

Health and Safety Executive Board Paper			B/02/033
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## HEALTH AND SAFETY EXECUTIVE

### The HSE Board

### BUSINESS RISK MANAGEMENT A Paper by Bill Tomkins

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Cleared by Richard Hillier 28 June 2002

#### Issue

1. Progress on developing HSC\E's approach to business risk management.

#### Timing

2. HSC\E should have adequate risk management arrangements in place not later than the end of October 2002. Guidance from HMT is that Departments and agencies should be in a position to make a full statement of internal control for the first financial period after 1 January 2003. For HSC\E that is the year beginning 1 April 2003.

#### Recommendation

3. That the Board
  - agrees the Business Risk Model at Annex 1;
  - notes the analyses of risks and control measures at Annexes 2 – 7 (we will put these in a standard format in due course); agrees risk owners should complete analysis of the systems in place, of how well they are working **and** whether they need changing or supplementing by end July 2002;
  - notes the need to ensure that risk management across HSE is aligned appropriately with the Change Programme and the balanced scorecard.
  - Work to implement the recommendations of the Cabinet Office Performance and Innovation Unit (PIU) report, "Handling Risk and Uncertainty, Improving Government's Capability" is also aligned with work on BRM, the Change Programme etc.;
  - agrees the informal network for co-ordinating work on this; and
  - agrees we develop a communication strategy to show how the various strands of work are related and what they mean for HSE corporately.

## Background

4. At the end of 2000 the Treasury wrote to Accounting Officers requiring the inclusion of a Statement on Internal Control (SIC) in the accounts of government bodies including non-Departmental bodies like HSC and HSE. This is in effect the vehicle for promulgating the use of risk and risk control as part of applying the principles of the Turnbull Report to public sector bodies. To be clear this is, in our case, about managing the risks to HSE's own business. For the 2001\02 accounts HSC\E will make an interim statement that progress is in hand. This is being worked up.
5. The Board last considered this topic in March 2002. It agreed six 'generic' risks and their "owners–
  - strategy failure Kate Timms
  - organisational capacity failure Timothy Walker
  - stakeholder management failure Peter Graham
  - delivery \ quality failure Justin McCracken
  - financial failure Richard Hillier
  - HR management failure Richard Hillier

Twenty-four more specific risks under these headings were adopted as a basis for consideration. The 'owners' agreed to review the specific risks listed and report back to the July Board. A revised business risk model is at Annex 1. This records the changes agreed. Attached at Annexes 2 – 7 are 'owner's' review reports for these generic risks. The reports received show that control mechanisms embedded in HSE's management systems are in place. The analysis of the degree to which they are effective and \or need change or replacement is incomplete. We need to take this forward quickly. If we do not establish that systems to adequately manage risk are in place and test them effectively before 1 April 2003 it will be difficult (or impossible) to complete a full statement of internal control for 2003\04 – as HMT requires.

## The PIU Report

6. The PIU circulated a draft report on "Handling Risk and Uncertainty, Improving Government's Capability" in May this year. Dr. Graham wrote then welcoming the broad thrust of the draft. A copy of a near final version of the report is to be circulated to Permanent Secretaries soon, and, subsequently, to Ministers. We expect it to be finalised by the early Autumn.
7. The report contains a review on how far departments and agencies have got with the implementation of risk assessment and risk management. It reports that progress is patchy and uneven particularly in relation to policy formation. It also says that the application of risk management techniques "has been mechanistic and not integrated into decision-making at the highest level".
8. The report is informed by several agendas
  - Taking forward and building on the Turnbull agenda
  - the desire to anticipate and, where possible, prevent or mitigate large-scale damaging events, like BSE, happening again (Phillips Report etc.);

- a recognition of the need to see the process of risk analysis and management as a part of public sector reform. In particular the need for leadership to embed risk thinking and responsible risk (opportunity) taking into core business strategy and practice;
- improving Government's record on risk communication, and inclusive and participative risk framing and decision-making.

9. Preliminary recommendations include the following:

- Government should work to published principles of openness and transparency on risk issues, and should practice active engagement.
- Handling risk should be embedded in government's policymaking, planning and delivery and major incident response and become an everyday part of doing business.
- Ministers and Permanent Secretaries should develop an overview of key risks to Government, and plans to manage them in their departments and across Government as a whole.
- The quality of risk management should be improved through a two-year programme of change (this to include embedding risk in the Spending Review and rationalisation of existing interdepartmental fora such as ILGRA in a "Risk Management Programme Board").
- Government capacity to handle strategic risks needs to be enhanced. Effective arrangements, including horizon scanning, should be in place to identify emerging risks and opportunities, and to incorporate these in strategic decision-making on prioritisation and resource allocation.
- Confident, competent risk handling, including responsible risk taking, should be supported by best practice, guidance and skills development
- There should be strong leadership of the risk programme clearly set in the context of public sector reform.

## Argument

10. Since the Board last discussed how to implement BRM, progress has been made in identifying and agreeing the risks to be addressed and on how that process will be reviewed. Other changes in hand – in particular the Change Programme - are from the risk management viewpoint designed to reduce high level risks that we will not achieve the headline outcomes agreed.
11. In addition, the renewed emphasis in the PIU Report on embedding risk assessment and management in all the processes of government in the PIU report means that there will continue to be strong pressure from the centre for an active management of the risks HSC\E faces in pursuing its core business. Guidance issued last year by the Treasury and Cabinet Office reinforces the point.
12. The timetable for fully developing our risk management approach is short. There is a pressing need to complete the analysis of what we do now and decide if there is a need to supplement it.
13. There is also a need to ensure that the means by which this area of work is taken forward lines up with and recognises the other change processes in hand. To this end we have established a network of contacts.

## **Consultation**

14. Change Project, Operations Division, SASD, RAPU, PEFD, IA have been consulted.

## **Presentation**

15. A well-planned communications strategy to ensure that people throughout HSE understand our approach to BRM and how that 'fits' with other change initiatives is needed. This will be developed in the network group referred to above. At its March meeting the Board decided that our approach to BRM including the Business Risk Model a description be published in the business plan. We propose to do this electronically as a supplement to the plan once the Business Risk Model is finalised.

## **Costs and Benefits**

16. Benefits will be, potentially, the savings from preventing failure of major projects and from more competent and confident handling of business risks.

## **Financial/Resource Implications for HSE**

17. There will be costs in taking this forward, in terms of the need for risk owners to complete the analysis, and for staff across HSE to develop our approach. These will be met from existing budgets.

## **Environmental Implications**

18. None

## **Other Implications**

19. None

## **Action**

20. That the Board agrees the recommendations at paragraph 3.