



The one-hundred-and-tenth meeting of the
Joint Nature Conservation Committee to be held at 08.45 on 2 March 2017,
at Defra, Nobel House, Smith Square, London SW1P 3JR

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Joint Nature Conservation Committee

Risk management in JNCC

Paper by Tracey Quince

1. Introduction

- 1.1 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 responsibility for the day-to-day management of risk. However, the Joint Committee retains ultimate responsibility for ensuring sound risk management and internal control systems are in place within JNCC. Committee members play a key role in challenging the organisation on its management of risk as part of their corporate governance responsibilities.
- 1.2 This paper is intended to stimulate Committee's discussion. It summarises JNCC's approach to risk management, and presents a draft significant risk register for 2017/18 and a risk appetite statement. A clear oversight of the key risks to the delivery of the annual business plan and an understanding of the controls in place and what levels of risk are acceptable will help the Committee in making better decisions about the operation of the organisation.

2. Risk registers

- 2.1. JNCC has well-developed processes for risk management. These processes are audited regularly and substantial assurance achieved. JNCC's approach is centred on two risk registers. Taken together, the two registers capture all high-level risks facing the organisation. They help to focus management effort and form an integral part of the internal audit planning process.
- 2.2. The high-level **corporate risk register** describes the principal long-term/standing risks affecting JNCC. It lists the core controls associated with five main categories of risk, but does not include specific control improvements. The corporate risk register is reviewed annually by EMB.
- 2.3. The annual **significant risk 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 risk register for 2016/17 is included within the quarter 3 performance report to Joint Committee.
- 2.4. Annex 1 contains a proposed significant risk register for 2017/18, based on discussion by EMB in January. While the broad scope of the draft risk register for 2017/18 is similar to the 2016/17 register, several risks have been redefined and some new risks have been added (e.g. in relation to EU exit and income generation).
- 2.5. The environment in which JNCC operates is highly uncertain and there are multiple pressures on the organisation. A major risk is that JNCC will have insufficient flexibility and control to be able to respond appropriately to these

pressures. Other significant risks for 2017/18 include poor staff morale and a reduced ability to meet the needs of JNCC's four sponsor administrations as GIA decreases and administrations' requirements diverge.

3. Risk appetite

- 3.1. 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. The Committee last saw the risk appetite statement in March 2016. At that time, further refinement to aid clarity was suggested, including the addition of some examples and breaking down the relationships activity into different relationship categories. A staff task and finish group took this forward and presented the revised statement to EMB in August and ARAC in November. JNCC's risk appetite statement for 2017/18 is contained in Annex 2.
- 3.2. 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. 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.
- 3.3. 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 this will 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.

Annex 1. DRAFT significant risks register for 2017/18

All risks assessed over 1-year time frame

Risk	Inherent rating			Key mitigation actions	Residual rating		
	Likelihood	Impact	Total		Likelihood	Impact	Total
Limited flexibility and control leave JNCC unable to change in an appropriate timeframe	VH	H	H	<ul style="list-style-type: none"> Implement a corporate transformation programme (realistic and appropriately resourced) Make changes to senior management Undertake a skills audit to support more flexible use of resources 	H	M	M
Reduced ability to cost-effectively and equitably meet the needs of all four UK administrations (as GIA decreases and administrations' requirements diverge)	H	H	H	<ul style="list-style-type: none"> Ongoing engagement at all levels with governments and CNCBs to understand their requirements Targeted co-location of staff with sponsors and CNCBs Adequately resourced business plan for 2017/18 Implement new strategy Sustainable long-term funding model agreed with sponsors Meet income targets 	M	M	M
Major changes to JNCC's business resulting from EU exit (including changes in legislation and inability to recruit/retain EU staff)	M	H	H	<ul style="list-style-type: none"> Ongoing engagement with Defra and devolved administrations to understand likely changes Provision of evidence and advice to governments to support reformulation of environmental legislation and regulatory regimes 	M	M	M
Problems with income generation (e.g. missed opportunities, failure to deliver to requirements) result in damage to JNCC's reputation, potential exposure to financial risk and distraction from core business	H	M	M	<ul style="list-style-type: none"> Put in place appropriate staffing levels to secure income and deliver projects Training (e.g. in project management) Ensure adequate systems and processes are in place for resource management and governance systems Develop and implement a commercial strategy 	M	M	M

Risk	Inherent rating			Key mitigation actions	Residual rating		
	Likelihood	Impact	Total		Likelihood	Impact	Total
Poor staff morale undermines JNCC's ability to fulfil its work programme	H	M	M	<ul style="list-style-type: none"> Implement action plan to respond to issues raised in 2016 people survey Keep staff turnover under review and take targeted action if appropriate 	M	M	M
Quality of JNCC's science and evidence is inadequate, leading to poor advice to sponsors and other customers	M	M	M	<ul style="list-style-type: none"> Implement (and keep under review) evidence quality assurance processes Staff training and CPD Develop and implement strategy for engagement with the academic sector 	L	M	M

Key
High risk (H)
Moderate risk (M)
Low risk (L)

Annex 2. JNCC’s risk appetite

JNCC’s approach is to minimise its exposure to reputational, relationship, compliance and financial risk, whilst accepting and encouraging an increased degree of risk in pursuit of its strategic aims. This risk appetite statement was formally adopted by EMB at its meeting in August 2016.

JNCC risk appetite matrix

	Lower willingness to take risks		3	4	5	6	7	8	Higher willingness to take risks	
	1	2							9	10
Science quality										
Innovation										
Relationships & reputation										
Governance/Compliance										
Financial										
Commercial										
Strategic change										
People and culture										
Information accessibility and security										

Risk appetite categories

Science quality

JNCC has a strong record of success in providing robust evidence and trusted advice to enable governments, and other stakeholders, to achieve their policy objectives via effective science-based decision making. It is critical that the quality of JNCC’s scientific advice and evidence is fit for purpose, in that the final advice product is suited to its intended purpose, factually correct and devoid of inaccuracies, and complies fully with the decision makers’ requirements.

Evidence and advice provided by JNCC needs to be sufficiently robust in quality to provide confidence to decision makers that their decisions are underpinned by the best available

evidence and to avoid drawn out review processes and minimise the need for additional work.

[JNCC's Evidence Quality Assurance \(EQA\) Policy](#) outlines a **risk-based approach** JNCC staff must take when assessing and managing evidence quality procedures. In this context, the term 'risk' relates to the degree of risk posed to biodiversity and ecosystems from decisions based upon the advice and evidence JNCC provides. JNCC produces a range of scientific advice and evidence, ranging from short, rapidly produced advice notes, through to major data and evidence products. The EQA approach for each product is necessarily very different, but all forms of scientific advice and evidence should undergo some level of EQA risk assessment.

JNCC's risk appetite in relation to science quality will be linked to the type of evidence product and the context in which it is being used and should be proportionate, taking into account that basing a decision on a single evidence base carries greater risk than a decision based on multiple evidence bases. Risk is measured as the size of *impact* multiplied by *likelihood* of occurrence of an event. In terms of advisory or evidence products, JNCC relates *impact* to the use of the evidence or advice (i.e. the potential decision or policy application, and scale of change that is likely to result from its use). *Likelihood* relates to the relative contribution of the evidence to the overall evidence base being used to inform the decision process (i.e. to what extent is the evidence driving the decision or policy change, is it part of a larger evidence-driven process or the sole information source being used to underpin the decision).

Innovation

Innovation has been identified as a strategic priority for JNCC, particularly with respect to scientific and technological advances, which can offer tremendous potential to improve the quality, timeliness and cost-effectiveness of environmental evidence and advice. Examples include leading work on Earth observation using satellite data, use of Autonomous Underwater Vehicles (AUVs) to gather marine evidence, mathematical and computational modelling used to inform prediction and decision making and the use of environmental DNA (eDNA). JNCC has been at the forefront of applying new technologies and recognises that this will involve a **moderate to high** degree of risk. JNCC is comfortable in accepting this risk subject to ensuring that the potential benefits and risks are fully understood and documented before developments are authorised, decision-making is taken at an appropriate level and appropriate measures to identify, monitor and manage risk are in place.

Relationships and reputation

Relationships

In order to carry out its role effectively, JNCC needs to build relationships and partnerships with a range of government and non-government bodies. Over recent years, JNCC has been proactive in this area, establishing high level agreements with organisations such as the British Trust for Ornithology, Bat Conservation Trust, Cefas, Mammal Society, Marine Scotland Science and a range of academic research institutions. A strong partnership working culture is important in ensuring that JNCC is successful in achieving its objectives, and is a vital component for gathering intelligence on political developments in UK government, devolved administrations and UK Overseas Territories. In developing new relationships and partnerships, there may be necessary elements of risk-taking, for example working with a new, unfamiliar partner. JNCC has a **low to moderate** appetite for risk in this area, depending on the importance of securing a particular partnership/relationship to realise the JNCC strategy. Risks must be fully understood, documented and managed throughout the relationship building process.

Commercial Partner Relationships

Partners are organisations or individuals with whom JNCC works collaboratively to deliver specific objectives, often requiring formal agreement of roles and responsibilities. Commercial partner relationships can differ from procurement and contract management as they are, in most cases, defined in terms of business outcomes as opposed to service delivery.

It is important to keep in mind, that whilst some specific risks (i.e. operational, financial) may be shouldered by partners, risks associated with overall delivery of a product or service and corporate reputation will be retained by JNCC in most instances. When developing partnerships it is important to judge whether the individual or organisation possess the traits of a good partner by considering *inter alia*: does the partner communicate in a clear, transparent and inclusive manner; do any reasons exist that bring into question a partner's ethics; do visions, aspirations, and culture align with that of JNCC; will the partner constitute a reliable, cooperative and participative team member; does the partner possess the means to deliver shared objectives; does the partner possess the knowledge, skills, and awareness of relevant issues and future trends in the subject area that JNCC will be working.

By taking a clear and measured approach to commercial partnerships, judging both the risks and the benefits that they present, JNCC has a **low to moderate appetite** when approaching partnership working, noting that prior dealings with particular partners should be brought into consideration when assessing risk.

Effective commercial partnerships require a degree of openness, mutual trust and respect, effective communication, and sharing of information. As JNCC seeks to develop new areas of opportunity with partners it is important to be aware of the risks commercial partnerships can pose to the organisation and manage them accordingly.

Reputation

Whilst building new relationships and partnerships, JNCC needs to maintain its reputation with key stakeholders and the wider public. JNCC has a **low to moderate** appetite for reputational risk recognising that in pursuing new commercial opportunities some risk-taking is inevitable.

Governance/Compliance

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

Financial

As a Government-funded organisation it is imperative that JNCC ensures proper use of funding, achieves value for money and meets the financial management standards set out in [Managing Public Money](#). Along with the rest of the public sector, JNCC faces significant financial pressures. JNCC has a **low appetite** for risk in managing, accounting and reporting on all financial activities. This area is managed through ensuring that a balanced budget is set each year.

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 generate additional income, which will necessitate the organisation to be more aware of its competitiveness in new market spaces, as this will support JNCC's long-term resilience during periods of financial uncertainty.

JNCC takes a cautious approach to exploring new avenues of external funding. However, it is recognised that a well-considered and efficiently implemented programme of funding opportunities will provide useful mitigation to any future pressures brought about by reductions to Grant-in-Aid funding. 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** that are appraised on a case by case basis within a risk-based approvals process; examples are outlined below.

Commercial opportunities that are considered to present **low** risk are those that *inter alia*: have no, or negligible, negative impact on the environment; present no health and safety risks; possess low potential to damage JNCC's reputation; enhance stakeholder relationships; are unlikely to overrun in terms of time and costs, or have contingency in the budget; have sufficient resources to ensure delivery; require the technical skills JNCC possesses, thus limiting the need for sub-contracting; and those that enable JNCC to recover a large proportion of any financial outlay and require low proportion of seed funding.

Any commercial opportunities that are converse to the examples listed above will be considered **high** risk.

Before pursuing new commercial opportunities, staff must examine all commercial opportunities against the Go/No Go process and JNCC Bid Risk Register in order to ascertain the level of **proportionate risk** and follow the appropriate bid management process.

Strategic change

JNCC needs to remain adaptable to meet evolving challenges and capitalise on emerging opportunities. JNCC's appetite for risks associated with identifying and implementing the change initiatives needed to deliver its strategy and meet external challenges is commensurate to the degree of change, levels of uncertainty, and the amount of liability exposure and therefore a **proportionate risk** appetite is exercised. JNCC expects strategic changes to be managed according to good practice in change management, ensuring that staff are engaged effectively throughout the process.

Areas where JNCC is willing to accept a **moderate appetite** for risks associated with strategic change are those where the organisation already possesses a high level of existing experience, expert knowledge and technical expertise.

People and culture

JNCC aims to value, support, develop and utilise the full potential of its staff to make JNCC a stimulating and safe place to work and to deliver the strategy effectively. JNCC places importance on a culture of equality and diversity, dignity and respect, staff development, constructive performance appraisal, and health and safety.

People

The risks around 'people' issues affect business continuity and everyday working, e.g. recruitment, equal opportunities, security, health safety and wellbeing, as well as workforce planning and organisational development. Day to day, JNCC requires **full compliance** with policies.

JNCC's significant people risks include:

- Calibre of people – JNCC relies on motivated and high quality staff to perform its functions. JNCC aims to create an environment where employees are empowered to the full extent of their abilities. JNCC has a **low appetite** for losses to the value of collective competencies, knowledge and skills.
- Conduct of people – JNCC expects employees to conduct themselves with a high degree of integrity, to strive for excellence in the work they perform and the outcomes they achieve. JNCC has a **low appetite** for behaviours which do not meet the required standards as set out in JNCC's policies and procedures.
- Health & safety - JNCC aims to create a safe working environment for all staff, where people are protected from physical or psychological harm. JNCC has a **low appetite** for practices or behaviours that lead to staff being exposed to health and safety risks whilst at work; this extends to include work-related activities conducted outside of JNCC premises.

Organisational culture

JNCC needs to adapt to new ways of working to deliver objectives under its strategy. This will require a shift in culture and adoption of new ways of working. In order to implement culture change, JNCC will need to accept a greater degree of risk exposure in order to align culture with the delivery of its strategic objectives. JNCC has a **moderate** appetite for taking risks associated with delivery of culture change.

Information accessibility and security

JNCC is committed to ensuring that information is authentic, appropriately classified, properly conserved and managed in accordance with legislative and business requirements, and that a robust information management policy is in place, complete with a suite of protocols. Examples of the types of protocols JNCC staff are expected to follow include: [IT Usage Policy](#), [Retention and Disposal Policy](#), [Spatial Data Management Protocol](#), and [Electronic File Storage Policy](#). JNCC is committed to sharing information on <https://data.gov.uk> where appropriate, in line with Government policies on data, for example Open Data. JNCC has a **low appetite** for any deviation from its information management policies.

There are also a number of risks stemming from JNCC's use of Information Technology (IT); these cover both daily operations and on-going enhancements to IT systems. These include:

- Processing – JNCC has a **low appetite** for risks liable to impact upon the availability of systems which support critical business functions. Maximum recovery times are identified and agreed with each business area.
- Security – cyber-attack on JNCC's systems or networks: JNCC has a **low appetite** for threats to its assets arising from malicious external attacks. To address this risk,

JNCC aims for strong internal control processes and the development of robust technology security solutions that it expects staff to adhere to.

- On-going development: the implementation of new technologies creates new opportunities, but also new risks. JNCC has a **moderate risk appetite** towards improving accessibility of information, but has a **low risk appetite** for IT system-related incidents which are generated by poor change management practices.