



IRM Networking Northwest Round Table

1 December 2005, Highways Agency, City Tower, Piccadilly Plaza, Manchester

The meeting was an informal round table intended to ventilate members' current issues and identify possible solutions through informal group discussions. Issues identified in advance were:

- Identifying and managing partnership risks (outsourcing/joint ventures and public/private partnerships)
- Establishing and quantifying the costs of risk mitigation
- Methods and tools for managing risk and performance together
- Assessing risk management capability

The meeting was followed by a Chinese meal at a local restaurant.

Partnership risks

- Think before partnering
 - Objectives / reason for partnership
 - What are the show-stopping issues?
 - What are the roles / responsibilities?
- Consider the contractual or other agreement between the parties
 - Don't fear formality to document roles / responsibilities
 - Even non-contractual partnerships can be documented in memoranda of understanding, service level agreements, etc.
- More information will be forthcoming from the PPP / PFI SIG, currently being reviewed
- **Guidance is available** on HM Treasury's web site
www.hm-treasury.gov.uk/documents/public_spending_and_services/risk/pss_risk_portal.cfm

Follow link marked "PDF file of Managing Risk with Delivery Partners"

The Audit Commission has published guidance on partnership governance

www.audit-commission.gov.uk/reports/NATIONAL-REPORT.asp?CategoryID=&ProdID=1CDA0FEF-E610-463c-B3F3-220F607B1A2C&fromREPORTSANDDATA=NATIONAL-REPORT&page=index.asp&area=hplink

Costs of Mitigation

- Focus on purpose of control / mitigation before implementing
- Test assumptions on cost - effectiveness of control / mitigation through post-implementation review.
- Remember that
 - Not all controls can be costed (e.g. pervasive controls built into standard operating procedure)
 - Not all controls can be cost-justified (e.g. controls to manage reputation risk)

- Controls may be on **consequences** rather than **causes** (e.g. contingency plans / BCP – manage non-availability of facilities from whatever cause).
- When costing / cost-justifying controls bear in mind that one control may manage many risks (e.g. BCPs)
- Consider whether activity-based costing is (or should be) capable of capturing / monitoring the costs of control.
- Can the **benefits** or avoiding the risk be evaluated as part of cost / benefit analysis for control?
- A risk mitigation SIG is starting – See IRM web site for further details.

Methods and tools for managing risk and performance together

(time did not permit a full discussion, but the following came out of the discussion)

- Essential to tailor information to protect senior managers from overload by detail
- Make the process light touch / parasitic on other standard procedures
- Emphasise the benefits / opportunities

Assessing risk management capability

How well is risk management embedded? What does embedded risk management look like?

- Risk management is embedded when....
 - Directors voluntarily attend risk meetings
 - Risk management actions are cleared without chasing..
 - Risk assessments feature in all decision making processes and are used by decision makers
 - Risks are regularly on the Board agenda AND don't "fall off the end" due to time pressure
 - Risks are linked to strategic objectives, and seen as a positive help / tool by senior management
- **Guidance on assessing risk management capability is available** on HM Treasury's web site www.hm-treasury.gov.uk/documents/public_spending_and_services/risk/pss_risk_portal.cfm
Follow link marked "PDF file of Risk Management Assessment Framework"
- Highways Agency have produced and used a self-assessment questionnaire based on the treasury guidance. Blank questionnaire available from raymond.butler@highways.gsi.gov.uk