

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 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 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.
 - **Note** the intention of the executive to review the presentation and management of strategic risks and present a proposal to the Board
 - **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;
 - **Agree** that the risk appetite should be reviewed once we have a clearer understanding of the direction of travel in relation to Brexit given the various possible scenarios.
 - **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, which is based on the Scottish Government's 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.
- 2.4 The current format has been used for some time, but it has become clear that at a strategic level there are different forms of risk that can affect FSS, and that there are some strategic risks in which FSS has limited, if any, control and influence. This has been exemplified by the significant consequences and risks to FSS in relation to Brexit. The intention will be to use a PESTLE type approach to identify risks that may impact on FSS but then to make an assessment of how much control and influence FSS might have on a particular issue. This would enable the Board to ensure it considers and understands the broader context, while ensuring the Executive focuses on those risks that can be managed. This doesn't mean that the Board cannot address broader issues, but the purpose of risk management is to mitigate and manage down risks that we can control and influence to a tolerable level. As an example, food price inflation will have an impact on consumers and if it does occur there is little that FSS can do to stop food price inflation in the interests of consumers, but nonetheless there may be consequences of food price inflation that we can identify and look to take action on.

3 Discussion

Risk Appetite

- 3.1 As the Board will recall, the purpose of a risk appetite statement (Annex B) 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 August 2018 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. The Board also discussed reviewing the risk appetite on an annual basis as part of the good governance. It is the intention of the Executive to re-visit the risk appetite once we have a better understanding of the direction of travel in relation to Brexit.

The board is therefore asked to consider and agree the current risk appetite is still applicable and note the executive's intention to review it.

Risk Management Policy and Framework

3.2 The current FSS Risk Management 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

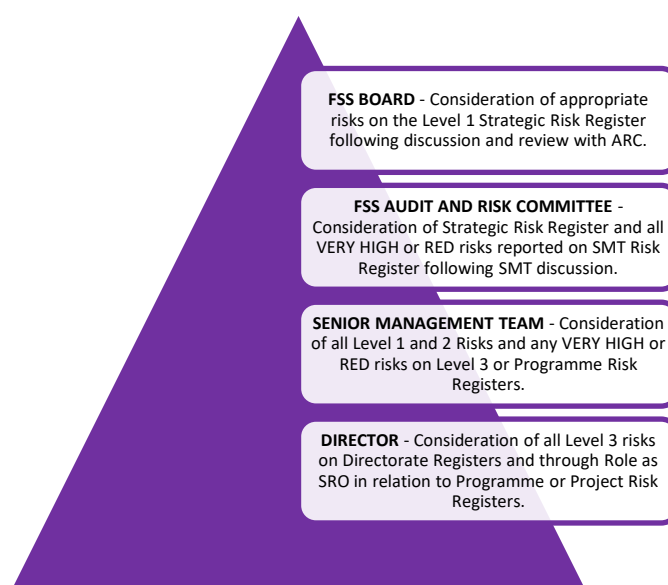


Figure 1 – risk escalation process in FSS

3.3 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.

3.4 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 2019, **15** strategic risks have been identified with **3 VERY HIGH/RED** risks being reported, and these are articulated below for the Board's information:

Risk	Current Score
<p>R10.</p> <p>Event: There is a risk of increased frequency of outbreaks of foodborne illness or other food incidents</p> <p>Cause: In the event of a failure of controls by food business operators that might reasonably have been detected and prevented through the delivery of official controls.</p> <p>Effect: Potential for serious cases of human illness and other risks to public health, loss of confidence in the food supply chain and loss of trust in FSS and other regulatory bodies.</p>	3*50 = 150
<p>R12.</p> <p>Event: As FSS'S regulatory and operational delivery functions are largely related to EU law</p> <p>Cause: Due to tight timescales and ongoing uncertainty about constitutional issues, there are concerns that FSS does not have adequate time to prepare for the effect this will have in Scotland.</p> <p>Effect: 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</p>	2*50 = 100
<p>R13.</p> <p>Event: Risk 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</p> <p>Cause: Programme requirements for Brexit</p> <p>Effect: FSS failing to achieve strategic outcomes to original timelines</p>	2*50 = 100

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 risks.

4.3 Of the **12** remaining risks contained within the strategic risk register, 4 are rated as **RED high risk** 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** - consider the proposed new wording;
Event: FSS could lose the confidence and trust of consumers
Cause: This could be caused by a number or combination of factors, including negative stakeholder or media commentary, misconceptions regarding FSS's role or lack of external communication.
Effect: Reputational damage that impacts our ability to deliver across all of the FSS strategic objectives.
- **Risk 7** - consider the proposed wording for the **cause**;
Lack of time and/or failure to apply the critical principle of considering the end user and ensuring information is provided in plain English.

Impact	Multiplier	1	2	3	4	5	Total
Very High	50		R12 R13	R10			3
High	25	R17	R9 R16	R1 R4 R11	R2 R3 R6 R8		10
Medium	10		R5	R7			2
Low	5						0

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

Risks Associated with exiting the EU

4.4 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.

- 4.5 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 - which will be reviewed following the general election on 12th December 2019 and the resumption of parliament

5 Risk Policy and Guidance Development

- 5.1 Consideration is underway as to whether the Brexit risk register should be merged with the current strategic and SMT registers. The current Brexit risk register contains a number of risks surrounding the uncertainty of the EU exit terms, however the relevance of the risks could change depending on any final agreement and their prioritisation decided at that point.

6 Conclusion/Recommendations

- 6.1 The Board is specifically asked to:

- **Note** the continued 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.
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For queries contact :

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4th November 2019

Annex A – Strategic Risk Register (attached separately)

Annex B – 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.