

STRATEGIC RISK MANAGEMENT

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1 Summary

- 1.1 This paper reflects the FSA's strategic, corporate and management approaches to risk, including identifying which responsibilities lie at Board, Audit and Risk Assurance Committee (ARAC) or Executive level, and also provides the Board with our latest Strategic Risk assessment.
- 1.2 The Board is asked to:
 - **Comment and agree** upon our annual Strategic Risk assessment and associated principal risks and uncertainties.
 - **Endorse** our current approach to Risk Management.
 - **Note** that we will continue to follow our risk management framework and provide assurance of effective risk management in the FSA to the Board through ARAC.

2 Background

- 2.1 This is the fourth annual Strategic Risk management paper to the Board. It sets out the FSA's approach to mitigating the risks in the food system for which we are responsible, as well presenting a summary of the outcomes of the Board's annual risk workshop for formal approval by the Board.
- 2.2 All organisations should employ a range of approaches and actions for identifying and mitigating risk in relation to their strategic objectives and operational activities. The FSA is unusual in that its entire purpose is rooted in the management of certain risks in the food system: the department was formed in the aftermath of, and as a direct response to, the incidence of Bovine Spongiform Encephalopathy. The FSA works to protect public health, and consumers' wider interests in relation to food. This means that risk considerations are always front of mind across the whole department. Our work protects people, reduces the economic burden of foodborne illness, and supports the UK economy and trade by ensuring that our food has a strong reputation for safety and authenticity both in the UK and abroad.
- 2.3 The food system is complicated and is evolving rapidly with developments such as: new technologies around food production; logistics; shifting consumer habits; and a massive growth in online sales. We are also establishing ourselves and evolving following EU Exit: we are taking on new responsibilities within the UK and seeking to continue to be influential on an international scale. The FSA must adapt to keep pace, consequently; we have developed a new strategy which sets out our direction as an organisation for the duration of the strategy ([FSA 22/03/05](#)).

3 Risk Management Policy and Framework

- 3.1 The FSA has an established Risk Management framework that forms part of the 'Three Lines of Defence' (refer to Annex B) and applies the principles of the HM Treasury (HMT) Orange Book, a document providing guidance which establishes the concept of risk management. We use this framework to provide assurance to the FSA Board, ARAC, and the Chief Executive Officer (CEO) as Accounting Officer that opportunities and risks are being effectively identified, assessed and managed, and those involved understand their roles and responsibilities.
- 3.2 The Board is responsible for setting the FSA's strategic risk tolerance, agreeing the thresholds for the levels of risk exposure, and ensuring that an appropriate risk management strategy is in place. The Board also provides a strategic view on the FSA's principal risks and reviews the risks annually. ARAC has oversight of the FSA's approach to, and assurance over, the risk management delegated from the Board and, in its non-executive capacity, advises the Board and CEO on the strategic processes for risk management, including reviewing the strategic risks and ratings; considering the FSA's risk appetite; and providing oversight of the effective application of appropriate controls and processes across the risks.
- 3.3 The Executive has a key role in formally overseeing operational risk management as part of our risk management cycle and considering risk in all strategic and executive decisions. The Executive is responsible for managing risk at the operational and delivery level with the CEO holding overall responsibility for the mitigation activities against the strategic risks. Each of our strategic risks are owned (meaning that they are responsible for progressing mitigations) by the appropriate Director/s and all mitigations have a specific owner and have timebound delivery dates and the mitigation activities are progressed against the strategic risks.
- 3.4 Risk Management in the FSA is a continuous process (Figure 1), enabling us to make informed decisions and ensure we are operating within our agreed risk appetite. Alongside this, our strategic risks are reviewed quarterly (and monthly by exception) by the Business Delivery Group (BDG), ensuring that the level of risk exposure is monitored closely in the changing environment we operate in.
- 3.5 As part of this process, BDG undertake tactical risk reviews, however strategic oversight is retained by the Executive. ARAC are presented quarterly with a summary of the latest strategic risk review alongside the strategic risk dashboard, and as appropriate, are consulted regarding process changes / improvements.
- 3.6 To supplement this process our principal risks are subject to periodic deep dive reviews and presented to ARAC to challenge, discuss, and review.

4 FSA Principal Risks and Uncertainties

- 4.1 The Board and Executive hold an annual risk workshop to identify and consider the risks and opportunities we face in the future, agreeing which risks pose the greatest threat to us successfully achieving our objectives and corresponding strategic risk tolerance and thresholds for the levels of risk exposure.

- 4.2 The FSA's strategy articulates our mission and vision and details how that relates to the changing environment in which we operate. Consideration of the FSA's new Strategy also formed part of the risk workshop discussion.
- 4.3 For further details refer to:
- March 2022 Strategy Board paper. [[FSA 22/03/05](#)]
 - Priorities and Budget for 2022/23 Board paper. [[FSA 22/03/13](#)]
- 4.4 Following the output of the Board and Executive risk workshop, the principal risks that the FSA faces are defined as (see **Annex A** for further detail):
- a) Delivering food you can trust.
 - b) Being able to identify, assess and act on a food risk to prevent harm to consumers.
 - c) Maintaining public confidence and trust in the FSA, sustaining our ability to deliver our strategic objectives to protect consumers.
 - d) Maintaining informative and influential relationships across government and internationally to advance consumer protection, now and in the future.
 - e) Working effectively and cohesively across multiple nations of the UK and administrations to ensure consumers are well protected despite potential divergence between systems.
 - f) Being able to provide an adequate response to a major food incident.
 - g) Being able to deliver our regulatory functions directly or through closely working with others.
 - h) Being adequately resourced and support our people to deliver the FSA Strategy.

5 Conclusion

- 5.1 The Board is invited to:
- **Comment and agree** upon on our annual Strategic Risk assessment and associated principal risks. and uncertainties.
 - **Endorse** our current approach to Risk Management.
 - **Note** that we will continue to follow our risk management framework and provide assurance of effective risk management in the FSA to the Board through ARAC.

Principal risks and uncertainties

Delivering Food you can trust

1. Keeping people safe and reducing or eliminating food risk is a fundamental purpose of the FSA. Doing this relies upon the FSA understanding the complex food landscape and the risks that may arise; having the scientific capability to make professional and timely risk assessments; and having the policy capability to provide appropriate risk management advice.

Being able to identify, assess and act on a food risk to prevent harm to consumers

2. Our 'risk analysis process' (refer to Annual Review of Risk Analysis Process paper – [FSA 22/03/06](#)) captures the capabilities and processes in an end-to-end service by which a risk is identified (either through an arising policy issue or through surveillance), assessed and mitigated (managed and communicated). Leaving the EU means that the FSA is now responsible for many of the combined risk analysis functions that were previously carried out by the European Food Safety Authority and the European Commission.
3. To ensure that the high standard of food safety and consumer protection is maintained, our risk analysis process continues to be evolved and will need to undergo regular review to ensure regulatory effectiveness. Surveillance in general across the FSA remains critical to our role and therefore we have established a flexible, responsive, data-enabled science, evidence and surveillance approach to harness the power of data science to identify emerging risks before they become risks to public health, using a variety of data sources.
4. We also continue to deliver and implement more robust and proactive planning, listening and horizon scanning, working with consumers and representatives from the food business industry to track their views and opinions.

Maintaining public confidence and trust in the FSA, sustaining our ability to deliver our strategic objectives to protect consumers

5. Failing to influence and engage effectively with a wide range of stakeholders would risk our pledge to put consumers first in everything we do. Trust and confidence (of consumers, media, government, industry, partners) are central to us achieving our outcomes for consumers.
6. Our most recent FSA trust survey (refer to [Third wave of Food and You 2 report](#)) found that the FSA's public reputation remains strong: above the UK public sector average and above our ambition. 75% of respondents who had at least some knowledge of the FSA reported that they trusted the FSA to make sure 'food is safe and what it says it is'. Among respondents, 80% were confident that the FSA could protect the public from food-related risks.

7. One of the foundations of trust in the FSA is our use of evidence, openly published and well communicated. We use science and evidence to come to our decisions, and are seen to be open, honest, independent and inclusive. However, we work in an environment populated with numerous problems, with many factions holding opposing points of view. A single incident or a major campaign where we are seen to not be playing the required role could jeopardise the trust in FSA and adversely affect our reputation. Structured and proactive stakeholder management mitigates this chance of a loss of trust resulting from public criticism.
8. For example, our approach through the Achieving Business Compliance programme to seek innovation in regulatory reform and using opportunities such as sources of industry assurance, can risk accusations of the FSA becoming too close to the regulated sector, and therefore damaging consumer confidence. The FSA has to balance a willingness to consider innovative solutions while choosing options where the benefits outweigh the risks, so as not to jeopardise our ability to influence effectively to protect consumers.

Maintaining informative and influential relationships across government and internationally to advance consumer protection, now and in the future

9. It is vital that we are able to influence Government effectively in Westminster, Wales and Northern Ireland, as well as internationally, to ensure that our work is understood and supported and that we are able to achieve change that benefit consumers. Now the UK has left the EU we need to establish and maintain our credibility here in the UK and internationally to protect UK consumer interests. Our new relationship with the EU and other countries has altered the institutional drivers for some of our international activities. At the same time, COVID-19 has made international engagement more challenging.
10. The FSA has also had a new role to play in UK trade policy, both in discussions across Whitehall and in wider international fora. The FSA Board set out a clear set of principles to guide FSA officials' input to trade policy and trade negotiations in early 2020. Monitoring international developments aids early intelligence and analysis on issues which could have an impact on food safety risks for consumers.

Working effectively and cohesively across multiple nations of the UK and administrations to ensure consumers are well protected despite potential divergence between systems

11. The FSA is a single organisation that works with UK regulatory partners, Wales and Northern Ireland governments and with Food Standards Scotland and the Scottish government to ensure that the UK regulatory regime continues to provide strong protection for consumers. Inevitably, there are areas where different political priorities and viewpoints among the four administrations will occur. These changes have the potential to negatively affect four-nation collaborative working relationships.

12. The FSA is party to three cross-government UK Frameworks provisionally agreed in 2021: the Food and Feed Safety and Hygiene framework (FFSH); the Nutrition-related Labelling, Composition and Standards framework (NLCS); and the Food Compositional Standards and Labelling framework (FCSL). These frameworks put in place commitments to joint ways of working and seeking consensus on changes across the UK, while recognising that often businesses trading across the UK require consistency and that consumers require consistent levels of protection. UK frameworks also recognise that UK Ministers can make different decisions from one another, where it is agreed on a four-nation basis that this is appropriate and supported by evidence. The FSA continues to maintain engagement with UK Ministers to widen understanding, expectations and co-create requirements. These arrangements are proving to be effective, and a regular review process is in place to provide opportunity for four-nation consideration of any required changes to ways of working.
13. The Northern Ireland Protocol and the devolved nature of food policy decisions means that, now the UK is outside the EU's harmonised system, divergence can occur between the regulatory systems of different UK nations. This is already happening in areas which undergo regular change and reinforces the need for the FSA to have strong, collaborative working processes across the UK to help anticipate and respond appropriately to cases of divergence.

Being able to provide an adequate response to a major food incident

14. The FSA has well-established contingency and resilience arrangements to respond to a major food safety incident. We adopt a comprehensive approach to strengthening our resilience and emergency preparedness to cover all aspects of our incident response arrangements and continue to enhance our capabilities and capacity to manage a major food incident.
15. Lessons learned reviews from real incidents, including outbreak management, as well as our emergency response to COVID-19 and Winter Planning activity, provide us with valuable learning to strengthen our resilience and improve our incident response capabilities. Learning is reflected in our updated incident management plan; the continual improvements to our accompanying standard operating procedures and is used to inform our annual exercise and training programme that supports the continual improvement of our incident response capacity, capability, and organisational resilience. We also continue to be involved in multi-agency exercises that, in addition to building our response capabilities, provide an opportunity to emphasise the role of the FSA to those involved, as well as share best practice.
16. The impact of this approach is measured through our increased capability and capacity to invoke our incident response and emergency protocols efficiently; deliver a proportionate response to a food incident; and enable the organisation to return to our normal operations as quickly as possible. However, this should be balanced against a response to a large-scale food-borne incident (on a scale similar to the pandemic) in

which the FSA would face significant challenges to respond in such a comprehensive way.

Being able to deliver our regulatory functions directly or through closely working with others

17. The food system is complex, and its regulation involves multiple bodies:

- The FSA is directly responsible for controls in approved producers of fresh meat (including abattoirs and cutting plants), wine and on-farm dairy establishments
- Local authorities specifically cover food producers, food processors, catering establishments, takeaway and food delivery, retailers and approved dairy, and meat and fish establishments
- The FSA and local authorities together deliver shellfish official controls
- Local and port health authorities in England, local authorities and the Animal and Plant Health Agency in Wales, and local authorities and the Department of Agriculture, Environment and Rural Affairs in Northern Ireland are responsible for imported food controls
- Feed controls are the responsibility of local authorities in England and Wales, and DAERA in Northern Ireland

18. The FSA's current approach to delivering regulatory functions has developed over a long period of time. The risk that the FSA faces is our reliance on others to deliver many of the regulatory functions and we need to work closely together to make sure that we do not compromise current levels of service / consumer protection before new approaches are developed.

19. It is also important to have effective mechanisms for collaboration both within the FSA and between the FSA and Food Standards Scotland and other government departments to deliver policies across the UK.

20. The FSA's approach to direct delivery of regulatory controls involves a split between FSA-employed people and contractors via a Service Delivery Partner (SDP). Through contract management arrangements, the FSA needs to continually monitor the capacity and capability of the SDP to undertake their contractual arrangements and use Key Performance Indicators to identify non-compliances and service failures (for which there are financial penalties).

21. Local authorities (LAs) have responsibility to deliver food official controls for the vast majority of food businesses and the expectations for delivery are specified in statutory Codes of Practice, which LAs must have regard to, and in a Framework Agreement on Official Controls by Local Authorities. The FSA needs to ensure these arrangements are as effective as possible and that the LAs are able to carry out the required activity.

22. LAs face increased pressures and challenges, which has impacted resources and has highlighted challenges faced in meeting the FSA's expectations for delivery of food controls. The need to reform the food hygiene delivery model, including the risk

assessment scheme in the Food Law Code of Practice that drives planned intervention programmes, has now become more pressing.

23. Through the Achieving Business Compliance (ABC) Programme, we aspire to focus more on outcomes, and we collaborate with local authorities and industry to make sure that food regulation is data driven, and that resources are targeted at the areas of highest risk.
24. To support the FSA in evolving the food regulatory system our Operational Transformation Programme, will help deliver transformational change, identify alternative solutions through increased flexibility in the operating model and resourcing / staff deployment alternatives, whilst keeping consumer trust and safety at the heart of everything.

25. Being adequately resourced and support our people to deliver the FSA Strategy

26. There are ever-increasing constraints on resource that all parts of government are facing. To maximise the benefits to consumers, the FSA has lent even greater importance to minimising both the costs of our own work and that which is delivered by others. Understanding our performance gives us the opportunity to see where we can improve and further achieve value for money over what we do.
27. As our approach becomes focused on delivering impact from our expertise and influencing others, we become increasingly dependent on the quality, skills, motivation and alignment of our people. We will need to continue to create an environment in which our people are highly capable, effectively supported, and consistently choose to make outstanding contributions to protecting, informing and empowering consumers.
28. The FSA had already identified the continuing resource pressure and challenges faced by LAs, who have frontline responsibility for delivering inspections and enforcement of food and feed hygiene and standards. The pandemic led to adjusted expectations of LAs which have completely changed the delivery landscape and bring new challenges with tracking their performance and the risk faced at the local level.
29. This aligns with the National Audit Office 2019 report on the Ensuring Food Safety and Standards, where they highlight recommendations for the FSA as we take forward our plans to design a more flexible and risk-based regulatory system, acknowledging there are areas where we will need to work with other government departments to reach a government-wide view of how the regulatory system needs to respond to future challenges and risks.

Annex B

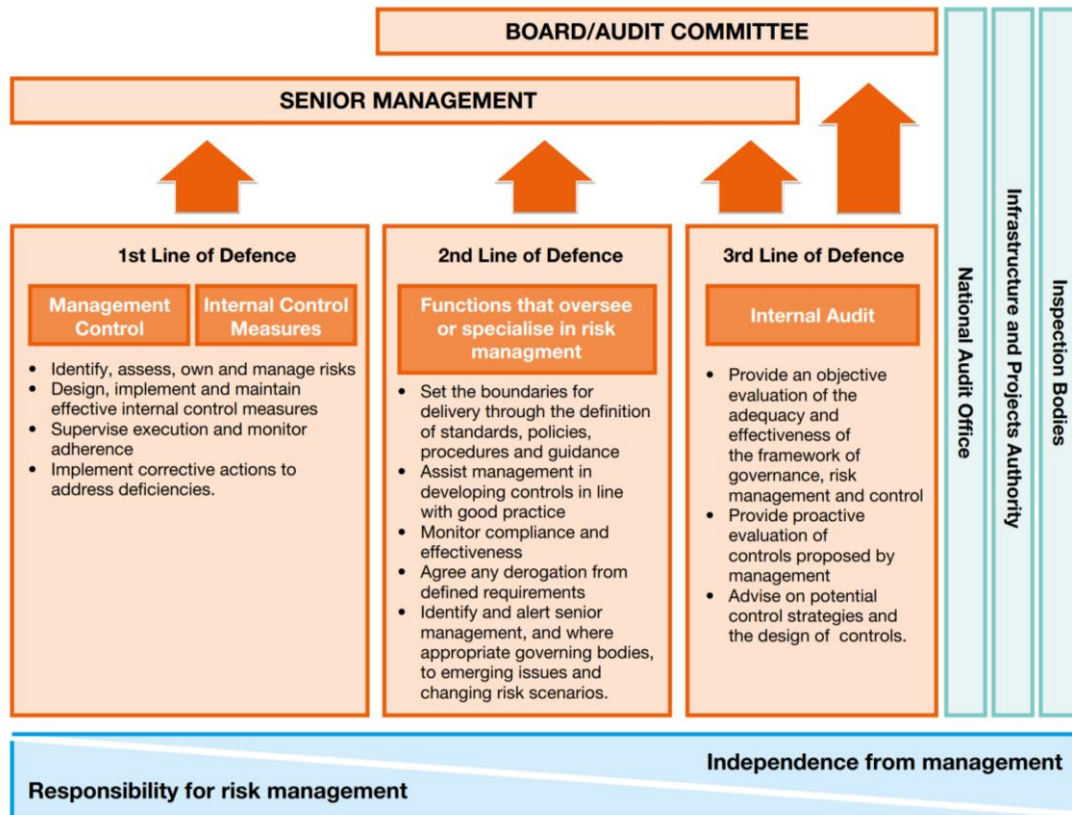


Figure 1: HM Treasury Orange Book ‘three lines of defence model’