



The one-hundred-and-sixth meeting of the Joint Nature Conservation Committee to be held at 0900 hours on 17 March 2016, at JNCC, Monkstone House, City Road, Peterborough, PE1 1JY

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Joint Committee

Risk management in JNCC

Executive summary

Sponsor Director: Marcus Yeo

1. Action required

- 1.1. The Audit and Risk Assurance Committee and the Executive Management Board recommends that the Joint Committee:
 - i. **discuss** the risks contained in the **significant risks register for 2016/17** (Annex 1), in particular the risks relating to insufficient funding to discharge responsibilities effectively and to substantial changes to JNCC's role, functions or governance;
 - ii. **advise** on the implications for JNCC and on any mitigation measures to be taken;
 - iii. **note** the **corporate risk register** (Annex 2);
 - iv. **discuss** the **risk appetite** statement (Annex 3) and advise on any adjustments required, notably the extent to which JNCC should increase its risk appetite and if so for which areas of activity;
 - v. **note** the **internal audit report on corporate governance and risk management** contained in Annex 4.

2. Key issues

- 2.1. The Joint Committee has delegated to the Audit and Risk Assurance Committee (ARAC) responsibility for assuring JNCC's risk management processes and the effectiveness with which they are operated, and to the executive the day-to-day management of risk. However, members of the Joint Committee retain ultimate responsibility for risk management within JNCC. The purpose of this paper is to foster greater understanding among Joint Committee members of risk as it relates to JNCC and to facilitate an informed discussion by the Joint Committee on risk, thereby enabling members to better assume their responsibilities and provide a steer to the executive on management of significant risks.
- 2.2. JNCC's two principal risk registers and a risk appetite statement are annexed to this paper. The Executive Management Board (EMB), as part of an annual review, has recently revised each of these documents.
- 2.4. The Audit and Risk Assurance Committee (ARAC) agreed the broad scope and content of this Joint Committee paper in November, and have subsequently commented on a draft of this paper. ARAC members will have a final discussion on this paper at the ARAC meeting on 16 March and any substantive comment will be reported to the Joint Committee on 17 March by the ARAC Chair.

Joint Nature Conservation Committee

Risk management in JNCC

Paper by Tracey Quince

1. Introduction

- 1.1. In June 2014, the Joint Committee agreed to hold an annual discussion on high-level risks, with a view to reinforcing Committee's ownership of risks facing the organisation, and enabling them to provide a steer to the Audit and Risk Assurance Committee (ARAC) and the Executive Management Board (EMB).
- 1.2. This paper is intended to stimulate Committee's discussion. It summarises JNCC's approach to risk management, and presents risk registers and a risk appetite statement, revised by EMB for 2016/17. The main risks facing JNCC in 2016/17 (as set out in the significant risks register) are discussed.

2. JNCC's approach to risk management

- 2.1. JNCC has well-developed processes for risk management. JNCC's approach is centred on two risk registers.
- 2.2. The high-level **corporate risk register** describes the principal long-term/standing risks affecting JNCC. It lists the core controls associated with each of the five main categories of risk, but does not include specific control improvements. The corporate risk register is reviewed annually. The latest version, incorporating amendments made by EMB in January, is attached at Annex 2.
- 2.3. The annual **significant risks register** captures a small number of significant risks which are "live" and require active attention during the year. It forms the basis for quarterly risk reporting to EMB, ARAC and Joint Committee. The latest version of the significant risks register for 2015/16 is included within the quarter 3 performance report to Joint Committee.
- 2.4. Annex 1 contains a proposed significant risks register for 2016/17. Additional work will be required to ensure the risks are defined adequately and control measures are identified. The significant risks register has been comprehensively reviewed by EMB to reflect changing circumstances; some risks have been deleted as they are no longer considered to be sufficiently significant, some new risks have been added.
- 2.5. Taken together, the two registers capture all relevant high-level risks facing the organisation. They help to focus management effort and form an integral part of the internal audit process.
- 2.6. For 2016/17 significant work has been undertaken to review the risk appetite statement to create a document that is more useful as a management tool. JNCC's risk appetite statement for 2016/17 is contained in Annex 3. The risk appetite can be defined as the amount and type of risk that an organisation is prepared to seek, accept, tolerate or be exposed to at one time or the amount of risk that an organisation is willing to seek or accept in the pursuit of its long-term objectives. Communicating the risk appetite to staff and being clear at all levels of the organisation about the amount of risk the organisation is willing to take

ensures that performance and delivery will be maximised and opportunities will be taken. This is particularly important as JNCC adopts new ways of working to create opportunities to secure new funding sources, and maintains an ambitious and ongoing change programme.

- 2.7. In the main, JNCC will continue to adopt an informed cautious appetite for taking significant risk. The need to avoid reputational, relationship, compliance and financial risk takes priority over other factors. It is, however, recognised that there are areas where a greater appetite for risk is desirable (especially in relation to innovation and strategic change), and will need to be supported by corporate processes. Better definition and segmentation of risk appetite into different activity areas has created a statement that articulates more clearly the amount of risk JNCC is prepared/not prepared to accept in pursuit of long-term objectives.

3. Internal audit on risk management and corporate governance

- 3.1. The risk management area is audited each year and the audit findings are a key component of the Governance Statement which forms part of the Annual Report and Accounts.
- 3.2. In November, ARAC discussed the findings from an audit of risk management and corporate governance within JNCC (see Annex 4). The review found systems to be robust and well embedded across the organisation and this is reflected in the substantial assurance anticipated and achieved.
- 3.3. In their review, internal audit found that the process for the identification of risks was comprehensive and adequately designed in order to capture and correctly assess the key risks facing JNCC. The documentation and monitoring of risks was well managed, with appropriate emphasis and accountability achieved.

4. Discussion

- 4.1. JNCC has in place robust governance mechanisms and a system of policies and procedures to manage risk. It does not operate in an inherently high-risk environment. However, external factors will present substantial risks during 2016/17 and this is reflected in the revised significant risk register (Annex 1).
- 4.2. The principal risks facing JNCC in 2016/17 relate to funding pressures and changes to JNCC's role, functions or governance. There are also significant risks associated with increasing divergence between sponsor administrations.
- 4.3. **Funding pressures** are inevitable and will continue to over the next few years. If anything, reductions in government funding are likely to have even more significant impact on JNCC's work in future, as any potential for stopping low-priority work or making significant efficiency savings has already been taken. JNCC also faces the challenge of trying to access new funding sources to diversify non-GIA income.
- 4.4. Given the changes taking place within JNCC's sponsor administrations, it is likely that there will be significant **changes to JNCC's role, functions or governance** in the foreseeable future. The current government review of JNCC is the main vehicle for making any such significant change.

Annex 1. DRAFT significant risks register for 2016/17

Risk	Likelihood (residual)	Impact (residual)	Total score (residual)	Action	Comments
Insufficient funding to discharge responsibilities effectively	4	4	16	<ul style="list-style-type: none"> • Agree indicative multi-year GIA allocations with sponsors • Develop and implement a realistic plan for income generation • Pursue efficiency savings where feasible and appropriate • Promote the value of JNCC's work 	<ul style="list-style-type: none"> • The principal risk is that GIA are too large and/or happen too quickly to be managed effectively • Risk also includes inability to diversify and increase non-GIA income
Substantial changes to JNCC's role, functions or governance	4	4	16	<ul style="list-style-type: none"> • Proactive input to JNCC review process • Engagement with key stakeholders to promote value of JNCC's work and influence change initiatives 	<ul style="list-style-type: none"> • Changes could arise from JNCC's review, Defra's Transformation programme, changes within the devolved administrations, or the EU referendum
Increasing divergence between sponsor administrations (e.g. priorities, policies, institutional arrangements)	5	3	15	<ul style="list-style-type: none"> • Strengthen relationships with devolved administrations and country bodies • Agreement between sponsors as to how a UK body should operate in an increasingly devolved UK 	<ul style="list-style-type: none"> • High overhead for JNCC to engage appropriately with four sponsors • Risk of Defra/Whitehall dominance
Poor staff engagement and morale	4	3	12	<ul style="list-style-type: none"> • Improve internal communications • Undertake annual staff survey and prepare action 	<ul style="list-style-type: none"> • Caused by change, uncertainty, pay restrictions, etc

Risk	Likelihood (residual)	Impact (residual)	Total score (residual)	Action	Comments
				plan to address priority issues <ul style="list-style-type: none"> • Keep areas with high staff turnover under review 	
Inability to respond to change sufficiently quickly	3	4	12	<ul style="list-style-type: none"> • Review internal processes to ensure they are fit for purpose • Implement a less risk averse culture in targeted areas • Ensure staff are not over committed and can dedicate sufficient time to change 	<ul style="list-style-type: none"> • It is essential that JNCC is able to implement change quickly and effectively
Poor-quality evidence and science	2	4	8	<ul style="list-style-type: none"> • Implement (and keep under review) evidence quality assurance processes • Staff training and development • Adapt JNCC's evidence activities to meet evolving customer needs 	<ul style="list-style-type: none"> • Risk of JNCC's advice being undermined if underpinning science/evidence is of poor quality

Annex 2. Corporate risk register (updated March 2016)

Risk no	Risk description	Inherent likelihood	Inherent impact	Inherent rating	Residual likelihood	Residual impact	Residual score	Core controls
	RESOURCE AVAILABILITY AND USAGE Owner: Sue McQueen							
RA1	Downward pressure on government funding	5	5	25	5	3	15	a) Responsibilities of funding bodies set in governance documents. b) Relationship management controls. c) Dialogue with government and other funding bodies to identify priorities and funding requirements. d) Robust resource allocation, monitoring and management processes. e) Internal structures and accountabilities that relate resources to priorities and provide necessary controls. f) Measures to ensure staff are equipped with competencies in resource planning and management. g) New strategy to diversify income.
RA2	Staff numbers, structure and competencies do not support effective and efficient delivery of current/future work programmes	5	5	25	4	3	12	
RA3	Ineffective use of resources (including failure to obtain vfm).	4	3	12	2	3	6	
RA4	Major fraud and other losses.	2	3	6	1	2	2	
RA5	Failure to meet financial and accounting obligations	5	3	15	2	2	4	
RA6	Unsuitability of office facilities	3	3	9	4	1	4	
RA7	Poor staff cohesion, morale and motivation.	4	4	16	4	3	12	
	INFORMATION ACCESSIBILITY AND SECURITY Owner: Sue McQueen							
IN1	Inadequate data management practices (leading to loss of data or inability to readily access information)	3	4	12	2	2	4	a) Information systems in place to support business needs. b) Physical/technical security measures. c) Policies and procedures and associated controls in place. d) Measures to ensure staff are equipped with competencies in
IN2	IT fraud (including access by hackers)	4	4	16	2	2	4	

Risk no	Risk description	Inherent likelihood	Inherent impact	Inherent rating	Residual likelihood	Residual impact	Residual score	Core controls
	and inappropriate use by staff).							
IN3	Accidental and deliberate breaches of security of sensitive information by staff	3	3	9	2	2	4	e) Central/ searchable storage of electronic data and information. f) Key datasets catalogued and responsibility assigned to individuals. g) Routine risk assessment of HR data. h) Terms and conditions for third parties (security and access) and routine review of compliance by key partners. i) Search tool. j) Good accessibility and effective management of datasets held across JNCC. k) Sufficient capacity deployed into the network infrastructure to manage both storage and backup for data gathered from marine survey work. l) Storage and back-up capacity for continuing growth for the short to medium term and centralisation of data and software in relation to the use of GIS.
IN4	Failure to meet transparency obligations defined in legislation and government policy	4	3	12	1	1	1	
GOVERNANCE/COMPLIANCE (Miscellaneous) Owner: Sue McQueen								
GC1	Ineffective governance at Committee, Company Board and EMB levels	4	4	16	2	2	4	a) Clear framework of accountabilities and delegations maintained and reviewed periodically. b) Measures to ensure relevant groups/ individuals have appropriate competencies/ access to competencies. c) Effective administration of all groups. d) Regular scrutiny of performance reports by executive and non-executive groups. e) Measures to ensure staff are equipped with necessary knowledge. f) Policies and procedures and associated controls. g) Robust auditing of compliance measures to ensure duty of care.
GC2	Failure to comply with employment or health and safety legislation	4	3	12	2	2	4	
GC3	Failure to comply with environmental management obligations	4	2	8	2	1	2	
GC4	Ineffective governance of work delivered in partnership with other organisations.	2	4	8	2	2	4	

Risk no	Risk description	Inherent likelihood	Inherent impact	Inherent rating	Residual likelihood	Residual impact	Residual score	Core controls
								h) Robust partnership working arrangements.
	QUALITY OF ADVICE AND DECISION-MAKING Owner: Paul Rose							
Q1	Advice provided to Government (or other stakeholders) is based on an inadequate evidence base or is not appropriately quality assured	4	4	16	2	4	8	a) Effective engagement with customers for advice to identify priorities, understand requirements and ensure 'no surprises'. b) High profile or contentious advice signed off by senior staff or Committee, in line with schedule of delegations. c) Research, survey, etc. commissioned where necessary to underpin advice. d) Legal advice sought where appropriate. e) Recruitment and training ensure staff have appropriate competencies (including up-to-date scientific knowledge for specialist staff). f) Committee forward programme focused on issues of strategic importance. g) Effective process of engagement between Committee and staff to consider emerging issues. h) Ongoing implementation of JNCC's risk management strategy. i) Implementation and monitoring of evidence quality assurance policies, standards and procedures.
Q2	Advice provided to Government (or other stakeholders) fails to recognise wider political implications	4	4	16	3	3	9	
Q3	Failure to identify major issues affecting the environment	4	4	16	2	3	6	
Q4	Delays to decision-making and missed opportunities because too risk-averse	4	3	12	4	3	12	
Q5	Failure to deliver services and products of appropriate quality under contract to other organisations	3	3	9	2	2	4	
	ROLES AND RELATIONSHIPS Owner: Marcus Yeo							
RR1	Not being aligned to the priorities of UK Government and devolved administrations, especially in response to rapidly changing requirements.	4	4	16	3	4	12	a) Strategy, corporate/ business plans and project plans agreed with stakeholders and communicated effectively externally and internally. b) Effective engagement with stakeholders at all levels (Committee and support company).
RR2	Changes to the status or functions of the	4	4	16	4	3	12	

Risk no	Risk description	Inherent likelihood	Inherent impact	Inherent rating	Residual likelihood	Residual impact	Residual score	Core controls
	country conservation bodies or JNCC's government sponsor bodies							c) Intelligence on political developments in UK government and devolved administrations. d) Active engagement in key government reviews and initiatives. e) Maintenance of a partnership working culture in JNCC, through training, performance management, etc. f) Flexible approach within the support company, allowing rapid responses to changing circumstances. g) Robust contract management arrangements. h) Effective arrangements for engagement with NGOs.
RR3	Lack of clarity regarding JNCC's role in relation to other government bodies	4	4	16	3	4	12	
RR4	Significant loss of co-operation between JNCC and partner organisations	3	3	9	3	2	6	
RR5	Loss of impartiality, e.g. through acceptance of inappropriate external funding or strong links to other organisations	4	4	16	2	3	6	
RR6	Governments and/or partners lose faith in JNCC's ability to deliver priority work	3	4	12	2	4	8	

Annex 3. JNCC’s risk appetite

JNCC recognises that its appetite for risk varies according to the activity undertaken. The appetite for risk across activities is shown visually below and in the following statements.

Unacceptable to take risks	Higher willingness to take risks									
	1	2	3	4	5	6	7	8	9	10
Science quality										
Innovation										
Relationships										
Compliance										
Financial										
Commercial										
Strategic change										
People										
Information										

Science quality

JNCC has a strong record of success for providing robust evidence and trusted advice on nature conservation to enable governments to achieve their policy objectives. Such evidence and advice is required to facilitate effective decision making. It is therefore critical that the quality of JNCC’s scientific advice and evidence is fit for purpose and complies with government requirements.

Evidence and advice provided by JNCC needs to be sufficiently robust in quality to provide confidence to governments and avoid drawn out review processes and additional work. It is however recognised that quality assurance processes can be expensive and so it is necessary to strike a balance, based on risk, between quality and use. JNCC’s evidence quality assurance policy provides a **risk-based approach** to managing quality. This is based on the degree of risk to biodiversity and ecosystems from decisions based on advice and evidence.

Innovation

JNCC is supportive of innovation and particularly supports the use of new science and technology to improve delivery of our own activities and those of partner organisations. It recognises that that this will involve a **moderate to high** degree of risk and is comfortable in accepting this risk subject to ensuring that potential benefits and risks are fully understood before developments are authorised and that sensible measures to manage risk are established.

Relationships

In order to carry out its role effectively, JNCC needs to work constructively with a wide range of government and non-government bodies. Effective engagement with stakeholders at all levels is vital alongside intelligence on political developments in UK government and devolved administrations. A strong partnership working culture is important in ensuring that JNCC is successful in achieving its objectives. JNCC has a **low** appetite for any deviation from its standards in this area.

Compliance

JNCC places great importance on compliance and has **no** appetite for any breaches with legislation, regulation, government framework requirements, bribery and fraud. It wishes to maintain high standards of governance as set out in JNCC policies and procedures and has **low** appetite for risk which may jeopardise its governance standards.

Financial

As a Government-funded organisation it is imperative that we ensure proper use of public funding, achieve value for money and meet the financial management standards set out in *Managing Public Money*. JNCC has **no** appetite for risks in this area.

Commercial

Budget pressures are driving the need for JNCC to develop a more enterprising culture by extending core work in new ways, providing new products and services to existing customers, and expanding the customer base and funding sources. It is envisaged that non-GIA activities will drive competitiveness and support JNCC's long-term resilience. JNCC will need to accept a higher degree of risk to realise opportunities and is prepared to accept the possibility of limited financial loss. Its business development strategy will be to take **proportionate risks** appraised on a case by case appraisal within a risk-based approvals process.

Strategic change

JNCC needs to continually adapt to meet evolving challenges and opportunities. JNCC has a **moderate** appetite for risks associated with identifying and implementing the change initiatives needed to deliver its strategy and meet external challenges. JNCC expects such changes to be managed according to good practice in change management, ensuring that staff are engaged effectively.

People and culture

JNCC aims to value, support, develop and utilise the full potential of our staff to make JNCC a stimulating and safe place to work and to deliver our strategy effectively. JNCC places importance on a culture of equality and diversity, dignity and respect, staff development, constructive performance appraisal, and health and safety. JNCC has a **low** appetite for any deviation from its standards in these areas.

Information accessibility and security

Good accessibility and effective management of information held across JNCC is vital. JNCC has a **low** appetite for any deviation from its information policies.

Annex 4. Risk management and corporate governance

See PDF attached.