

## OfS Risk Report June 2020

### Issue

1. This paper provides the latest report on strategic and principal risks for discussion.

### Recommendations

2. Board members are invited to:
  - a. consider the risks detailed in the report
  - b. discuss the coronavirus (COVID-19) specific risks, focussing on whether enough is being done to mitigate these risks, and whether risk appetite in these areas is in line with board expectations
  - c. agree to a full strategic risk and risk appetite review to be carried out in autumn 2020.

### Discussion

#### Overview

3. We have provided, at Annex A, the latest consolidated risk report. The report shows both the strategic and principal risks faced by OfS, included in the report is a table showing coronavirus specific risks. These are risks which have emerged due to the impact of the coronavirus crisis.
  4. Points relating to coronavirus specifically are outlined below. More general key points to note from the report are:
    - We continue to improve the organisation's maturity in risk management, mitigating actions in particular are being improved and from the next report we will be able to provide a RAG status for each mitigating action. This change is part of the continuing shift to ensure our system supports effective risk management not just risk reporting.
    - There has been an increasing overall number of risks as more risks are identified and due to the impact of coronavirus, which has also slightly increased the exposure of some strategic risks.
    - Summary data shows that our 'front line' regulatory activities have a high proportion of risks as 'High', showing the level of risk exposure in these functions.
- Exempt from publication.

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### COVID-19 Risks

5. The risk report shows changes to risks due to coronavirus throughout, for example escalation in exposure of strategic risks. In addition, and following detailed discussion at the Risk and Audit Committee we articulated a number of coronavirus specific risks which reflect the areas of work we are focussed on due to the impact of the crisis. These risks show a potentially critical level of impact across various areas, particularly financial stability and therefore these risks are being closely mitigated and monitored. Board members are invited to discuss these risks and the mitigating actions underway to manage them.
6. Risk management is about appropriate decision making and risk appetite levels can provide a framework for taking daily risk-based decisions. Our people face such decisions every day and having an articulation of expectations can help take these decisions with confidence, including where to take risk and where to be more cautious. Under each coronavirus risk we have described the level of appetite at which we feel the organisation is currently operating. Board members are invited to discuss our level of risk appetite across these different areas in order to ensure the organisation is operating in line with expectations.

### Next Steps

7. We agreed, in January 2019, our strategic risks, level of appetite, and behaviours associated. The approach we have taken defines risk appetite in a way that drives consistent behaviours within the organisation in line with expectations of senior stakeholders.
8. The impact of coronavirus has been significant on the organisation, including our functions, how we engage with and influence the sector, and our operations. It is therefore proposed that we conduct a full strategic risk and risk appetite review to ensure our risks and appetite levels reflect the current environment. We propose to carry this out in autumn 2020, by when more will be known about the 'new normal', with a report back to the board to helpfully support consideration of future strategy. If the board agrees to this review, we will arrange one-to-one conversations with board members in due course to gather views.