

Risk Management:

Lessons

learned

from SR04

Efficiency

Programme





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# Introduction

## Foreword

*As Senior Responsible Officer for the Government Efficiency Programme, I have been delighted by the strong performance of the programme to date, delivering substantial savings and on track to deliver our overall goal. We have been able to report delivery, by December 2006, of some £15.5 billion efficiency gains, a reduction of more than 50,800 civil service posts, and the relocation of over 11,000 posts out of London and the South-East.*

*This is a far cry from 2004, when many looked at these targets as being too challenging for us to deliver. However, I always believed that we could succeed in delivering the Government's targets and, whilst I am happy with our progress, I am not surprised at our success for two reasons. First, people were already finding innovative ways of working within government and across the wider public sector – we just needed to find those innovations and promote them, to have someone be the champion for best practice. Secondly, from the very start of the Efficiency Programme risk management has been at the core of our activities.*

*Managing risk is not an easy task. However, it is a crucial aspect of successful programme delivery. We are producing this guide because over the course of the Efficiency Programme, our approach to risk management has gone through an eventful journey. A number of different processes and techniques have been tried and tested. Some of these have proved highly effective; others required modification, whilst at times a more fundamental overhaul has been required. What has characterised the approach has been a desire for continuous improvement and a willingness to experiment. As SRO and Chair of the Programme Board, the benefit for me has been clarity about our risks, their impact and what we can do to address them.*

*This document outlines the solutions eventually adopted to manage risk in this programme: it reflects the very hard work put in by a large number of people. I hope that the lessons we have learned so far during this programme will make it easier for others to enjoy the benefits of a robust risk management approach.*

**John Oughton**  
CEO, Office of Government Commerce

**March 2007**



## Background

The Efficiency Programme followed a review by Sir Peter Gershon. Its targets were announced within the Government's 2004 Spending Review:

- Efficiency gains in excess of £20 billion by March 2008
- Reduction of Civil Service posts by 84,000 by March 2008
- Relocation of 20,000 public sector posts away from London and the South East by March 2010

In partnership with HM Treasury, the Efficiency Team is responsible for:

- Monitoring progress by departments against their individual efficiency targets
- Reporting on this progress every six months to the Prime Minister and Chancellor
- Challenging departments where progress is blocked
- Providing support to departments to help them deliver their efficiency plans, e.g. through joint reviews of priority areas

In addition, Change Agents were established to support delivery of Efficiencies across six workstreams described in the Gershon Review: Corporate Services; Lyons Relocations;

Policy, Funding and Regulation; Procurement; Productive Time and Transactional Services.

The objective of Risk and Issue Management in this context is to provide information and tools to help the Efficiency Team and departments achieve their efficiency objectives. The complexity of the Programme made this extremely challenging: this was the most ambitious public sector efficiency programme ever attempted. Gains are being delivered through over 300 enabling projects, covering 25 central government departments, and the wider public sector (local authorities, fire, health and education services).

NOTE: Throughout this publication references made to risk management are also intended to refer to issues management (i.e. risks that have either materialised or whose occurrence is inevitable).

Carol Deakins  
Programme Support Director  
Efficiency Programme

Andre Katz  
Head of Risk Management  
Efficiency Programme

Stuart Bryant  
Head of Programme Planning  
Efficiency Programme



## Top 5 lessons learned

1. **Leadership:** active support from the SRO and Programme Director is critical, and sufficient time and resource must be spent managing risk – the payback is significant over the life of a programme.
2. **Embed risk management** in the day-to-day activities of the project team, delivery agents and, crucially for us, the account management function. Everybody has a role to play and it's not all down to the risk manager, and furthermore, it doesn't have to be resource intensive.
3. **Quantify the impact** of risks wherever possible. This enables more informed decision-making, allows for risk-based allocation of resources, and supports contingency planning.
4. **Governance structures** should support the risk management framework. In particular, we benefited from a quality assurance body chaired by the Programme Director, and meeting every 6-weeks. This included some 'outside grit' to give an independent view on the quality of risk management.
5. **Innovation** is essential to convert a textbook approach to risk management into something people can employ on a day-to-day basis, especially in terms of risk assessment and reporting. Simple charts and diagrams help.





## Mapping: lessons learned to risk toolkit

This table shows the mapping between the “Top 5 Lessons Learned” and the elements of the Risk Toolkit described in this document.

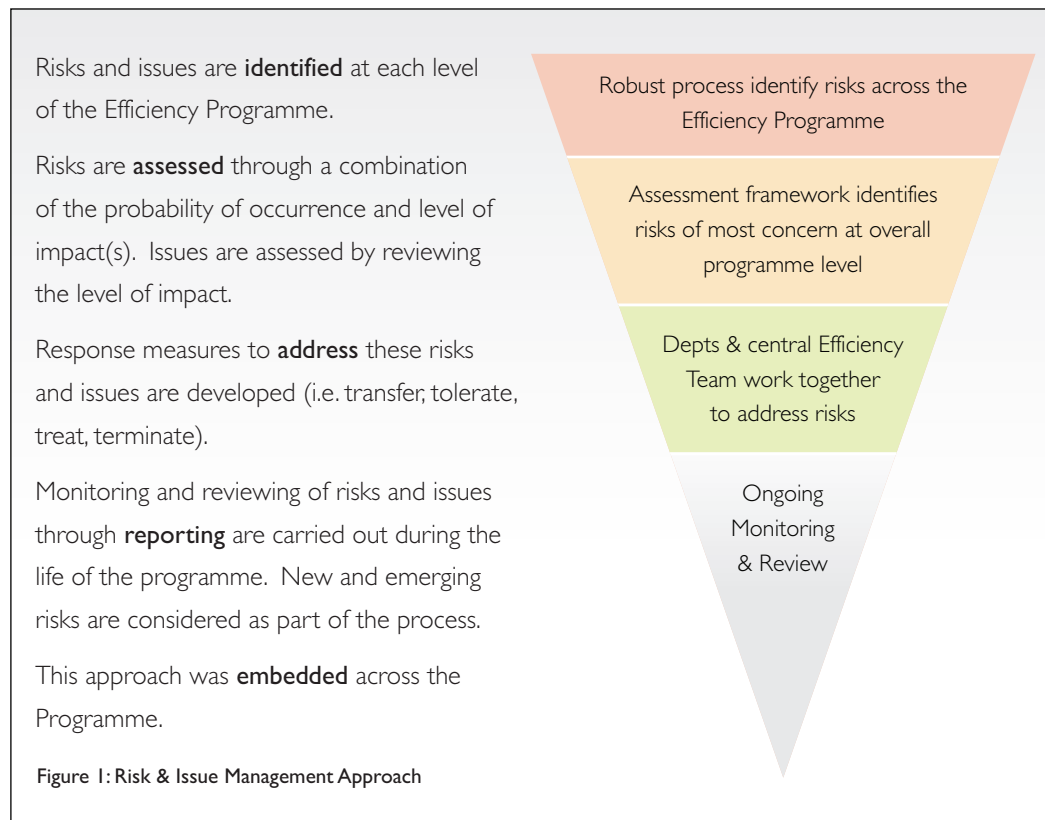
RISK TOOL	Efficiency Programme Board	Quarterly Reviews	Risk Steering Group	Risk Register/ Issue Log	Likelihood of delivery assessment	Risk Adjusted Delivery Forecasts	Joint Priority Review	Risk Radar	Automated Risk Tools	Cross-Dept Risk Forum	Risk & Issue Protocol
LESSON											
Leadership/Investment in risk management	X	X	X					X	X	X	
Embedding risk management into daily activities	X	X	X	X	X	X	X		X	X	X
Quantifying the impact of risks				X	X	X		X			X
Governance structures	X	X	X							X	
Innovation to convert the approach into something people can employ					X	X	X	X	X	X	X

2

## The efficiency team risk toolkit

The objective for Risk & Issue Management within the Efficiency Programme has been, through the use of best practice Programme & Project Management tools and techniques, to ensure the successful delivery of efficiency targets. The approach undertaken was

developed against the model illustrated in Figure 1. However, to convert the textbook approach into something that people could use and understand, we developed a number of tools and techniques, which together represent our Risk Toolkit.



## Leadership and governance

Support from the SRO and Programme Director is critical to the effective implementation of risk management. The following bodies were an effective part of our risk management framework due to the active engagement of both.

### 1. Efficiency Programme Board

The Efficiency Programme Board were particularly engaged with risk management. At each meeting (initially monthly, then extended to two-monthly), the Board reviewed risk reporting as a specific agenda item. This had a number of benefits:

- Board-level engagement ensured that risk management was given adequate attention across the programme.
- Having risk management as a specific agenda item ensured that it was given sufficient time in discussion. This would not have happened had it been incorporated within AOB.

The fact that risk management was discussed at each meeting ensured that it remained at the forefront of Board members' minds. This contributed to a good quality discussion around risk identification and the likely movement of risks over the coming months. It also helped ensure that risk management was fully linked into the other matters the Board were considering.

### Opportunity for improvement

The nature of the central team's role heavily influenced the composition of the Efficiency Programme Board. Members were selected as individuals rather than as representatives of their organisations, and were largely non-executives. This meant that whilst the Board were excellently placed to assist in risk identification and assessment, they were on the whole not the natural action owners. In most programmes it would be usual for Board members to take ownership for risk mitigation, and this is recognised as an area for improvement.

## 2. Quarterly Management Team Reviews

Although it was readily accepted that management must regularly review risks and issues, what was less clear was the best way of approaching risk identification and review. Whilst a high-level review of the top risks and issues was a standing agenda item at monthly management meetings, the most value was gained from our quarterly review process. This involved the management team and other key stakeholders (e.g. Head of Programme Planning) meeting for a couple of hours to assess the risk landscape. Specifically, they were asked to:

- Start with a blank sheet of paper and consider what is 'keeping them awake at night,' to identify the top risks and issues.
- Compare this against the current list of risks and issues: can the new list be mapped across? Have any new risks/issues been identified? Should any existing risks/issues be downgraded or closed?
- Focus on mitigation – what can be done to control these risks and issues, and who is accountable?
- Question whether the proposed mitigation is sufficient – will it reduce the risk to a tolerable level? If not, is there anything else that can be done?
- Perform a final check to consider whether there are any other risks/issues that need including.

Key to deriving value from these sessions is to ensure sufficient time is devoted to addressing risk mitigation, and not purely risk identification. More administrative elements, such as agreeing risk scores and action dates, can be performed 'off-line.'

### 3. Risk Steering Group

Strong governance is an important aspect of any risk management system. In addition to risk reviews carried out by the Efficiency Management Team and Programme Board, we established a body to perform a quality assurance role of our risk management.

The Risk Steering Group (RSG) provided assurance to the Management team on the effectiveness of Risk & Issue Management within the programme. The RSG was chaired by the Programme Director, and this gave it the authority to hold people to account. Membership of the RSG included other members of the Efficiency Team, the Head of Risk acting as secretariat, and also 'outsiders' to provide an independent scrutiny and challenge.

The RSG met on a 6-weekly basis, with its typical agenda including:

- Review of top programme risks and issues
- Review of Change Agent risk and issue processes and registers – *this included providing guidance on process, ensuring consistency in quality and terminology across the programme risk registers, and challenging where improvement was needed.*
- Review of other risk activities, e.g. updating our Risk and Issue Protocol, developing process for capturing lessons learned.

The RSG benefited from active leadership by the Programme Director and continuity in its membership. As a result, the group became increasingly effective over time. As well as advising on risk process, they became more familiar with the Programme and became able to challenge on the risks themselves. Their degree of challenge in terms of processes was also enhanced, which resulted in significant improvements in risk management in our workstreams / change agents. The Procurement Workstream case study is one example of this.

### Case study: the procurement workstream

The Procurement Workstream (PWS), the part of the Efficiency Programme that focuses on those savings expected to be delivered through improved public sector procurement, is the largest workstream contributor in terms of the gains target.

Initially PWS struggled to establish a robust system of risk management. The approach adopted was not sufficiently tailored to meet the workstream's specific needs, and a lack of expertise in risk management did not help matters. The result was a list of over 150 risks of varying significance and complexity in a document that was both difficult to read and impossible for management to use.

In March 2006 a new APM-accredited risk manager was appointed and work began on transforming the workstream's risk management. Starting with the published delivery plan and focussing on outcomes, a new register was developed comprising seven key risks, of which six were red. Each risk had a designated owner from the PWS management team, and a number of time-bound control actions. Consultation with the Efficiency Programme Risk Steering Group ensured the approach remained consistent with their expectations.

New processes included a monthly review of risks by the PWS management team with follow up by the Risk Manager to ensure progress was maintained.

In addition, risk and issues management processes have been introduced at divisional and project level, along with escalation and delegation procedures, to ensure that risk is managed at the appropriate level.

So what are the contributing factors to this improvement in risk management? In short they are the application of established best practice principles by an individual with the right skills; the clarification of roles and responsibilities; and the application of the principle that the management of risk is a crucial and dynamic tool to assist in delivery rather than a bureaucratic obstacle to it.

**Andrew Nainby**  
**Head of Programme Support**  
**Procurement Workstream**

## Risk assessment

### 4. Risk Register & Issue Log Format

The most important tools used to manage risks and issues by the Efficiency Team were the Risk Register and Issue Logs. A full explanation of the formats adopted is included within the Risk and Issue Protocol (see [www.ogc.gov.uk](http://www.ogc.gov.uk)). The template risk register and issue log are included in Annex 1.

Of particular note in the methodology adopted were:

- Three different categories of risk impact were assessed, to ensure that the full impact of a risk had been considered.
- An emphasis on quantifying the impact of risks wherever possible and in the most appropriate form, in either financial or non-financial terms such as headcount or relocations.
- An 'indicator' column, outlining the information or metrics that would indicate the risk had materialised and become an issue.
- Maintenance of an audit trail within the document, by highlighting changes between document versions and recording of risks/issues that were closed.

### 5. Likelihood of Delivery Assessment Framework

The Likelihood of Delivery Assessment Framework provided a means of assessing risk across the Efficiency Programme. Specifically the assessment framework provided a structure to help judge the likelihood of delivering individual Efficiency targets, reflected in an overall RAG rating (Red, Amber-Red, Amber-Green or Green). It was used by the central Efficiency Team to develop assessments of departments' prospects for delivery, to support Risk Adjusted Delivery Forecasting, and to ensure consistency in the central team's judgements. Assessments were agreed jointly with departments to identify the areas where action could be taken to improve the prospects for delivery.

See Annex 2 for further information regarding the Likelihood of Delivery Assessment Framework.

## 6. Risk Adjusted Delivery Forecasting

To support Management's assessment of the overall risk to the Efficiency Programme's three main targets, and to inform discussion on the adequacy of contingency within the Programme, a quantification tool was developed. Based on this approach, a Risk Adjusted Delivery Forecast (RADF) was produced each quarter using the latest forecast and actual delivery data provided by Departments.

This was designed to adjust the delivery forecasts on a per initiative basis, according to the likelihood of delivery assessment made by Account Managers (see Likelihood of Delivery Assessment Framework). It provided management with two figures for each initiative:

- A 'lower bound' figure, against which the initiative has no more than a 10% likelihood of falling short; and
- An 'upper bound' figure, against which the initiative has no more than a 10% likelihood of exceeding.

These figures could then be collated across a department, and even across the entire Programme, to identify the likely range of delivery against target.





### Principles

- Likelihood of delivery links directly to risk and uncertainty.
- A 'green' rated initiative is more likely to deliver against forecast than a 'red' initiative.
- Delivery forecasts are more likely to fall within a range than achieve a specific value.

See Annex 3 for a worked example.

### Risk Adjusted Delivery Forecasts

#### RISK QUANTIFICATION

			Lower bound	Upper bound
	G	Green	97.5%	105%
	A/G	Amber/Green	90%	100%
	A/R	Amber/Red	82.5%	92.5%
	R	Red	75%	85%

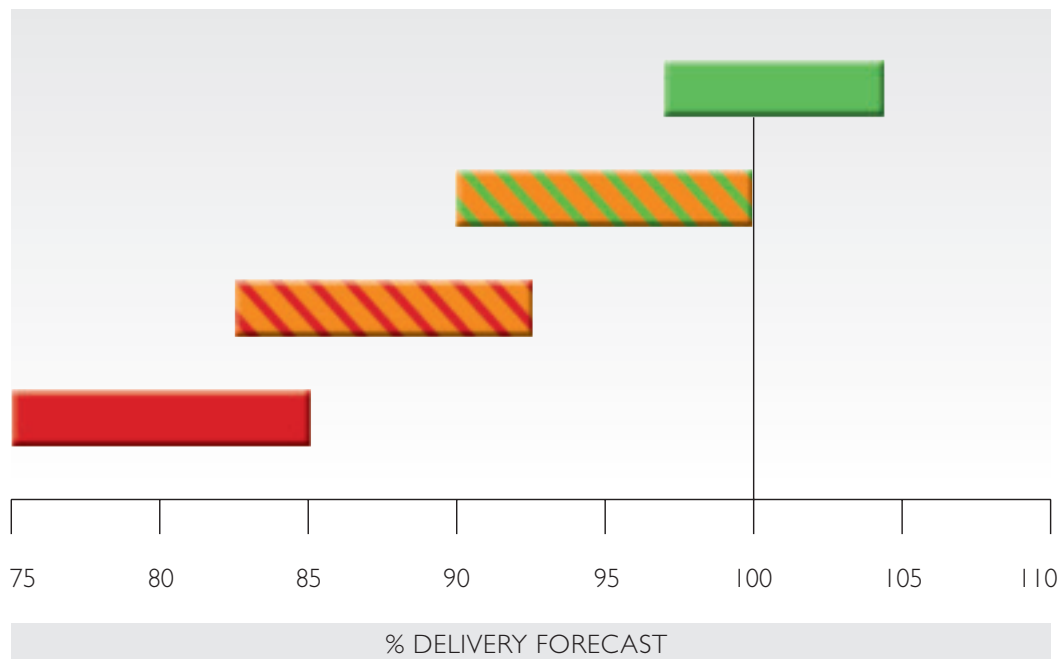


Figure 2. Risk adjusted delivery forecast ranges

### Case study: benefits of risk quantification (DCLG)

The Department for Communities and Local Government was given responsibility for co-ordinating the delivery of the local government efficiency target: but there were two key challenges to doing this successfully. Firstly, the Department did not deliver any gains that contributed to this target directly. Secondly, the majority of the gains would be in service sectors outside of its area of policy responsibility.

Clearly, if the Department was to have a good understanding of the progress being made towards the overall local government target, and be able to identify areas where there were emerging problems, it would need some kind of approach that could assess the available data and draw simple conclusions. The solution adopted was the risk quantification approach developed by OGC.

For each service sector area, the Department had information from councils and other departments on: the target for gains that should be delivered; an estimate of what would be delivered by the end of 2007-08 (using trajectories of reported data and forecasts of outputs from projects underway); and an assessment of the risk to delivery. This was enough to use the risk quantification approach.

By moderating the estimated 2007-08 achievement with the likelihood of delivery assessment, the Department was able to determine a lower-bound and upper-bound estimate of performance across the programme, which could be compared to the target positions.

At a glance, it was possible to see: which service sectors were performing well or providing contingency to the overall agenda; which sectors were at risk of missing their targets; and what the likely achievement for local government overall would be at the end of 2007-08.

With this information to hand, the Department, with its partners, were able to: revise the programme's risk register and mitigation actions to ensure they had the right focus; ramp up work on delivering further gains in the next spending review period where good progress was being made; and, where there were still problems in meeting current targets, take specific actions to mitigate the risks to delivery.

**Michael Read-Leah**  
Local Government Modernisation and Efficiency  
Communities and Local Government



## Risk control

### 7. Joint Priority Reviews

Joint priority reviews are a key part of the Efficiency Team's toolkit. Their purpose is:

- To review (jointly with departments) particularly challenging areas that require de-risking, and which could stand in the way of delivery of efficiency targets.
- To apply problem solving techniques which ensure support for delivery is in place
- To develop and implement joint action plans to improve delivery prospects.

The outcome of each review is a short report, addressed jointly to the Permanent Secretary of the department and the Chief Executive of OGC. The reviews follow a set of guiding principles and have a core tried and tested structure and methodology. Within this broad framework there has been variation in the issues addressed, the scope and length of the review, and the amount of resource allocated. Priority reviews need staffing composed of departmental expertise and subject expertise, also supported by consultancy techniques.

Our guiding principles for successful priority reviews are:

- A partnership between OGC and the department
- A strong team approach with the right level of expertise and skill mix on the team
- External challenge
- Non-bureaucratic; a minimum burden and minimal distraction from delivery
- Sharply focussed on the key problems that could stand in the way of delivery of efficiency
- Generate momentum – a report usually within six weeks
- Fieldwork engaging with the delivery chain and tracking delivery to the front-line
- Firmly rooted in evidence and triangulate existing evaluations, data and evidence
- Results in a prioritised action plan for strengthening delivery
- Followed up in a planned manner with pace and energy.

Our approach



Figure 3. Priority review approach

### Case Study: the benefit of joint reviews (DfES)

"We have found joint reviews an excellent way of both better understanding our risks and also mitigating them. To manage risk successfully you need the best information possible. Reviews such as these enable you to appreciate fully the nature and the scale of the risk you are facing. That information is also key to devising appropriate mitigation strategies, without which you can waste significant time and resources on actions that have little impact on your risks. In summary, it's an investment well worth making, especially in areas of particular uncertainty or challenge."

**Scott Mulholland**  
**Head of VfM and Efficiency**  
**Department for Education and Skills**

department for  
**education and skills**

## Risk reporting

### 8. Risk Radar

A number of different reporting formats were used by the Efficiency Programme team. The Efficiency Programme Board found the "Risk Radar" presentational format by far the most effective for displaying the top risks. Using data from our top risk register (cross cutting risks) and risk adjusted delivery forecasting (target-specific risks), the Risk Radar was presented at each Programme Board meeting. The key features of this approach include:

- Four quadrants are represented in the radar. Clockwise from the top-left these cover: top cross-cutting programme risks, amounts at risk to delivery of efficiency gains, to headcount posts, and to relocations.
- Each quadrant represents a 2x2 risk matrix, reflecting impact and likelihood. Risks within the shaded red area represent top risks to the Programme, and the closer a risk is to the centre of the radar, the greater its severity. Thus, in the following example, risk C4 is of greater severity than risk A2, which in turn is of greater severity than E5. Arrows indicate movement of risks since the previous report.

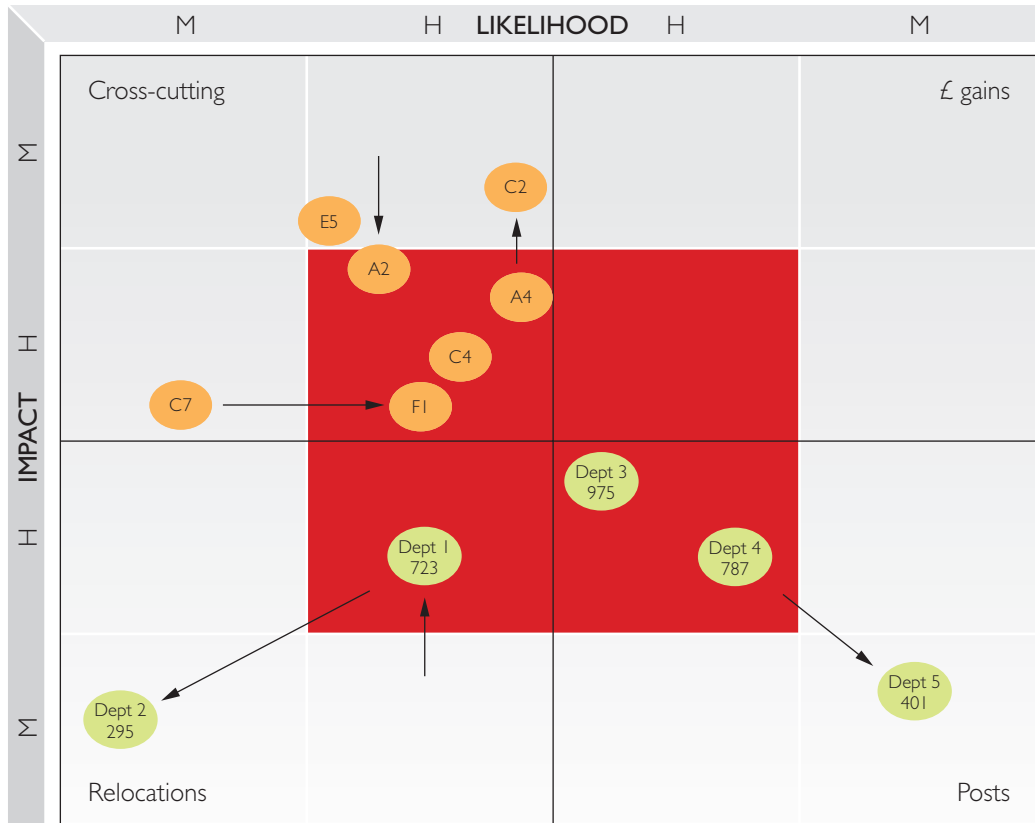


Figure 4. Risk radar template

- The Risk Radar was only used to illustrate the top risks to the Programme, i.e. those above a certain threshold. It formed the cover page of our risk report, supported

within the remainder of the document by further detail on each risk: a description of the risk and its impact, and details of mitigation activity being undertaken.

### 9. Automated Risk Management Tools

Across the Efficiency Programme, automated risk management tools were not used extensively. However, if such solutions are

appropriately tailored towards the need of an organisation or project, these can be highly beneficial. An example of this in the Efficiency Programme was the British Council's Risk, Issues and Dependencies database.

#### Case study: global risk management and the use of risk software (BC)

In 2004 the British Council started a major change programme to deliver both business change and government efficiency targets. We had already set up a Centre of Excellence for programme and project management in early 2003, so we were well-placed to support the programme in various areas, including that of risk management.

Our aim was always to develop a risk management tool that was simple to access and didn't need a large number of supporting processes to make sure it was used consistently. We began with a risks and issues log format, used on spreadsheets. Inevitably, perhaps, people began to develop their own versions of the format and we soon lost both simplicity and consistency.

Looking at external best practice, we then decided to commission the development of a web-enabled risk management database. Our project and programme managers in the UK and in our thirteen regions overseas all now use this database to record, manage and report on risks.

Because the database is easy to use and requires information to be entered in certain ways very little supporting documentation is needed – just a short user guide and risk management standard. Other benefits include;

- **A portfolio/multi-level view** – we can use the database to review risks at a portfolio level and at a number of different levels below that (e.g. by programme/project/owner).

- **Reporting** – There are a number of different reporting formats (word, excel, matrix) and filters to choose what information is included in a report. This makes it very easy to produce different types of reports for different audiences and to present the same information in new ways, so keeping it 'fresh'. The database also gives us instant, real-time reporting globally.
- **Audit trail** – The maintenance of an audit trail is automatic. Risks can be closed by users but they can only be deleted centrally. Centrally controlled security management enforces this.
- **Consistency** – information has to be added in a consistent format (through the use of drop-down menus) and most fields are mandatory.

Last, but not least in the context of this report, we encourage our programme and project managers to use the database as a source of 'lessons learned'. Because databases handle text better than spreadsheets there is a lot of information connected to each risk on how it was managed and mitigated. It's therefore easy to read the 'story' of a risk and to learn (hopefully!) lessons from that to support improved risk management in the future.

Vanessa Everett  
Programme Support Office  
The British Council





## Sharing good practice

### 10. Cross Department Risk Forum

For programmes incorporating a number of projects, and in particular those spanning different departments, there is a challenge regarding how best to share good practice. In addition to a series of meetings held between the Head of Risk Management and the individual departmental programme teams, the Efficiency Team also hosted a number of Cross-Departmental Risk Forums (CDRF).

These events brought together departmental programme managers to discuss common problems and solutions in the delivery of efficiency targets. The format generally involved a department making a presentation on a particular issue or aspect of their programme, a breakout session to enable programme managers to compare approaches in various areas, and an opportunity for the central team to communicate any key messages. The CDRFs were welcomed by departments, and were very well supported, with the following departments attending:



### Case study: benefits from sharing experiences (DfT)

We found that the Cross Department Risk Forum (CDRF) provided an opportunity for constructive dialogue between our Efficiency Team and representatives from across Whitehall. The CDRF added value by broadening our knowledge of risk control methods, and by sharing best practice on identifying and discussing key risks at our Efficiency Programme Board. We were often able to build on ideas which emerged from the CDRF, such as developing an approach to quantifying the level of financial risk associated with each workstream.

The variety of different topics covered at the CDRF sessions has been particularly useful for us because it has helped develop our understanding of risk management. In addition, the input from risk specialists at the forums and in separate bilateral discussions has provided ongoing support. Of particular note were CDRF sessions covering:

- **Addressing End-Loaded Delivery (Efficiency Team):** Provided us with potential techniques for mitigating such risks.
- **Department for Education and Skills Case Study (DfES):** Useful comparison and insight into the complexities of a comparative delivery chain.
- **Maximising Value from Board-Level Intervention in Risk (Efficiency Team)**
- **Quantifying Risks to Delivery (Efficiency Team):** This has been particularly helpful to us in financially quantifying our risks.
- **Best Practice Risk Management in Government (HM Treasury)**
- **Scenario Planning: Risks in the Final Year of the Programme (Efficiency Team)**

The overall approach to hosting the CDRF and interacting on risk with DfT has been productive, positive and beneficial to our Programme. The opportunity to discuss and progress risk issues has helped us to progress work towards achieving our Gershon targets. The CDRF has provided one of the main opportunities for discussion and exchange of ideas between departments, and is one of the success stories of the Programme in terms of facilitation from the Centre.

Fiona Wilford  
Efficiency Programme Office  
Department for Transport



### Case study: issues management

One of the most useful Cross Department Risk Forum discussions centred on issues management. Surprisingly, management of issues proved to be one of the most difficult elements of the programme to get right. This derived from two main challenges:

- Firstly, this was a problem of definition, which resulted in valuable time being spent debating whether something was a risk or an issue. An early lesson learned in the Efficiency Programme was that the definition of risks and issues should be simple and clear. Based on best practice publications, the distinction we highlighted was that whilst risks may or may not happen, the occurrence of an issue is inevitable or has already happened. This at least allowed management and others to move away from categorising the problem and to focus on managing it.
- Secondly, the challenge was around the urgency of response required in the event of an issue being identified. Reporting and escalation paths have to be robust and dynamic to ensure that issues are immediately highlighted to those who can do something about them.

Following that CDRF discussion, and indeed the ongoing engagement between department teams and the Efficiency Team's Head of Risk, issue logs were used across the Programme, and became a regular item on Programme Board agendas.

## Embedding risk management

### 1.1. Risk Protocol

Having experimented with a number of different approaches to risk management, the Efficiency Team sought to develop a risk methodology that was readily understandable and above all could be embedded in the activities of the wider team. Once that methodology had been agreed, it was important to document that process and communicate the methodology across the core team, wider change agents and eventually to share this with departmental programme teams.

The Risk and Issue Protocol document set out the principles and processes by which risks and issues are managed across the OGC Efficiency Programme. It outlined the context and approach to the management and assurance of risks and issues. The full document is available on the OGC website

([www.ogc.gov.uk](http://www.ogc.gov.uk)). The table of contents plus brief explanation is included in Annex 4.

Once the Risk and Issue Protocol was completed, a series of training courses was held for the central Efficiency Team and wider change agents, covering its features.

The training course contained two modules:

- Risk & Issue Awareness: Overview of risk and issue management for the entire team, including how they could contribute to risk management, and the tools they can use.
- Operation / Practitioners: Detailed instruction around the risk toolkit aimed at more active users, including those who would be maintaining risk registers and issue logs.

What made it possible to embed this risk management approach was the fact that it had been tailored to meet the needs of the Programme – something also recognised by departments in the following case studies.

### Case study: managing risk when moving to business as usual (DWP)

The Department for Work and Pensions (DWP) is one of the largest financial organisations in the world. The department engages in financial transactions with around 10 million customers every day through its delivery Agencies: Jobcentre Plus, The Pension Service, Disability and Carers Service and the Child Support Agency.

DWP were set four challenging efficiency targets to achieve by March 2008: achieve £960m annual financial efficiency gains; reduce headcount by 30,000 net full time equivalent posts; re-deploy 10,000 posts to customer-facing roles; and relocate 4,000 posts from London and the South East. This was to be achieved without any diminution of performance or customer service.

At the outset, in 2004, DWP established an Efficiency Programme Board supported by an Efficiency Programme Executive, following a fairly traditional programme governance model. At the end of 2005 DWP's decided to disband the separate governance process and embed efficiency into mainstream 'business as usual'. As well as being a more efficient, leaner way of working, it also encouraged everyone to see efficiency as a key part of the ongoing 'day job'.

Each business and corporate unit throughout DWP applied the accepted departmental risk methodology. Key features were:

- Clear risk ownership, with nominated risk coordinators in each business
- Risk Review Boards in each business to regularly scrutinise the risks
- Quarterly scrutiny by the Corporate Risk Team and the corporate Planning, Performance and Risk Committee (a formal sub-committee of DWP's Executive Team)
- Clear escalation and de-escalation routes between the businesses and the Executive Team, via the formal sub-committee mentioned above.

As risk management has evolved within DWP we have learned some useful lessons:

- It is crucial to manage the risks themselves not the risk log;
- Remove duplication by streamlining processes and attributing clear ownership;
- The importance of integrating risk and performance management reporting to facilitate better decision making.

**Sue Bevan**

**Planning and Performance Management  
Department for Work and Pensions**

**DWP** Department for  
Work and Pensions



## Case study: making risk management fit for purpose (HMRC)

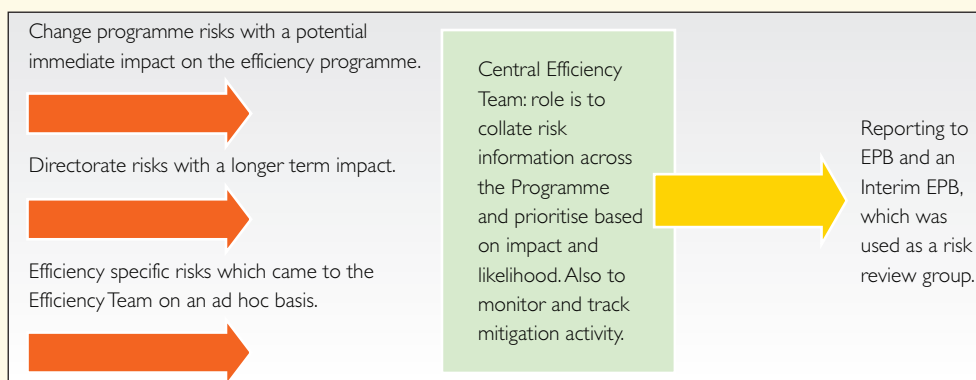
### Early Challenges

In April 2005 HMRC was formed when Customs & Excise and Inland Revenue were merged – creating a new organisation comprising 36 new directorates and over 100,000 employees. This, combined with the levels of change taking place, presented huge challenges for our SR04 Efficiency Programme and in particular for our risk management. These included:

- Initially risk management processes struggled to provide timely and complete escalation and reporting of risks/issues from enabling projects up to the Efficiency Programme Board (EPB) and senior management.
- In some cases risk analysis work and effort was being duplicated.
- Difficulties in generating clear risk information meant the EPB struggled to engage with the risk process, and there was no clear ownership of efficiency risks. It also meant that discussion of risks focussed more on description and process than on addressing the actual risks.
- The need for EPB to have more influence across the programme.

### What We Did

With the help of HMRC and OGC risk experts, we undertook a series of measures to enhance our risk management. To ensure buy-in, this was done through working with EPB (whose terms of reference had been strengthened by the Programme SRO). Firstly, risk reporting processes were revised to ensure three key feeds were captured:



Gathering better risk information was only part of the challenge: the second element was around risk reporting. We ensured EPB focussed on the important risks and issues by capturing these in a concise Programme Status Report. This identified the key risks and issues, quantified where possible, and current mitigating actions. EPB were then able to take decisions on how to address risks and issues and who would be responsible.

### The Outcomes

- Better information and reporting about the risks, their impact and their proximity has enabled EPB to fully engage with risk management. With greater confidence that all key risks have been captured, they can focus their attention on risk control and mitigation. It has also helped EPB to better hold risk and action owners to account.
- There is now a clear escalation route for efficiency risks and issues from programmes and directorates to the Efficiency Team, through to EPB, and if appropriate from EPB to senior departmental management boards as appropriate (ExCom or OpCom).
- OGC's latest Gateway review in October 2006 commended HMRC's new processes. In addition, the Efficiency Team have been asked for help from other HMRC programmes in setting up their risk review processes.

### Key Lessons Learned

- There's lots of risk help, expertise and information available so it isn't necessary to reinvent the wheel. What you do need is sufficient resource to identify, assess and manage risk.
- The right governance and programme board terms of reference need to be in place for a risk management process to be effective. This must be reinforced by sufficient engagement in risk from the board and from the main directors and SROs.
- It is vital to develop a risk management process that is right for the specific organisation. All key stakeholders should have an input, and time should be taken to develop the right solution for your organisation.
- Risk management and review is an on-going process and the organisation itself and the people in it will continue to change – which means the process has to keep developing to keep abreast of changes.

**Sandy Catchick**  
Programme Manager, HMRC Efficiency Programme



### Case study: “the cross-departmental review group” (DCLG)

In overseeing the local government efficiency agenda, the Department for Communities and Local Government followed two key strategies. First, to engage with councils to encourage and support them in identifying, making and reporting efficiencies. Secondly, to ensure that other departments seeking gains from councils as part of their targets worked in a co-ordinated fashion with shared messages being given consistently. Successfully addressing the latter would be a key step in helping local government achieve its targets. In effect, the Department had to demonstrate to others in central government that compromising on their ability to act independently would minimise burdens on councils, which could help secure their engagement.

As a first step, we recognised the need for a central forum through which the programme could be managed. Thus was born the Cross Departmental Review Group; chaired by the Department and comprising representatives from local government, all relevant departments, and bodies that would provide challenge such as the Audit Commission, HM Treasury and the OGC. The Group played a key role in helping to agree the fundamental principles underpinning the programme. These included: a single measurement and reporting system for councils; freedom for councils to make gains where they chose; and collective guidance provided on common issues, with individual departments providing supporting guidance for their sectors.

These achievements were underpinned by the Group’s work in identifying and managing the risks to the whole programme. Risk identification and mitigation were a key focus at an Awayday held early in the programme. CDRG members shared their experiences to develop a risk register for review at the monthly meetings. In order to keep those reviews focused, a set of 5 or 6 key risks were identified with the risk owners invited to speak about the current position.

At the mid-point of the programme the risk register was fully revised to recognise the shifting risk landscape: engagement in the programme had largely been secured, so the risks were increasingly relating to maintaining success by keeping the programme relevant, and tackling emerging needs in local government. An issues log was also created to keep a record of matters that would need to be addressed up as the programme matured.

Throughout, our work on risk has ensured a focus for the CDRG’s discussions and a sound foundation on which to take its work forward, contributing to the success of the programme.

**Michael Read-Leah**  
Local Government Modernisation and Efficiency





# 3 Annexes



# Annex I : Risk register & issue log format

## Template Risk Register

XXX Risk Register  
DD/MM/YYYY

Update date:

Risk ID	Risk ("Local" description)	Risk Owner	Risk scores (Impact/Likelihood)				Previous month's risk score	Quantified impact (£, posts)	Control actions	Progress to date	Control status	Residual risk	Activities affected	Indicator	Responsibility	Action by	Due date
			Impact		Likelihood												
			Target	Service	Reputation	Overall risk score											

Indicators are information or metrics that might highlight the possible occurrence of a risk, and will be the 'trigger' for bringing into effect contingency plans

Quantification of the impact of risks wherever possible

3 different categories of impact assessed

Figure 5. Template risk register



Template Issue Log

Ref	Issue	Category	Date Raised/ Last Reviewed	Impact	Severity (HML)	Proposed Resolution	Progress	Owner	Deadline for Resolution	Current Status

Figure 6. Template issue log




## Annex 2: Likelihood of delivery assessment framework

The Framework considers the following aspects of delivery:

JUDGMENT AREA	ASPECTS CONSIDERED
<p><b>Degree of Challenge</b></p>	<p>Scale of the task, obstacles to be overcome.</p>
<p><b>Quality of Planning, Implementation and Performance Management</b></p> <ul style="list-style-type: none"> <li>i) Understanding the challenge</li> <li>ii) Governance, programme &amp; project management</li> <li>iii) Managing performance</li> </ul>	<ul style="list-style-type: none"> <li>i) Clarity on what success looks like (what we're doing and why), and how much has to be changed to get there, taking account of historical performance.</li> <li>ii) A strategy which is translated into a usable implementation plan. Clear structures which support accountability for outcomes.</li> <li>iii) Fundamentals of monitoring and reporting performance (measures, trajectories). Proactive responses to reported performance.</li> </ul>
<p><b>Capacity to drive progress</b></p> <ul style="list-style-type: none"> <li>i) Understanding &amp; structuring the delivery chain</li> <li>ii) Engaging the delivery chain</li> <li>iii) Leadership and culture</li> </ul>	<ul style="list-style-type: none"> <li>i) Understanding of the delivery chain; sophistication/comprehensiveness of key elements of the delivery chain, including incentives and prioritisation.</li> <li>ii) Winning hearts and minds: mechanisms for influencing, mechanisms for and response to feedback.</li> <li>iii) Extent to which the performance ethic of the department and delivery chain supports delivery: leadership; ambition; accountability, working across silos.</li> </ul>
<p><b>Stage of Delivery</b></p>	<p>Current point on the scale between policy development and irreversible progress.</p>

## Likelihood of delivery

The framework is used to provide a single-page assessment of the likelihood of delivery of a department's efficiency target, as shown.



**Office of Government Commerce**

**Department:** \_\_\_\_\_



**Efficiency target:** \_\_\_\_\_


**Date of assessment:** \_\_\_\_\_

**Name(s) of assessors:** \_\_\_\_\_

**Recent performance against trajectory and milestones**

Likelihood of delivery

Judgement	Rating	Rationale Summary
<p><b>Degree of challenge</b></p> <p><b>Quality of planning, implementation and performance management</b></p> <p>Understanding the challenge</p> <p>Governance, programme and project management</p> <p>Managing performance</p>	<div style="border: 1px solid gray; padding: 2px;">L/M/H/VH</div> 	
<p><b>Capacity to drive progress</b></p> <p>Understanding &amp; structure of the delivery chain</p> <p>Engaging the delivery chain</p> <p>Leadership and culture</p>		
<p><b>Stage of delivery</b></p>	<div style="border: 1px solid gray; padding: 2px;">1/2/3/4</div>	



Red  
Amber/Red  
Amber/Green  
Green

Highly problematic – requires urgent and decisive action

Problematic – requires substantial attention, some aspects need urgent attention

Mixed – aspect(s) require substantial attention, some good

Good – requires refinement and systematic implementation



### Annex 3 – Risk adjusted delivery forecasting: worked example

In this example, a Department has five initiatives – three relating to Efficiency Gains,

one to headcount and one to relocations. The Account Manager has agreed the following likelihood of delivery ratings with the Department, and this has enabled the upper and lower bounds to be calculated (based on the ranges identified above).

Initiative	Forecast	Reported Actuals	RAG Rating	Lower Bound	Upper Bound
E-enabled service delivery	£120m	£20m	A/G	£108m	£120m
Productive time	£225m	£40m	A/R	£185m	£208m
Building new infrastructure	£60m	0	G	£58.5m	£63m
Workforce reduction	1500 posts	500	A/R	1238 posts	1275 posts
Relocation of service team	500 posts	500	A/R	413 posts	425 posts

By adding the lower bounds together, we can identify the risk adjusted delivery forecast for each of the Departmental targets. The total of the lower bounds, deducted from the target, represents the amount at risk (or contingency, if greater than target).

	SR04 Target	Sum of Forecasts	Sum of Lower Bound (LB)	Amount at risk pessimistic view (Target – LB)
£Gains	£350m	£405m	£352m	£2m (above target)
Workforce reduction	1500	1500 posts	1238	262
Relocation	500	500 posts	413	87

Indicators for contingency planning

## Annex 4 – Table of contents of risk & issue protocol document

- i) **Introduction**
- ii) **Aims & Objectives**
- iii) **Risk and Issue Management Approach:**  
See figure 1.
- iv) **Regular Reporting Process:**  
See Leadership and Governance Section – this covers the channels of reporting of risk from individual projects through to senior management.
- v) **Escalation Process:** See Leadership and Governance section – risks or issues are escalated if they cannot be managed at a certain level, and need to be addressed at a higher level.
- vi) **Audit Trail:** To account for the evolution of a risk or issue.
- vii) **Processes, Roles & Responsibilities:**  
Clearly outlining what is expected of everybody across the Programme.
- viii) **Communication:** A training programme was rolled out across the core team and central change agents. Also see Sharing Good Practice Section.

## Annex A – Glossary

### Annex B – Risk Assessment Framework:

The scoring mechanism used to assess the relative priority of risks

### Annex C – Issue Management Procedures:

Specific process around management of issues

### Annex D – Departmental Risk & Issue

**Process Assessments:** The methodology used within the Efficiency Programme to assess departmental risk and issue management processes.

### Annex E – Quantification of Risk:

See Risk Assessment Section

### Annex F- Presentational Reporting of Risk:

See Risk Reporting Section

See [www.ogc.gov.uk](http://www.ogc.gov.uk) for further info.

## Other useful links

HM Treasury Risk Portal (including the Orange Book):

[www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk)

OGC Management of Risk guidance/OGC Efficiency

Programme: [www.ogc.gov.uk](http://www.ogc.gov.uk)

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