

BOARD ANNUAL STRATEGIC RISK REGISTER REVIEW

1 Purpose of the paper

- 1.1 The purpose of this paper is to support the Board's role on the annual review of the strategic risks which may pose a threat to the successful delivery of the organisation's strategic outcomes. The paper therefore seeks to confirm the risk appetite of the Board and present the current strategic risk register (Annex A) so the Board can have a full discussion on the risks currently being faced by FSS.
- 1.2 The Board's annual discussion on risk is in line with the FSS Risk Management Policy (Annex B) and follows on from monthly risk management discussions by the Executive and quarterly discussions/review by the Audit and Risk Committee (ARC) which can escalate to the Board as necessary.
- 1.3 The Board is asked to:
 - **Note** the continued development and implementation of the FSS Risk Management Policy and framework which shows that risks are being managed, reported and escalated in an effective and timely manner.
 - **Agree** the risk appetite statement as still being applicable to FSS and for the executive to continue to use it to support FSS decision making
 - **Discuss** the current risks to FSS delivering our strategic outcomes, in particular those rated **VERY HIGH/RED**, and confirm they are appropriate or whether any additions or deletions should be considered
 - **Agree** that the existing process for reviewing, reporting and escalation of risk should continue through the Audit and Risk Committee (quarterly) and Board (annually).

2 Background

- 2.1 Corporate risk and the associated risk registers have been the subject of regular discussion by the ARC and annually by the full Board. These discussions have resulted in the evolution of how risks are articulated, managed and reported within FSS, primarily as our early corporate risk register was focussed on the risks associated with being a new organisation and undergoing significant organisational change. A full discussion on strategic risk took place with the Board in August 2016 and following these discussions, the Executive developed a revised strategic risk register alongside a new Risk Management policy and guidance document (Annex B), which is based on the Scottish Governments risk management methodology.
- 2.2 The risk register follows the Board's agreed risk appetite statement and the development of the strategic risk register is now part of business of usual with monthly reviews undertaken at Senior Management Team (SMT) level and quarterly at ARC.

- 2.3 In line with the FSS Risk Management Policy on reporting of risks, it was also agreed that the Board should review and discuss the strategic risk register as a minimum annually, as well as reviewing any risks, following consideration and discussion by the ARC, that have been scored as **VERY HIGH/RED** within the risk register.

3 Discussion

Risk Appetite

- 3.1 As the Board will recall, the purpose of a risk appetite statement (Annex C) is to provide the Executive with guidance on the degree of tolerance that should be applied to a range of risks. A low tolerance indicates less acceptability of the issue in question. So a low tolerance with regards to public health means we are less accepting of public health risks. At its November 2017 meeting, the Board agreed the risk appetite statement remained relevant and appropriate, and it should continue to be the baseline for any decision making on risk management issues.
- 3.2 In May 2018, the Board discussed its risk appetite as part of an update on incident preparedness within FSS and agreed that during level 2,3 and 4 incidents the risk appetite for reputation should be low to align with the low tolerance risk appetite in relation to protection of public health.

The Executive therefore recommend the retention of the current statement to the Board.

Risk Management Policy and Framework

- 3.3 The current FSS Risk Management Policy document is provided at Annex B for the Board's information. The policy and guidance document is designed to ensure consistency across the organisation when it comes to managing risks at all levels, so we can ensure the successful delivery of our strategic objectives and statutory functions. The policy adopts a three tier approach to managing risk at the appropriate level and allows for escalation/de-escalation (Fig 1) as appropriate.
- Level 1 – Strategic Risk Register
 - Level 2 – Senior Management Team Risk Register
 - Level 3 – Directorate/Programme Risk Registers



Figure 1 – risk escalation process in FSS

3.4 The policy has also adopted the principles of the Scottish Government risk framework and the associated methodology is straightforward and aims to assist the organisation manage risk effectively, following 5 distinct phases:

- **Clarifying objectives** – established through the agreement of the Strategy and Corporate Plan
- **Identifying risks** – in order to manage risks, we need to know what risks are faced and undertake an evaluation to articulate the risks specific to FSS
- **Assessing risks** – this enables the effective prioritisation of risks in relation to our objectives and ensures attention is focussed on the key risks and resources are concentrated where they are most required.
- **Addressing risks** – this is the stage where actions are agreed in order to control or mitigate risks that have been identified.
- **Reviewing and reporting risks** – this ensures that new opportunities and threats or changes to existing risks are managed. Reporting changes helps to raise awareness and coordinate responses to key risks.

3.5 As part of the ‘reviewing and reporting’ risks section of the policy, it was agreed that the Executive would continue to review, report and escalate risks on the strategic risk register through the ARC, who have been delegated with this responsibility by the Board. The ARC provides the Board with oral updates following each meeting of the Committee, and where relevant and appropriate, will escalate any **VERY HIGH/RED** risks to the Board out with the agreed annual discussion on risk.

4 Strategic Risks

4.1 At November 2018, **13** strategic risks have been identified with **3 VERY HIGH/RED** risk being reported and is articulated below for the Boards information:

- **Risk 4** - *There is a risk that FSS's budget is reduced in future, or it is insufficient due to new pressures such as Brexit, or wider financial pressures across the Scottish Administration, that results in FSS having to focus solely on statutory requirements and scale back on a number of non-statutory key initiatives needed to achieve our strategic outcomes, and requires the Board to revise or reprioritise the FSS Strategy which may have a detrimental impact on consumers.*
- **Risk 12** - *As FSS'S regulatory and operational delivery functions are largely related to EU law, there is a risk that, given the tight timescales and ongoing uncertainty about constitutional issues, FSS does not have adequate time to prepare for the effect this will have in Scotland. This would affect our capability and capacity to achieve our strategic plan, for example through loss of statutory levers or through diverting resources away from carrying out the key activities agreed in the corporate plan.*
- **Risk 13** - *There is a risk that programme requirements for Brexit means there is a diversion and/or reduced resource available to deliver our Strategy and Corporate Plan, whilst ensuring the protection of public health across the food chain, resulting in FSS failing to achieve strategic outcomes to original timelines*

4.2 The strategic risk register (Annex A) provides Board Members with additional details on the controls that have been put in place to mitigate the impact of the risk materialising, as well as an update assessment of the risk rating (impact and likelihood) and action that has taken place since the last review of the risk register by SMT and the ARC.

Board Members are asked to note and discuss the VERY HIGH/RED risk.

4.3 Of the **10** remaining risks contained within the strategic risk register, **5** are rated as **AMBER/RED** and **5** as **AMBER**. These risks are articulated in full within the attached risk register and the Board are asked to note and discuss these risks where appropriate. The Board are specifically asked to consider:

- Risk 1 and whether the risk is decreasing from a Board perspective;
- Risk 7 is no longer a strategic level risk and should be managed by the Executive on the SMT risk register. This approach is supported by the recent Communications and Marketing internal audit which highlighted no issues in this area.
- Inclusion of a new risk associated with recent legal judgements and the implications for local authorities when taking enforcement action to protect public health.

The Board are asked to confirm the strategic risks remain relevant and whether any risks should be removed or added to the strategic risk register.

- 4.4 In line with the FSS Risk Management policy on reporting and reviewing risks, the Board will also wish to be aware of **1** risk within the SMT risk register which is currently rated as **VERY HIGH/RED**. This risk is linked to the delivery of scientific services by Public Analyst laboratories in Scotland being unable to adequately support FSS's key work in surveillance, official control delivery and incident response. This risk was discussed at the September meeting of the ARC and agreed that it was still appropriate to be managed at an Executive level. The ARC also noted that whilst the risk was being managed by the Executive, the Chair of the Board has undertaken to write to Ministers outlining our concerns.

Risks Associated with exiting the EU

- 4.5 As the Board will note, Brexit is a significant risk. This is because the scale of Brexit and the impact and uncertainty means there is an increased risk across FSS. This could mean disruption and diversion of effort to deliver FSS's Strategy and Corporate Plan, risks to FSS's statutory role and functions as a consequence of the EU (Withdrawal) Act, and issues related to exit-readiness that relate to ensuring that consumers continue to be protected, and that responsible businesses can function.
- 4.6 In general, the strategic risk register reflects the continued uncertainty around the nature of the UK's exit from the EU, the date when the UK will formally leave - depending on whether or not there is a transition period and the details of any such transition period - alongside the developing public narrative from the UKG about contingency planning for a no-deal exit in March 2019.
- 4.7 At their September meeting, the ARC recommended that given its strategic nature, that the Board should discuss the Brexit risks in more detail at the November meeting.

5 Risk Policy and Guidance Development

- 5.1 The Board should also note that the Executive are currently undertaking a review of our risk policy and guidance document, following some revisions to the SG methodology earlier this year. This will ensure that our guidance remains consistent with the SG approach and will allow us to reflect the recent structural changes associated with implementing our programme-based approach and how risks at a programme level should be managed. The review will also consider whether the risk register can be presented in a more accessible and user-friendly way, along with providing additional information on the risks, such as target risk scores and timescales associated with each risk. It is not anticipated that this will result in a significant change to our existing processes.

6 Conclusion/Recommendations

6.1 The Board is specifically asked to:

- **Note** the continued development and implementation of the FSS Risk Management Policy and framework which shows that risks are being managed, reported and escalated in an effective and timely manner.
- **Agree** the risk appetite statement as still being applicable to FSS and for the executive to continue to use to support FSS decision making
- **Discuss** the current risks to FSS delivering our strategic outcomes, in particular those rated **VERY HIGH/RED**, and confirm they are appropriate or whether any additions or deletions should be considered
- **Agree** that the existing process for reviewing, reporting and escalation of risk should continue through the Audit and Risk Committee (quarterly) and Board (annually).

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Annex A – Strategic Risk Register (attached separately)

Annex B – FSS Risk Management Policy and Guidance (attached separately)

Annex C – FSS Risk Appetite Statement

With regards to public health the Board has generally a low appetite for risk. This is because consumer protection and public health are at the core of what we do. Ensuring food is safe is our primary, non-negotiable, function and forms the basis of the trust consumers have in FSS. On public finance the Board has a low tolerance and would expect the Accountable Officer to apply the principles of sound financial management, managing within budget.

Clearly any organisation needs to think about its reputation and how an organisation is perceived is important. Perceptions will vary between different stakeholders but the trust of consumers is paramount. In this regard the Board's appetite for risk is medium tolerance. During Level 2, 3 & 4 incidents, the risk appetite for reputation should be low to align with the low tolerance risk appetite in relation to protection of public health.

Obviously, it is important that we work collaboratively and effectively but it is possible given the breadth of our remit that there are opportunities for disagreement. As our organisation is non-Ministerial, it is important that we retain and use that independence from Government wisely, taking account of, but not being wholly influenced by the views of others.

Given the current landscape and the challenges the organisation faces, the Board has a high tolerance for innovation and taking well managed and thought-through risks in areas such as piloting of new ideas, delivery models etc.