

The Risk Programme

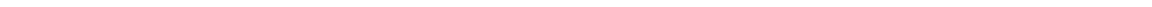
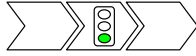
Improving Government's Risk Handling

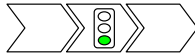
Final Report to the Prime Minister

December 2004



HM TREASURY





The Risk Programme

Improving Government's Risk Handling

Final Report to the Prime Minister

1. The Risk Programme has concluded its work, two years on from publication of the Strategy Unit report in November 2002. This report provides a summary of progress since the start of the programme, and a more detailed update over the past 12 months¹. It also identifies challenges to be addressed beyond the end of the Risk Programme. A supporting paper² presents more detailed analysis and a wide range of examples of where good risk management is making a real difference.

Summary of overall progress

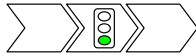
2. Both the National Audit Office (NAO)³ and the Risk Programme have found that government has improved its ability to handle risk over the past 2-4 years, and is continuing to do so. Key improvements include:

- All Departments have moved well beyond awareness of the need to change, and they increasingly have well **established risk processes**.
- Systematic efforts have been made to **address key areas of risk** – e.g. in:
 - project management – where Departments are increasingly making effective use of Gateway reviews to help ensure that the risk status of key projects is managed down.
 - delivery plans for PSA targets – with e.g. Departmental Boards increasingly involved in reviewing risks;
 - handling external threats – where the key threats to the UK have been risk-assessed and Departments engaged in planning for them.
- Good practice is increasingly evident and there are better arrangements for **spreading good practice** – across and within Departments and between Departments and their partners.
- There is **stronger leadership**:
 - Only half of the departments questioned by NAO identified the main risks relating to their aims and objectives in 2000 – now very nearly all do.
 - Senior management involvement has improved significantly – all Departments now report regular discussion of key risks by senior managers.

¹ Previous reports: The [first report to the Prime Minister](#), in May 2003, identified priority issues to address. The [second report to the Prime Minister](#), December 2003, demonstrated overall progress in improving government risk management. A baseline for further improvement was established and plans were set out to address key challenges, e.g. embedding risk management in business processes. New challenges were identified, e.g. managing risks with delivery partners. The [interim report to the Chief Secretary](#), July 2004, reported progress in line with expectations in the December report. All Departments had improved, with the lowest performers improving most strongly.

² Improving Government's Risk Handling: Final Report to the Prime Minister – Supporting Analysis and Examples of Good Practice.

³ [Managing Risks to Improve Public Services](#), NAO, October 2004.

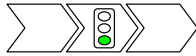


- **Staff are more skilled and better trained**, e.g. the NAO survey reports that no Department had appropriate training on risk and risk management in 2000 whereas now over two thirds say that effective or very effective training is in place.
- There is emerging evidence that this is **helping Departments to handle risks well, including:**
 - Anticipating threats – better horizon scanning in Departments and at the centre;
 - Making good risk-based decisions e.g. on resource allocation – e.g. HM Customs & Excise: Fire Services – Integrated Risk Management Plans; Police – targeting resource on high risk areas and crime types; ODPM – engaging with high risk Local Authorities (with poor or weak CPA ratings);
 - Applying contingency plans successfully: e.g. exercising plans for flooding, animal disease outbreaks, and MoD emergency fire cover; and
 - Identifying cross-cutting risks – e.g. Civil Contingencies Secretariat top disruptive threats; common internal risks such as skills and staff shortages.
- Departments are also beginning to see an influence on:
 - **Improved service delivery and achievement of targets**, e.g. HM Customs & Excise – VAT fraud and cigarette smuggling; and
 - **Managing PSA targets** - focusing effort in high risks areas, aiming to increase the likelihood of successful delivery.

3. Significant challenges remain however, including: even better anticipation of risk and more early action to tackle it; better management of risk with delivery partners; further embedding of risk in the core processes of government; and better handling of risks to the public. There is also a need to spread good practice more widely, bringing all areas of government towards the standard of the best, and to maintain the momentum and goodwill that has been generated to date. This will require continued strong leadership in order to create the right conditions to bring about full culture change over the next few years – where innovation is encouraged and supported, risk is seen as an integral part of aiming for high performance, and where staff have the skills, tools and support to manage risk well.

Current position

4. Annex A demonstrates that, across government as a whole, there has been measurable improvement in the capability to manage risk over the past 12 months, broadly in line with projections in the December 2003 report. Most Departments have met their aims, and some have exceeded their improvement targets. There is still a range of performance, but in general this has narrowed significantly over the past year. Some Departments are finding it hard to bring about consistently high standards throughout the organisation – although they all show progress in certain areas, have identified examples of good practice, and have plans for improvement.

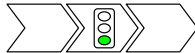


5. In October the National Audit Office published a report on "[Managing Risks to Improve Public Services](#)". The report recognises that the Risk Programme has had a significant impact in making improvements in government risk management. It sets out five recommendations for further work, broadly consistent with those of the Risk Programme. Many Departments have already made progress in addressing these recommendations, but much further work is needed.

6. A recent OGC Gateway review of the Risk Programme said that: "The Programme has been successful in galvanising activity, raising the risk profile through an inclusive, shared ownership approach and should be considered an exemplar for future programmes addressing the well recognised challenges of cross-government initiatives."

7. Most Departments have clear plans for further improvement beyond the end of the Risk Programme, and most have set specific targets (sometimes for March 2005, or for 2006, linking with the 2006 Spending Review). Some Departments are also looking beyond this period. Although a few Departments are close to having embedded risk management in the way they work, it is clear that full embedding and culture change in all main Departments – with risk management becoming an integral, and natural part of the way most people work – will take considerably longer. The 2006 Spending Review will be an important milestone. Some Departments have set challenging targets, and considerable effort will be needed to ensure they are achieved. Others appear less clear, or less stretching and would benefit from further one-to-one support.

8. There is a high level of commitment in most Departments to making further progress. The Treasury Risk Support Team has developed proposals for post-programme arrangements, to ensure continuing improvement. Primary accountability for further improvement will rest with individual departments. But the Treasury and others from the central departments will support Departments in addressing key challenges, through events, guidance, and one-to-one meetings.



ANNEX A: ASSESSMENT OF PROGRESS

1. As in December 2003 and July 2004, Departments used a structured assessment framework to assess their performance¹. Charts 1 and 2 below show how performance has improved strongly in each of the categories².

2. Departments have completely eliminated level 1 scores (awareness only) and have been progressively implementing and consolidating improved approaches. There is a significant increase in those judging themselves to be level 3 (implemented change) and the best Departments now report some scores at level 4 (change embedded).

Chart 1 Progress in Capabilities

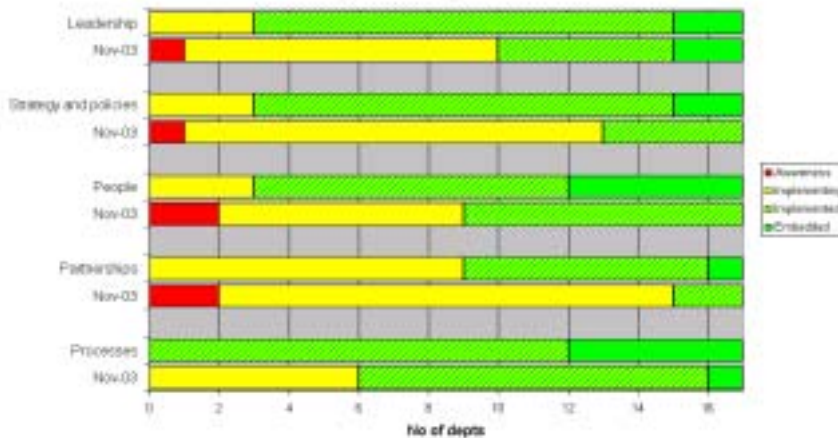
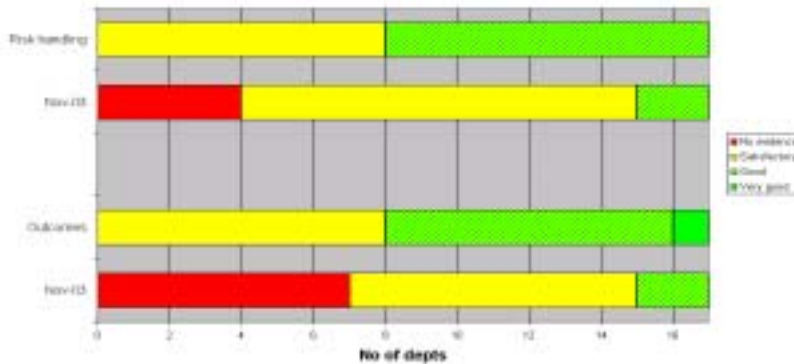


Chart 2 Progress in outcomes

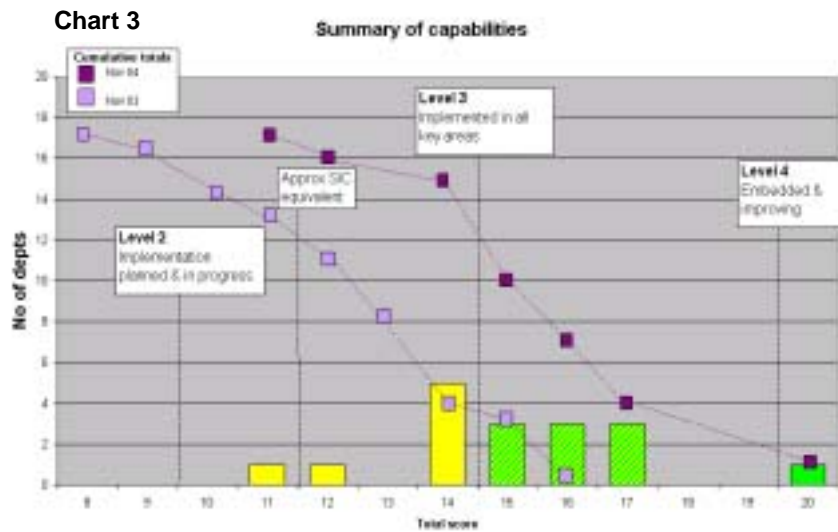


Leadership, strategies, policies and processes are becoming increasingly well developed. Partnerships remains the weakest area of capability. Earlier in the year, Departments reported that improving their "people" scores (skills, experience and performance of relevant people) was lagging behind other improvements, however improvement here has been rapid over the last few months and they are now reporting a strong performance here. Departments' outcome scores have also improved rapidly (chart 2), with more people identifying links between their improved risk management and better results.

3. Chart 3 shows the total scores for capabilities (i.e. the sum of five individual scores) for the main Departments. It shows that over half now judge that they have reached level 3 overall, with nearly all moving well beyond the minimum requirement implied by the Statement on Internal Control.

¹ The [Risk Management Assessment Framework](#) was used by Departments to assess: five aspects of their capabilities (leadership; strategy and policies; people (skills etc); partnerships and resources; processes). and two measures of results or effectiveness: (the quality of risk handling; and the impact of this on achieving the Department's outcomes). Evidence was gathered for each criteria & a five point scale (1, low – 5, high) was used to score the level attained

² The charts in this report are based on assessments from 'main Departments', defined as those with Cabinet Ministers, plus Cabinet Office. Customs and Excise and Inland Revenue have combined their scores to reflect the new Department, HM Customs and Revenue. A number of other Departments, and the devolved administrations also provided assessments. The scores of Main Departments have improved slightly faster than those of other Departments, since the previous assessment.



4. The cumulative total of Departments shows how there has been a strong overall improvement. In general, lower scoring Departments have improved slightly more than those with higher scores, though there are exceptions at the very top and bottom of the distribution.

5. The second report, in November 2003, extrapolated a possible future path for progress

(see chart 4), showing a broad average position in Departments and giving an idea of the likely spread. This has been updated by adding the reported scores during this year. The main points are:



➤ The average improvement is broadly in line, but slightly below projections.

➤ In general, Departments' scores are falling within an increasingly narrow band, as good practice is shared. However there are outliers at both the top and bottom of the distribution - with the very best Department improving most

quickly, and one Department below the main group (though plans for the Department should see its performance improve in the future).

6. A number of Departments are aiming to achieve level 4 in their capabilities by 2006, others are aiming to ensure that all parts of their Department are at least at level 3, e.g. with March 2005 as a target date. This would suggest that future progress may be much as projected in the shaded area of the graph. However, recent progress would suggest that the average may be slightly lower than projected, unless effective action can be taken in those Departments at the low end of the distribution.

7. Beyond the end of the Risk Programme, it will be important to maintain the momentum, in order to help all Departments fully embed risk management in the way they work, and to build a culture of managing risks effectively and "well-managed risk-taking".