

Strategic risk management

Report by Chris Hitchen, Director of Finance & Performance

For further information contact chris.hitchen@food.gov.uk

1. Issue

- 1.1 The Board is asked to comment on the FSA's current approach to strategic risk management, and in particular whether there are opportunities for the FSA to more effectively manage the inherent risks in the food system.

2. Executive Summary

- 2.1 This is the 2nd annual Strategic Risk paper to the Board. It sets out the FSA's approach to managing risk in the food system, as well setting out 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 managing 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 risks in the food system: the department was formed in the aftermath of, and as a direct response to the incidence of BSE. It exists to tackle public health risks, as well as protecting consumers' wider interests in relation to food. That means that risk considerations are always front of mind, across the whole department. This paper reflects the FSA's strategic, corporate and management approaches to risk, including identifying which responsibilities lie at Board, ARAC or executive level, which were discussed in detail by the Board last year.

Risk in the food system

- 2.3 The food system is complicated, ever changing, and rich in potential risk. The FSA anticipates, identifies, assesses, prioritises and develops mitigations for risks in this food system, where those risks can impact public health in England, Wales and Northern Ireland. The FSA recognises that it can't directly manage all the risks in the food system and provides leadership in the system ensuring a comprehensive view of the risk landscape. It recognises the different actors in the system have responsibility for addressing certain risks; in particular, it is a food business operator's duty to ensure that the food they provide is safe; and local authorities act as competent authorities in their own right to deliver local level controls; consumers are encouraged to follow good hygiene practices in the home. In order to ensure that the controls in the food system are achieving the necessary outcome that food is safe the FSA monitors the levels of human cases of foodborne disease to gain assurance these remain within acceptable levels.

The global food risk landscape

- 2.4 The FSA also recognises that the food system is global, and that it will play a different role as it enters life outside the EU. This presents opportunities for the FSA to influence directly how global food standards are set and the UK to be an active

member of Codex, the body which develops harmonised definitions and requirements for foods, in turn facilitating international trade. In the last year, the UK has led work on the advancement of several important texts one of which is the revision of the General Principles of Food Hygiene and its HACCP Annex which provides the foundation of good food hygiene practices across the world. We have also taken the lead on work on third party assurance which is high amongst FSA priorities. More detail can be found in the January 2020 Board Paper [EU and International Strategy Update](#).

FSA responsibilities

- 2.5 The FSA has various levels of responsibility in its role to manage the risks in the food system. At the strategic level, the FSA acts as the CCA (Central Competent Authority) having ultimate oversight for the overall safety of the food system in England, Wales and Northern Ireland. We consider the potential risks, assessing and prioritising them in terms of their potential impact on public health and consumer interests, and our own ability to mitigate or influence them. In the recent '[Annual Surveillance Report](#)' the FSA set out how the FSA gathers information from a wide variety of sources which allow it to best protect consumers now and in the future. Surveillance is a broad set of activities which includes horizon scanning, strategic surveillance, sampling, analytics, social science. It also includes intelligence gathered from the FSA's National Food Crime Unit (NFCU), Imports and Local Authority support teams.
- 2.6 The FSA recognises the key role Local Authorities play in the managing risk in the food system, as Competent Authorities in their own right. The FSA has recently introduced a new balanced scorecard to monitor the performance of the Local Authorities, to set clear standards for the interventions needed including the levels and timeliness of inspection and enforcement activity. As well as performance management, the FSA as CCA gains assurance over Local Authorities through its audit activity. These FSA's audits are prioritised using intelligence from FSA Policy teams and consider potential public health, financial and political impact. The results of recent Local Authority audits and the requirement for cyclical audits all factor into the overall risk-based audit plan. Going forward, at the January 2020 meeting the Board agreed the approach set out in the '[Modernising Regulation – Progress update and Forward plan](#)' paper. This set out the FSA's ambition to modernise regulation and how the FSA helps create a system which best prioritises the limited resources of Local Authorities, and how taking a more risk based approach will better protect consumers from risks in the food system. Also, as recommended in the NAO's recent report, 'Ensuring food safety and standards', the FSA is also convening Government Departments involved in the food regulation system to assess government's appetite for risk, and to take decisions on the level of funding required to ensure that food is safe to eat and what it says it is.
- 2.7 The FSA has also established a programme to specifically focus to modernise the areas of Official Controls delivered directly by the FSA Operations team acting as a Competent Authority, covering meat, dairy and wine inspection. This builds on earlier initiatives, including the Official Control Modernisation programme, the joint FSA/Food Standards Scotland (FSS) Cutting Plant & Cold Store review of 2018. Whilst the current model is not broken and continues to ensure the required food hygiene and animal welfare controls are comprehensively delivered, there are some

aspects that could be improved to better control the risks and improve value for money. As presented to the Board in January 2020 in the [Operational Transformation Delivery Programme](#) paper, it was agreed that the first step was to develop a new Target Operating Model, which clearly sets out the new roles and responsibilities in the future regime.

Corporate and delivery risk

- 2.8 The FSA Board has recognised that the rate of change in the food system is increasing. This alongside the fact FSA's core purpose never changes means the FSA has moved to a three-year cycle for its strategy, from the five-year cycle it has previously worked to. It will also continue to prioritise its resources annually through its business planning and budgeting process to respond to emerging risks, as it has done for the 2020 – 2021 planning period.
- 2.9 In addition to identifying the strategic priorities for the FSA, the Board considers and monitors corporate risk (including impact on reputation, which in itself effects consumer confidence). In January, the Board held its annual risk workshop, to review and update as necessary the corporate risk register. This is summarised at **Annex A**.
- 2.10 Adding to the Board's strategic and corporate risk roles, the Business Committee has a key role in overseeing operational risk management, and the Audit and Risk Assurance Committee provides oversight of the effective application of appropriate controls and processes. The Chief Executive and Executive Directors hold responsibility for risk at the operational and delivery level.

Annex A
Corporate Risk Register

1. Failure to deliver Food we can trust

- 1.1 Risk is the core business of the FSA, and we were created off the back of a public health risk and amid concerns about food poisoning, intensive farming methods and Bovine Spongiform Encephalopathy (BSE).
- 1.2 The FSA Strategy 2015-20 is based on effective risk management and established defined consumers' interests: Food is safe and what it says it is, and we have access to an affordable healthy diet, and can make informed choices about what we eat, now and in the future. In addition, the FSA has a vision to be an 'excellent, modern, accountable regulator'.
- 1.3 There continues to be growing challenges around safety, authenticity, as well as affordability, security and sustainability. As we complete the transition period on leaving the EU these risks are likely to heighten. Consumer practices, such as the use of online ordering and delivery, increased spending power and pop-up restaurants / stalls. Some of the current and future innovations in food production will possibly conflict with some of society's values. The FSA's role, where there are innovations which could deliver net benefit to consumers across the range of consumers' interests, is to help frame the public debate and to advocate for adoption of those technologies.
- 1.4 Keeping people safe and reducing or eliminating food risk is a fundamental purpose of the FSA. Doing this relies on 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 the policy capability to provide appropriate risk management advice.
- 1.5 These capabilities and processes are captured in our 'risk analysis process', an end-to-end process by which a risk is identified through surveillance, assessed and mitigated (managed and communicated). The risk analysis process has undergone a complete review as part of our EU Exit preparations and as we start to use our new process it will be reviewed to ensure regulatory effectiveness.
- 1.6 The Regulating our Future programme was formed to mitigate risks associated with the regulatory model in place and limitations in protecting consumers within a rapidly evolving global food system and to find a solution that is financially sustainable long term. Fully aligned with the modernisation principles set by the Board, the focus of the programme was prioritised on the aspects needed to support preparations for exiting the EU. We now move onto a second stage of reform concentrating on a target operating model, surveillance data, sophisticated risk assessment and professional skills.
- 1.7 Our other programmes have derived to mitigate limitations in our capabilities and therefore aim to build and develop our capability, for example:

- Our Ways of working programme – building a vibrant, progressive, learning organisation, retaining staff with flexible working practices.
- People Strategy – building an effective and resilient organisation
- Evolve IT programme – exploiting modern IT services / solutions.
- Data & Digital – to have an effective data culture and digital services meet users' needs to support our excellent and modern vision.
- Food & Feed Surveillance approach – which meets the World Health Organisations definition.

2. Failure of our Operational / Policy Delivery

- 2.1 The strategic risk the FSA faces is our reliance on others to deliver many of our regulatory functions and need to closely work together to make sure we do not compromise current levels of service/consumer protection as new approaches are developed. Also, to protect UK consumers it is 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 four countries taking into account potential different requirements or expectations across the 3 countries the FSA operates in. A risk that becomes ever more difficult now we have left the EU and increase engagement with governments outside of Europe.
- 2.2 The expansion of the National Food Crime Unit (NFCU) remit brings with it risks of capabilities and capacity and to potential reputational risk for the FSA. To deliver on the new expectations from the original strategic and tactical intelligence assessment function, to one that can robustly address serious fraud and related criminality ('food crime') within food supply chains we must build our ability. Not doing so will risk consumers in three broad themes: a major undetected food crime incident, investigations not progressing expeditiously and a low conviction rate.
- 2.3 To retain our reputation, we must also ensure effective engagement and communication with stakeholders to ensure they understand our achievements and successes and the complexity of the NFCU endeavours.

3. Failure of our Compliance / Legal / Regulation responsibilities

- 3.1 We face risks that arise because of external factors, such as changes in the global food system as they affect our jurisdiction. The challenge is to remain alive to this changing environment, which includes: the development of new technologies, an increasingly globalised food system, political uncertainty, and devolved Government's aspirations, and diminishing resources.
- 3.2 It is not the FSA's or local authorities' role to achieve compliance – that is clearly defined in law as the responsibility of food business operators. However, the FSA needs to be as effective as possible, using legislative and

non-legislative tools to influence business behaviour in the interests of consumers.

4. Failure to maintain our Reputation / Credibility

- 4.1 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. One of the foundations of trust in the FSA is our use of evidence, openly published and well communicated.
- 4.2 Now we have left the EU we need establish ourselves going forward to build credibility in our role to protect UK consumer interests and how our messages come across. Despite exiting, EU initiatives continue to have critical importance to UK consumer interests and there are challenges to sustaining the FSA's historically influential position. The FSA will also have a new role to play in trade negotiations, both in discussions across Whitehall and in wider international forums.
- 4.3 There is a risk of detrimental impact on the FSA's reputation from potential pressure from other government departments making or changing policies, which could inadvertently have a detrimental impact on consumer safety or consumers' wider interest in relation to food. It is vital that we are able to influence Government effectively, in Westminster, Wales and Northern Ireland and in the EU, and beyond (e.g. in Codex).
- 4.4 With food hypersensitivity being identified as a significant food-related health issue in the UK, the FSA has set a long-term ambition that the UK should be the best place in the world to be a food hypersensitive consumer. Achieving this ambition has its own risks and will require a sustained and coordinated strategic approach over a long period of time. The FSA is recognised as a leader in the field and this brings an opportunity for us to use our capacity and experience to work in partnership with stakeholders inside and outside of government to achieve, what is hoped to be, a greater economic and financial impact than for all foodborne diseases.

5. Failure to secure and manage Resources and deliver Value for Money

- 5.1 Given the constraints on resource that faces all parts of government, and the importance of us maximising the benefits to consumers that we cause to be delivered and minimising the costs, we also place an even greater emphasis on the efficiency and effectiveness of our own work – including the policy processes that underpin our role as a Government department, our operational delivery activities, and the corporate resources that enable and support our work. Understanding how we are performing ensures that we are able to continuously improve the value for money of what we do.
- 5.2 In addition, the FSA has already identified the continuing resource pressure in local authorities, who take front line responsibility for delivering inspections and

enforcement of food and feed hygiene and standards. In addition to the modernisation work which seeks to find more effective and efficient ways to achieve public health objectives, including using data and technology to identify and focus on risk at the local level, the FSA has established more up to date methods of tracking local authority resources and performance, through a balanced scorecard.

- 5.3 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 ministerial departments to reach a government-wide view of how the regulatory system needs to respond to future challenges and risks.
- 5.4 As our approach becomes one which is about delivering impact from our expertise and influencing others, we become more and more dependent on the quality, skills, motivation and alignment of our people. We will 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.