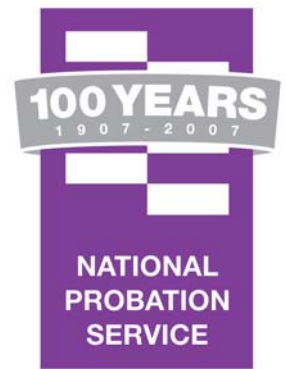


Probation Circular



PC02/2007 – RISK MANAGEMENT STANDARD FORMAT

IMPLEMENTATION DATE: 1 March 2007

EXPIRY DATE: February 2012

TO: Chairs of Probation Boards, Chief Officers of Probation, Secretaries of Probation Boards

CC: Board Treasures, Regional Managers

AUTHORISED BY: Richard Cullen, Head of Probation Area Co-ordination

ATTACHED: Annex A – Measurement of Likelihood Scale

Annex B – Measurement of Impact Scale

Annex C – RM Matrix Grid

Annex D – Summary Risk Register

Annex E – Risk Register

Annex F – Risk Register Template

RELEVANT PREVIOUS PROBATION CIRCULARS

PC24/2006, PC16/2005

CONTACT FOR ENQUIRIES

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PURPOSE

To inform probation areas of new arrangements for the standardisation of risk register and the reporting of summary of Probation Area Business Risk from the new financial year 2007/08.

ACTION

For Probation Areas:

- To use the new risk register format as part of the business plan for 2007/08.
- To be aware of the Home Office 5 by 5 Risk Metric and use it with effect from the 2007/08 Business Plan
- To ensure that risks are described in a standard format.
- To ensure that the contents of this circular are implemented from 1st April 2007.

SUMMARY

It has become apparent that there are different formats of risk register used by probation areas in informing NPD about the 10 key risks identified for their business plan.

In order to have an effective and efficient way of measuring capability, maturity and performance, the 2007/08 business plan risk register needs to be standardised.

In the light of this, probation areas should use the format provided to report risks.

UNCLASSIFIED

This Probation Circular is to inform Chief Officers and Business Risk Managers of these changes

1. Introduction:

Organisations are increasingly being required to demonstrate effective corporate governance and internal control. At the same time there is also a primary objective to deliver performance.

As we deal with risks on a daily basis, it is very important that the arrangements and processes for managing risk are well understood. For example the following types of action can be taken to respond to risk situation on a daily basis:

- **Transfer some aspect of the risk**
- **Tolerate the risk**
- **Treat the risk**
- **Terminate the risk**

All probation areas are expected to address risk issues because identifying the sources of risk and the area of impact on the business of the organisation will contribute to the effective management of the risk.

2. The Standardisation of Risk Reporting:

Following the review of the Risk Register that was included 04/05, 05/06, and 06/07 Business Plans, it is now apparent that:

- The risk description in many risk registers is not very clear
- There are lack of consistency in the use of the Home Office risk matrix (5 X 5)
- There are inconsistency in the risk reported
- There are different format of risk registers.

The various templates on the following pages rectify these anomalies. All probation areas are required to adopt and use the template to report their **10** identified risks to their 2007/08 Business Plan.

The lists of templates are as follows:

Annex	NAME OF TEMPLATE	WHEN AND HOW TO USE
A	Measurement of Likelihood Scale	When determining the description, measurement and the likelihood of risk.
B(b.1&b.2)	Measurement of Impact Scale	When determining the measurement of impact of risk.
C	RM Matrix Grid	When determining the risk rating/risk severity status.
D	Summary Risk Register	When reporting key risks to NOMS HQ
E	Risk Register	When reporting 10 Key risks. Use one page per risk, with full details
F(f.1)	Risk Register Temple	How to Complete Template

ANNEX A - MEASURE OF LIKELIHOOD SCALE

Likelihood	%	Definition	Description
Very Low - (VL)	Less than 5% chance of risk occurring	<ul style="list-style-type: none"> Extremely infrequent – unlikely to have any strategic impact, or occur during a project or programmes lifecycle. May occur once a year or so in an operational environment. 	Has happened rarely/never before.
Low - (L)	6 – 20% chance of risk happening	<ul style="list-style-type: none"> Strategic - Small chance of occurring during the lifetime of a strategy Programme/Project - Not likely to occur during the lifecycle of the project or programme. Operational - Does not happen often – once every six months. 	Has not happened, or happened in a very limited way
Medium - (M)	21 – 50% chance of risk occurring	<ul style="list-style-type: none"> Strategic - Only likely to happen every 3 years or less, therefore may well occur during the initiative. Programme/Project - May occur during the life of the programme or project. Operational - May happen on a monthly basis 	Has occurred before, but not often and may have been in a limited way.
High - (H)	51 – 80% likelihood of risk materialising	<ul style="list-style-type: none"> Strategic - Likely to happen at some point during the next one to two years. Programme/Project - Likely to happen in the life of the programme or project. Operational - May well happen on a weekly basis. 	Occurs from time to time and may do again in the near future occasionally
Very High - (VH)	More than 80% chance of occurring	<ul style="list-style-type: none"> Strategic - ‘Clear and present danger’ represented by this risk – will probably impact on this initiative – sooner rather than later. Programme/Project - Is likely to happen in the life-cycle of the project, probably early on and, perhaps, more than once. Operational - Likely to happen almost every day. 	Regular occurrence, circumstances frequently encountered.

PLEASE ALSO SEE THE RISK LIKELIHOOD RATING IN THE BOOKLET (“RISK MANAGEMENT – A Practical Guide for the Home Office”)

ANNEX B.1 – EXAMPLE - IMPACT SCALE (Project/Programme Level)

	Public Protection	Financial	Reputational and project and programme delays	Delivery and achievement of objectives, including impact on project or programme requirement
VH	Failure of elements of this project or programme could give rise to a public protection issue around several cases leading to potential injury or loss of life.	<ul style="list-style-type: none"> Unfunded pressures greater than £2 million Fraud, corruption and serious irregularity at middle-manager level 	Relationship with external stakeholder damaged or a major delay affecting a key milestone or the critical path.	Major shortfall in any of the critical requirements and/or potentially affecting a directorate level objective
H	Failure of elements of this project or programme could give rise to a public protection issue around a single case, leading to potential injury or loss of a life.	<ul style="list-style-type: none"> Unfunded pressures under £2 million Fraud, corruption and serious irregularity at more junior levels. 	Relationship with external stakeholder eroded or a delay affecting a key milestone or the critical path.	Major shortfall in one or more key parameters and/or potentially affecting a unit level objective
M	Failure of elements of this project or programme could give rise to real potential for a public protection issue to emerge that could affect a single case, possibly leading to serious injury or mental trauma.	Overspend forecasted.	Possible mid-level embarrassment for project manager with medium term impact or a significant slip that could affect a milestone or the critical path.	Minor shortfalls in one or more key requirements and/or that affects more than one key unit workstream
L	Failure of elements of this project or programme could give rise to possible potential for a public protection issue to emerge on a single case possible leading to injury of some kind.		Possible low level embarrassment for project manager or a small schedule slip.	A few shortfalls in desirable functionality and/or that affects a key unit workstream
VL	Elements of the project or programme could have some implications for the safety of the public compromised, but in very low-level way; unproven or undefined.		Project team's relationship with other project teams damaged. No major effect on projected schedule.	System will fully meet mandatory requirements, but there may be other low-level impacts

PLEASE ALSO SEE THE RISK LIKELIHOOD RATING IN THE BOOKLET (RISK MANAGEMENT – A Practical Guide for the Home Office)

ANNEX B.2 – EXAMPLE - IMPACT SCALE (Unit Level)

	Public Protection	Financial	Reputational	Delivery and achievement of objectives
VH	Public protection issue around several cases leading to potential injury or loss of life.	<ul style="list-style-type: none"> Unfunded pressures greater than £2 million Fraud, corruption and serious irregularity at middle-manager level 	Relationship with external stakeholder is badly damaged or relationship with internal stakeholder is eroded. Possible impact on whole Home Office, but certainly directorate.	Failure to deliver a directorate level objective
H	Public protection issue around a single case, leading to potential injury or loss of a life.	<ul style="list-style-type: none"> Unfunded pressures under £2 million Fraud, corruption and serious irregularity at more junior levels. 	Relationship with external stakeholder is eroded or compromised. Probable bad publicity for Directorate but certainly for unit.	Failure to deliver a unit level objective
M	Real potential for a public protection issue to emerge that could affect a single case, possibly leading to serious injury or mental trauma.	Overspend forecasted.	Potential embarrassment for unit or HOU with external stakeholders that may need to be addressed by letter of apology and/or possibly other actions – medium term impact.	Failure to deliver on more than one key workstream supporting unit level objectives
L	Possible potential for a public protection issue to emerge on a single case possible leading to injury of some kind.		Possible low level embarrassment for unit or HOU that needs to be addressed by phone call or letter of apology – short term impact.	Failure to deliver a key workstream supporting a unit level objective
VL	Some implications for the safety of the public compromised, but in very low-level way; unproven or undefined.		Local level relationships, probably internal, between middle managers damaged or compromised with a need for trust to be rebuilt – short term impact	Unit level day to day operational or 'housekeeping' activities affected.

PLEASE ALSO SEE THE RISK LIKELIHOOD RATING IN THE BOOKLET (RISK MANAGEMENT – A Practical Guide for the Home Office

ANNEX B– EXAMPLE - IMPACT SCALE (Corporate Level)

	Public protection	Financial	Reputation	Delivery and achievement of objectives
VH	A systemic failure for which HO/HO agencies are ultimately responsible for exposing the public to serious harm in cases when mitigation was expected, e.g. release of dangerous offenders leads to a death or serious injury.	<ul style="list-style-type: none"> • Unfunded pressures greater than £25 million • Fraud, corruption and serious irregularity at Ministerial/board level 	Incompetence/maladministration represents a serious and sustained risk to our reputation, likely to lead to a change in leadership at the top of the office (Home Secretary level). Example: Foreign nationals.	Failure to deliver all 'key' HO objectives (PSAs + PM/Home Sec priorities + manifesto pledges/100 days).
H	A systemic failure for which HO/HO agencies are ultimately responsible for exposing more than 100 people to harm in cases when mitigation was expected, e.g. experience of common assault or burglary.	<ul style="list-style-type: none"> • Unfunded pressures greater than £10 million • Fraud, corruption and serious irregularity at Director level 	Incompetence/maladministration represents a serious and sustained risk to our reputation likely to lead to a change in leadership at GEB or ministerial level (incl. Perm Sec). Example: CSA Delivery, IND operational responsibilities split	Failure to deliver the majority of HO 'key' objectives
M	A systemic failure for which HO/HO agencies are ultimately responsible for exposing less than 100 people to harm in cases when mitigation was expected, e.g. experience of common assault or burglary.	<ul style="list-style-type: none"> • Unfunded pressures greater than £5 million • Fraud, corruption and serious irregularity at SCS level 	Incompetence/maladministration poses a threat to our relationship with our stakeholders and risks some public criticism. Example: Policy U-Turn (ID Cards)	Failure to deliver 1 or more of our 'key' objectives.
L	A systemic failure which results in inadequate protection for individuals/individual communities, including failure to resolve celebrity cases, e.g. Mubarrak, Lawrence, Hamza.	<ul style="list-style-type: none"> • Unfunded pressures greater than £2 million • Fraud, corruption and serious irregularity at middle-manager level 	Home Office performance receives widespread public criticism. Example: impact of campaigning organisations, such as Victim Support, Howard's League, Police Federation.	Only just delivering a 'key objective' (e.g. on a downward trend)
VL	A systemic failure which fails to address ASB and other low-level offences.	<ul style="list-style-type: none"> • Unfunded pressures under £2 million • Fraud, corruption and serious irregularity at more junior levels. 	Home Office performance is publicly criticised by external stakeholders as anticipated. Example: release of crime figures.	No risk to Home Office demonstrating achievement of its 'key' objectives (to time, on budget etc.) Failure to deliver more than one Directorate level objective.

PLEASE ALSO SEE THE RISK LIKELIHOOD RATING IN THE BOOKLET (RISK MANAGEMENT – A Practical Guide for the Home Office)

ANNEX C – Risk Management Matrix

		Impact				
		Very Low	Low	Medium	High	Very High
Likelihood	Very High	VH/VL (7)	VH/L (13)	VH/M (17)	VH/H (23)	VH/VH (25)
	High	H/VL (6)	H/L (9)	H/M (15)	H/H (22)	H/VH (24)
	Medium	M/VL (4)	M/L (8)	M/M (14)	M/H (19)	M/VH (21)
	Low	L/VL (2)	L/L (5)	L/M (11)	L/H (16)	L/VH (20)
	Very Low	VL/VL (1)	VL/L (3)	VL/M (10)	VL/H (12)	VL/VH (18)

PLEASE ALSO SEE THE RISK LIKELIHOOD RATING IN THE BOOKLET (RISK MANAGEMENT – A practical Guide for the Home Office)

ANNEX D – TEMPLATE SUMMARY RISK REGISTER AS AT

Business Plan Objective								
	Risk Ref No	Risk Category / Group	RISK DESCRIPTIONS	RISK STATUS AS AT				
				Likelihood	Impact	Risk Rating	Change in Risk Rating	Action Owner

PLEASE SEE ANNEX F ON HOW TO COMPLETE THIS TEMPLATE. PLEASE USE SEPARATE TEMPLATE FOR EACH NEW BUSINESS OBJECTIVE

ANNEX E – TEMPLATE RISK REGISTER AS AT.....

Objective ID	Objective/Priority:

Risk ID -		DATE RISK CREATED	
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Risk Description	
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Risk Category:	Risk Owner:	Action Owner:
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RISK SEVERITY STATUS									ACTION	RISK REVIEW DATE
PREVIOUS REVIEW RATING			CURRENT REVIEW RATING			CHANGES IN RISK RATING				
Likelihood	Impact	Rating	Likelihood	Impact	Rating	STABLE	RISING	REDUCING		

Description of impact on the business objectives	Controls in place for dealing with the risk

Proposed actions over the next quarter	By Whom	By When

ANNEX F.1 – How to complete RISK REGISTER Template

Objective ID 1	Objective/Priority: 2									
Risk ID - 3	DATE RISK CREATED			4						
Risk Description 5										
Risk Category: 6	Risk Owner: 7		Action Owner: 8							
RISK SEVERITY STATUS						ACTION	RISK REVIEW DATE			
PREVIOUS REVIEW RATING 9			CURRENT REVIEW RATING 10			CHANGES IN RISK RATING 11				
Likelihood	Impact	Rating	Likelihood	Impact	Rating	STABLE	RISING	REDUCING	12	13
Description of impact on the business objectives 14						Controls in place for dealing with the risk 15				
Proposed actions over the next quarter 16						By Whom 17		By When 18		

Comment: (Box 1) Insert the objective number

Comment: (Box 2) Insert the Business Objective

Comment: (Box 3) Insert the Risk ID

Comment: (Box 4) Insert the Date Risk was created

Comment: (Box 5) Insert the Risk Category such as Operational, Financial, Regulatory, Compliance

Comment: (Box 6) Insert the Risk Category such as Operational, Financial, Regulatory, Compliance

Comment: (Box 7) Insert the risk owner

Comment: (Box 8) Insert the name of action owner

Comment: (Box 9) Insert in the Boxes below the likelihood, Impact and Rating using the HO Risk Matrix

Comment: (Box 10) Insert in the Boxes below the likelihood, Impact and Rating using the HO Risk Matrix

Comment: (Box 11) Insert in the Boxes below the Risk Trend - Stable, Rising or reducing. Highlight which box you have chosen

Comment: (Box 12) Insert the type of action you intend to take about the risk - **Treat, Tolerate, Terminate or Transfer**

Comment: (Box 13) Insert the date the risk was reviewed

Comment: (Box 14) Insert the description of Impact on the Business if the risk occur

Comment: (Box 15) Insert the current control in place to reduce the impact of the risk on the business

Comment: (Box 16) Insert the list of actions planned to deal with the risk

Comment: (Box 17) Insert the names of Officers that will act on actions listed in **Box 16**

Comment: (Box 18) Insert the date when action should have been completed

ANNEX F

HOW TO COMPLETE TEMPLATE - SUMMARY RISK REGISTER AS AT..

Business Plan Objective	(1)							Comment: (Box 1) Insert the Business Objective	
	Risk Ref No	Risk Category/ Group	RISK DESCRIPTIONS	RISK STATUS AS AT(2)					Comment: (Box 2) Insert the Date
				Likelihood	Impact	Risk Rating	Change in Risk Rating	Action Owner	
(3)	(4)	(5)		(6)	(7)	(8)	(9)	(10)	Comment: (Box 3) Insert the Business Objective Reference number

Comment: (Box 4) Insert the Risk ID number

Comment: (Box 5) Insert the Risk Description. Make sure that the description include cause, effect and impact.

Comment: (Box 6) Insert the likelihood, Rating.

Comment: (Box 7) Insert the Impact Rating

Comment: (Box 8) Insert the Risk Rating using the HO Risk Matrix on Appendix E

Comment: (Box 9) Insert appropriate Key which indicate the current position of the risk – (Stable, Rising or Reducing) Only use this when reporting about risk on review.

Comment: (Box10) Insert the name of Office

Example of Risk Groups/Categories

External	- Risk arising from external environment – not within the organisation’s control
	<ul style="list-style-type: none"> Example - Economic, Compliance, Legal, Regulatory, Environmental, Political
Operational	- Risk arising from operational environment - within the organisations control
	<ul style="list-style-type: none"> Example - Capacity Capability, Partnership, Delivery, Reputation, Resources, Public Protection, Governance, Resilience, Security
Change	- Risks created by decision to pursue new endeavours
	<ul style="list-style-type: none"> Example – New Policies, Change Programme, PSA targets, New Projects

KEY – Stable  Rising  Reducing 