

# Managing Risk in the policy cycle

“New approaches for  
policy makers”

October 2009



## Key themes - Risk in the policy cycle

### 1. Orientation

*what is risk management in this context?*

### 2. Exploring risk in policy formulation

*parallels with private sector*

### 3. Exploring risk in policy implementation

*Exploring regulation and a case study*

### 4. Whole of government risk management

LUNCH

### 5. Practical conversion/application of above

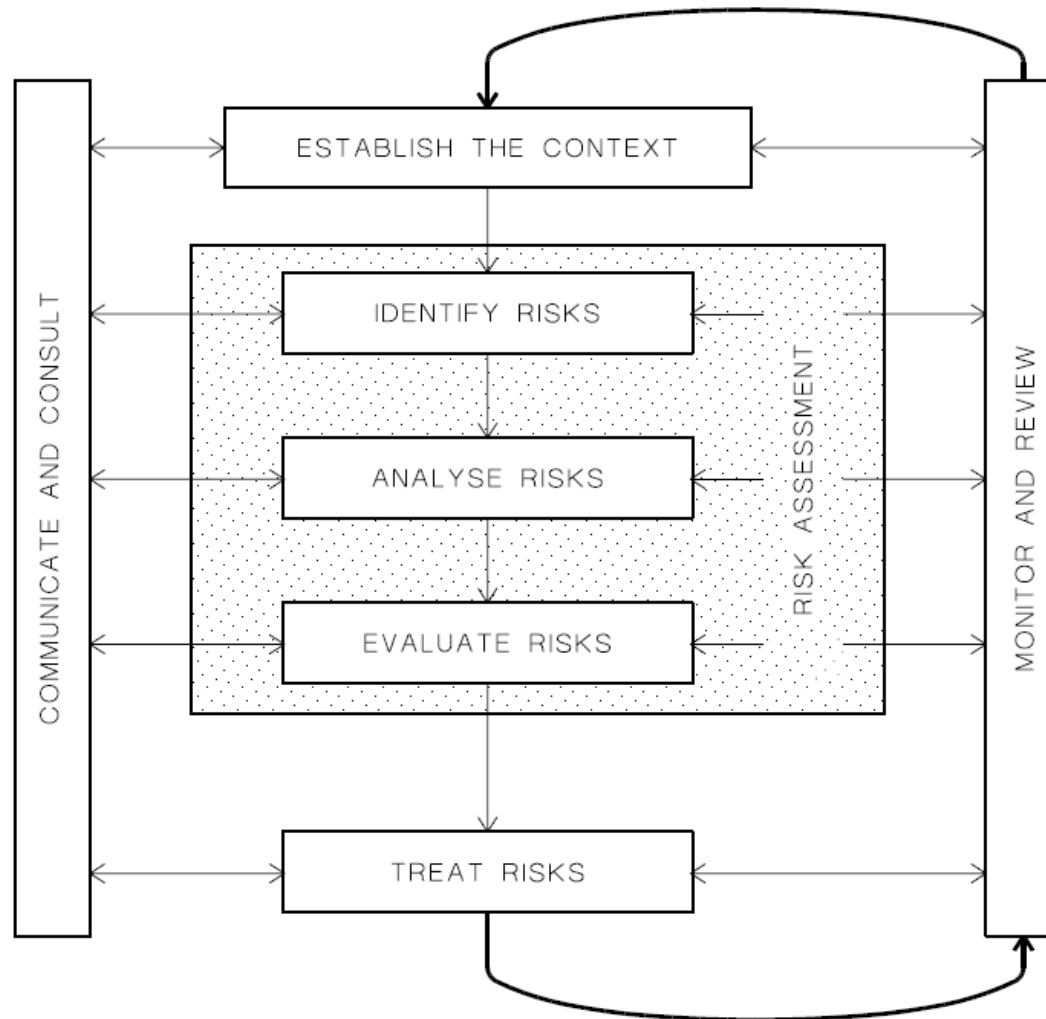
*(after lunch discussion)*

... Some recent history

- 1. Roots of risk management** in financial services (understand and measure risk to profit by it) and engineering sector (measure tolerance for system/machine failure) and balance with appetite for loss
- 2. Relatively recent development** of risk management standards (AS4360, ISO 31000 and numerous industry specific standards)
- 3. Risk management in government**, a phenomena of the last 10 to 15 years with focus on operational stability and mirroring private sector developments. Emergence of risk management as a criteria for minimum performance.

# Policy Implementation

*established convention in managing risk in delivering services and assets*



AS/NZS 4360:2004

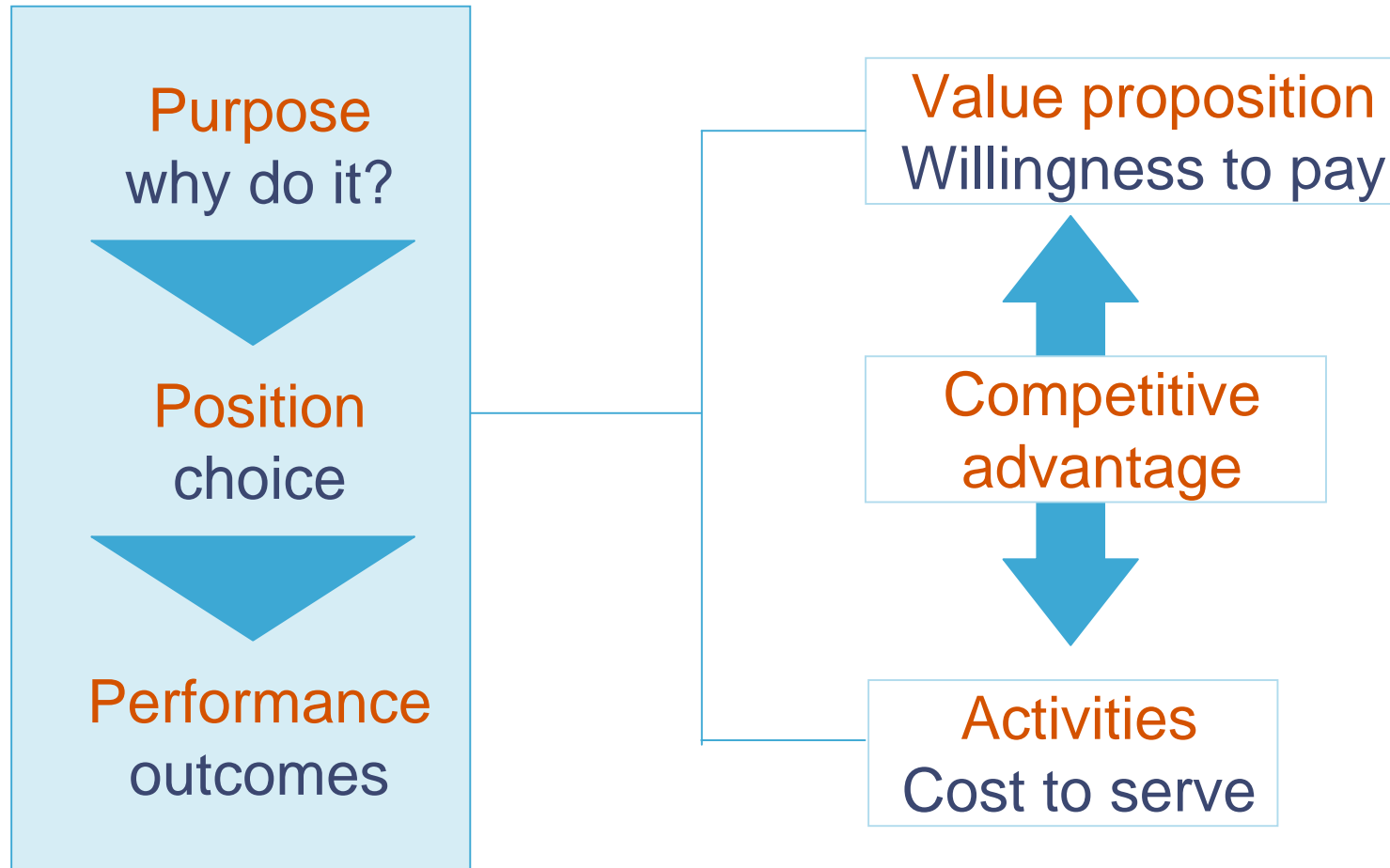
Risk management

... So what is risk and risk management in a policy context?  
is it ...

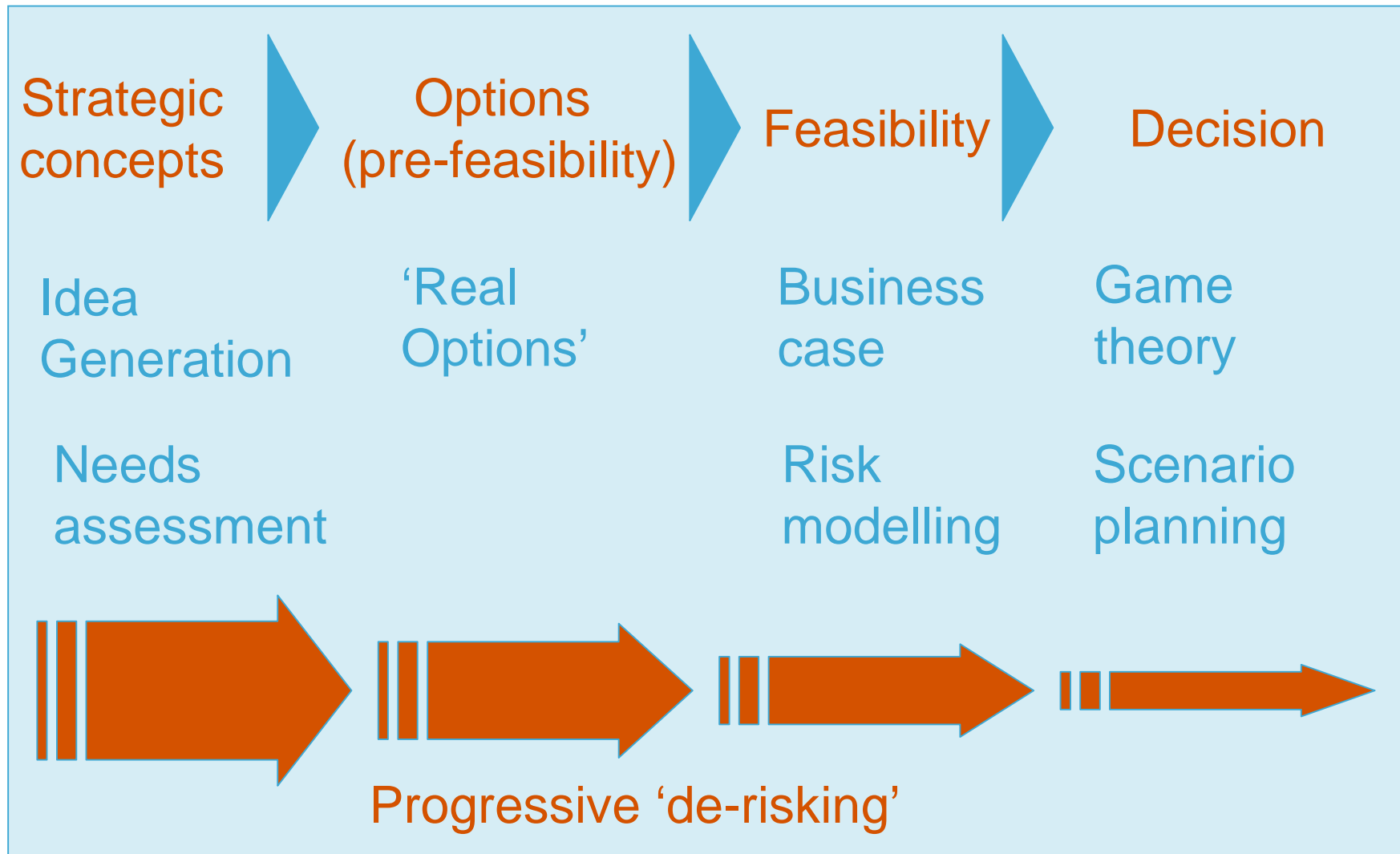
1. **Making the best choices** based on consideration of likelihood of success or failure ?
2. **Building resilience into policy** ...contingency planning around levers of change ?
3. Anticipating what could go wrong in **implementation** and planning for it and what opportunities might present along the way ?

(knowing what to do when we are deviating from intended course)

A strategic framework  
*parallels with policy setting?*

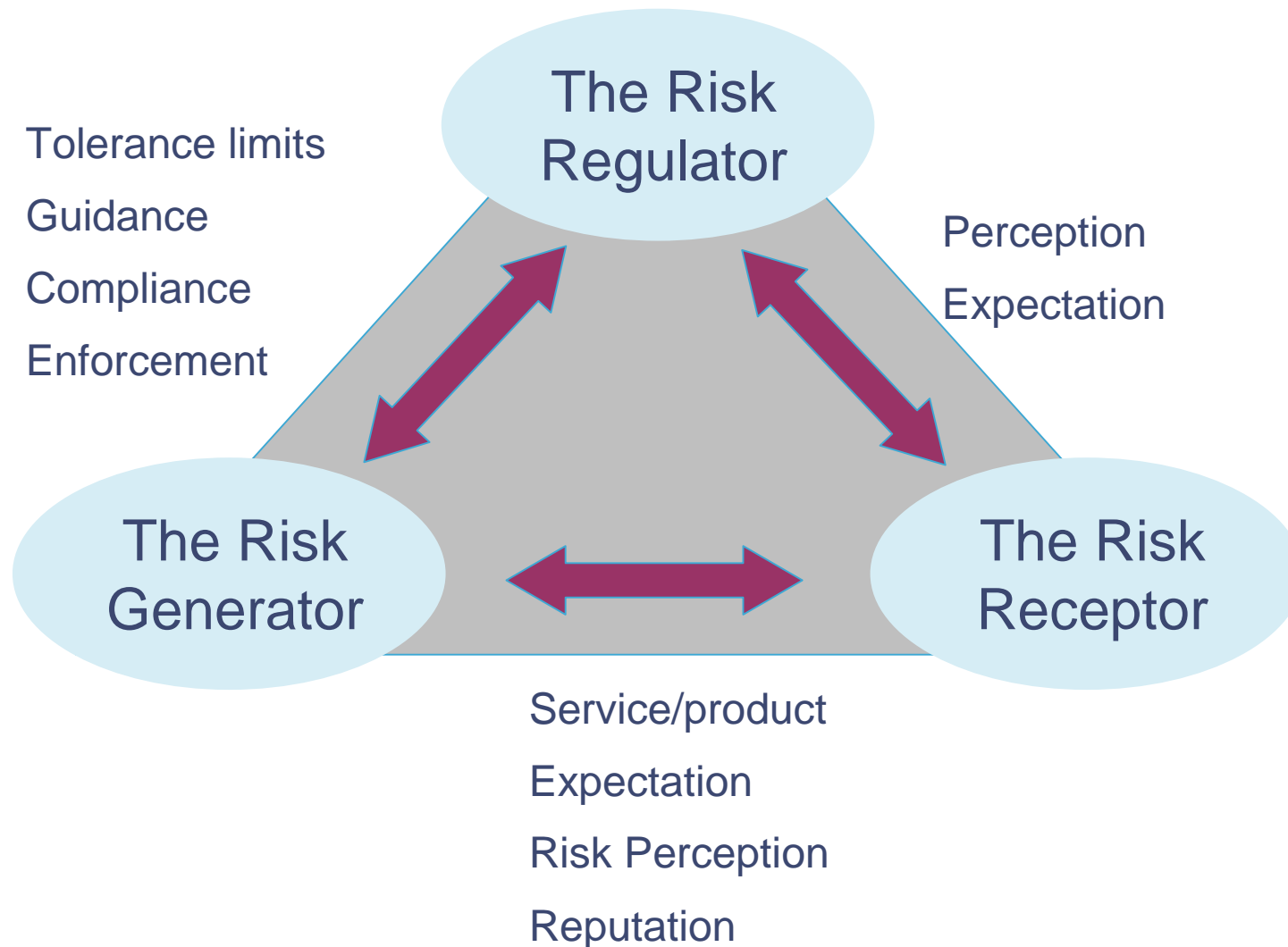


# Policy formulation *parallels with private sector strategy*



# The role of risk in setting regulation policy

*Risk as an element of success in regulation ?*



# Enhancing and de-risking policy formulation and implementation

## Policy formulation

1. Enough time to innovate / incubate
2. Problems well framed (good investment logic)
3. Desired benefits clear and prioritised
4. Input from right people / right time
5. Points of connection (hidden benefits, unintended consequences)
6. Creating end to end accountability
7. Rigorous costing and risk analysis

## Policy implementation

1. Managing trade-offs (e.g. competing objectives)
2. Systems/process to measure benefits/outcomes
3. Flexibility to refine the execution plan
4. Contingency management and planning
5. Clear accountabilities
6. Post implementation review



... perception of risk on public policy, a whole of government issue?

## CHAPTER 1: INTRODUCTION

1. The Prime Minister, in a speech in May 2005, raised concerns that Britain is becoming an increasingly risk-averse society and that this trend is having a detrimental impact on public policy<sup>1</sup>. He suggested that “we are in danger of having a disproportionate attitude to the risks we should expect to run as a normal part of life” and that this is putting pressure on policy-makers “to act to eliminate risk in a way that is out of all proportion to the potential damage”. The Prime Minister suggested that this attitude is driving a series of negative developments, including the emergence of a compensation culture, in which people are encouraged to attach blame and seek compensation for harmful outcomes that should more properly be regarded as the fault of no one. This theme is echoed in speeches by other ministers, including the Lord Chancellor, who, like the Prime Minister, pointed to increasing public pressures that are driving policy in undesirable directions<sup>2</sup>.



### Government Policy on the Management of Risk

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1. **Key challenges** - What are the key challenges in managing risk in policy formulation/ implementation? How are they different for short dated policy making (e.g. stimulus package) and long dated policy (e.g. ETS)?
2. **War stories** - How have you seen consideration of risk influence policy formulation/implementation? Major successes and failures? What would you change and why?
3. **Contingency planning** - Successful policy is often about retaining flexibility in the face of the unexpected. Should/can contingency planning be a more significant part of policy formulation? How?
4. **Connectivity** - How can connectivity and accountability across government be enhanced to manage policy implementation risk?
5. **Competitive advantage** - Is consideration of risk a source of competitive advantage for Australia against other nations? Is it a source of tension between States?
6. **Risk aversion** - Is Australia becoming an increasingly risk averse society leading to detrimental impact on public policy? (the Tony Blair challenge) ... if so, what can we / should we do about it?