



HM TREASURY

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Dame Meg Hillier MP
Chair, Public Accounts Committee
House of Commons
London
SW1A 0AA

Dear Chair,

Further to my letter dated 15 November 2021, and as the relevant senior official responsible for risk management professionalism, I am writing to you to provide an update on progress on my commitments to improve risk management in government, in response to recommendation 5 in your Thirteenth Report - Initial lessons from the government's response to the COVID-19 pandemic. I am copying this letter to Alex Chisholm, Sir Tom Scholar, and the Comptroller and Auditor General.

Risk Management Strategy

The Risk Centre of Excellence (CoE) in the Government Finance Function (GFF) has been continuing to progress this work through the development of a cross-government strategy and comprehensive delivery plan, which I am sharing with you today (see Annex A).

This has undergone a consultation exercise with a number of key stakeholders across-government including practitioners and Finance Directors in departments, who have endorsed the strategy and share our ambition to enable more effective risk management within and across Government. Earlier this month, the strategy was agreed by the cross-government Planning, Risk and Performance Board.

The strategy comprises a number of actions for the financial year 2022-2023, and longer-term actions for the next 2-3 years, to deliver the three commitments made to the PAC to:

1. Strengthen leadership and enhance credibility.



2. Collaborate across boundaries.
3. Enhance capabilities and drive professionalism.

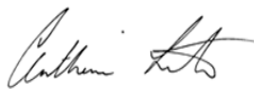
These actions will enable the government to ensure that high quality, effective risk management is made central to government planning, policy making, service delivery, monitoring, and reporting activities.

This ambition will be facilitated by recent changes to the CoE, which has moved from the Ministry of Justice to HM Treasury, whilst continuing to be part of GFF. This means that the work of the CoE will be more closely joined up with wider HM Treasury engagement with departments to improve planning and performance. I am also pleased to inform you that recruitment is underway for the new Senior Civil Service (SCS) role of Head of the Government Risk Profession, and we will be interviewing shortlisted candidates next week.

The CoE will also ensure that its work is appropriately informed by other relevant activity and insights. In particular, we welcome the ongoing work on the Resilience Strategy being led by the Cabinet Office, and we look forward to the report following the Public Accounts Committee oral evidence on 12 January 2022 - "The government's preparedness for the COVID-19 pandemic: lessons for government on risk management".

I will continue to provide an update every quarter until the government has fully met the commitments myself and Alex Chisholm made to you in June 2021.

Yours sincerely



Catherine Little



Annex A: Risk Centre of Excellence – Risk management commitments: strategy and high-level delivery plan



Government
Finance
Function

Risk management commitments: Strategy and high-level delivery plan

January 2022

We put finance at the
heart of decision making.
Driving the agenda,
not just keeping score.



INVESTOR IN PEOPLE

Risk management strategy for government: central principles

We have developed key principles for the overarching strategy for delivering the commitments going forward:

- **Risk management should be central to government planning, policy making, service delivery, monitoring and reporting activities.** The purpose of further reform is to improve quality and structures to enable departments to achieve this, including by strengthening central support for the government's most important priorities.
- **Risks are best managed closest to source**, with professionals and skills embedded in departments at different levels.
- The CoE will comprise of a permanent hub which **convenes and leads risk reporting, standards and training** across government:
 - i. Works with and through other Government functions, professions and relevant stakeholders to **ensure that risk is embedded in decision making and supports departments in fulfilling their accountabilities**
 - ii. Supports continuous improvement in risk management across government and Arms Length Bodies through **best practice, networks and professional tools**.



Risk management strategy for government: role of the CoE (1/3)

The role of the CoE specifically will be:

1) Strengthen leadership and enhance capability:

- **Delivering high-quality reporting to the CSB** and other interested parties and ensuring that messages from CSB are appropriately disseminated to departments and functions.
- **Provide advice to CSB** and other senior leaders on risk management.
- **Providing cutting edge expertise and resources** on risk management, including producing guidance, tools and templates.
- **Working with and through stakeholders to embed high quality risk management** in governance, assurance, policy design and allocative processes, in departments and arm's-length bodies (ALBs).



Risk management strategy for government: role of the CoE cont'd (2/3)

2) Collaborate across boundaries:

- **Clarifying and optimising the current cross-government risk management ecosystem** so that the identification, analysis, management and reporting of risk is done by the appropriate organisations - aligning accountability, capacity, capability and leverage.
- **Convening the appropriate stakeholders** and coordinating the identification, management and reporting of risks that will most effectively be done at super-departmental, super-functional level.
- Addressing **barriers to information flows** and facilitating co-operation across and between these organisations.

3) Enhance capabilities and drive professionalism:

- Supporting the **development of a risk profession** to be embedded in departments, by establishing training and accreditation, regularly reviewing it, and keeping it up to date.
- **Working with stakeholders** such as the Government Skills and Curriculum Unit and the Government Finance Academy (GFA) to design training for non-specialists, particularly Civil Service leadership.
- **Upholding the professional status of risk management** and promoting its benefits. Acting as the hub in a hub and spoke model for professionals embedded in departments.



Risk management strategy for government: role of the CoE cont'd (3/3)

1) Strengthen leadership and enhance capability:

The CoE will **not** lead on all the analysis for the reporting to the CSB- it will build on work departments and other stakeholders are already undertaking to provide a strategic view.

2) Collaborate across boundaries:

The CoE will **not** manage risks itself, nor will it shadow departments, functions or other organisations in their risk management work.

3) Enhance capabilities and drive professionalism:

The CoE will **not** keep a large number of risk specialists employed at the centre, but will operate as a hub, with spokes embedded in departments.



How we will deliver on our public commitments (1/3)

Commitment	Near term actions (to be completed by end FY2022/3)	Longer term ambition (2-3 years)
1) Strengthen leadership and enhance credibility Deliverables we have committed to: ✓ Promote and embed good practice risk management processes within departments. ✓ Continue to develop principal and emerging risk analysis for the Civil Service Board. ✓ Increase the support for and coordination of reviews that examine actions and plans for the effective management of these risks.	1) Improve transparency and awareness around the CoE including the purpose of CSB reporting. 2) Start to improve the quality of reporting to CSB through a greater focus on external and systemic risks, aggregated cross-government risks, highlighted trends, confidence in management plans and areas of note or concern, and mitigation strategies, as well as a more standardised approach to reporting across government (ongoing). This will mean improving cross departmental horizon scanning, analysis, and intelligence sharing. Move to quarterly reporting with lighter touch interim reports focused on significant changes flagged by departments. 3) Better integrate risk management into wider government processes. For example, this will examine governance and assurance processes such as Outcome Delivery Plans, the Treasury Approvals Processes, Major Projects Review Group reviews, investment committees, audit and risk assurance committees, Boards, departmental performance assessments, and incentives (for instance, the Spending Review and other resource allocation processes) (ongoing) 4) Embed the existing library of central government risk management standards, guidance, case studies and promote awareness of them. This will include reviewing the Terms of Reference of the Heads of Risk Network and Risk Improvement Group to examine the potential to develop their roles in disseminating and embedding best practice. Establish a cross department risk management profession with certification and training (see slide 8) Improve understanding in Civil Service leadership of the importance of risk management and their role in it (see slide 8)	• Focusing on areas of particular demand, develop new standards guidance, case studies and supporting tools on best practice in collaboration with the risk management community. • Start to enforce the 'comply or explain' requirement in the Orange Book through review, audit and enforcement action. • Work with the GIAA, CCS, functions and Permanent Secretaries across government to develop a programme of potential reviews of the management of the CSB principal risks across departments, to enhance the analysis presented.



How we will deliver on our public commitments (2/3)

Commitment	Near term actions (to be completed by end FY2022/3)	Longer term ambition (2-3 years)
2) Collaborate across boundaries Deliverables we have committed to: ✓ Understand and embed lessons on where risks could be managed better or more transparently to improve business-as-usual service delivery and help us to cope better with future emergency responses. ✓ More collaborative and shared horizon-scanning and risk intelligence that identifies and assesses aspects that may impact on medium-term strategies and delivery within and across departments.	Actions 3 and 4 on slide 6. 5) Establish and clearly articulate the respective responsibilities of the CCS, National Security Secretariat, Government Office of Science, GIAA and CoE as the central stakeholder groups in supporting systemic risk management and identify how they can work together to deliver the most impact. 6) Clarify the role of departmental and functional heads in strategic horizon scanning and sharing insights on systemic risks - covering analysis, reporting and management of emerging risks. 7) Start to identify and implement improvements to processes for these organisations working together and sharing information as appropriate, to ensure that this work is effective, efficient and timely in identifying risks and mitigation strategies (ongoing). 8) Work with these stakeholders to start to develop and implement improvements to processes for delivering coordinated, consistent and high-quality advice on systemic and other cross-cutting risks to departments at an appropriately senior and central position, supporting a coordinated response by departments (ongoing). This should join-up with the Cabinet Office Civil Service Reform team and their review into improving Civil Service governance and establishing behaviours around processes and accountability for managing risks across organisational boundaries	• Work with Heads of Risk and risk user networks to develop a strategy for sharing best practice and intelligence with ALBs.



How we will deliver on our public commitments (3/3)

Commitment	Near term actions (to be completed by end FY2022/3)	Longer term ambition (2-3 years)
3) Enhance capabilities and drive professionalism Deliverables we have committed to: Promote innovation and increase confidence to take considered risks through: ✓ Professionalising risk management. ✓ Building risk management awareness and knowledge across leaders at all levels of government organisations. ✓ Influencing the risk culture of the Civil Service.	9) Building on the GFF Finance Career Framework and Risk Management Skills and Capability Framework, develop an L&D offer with accreditation to deliver them. 10) Build and disseminate a compelling narrative about what risk management is, and why it is important for different stakeholder groups (such as for different functions, the policy profession, delivery teams, Senior Civil Service (SCS) /Non-Exec Directors). 11) Start to take advantage of opportunities arising to embed this narrative and more widely influence culture and drive improvements in leadership including through e.g., in training for new ministers, new SCS, new joiners to the Civil Service (ongoing). 12) Build on existing CoE guidance and actions 9) and 10) to develop a risk management specific training offer for non-risk professionals. Action 3 on slide 6.	• Continue to make chosen L&D offers and continuing professional development available to staff and actively promote them. • Develop and implement a plan to establish a robust pipeline of risk professionals, based on an analysis of departments existing and ongoing needs. (ongoing) • Monitoring levels of accreditation. • Work with other functions to embed and align risk management skills and capabilities within their standards, guidance, and career frameworks.

