



The Foundation for Science and Technology
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Improving risk management

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Terminology

- **Risks** to the achievement of objectives:
probability of occurrences X the magnitude [good + bad]
of the consequences
- Risk management** is a process of acting sensibly to:
- Provide reasonable assurance of delivery
 - Identify opportunities and improve expected outcomes
 - Avoid 'catastrophe': financial or reputational
 - Dismiss extremely unrealistic risks

No. 10 Strategy Unit Report 2002

Risk management in government is hard work...

- political reputation: risk blindness and risk aversion
- 24-7 media scrutiny: impatience and soundbites
- accountability for spending taxpayers' money
networked society
- poor public understanding of risk and uncertainty
- public expectations of government/ compensation
culture

A 2-year improvement programme for Government

- Specific governance improvements
 - role of Head of Dept. as Accounting Officer
 - status and work of Audit/Risk Committees
 - role of non-executives on Boards
- Better project management
 - more status as a route to senior management posts
 - recruitment and training, updated guidance
- Management of policy implementation
- New concept of operations for crisis management
- Presentation of risk-related issues to the general public
- And a route into improving general management

How do you get busy officials interested in risk management....?



...emphasise the reputational risks for them

- National Audit Office criticism of finance function -
 - lack of formal governance
 - cash flow management
 - financial and cost control (but not impropriety)
 - better use of Statements of Internal Control
- Continuing criticism of programme delivery
- High profile IT projects running into problems
- Problems with crisis management eg fuel protests, FMD
- Risk management becoming political issue of government competence

...and demonstrate support from the top






Major No.10 Strategy Unit review, November 2002

- *Politics*: PM, Chancellor and Chief Secretary to the Treasury all seen to be committed
- *Leverage*: linked to Spending Review; future budgets linked to ability to spend wisely
- *Bureaucracy*: top Civil Service participation
 - Put very senior PUS in charge
 - Engage Civil Service Management Board
 - Cross-govt network of risk improvement managers
- *Scale*: whole of Central Government
- *Realism*: different Departments at different stages

Approach taken

- Two year risk management improvement programme
- Group chaired by a senior PUS reporting regularly to Chief Secretary and Prime Minister
 - PUSs Defence, Home Office, DEFRA
 - Chief Medical Officer, a Chief Scientist, Head of Govt. Accountancy, Head of Govt. Procurement
 - External non-executives on Board
 - Central support from HM Treasury
- Group Cross-govt network of risk improvement managers
- Deliberately, form alliances with other initiatives
- Invite National Audit Office to review at end

Public trust and confidence can be built on....

-  Openness and Transparency
-  Involvement
-  Proportionality and consistency
-  Evidence
-  Responsibility

With more use of non-government and local bodies

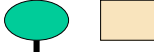






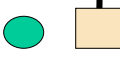





Use of downside risk matrices at national, departmental and programme levels

	Low Impact	Serious impact	Potentially catastrophic
Probable			Help!
Possible			
Unlikely			

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Helping senior management handle strategic risks ...

	Risks from outside	Risks in existing processes	Risks of new endeavours
Level of risk			
high			
medium			
low			
 Financial risk			
 Reputational risk			

Acknowledgments: BP

How can we improve judgements of risks in policies and programmes?

- Key point is that risk management is all about *human judgements*
- Judgements are affected by both rational analysis and non-rational factors, including individual emotions, group dynamics, organisational dynamics –
- Good leadership can shape the climate, *but only if alive to the subject*

When we get it wrong....
the negative impact of poor risk management

- ⌚ constant criticism, blame culture, and reluctance to take responsibility for risks
- ⌚ innovation is seen as personally high-risk
- ⌚ anxiety brings bureaucratic rivalry not teamwork
- ⌚ decision makers do not have (or will not heed) the information they need to make informed risk judgments
- ⌚ group think and risk blindness

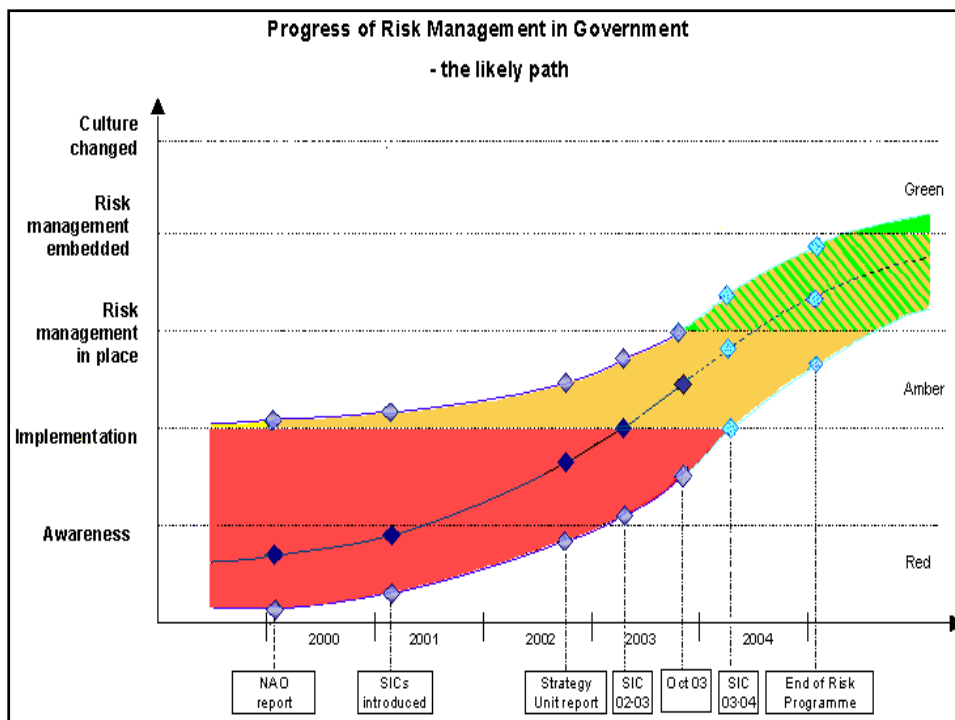
When we get it right
the positive impact of good risk management

- 📄 risks become priority objectives, and thus opportunities
- 📄 more successful programmes and projects
- 📄 confidence breeds trust, hence empowerment
- 📄 implementers get a 'seat at the table'
- 📄 more innovative policies can be pursued, and thus expected returns are higher, because risks are managed

How far did we get on the journey?

- Unconscious incompetence
 - Conscious incompetence
 - Conscious competence
 - Unconscious competence - embedded risk management
- Stimulated by the Risk Network
 - Measured by self-assessments, peer-reviewed
 - Assessed overall by the National Audit Office

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For more information see:

http://www.rsa.org.uk/projects/risk_commission.asp

http://www.hm-treasury.gov.uk/documents/public_spending_reporting/governance_risk/psr_governance_risk_introduction.cfm

<http://www.hm-treasury.gov.uk/media/FE6/60/FE66035B-BCDC-D4B3-11057A7707D2521F.pdf>

<http://www.hm-treasury.gov.uk/media/17A/81/17A8166B-BCDC-D4B3-16668DC702198931.pdf>