Risk Management and Insurance

Victorian Government Risk Management Framework

PRACTICE NOTES

INCORPORATING RISK INTO CORPORATE PLANNING

State Government

INCORPORATING RISK INTO CORPORATE PLANNING

Risk management is a valuable practice that helps guide corporate and business planning process.

It is most effective when decision makers consider risk during formulation, design and execution of corporate and business planning. This results in a risk centric approach to support informed decision making, improved performance and better outcomes.

Incorporating risk management into corporate and business planning provides value to decision makers as it:

- identifies what could impact the agency's objective(s)
- provides an opportunity to develop strategies to minimise the impact
- supports decisions on how much risk can be taken to achieve an objective.

If risk management is not incorporated into planning it often means decisions are made without considering what is uncertain and the possible resulting effects, implications and dependencies.

Each agency will need to determine the best approach to incorporating risk management into corporate planning. This should be documented in the agency's risk management plan.

Risk should be considered across key corporate planning documents including:

- statement of corporate intent
- corporate plan
- business plan.

Uncertainty and planning

Accurate information is not always going to be available to make decisions during corporate planning. An agency will need to rely on the best information available at the time and assumptions may inevitably be made. This could give rise to 'uncertainty'.

When considering uncertainty, a systematic approach that puts uncertainty at the core of corporate planning and strategic decision making is required. A review of plausible scenarios and implications that empower people at all levels should be conducted to challenge assumptions. Exploring the cause and effect of uncertainty on objectives will assist the agency to be better prepared to manage risk.

As uncertainty changes, so does the risk. This means risk is dynamic and there may be emerging risks that have not yet been considered. Therefore risk must be monitored and reviewed on a regular basis.

Use 'what if' scenario planning to help identify what is uncertain and challenge assumptions. Undertake regular environmental scanning to identify emerging risks.

Victorian Government Risk Management Framework expectations

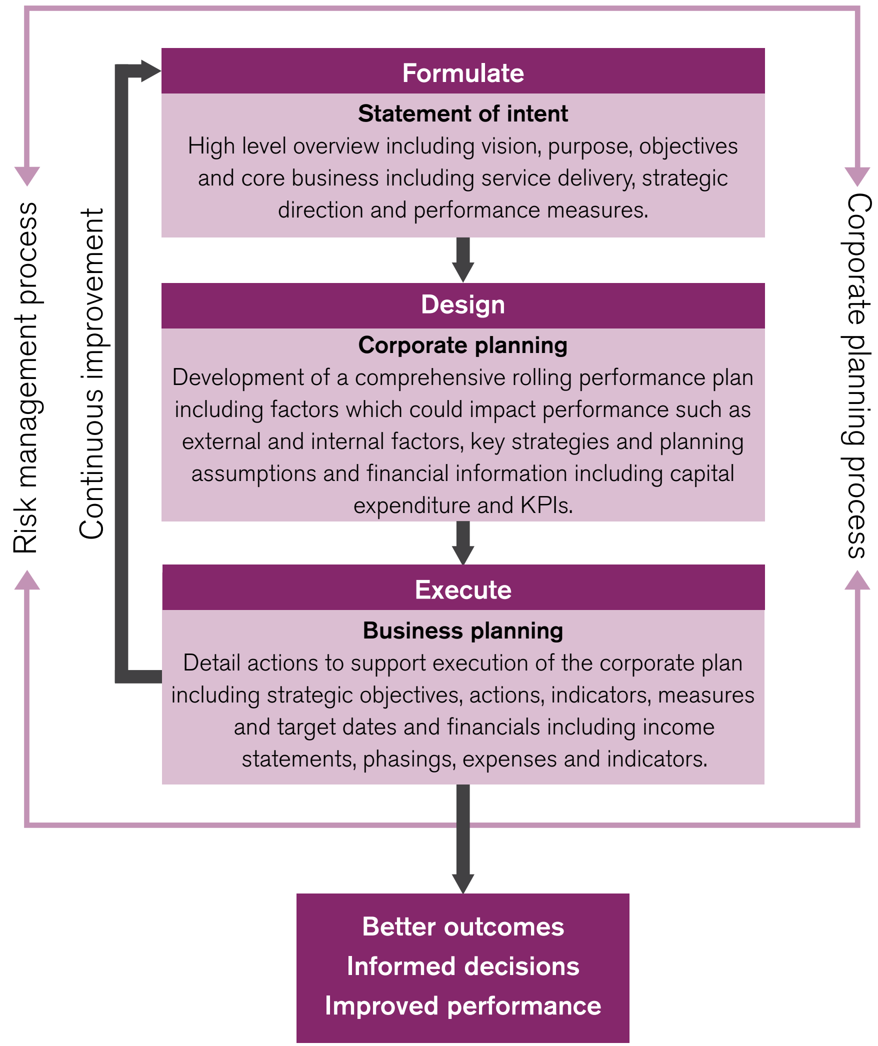
The Responsible Body must be satisfied risk management is incorporated into the agency's corporate and business planning processes. For more detail refer to the *Victorian Government Risk Management Framework Practice Guide*.

These practice notes have been developed to provide practical support, advice and guidance to help agencies meet the mandatory requirements.

Practical tips

- The Responsible Body has communicated expectations to the executive to implement.
- Executive and senior leaders champion incorporating risk into all activities (including projects).

Incorporating risk into corporate planning



Strategic risks

Strategic risks are generally risks that relate to the corporate objectives of an agency.

They tend to be longer term and/or are of strategic importance and can impact the strategic intent of the agency.

It is possible for some operational risks to be of strategic importance and classified as strategic.

Agencies can use plausible scenarios or high level statements to describe strategic risks particularly where there is uncertainty or multiple potential impacts.

ⓘ Conduct an annual strategic risk workshop during corporate planning to help meet this requirement. Consider interagency and statewide implications to ensure these risks are identified and managed. Refer to the *Victorian Government Risk Management Framework Practice Guide* for the method to undertake a strategic risk workshop.

Practical tips

- Consider risk throughout the corporate planning life cycle.
- Incorporating risk into planning is not set and forget. As risk is dynamic, it will require frequent review and process that evolves with time.
- Consider unexpected events and their impacts. An unexpected event may require adjustment to the strategy, risk approach and planning.
- Involve the risk function in the corporate planning process.

CASE STUDY

Case study: Incorporating risk management into corporate planning

Eastern Health is a large complex health service that has successfully embedded risk management into its corporate and business planning

Overview

Eastern Health is a successful and highly recognised health service, winning the Premier's Health Service Award in 2013 and 2014. In 2014-15, Eastern Health's 8,683 staff and 921 volunteers provided care from 65 sites across 21 different locations, 11 of which provide 24 hour care.

Incorporating risk into business planning

Risk is incorporated into every aspect of Eastern Health's business planning and over time has become embedded into standard business practice.

Risk management and planning activities are incorporated throughout the organisation including:

- A 10 year Strategic Clinical Service Plan which cascades to a 5 year Strategic Plan, Annual Operations and Improvement Plan and Annual Statement of Priorities.
- Strategic and operational risk is embedded in each major element of the annual planning and improvement cycle for all managers and leaders.
- Mitigation actions form part of the organisation's overall scorecard reviewed by the executive and Board.

Monitoring occurs through risk reports and the Eastern Health Scorecard which measures the progress of Eastern Health's strategic direction.

The scorecard reports monthly on over 80 KPIs with trends monitored. It is available to all managers, reported to the Board and reviewed annually. The scorecard focuses the executive management team, drives strategy engagement and deployment, and increases understanding of the strategic direction across the entire organisation.

Challenges

Risk can be confronting, particularly in a clinical setting, and Eastern Health's main challenge has been to bring all staff across various sites along for the journey.

Eastern Health's approach has been focused on removing the negative connotations associated with risk by looking at risk management from an opportunity and improvement perspective. Understanding the language has been critical for engagement and to ensure risk is considered as part of everyday practice.

"Never be frightened to look at the facts of a situation – you might be surprised to find a number of hidden opportunities." **Alan Lilly, CEO**

Benefits

For Eastern Health, some of the key benefits of incorporating risk into corporate and business planning have been:

- Strong links across corporate function plans including budget planning.
- Risk stocktake identified risks and performance gaps which lead to investigation, refinement and a comprehensive risk assessment.
- Executive oversight of the risk profile and treatment plans.
- Enterprise risk management was used to facilitate continual improvement of the operational improvement plan.
- Regular monitoring has identified learning opportunities for continuous improvement.

Risk has become embedded into decision making across all levels of Eastern Health which ensures that both risk and opportunity are considered at all times.

REVIEW

Have you considered the following:

Formulate

- ☐ Current and emerging risks in the development of strategic direction and objectives.
- ☐ Type and amount of risk the agency is prepared to accept or avoid.
- ☐ Using risk factors and scenario analysis to identify potential impacts and flow-on consequences.
- ☐ Formalising the risk identification process to record, report and monitor.

Design

- ☐ Internal and external risks that could impact delivery of the corporate plan (including interagency and State significant risks).
- ☐ Identifying what assumptions have been made and the potential implications.
- ☐ Alignment of strategic risks to operational risks.
- ☐ Including key strategic risks in the corporate plan. Providing the plan to all staff.

Execute

- ☐ Specific risks to business plan actions and how they are managed and monitored.
- ☐ Using indicators to inform and track progress.
- ☐ Defining tolerance and limits for key risks.
- ☐ Aligning individual performance plans to corporate objectives to deliver against specific actions.

Practical tips

- Risk management is not a bolt on annual activity driven by the risk function. It must be an integral part of every aspect of planning and embedded into everyday practice.
- Managers and staff need to be engaged in the journey to understand their role.
- Consider how to remove negative connotations associated with risk to improve engagement.
- Policies, procedures and processes are developed to create a standard 'business as usual' practice.
- Mitigation actions are monitored and regularly reviewed by the Responsible Body, Audit Committee and executive.
- Monitoring occurs through risk reporting and aligns to the corporate plan and/or scorecard.
- The outcomes of monitoring are used to identify improvement opportunities.
- Risk framework aligns and compliments the agency's planning frameworks and/or processes.

Additional resources:

- www.vmia.vic.gov.au/VGRMF Resources

Related documents:

- Interagency and State Significant Risk Practice Notes
- Risk Culture Practice Notes
- Attestation Practice Notes

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