

Health and Safety Executive Board Paper

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HEALTH AND SAFETY EXECUTIVE

The HSE Board

Business Risk Management

A Paper by Bill Tomkins

Advisor(s): Jane Willis, Tony Bandle, Tony Mulhall and Bill Tomkins

Cleared by Richard Hillier on 20 September 2002

Issue

1. To take forward the development of HSE's Business Risk Model.

Timing

2. Guidance from HMT requires Departments and Agencies to have in place a full system of control by the end of 2002/03 so that the Director General, as Accounting Officer, can sign a full statement of internal control in the 2003/04 accounts.

Recommendation

3. That the Board:
 - discusses and agrees the descriptions of the 25 more specific risks at Annexes 2 – 7; (Annex 1 is the listing of these risks and was agreed at the Board's meeting on 3 July)
 - addresses the question of 'risk appetite'; and,
 - considers and agrees the approach for taking the business risk model forward at para 8 below.

Background

4. When the Board discussed the emerging Business Risk Model on 3 July it agreed the six generic risks shown at Annex 1 and the 25 more specific risks listed under those six. It agreed that further work should be carried out on the analysis of the 25 risks for discussion and agreement at a Board meeting in the autumn. This analysis is at Annexes 2 –7.
5. Comments on the papers for the last Board meeting suggested that many of the risks are rated as 'high' and questioned whether those assessments should be re-considered. It has also been suggested that there is a need to see what stakeholders

think about our performance and whether it is improving, if loss of confidence is a primary issue.

6. Justin McCracken has suggested there is a need for broader discussion about how well the framework is helping HSE to manage risk before we set about changing the detail of the model.
7. The Cabinet Office PIU Risk Report which incorporates a two year implementation programme (in line with the spring review timetable) has been signed up to by Ministers, including our new SoS. This requires a more integrated approach to Corporate Governance of which improved business risk management is a significant strand. RPU will oversee HSC/E's implementation of the programme. The attached Annex 8 gives further information on the key areas to be addressed and the lead and supporting HSE units.

Argument

8. The PIU Risk Report reinforces the Turnbull requirements for effective business risk management and the embedding of risk management in the planning and SR process. There will be a focus on audit trails showing how decision-making has been informed by assessment of risk. Furthermore, responsible risk taking (as opposed to risk avoidance), will be actively encouraged. Based on its high reputation, gained through ILGRA involvement, HSE expects to play a major role in implementation of the Risk Report across Government. It is important therefore that work on developing HSE's management of business risk should continue as a Board and organisation priority.
9. Acceptance of the analysis of the risks in Annexes 2 – 7 and of the control measures in place is the end of the first stage of developing HSE's approach to managing business risk. In effect a 'map' of where we are on this has been drawn.
10. We now need to move to a further stage of development. This should include:
 - i. testing by risk owners of the control measures identified in Annexes 2 – 7. There is a need to know whether the systems in place are working and how well they are working;
 - ii. a definition of HSE's "risk appetite". The management of uncertainty inherently will also lead to opportunities where risks can and should be taken. There is therefore a need to specify how far the Board wish to encourage managers to take risks. There is also a need to specify how the proposal to take a given risk is agreed;
 - iii. a communications strategy to ensure that everybody in HSE is aware of our approach to business risk management and their role in delivering it;
 - iv. a training plan for those managers in HSE who will deliver the risk management model.
11. For reporting performance we need to integrate the risks identified in the model with the information system being generated under the Balanced Scorecard. In other words, those risks (if the unwanted event occurred) which could prevent achievement of an objective should be listed against that objective. We also need to identify the performance indicators which will provide assurance that the risk is

being managed effectively. This is work which can be taken forward by PEFD and, if the Board agrees, we will do so.

12. This is a considerable task and will take some time to deliver. Following discussion by the Board we propose that PEFD should work up more detailed proposals on each strand of work. On risk appetite it would be useful to have a steer on how, in broad terms, the Board wants to define HSE's risk appetite.

Consultation

13. Jane Willis, Tony Mulhall, RPU, IA and Board members.

Presentation

14. The role of the Business Risk Model in HSE needs to be carefully explained so that people understand what it is about and how it can help us manage better.

Costs and Benefits

15. Ensuring that risks to HSE's business are properly managed should, in the longer term, lead to more efficiency and cost savings. But it is impossible to quantify this in financial terms.

Financial/Resource Implications for HSE

16. None. Management of business risk across HSE should be met from existing resource. Further work by PEFD will be managed by prioritising work plans.

Environmental Implications

17. None

Other Implications

18. None

Action

19. The Board is asked to agree

- the analysis of risk at Annexes 2 – 7;
- that risk owners test that the systems identified are in place and how they are working
- that PEFD does further work on the four strands described in Para 8 above