

Risk Management: the route to Diversification and Transparency

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Why me?

- ❑ Long experience in working with organisations in multiple sectors to help them leverage tangible benefit from change and uncertainty.
 - Beyond governance and compliance – although this is important
 - Focused on exploiting upsides as well as defending against downsides
 - Intelligent risk taking with excellent project delivery
- ❑ Former Director of a 'Big4' Risk in the Boardroom practice.
- ❑ Co-author of a number of books about the people aspects of risk management and how this influences the willingness to take risk.
- ❑ I'm a practitioner with half a 'proper job!' as well as a consultant supporting other teams.

The route to diversification and transparency

- Thoughtful title I was given by CHC.
- Excellent that it reflects that risk is not just about protecting the downside, ensuring compliance and providing transparency to stakeholders.
- Also about understanding what emerging uncertainties you can seize and exploit to create more value to your mission.
- Business mind, social heart.

Risk process considerations

Key aspects of a risk management process that are vital in going beyond a compliance only mindset and embracing emergent risk and change.

- ❑ **How much risk is too much risk?** Vital to articulate the organisation's appetite for risk in a measurable way through carefully calibrated impact scales – could be seen as a type of balanced scorecard highlighting where you are prepared to take more risk than in others (my presentation to the Governance conference in March 2017 available for reference)
- ❑ To do this you need your Board to consider the balance between what you are trying to **achieve** and what you are trying to **avoid**
- ❑ Then you can decide which risks are opportunities to be seized to **enable you to diversify**, and which are threats to be defended where you **need to be transparent** with your stakeholders
- ❑ And you need **really clear statements of assumptions and risk descriptions** that separate facts now, from uncertainties now, from impacts on objectives...
- ❑ This will enable you to 'stress test' your business plans and...
- ❑ **Develop plan B's** (Key finding 3 from the HCA 'With the Benefit of Hindsight' publication 2015).

You obviously need to deal with 'normal' risk: understand, prioritise, accept or respond, model impacts on your business plan

Income

- Social rents – volatility
- Impacts of welfare reforms – cash-flows and debt management
- Supported housing and care – grants
- Existing diversified income streams

Housing supply and affordability

- Policy changes – welfare, health, social care
- New homes development – land, buildings, assuring quality and safety
- Quality of existing stock – repair and maintenance programmes

Costs

- Safe and ethical efficiency savings
- Pensions costs/deficits
- Assets and liabilities
- Funding debt – meeting covenants – counter-party risks
- Inflation – differences for income and expenditure

Governance

- Demonstrating value for money and responsible risk taking
- Data protection and security
- Tenant involvement and scrutiny, ensuring service standards
- Board diversity and effectiveness – behaviours and decision-making

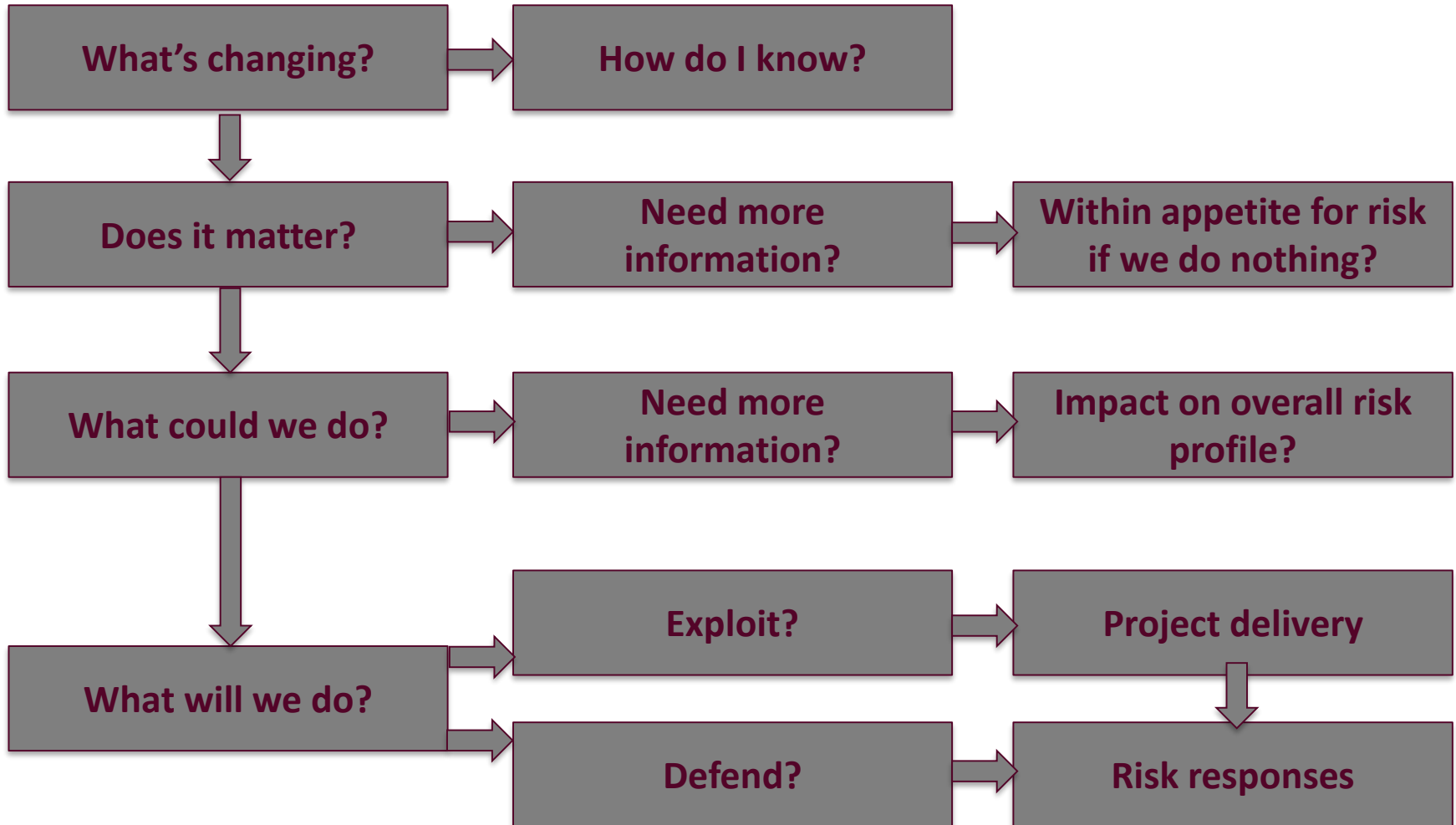
Horizon scanning - risky trends: transparency

- ❑ **Urban governance**; greater active citizenship; open, transparent, tech-enabled communications and decision-making
- ❑ **Regulatory changes**; modern slavery; corporate criminal offence to enable 'associated persons' to evade tax; EU General Data Protection Regulations, what else?
- ❑ **Cyber security**; hardware, software, security & authorisations; behaviours.
- ❑ **Physical security**; changing expectations about keeping tenants and the wider public safe –in a context of more culturally diverse, ageing population with growing intergenerational differences and concentration of affluence and social deprivation

Horizon scanning - risky trends: diversification

- ❑ **Sharing economy –**
 - co-living solutions, sharing spaces and equipment
- ❑ **Intergenerational equity –**
 - opportunities for increasing shared ownership properties
- ❑ **Future of cities –**
 - ‘connected’, big-data, internet of things
- ❑ **Energy policy –**
 - solar battery storage
- ❑ **Ageing population –**
 - integrated but separate accommodation for carers and cared for

Some questions to answer for risk management to be the route to diversification and transparency



In summary – some questions for you to take away

- There are some aspects of risk process that are vital:
 - Risk appetite as measurable thresholds – balanced decision-making
 - Clear assumptions and risks related to your business plan to enable stress testing
 - Clear sense of ‘plan A’ and ‘plan B’ – what will you trade?
- ‘Normal’ sector risks need to be understood and managed:
 - How confident are you that you are able to provide the right levels of transparency – to your Board, to regulators, to the stakeholders you serve?
- Emerging trends – where is your horizon? Is it far enough out?
 - What are the emergent trends you can seize, exploit, diversify? And what skills do you need to be able to do that?
 - What do you need to defend to preserve what you have?
- Are you one of those organisations who thinks about risk (threats) in one forum and innovation (opportunities) in another?
 - How might that be causing a problem/limiting possibilities?

For more information

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- www.ruthmurraywebster.com
- www.rara-risk.com
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