Llywodraeth Cymru
Welsh Government

Board Meeting: 28 September 2012

AGENDA ITEM: 5

Title of paper:	**ICT Risk Mitigation Strategy**
Purpose of paper:	The paper considers the ICT Risk Mitigation Strategy in the light of the change of policy [Board(12)015] to a phased move to multi-sourcing of ICT suppliers.
Action required by the Board:	The Board is asked to **discuss** the ICT Risk Mitigation Strategy and **note** the strategic approach to risk management.
Official presenting the paper:	David Nicholson, Head of Commercial & Contracts Unit
Paper prepared by:	Evan Jones

1. Background

1.1. At its meeting on the 30th March 2012, the Board agreed the preferred approach of a phased move to multi-sourcing by extending the existing contractual arrangements but over time starting to separate the ICT Services and Project Services contracts. As part of that decision the Board agreed to consider an ICT Risk Mitigation Strategy at a future meeting. This paper is presented to meet that requirement.

1.2. The Board is asked to note the strategic approach to risk management. Identified risks and the actions being taken to mitigate those risks are also included for information and to exemplify the approach adopted.

2. Issues for consideration

2.1. We are applying the risk mitigation strategy outlined in the ICT strategy reported to Board in October 2011. In preparation for the change to a multi-source supplier environment the risk management strategy has been updated to ensure fitness of purpose. This is based on the Cabinet Office guidelines and explicitly conforms to the Welsh Government's requirements for risk management. A copy of the risk management strategy is enclosed at Appendix 3.

2.2. To complete the strategic approach, risk mitigation is also closely woven into the fabric of the ICT strategy itself. At that strategic level there is a twin-track approach of building internal capability which increases our 'intelligent client' capacity while also reducing the direct cost of provision where we self-provide.

2.3. Simultaneously with the above there are a range of procedural controls to build resilience against risk into the system. These include:

    2.3.1. Funding and Investment Appraisal
An Annual ICT Investment Plan will be maintained by each Department of all forecast ICT expenditure.
Gated project management processes will be implemented and co-ordinated by the ICT Project Support Office (PSO) for all projects involving ICT. These are enhancements to Office of Government Commerce (OGC) Gateway reviews.
The total cost of ownership (TCO) will be considered by WG for all ICT investment decisions.

    2.3.2. Budgeting, Actuals, Variances
In order to reduce variability of actuals against planned budget, WG will eliminate all non-standard procurements unless they meet exception criteria.
All financial payments for ICT will be traceable to either an individual ICT Service or to an ICT Project.

2.3.3.   Benefits Realisation
In order to ensure all projected ICT financial, operational and intangible benefits projected in the business case are realised, PPCS - PLSE Division will proactively track and monitor ICT benefits realisation and report them to Enabling Government's Project Management Office and ICT Strategic Leads.

2.3.4.   Control and Co-ordination
ICT will re-organise to improve accountability for ICT spend, as discussed in the Governance section of the ICT Strategy.

2.3.5.   Visibility
An operational-level financial reporting and accountability mechanism will be introduced for servers to instil price transparency, to better control demand, and to support Total Cost of Ownership decision making.
A long term aspiration is to move to unit based pricing for all ICT Services.

2.4.   In accordance with the policy approach in 2.1 to 2.3 and the financial control measures in 2.4, PLSE Division has implemented a standard risk register which encompasses the full range of contract risk under both current and future arrangements.

2.5.   Identified risks fall into four overall categories: risks associated solely with the process of transition to the multi-supplier strategy; risks inherent to a multi-supplier sourcing strategy, risks present in both a multi-sourcing and a limited-source supplier strategy, and risks wholly or primarily restricted to the current limited-supplier strategy. A summary of the risk log is attached at Appendix 1 and a marked copy of the risk register is attached at Appendix 2.

2.6.   Details of mitigation of individual identified risks are contained in the appendices. Current risk levels are considered to be within an acceptable range.

3.   Resource implications

3.1   *Financial Implications*
There are no financial implications directly arising from this paper, although the mitigating actions associated with the operation of the corporate, divisional and programme-specific risk management process may have positive financial consequences.

3.2   *Implications for staff*
There are no implications for staff arising from this paper.

4.   Risks

4.1   Relevant risks are covered in the paper.

5.   Communication

5.1   No exceptional communication to staff is considered necessary.

6.   General Compliance Issues

6.1   There are no compliance issues associated with this paper.

7.   Recommendations

7.1   The Board is asked to **discuss** the ICT Risk Mitigation Strategy and
         note the strategic approach to risk management.

Date submitted to Secretariat: 13 September 2012

Publication
This paper should be published excluding Appendix 1 & 2 which contains
commercially sensitive information.

Appendix 3 – Departmental risk strategy

PLSE
Risk Management Strategy

Origin/Author **:** **Lee O'Sullivan/J Mohamed**

Owner **:** **David Nicholson**

*Date Approved***:** **August 2012**

Welsh Government
Cathays Park
Cardiff
CF10 3NQ

Contents

1. Executive Summary

1.1 Purpose of this strategy

This Risk Management Strategy document sets out the framework within which risk management in PPCS – Places and Services (PLSE) will operate. It defines the risk management structures and responsibilities necessary to ensure that risks likely to prevent the divisional objectives from succeeding are identified, understood, measured and managed to within a tolerance level acceptable to PLSE senior management.

This Strategy is based on Cabinet Office (formerly Office for Government Commerce) guidelines and other best practice techniques. It has been aligned to Welsh Government standards relating to risk management and utilises the Corporate Risk Register format.

One of the critical aspects of risk management is identifying and mitigating the financial risk exposure.

1.2 What is Risk Management

Risk Management is the process of understanding, assessing and containing unplanned events or situations that:

> may occur but have not yet occurred,
> if they do occur would have an impact on the initiative's ability to achieve its objectives.

> In short : 'The chance of exposure to the adverse or positive consequences of future events'

Today's actions make tomorrow better

Risk Management is a proactive, strategic process aimed not at removing all risk but to understand exposure to risk and manage the exposure to a level that is acceptable to those who are accountable.

Be proactive: think the worst - it might happen
Be honest - estimate everything

Within a divisional or branch context, risk exposure can be measured in terms of the impact on:

> Deliverables – the ability to deliver the agreed outputs or outcomes,
> Time – the ability to deliver on time,
> Cost – the ability to deliver within the agreed budget, and
> Quality – the ability to deliver the agreed quality

There are two distinct phases to the management of risk:

> *Risk analysis* – the gathering of information about exposure to risk so that the organisation can make appropriate decisions and manage risk in an appropriate way

> *Risk management* – processes to monitor risks, access to reliable and up-to-date information about risks, the right balance of control in place to deal with those risks, and decision-making processes supported by a framework of risk analysis and evaluation.

Why is management of risk so important?

Effective management of risk helps to improve performance by contributing to:

> increased certainty and fewer surprises

> better service delivery

> more effective management of change

> more efficient use of resources

> better management at all levels through improved decision-making

> reduced waste and fraud and better value for money

> management of contingent and maintenance activities.

1.3 Risk Management within PLSE

To ensure that Risk Management within PLSE is both workable and effective, this strategy has adopted a pragmatic and yet rigorous approach to risk management which is based on Cabinet Office Risk Management Guidelines and conforms to the Welsh Government's overall requirements for risk management. Those operating within the branch, including day to day operational services, will be required to adhere to the Risk Management Procedures.

The escalation route that risks will take will depend upon the nature of the risk but all risks will be regularly managed, monitored and subsequently reviewed at the PLSE Senior Management Team meetings.

Any risks that are of highest severity will be escalated to the Business Assurance Group if the identified owner is unable to mitigate to an acceptable level.   Risks that relate to the Merlin Partnership will be escalated to the relevant contacts outlined in the Merlin Services Agreement.

Risks / Issues that can not be resolved within the above governance forums will be escalated to the SDPB for WG and to the appropriate Alliance governance channel via the Alliance Account Director.

1.4 The Risk Management Framework

The Risk Management framework (see diagram) sets the context in which all risks will be identified and managed. It is aligned with the management and operational practices embedded within the Programme and its surrounding organisations. Adoption of the Framework is mandatory for all workstreams.

The risk management framework includes procedures detailing how risks are identified, assigned, assessed, managed, reviewed and reported.
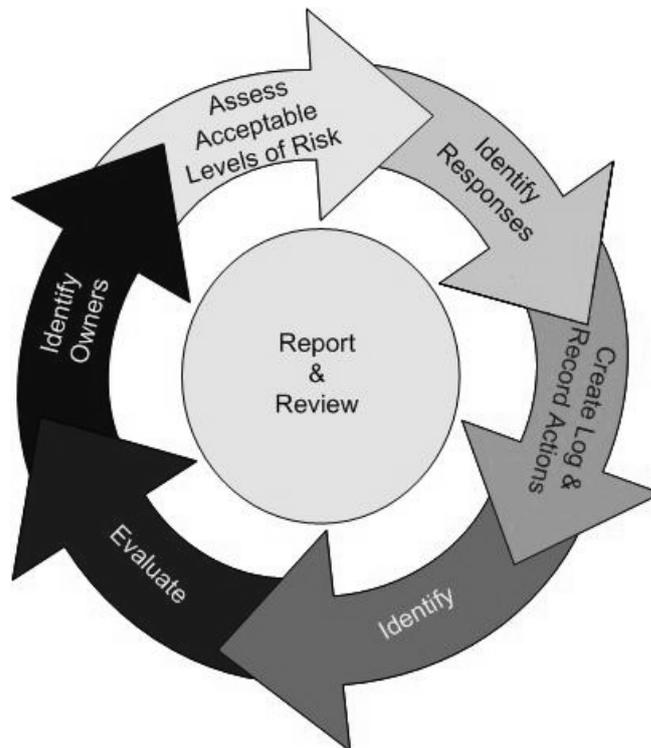
2. *Principles of Risk Management*

2.1 What is a Risk

In order to ensure that all key risks are identified, it is important that there is a wide and common understanding of what a risk is.

A risk is an unplanned event or situation that:
May occur but has not yet occurred and
If it does occur **would have** an impact on the project/programme's ability to achieve its objectives.

> Risk management is another form of planning
> If ………..Then……….

2.2 Critical Success Factors for Risk Management

Based on the Cabinet Office guidance, the key elements that need to be in place if risk management is to be effective include:

Ownership - Senior management who support, own and lead on risk management.

Strategy - a risk management framework, approved at senior level, within which risk is to be identified and managed.

Policies - Risk management policies and the benefits of effective management are clearly communicated to all staff.

Culture - An organisational culture that supports well thought through risk taking and innovation.

Embedded - Management of risk is fully embedded in management processes and consistently applied. There is a willingness to ensure that risks are actively managed.

Linked - Management of risk is closely linked to achievement of objectives.

2.3 Embedding Risk Management PLSE

Risk Management is not an optional or peripheral activity. Risk Management activities must be an intrinsic part of the way PLSE delivers to customers.

> Be specific: be precise and focus on what you can do

The Deputy Director, Places and Services is responsible for ensuring that the principles described in this strategy are embedded across the project.

2.4 Management Roles and Responsibilities

Whilst all involved within PLSE have a duty to consider the risk implications of the work they do, there are specific *roles* necessary for the risk management process to be successful. These are outlined below.

Deputy Director, PLSE

The Deputy Director, PLSE is responsible for ensuring risks within PLSE are identified, recorded and regularly reviewed and is responsible for preparing risk reports for governance board meetings, and ensuring that high-level risks are considered by the relevant governance bodies as necessary.

PLSE Senior Management Team

The Team consisting of PLSE senior management has the responsibility to provide overall ownership and direction for risk management arrangements within the branch and has the responsibility for authorising and approving the Risk Management Strategy. The Team will own the PLSE Risk Register and review it monthly and will be responsible for ensuring the implementation of the Risk Management Strategy.

Risk Owner

A Risk Owner should be assigned for each risk, the risk owner should be the person with the best capability, authority and experience to understand and manage the risk that it poses. They are ultimately responsible for the management of the identified risk.

PLSE Divisional Co-Ordination Office

Each Branch will be responsible for identifying, logging and managing its risks. The PLSE Divisional Co-Ordination Office will collate individual branch risks ready for presentation to the PLSE Senior Team for review.

2.5 Supporting Tools

When raising and managing risks, a Risk and Issue Register Template will be used to capture information around the risk and for monitoring ongoing progress. The template is consistent with the Risk Management template and guidance available from the Welsh Government's Corporate Governance Unit.

3. *Risk Management Reporting*

The PLSE Senior Management Team will be accountable for ensuring that the branch's exposure to risk is, and remains, within an acceptable level.

> The very best practice for risk management …. Talking to each other about it!

3.1 Communication

It is important that key stakeholder groups with an interest are informed of risks, the mitigation measures and the management actions taken. It is the responsibility of the PLSE Senior Management Team to ensure communications are issued to the appropriate stakeholders in a format agreed by them.