most Departments have **agreed processes and strategies** for managing joint risks with their partners, and tools such as risk registers are frequently **collaborative**. Activities that are benefiting from this approach include projects, programmes, contractual arrangements and delivery of joint PSA targets.

- Ø **MOD** – common risks to delivery are managed “jointly” between the Department and its partners; accountability for managing risks is clearly allocated between the Department and its partners; effective project management skills (including risk management) are embedded in acquisition processes; risk management receives specific attention in contracts processes.
- Ø **CPS** – A common approach to managing risks is outlined in the report to the CJS National Criminal Justice Board on performance against joint PSA targets.
- Ø **DCMS** – Work is in hand to get a better understanding of the standard of risk management in sponsored bodies and also to establish procedures for escalating NDPB risks to the DCMS Management Board.
- Ø **DfES** – A risk assessment has been made of capability and potential impact of partners, NDPBs and other agencies on delivery.
- Ø **Defra** – PPM is helping to build internal partnerships across complicated programmes in the core Department. Defra have particularly recognised the need

for action to integrate risk management in the core department with that of its NDPBs.

Box 5. Managing risk in contract partnerships.

ONS: Formal processes for managing partnership arrangements including provision for risk management; very rigorous contract management processes in place with an embedded risk aversion strategy - handled by a centre of expertise. This **enables a view of potential risks to be balanced against other factors before awarding a contract.** All formal contract partnerships are run using project management disciplines (e.g. purchase of the Enterprise Resource Planning system, Census data processing and statistical infrastructure development).

- Ø **National Archives** - major projects have communications strategies to ensure that relevant stakeholders are consulted or receive information at key stages.
- Ø **DTI** - executive agencies are included in the annual governance and risk management exercise. Agency risk management representatives have participated in a newly established Agency Risk Management Forum.
- Ø **NHS** - this is an emerging area of work in particular for Primary Care Trusts. Some training has been provided on a national basis but there is an identified need for further development of risk accountability structures across organisations.
- Ø **Forestry Commission** - contracts are awarded using risk management as an integral part of the approach. Obtained EC co-financing and managed the risk so that there has been no disallowance to date
- Ø **HMCE** - are integrally involved in the multi-agency approach to serious crime. Cooperation agreements are in place with a multitude of agencies, including ACPO, NCS, NCIS, SIS, MI5, DEA, Interpol and an International Mutual Assistance team has also been established.

Box 6. Risk review in Child Support Reform.

DWP: Child Support Reform within Child Support Agency hold a **Joint Risk Review board with partners** to identify and allocate responsibility for risks to key service deliverables.

- Ø **DH** – core assurance standard on the governance of Arm's Length Bodies seeks assurance on the bodies' ability to identify and manage risks to the achievement of their objectives; programme risk management takes account of stakeholder views and involves key stakeholders where possible; NHS delivery risks are filtered via Strategic Health Authorities and the top ten delivery risks are identified for monthly review.
- Ø **FSA** – “consult externally with stakeholders at an early stage which means we make judgements based on open dialogue”.
- Ø **HMCE** - consultation groups exist to take forward our many tax policy initiatives. Building on the approach taken by the Joint VAT & Customs Consultative Committees, our new Small Business Unit uses well-established consultation in

developing policy. The Lorry Road User Charge (LRUC) Programme has been established with exactly the same principles in mind.

- Ø **Welsh Assembly** - sponsor divisions work with Assembly Sponsored Public Bodies (ASPBs) and other partners to ensure that risk areas are effectively managed. All ASPBs have developed risk management strategies, and share their risk registers with the Assembly.

Box 7. Managing risk in IT partnerships.

DH: The **Electronic Booking of appointments** project is adopting a groundbreaking style of procurement approach that **will define new best practice**. The National Programme for IT is tackling risks relating to supplier performance by a combination of **tight contracting with risk transfer**, robust programme management and ensuring **continuing contestability/competition**.

46. Areas of concern in partnership working include the difficulty of **communication** through long delivery chains, a lack of clear **accountability** for risks and ensuring that responsibility for transferred risks is clearly understood by all parties.

Box 8. Improved communication and accountability in cross-Departmental delivery partnerships.

DfT: Risk assessment helped to highlight need for clarity of communication and accountability. It also reinforced the Department's awareness of the extent to which **delivery is not within its direct control**. Action to improve the Department's performance in this area has included the establishment of a **cross-Departmental governance structure** to clarify accountabilities for air quality PSA target (shared with Defra) and the development of contingency plans in the event that local providers are unable to recruit or retain bus drivers.

- Ø **MOD** - Area for development is: better identification and management of inter-TLB and inter-Departmental risks.
- Ø **DfES** - Length and complexity of delivery chains is a concern, with very little guidance available.
- Ø **HMCE** - experienced difficulties in the nature and degree to which risk was transferred to a third-party in a joint PFI contract. Contingency arrangements have been strengthened as a result, which ensure all parties explicitly understand the nature and level of risk actually transferred to the provider.

47. **Support from the centre** on partnership working includes work relevant to risk transfer. The July 2003 HMT report *PFI: meeting the investment challenge* addressed risk transfer and supported the Strategy Unit risk report, specifically that government should seek to allocate responsibility for managing risk to those best placed to control them. HMT research into operational performance of PFI is ongoing. Future work resulting from the PFI report will include research into the criteria for evaluating bids (intended to result in guidance). Scope for the Risk

Support Team to assist with the risk transfer aspect of guidance to be assessed - HMT is working with NAO and OGC.

48. **Resources** are continuing to be developed both by the centre and in Departments. **OGC** is working on guidance (to be published through the OGC Successful Delivery Toolkit) to encourage greater innovation in contracts – reflecting risk management as a key element in establishing effective relationships with suppliers and partners. Many Departments have established core teams and/or networks to support staff giving advice, training and guidance, or in some cases, internal consultancy support.

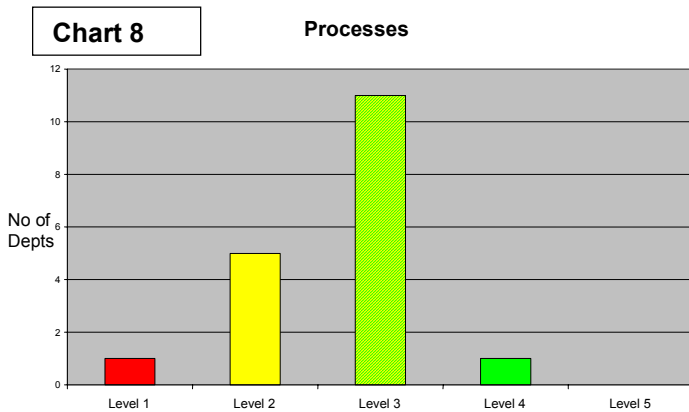
Box 9. Handling disruptive threats.

Cabinet Office, CCS: The **Capabilities programme** has been established to co-ordinate development of capabilities across government which provide **resilience against disruptive challenges**. The programme itself and other work of the CCS co-ordinate a programme of exercising and work across government on Business Continuity Planning form part of the management strategy to counter the risks of lack of coordination. The programme has **developed partnerships across government to achieve better integration of response** and employs programme and project risk management techniques to improve the likelihood of success.

<http://www.ukresilience.info/contingencies/capabilities.htm>

4.5 Risk Management Processes

Do the organisation's processes incorporate effective risk management?



49. **Departments report this as the most developed area.** This reflects the focus on this area over a number of years, including the requirements of the Statement on Internal Control to have risk processes in place. Departments have developed and implemented risk management processes. Risk registers are widely used, guidance is available, and auditors review the operation of the process. The

focus is now on further embedding risk management in other management processes, including: the Spending Review/delivery planning/business planning (para 50); project and programme management (para 51); handling risks to the public (para 52); performance management (para 53); business continuity planning (para 54); and policy making (para 55).

50. There is wide awareness of the need for, and commitment to, **further embedding**.

- Ø **NHS** – although good progress has been made organisation-wide embedding of processes is an area for improvement. National cascade training programme will be piloted during the second half 2003/2004 seeking to improve organisations' ability to embed processes across disciplines.
- Ø **ONS** – moving towards a position where consideration of risk is an integral part of everyday business.
- Ø **GCHQ** – further improvement and embedding of risk management processes being tackled as part of recently launched wider initiative to improve business management as a whole.
- Ø **PCO** – risk management incorporated more fully into decision making processes.
- Ø **FCO** – more progress needed before risk management fully embedded; successful pilot phase of Home Self-Audit.

Spending Review/delivery planning/business planning

51. Risk management is a highlighted issue in the **2004 Spending Review**. The Treasury Risk Support Team contributed a section on risk management to the SR guidance, including a practical tool highlighting good practice, some current common weaknesses and links to further guidance. HMT spending teams will be working with Departments on agreed work programmes under SR 2004 and on Departmental submissions. On **delivery planning**, RST has contributed a section on risk to the revised delivery guidance, encouraged RIMs to support their Department's key delivery contact, and offered support to HMT spending teams and PMDU account managers in their analysis of Departmental delivery plans. Business Strategists have

been made aware of the RIM network and new guidance on risk management relevant to **business planning**.

Box 10. Driving successful delivery of PSA targets.

Within the **e-Government Delivery programme** in the **Cabinet Office**, a **risk management process is being embedded** in order to identify, assess and manage risks. This process has been developed **using OGC guidance**, and the driver is to ensure successful delivery of the PSA target. Risks, mitigation strategies, costs and benefits are appraised in all main decision processes within the OeE. Critical risks are escalated to the e-GDP board as appropriate.

- Ø **Defra** – “Delivery planning is helping to shift the focus more towards outcomes, which itself is proving effective in helping us to focus on how we might tackle the risks to us delivering our outcomes successfully”.
- Ø **DCMS** – Programme Boards for each of the Department’s four PSA targets discuss risk management in the context of delivery plans; risk management is an integral part of the business planning process.

Box 11. Managing risk in delivery plans.

NIO: Risk is **embedded in policy making and delivery plans** for PSA targets (although no one methodology used across the board). FLAX and CAUSEWAY (big IT projects) use the OGC model of project management.

- Ø **CPS** – Spending Review process includes analysis of risks and delivery plans for current PSAs also include risk element; attempted to embed risk in day-to-day management processes by including it in planning guidance; using a risk-reporting element within performance management systems for key business areas
- Ø **DFID** – introduction of risk moderation meetings will be discussed to ensure compatibility.
- Ø **HMCE** – the development of outcome-based Strategies has ensured a focus on delivery of PSAs. The main risks to each of the Department’s Strategies feature in the Central Risk Register.
- Ø **IR** – risk management a mandatory element of business planning process; risk management guidance for PSA delivery planners.
- Ø **DH** – delivery programmes regularly assess delivery risks and report monthly to the Delivery Board.
- Ø **OFSTED** – risk identification and reporting is being incorporated into business planning and progress reporting procedures for 2004-2005.
- Ø **FCO** – much improved consideration of risks in PSA delivery; sophisticated risk management arrangements in place for major infrastructure projects, incl. ICT.
- Ø **DWP** – Jobcentre Plus has made progress in integrating risk into business planning.

Box 12. Scanning the horizon for threats.

Supporting Departments in their identification of risks, the **Civil Contingencies Secretariat (CCS)** is **developing arrangements for horizon scanning**. In conjunction with RST, CCS ran a **workshop** on horizon scanning for RIMs in September to outline CCS approach and to share good practice from practitioners across government; CCS will be working with RIMs to **develop a cross-Departmental network** to improve horizon scanning across government; CCS will provide **guidance** on horizon scanning for incorporation into the next revision of the Treasury 'Orange Book'; work on **training** the network of horizon scanners across Government is proceeding in conjunction with the Risk Programme training & guidance strand; and CCS is continuing to find valuable opportunities to contribute to courses and seminars in order to **raise awareness** of horizon scanning.

Project and programme management

52. **Project and programme management** methodologies which incorporate effective risk management techniques are becoming well established in government. **Centres of Excellence (COE)** have been introduced across government. Departmental improvement plans in this area are to be based on a maturity based assessment of their capabilities (including capabilities around risk management) – initial departmental returns are due in December, and complete returns in March 2004. Internal links being made between the RIM network and the COE community should also help to encourage integrated approaches to improvements. **OGC Gateway reviews** are increasingly used to gain assurance that risks are handled well in large projects and programmes. The recent refresh of Gateway Workbooks has increased the visibility of risk management – stimulating project teams to be more engaged on risk management.

- Ø **MOD** – comprehensive policy document “Assuring Delivery” and a Centre of Excellence - to ensure that high-risk mission-critical projects and programmes carried out by the Department do not suffer from any of the common causes of failure identified by the OGC and the NAO.
- Ø **FCO** – Centre of Excellence has updated guidance on programme and project management, incorporating FCO Risk Management Framework methodologies.
- Ø **DFID** – recently published mandatory programme management procedures are a first attempt to make clear to all staff what risks are not appropriate for the Department to take.
- Ø **DfT** – development of a Performance and Planning Division drawing together business and delivery planning, performance and risk management, and project and programme management, has supported the integration of risk management into other disciplines.

Box 13. Managing risk in IT projects.

Home Office: Criminal Justice Information Technology is the most significant investment in information technology in the history of the Criminal Justice System. Significant resources have been invested to ensure there is: a **comprehensive risk management strategy**, process and supporting tools; and **cross CJS compliance** with well designed risk analysis and reporting processes. Critical success factors include: **proactive and visible senior management** sponsorship to engender a risk management culture; investment in a **dedicated risk management team** to ensure that risk management processes are operated consistently and effectively; **reporting of top risks to programme level** for sharing and joint management; and a web enabled **online tool** that fully supports all risk management processes and provides real-time information to senior management and Programme managers.

- Ø **HMT** - formal programme and project management disciplines are used for the Budget and other key processes: for example, the assessment of the five tests for Euro membership. A Centre of Excellence on project management provides advice, guidance and consultancy support for Treasury teams and is working to embed the use of project management more widely through the organisation.
- Ø **HMCE** – the Centre of Excellence has developed a Business Change Lifecycle, incorporating OGC Gateway requirements, as the Department's single approach to management of business change.

Box 14. Managing risks in a mission critical programme.

HMCE: Lorry Road User Charge (LRUC) is a 'Mission Critical' Programme, and features in the Government's "Most Significant Project List". An **electronic Programme Plan and risk register** (of over 200 risks) have been developed which are updated weekly to ensure a **continuous evaluation** of risk impact, probability, proximity and interdependencies. Regular meetings are held with all main **stakeholders**. Risks are **escalated to the Programme Board** as necessary, and the **Minister** receives a bi-monthly progress report.

- Ø **Defra** – “The work of the Centre of Excellence in PPM is providing one of the major drivers for us to be more consistent and systematic in our approach to risk management”.
- Ø **DCMS** – a Project Centre has been set up to bring together the essential functions (including risk management) to support the successful delivery of programmes and projects. Working to ensure consistency in the risk management material and messages being posted on DCMS Intranet and project based working training events.
- Ø **Welsh Assembly** – key projects have detailed risk management processes built into them through the adoption of PRINCE-type management principles - including the new Assembly Chamber and the award and implementation of a new ICT contract.
- Ø **DWP** – use of OGC Gateway Reviews led to a more disciplined approach in the identification and management of risk; Risk Management Framework

provides principles and standards on how risk management is to be applied across the Department.

Box 15. Managing risk in innovation to reach new audiences.

DCMS: Culture Online is a suite of **innovative projects** which are being delivered to new audiences using new technologies. Risks are managed by: Recruiting expertise both from within and outside the Department; planning thoroughly; re-evaluating projects against overarching aim; phasing projects and settling payments only on delivery of milestones; **not taking risks on all fronts at the same time**; involving stakeholders early; **making risk registers living documents**; putting in place appropriate contingency measures; **knowing where the sources of risks are and how to manage these**; and maintaining a **healthy mix of different types of risk**.

<http://www.cultureonline.gov.uk>

Handling risks to the public

53. Departments are working to improve their **handling of risk to the public**.

- Ø **DH** - taking an active role in taking forward the recommendations for action on risk communication. Trust and openness is already one of the major initiatives for managing risk within the public health sphere.
- Ø **IR** – framework for managing risks to the public revised and published on IR website.
- Ø Principles of managing risks to the public were published by **HMT/CO** in September, and **GICS** (Cabinet Office) have published guidance and toolkit on communicating about risks. An event with Communications Directors was held in September. A full programme of work to implement the principles is being developed.
- Ø **FSA** - bases decisions on the best available science and acts in a proportionate manner. “We engage with stakeholders and the wider public on key risks, as identified in the checklist of questions in our post-Phillips Framework for measuring food risk management. We also take a precautionary approach - that is, we will not always wait until we have proof of a potential hazard to take proportionate action or issue advice.”
- Ø **HSE** - dissemination of GICS guidance to enable staff to develop risk communication strategies in support of risk management is well advanced – key points to be incorporated in workshops, training courses and seminars.
- Ø A working group including **HMT**, **HSE** and **Environment Agency** is developing a model and guidance to help achieve greater clarity and consistency in the assessment of **cost and benefits in addressing risks to people**, and to provide a better framework for discussing such risks and making decisions on resource allocations.

Performance management

54. **Performance management** - several Departments are using the Balanced Scorecard approach to managing risks.

- Ø **Scottish Executive** - critical part of the introduction of the scorecard will be alignment of risk management with wider performance management.
- Ø **MOD** – departmental risk register, supported by operational-level risk registers, which complements the Defence Balanced Scorecard.
- Ø **DTI** – improved focus on performance management incorporating risk management in balanced scorecards across DTI. This is having a significant impact on the DTI's ability to deliver its plan and take account of risks, including those that would be less obvious without a structured risk process.
- Ø **Defra** – “The development of Defra's Balanced Scorecard (which covers reporting on delivery plans and major programmes as well as our main processes) provides an excellent opportunity for embedding risk management, particularly in terms of identifying Director General-level risks (as the majority of the measures in the Scorecard are owned by DGs) and linking in with the Department's Top Threats”.

Business continuity planning

55. **Business continuity** plans are being put into place in Departments, supported by CCS action.

- Ø **CCS** – collating and analysing responses by Departments on progress against the generic areas identified in the 2002 Business Continuity Planning (BCP) questionnaire survey. The working group of BCP Managers and the Risk Support Team (RST) made recommendations to Departments about the adoption of BCP good practice guidance - discussed at a Departmental BCP Workshop on 11 November. An initial co-ordinated tabletop test of BCPs for seven Departments, based on a non-CT scenario affecting Victoria Street, was held on 9 October - lessons learned will be fed back to Departments as part of the review process; will also inform the future programme of co-ordinated tests of BCPs involving other Departments across Whitehall.
- Ø **HMT** – there are well developed Business Continuity Plans to cope with external or accidental events. All staff are briefed on how to react in an emergency. Each directorate has its own business continuity plan. The Treasury has a fully equipped back up site and the business continuity team exercises once a quarter.
- Ø **ONS** – a key corporate risk addressed the absence of business continuity plans: a corporate business continuity plan, setting out command, control and communication arrangements in the event of major disruption has been produced and is constantly revised based on the results of "walk through" testing.
- Ø **HMCE** – completed a National Business Impact Analysis to identify and prioritise the Department's most time-critical business processes. Business continuity plans have been established to allow resources to be appropriately allocated, in a pre-emptive and assurance capacity, and in response to any serious disruption.

Policy making

56. Better **risk analysis in policy making** remains a **key area to develop**, supported by activities at the centre. The Risk Support Team is developing guidance including an analysis of the common risks to successful policy delivery – this involves Risk Improvement Managers, the National Audit Office and CMPS.

- Ø **DWP** – pension policy formulation is run on project lines to ensure all risks are identified;
- Ø **FCO** – risk now a part of policy submission templates.
- Ø **Home Office** – pilots of explicit risk assessments in policy submissions running in Probation Directorate and Prison Service with specific policy teams and Ministers.
- Ø **DFID** – risk management structure included in policy and delivery planning, management and review; approaches are still quite new and need to be further embedded.
- Ø **DH** - the extent to which risk assessments are carried out in policy development is less certain than for delivery planning.
- Ø **DTI** – “We have just arranged a session using the DTI's Future Focus Unit facility - to be jointly hosted by the Better Regulation Team and the Risk Support Team to tackle a mutual objective - ensuring that we all improve how we manage risk to help achieve better policy outcomes. This will bring together key policy makers within the Department and members of the risk management network. The FFU facility is available to other Departments on request.”

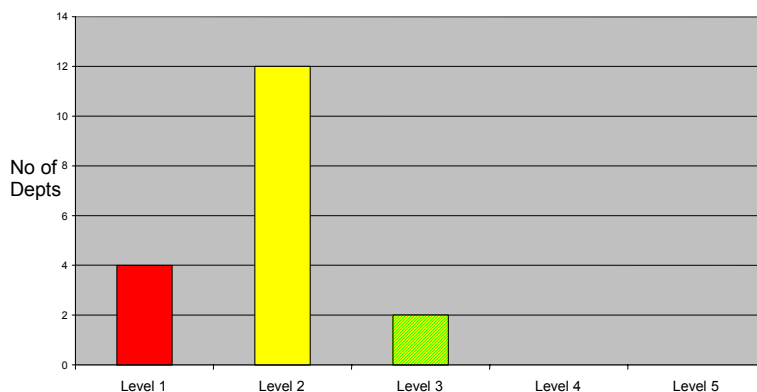
5. Are risks being managed well and is this helping to achieve better results?

5.1 Risk Handling

Are risks handled well?

Chart 9

Risk handling



57. Departments have identified a range of examples where effective risk management has been demonstrated. However a number of Departments report difficulty finding evidence. **DfES** suggest the ability to link cause and effect could be improved by e.g. making process of promulgating good practice more systematic.

58. There is some evidence of effective handling of **risk and innovation**, and “**well managed risk taking**”.

Box 16. Introduction of innovative technology is being supported by effective communication with the public about risks.

DTI: There is a risk that the DTI fails to take all possible actions to support companies intimidated and harassed by **animal rights extremists**, leading to a loss of **bioscience research and investment** in the UK. As the risk profile began to increase and the threat became more real the risk has been escalated so that it is now contained as a priority on the relevant Group Risk Register and it also appears on the DTI Risk Register. As a result this is now **reviewed on a regular basis at senior levels** within the Department.

HSE: Innovation is aided by work to convince the public that **new technologies** are **being effectively regulated and examined for risks**, e.g. the hydrogen economy and vehicle airbags :

(i) **Hydrogen** is likely to be the next major fuel source as an alternative to petro-chemicals. An essential prerequisite to development of the hydrogen economy is to identify the associated risks, and the sensible control measures necessary to manage them effectively and **assure the public that the emerging technology is being appropriately controlled**. To **facilitate innovation** and maximise benefits, HSE is ensuring that **proportionate** and **appropriate** risk management measures keep pace with the development of the technology and its introduction.

(ii): HSE has contributed to the major improvement in driver and passenger safety being achieved through the introduction of **car airbags**. To realize the full benefits in reducing risks to the public of this innovation it was essential to

find ways to manage the risks to people fitting, transporting and disposing of airbags that would otherwise hinder the development and use of the technology. To ensure that risk control was **proportionate** and **practical**, HSE worked with two vehicle manufacturers. This resulted in **innovative methods of packing and storage of airbags without undue burdens**. Subsequently HSE published **guidance** and worked with trade associations to ensure that everyone involved in the industry, from manufacture to disposal, can make the most of this innovative technology through sound and proportionate risk management

Box 17. Greater openness and transparency about risks is helping to manage risks to the public successfully.

Defra: Handling of the **GM public debate** is an example of well-managed risk taking. It was described by Professor Malcolm Grant (Chair of the Agriculture and Environment Biotechnology Commission) as a “very open, very high risk, very transparent process”. And it was successful in **creating a forum** where stakeholders with **very different perspectives** on the risks could have a mature debate about the overall picture.

<http://www.defra.gov.uk/environment/gm/debate/index.htm>

Home Office: "The recently published risk communication principles inform our approach to communicating risk to the public across Home Office policy areas. For example, the **terrorism website** presents information which is open, transparent and proportional in a way which is evidence based, involves the community and supports individuals in taking personal responsibility. These principles underpin other key communication areas - they are at the core of the **"FRANK" drug awareness campaign** and also underpin much of our **crime reduction campaigning**."

The **Department of Health** is taking an active role in taking forward the recommendations for action on risk communication. **Trust and openness** is already one of the major initiatives for managing risk within the public health sphere. In terms of delivering the proposed agenda on risk communication, the Department has also been at the forefront of analysing the best means of delivering public health messages. DH research into the **public's "risk literacy"** also provides a more systematic approach to assessing the state of public trust and understanding on risk and science issues. This is helping to ensure that the public is well-informed about judging risks and empowered to take action where appropriate. "To foster openness and transparency we have conducted **a series of focus group discussions on high profile issues** in public health, including MMR, mobile phones and air pollution. These sessions have provided a **more robust basis for policy development and risk management and a more effective means of stakeholder involvement in policy decisions**".

FSA: "Our recent work to review the implications of replacing the Over Thirty Month (OTM) rule by BSE testing illustrates how we go about **assessing risks**, and the risk management **options**, in an **open** way, and **how we communicate**

these issues to stakeholders and the public. Further information can be found on our website: <http://www.food.gov.uk/foodindustry/meat/otmreview/>.”

Box 18. Innovations in service delivery are being supported by good risk management.

DCMS (i): The Department taking a new approach to risk management in relation to the **National Lottery**. This is about striking a **balance between sensible risk management and supporting innovation**. Ministers have made it clear that they want to adopt a more innovative approach within a risk management framework. www.culture.gov.uk/global/publications/archive_2003/nat_lott_funding.htm

Forestry Commission: Involvement in Community Forests and Capital Modernisation Fund projects have **demonstrated innovation** but at the same time, risks have been identified at the outset and projects have been completed without incident.

DWP: Pensions Credit was implemented following consultation with key **stakeholders** about key issues and risks and drawing on **lessons learned** from other projects.

DCMS (ii): The **NAO** report *The English National Stadium Project at Wembley* concludes that this is an example of **well-managed risk taking**. The Department, working with Sport England, put the project through a thorough review process. www.nao.gov.uk/publications/nao_reports/index.htm#2002-2003 (6 June 2003)

MOD: The true benefits of an established and fully-embedded risk management culture have yet to be fully realized, but the handling, identification and management of risks is improving and **the process is beginning to identify opportunities**.

Box 19. Innovative approaches to “well managed risk taking” are starting to develop.

ODPM: The **Fire Service’s** Integrated Risk Management Plans (IRMP) represent a **change** from inflexible national standards of response to fire incidents, based on property risk, to one **based on the authority’s assessment of risk to life in their local community**. This should ensure that the right people and equipment are in the right place at the right time. The IRMP process also **changes the emphasis from one of response to one of prevention** through community fire safety work (influencing behaviour to reduce risk at source), and **protection** (e.g. smoke alarms in high risk domestic premises). It also recognises the fact that many of the emergency rescue work done by brigades does not involve fire but road traffic accidents, floods, etc. The flexibility in cover provision arising from IRMPs is freeing resource which can be redeployed to prevention work.

59. There is some evidence that risk management is **reducing the scale of the risks faced**.

- Ø **HMCE** – effectiveness of current risk management activities is reflected in: the reduction in the number of Red risks on the Central and Directorate Risk Registers; tighter controls introduced in the renegotiation of PFI contracts; and current programmes being established incorporating best practice.
- Ø **DH** – some programmes report that risk likelihood ratings are being dropped which could suggest that risk management is becoming effective and others report no or few major issues arising. Generally, programmes report better visibility of upcoming issues, which has enabled earlier intervention. Shortfalls identified in LDPs have enabled early action to be taken. In the NHS evidence is emerging that improvement of risk management is leading to improved service delivery.

Box 20. Managing risks in the health sector.

NHS: Outcomes from the Controls Assurance self-assessment process for 2002/2003 – Governance criterion 7 together with other analysis across a number of Controls Assurance organisational standard areas has indicated improvements. In addition analysis of risks and actions across the range of Controls Assurance Standards demonstrates a high number of improvements being made during the 2003/2004 reporting year. There were 108,583 reported risks and actions across the NHS against the 21 Controls Assurance core and organisational standards in 2002/2003. Abridged anonymised version of this is available at <http://www.controlsassurance.gov.uk/risks>.

60. There is improved anticipation and management of **strategic risks**.

Box 21. Risk management techniques in the fire services.

ODPM: Certain parts of the Office exploit a range of risk management techniques including **quantitative option appraisal, modelling, horizon scanning and resilience testing** in the context of developing Fire Authority **Integrated Risk Management plans**; regional **resilience planning** and improving fire equipment, communications and decontamination capabilities.

61. The quality of **Business Continuity Planning** is being significantly improved. There is a structured programme of improvement led by the **CCS**. Most Departments have well developed and tested BCPs.

- Ø **Land Registry** – the handling of risks is tested with the running of Business Continuity Rehearsals at each of their sites during the year. Lessons learned contribute to improved management and performance.
- Ø **FCO** – business continuity and emergency response plans in place and tested successfully.
- Ø **CPS** – successful testing on business continuity plans has taken place.

- Ø **Home Office** – contingency plans formulated by the Business Continuity Team for handling emergencies have proved successful in action.
- Ø **HMCE** – a Departmental Business Continuity (DBC) task force was set up in mid-2002 to raise the profile of business continuity at a Departmental level. The DBC Assurance programme ensures the review, rehearsal and improvement of Business Continuity Plans (BCPs), largely focused on key business processes and key buildings (using the results of the National Business Impact Analysis work as guidance) as well as the over-arching Departmental plan.
- Ø **HMT** - Exchequer Funds and Accounts team invoked their business continuity plan when a power failure put the Treasury building out of use for half a day: the relevant team members made their way to our back up site and conducted their normal morning operations from there to ensure that government payments were made on time and that the DMO had up to date estimates of that day's cashflows to inform their cash management operation.
- Ø **DCMS** – implemented a new Business Continuity infrastructure, supported by a rigorous timetable of testing and on-going review.

62. Good risk management is helping to **improve planning, target setting and decision making**.

Box 22. Positive outcomes from managing risk in legislative work.

DTI: Proactive and coordinated risk management across **DTI Bill applications**. During the past year, the Director General, Legal Group has established the Legislative Board to prioritise all bids for bills. All bids are funnelled to the Board and are ranked for presentation to the Secretary of State. This process has led to **'noticeably better practice over the past 12-15 months'**. There is now **greater discipline in the way legislative work is managed**, and this has reinforced the reputation of the DTI within central government, with **positive effects on the outcomes of bill proposals**.

- Ø **HMT** – analysis of risk registers maintained by Directorates showed that operational and stakeholder risk management is less well-developed than financial and strategic risk management - this is being addressed through the Building on Success programme; good progress towards PSA targets; 1 Horse Guards Road completed on time and to budget; high quality of five test assessment for EMU membership (using project management principles).
- Ø **ODPM** – delivery reports from PMDU and HMT have reported clear evidence of progress in delivery planning across the Office. Factors contributing to the improvement in performance included the strengthened central delivery team and the new internal Performance Management system.
- Ø **DTI** – improved handling of risk and uncertainty by positive management action; increased integration of risk management in strategic decision-making. DTI Strategy Unit has indicated the positive influence of risk management on the strategic agenda of the Department over the past year; use of risk as a key determinant of all system integration projects

- Ø **DfT** – the establishment of a performance and risk reporting process has increased the attention given by units on risks to the achievement of key Departmental objectives and on action required to mitigate these. This is now feeding through into more robust delivery and business plans, improved planning and target setting and better prioritisation of effort. Establishment of above process is also beginning to improve communication across DfT units, for example between Roads Directorate and Highways Agency on congestion policy.
- Ø **DFID** – there is clear evidence that risk management is being effective on the policy, operations and financial sides.
- Ø **ONS** – risk management is now inherent in processes from the corporate level down. There is evidence to suggest that this is being effective at a corporate level. For example handling of the classification of foundation hospitals used lessons learnt from the classification of Network Rail.

63. Delivery of **projects and programmes** is likely to be better supported by good risk management.

- Ø **OGC** Gateway findings indicate that a slightly lower proportion of Gateway reviews identified weaknesses in risk management (down to 60% from 63% one year ago). Gateway reviews are continuing to demonstrate an increased likelihood of success results from eliminating problem areas such as poor risk management.

64. **Cross-cutting risks** are being better identified and handled.

- Ø **Social Exclusion Unit**, ODPM - taking forward a programme of work looking at Impact and Trends in Social Exclusion to identify, with Departments, potential future risks and drivers of social exclusion. A report next year will [identify a cross-cutting programme of action to address these risks]

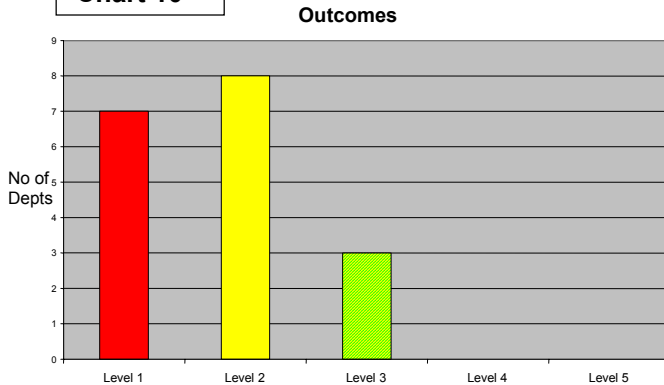
Box 23. Different targets - joint management of similar risks.

DfT: The requirement for units to submit **regular Directorate reports** to the Performance, Delivery and Risk Committee has helped to address some cross-cutting performance and risk issues. **Mitigation strategies** are now being prepared **jointly across units** for congestion and air quality targets as they share similar risks.

5.2 Outcomes

Does risk management contribute to achieving outcomes?

Chart 10



requires more to be done to identify a definite correlation with risk management actions; would require development of specific research methods – remain to be convinced that resources required could be justified.

65. Departments found it difficult at this stage to make explicit links between good risk management and outcomes, partly because outcomes have yet to materialise. When arrangements had better in it should be easier to better see such links. Examples of where links have been made include:

Ø **DfES** – some anecdotal evidence. Complexity of factors contributing to overall outcome

66. Risk management has contributed to **improved delivery and achievement of business objectives**.

Ø **HMT** – the analysis of entry into the euro was an example of an open process where the risks were identified, thoroughly assessed and the risk analysis widely communicated as part of the decision making process.

Ø **CPS** – major risks handled for programmes, and all major programmes on track to deliver. A good example of risk management in this area is the continued rollout to schedule and cost of our IT programme to improve our electronic case management processes. This has been done despite the supplier being involved in a major corporate merger during the same period.

Box 24. Well-managed risk taking contributed to a significant military success.

"Operation TELIC was a significant military success. Deploying the force into the theatre quickly was a major achievement but gaps in capability had to be filled urgently. In an example of **'well-managed risk'** the Defence Transport and Movements Agency 'achieved a notable success', chartering enough shipping to **lift the entire force in one movement** and securing the vessels at **lower than expected cost**." (Source: [NAO report on Operation TELIC - United Kingdom Military Operations in Iraq](#), 11 December 2002.)

Ø **DfT** – expects improvements in quality of business and delivery plans to increase likelihood that the dept's PSA targets will be achieved (but too early to describe effect of risk management with any certainty).

Box 25. Active risk management has helped deliver better business support to customers.

DTI: The Business Support Transformation Programme has been set up to improve the delivery of business support to **DTI** customers. There is a **comprehensive risk management strategy** for the programme including weekly reviews and monthly reports by DGs of Business Group and Fair Markets to the SoS / Permanent Under-Secretary of State for Science and Innovation. The **active management of risks** throughout the project has helped **drive the project forward**, ensuring that **work streams are co-ordinated** and programme progress is kept on track (successful delivery of 4 new products with the other 6 currently on schedule and to budget). The programme has drawn **praise from the OGC**.

- Ø **Centres of Excellence** – introduced across government. Although it is too early to tell whether this has contributed to improved risk management, indications are that departmental portfolio management enables better prioritisation and rationalisation of a Department's overall commitment to delivery. By rationalising its overall portfolio a Department could find that its chances of success for the remaining programmes and projects improve.

Box 26. Good risk management helped deliver large infrastructure programme on schedule, to budget.

GCHQ: PSA objectives delivered despite significant risks, particularly as a result of **managing risks at the major change programme level**. Risk management process used in GCHQ's **New Accommodation Programme** has been commended by OGC as a **leading example** of programme risk management. It has made a significant contribution to the delivery of this challenging programme of work on schedule and within its agreed budget.

- Ø **CPS** – PSA targets on trajectory (together with CJS partners, they are on track to deliver the PSA target to being more offences to justice). Public confidence in the CPS improved in last British Crime Survey. Risk awareness has increased substantially and risk is now an essential component in assessing any new initiative. However, it would be difficult to demonstrate conclusively that improved risk management has contributed significantly to these outcomes. Some of the work of the newly appointed RIM will focus on improving level of assurance.

67. Improved **financial** outcomes.

- Ø **DWP** - Appeals Service used risk management principles to identify risk in the payment of travel expenses to tribunal users. Subsequent clarification and improvement to Guidance resulted in a reduction in identified fraud; closer partnership working between the Pension Service and Inland Revenue led to improved issue of efficiency notices; risk based approach to the Financial Appraisal and Monitoring of Employment Programme Providers ensures that effective use of resource is managed and can be demonstrated.

68. Improved management of **risks to the public**.

Box 27. Risk based approach to resolution of British Energy exposures.

DTI: With British Energy facing substantial debts, the DTI adopted a **proactive and risk based approach** to the management of potential exposures (financial and reputation) to DTI objectives with a solution being reached in line with the Department's **tolerance to accept risk**. The **risk register** worked as an effective aide memoir to ensure risks were visible and considered at all stages of the decision making process.

Box 28. Timely escalation of a risk averted serious impact to patients.

DH: "The Cancer Programme was able to **escalate a risk to our Delivery Board** that meant a serious impact relating to a patient notification project was averted. The **deadline for notifying patients** of a possible risk of contracting Hodgkin's disease following radiotherapy treatment **had been under threat**."

Box 29. Building trust - proportionate response; involving stakeholders.

FSA (i): "The action the FSA took on the **contamination of food by acrylamide** and our approach of communicating the risks and uncertainties to all stakeholders was a successful strategy for handling this issue. We took a **proportionate yet precautionary** approach. We made a positive decision to **look at not what people should avoid but at what people should eat**." More information on the FSA's work on acrylamide can be found at http://www.food.gov.uk/safereating/acrylamide_branch/.

FSA (ii): "In 2001, the FSA became aware of contamination of certain soy sauces with unacceptably high levels of 3-MCPD (monochloropropanediol) and 1-3 DCP (dichloropropane), a carcinogen. We needed to communicate a message to everyone, which had particular significance in terms of **safety to a small section of the population, about a select few products**. This meant **working closely with the oriental communities to develop a communication strategy**, which included producing public health advice leaflets in English and Chinese, and publishing photographs of labels of the affected products on our website. More information on the FSA's work on acrylamide can be found at <http://www.food.gov.uk>."

6. Plans for further improvement

69. The second year of the programme represents a distinct and challenging phase. Most Departments now have plans in place for further improvement. These may be part of more general change plans or development plans but improving risk management is identified as a key element of improving Departmental performance. In general there is also a link to improvements in corporate governance and the achievement of a compliant SIC. The main issues addressed in Departments' plans are set out below.

70. Ensuring that the **cultural change** takes place to ensure that risk management is an integral part of the way Departments operate, and ensuring that this supports **innovation and well managed risk taking**.

- Ø **MOD** - further embed risk management in the Department's culture, align Personnel Reward systems to well managed risk taking.
- Ø **IR** – developing a learning package that aims to address the cultural and behavioural barriers to effective risk management.
- Ø **DTI** - engaging staff at all levels to facilitate the delivery of the anticipated improvements to risk handling and outcomes; The role of the Risk Management Champion as an agent for change within Groups.
- Ø **DfT** - next phase aims to develop a culture which promotes innovation, appropriate risk taking, a 'no blame' culture.
- Ø **DfES** - develop a culture of managed risk-taking to ensure that innovation and creativity is not stifled.
- Ø **DWP** - important to create the right culture to promote well thought through risk taking, to engage with policy making, planning and performance monitoring colleagues to ensure that the consideration of risk is integrated into their existing processes.
- Ø **HO** - need to strengthen resilience and embed risk management into our underlying culture.
- Ø **DH** – “We have a considerable way to go before we can report that risk management is a fundamental part of the management culture”.
- Ø **DFID** - key challenge is to ensure a change from improved risk identification and assessment to probability and impact, to proactive risk management as part of good management.

71. For many Departments the need to address these aspects is reflected in proposals to address the incorporation, or **embedding of risk management in the Departments processes**.

- Ø **FCO** - overall priority is to consolidate progress made rather than to add additional work; auditing compliance of processes which have been put in place;
- Ø **GCHQ** - ensuring that risk management policy and processes are embedded as part of normal business throughout the Department.
- Ø **Charity Commission** - embedding arrangements is the main challenge now that robust arrangements are in place.
- Ø **COI** - risk in business planning.
- Ø **PCO** - Identifying risks at individual business unit level.

- Ø **Defra** - developing the application of risk management via project and programme management and delivery planning, and enhancing the reporting and management of risk at Management Board level by embedding risk in the balanced scorecard reporting process.
- Ø **NIO** - Pockets of high-quality risk management, but areas where it remains instinctive rather than structured.
- Ø **DfT** - integration of risk objectives into personal performance assessments.
- Ø **ODPM** – risk project plan provides for a review of the existing risk framework in the light of good practice between February and April 2004.

72. A key aspect of Culture change is **leadership** and the need to maintain and improve this as a major component of achieving culture change is reflected in proposals by a number of Departments. Associated with this is are proposals for improved or clearer definition of **risk appetite** (e.g. **FCO** - engaging ministers more; **DfES - leadership** is a key area for further development; **DTI** - the visible leadership / sponsorship which can / should be provided by senior management; **FCO and Charity Commission** - defining risk appetite; **OFT** - be more explicit about basic risk appetite)

73. To meet the challenges of **managing and communicating on risks to the public** Departments will be working to implement the recently published '**Principles of Managing risk to the public**' and looking to utilise the guidance on risk communication produced by Cabinet Office (e.g. **DWP** - communicate and monitor compliance against the Principles of Managing Risks to the Public; **DfT** - work required on handling risks to public and improving capability to communicate on risk, both externally and internally). In implementing the principles and communicating with the public, attention will need to be given to issues such as how we can **better balance risks to safety with taking opportunities for public service improvement**, relativities in public spending on reducing risks and communicating risks clearly and transparently. This latter will not only improve the public's understanding of risk and the basis for decision taking but also help ensure there is a sound basis of understanding if crisis management measures are needed.

74. Also exploring better sharing of assessments of **cross-cutting long term threats** (e.g. social exclusion) to complement the CCS focus on the short/medium term. A cross-Departmental network to improve horizon scanning in Departments and enhance cross Departmental and, in particular, liaison with **CCS** is under development following a **RIM** event on horizon scanning and CCS initiative. Resilience and contingency planning are also key aspects with revised guidance being developed by **CCS** in conjunction with Departments and RST. (**DFID** - the testing of contingency plans bringing key information systems in line with BS7799 requirements)

75. Departments such as **DCMS** and **DTI** include improving risk management in **policy making** as a priority.

- Ø **IR** – policy development actions to include: Project management based approach to policy development; check on quality of written submissions to Ministers will include risk in its criteria; developments to ensure that policies are not announced unless they can be delivered;

- Ø **DfES** - increase use of programme and project management techniques, including risk management, in policy development and delivery;
- Ø **DfT** - embedding formal risk management in policy making;
- Ø **DTI** – further develop the role of risk management within policy making;

76. Improving how risks are handled in **partnerships** is seen as a key issue by many Departments (e.g. DCMS, DFID, DfES and Defra). This is acknowledged as a key to success in delivering many PSA targets.

- Ø **DCMS** - address strategic risks and risk management issues with sponsored bodies e.g. when discussing funding agreements and ensure that NDPBs strategic risks are reviewed to ensure that any which could have a material impact on the Department's reputation or on the delivery of our strategic priorities are reported.
- Ø **DFID** - need for common approach – decentralisation of strategic and management work to country offices has strengthened many partnerships, but increased risk of inconsistency across the organisation.
- Ø **DfES** - partnerships is a key area for further development.

77. **Training and skills:** In general Departments are developing skills and guidance across all the Departments activities (policy making, operations, delivery etc). They are seeking to identify and introduce good practice and to include risk management as an essential aspects of training at all levels but they recognise that whilst they are building their capabilities they need to do more to **embed risk handling skills in key policy, planning and delivery roles**. They are taking on board lessons from the work being pursued by **CMPS/CSC** in reviewing provision and advising on courses and programmes, they are looking to good practice across Departments and are introducing programmes and policies tailored to Departments' and individuals' needs (e.g. **FCO** - starting training programme **GCHQ** - run workshops and ensure coverage of risk in new Learning Curriculum **DCMS** - recognition that formal training is hampered by lack of clear statement of risk management policy and an identified process. **Cabinet Office** will be developing new courses on Business Continuity and Risk Awareness.

7. Aims for the end of the programme

78. Overall, Departments expect to achieve a significant improvement on their current performance by the end of the risk programme, upping the pace of change,

79. Some Departments have set **explicit targets** for where they want to be in a year's time or linked to the Statement on Internal Control for 2003/4 or 2004/5. A representative comment is "working to attain a robust and fit for purpose risk management framework (levels 3-4) appears to be a pragmatic short to medium term goal."

80. A number of Departments are setting themselves targets for improvement over the current year. The level of current maturity varies not only between Departments but also within Departments and across the various categories of the risk assessment framework. Hence **level 3** is being proposed as a target by some Departments currently at a lower level of maturity and for some aspects (e.g. risk management in policy making and in 'people' aspects of a culture of well managed risk taking). Several are aiming to reach **level 4**.

81. In general the view is that by the end of next year, it will be possible to have good risk management arrangements in place, and some level of embedding in core business processes will have taken place. However fully integrated risk management which is an integral part of the culture will take longer.

Risk Support Team
H M Treasury
December 2003

Annex 1: Glossary

Contributing Departments	
Charity Commission	Charity Commission
CO	Cabinet Office
COI	Central Office for Information
CPS	Crown Prosecution Service
DCA	Department for Constitutional Affairs
DCMS	Department for Culture, Media and Sport
Defra	Department for Environment, Food & Rural Affairs
DfES	Department for Education and Skills
DFID	Department for International Development
DfT	Department for Transport
DH	Department of Health
DTI	Department of Trade and Industry
DWP	Department for Work & Pensions
FCO	Foreign and Commonwealth Office
Forestry Commission	Forestry Commission
FSA	Food Standards Agency
GCHQ	Government Communication Headquarters
HMCE	HM Customs and Excise
HMT	HM Treasury
HO	Home Office
HSE	Health and Safety Executive
IR	Inland Revenue
Land Registry	Land Registry
MOD	Ministry of Defence
National Archives	National Archives
NHS	National Health Service
NIO	Northern Ireland Office
ODPM	Office of the Deputy Prime Minister
ONS	Office for National Statistics
OFSTED	Office for Standards in Education
OFT	Office of Fair Trading
OFWAT	Office of Water Services
PCO	Privy Council Office
Scottish Executive	Scottish Executive
Welsh Assembly	National Assembly for Wales

Others

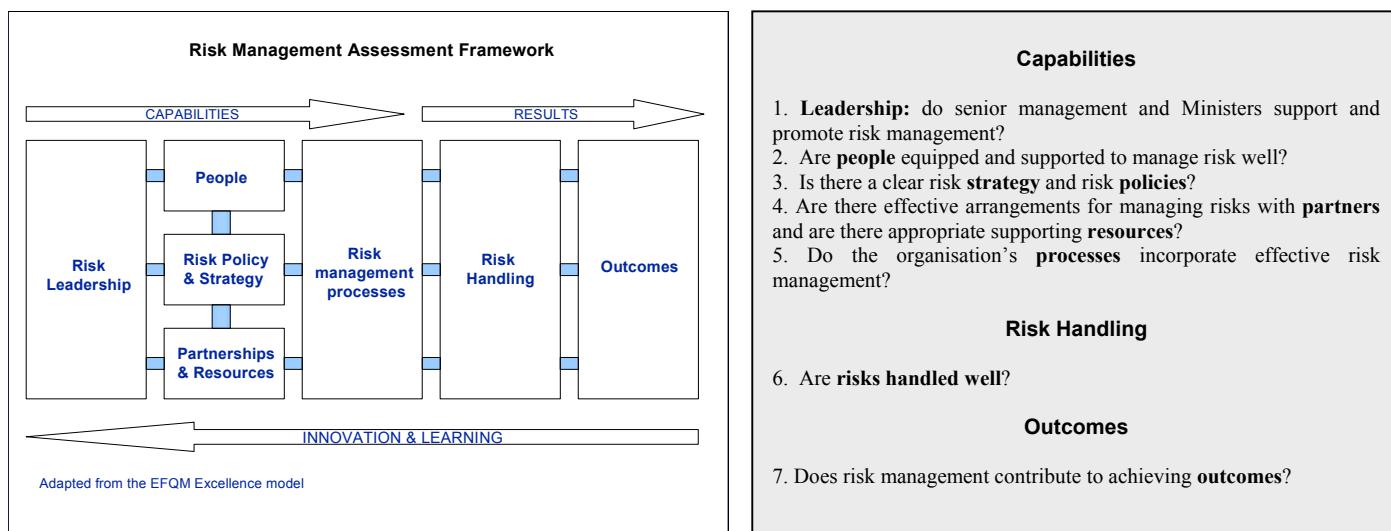
CCS	Civil Contingencies Secretariat
CSMB	Civil Service Management Board
CMPS	Centre for Management and Policy Studies
NED	Non-Executive Director
NDPB	Non-Departmental Public Body
OGC	Office of Government Commerce
PAC	Public Accounts Committee
PMDU	Prime Minister's Delivery Unit
RIM	Risk Improvement Manager
RST	Risk Support Team
SCS	Senior Civil Service

Annex 2: Risk Management Assessment Framework

1. [The Risk Management Assessment Framework](#)⁷ has developed from the EFQM excellence model but is simplified and targeted to provide a tool to assist Departments in evaluating their performance and progress in improving their risk management capability and its impact on improved risk handling and performance outcomes. It also assists with identifying areas of particularly good or poor performance and in establishing priorities for improvement action. It is intended that it can be used flexibly to replace or augment existing evaluation arrangements as appropriate to Departments' needs.

2. Top level questions are supported by a range of lower level questions, which act as a guide to gathering evidence. The framework enables Departments to make an overall systematic analysis of risk management capabilities (including e.g. how well risk management is embedded in the core processes of policy making, planning, project and programme management and delivery); how this is creating better handling of risks (e.g. anticipation, preparedness, risk decision making, resilience); and how this is helping to achieve better outcomes (e.g. successful projects/programmes, PSA targets, public trust).

3. The assessment framework supports the production of a Statement of Internal Control, and is consistent with the SIC proforma in DAO (GEN) 09/03. It incorporates the assessment questions recommended in the National Audit Office's 2000 review of risk management, the recommendations of the Strategy Unit report and the questions on risk management process listed in annex 2 of the DAO letter.



4. Many Departments have commented on the **use of the framework**, including on **validation and consistency**. Use of internal audit and corporate governance teams to provide challenge and peer review to the assessments and scores, generally derived from the risk assessment framework which appeared generally to be

⁷ The Risk Management Assessment Framework is available at http://www.hm-treasury.gov.uk/media//7B1D9/risk_assessment_framework_220903.pdf

regarded as a useful source of a common currency through which to discuss and carry out the review.

- Ø **MOD** – scores were derived from a weighted average of the scores obtained from the Department's 11 business divisions – all of which used the assessment framework. Validity and consistency were assessed against their respective SICs for 2002/03. Additional validity and consistency checks were applied through peer review by comparing the scores of similar function business units with one another. Responses from business divisions were favourable – useful and objective tool. Most struggled with question 7 (outcomes), as the Departments has few metrics or methodologies in place to measure the effectiveness of risk management at any stage other than subjectively.
- Ø **DWP** - the risk assessment framework has helped capture a range of evidence to show how risk management is being effectively implemented; also a number of key areas for improvement.
- Ø **DTI** – the assessment framework has been applied in forming the conclusions outlined in this report and in defining and prioritising the forward work plan;
- Ø **Welsh Assembly** - assessment of performance across the Assembly has been made using the self-assessment framework.
- Ø **HSE** – the assessment framework was useful but it was not designed for circumstances where some parts of the organisation are achieving a high mark but others, mostly non-traditional areas, have yet to reach that level. The discussion on marking prompted much discussion that indicated areas of strength and weakness, providing useful information.
- Ø **DCA** – assessment framework was used as the main basis for progress review; the framework proved to be a useful tool to consider actual and target capabilities in a number of areas. The results reviewed by Internal Assurance Division, and validated against their own independent assessment.
- Ø **DCMS** – results have not been validated or checked for consistency by use of benchmarking or peer review. “Such validation may be useful to ensure that we have not been too hard on ourselves in making this assessment”. The Department is using this assessment as the basis for planning further work. An outline plan of work has been drawn up. Looking forward to the end of the risk programme a realistic performance objective has been set.
- Ø **HMCE** – a ‘clearance’ workshop, to moderate and validate the final assessment scores, identified a relatively consistent range of scores for each EFQM category; a great deal of benefit derived from these discussions and moderation to confirm a ‘common currency’ for departmental risk management.
- Ø **GCHQ** – assessments were the organisation's own - not validated externally.
- Ø **DWP** – partnership with Internal Audit; this product proved to be extremely useful as a source of reference, and helped promote consistency of judgments; jointly with all businesses, client groups and corporate directorates to agree a broad assessment of capability levels.
- Ø **DH** – “assessments against the Risk Management Assessment Framework; assessment was checked against an independent assessment carried out by our internal auditors”.
- Ø **NHS** – the assessment was based on the Controls Assurance self-assessment process for 2002/2003).

5. The recent guidance (DAO Gen 09/03 and Government Accounting – chapter 21) on requirements for a **Statement on Internal Control** (SIC) for 2003/04 has reinforced the need for effective risk management to achieve a compliant SIC. Departments have in general recognised this relationship and are endeavouring to ensure they develop their risk management performance to at least deliver a standard suitable for a compliant SIC.

Ø **HMCE** – plan to conduct a gap analysis between the EFQM themes and the range of existing questionnaires to ensure that current processes. Any augmentation of current processes will be incorporated before the 2003/04 SIC exercise is commissioned. This process will remain a key feature of future SICs, and the continuing development of risk management in the Department.

6. Some Departments have commented on the value of **additional benchmarking and peer review**.

Ø **ONS** – the dedicated risk management database (risk register) was developed internally but with guidance on content from internal auditors (KPMG) and taking on board benchmarking work done with other government Departments (Cabinet Office and Department of Health etc.) and private industry (Cadbury Schweppes, and British Airways amongst others). This benchmarking work also helped form comprehensive risk management guidance which is available electronically (through the ONS standards and guidance database) to all staff. This guidance also forms an integral part of the risk management database.

Ø **DTI** – the opportunity to benchmark more fully against Department and NDPB peers will be valuable.

Ø **Welsh Assembly** – being a multi-functional and devolved administration makes bench-marking and peer review with central Whitehall Departments difficult. The current intention is to meet with risk managers in the Scottish Executive and the Northern Ireland Office to compare progress and share guidance and good practice.

Ø **DTI** – eliminate any perception of risk management as being an externally driven requirement, an addition to bureaucracy, or an additional demand on sparse management time. The Treasury Risk Support Team is invited to recognise that, as processes are now established to gather information to support both DTI and RST requirements, any future amendments / alterations should be minimised.

Ø **DCA** – the assessment framework being used for this progress review will be a valuable tool to identify Departments that are at the leading edge of implementation. It would be valuable if additional examples could be shared around the risk management community to enable all Departments to learn practical lessons from early success stories.

Ø **DWP** – very much welcomed the development of the Risk Management Assessment Framework and have adapted it to assist our evaluation of progress made. “We would appreciate further help in tackling the ‘people’ issues as we strive to influence and develop a risk aware culture within the Department”.

Annex 3: Risk Management Assessment Framework Scores – Main Departments

TOTAL (max 35)	1 to 5 - Capabilities					6 to 7 - Outcomes	
	1 - Leadership	2 - Risk strategy and policies	3 – People	4 - Partnerships and resources	5 - Processes	6 - Risk handling	7 - Outcomes
16	2	2	2 to 3 (2.5)	2 to 3 (2.5)	3	2	2
16	2 to 4 (3)	2 to 3 (2.5)	3	1 to 3 (2)	1 to 4 (2.5)	0 to 3 (1.5)	0 to 3 (1.5)
15.75	2.5	2.5	2.5	2	3	1.5 to 2 (1.75)	1.5
13.5	2	2	2	1 to 2 (1.5)	2	2	2
15	2	2	3	2	4	1	1
21.5	4	3	3	3	2.5	3	3
14	2	2	2	2	3	2	1
10	1	2	1	1	3	1	1
17.5	3	2.5	2.5	2	3.5	2	2
13	2	2	2	2	2	2	1
15	2	2	2	3	2	2	2
18	3	2	3	2	3	2	3
19	4	3	3	2	3	2	2
17	3	3	3	3	3	1	1
19	3	3	3	2	3	3	2
18	2	2	3	3	3	2	3
16	3	2	2	2	3	2	2
17	2	3	3	2	3	2	2

SUMMARY OF DISTRIBUTION – Main Depts

Level 1	1	0	1	2	1	4	7
Level 2	9	13	8	12	5	12	8
Level 3	6	5	9	4	11	2	3
Level 4	2	0	0	0	1	0	0
Level 5	0	0	0	0	0	0	0
Average	2.5	2.3	2.4	2.1	2.6	1.9	1.8

Annex 4: Risk Management Assessment Framework Scores – Other Departments

TOTAL (max 35)	1 to 5 – Capabilities					6 to 7 - Outcomes
	1 - Leadership	2 - Risk strategy and policies	3 - People	4 - Partnerships and resources	5 - Processes	
10	1+	1+	1-	3+	2	1-
15	2	2	2	2	3	2
25	4	4	3	4	3	3
17	2	2	2	2	3	3
13.5	1 to 2 (1.5)	2	1 to 4 (2.5)	2	2 to 4 (3)	-
13.5	2	2	1 to 2 (1.5)	3	2	1 to 2 (1.5)
23	4	4	3	4	3	2
20	4	2	3	3	4	2
22	4	2	3	3	3	3

SUMMARY OF DISTRIBUTION

All depts	1 to 5 – Capabilities					6 to 7 - Outcomes
Level 1	3	1	3	2	1	6
Level 2	12	19	11	15	7	15
Level 3	6	5	13	8	17	4
Level 4	6	2	0	2	2	2
Level 5	0	0	0	0	0	0
Total 5	0	0	0	0	0	0
Average	2.3	2.3	2.4	2.4	2.7	2.1
Variation from main depts	-0.2	0	0	0.3	0.1	0.1

Half scores are rounded down.