

## Registers of Scotland

### RoS Board

13 June 2023

### Key risk register (KRR)

#### Purpose

1. The purpose of this paper is to provide the board with an update on the KRR 2022-27 Delivery Year 2 following EMT, Audit & Risk Committee (ARC) reviews, continuous Key Risk Owner (KRO) reviews and the January risk workshop. The paper provides a summary of (i) the recent EMT, ARC and Board risk appetite discussion and (ii) identifies an opportunity for Non-Executive Directors (NXDs) to support risk management during a period of more open risk appetite.

2. The paper supports the board in fulfilling its role to provide strategic advice to the Keeper and for its focus on setting a framework of prudent and effective controls that enables risk to be assessed and managed.

#### Recommendation

3. RoS Board is requested to review the KRR summaries at Annexes 1 and 2 and the Risk Appetite summary at Annex 3 and advise the Keeper on the update.

#### Background

4. RoS KRR contains the key risk scenarios that may affect delivery of our corporate plan objectives and the risk response strategies for these threats and opportunities. The KRR is a 'live' document reviewed and updated at least monthly by KROs and submitted to EMT for approval as part of their monthly corporate governance review process. The KRR is also submitted to RoS Board and ARC meetings for noting and/or advice as a summary report or as the RoS Assurance Framework report.

#### Key risk register

5. The paper adopts a 'reporting by exception' approach comprising 3 elements:

Reporting element	Frequency of reporting	Board input / 'Ask of the Board'
1. RoS Key Risk profile	Every Board meeting	Advice on whether strategic risk exposure continues to be captured by the KRR
2. New/developing risks	As relevant	Advice on how risks have been assessed in terms of 'causes - scenario - impacts' and the risk response (i.e. controls)
3. Risks trending away from target risk score / controls not delivering anticipated risk response	As relevant	Advice on how risks have been assessed in terms of 'causes - scenario - impacts' and the risk response (i.e. controls)

## **KRR reporting element 1 - RoS Key Risk Profile**

6. The key risk profile is evolving in response to risk workshop outputs, Corporate Plan 2022-27 Delivery Year 2 priorities and the aim to stretch beyond current goals. A KRR summary as at the date of this paper is at Annex 1. The 'Live' KRR will be available to RoS Board at its June 2023 meeting. Key points (listed in more detail in Annex 2):

- a. Two LRC key risks (KRs 4 and 10) merging as an opportunity
- b. 3 new key risks (threats) – KR2 Financial Sustainability (Long Term), KR14 Customer Satisfaction and KR15 People & Change 2024-26
- c. Responding to the KR14 Customer Satisfaction threat will take precedence over pursuing the KR12 Sustain and Improve Customer Experience opportunity at this time
- d. KR3 Operational Capacity and KR15 People & Change 2024-26 emerge as the most significant direct threats to achievement of strategic objective 1
- e. The SAT 2.0 Technical & Product and People & Policy Groups (and their proposals) are key controls in responding to these threats
- f. Identifying means of assurance for these will be important in providing confidence in the risk response and certainty of success
- g. KR14 Customer Satisfaction will be the means to manage customer impacts of SAT 2.0 proposals at the key risk level

7. A workshop outcome was for ERM to consider if the KRR should include a sustainability/climate change risk. ERM facilitated a discussion at the April Environmental Management Group (EMG) meeting on the existing "Climate Change Duties" directorate risk. The group concluded this is an adequate assessment of the threat and agreed to review the risk as a standing EMG agenda item. Retaining the risk at directorate level provides an escalation route to EMT should it be needed. EMT endorsed this approach at their April Corporate Governance meeting.

## **KRR reporting element 2 – New/developing risks**

8. Annex 2 identifies where responses to key risks may be affected by SAT 2.0 initiatives. KROs will review impacts in their ongoing risk reviews. EMT will oversee any exceptions to planned risk responses as part of the regular corporate governance process.

9. ERM are developing a method to track the cumulative effect of risks arising from SAT 2.0 initiatives. Each initiative will be risk assessed and have an individual risk profile. Understanding the combined net effect (considering reductions and increases in risk) on the key risk profile of all initiatives will provide a fuller picture of the total impact of these initiatives and support risk-based decision making. EMT will be asked for feedback on the efficacy of the method before sharing with the Board.

## **KRR reporting element 3 - Risks trending away from target risk score / controls not delivering anticipated risk response**

10. KR6 Future Business Model is evolving to note the potential effect of prioritisation of strategic objective 1 (see Annex 2). Opportunities to begin work on 2030 vision 'building blocks' in the next 3 years (to be ready for pursuit of the vision post-2026) may be missed if Corporate Plan Delivery Year 2 priorities dominate. The

original KR6 route to target is no longer valid and a new one is being developed, including controls to prevent this risk materialising.

## **Risk Appetite & NXD support for risk management**

11. Annex 3 provides a summary (with supporting material) of the recent EMT, ARC and Board risk appetite discussion. Combining (i) risk categories (Annex 3A), (ii) risk appetite statements adapted for our context (Annex 3B) and (iii) qualifiers / exceptions (Annex 3C) creates an organisational risk profile. This provides direction for colleagues developing responses to the challenge of stretching beyond current goals and can be used with other change initiatives.

12. KROs will consider implications of the proposed risk appetites for their key risks in the next set of risk reviews. Increased appetite in some risk categories may mean less key risk mitigation is required, with a higher risk position tolerated. ERM are supporting the development of SAT 2.0 initiatives ensuring more open risk appetites / potentially less risk mitigation does not mean less risk management.

13. Stretching beyond current goals requires taking additional risk. Increasing risk appetite simultaneously in several categories creates the potential to take significantly more risk (creating a risk 'high water mark', orange line on Annex 3B). When planned initiatives are more fully developed it will become clearer how much additional risk will actually be taken. Moving beyond the initial planning phase a method to track cumulative risk from multiple initiatives will provide a view of the 'sum total' of additional risk arising and enable risk-based decision making.

14. To provide (i) visibility of areas where significant additional risk is planned and (ii) assurance of the management of that risk, NXD involvement in key risk reviews may be useful. Pairing NXDs with key risks would in turn provide KROs with additional expertise and insights into how to respond to evolving key risk scenarios.

## **Conclusion**

15. RoS Board to review the KRR update at Annex 1, the KRR 2022-27 Delivery Year 2 summary at Annex 2, the risk appetite material at Annex 3 and consider the background, topic matter and recommendations in this paper for advice to the Keeper and EMT.

**Head of Enterprise Risk Management**  
**Corporate**  
**22 May 2023**

## Annex 1 – Current Key Risks Summary

Threats			
<b>1</b>	<b>Financial Health (Annual Performance)</b> Appetite : Cautious Response : Treat	Current Score <b>8</b> -7 vs Inherent	Target Score <b>8</b> -4 vs Last Quarter
<b>2</b>	<b>Financial Sustainability (Long Term)</b> Appetite : Cautious Response : Treat	Current Score <b>4</b> -8 vs Inherent	Target Score <b>4</b> 0 vs Last Quarter
<b>3</b>	<b>Operational Capacity</b> Appetite : Cautious Response : Treat	Current Score <b>12</b> -3 vs Inherent	Target Score <b>6</b> 0 vs Last Quarter
<b>4</b>	<b>LRC - Ministerial Target 2024</b> Appetite : Minimalist Response : Treat	Current Score <b>4</b> -8 vs Inherent	Target Score <b>4</b> -2 vs Last Quarter
<b>5</b>	<b>Public Trust in the Registers</b> Appetite : Minimalist Response : Tolerate	Current Score <b>4</b> -6 vs Inherent	Target Score <b>4</b> 0 vs Last Quarter
<b>6</b>	<b>Future business model beyond 2024</b> Appetite : Cautious Response : Treat	Current Score <b>8</b> +0 vs Inherent	Target Score <b>6</b> 0 vs Last Quarter
<b>7</b>	<b>People &amp; Change (2021-2024)</b> Appetite : Minimalist Response : Treat	Current Score <b>9</b> -16 vs Inherent	Target Score <b>4</b> -7 vs Last Quarter
<b>8</b>	<b>Information Security</b> Appetite : Cautious Response : Treat	Current Score <b>16</b> -9 vs Inherent	Target Score <b>9</b> 0 vs Last Quarter
<b>9</b>	<b>Product Sustainability</b> Appetite : Cautious Response : Treat	Current Score <b>16</b> -4 vs Inherent	Target Score <b>9</b> 0 vs Last Quarter

Opportunities			
<b>10</b>	<b>LRC - Realising Benefits</b> Appetite : Open Response : Take	Current Score <b>3</b> +2 vs Inherent	Target Score <b>16</b> +1 vs Last Quarter
<b>11</b>	<b>Maximising Use of RoS Data</b> Appetite : Open Response : Take	Current Score <b>4</b> +3 vs Inherent	Target Score <b>20</b> 0 vs Last Quarter
<b>12</b>	<b>Sustain and Improve Customer Experience</b> Appetite : Open Response : Take	Current Score <b>12</b> +11 vs Inherent	Target Score <b>20</b> 0 vs Last Quarter
<b>13</b>	<b>Relationship with SG</b> Appetite : Open Response : Take	Current Score <b>12</b> +11 vs Inherent	Target Score <b>16</b> +3 vs Last Quarter

## Annex 2 – Current and Proposed Key Risk Scenarios with significant changes

Key Risk (KR)	Scenario	Notes for KRR 2022-27 Delivery Year 2
1. Financial Health (Annual Performance)	There is a threat that RoS is unable to break-even* on an annual basis (*excludes capital and ringfenced budgets)	<ul style="list-style-type: none"> <li>will be managed in combination with KR2 (same KRO)</li> <li>initial assessment for 2023-24 indicates we are on track to break even subject to income and spend remaining as forecast</li> <li>KR1 scenario identified as a potential cause of KR2 (should we fail to break even in multiple years)</li> </ul>
2. NEW Financial Sustainability (Long Term)	There is a threat that RoS is unable to achieve financial sustainability over the medium to long term	<ul style="list-style-type: none"> <li>new risk, will be managed in combination with KR1 (same KRO)</li> <li>further work remains to refine KR2 scenario, including defining “financial sustainability” and “long term”</li> <li>as the scenario evolves the initial assessment (scoring) may change</li> </ul>
3. Operational Capacity	There is a threat operational capacity is insufficient to substantially reduce open casework and deliver Corporate Plan objectives	<ul style="list-style-type: none"> <li><b>scenario recently refined</b> to focus on reducing open casework (insufficient operational capacity is a direct threat to this)</li> <li>potential to revisit risk appetite given priority of strategic objective 1</li> <li>SAT 2.0 Tech. &amp; Product Group identified as a key control in route to target</li> </ul>
4. LRC – Ministerial Target 2024	There is a threat that the target of functional completion by 2024 is not met	<ul style="list-style-type: none"> <li>target score achieved in Q4 2022-23</li> <li>propose 2 LRC key risks <b>re-integrate as an opportunity</b> (same KRO for both risks) as benefits of new approach to LRC begin to be realised and outweigh potential negative impacts of not meeting Ministerial target the same stakeholder</li> <li>engagement and communication controls we use to support the opportunity (promoting our Land Mass completion approach) can also be used to prevent reputational damage from not functionally completing the LR</li> </ul>
5. Public Trust in the Registers	There is a threat of loss of public trust in the keeping of the registers	<ul style="list-style-type: none"> <li>at target, monitoring and tolerating residual risk</li> </ul>
6. Future Business Model Beyond 2024	There is a threat that insufficient strategic thinking and prioritisation of strategic objective 1 will inhibit our ability to realise our long term vision and respond strategically beyond 2024	<ul style="list-style-type: none"> <li><b>scenario updated</b> in response to emerging threat of efforts to reduce open casework impacting pursuit of the 2030 vision</li> <li>route to target being developed to show when 2030 vision ‘building blocks’ need to be initiated to stay on track to realise the vision</li> </ul>
7. People & Change (2021-24)	There is a threat that our people* are not aligned to organisational needs up to 2024 (*including attitudes, skills, behaviours, performance and numbers).	<ul style="list-style-type: none"> <li>period 1 of 3 People &amp; Change scenarios (see new risk 15 and future People &amp; Change post-2026 risk*)</li> <li>additional work on SWP needed to confirm recent reduction in assessment of this risk</li> <li>identification of slimmed down Employee Value Proposition package final element of route to target</li> </ul>
8. Information Security	There is a threat that our information security is compromised, significantly impacting the confidentiality, integrity and availability of the registers and services provided by Registers of Scotland	<ul style="list-style-type: none"> <li><b>new approach</b> to managing this risk using a maturity model approach (formerly Cyber Resilience key risk)</li> <li>new Information Security Risk Team creating plan for delivery of an increase in maturity in 2023-24</li> </ul>
9. Product Sustainability	There is a threat that our residual technical debt is not managed resulting in unexpected business disruptions and failure to realise benefits from digital investment and replacing legacy obsolescence	<ul style="list-style-type: none"> <li>route to target likely to be impacted by SAT 2.0 focus on clearing open casework</li> <li>focus remains on ‘holding the line’ on technical debt and continuing to treat legacy systems</li> </ul>
10. LRC – Realising Benefits	There is an opportunity to realise benefits for RoS, our customers and the wider economy from work to complete the Land Register	<ul style="list-style-type: none"> <li>Unlocking Sasines progress quicker than expected, 2023-24 will see beginning of benefits realisation (see notes for KR4)</li> </ul>
11. Maximising Use of RoS Data	There is an opportunity to fully unlock the potential of RoS data and maximise its use, delivering increased value and benefits to RoS, our customers and the wider Scottish economy	<ul style="list-style-type: none"> <li>well-defined route to target through to 2024/25</li> <li>may be impacted by SAT 2.0 focus on clearing open casework</li> </ul>
12. Sustain & Improve Customer Experience	There is an opportunity to invest in our products and services to continuously improve our customer experience whilst realising benefits for RoS	<ul style="list-style-type: none"> <li>likely to be challenging to pursue this opportunity in coming years as focus on clearing open casework involves trade-off decisions affecting customer experience</li> <li>propose to <b>tolerate our current position</b>, not actively pursue this opportunity and focus on managing new key risk 14</li> </ul>
13. Relationship with SG	There is an opportunity to maintain and enhance our strong and close relationship with SG and other stakeholders in which our role in underpinning the property market and adding value to the Scottish economy and public sector is recognised and supported.	<ul style="list-style-type: none"> <li>route to target in place – (i) delivering ‘core functions’ (ii) financial performance and (iii) being ready to respond to public sector reform agenda / make a wider public sector contribution by end 2023/24</li> </ul>
14. NEW Customer Satisfaction	DRAFT There is a threat to customer satisfaction from initiatives to reduce open casework	<ul style="list-style-type: none"> <li><b>new risk</b> proposed in response to likely short term impacts of proposals to clear open casework</li> </ul>
15. NEW People & Change (2024-26)	DRAFT There is a threat that our people* are not ready to deliver the step change in productivity required to clear the open casework (*including attitudes, skills, behaviours)	<ul style="list-style-type: none"> <li>period 2 of 3 People &amp; Change scenarios (see risk 7 and future People &amp; Change post-2026 risk*)</li> <li>noted (with KR3) as the most significant threat to strategic objective 1</li> <li>SAT 2.0 People &amp; Policy Group identified as a key control in the risk response</li> </ul>

\* People &amp; Change post-2026 risk to be assessed at a future date

## Annex 3A Risk Appetite Categories

A defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property)

A failure to prevent unauthorised and/or inappropriate access to key government systems and assets, including people, platforms, information and resources. This encompasses the subset of cyber security

Adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations

Weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives

Identifying and pursuing a strategy which is poorly defined, is based on flawed or inaccurate data for fails to support the delivery of commitments, plans or objectives due to a changing macro-environment

Inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity), non-compliance and/or poor value for money

Technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience

Ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance

Not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting

A failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential



## Annex 3B Risk Appetite Statements and Levels

Risk Appetite
Averse ①
Minimalist ②
Cautious ③
Open ④
Hungry ⑤

We have adopted a **minimalist** stance for compliance, preference for adhering to responsibilities, and safe delivery options with little residual risk.

**Cautious** appetite: limited security risks accepted to support business need, with appropriate checks and balances in place

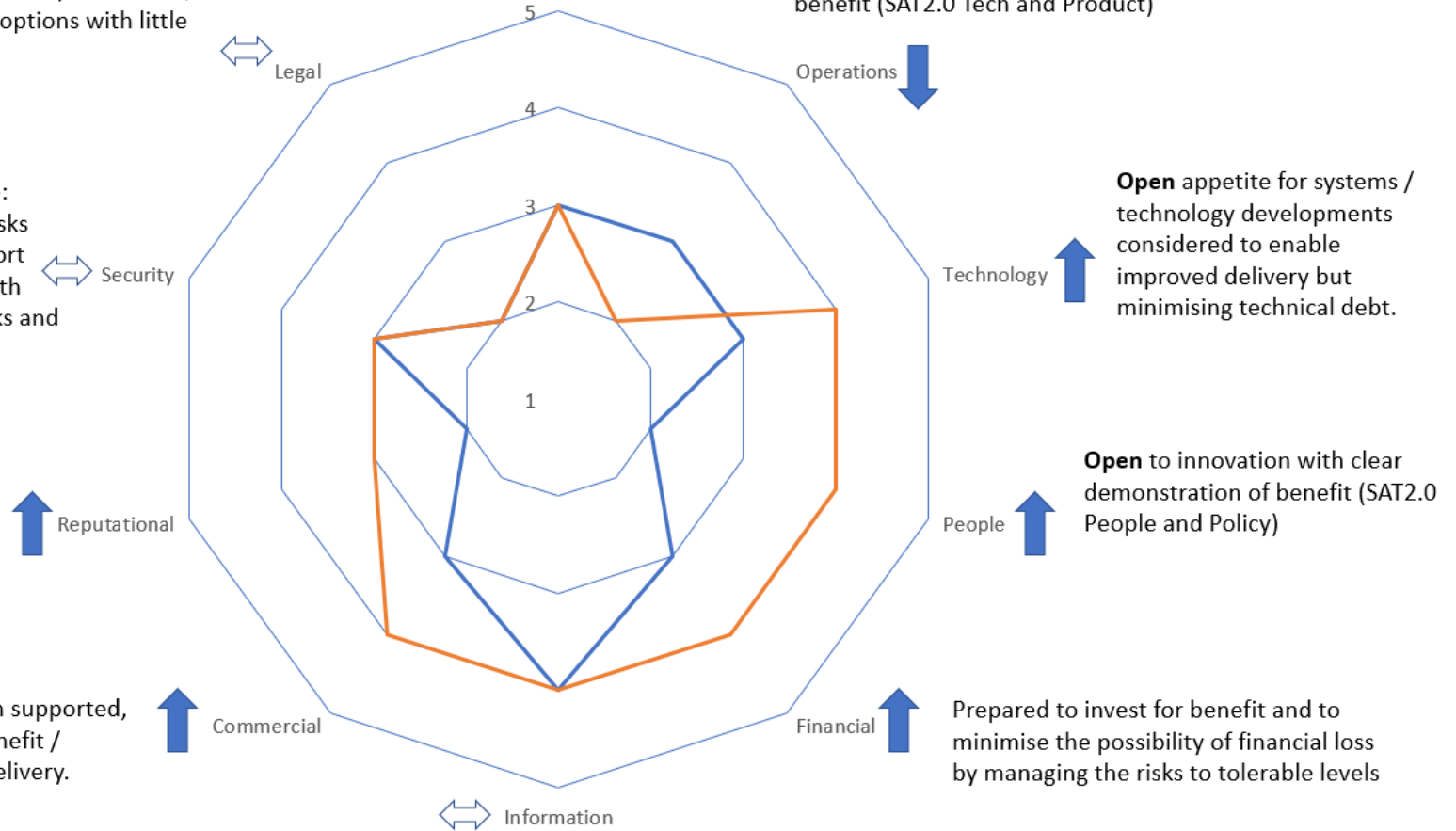
**Cautious** appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.

**Open** appetite: innovation supported, with demonstration of benefit / improvement in service delivery.

### Changing risk appetite

— <2023 — >2023

↔ Strategy















Appetite for risk of not clearing open casework is **minimalist**, but **open** to innovation with clear demonstration of benefit (SAT2.0 Tech and Product)

**Open** appetite for systems / technology developments considered to enable improved delivery but minimising technical debt.

**Open** to innovation with clear demonstration of benefit (SAT2.0 People and Policy)

Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels

## Annex 3C Risk Appetite Statement Qualifiers / Exceptions

Risk Category	Proposed Risk Appetite	Will / May tolerate with appropriate controls 	Unlikely to tolerate 
Strategy	Cautious 	Impacts on future business model / 2030 vision, impacts on other strategic objectives	Deviation from focus on strategic objective 1
Operations	Minimalist 	Innovations in internal processes and systems	Reductions in operational capacity
Technology	Open 	Technological innovations, temporary creation of minimal technical debt with remediation plan & budget	Significant technical debt with no plan for remediation
People	Open 	Organisational design and culture, promotion, training, case categorisation, performance management	EDI, Health & Safety, Wellbeing
Financial	Open 	Some financial loss in pursuit of benefits, enabling a 'fail fast' approach	Fraud, financial propriety, regularity risk, accounting structures and reporting, not breaking even annually
Information	Open 	Innovations in use of RoS data to deliver strategic objective 1 benefits, delay to data strategy	Fundamental integrity of the registers, significant data debt
Commercial	Open 	Commercial partnerships	Breach of SG procurement guidance, lack of due diligence
Reputational	Cautious 	Customer satisfaction, quality, business innovation / 'failing fast', performance of non-registration areas	Fundamental integrity of the registers, ethical risk, transparency, EDI
Security	Cautious 	Controlled and/or temporary security risks where the benefits for strategic objective 1 are significant	Confidentiality, availability and integrity of data assets
Legal	Minimalist 	Innovations that may invite legal challenge but where we are sure of winning any challenge	Illegality, failure to comply with legislation / regulation / statutory obligations