



Media release

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Threat of major incidents and stakeholder pressure driving increased focus on risk management in public sector: survey

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A survey of over 200 public entity organisations across Europe has found that the need to deal with catastrophic and project risks is driving an increased focus on risk management by public entities.

Over half the respondents to the survey, which was conducted by Marsh, the world's leading insurance broker and risk adviser, and PRIMO Europe, the pan-European Public Risk Management Organisation, had experienced some kind of significant disaster in the last five years. Examples included significant budget overruns on large projects, environmental incidents, major transport or infrastructure disruption and the departure of key employees. In addition, over 75% of those surveyed said that the volume and the complexity of the risks within their organisation over the last five years had increased.

Another driver of risk management is the pressure of external parties. Over half the respondents said that external stakeholders such as members of the public, corporates and local government officials had put pressure on organisations to provide more information about risk in the fields of finance, political reputation, risk management and legislation affecting their organisation.

Asked which risks they regarded as likely to be most significant over the next 18 months, participants identified environmental risk (73%), public liability (65%), business continuity (63%) and partnership risks (59%). In addition, half of respondents expressed concern about PPP and PFI associates or contractors.

Philippe Auzimour, head of Marsh's public sector practice in Europe, the Middle East and Africa, said: "The recession has had a clear impact on the way public sector bodies approach risk. Over half the participants to the survey say that, because of the downturn, risk management is now seen as more important at senior levels in their organisation. A similar proportion say that the downturn has prompted their organisation to review its approach to risk management and 22% say their board's appetite for risk has grown. In addition to planning for a major disaster, public sectors organisations' risk management is under scrutiny from a growing list of stakeholders."

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Jack Kruf, Chairman of PRIMO Europe, added: “Almost three-quarters of the participants say that a sector-wide standard for risk management either would or already does benefit their organisation. Of those already covered by a sector-wide standard, 89% say it is of benefit to them. Embedding best practice risk management is clearly having benefits for organisations prepared to make the necessary investments.”

Lynn Drennan, CEO of Alarm, the UK public risk management body, commented that the recession was putting pressure on budgets in public sector organisations: “The financial crisis means reduced budgets, less grants and fewer projects. An increase in social assistance and unemployment are also seen as risks by public sector bodies. Forward thinking bodies are now reviewing investments and budgets and are looking at what projects could be postponed. All of this means that the need to manage risk more proactively has never been more acute.”

About Marsh

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