

## MANAGEMENT BOARD

### Risk Management Project

Paper from the Head of the Office of the Chief Executive

#### Purpose

1. This paper is to alert the Board to the slow progress of the risk management project, and to provide options for how this work might proceed, prior to the preparation of a progress report for the July Audit Committee.

#### Actions for the Board

2. The Board is asked to:
  - 2.1. **Take note** of the project issues escalated to the Board from the SRO;
  - 2.2. **Consider** the relative priority of improving risk management across the House Service in the context of multiple demands on resources, and accordingly **decide** which course of action should be adopted based on the options outlined in the paper;
  - 2.3. **Consider** the appointment of a 'risk champion' at Board level.

#### Consultation

3. This paper has been developed within the OCE, drawing on advice from the Director of Internal Audit (Paul Dillon-Robinson).

#### Background

4. The management response to the July 2009 internal audit review of risk management in the House Service agreed with the audit recommendations (apart from the suggestion that risk management agenda should be delegated to the Audit Committee acting as a risk committee) and called for the delivery of a project that would achieve best practice in risk management for the House Service. The Management Board called for a shorter timescale for the delivery of the

project than originally suggested, with an objective of the House Service achieving best practice as soon as possible.

5. In September 2009, a small project team was established to develop and implement plans to address the recommendations of the risk management review. The planning assumption was that the project would complete by March 2011, i.e. 18 months from project start-up.
6. The House of Lords and PICT were invited to join the project. There are clear benefits in establishing a Parliament-wide approach to risk management, especially in areas of shared risk. The Lords preferred to act as observers on the project rather than full participants.
7. At the end of 2009 the project remained on course to deliver, having established a project board, developed its terms of reference, agreed a 'vision' for the future state of the organisation (see **ANNEX A**), and defined the benefits that would be measured and delivered as a result of the project (see **ANNEX B**). The project was in the process of developing the detail of the third stage of its outline plan ('Delivery'). As part of the project, the Corporate Risk Management Team (CRMT – Rachel Harrison and Dermot Woods) had begun to review and develop the risk management policy for the House Service that would inform and support the wider delivery of improved risk management.
8. In a January paper from the OCE to the Audit Committee, the risk was highlighted that the requirement to focus on developing and delivering the General Election plan would have an adverse impact on delivery of the risk management project.

### **Project issues**

9. The risk that General Election delivery would delay project delivery has materialised, as resources in the OCE have been concentrated on the development and delivery of the election plan which was considered to be of immediate (and higher) priority. While the CRMT have made progress in the review and revision of the House Service's best practice model and associated policies, in consultation with departmental risk facilitators, progress on the wider project goals has stalled in the absence of both dedicated project management support and attention from the Head of the OCE (SRO and chair of the risk project board). The project is over 4 months behind schedule.
10. This has caused us to consider the project's future. Our conclusion is that it is unrealistic to think that the current scope of the project could be delivered by March 2011 or even, allowing for four months'

slippage, by July 2011, given a) existing levels of resource in the OCE; b) the scale of cultural change required; and c) the significant other changes in the House Service planned in this period. As plans have developed and project estimates been refined, it has become clear that the mandate for the project itself was overambitious and that expectations were too high. We note that the Director of Internal Audit and the Deloitte strategic partner do not know of a single organisation that has reached a 'risk enabled' state ('risk enabled' being a definition of risk management best practice according to the Risk Based Internal Auditing framework).

### **Internal Audit Assessment**

11. Internal audit has recently conducted a follow-up review which will be reported to the Audit Committee in July. It will find that, despite some areas of good practice, there has been only marginal improvement in the system of risk management in the House Service in the past year, and that the benefits of good risk management are not being realised.
12. Internal Audit suggests that improvement at the corporate level – by which is meant Board level, relating to the management of our 'corporate' risks – should be the highest priority, followed by work at Departmental level, but only focusing on the principal high value areas of risk, thereby tying in with the most immediate demands of the House. Achieving best practice throughout the organisation to the timescale previously proposed would require a large amount of effort that could be considered at odds with the House Service's priorities at this point in time and of diminishing cost-benefit.

### **Options**

13. The Board is asked to consider the relative priority that should be given to improving the House Service's management of risk, given other demands on the House Service and management time. The options provided below vary in the levels of effort and energy required to achieve them, and will result in benefits being realised sooner, later or not at all.
14. The following options are possible:
  - 14.1. *Do nothing / continue 'as is'*  
Work on the project would continue, on the understanding that it would not deliver the desired benefits by March 2011. As the need

to dedicate OCE resource to post-election delivery reduces, it would be possible to provide some dedicated project management resource to the work. We do not believe that the project – as currently defined – could be successful under the current timescale.

14.2. *Close the project*

The project would cease, and the CRMT would carry on their business as usual activities and do their best to improve risk management across the House Service with their limited resources (1.6 FTE). If this course of action were taken, there would continue to be inconsistent and poor practice in risk management across the House Service, as identified by the original audit.

14.3. *Revise the scope*

The scope of the project could be reduced, to deliver less comprehensive change to the House Service while still improving risk management practice. This would mean that not all of the benefits would be realised.

14.4. *Revise the timescale*

The timescale for delivery could be increased, e.g. to 36 months. This would mean that the benefits would be realised later.

14.5. *Increase the level of resource*

There are several possibilities for additional staff resource being allocated to the project. This could be a re-deployment of existing resource or the creation of new role[s] for the duration of the project. This would result in swifter delivery of the project and/or improved quality of outcome. This option may not be viable in the current climate, although this could depend on the level of priority the Board considers this work should be given. The main possibilities are as follows:

14.5.1. A senior (SCS1 or A1) member of staff who would act as head of strategy in the OCE, providing energetic leadership to the project and influence at the senior level. This could be considered as a delegation of responsibility from the Head of the OCE (as SRO), and would be part of a wider full-time role, designed to strengthen business planning and allow for central coordination of projects and programmes.

14.5.2. An additional member of staff (at B1 or B2) could be drafted into the CRMT for the duration of the project, either to work solely on the project or to allow the other members of the team to work solely on the project. This would be a full time

role, and would be focussed on *delivery* rather than management of the project.

14.5.3. A full-time project manager (at A2 or B1) could be allocated to the project. This role would be focussed on *management* rather than delivery. Of the three options this would be of least immediate value, especially considering that estimates for the amount of project management time required (given the current project scope) are just 2 days per week. One would anticipate that more project management time would be required during a wider rollout, mainly due to the number of stakeholders involved.

14.6. *A combination of revised timescale and revised scope.*

This option would change the immediate focus of the project, with a view to delivering the same benefits over a longer timescale, but that by focusing on the highest level of management first the maximum benefits would be delivered to the House Service in a short space of time. This option would allow effective investment decisions to be made based on risk in the context of the savings programme. The House Service as a whole would continue to work towards best practice in risk management, but this would take longer – an estimated 3 years from now.

15. Our preferred option is 14.6, with further consideration to be given to 14.5 (additional resource). **Does the Board agree?**

### **Immediate Aims**

16. If this is agreed, the project will seek to achieve the following aims between now and the beginning of 2011:

16.1. Address the House Service's highest level risks. The timing coincides with the development of the new strategic plan, and therefore provides a good opportunity to develop the organisation's risks as an integral part of the strategy rather than perpetuating the current rather 'separate' nature of risk.

16.2. Ensure that decisions on priorities under the savings programme and future investment decisions are supported by an understanding of risk, and that risk assessments are supported by financial/resource information where possible, e.g. the amount spent on- or committed to individual mitigations.

- 16.3. Address inconsistencies in the management of risk at Board level.
  - 16.4. Ensure that risks at Board level are being assessed on the basis of sound evidence.
  - 16.5. Ensure that mitigations for these risks are subject to systematic scrutiny, and that action plans are developed to address areas where mitigations are insufficient (or, just as importantly, excessive).
  - 16.6. Ensure that the evidence base for the *effectiveness* of the management of risk at the highest level is strong.
  - 16.7. Provide a model – including worked examples – that could be cascaded down for use at the Departmental level.
  - 16.8. Focus on improved management rather than revised process. It is widely accepted that the House Service's deficiencies in risk management are not the result of poor tools and processes alone, and a focus on revision of these processes and tools would both fail to address the underlying problems and deliver only minimal benefit.
17. We believe that the aims of the project are still valid. However, the project will review its current benefits register to ensure that the benefits are achievable and aligned with the aims proposed above.

### **Board-level Leadership**

18. The continuation of the project would benefit from a board-level **risk champion**, to act as the primary agent for change across the organisation and to ensure that practice in the management of risk across Departments and at board-level is consistent and effective. This has been considered by the Board before (in September 2009). At the time it was decided that this role would be undertaken by the Head of the OCE. However, this has not worked well to date, and it is thought that the improvement of risk management would still benefit from championship by a Board member. The exact nature of this role would require further development. **Would the Board consider the nomination of one of its members as the 'risk champion' for the House Service?**

### **Next Steps**

19. The project will develop a 7 month plan designed to achieve the option 14.6 and the aims outlined in paragraph 16 above. The plan will be agreed by the SRO by the end of June.
20. The project will schedule a formal review of progress in January 2011 in order to provide a basis for planning subsequent stages of the project in detail.

Philippa Helme  
Head of the Office of the Chief Executive  
June 2010

**APPENDIX A***Risk management project 'vision'***Risk management – where we want to be**

We want to be in a position in which the House Service faces up to its risks honestly and is clear about how it is managing them.

We will be confident that, throughout the House Service, everyone is thinking about the risks which might stop us achieving our goals. Once a risk is identified, we will either manage it ourselves or report it to someone better equipped to manage it. This might mean passing the risk up our departmental management chain or across to another unit or department.

All staff will know that it is important to report risks that we cannot handle ourselves – it is not a sign of weakness but good practice.

Good risk management does not mean that we will never take risks. We will decide in each case whether we need to take action, or can just accept the risk.

When we think we need to take action, we will be clear who is responsible – that person will make sure there is an agreed action plan for reducing the risk to an acceptable level, and that the action plan is carried out.

To help us manage risks, and to show that it is being done, we will have an easy-to-use risk reporting system, which is understood by all staff.

When this is achieved, managers will never be surprised by problems which staff foresaw but did not report. In many cases, we will be able to take the right action to stop risks turning into problems. At worst, we will be prepared for when things go wrong.



**ANNEX B****Risk Management Project – Benefits**

Version 1.0

<b>No.</b>	<b><i>This is a benefit for...</i></b>	<b>Description</b> <i>What would success look like? This should build on / relate to our 'vision'</i>	<b>Measures</b>	<b>Plan / Approach to measurement and realisation<sup>1</sup></b>
<b>PEOPLE</b>				
1.	House staff (with responsibility for risk) and the House Service as a whole	Improvement in perception of how well risk is managed across the House Service.	<ul style="list-style-type: none"> <li>• Perception surveys</li> <li>• 5%<sup>2</sup> improvement on baseline 2010</li> <li>• Further 5% improvement 2011</li> <li>• 'Lessons learned' at project closure.</li> </ul>	<p>Target particular staff (e.g. Departmental risk managers) rather than <i>all</i> staff. The first survey would set our baseline. A second survey could be conducted towards project end. Another survey could be conducted post-project (e.g. after a further 6 months). The survey will be simple – following the Facilities Transformation Programme model. There is an opportunity to supplement survey data with 'lessons learned' at project end. This is the benefit that will involve training the most.</p>
2.	House staff and the House Service as a whole	<p>Improvement in the understanding of risk management – achieving a common understanding – and improved clarity about who is managing risk.</p> <p><i>"To be in a better position to deliver services and meet objectives."</i></p>	<ul style="list-style-type: none"> <li>• Question[s] to be included in the next staff survey<sup>3</sup>, i.e. targeting all staff, but using existing channels</li> <li>• 5% improvement on baseline 2010</li> <li>• Further 5% improvement on 2011</li> </ul>	<p>Need to ascertain the current level of understanding to use as a baseline given the timing of the next staff survey. Staff survey responses can provide ongoing (3 year?) measure of this benefit. Provide staff with a simple guide to risk management. Workshop or survey with a 'representative' sample of staff in order to establish a baseline.</p>

<sup>1</sup> The approach to measurement should be supported by frequent review of the continued validity of all benefits with key stakeholders.

<sup>2</sup> Figures throughout will be informed by the baselines that we define. For example, if 30% satisfaction is shown then a 5% improvement will not be ambitious enough.

No.	<i><b>This is a benefit for...</b></i>	<b>Description</b> <i>What would success look like? This should build on / relate to our 'vision'</i>	<b>Measures</b>	<b>Plan / Approach to measurement and realisation<sup>1</sup></b>
3.	The House Service as a whole	Increased 'professional' status in risk management.	<ul style="list-style-type: none"> <li>• Audit to confirm improved risk management status at project end.</li> <li>• Further audit (e.g. in 2011) to confirm continued improvement.</li> </ul>	<p>The recent risk audit could be our baseline. Plan for a further audit towards project end, and for a third at a still later date. Ensure that 'risk enabled' status is translated accordingly for our purposes and that internal audit are consulted beforehand.</p> <p>Also consider external audit.</p>
<b>MANAGEMENT</b>				
4.	The House Service as a whole, including its reputation	Improvement in the ability of the House Service to deal with the unexpected.	<ul style="list-style-type: none"> <li>• Confirmation that the House has improved based on feedback from Directors General / Management Board and other stakeholders</li> <li>• Public perception</li> <li>• Wider staff perception through the staff survey (see 2); 5% improvement on baseline in 2010 &amp; further 5% improvement in 2011</li> <li>• Number of 'disasters'.</li> </ul>	<p>Suggest that we rely on qualitative measures - perception of the most senior House Staff, for example - supported by information from the staff survey. This is the benefit that will involve Central Communications team the most. Ensure that new risk management processes are in place and communication / training has happened before measurement against baseline.</p> <p>Define 'disasters' and, once defined, establish a baseline - could be related to reports in the media, or reflection from DGs on things that have gone wrong in the past 12 months that can be attributed to poor risk management.</p>
<b>FINANCE</b>				

<sup>3</sup> Could ask 3 questions in order to: 1) establish understanding of risk management as a whole (or similar); 2) establish level of clarity on who is responsible for managing risk; 3) gauge staff perception of how well the House deals with 'the unexpected'.

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5.	Financial management – value for money.	Reduction in staff time spent on risk reporting (e.g. time taken to feed into the balanced scorecard) Reduction in number of projects that exceed agreed budget.  <i>"Encourage efficiency; improve allocation of funding; spend money on priorities."</i>	<ul style="list-style-type: none"> <li>• Report from CRMT</li> <li>• Report from Dept. risk managers</li> <li>• Save 1 day per month within 18 months.</li> <li>• Save a further 1 day within 36 months.</li> <li>• Reduction in cost of risk-related training (coordinated approach)</li> <li>• Report through the balanced scorecard.</li> </ul>	Establish a baseline – how much time is being spent at present? Establish a reporting cycle – e.g. every quarter. Establish current cost of risk-related training. Establish a baseline of number of projects that exceeded agreed budgets (and corresponding total £) in FY 09/10.
<b>STRATEGY</b>				
6.	The House Service as a whole	Stimulate innovation through our approach to risk management – both forward looking ('horizon scanning') and through review of opportunities missed in risks that crystallize.	<ul style="list-style-type: none"> <li>• Confirmation that the House has improved based on feedback from Directors General / Management Board and other stakeholders (i.e. senior management cadre).</li> <li>• Include as part of audit – suggest the 2011 audit given the longer-term nature of this benefit.</li> </ul>	This is intangible at present. Could establish a baseline through consultation with stakeholders and include in the scope of the 2010 audit, anticipating review in 2011.