



PERFORMANCE AND INFORMATION UNIT (PIU) STRATEGIC THINKERS SEMINARS



Managing risk and uncertainty – the challenges for the next decade

14 December 2001

This paper is intended as a brief stimulus for discussion at the Strategic Thinkers 'Risk and Uncertainty' seminar. The seminar will play an important role in informing the context and content of the PIU 'Risk and Uncertainty' project. We would like to promote discussion about the most appropriate role and interest for Government in managing risk on behalf of the rest of society, how best it should manage risk and how its performance might be improved. We also want to look at how risk and uncertainty will be affected by social, economic, technological and policy changes into the future.

Introduction and Context:

Risk and uncertainty is an endemic feature of modern life, it surrounds us. When we cross the road, eat lunch, go on holiday or buy a house, we take risks and face uncertainties. We weigh up the odds and judge the best way forward. The same is true for Government. It is surrounded by risks and uncertainties and constantly needs to judge how it responds to them. Without an effective response to risks and uncertainties, the delivery of the Government's aims will be seriously undermined. Put most simply, good Government depends on the effective management of risks and uncertainties.

This is becoming a greater challenge for the future as social changes are conspiring to make risk and uncertainty an increasingly significant aspect of modern life. New risks are emerging as a result of the very successes of our developed, affluent societies. Globalisation brings with it economic risks; environmental and health risks arise from food production and consumption. The influence of traditional institutions has waned and the degree of trust in all institutions – including Government – has plummeted over recent decades. At the same time, though, peoples' expectations of Government services have risen.

These social changes make risk and uncertainty a dominant feature of everyday life and they also make the public increasingly sensitive to it. These trends are likely to deepen in the future, especially as people take on more responsibility for risks in their own lives like pensions, education and employability. These changes make effective management of risk and uncertainty increasingly important.

Examples from the recent past illustrate that there are important lessons to be learned about the way Government manages risk and uncertainty. The petrol crisis, BSE and the reaction to the Hatfield rail crash demonstrate some of the weaknesses in the Government's handling of risk and uncertainty. It is often seen as being reactive – responding to risk rather than being proactive in seeking to anticipate risks and manage them. The Government and civil service are often seen as risk averse and slow at taking advantage of positive risk. The management of risks is too often seen as an optional addition at the end of policy-making, rather than an

integral part of the process. Communication with the public has been ineffective and trust has been badly dented.

Broad areas for debate at the seminar:

- Is there a set of *clear principles* which can guide Government action in managing and responding to risk as well as guiding others' expectations of the Government's role? For example, when should the Government intervene to protect people from risk or regulate to minimise it? How open should the Government be about risk and how it responds to it? Should the Government use the precautionary approach when the science is uncertain or could this stifle innovation?
- Should there be *structural and procedural changes* in order to make Central Government and Departments more resilient to uncertainty and risk? Should horizon-scanning be done by both the Centre and Departments and the information pooled? Is it feasible for the Prime Minister and Cabinet to engage in the high-level ownership of risk that the CEOs of the best-managed private sector companies? Should there be a central expert group on risk and uncertainty which provides advice and guidance on a regular basis and which might, on occasions, exercise authority?
- How should *communication with the public* be improved and how can their trust be regained? Should the Government try to build public engagement more formally into the decision process and take account of public concerns in their assessment of risk? Should the respective roles of Ministers, experts, scientists and others be clarified? How open and transparent should Government be in areas of scientific uncertainty?
- Do the *attitudes, norms and culture* of Government and the civil service have to change to embed effective management of risk and uncertainty? How can top management be persuaded of the need for effective risk management and how can they communicate this to others? How can the culture change to become less risk averse? What skills and incentives are needed to change the way risk management is approached?
- Does Government take sufficient advantage of *positive risk*? Is Government flexible enough to take advantage of opportunities? Are officials rewarded for avoiding failure rather than taking risks? Is Government sufficiently entrepreneurial in its identification of future possibilities?

The PIU 'Risk and Uncertainty' project:

Within this context, the PIU's Risk and Uncertainty project aims to *improve the Government's capability for working with risk and uncertainty*. Within this, we aim to:

- Propose ways to embed a better approach to managing risk and uncertainty into both the culture and decision-making processes of Government;
- Improve the dialogue with the public about issues of risk and uncertainty;

- Explore how government structures and processes can support a more proactive approach to identifying and evaluating risks and opportunities as well as becoming more resilient to crises and uncertainties;
- Clarify the principles which determine who or what is responsible for risk;
- Persuade key people in the civil service of the need to make better management of risk a priority;
- Propose ways to make government better able to take advantage of opportunities which could promote UK interests.
- The PIU project will look at a wide variety of risks from risk to an individual project to risks to public health or safety to risks that threaten the Government's strategic aims.

What the project will *not* be covering:

- The project will *not* approach risk as purely an accounting matter – it is a high-level strategic issue for senior management;
- The project will *not* create a new set of regulations which will simply ensure formal compliance without a change in culture;
- The project will *not* produce a detailed set of guidelines on how to transfer responsibility for risk;
- The project will *not* produce detailed guidelines on media handling for specific situations.

**PIU Risk and Strategic Futures Teams
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