

CIPFA conference



local leadership and risk

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jeopardy fear harm
risk peril chance
instability
opportunity hazard
uncertainty **threat** unpredictability
precariousness insecurity
danger

risk registers:

the theory ...

- management attention commensurate to risk;
- managerial controls proportionate to risk

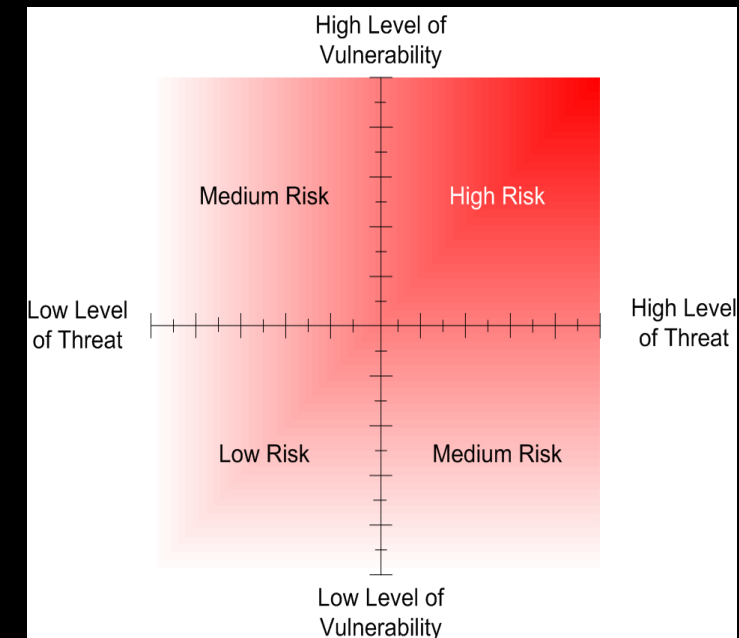
The Orange Book

identifying risks; assessing risks;
choosing risk appetite; addressing risks

tolerate, treat, transfer, terminate

HMT 2004

Likelihood	5	10	15	20	25
	4	8	12	16	20
	3	6	9	12	15
	2	4	6	8	10
	1	2	3	4	5
	Impact				



“You cannot stop the birds of worry flying over head,
but you can prevent them building nests in your hair”



“the **resilient** and the **robust** resist shocks and stay the same” Taleb

so what do we worry about?

1 **agency failures:**

strategic
litigation
operational
financial
technology

2 **regulatory risks:**

service inspections
data quality & security
health & safety
compliance

3 **other risks:**

workforce
fraud & corruption
environmental

for every £100

“quality of life-chances”

“quality of life”

£17

£32

£51

2,000

6,000

everyone (286,000)

personal services:

for children and adults who
have complex needs, are
vulnerable and/or **at risk**

common good services:

targeted activities, facilities,
amenities, and services in
localities for everyone

our capability to redesign >150 services in three years?

A word cloud featuring various terms related to crises and emergencies. The words are arranged in a non-uniform, overlapping manner. The most prominent words, shown in white, include 'child death', 'murders', 'floods', 'carer abuse', 'loss of control', 'fraud', 'embarrassment', and 'data security'. Other words, shown in a lighter gray, include 'critical incidents', 'service failure', 'fires', 'economic shocks', 'community tension', and 'reputational damage'.

floods

carer abuse critical incidents

child death **murders**

community tension **service failure**

fraud economic shocks

loss of control fires

reputational damage **data security**

embarrassment

RBS had 4,000 risk managers the month before they received a £46bn bailout and were effectively nationalised

“the difficulty was seeing the risk to the system as a whole rather than to any specific financial instrument or loan. Risk calculations were most often confined to slices of financial activity, using some of the best mathematical minds in our country and abroad. But they frequently lost sight of the bigger picture.”



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22 July 2009

MADAM,

When Your Majesty visited the London School of Economics last November, you quite rightly asked: why had nobody noticed that the credit crunch was on its way? The British Academy convened a forum on 17 June 2009 to debate your question, with contributions from a range of experts from business, the City, its regulators, academia, and government. This letter summarises the views of the participants and the factors that they cited in our discussion, and we hope that it offers an answer to your question.

managerial errors: type 1 and type 2

1 **failure of foresight:**

doing something that subsequently
proves to be wrong

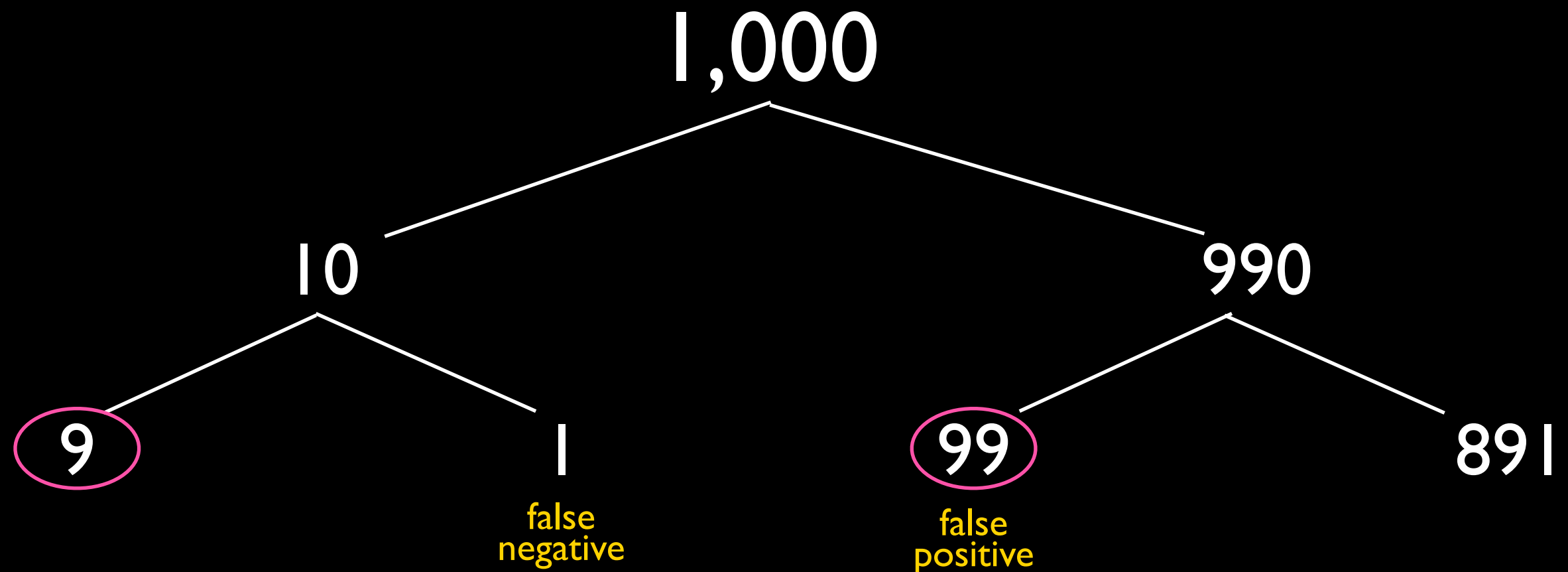


2 **the benefit of hindsight:**

not doing something that
would have been right



miscalculating probability: 1% of people have a condition, the test for which is 90% accurate. You take the test and are told the test is positive. What is the chance you have the condition?

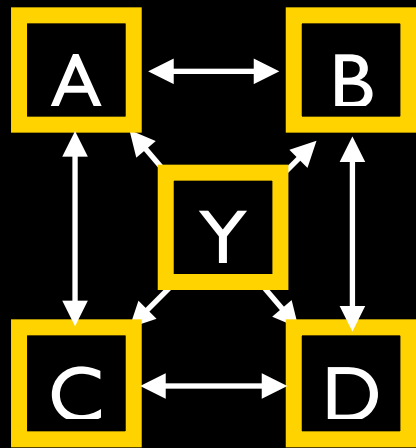


$$9 \text{ plus } 99 = 108$$

so, for every 12 people
who are told they have the condition,
only 1 actually has it!

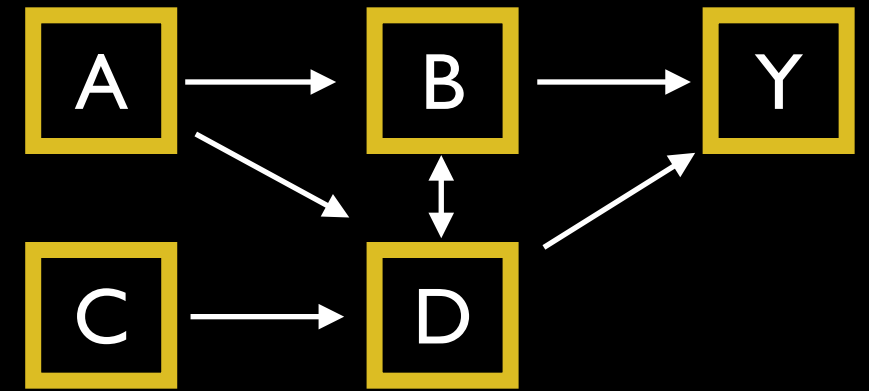
causation

complex



solutions known only in **retrospect**
and are not repeatable
experimental practice

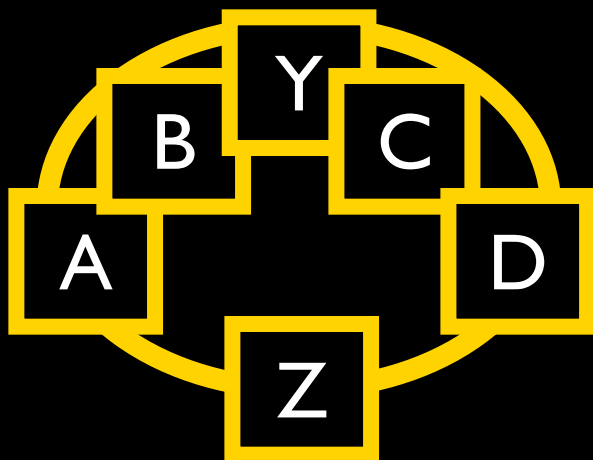
complicated



problems are open ended,
solutions are **knowable**
expert practice

disorder

chaos



there is no cause and
effect, only instability
novel practice

simple

A plus B causes Y

solutions to problems
are well **known**
best practice

managerial reductionism



the myth of mitigation?

"when risks are high, we tighten control, which (hopefully) lowers the chance of the risks being realised"

empowered measured risk taking

- a time of private growth but continued public austerity
- biggest risk - failure to redesign public services at pace
- 2nd biggest risk - failure to stay ahead of the “cuts curve”
- people differ ... variable “locus of control”
 - risk junkies – cautious calculators – risk avoiders

the public Leader's role



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thank you

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