

SRA BOARD
8 December 2020



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This paper will be published

SRA Strategic Risk Update (including revised Strategic Risk Register)

Purpose

- 1 This paper provides the SRA Board with a progress report covering the management of the SRA key risks as set out in the Strategic Risk Register (SRR). Also included is the periodic review of the SRA risk appetite.

Recommendation

- 2 The Board is asked to:
- a) discuss and agree the revised Strategic Risk Register (paragraph 6 and annex 1)
 - b) approve the SRR risk appetite statements (paragraphs 8 to 10 and annex 2)
 - c) approve the changes to risk levels and appetite (paragraphs 11 and 12 and annex 3)
 - d) note the updated Risk Management Framework (paragraph 13 and annex 4).

If you have any questions about this paper please contact Liz Rosser, Executive Director Resources, liz.rosser@sra.org.uk

Equality, Diversity and Inclusion considerations

Consideration	Paragraph no's
Strong risk management and effective controls will ensure we are able to manage areas where equality and diversity issues may exist.	18
Our commitment to mainstreaming EDI throughout our work means that it is a consideration in all our risk management.	19
Our Risk Management approach specifies EDI in key areas. This is reflected across the range of risk categories articulated in the risk appetite statements contained within the Risk Management Framework.	20

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Introduction

- 3 Risk in the organisation is managed in accordance with the SRA Risk Management Framework (RMF). This sets out responsibilities for managing strategic and operational risks together with the reporting arrangements for the Executive, Audit and Risk Committee and the Board.
- 4 The Board held a risk workshop on 14 July 2020, the purpose of which was to ‘identify key strategic risks facing the SRA to inform the development of a refreshed Strategic Risk Register’. As part of the preparation for the workshop members were asked to identify 25 potential risks which were subsequently grouped under the following headings – political, economic, social, technological, and legal and environmental.
- 5 At the workshop, Board members considered a range of factors and were asked to consider the top risks which should sit on the SRR based on the likelihood of the outcome compared to the impact on delivering our strategic outcomes.

Strategic Risk Register

- 6 Following that workshop the SMT developed the new draft Strategic Risks for consideration by the Audit and Risk Committee. The Strategic Risk dashboard is set out below and full details of each risk are attached for the Board’s consideration (see annex 1).

	Proposed new Strategic Risks - 2020				
	SRR 1	SRR 2	SRR 3	SRR 4	SRR 5
Inherent	R12	R16	R12	R12	R12
Residual	A8	A8	A9	A6	A9
Change	New	New	New	New	New

Risk Appetite

- 7 As well as considering the new Strategic Risk Register, the Audit and Risk Committee also considered individual risk appetites for each of the new strategic risks. To enable detailed analysis and assessment of individual key risks to the achievement of our corporate objectives, risk appetite is subdivided into five categories as follows:

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	Category	Description
<p>Focus on risk avoidance</p>  <p>Focus on achieving business objectives</p>	Averse	Avoidance of risk and uncertainty. Exceptional circumstances are required for any acceptance of risk.
	Minimal	Preference for ultra-safe options that are low risk and only have a potential for limited reward.
	Cautious	Preference for safe options that have a low degree of risk.
	Open	Willing to consider a range of options and choose one that is most likely to result in successful delivery but minimising risk as far as possible.
	High	Eager to realise business benefits and to choose an option to achieve this, accepting the risks involved.

- 8 The SRA current overall risk appetite is ‘with few exceptions no greater than Cautious’. This is a preference for safe options that have a low degree of risk, and in some cases are lower, as shown in Appendix D of the RMF (included as annex 4)
- 9 However, though our overall attitude to risks is Cautious, our corporate objectives aim to encourage innovation and drive change in the market. To achieve this requires accepting that a rapidly changing market will produce risks. For certain strategic risks, therefore, we have a higher appetite than usual. This reflects the need to accept risk to achieve our goals and these risks can arise from a range of internal factors but also the external environment.
- 10 Working closely with colleagues in Research and Analysis Team, in order to make sure that our approach to managing regulatory and strategic risks remains aligned and to continue the development of a strong organisational foresight programme, we have completed a review of our overall risk appetite. We have considered the existing overall risk appetite and compared this to each of the proposed strategic risks to make an assessment of whether each is in or out of the overall risk appetite. The results of this exercise are set out in annex 2.
- 11 Following discussions with, and on the advice of our internal auditors, KPMG, we have also reconsidered the risk ratings in our current Risk Management Framework. Based on our definitions of likelihood and impact, risk scores are potentially overly restrictive in some areas. A likely event with incidental impact was considered amber, for example. Accordingly, we are proposing to shift the boundaries of risk scores. This is illustrated at annex 3.
- 12 Risk tolerance will vary based on appetite. Our previous model had a set line for tolerance, regardless of appetite. We are therefore proposing an additional development to allow us to more easily identify whether we are operating within both appetite and tolerance levels. Risk appetite can be considered to be aspirational whilst risk tolerance is non-negotiable. This is also illustrated at annex 3 where we have mapped the strategic risks to the new matrices.

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Risk Management Framework

13 The Risk Management Framework has been amended, taking account of feedback from the Board at the December 2019 workshop, together with support provided by our Internal auditors. This has been agreed by the Audit and Risk Committee and a track-change version is provided at annex 4 for the Board to note.

Recommendations: the Board is asked to:

- a) **discuss and agree the revised Strategic Risk Register**
- b) **approve the SRR risk appetite statements**
- c) **approve the changes to risk levels and appetite**
- d) **note the updated Risk Management Framework.**

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Supporting information

Links to the Corporate Strategy and/or Business Plan

- 14 Having effective risk management and monitoring procedures in place ensures that we are able to understand, mitigate and manage potential risks that could harm our ability to deliver our defined corporate strategy and business plan.

How the issues support the regulatory objectives and best regulatory practice

- 15 By having agreed risk management and assurance processes in place we can ensure that our operational areas are performing in well controlled ways. By having effective controls, we can be confident that we are meeting our regulatory objectives in the best way for the organisation. Failure to have good assurance in these areas could be a contributory factor to bad or inefficient decision making.

Public/Consumer impact

- 16 There is no direct public or consumer impact, however there is indirect benefit from having knowledge that the organisation is aware of its risks and that these are managed in a way that avoids a direct external impact.

What engagement approach has been used to inform the work and what further communication and engagement is needed

- 17 No work has been carried out in this area as this issue governs internal matters only.

What equality and diversity considerations relate to this issue?

- 18 Strong risk management and effective controls will ensure we are able to manage areas where equality and diversity issues may exist.
- 19 Our commitment to mainstreaming EDI throughout our work means that it is a consideration in all our risk management.
- 20 Our Risk Management approach specifies EDI in key areas. This is reflected across the range of risk categories articulated in the risk appetite statements contained within the Risk Management Framework.

How the work will be evaluated

- 21 As part of the ongoing risk assurance programme, the documented control measures will be reviewed and assessed to determine the effectiveness in managing the risks.

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Annexes

Annex 1	Strategic Risk Register
Annex 2	Appetite statements for Strategic Risks
Annex 3	Changes to risk levels and appetite
Annex 4	Risk Management Framework

NB: the annexes to this paper will not be published as they include discussion of risk that might be exacerbated by publication