



Applying Management of Risk (M_o_R®) for Public Services

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THE PUBLIC
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Purpose of this white paper

The purpose of this white paper is to describe how the OGC guide, Management of Risk: Guidance for Practitioners (M_o_R) can be applied within organizations that are responsible for delivering public services.

The M_o_R guide itself is designed to help organizations put into place an effective framework for taking informed decisions about the risks that affect their performance objectives. The guide is applicable to all organizations, whether they are in the public or private sector. However, there are aspects of risk management that are peculiar to public service organizations, whether they are risk management specialists, change delivery specialists or responsible for maintaining service continuity.

Background

This paper is the result of discussions between OGC and Alarm. Alarm is the UK based public risk management association, with around 1,800 members. These members are drawn from a wide range of public service organizations across England, Northern Ireland, Scotland and Wales, including national and local government, health, housing, education, police and fire & rescue services.

One of Alarm’s four strategic objectives is to develop and establish best practice in public service risk management. In pursuit of this objective, Alarm wanted to understand the extent to which the M_o_R guide could be considered as best practice and applied by their members. In particular, Alarm wanted to understand whether the M_o_R guide addresses the needs of the risk management specialists (whose role is to develop public service risk management capability and capacity) and the change specialists (whose role is to manage risk within the change activity).

At workshops involving representatives from OGC and a wide cross-section of Alarm’s membership, it was agreed that M_o_R is highly relevant to public service organizations. However, it was also felt that it would be helpful to describe how the M_o_R framework can be applied within the context of public service organizations. This paper sets out to achieve this.

Overview

The M_o_R guide describes how its principles need to be applied according to the nature of the context within which they are being undertaken. To illustrate this, the guide describes how M_o_R can be applied to the following organizational perspectives:

- **Strategic** – ensuring overall business success, vitality and viability
- **Programme** – transforming business strategy into new ways of working that deliver measurable benefits to the organization
- **Project** – delivering defined outputs to an appropriate level of quality within agreed time, cost and scope constraints
- **Operational** – maintaining appropriate levels of business services to existing and new customers.

The Perspectives chapter provides a brief summary of each of these contexts and then uses the following M_o_R principles to describe the application of risk management within each perspective:

M_o_R Principles	How this is used to describe the perspective
Organizational context	Provides a brief description of the context of the perspective and identifies likely areas of uncertainty
Organizational objectives	Describes the typical types of objectives set for the perspective
Stakeholder involvement	Discusses the type and range of stakeholders that will be interested in or affected by the perspective
M_o_R approach	Suggests how risk management may need to be adapted for the perspective in question
Reporting	Identifies the need for reports from and to the perspective
Roles and responsibilities	Lists the main roles that will have responsibility for risk management within the perspective and describes areas of responsibility
Support structure	Discusses how risk management can be supported within the perspective
Early warning indicators	Identifies the main types of early warning indicator relevant to the perspective
Review cycle	Suggests how risk management processes should relate to the lifecycle of the organizational activity relevant to the perspective

Given that the application of risk management is affected by the context within which public services are provided, public service can be considered as an additional perspective not currently addressed by the M_o_R guide. Accordingly the application of risk management for public service organizations is described using the same structure as that used by the Perspective chapter.

The Public Service Perspective

Introduction

Before examining how the M_o_R principles apply to the public service perspective, it is worth considering three topics that are addressed by the Introduction chapter to the M_o_R guide, but where the content varies for this perspective, namely:

- **Purpose of the guide**

Whilst the stated purpose of the guide is to help organizations “put in place” an effective framework for risk management, in the majority of public service organizations such frameworks are already well established. Accordingly, from the public service perspective, the main purpose for using the M_o_R guide will be to help risk management specialists to review and strengthen current practices.

- **Why is risk management important?**

All of the reasons why risk management is important to all organizations, as listed and described in the M_o_R guide, are relevant to the public service perspective. However, the following are additional reasons:

- Public service organizations use taxpayers’ money to provide their services, they are held to account by the general public.

- As a result, there is a great deal of interest from the public and the media in the way that services are provided, with any cost of significant failure being perceived as being unacceptable
- Public service organizations have a duty, when making decisions that affect those they serve, to consider the likelihood of failure and success, and the possible consequences
- Public service organizations are responsible for ensuring that the actions they take do not expose themselves, or those they serve, to unnecessary or intolerable risk
- Public service organizations are also responsible for managing risks that affect the communities that they serve and for communications to the general public relating to these risks. They have the ultimate duty to safeguard the public interest. (Such risks include emergency planning, public protection, safeguarding young people and the sustainability of community development.)
- The means of service delivery also tend to require very complex delivery methods such as partnership with other public service organizations and/or private sector companies. Such complexity results in higher risks of service failure.
- The need for openness and transparency in the way public services organizations work. Risk management, sensibly applied, can provide evidence on the way decisions have been reached and implemented.
- **Recent developments in risk management**
Whilst the M_o_R guide does refer to some of the recent developments that affect risk management in the public service perspective, the following is a more comprehensive and up to date list of recent developments:
 - The Comprehensive Area Assessment (CAA) process in England, which examines how well councils are working together with other public bodies to meet the needs of the people they serve. Included in the CAA is an organizational assessment (known as Use of Resources). This assesses how well a public body uses its resources to deliver services.
 - The UK Climate Impact Programme (UKCIP), which works with the public, private and voluntary sectors to assess how a changing climate will affect such areas as construction, working practices, demand for goods and services, biodiversity, service delivery, health, and many more.
 - Civil Contingencies Act 2004, the National Risk Register and localized Community Risk Registers, are designed to increase awareness of the kinds of risk that communities and public service organization face and encourage individuals and organizations to think about their own preparedness. The registers also include details of how central and local government, emergency services and other government agencies are collaborating and preparing for emergencies.
 - There are also numerous reports that are issued by the National Audit Office (NAO), the Audit Commission, and the Audit Offices for Northern Ireland, Scotland and Wales that highlight the importance of managing risk in public bodies.
 - National Audit Office (NAO) Report “Innovation across central government” (March 2009)
 - Audit Commission reports such as, “*Seeing the light: Innovation in local public services*, Audit Commission” (2007)

- **Corporate governance and internal control**

This section of the M_o_R guide focuses primarily on those private sector organizations that are affected by either the Combined Code on Corporate Governance issued by the Financial Service Authority, the Sarbanes-Oxley legislation in the US or Basel II for those organizations that operate in the financial services industry. The approach to corporate governance and internal control for public service organizations is shaped by:

- The National Audit Office. Working on behalf of Parliament and the taxpayer to hold government to account for the use of public money and to help public services improve performance. This work includes:
 - Audit of Financial Statements, of all central government departments, Executive Agencies and a wide range of other public sector bodies. The NAO is required to form an opinion as to whether the accounts of audited bodies are free from material mis-statement and comply with the relevant reporting requirements
 - Value for Money Audits, which examine the **economy** (minimizing the cost of resources used or required), **efficiency** (the relationship between the output from the goods and services and the resources used to produce them), and **effectiveness** (the relationship between the intended and actual results) of public spending
- The Audit Commission. An independent watchdog that works across local government, health, housing, community safety and fire and rescue services to drive economy, efficiency and effectiveness in local public services to deliver better outcomes for everyone. The Audit Commission work spans four main areas:

- Audit: the primary auditor of local public services, appointing auditors to provide assurance and promote value for taxpayers' money when considering how those bodies utilize their resources and can be assessed against specific Key Lines of Enquiry (KLOEs). Note: there is a KLOE for risk management.
- Assessment: carrying out performance assessments for councils, fire and rescue services, and housing organizations. The Audit Commission leads a team of six inspectorates (the other five being the Care Quality Commission, Ofsted and the HM Inspectorates of Constabulary, Prisons and Probation) that have developed the Comprehensive Area Assessment (CAA) process
- Research: carrying out research and providing independent, authoritative analysis to give insights into complex social problems and best practice in tackling them.
- Data-matching: helping public bodies detect fraud and error by comparing sets of data, such as payroll or benefits records
- (The work of the National Audit Office and Audit Commission is replicated in Northern Ireland, Scotland and Wales by the local Audit Offices.) The Communities and Local Government (CLG) department's Local Government Finance Directorate. Responsible for maintaining and developing a framework for local government finance which meets Treasury macroeconomic and fiscal policy requirements, and supports local engagement flexibility, and the delivery of shared government objectives. This Directorate is responsible for the Accounts and Audit Regulations 2003 (amended 2006)
- The Chartered Institute of Public Finance and Accountancy (CIPFA). The professional body for people

in public finances that provides guidance on topics such as on the role of audit committees in local government

- The Committee on Standards in Public Life. Responsible for examining current concerns about standards of conduct of all holders of public office, including arrangements relating to financial and commercial activities, and make recommendations for changes in present arrangements which may be required to ensure the highest standards of propriety in public life.

Organizational Context

The public service perspective is concerned with the delivery of services to the general public, using taxpayers' money and to deliver the best value for money.

Public service risks are those concerned with:

Strategic

Risks that need to be taken into account in judgements about the medium- to long-term goals and objectives of the public service organization.

These may be:

- *Political*: associated with a failure to deliver either local or central government policy, or to meet the local administration's manifesto commitments;
- *Economic*: affecting the ability of the organization to meet its financial commitments. These include internal budgetary pressures, the failure to purchase adequate insurance to cover external macro-level economic changes, or the consequences of proposed investment decisions;
- *Social*: relating to the effects of changes in demographic, residential

or socio-economic trends on the organization's ability to deliver its objectives;

- *Technological*: associated with the capacity of the organization to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. They may also include the consequences of internal technological failures on the organization's ability to deliver its objectives;
- *Legislative*: associated with current or potential changes in national or European law (for example, TUPE regulations);
- *Environmental*: relating to the environmental consequences of progressing the organization's strategic objectives (for example, in terms of energy efficiency, pollution, recycling, landfill requirements, emissions, etc);
- *Competitive*: affecting the competitiveness of the service (in terms of cost or quality) and/or its ability to deliver best value; or
- *Customer/Citizen*: associated with the failure to meet the current and changing needs and expectations of customers and citizens. Managing strategic risks is a core responsibility for senior managers in close liaison with elected members. Strategic risk assessments should be undertaken as part of the community, corporate and service planning process, and as a key element of service reviews. Strategic risk assessment draws on techniques such as group assessment, brainstorming and SWOT or PESTEL analyses.

Operational

Risks that managers and staff will encounter in the daily course of their work. These may be:

- *Professional*: associated with the particular nature of each profession (for example, social work service concerns over children at risk; housing service concerns as to the welfare of tenants);

- *Financial*: associated with financial planning and control and the adequacy of insurance cover;
- *Legal*: related to possible breaches of legislation;
- *Physical*: related to fire, security, accident prevention and health and safety (for example, hazards/risks associated with buildings, vehicles, plant and equipment, etc);
- *Contractual*: associated with the failure of contractors to deliver services or products to the agreed cost and specification;
- *Technological*: relating to a reliance on operational equipment (for example, IT systems or equipment and machinery); or
- *Environmental*: relating to pollution, noise or the energy efficiency of ongoing service operations.

Sources : The Accounts Commission for Scotland (1999) *Shorten the Odds: A Guide to Understanding and Managing Risk*

Typical areas of uncertainty within the public service perspective include:

- Demand for services e.g. social care (may vary with economic climate/ demographics)
- Economic climate affecting the resources available – economic downturn requiring government to reduce national debt and thereby reducing spend on public services
- National and regional direction from government e.g. failing schools or social care departments, scrapping of key stage tests, new funding opportunities/new crime reduction initiatives
- Impact of Inspectorate/national reports, e.g. the Baby Peter case, and the organizational consequences for all social care services and partners
- Political direction changes as a result of elections
- Political accountability.
- Applying for funding of major capital projects from government departments/quangos e.g. Building Schools for the Future

- Standards for political life e.g. impact of MP expenses

Organizational Objectives

The public service perspective is principally concerned with the delivery of high quality public services to the community, whilst at the same time providing the best possible value for money.

Specific objectives and targets are often imposed on public service organizations from a wide range of external bodies. These include central government, local political groups, and the European Union. Emanating from such diverse sources, the objectives and targets are typically, at best, misaligned and often contradictory. For example a Local Authority may need to improve the local road infrastructure with minimal disruption to road users, requiring work to be undertaken over night, but at the same time is expected to improve road at the lowest possible cost which would mean avoiding doing work at unsocial times of the day which incurs premiums.

Examples of the sources of these objectives include:

- Communities and Local Government, which itself has strategic objectives to:
 - Support local government that empowers individuals and communities while delivering high quality services efficiently
 - Improve the supply, environmental performance and quality of housing that is more responsive to the needs of individuals, communities and the economy
 - Build prosperous communities by improving the economic performance of cities, sub-regions and local areas, promoting regeneration and tackling deprivation
 - Develop communities that are cohesive, active and resilient to extremism

- Provide a more efficient, effective and transparent planning system that supports and facilitates sustainable development, including the Government's objectives in relation to housing growth, infrastructure delivery, economic development and climate change
- Ensure safer communities by providing the framework for the Fire and Rescue Service and other agencies to prevent and respond to emergencies.

Public service objectives are set by elected members/politicians, and may be influenced by, for example, political changes (elections) and by media attention.

Stakeholder Involvement

Public service stakeholders are likely to include those drawn from the following groups:

- Central UK Government
- Northern Irish, Scottish and Welsh Assemblies
- Local political parties
- European Union (put in place regulations and also provide grants)
- Regulatory bodies such as those referred to above
- Other country Governments
- Other public sector organizations involved in or impacted by service delivery
- Private sector organizations involved in or impacted by service delivery
- The community served (both taxpayers and service users)
- Staff, employed either directly or indirectly in service delivery
- Trade Unions and Staff Associations
- Local, national, and international press
- Community Leaders
- Lobby groups
- Faith groups

- Minority groups
- Single Issue groups
- Hard to reach groups (such as travellers).

Whilst this is an extensive list, it is in no way exhaustive. Stakeholders in public service perspective are not only many, but also tend to have different agendas, resources, philosophies and perceptions. All of which makes the engagement of these stakeholders particularly difficult. In addition to this, public service organizations often have a statutory or regulatory duty to involve their stakeholders both in the setting of policy and in determining the implementation of this policy.

M_o_R Approach

Public service organizations should describe their approach to risk management through their Risk Management Policy and Risk Management Process Guide.

Separate Risk Management Strategies should be produced for each organization activity undertaken within the strategic, programme, project and operational perspectives. Similarly, the organization should also maintain a Risk Register and Issue Log for each organizational activity.

Reporting

The reporting arrangements within public service organizations are often complex with the need for risk reports to be provided to:

- Elected members
- Appointed executives that form the senior management team
- Scrutiny organizations such as the Audit Commission and the National Audit Office.

Reporting is further complicated by the effect of the political environment

and legislation such as the Freedom of Information Act, which may have a negative impact on the open reporting of risk situations.

Roles and Responsibilities

It is usual for public service organizations to have two distinct management/ leadership groups:

- Elected members, typically representing political parties, and responsible for setting the policy for the organization
- Appointed officers, permanent members of staff who are responsible for implementing the policy that has been set by the elected members.

The table below summarizes the roles and responsibilities of those who might be involved in risk management from the public service perspective. The exact name of each role will vary according to the nature of the organization.

Roles	Responsibilities
Chief Executive	<ul style="list-style-type: none"> • Owns the Management of Risk Policy and Process Guide • Ultimately accountable for the organization's overall exposure to risk and arrangements for the management of risk • Sign a "Statement of Internal Control"/Governance Statement
The Executive Group	<ul style="list-style-type: none"> • Approving the council's Management of Risk Policy • Define the overall risk appetite for the organization • Reviewing the effectiveness of the Management of Risk Policy
Elected Committees	<ul style="list-style-type: none"> • Provide a chair for the Audit and Review Committee • Ensure that the reports they receive to support strategic policy decisions and initiation documents for all major projects include an appropriate risk assessment • Use the risk management method to scrutinise decisions of the public service organization
Audit Committee	<ul style="list-style-type: none"> • Review the effectiveness of the Management of Risk Policy prior to submission to the Executive Group for approval • Consider the effectiveness of the organization's ongoing risk management arrangements
Internal Audit	<ul style="list-style-type: none"> • Conduct annual review of risk management arrangements and embeddedness as part of the Annual Audit Plan • Report to the Audit Committee with responses, actions and recommendations
Senior Management Team	<ul style="list-style-type: none"> • Ensure adherence to the organization's Risk Management Policy • Ensure that strategic risks are identified, assessed and controlled • Collectively maintain a Strategic Risk Register, supported by the Strategic Risk Manager
Strategic Risk Manager	<ul style="list-style-type: none"> • Manage the ongoing development, deployment and embedding of the Management of Risk Policy and Process Guide
Centre of Excellence – risk specialists	<ul style="list-style-type: none"> • Prepare stakeholder analysis • Carry out risk management interventions • Facilitate risk meetings/workshops for risk identification and assessment • Undertake qualitative and quantitative assessments of risks • Prepare risk management reports

Local Authorities are also required to have the following roles in place (other public bodies may have similar roles/functions within their organizations):

Roles	Responsibilities
Section 151 Officers	<ul style="list-style-type: none"> • Section 151 of the Local Government Act 1972 requires every local authority to make arrangements for the proper administration of their financial affairs and requires one officer to be nominated to take responsibility for the administration of those affairs. • The Section 151 officer is usually the local authority's treasurer and must be a qualified accountant belonging to one of the recognized chartered accountancy bodies. • The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. • The Section 151 officer also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.
Monitoring Officers	<ul style="list-style-type: none"> • The monitoring officer is responsible for ensuring that the actions of the local authority comply with relevant legislation, regulation and codes of practice. • The monitoring officer is also responsible for ensuring that the local authority complies with the provisions of its own constitution.

Support Structure

A central risk function formally responsible for supporting risk management across the organization should be identified. Depending on the nature of the public service, this group might take the form of Centre of Excellence within a department typically in a corporate service. Risk management is sometimes linked organizationally to performance, internal audit, Resilience, Health and Safety or insurance.

This group supports the Chief Executive and the rest of the senior management team by taking on responsibilities such as:

- Establishing and maintaining the Risk Management Policy, the Risk Management Process Guide and the organization's Risk Register
- Helping to balance the threats and opportunities faced by the public service
- Supporting the embedding of risk management
- Providing assurance on different aspects
- Monitoring risk management action plans
- Facilitating risk identification workshops
- Undertaking some of the techniques that require specialist skills or tools.

Risk management should also be supported by processes and teams engaged in:

- Corporate governance
- Internal and external control
- The secretariat of the senior management team
- Portfolio, programme, project and operational management.

Early Warning Indicators

The public service perspective monitors and reports early warning indicators of public service risks. The early warning indicators will be selected for their relevance to the public service. Key early warning indicators relate directly to the organizational objectives and might include:

- National/regional information about, for example, recruitment and retention of key staff (teachers with specialist skills, social workers, engineers)
- Comprehensive Spending Reviews by the government
- HM Treasury and other government department announcements
- Significant legal cases affecting potential increased cost of operating
- Performance on national and local key performance indicators.

Review Cycle

The risk management process should be coupled with the organization's strategic planning and business management process, with significant risks captured within the strategic and operational plans.

When beginning a new planning cycle, or when changing the ways in which services are to be provided, (for example when entering into a partnership arrangement), the full risk management process should be applied. As risks are captured and assessed, information will be captured in the organization's Risk Register together with the planned risk responses once these have been agreed.

At the end of each planning cycle, the Risk Management Policy and its implementation should be reviewed for its effectiveness and lessons learned. During subsequent planning cycles, the risk process should be repeated but lessons learned from earlier iterations should be incorporated.

Conclusions

The provision of public services varies widely depending on the nature of the service and the locality within which it is provided. However, all public service organizations have one thing in common, and that is that they all have defined objectives to achieve, and there are threats and opportunities to the achievement of these objectives.

Much has already been done by many public service organizations to establish risk management practices, but there will always be room for improvement. What the M_o_R guide provides is a framework to help public service organizations review what they already have in place and to identify areas for improvement.

Further information

- To learn more about Management of Risk: Guidance for Practitioners, visit www.best-management-practice.com/Risk-Management-MoR/
- To learn more about Alarm and the work that they do, visit www.alarm-uk.org/
- If you are interested in the exams that are available in M_o_R, visit www.mor-officialsite.com/

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