



ALARM

embrace risk

HORIZON SCANNING POST COVID-19

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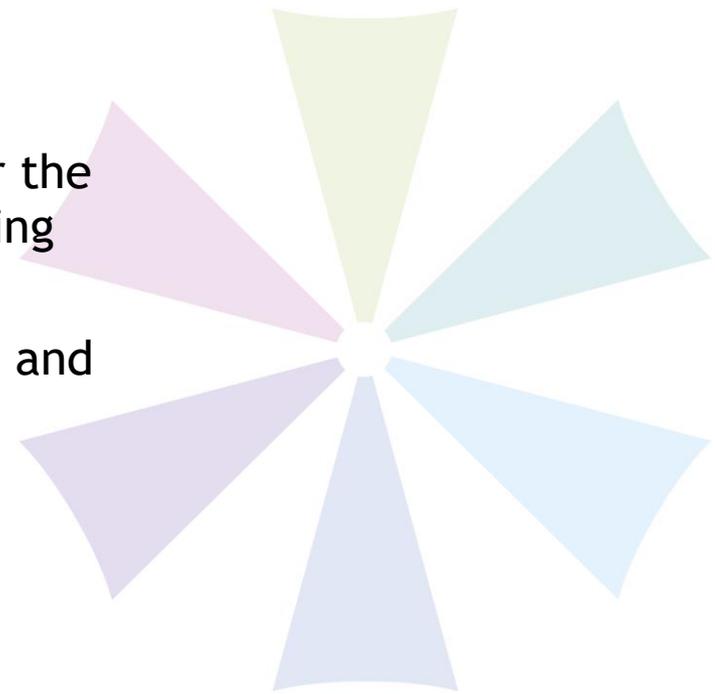
Horizon Scanning

Purpose

To introduce the concepts of horizon scanning and scenario analysis

We will

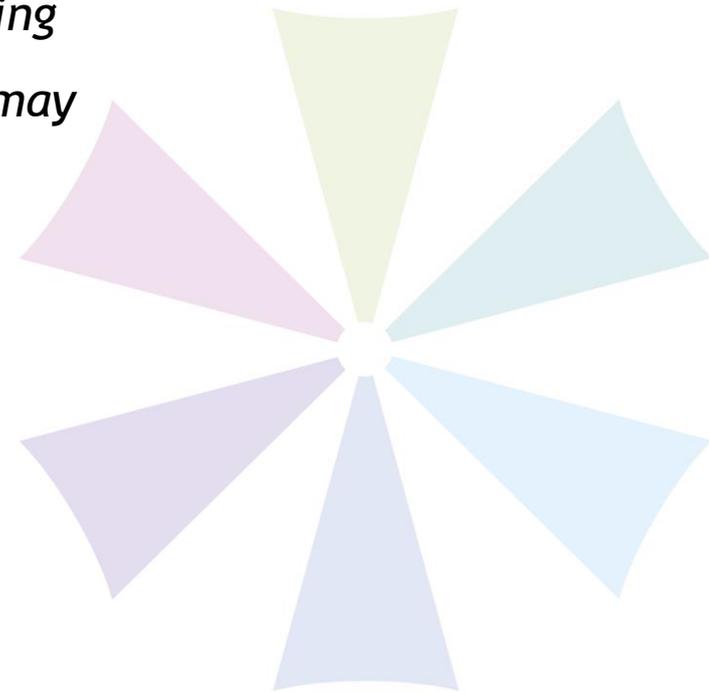
- Discuss how organisations might better consider the future & emerging risks (and opportunities) facing their business operations
- Consider how these risks need to be researched and mitigated in a strategic & operational planning environment
- Invite discussions and questions to share experiences, knowledge and best practice



Horizon Scanning

“ Emerging risks are newly developing or changing risks which are difficult to quantify and which may have a major impact on an organisation”

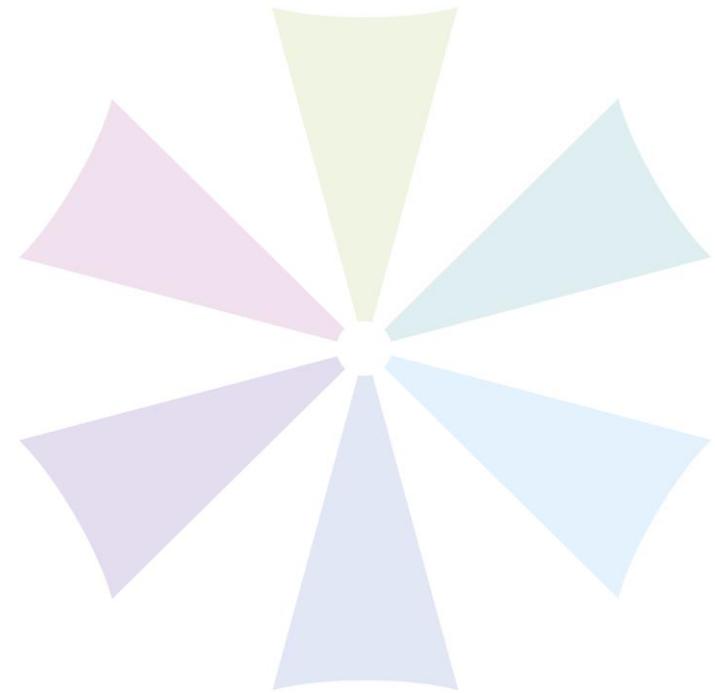
(Swiss Re)



Lessons Learnt?

What can we learn from historic events and failures?

- 2007-8 financial crisis
- Mothercare
- PPI mis-selling
- Volkswagen Emissions
- FlyBe
- Northamptonshire County Council
- Carillion
- Cath Kidston
- Kodak
- Blockbuster
- Thomas Cook
- Debenhams
- Bright House



How do we identify
emerging risks?

Macro level insight

Global Risk Report

Economic impacts such as prolonged recession, increase in inflation and surge in private sector bankruptcies

Cyber attacks

Another "wave" of the pandemic

Breakdown of IT infrastructure and networks

Exacerbation of mental ill health among workforce of the community

Exposing the workforce to increased health and safety hazards

Failure of governments to support and invest in non-health or economic issues such as climate change

Increase in inequality and social division

Humanitarian crises exacerbated by reduction in foreign aid

Ability of your organisation to change to meet the needs of the future

Public Services - Potential Sector Impact Areas

Global Risk	Impact	Likelihood	Impact	Key Considerations
 Climate Change Mitigation / Extreme Weather			<ul style="list-style-type: none"> • CO2 Emissions targets / Climate Change Agenda • Ageing fossil fuel Fleet Vehicles • Inadequate planning for unforeseen events • Harm or losses from increased flooding • Lack of flood planning prevention / resiliency 	<ul style="list-style-type: none"> • Climate Change Risk recognised at Exec Level • Lack of National / Regional action planning • Changing flood risk dynamics / planning • Effective Business Continuity plans / procedures in place • Demand for housing linked to land suitability
 Technological Instability			<ul style="list-style-type: none"> • Exposes IT / Data vulnerability – Loss of Data • Safeguarding issues from personal data releases • Disruption / Business interruption • Wrongful exploitation of data on an unprecedented scale 	<ul style="list-style-type: none"> • Staff awareness and mandatory training • Embedded culture for information governance • Continuous improvement cycle linked to Data Protection regulatory changes • Adequate security (Hardware / Software)
 Increased Indebtedness			<ul style="list-style-type: none"> • Personal debt levels rising increasing demands on local authorities • Universal credit impacts • Lack of affordable social housing • Maintenance of existing / ageing housing portfolio 	<ul style="list-style-type: none"> • Maintaining housing stocks • Increased housing needs of ageing population • Affordable stock meeting demand needs • Links with private sector / Multi agencies
 Over Reliance on Technology			<ul style="list-style-type: none"> • Emerging technology, artificial intelligence and robotics changing the workplace and educational needs • Harm or loss from inadequate risk assessment & control • Digitisation of services • Technology to support climate change agenda 	<ul style="list-style-type: none"> • Linked to cyber attacks / risk • Morale / mental well being implications • Changing delivery models • Greener vehicle technology • Robotics / big data predictive modelling
 Fiscal Impacts			<ul style="list-style-type: none"> • Lack of liquidity from reduced central government funding • Increased stress on management / workers • Increased 'opportunistic' EL-PL claims 	<ul style="list-style-type: none"> • Ability to deliver effective public services • Increased propensity to economic downturn
 Supply Chain			<ul style="list-style-type: none"> • Public Sector, Health & Social Care provision • Reliance on a small but significant number of 3rd party suppliers / partnerships • Rising geographic mobility • Geo-political instability 	<ul style="list-style-type: none"> • Ability to deliver effective public services • Financial difficulties in suppliers B/Sheets • BREXIT – impacts to staffing model / availability of key staff – key dependencies • Increased propensity to economic downturn

What are the most significant emerging [or “black swan”] risks facing your organisation?

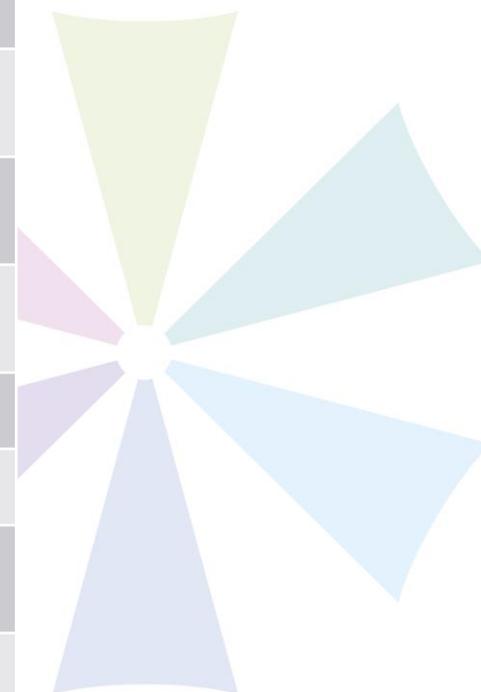


Survey Results

No.	Risk
1	Cyber Attacks
2	Economic impacts such as prolonged recession, increase in inflation and surge in private sector bankruptcies
3	Another "wave" of the pandemic
4	Exacerbation of mental ill health among workforce of the community
5	Failure of governments to support and invest in non-health or economic issues such as climate change
6	Ability of your organisation to change to meet the needs of the future
7	Breakdown of IT infrastructure and networks
8	Increase in inequality and social division
9	Exposing the workforce to increased health and safety hazards
10	Humanitarian crises exacerbated by reduction in foreign aid



Priority / Concern



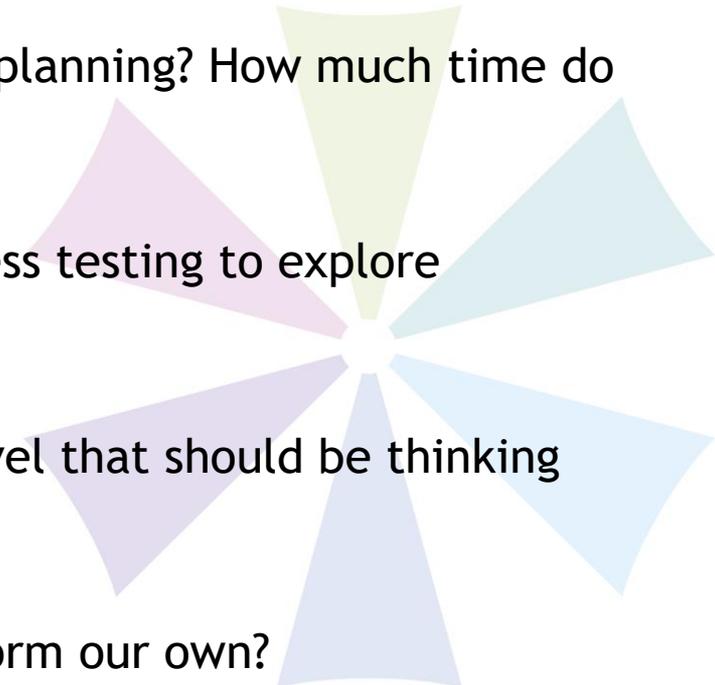
Emerging Risks & Opportunities

- Future of regulation
- Serious & organised crime
- Increased frequency & impact of extreme weather
- Pandemic
- Economic & social inequality
- Breakdown of critical infrastructure
- Demographics
- Fiscal crisis
- Reliance on digital technology
- Cyber crime
- Unexpected danger - systemic product or human safety failure
- Prolonged underfunding of public services or infrastructure
- Urbanisation
- Workforce skills & training
- Society's acceptability of data use
- Inflation running >2.5%
- Interest rate increase >2%
- Major partner withdraws from market
- Internet of Things
- Massive data breach
- Changing expectations of the workplace
- The battle for talented people
- Consumer demand - people expect more
- Use of bots & the automated workplace
- Social activism
- Artificial intelligence
- Smart buildings & cities
- Complex health needs
- Health tech. e.g. wearables



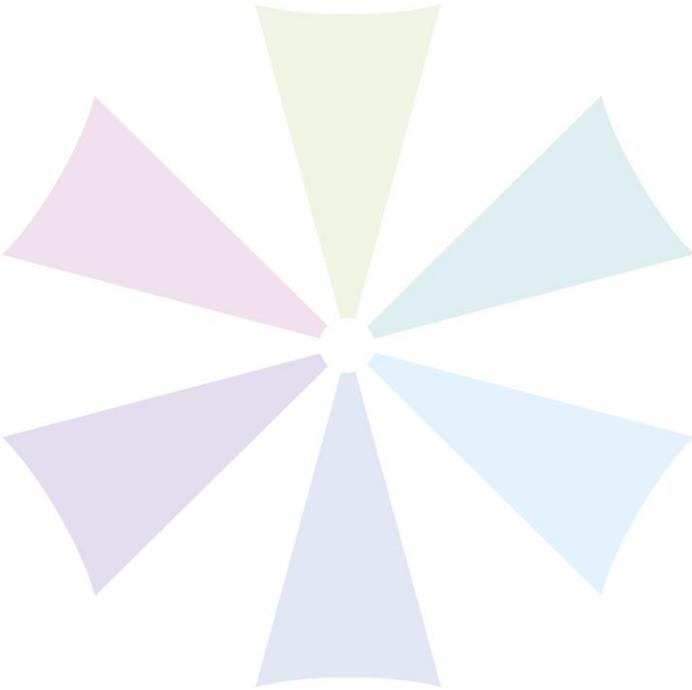
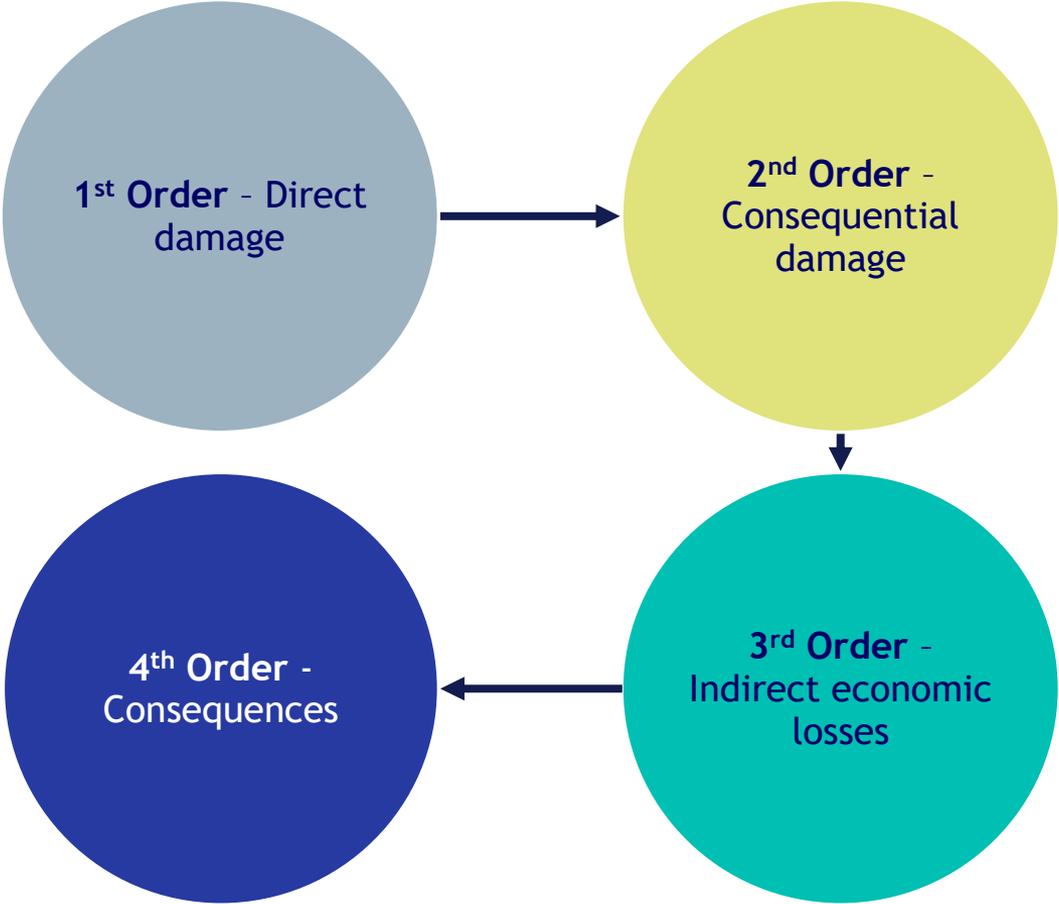
Horizon Scanning and Scenario Planning

- Does our organisation have a well embedded ERM framework?
- How are future / emerging risks factored into our risk management activity?
- Is risk identification routinely part of strategic planning? How much time do we spend on it?
- Do we use scenario planning or operational stress testing to explore alternative futures?
- Are there groups or boards at organisational level that should be thinking about specific risks?
- How do we use knowledge of 3rd parties to inform our own?



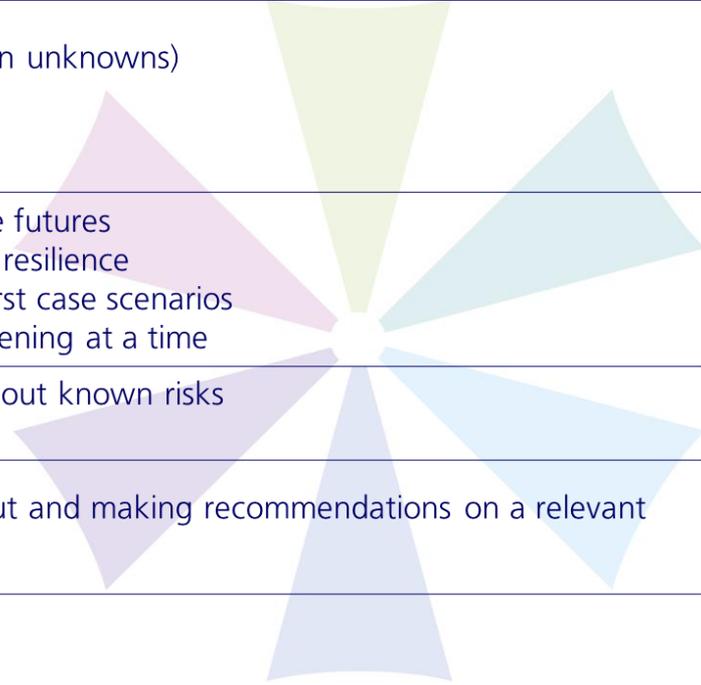
Horizon Scanning in Practice

Orders of Risk



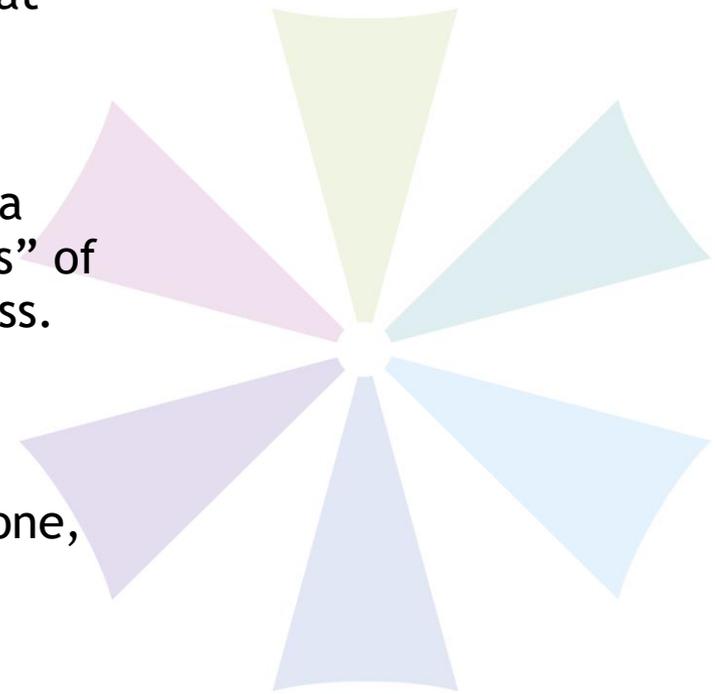
Risk Tools

TOOL	GOOD FOR.....
Horizon Scanning	<ul style="list-style-type: none">• Identifying new & emerging risks (unknown unknowns)• Systematic risk identification• Encouraging creative thinking
Scenario Planning & Stress Testing	<ul style="list-style-type: none">• Exploring resilience to possible alternative futures• Understanding financial & organisational resilience• Allowing participants to consider the worst case scenarios• Considering more than 1 risk event happening at a time
Risk Registers	<ul style="list-style-type: none">• Recording & reporting decisions made about known risks• Managing short term, known risks
Working Groups or Programme Boards, e.g. Digital Strategy Group	<ul style="list-style-type: none">• Allocating responsibility for thinking about and making recommendations on a relevant emerging risk topic

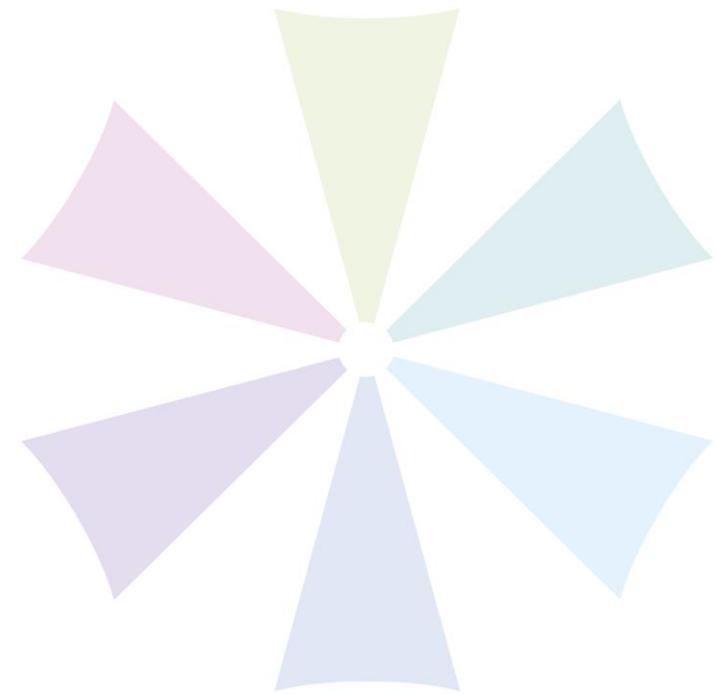
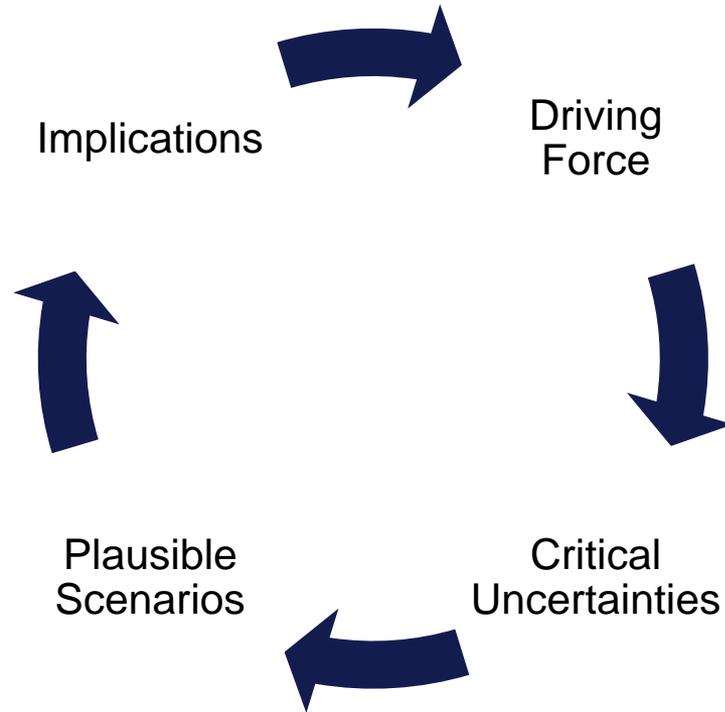


What is scenario analysis?

- Scenario planning is making assumptions on what the future is going to be and how your business environment will change overtime in light of that future.
- More precisely, Scenario planning is identifying a specific set of uncertainties, different “realities” of what might happen in the future of your business.
- Scenario planning might not have such dire consequences in your organisation, but if not done, you risk opening the door to increased costs, increased risks, and missed opportunities.

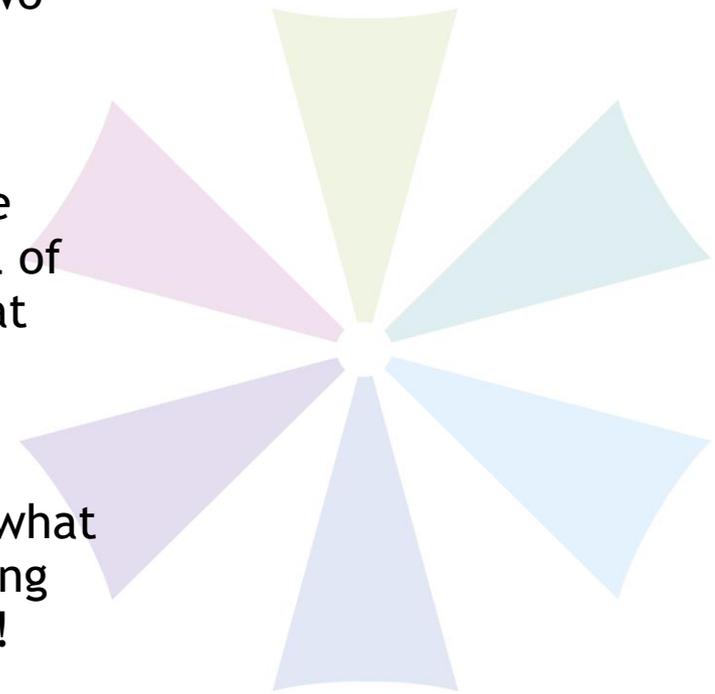


Scenario analysis process



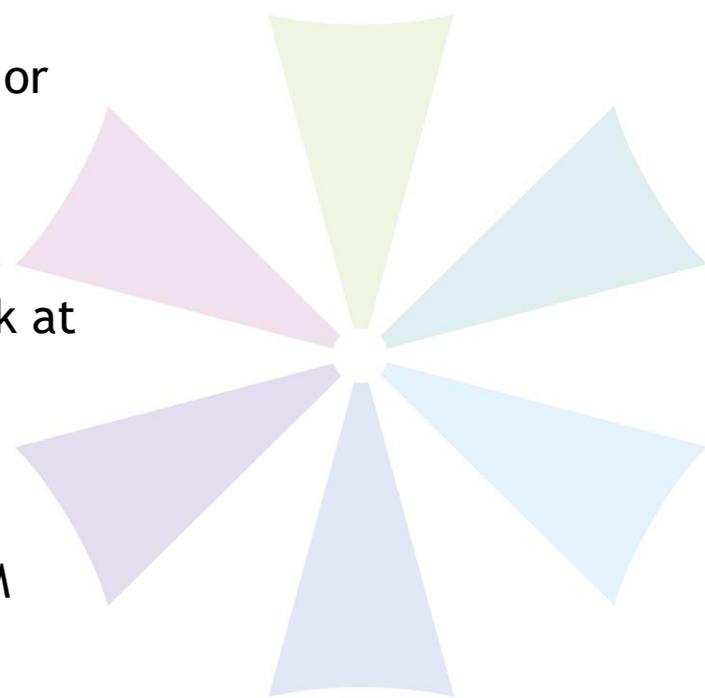
Pitfalls to avoid

- Paralysis of possibilities. Don't seek infinite new combinations of uncertainties to build your scenarios. Keep it simple and focus on one or two major uncertainties.
- Scenario planning is not about choosing just one option for the future but rather dealing with all of the possible outcomes to develop a strategy that will stand the test of all scenarios.
- Do not hesitate to look far ahead, anticipating what the market and competitors are going to be doing over the next few years. In a word, be creative!



5 key takeaways

- **Review/ challenge** your Horizon Scanning/ Emerging Risk process - does it properly capture internal and external factors?
- **Look for examples** in other industries, sectors or countries you can use to use as part of your Scenario Plans / Stress tests - make it feel real
- **Don't just think about the downsides** - you're likely to get increased attention if you also look at opportunities
- **Keep it simple** so your Executive Team, Audit Committee and Board will engage
- **Use your network** as a sounding board - ALARM members/ resources.



Many thanks

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