

**Agency Board meeting**

**24 June 2025**

**Annual Review of Risk Management 2024-2025**

**Purpose:**

The purpose of this report is to set out the changes to risk management over the last financial year April 2024 to March 2025. This report is a look back and sets out the transformational change to the management of risk in SEPA during the period.

This report was approved for submission to the Agency Board by the Audit, Risk and Assurance Committee at their meeting on 20 May 2025. A summary of the principal risk register can be found as Appendix 1. For additional details on principal risks, Board members should refer to the Audit, Risk and Assurance Committee paper from 20 May.

**Recommendations:**

The Agency Board is asked to review and **note** the annual review of risk management 2024-2025.

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**Corporate Leadership Team Sponsor:** Kirsty-Louise Campbell, Chief Officer Governance, Performance and Engagement

**Date:** 13 June 2025



**Annual Review of Risk Management 2024-2025**

1. **Introduction**
   1. In this report, we discuss how SEPA managed risk over the period from 01 April 2024 to 31 March 2025.

In April 2024, we commissioned a team of risk experts from BDO to provide a risk advisory service to help us reset our approach to risk management. This review is now complete, and we are embedding the changes across the organisation as business as usual while we continue to develop and mature our approach to risk management.

1. **Resetting Risk Management**

# 2.1 Strategic Risk Review

Between 1 May and 30 July 2024, risk experts from BDO held three workshops and multiple one to one sessions with the Corporate Leadership Team (CLT) to begin our SEPA wide transformation of our risk management framework. We now have a risk vision statement and 8 guiding principles for risk management; a set of 9 principal risks which are each owned by a CLT member; and a set of risk appetite statements which are aligned to each of the 9 principal risks. This was all approved at the Agency Board on 24 September 2024.

* 1. **Operational Risk Review**

The next stage of our journey to reset risk in SEPA was to update our operational risk registers in line the with work we have done on the principal risks. We commissioned a series of workshops with BDO to work with our portfolio management teams and subject matter experts from across SEPA to help us develop a set of operational risk registers, one per Portfolio.

Each operational register is divided by function and risks are owned and managed by heads of function. The portfolio registers consist of the higher scoring risks from across the function register, risks scoring 12 or more, and these are discussed and managed via Portfolio Management Team meetings to provide the Chief Officer with oversight of the top risks in their Portfolio. Risks from portfolio risk registers have also been mapped across to a principal risk and updates to these are shared with principal risk owners to provide further information and aid them in managing and updating the principal risk register.

* 1. **Horizon Scanning**

Each year in January, the World Economic Forum publish the results of their Global Risk Perception Survey via their annual Global risks report. In their 2025 report, they highlight an increasingly fractured global landscape, with escalating geopolitical, environmental, societal, and technological challenges threatening stability and progress. The report identifies state-based armed conflict as the most pressing immediate global risk, reflecting heightened geopolitical tensions. Misinformation and disinformation are also significant short-term risks, undermining trust in governance and complicating cooperation on shared crises. Environmental risks dominate the longer-term outlook, with extreme weather events, biodiversity loss, and ecosystem collapse being the most critical.

For SEPA, the report's emphasis on environmental risks aligns closely with our statutory purpose to protect and improve Scotland's environment. Our role in regulating environmental impacts is crucial in mitigating the impacts of extreme weather events and biodiversity loss. Our efforts to reduce pollution and manage waste effectively will also be vital in contributing to the mitigation of the long-term environmental risks identified in the 2025 report.

The importance of collaboration and resilience in addressing global risks is emphasised in the report. For SEPA, this means continuing to work with other agencies, the Scottish Government, and other stakeholders to develop and implement strategies that enhance environmental resilience and sustainability. SEPA's role in flood risk management and our regulatory powers under various environmental legislations are critical in supporting Scotland’s response to these challenges.

Technological advancements and their associated risks, such as cyber-espionage and the adverse outcomes of AI technologies, are also highlighted in the report. SEPA must stay abreast of these developments and incorporate technological innovations in its regulatory and monitoring activities to ensure that environmental protection keeps pace with technological changes.

The report's findings on societal polarisation and the erosion of trust due to misinformation highlight the need for transparent and effective communication. SEPA should continue to engage with the public and stakeholders transparently, providing clear and accurate information about environmental issues and the agency's actions to address them. This will help build trust and foster a collaborative approach to environmental protection.

In summary, the Global Risks Report 2025 provides valuable insights for SEPA, especially in relation to managing our principal risks. This emphasises the need for continued vigilance and proactive measures in environmental regulation, collaboration, technological adaptation, and public engagement.

* 1. **Next steps for reset**

We have produced a high-level plan on a page for risk management over the year. This plan will be reviewed and updated quarterly, and shared via this report.

We have recruited an Assurance and Risk Manager who sits in the Governance, Risk and Resilience function within the Governance, Performance and Engagement Portfolio. This role will play a fundamental part in developing a new risk management framework which will help drive forward and embed the changes to risk management in SEPA that we have begun with BDO. This manager has been in place since the end of April 2024.

To help embed the new risk process across the organisation, we are in the process of setting up a risk champions network, consisting of colleagues from each function in SEPA. Risk champions will initially be responsible for ensuring that the function and portfolio risks are managed and kept up to date and over the next year we will work with them to develop their skills so they have the confidence to analyse risks and evaluate controls, which will build better resilience in risk management across the organisation.

**Appendix 1**

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| **Risk Description** | **Residual score** | **Owner** | **Category** |
| Strategic direction is not focused and agile enough to adapt to political and policy changes which impact SEPA’s ability to deliver on its purpose and duties. | 12 | Chief Officer GPE | Strategic |
| Pace, scale and scope of transformation impacts our ability to deliver in an evolving environment. | 9 | Chief Executive | Strategic |
| Inability to influence the pace and direction of policy change impacting SEPA’s ability to proactively/effectively perform its duties. | 9 | Chief Officer GPE | Strategic |
| Health and safety incidents and hazards limit SEPA's ability to operate, compromising work environments and leading to harm. | 15 | Chief Officer PWD | Policy and Legal |
| SEPA’s data and evidence does not enable efficient and effective delivery of statutory duties. | 9 | Chief Officer GPE; Chief Operating Officer DEI | Strategic |
| SEPA is given additional duties without adequate additional funding. | 9 | Chief Officer FMD | Financial |
| Inadequate protection of the technology and Information Governance landscape leads to reduced defences against cyber-attack, loss of systems and/or loss of confidential data. | 12 | Chief Officer GPE; Chief Officer FMD | Cyber and Data |
| Inability to attract, retain and develop core skills impacting SEPA’s ability to deliver on its strategic objectives | 10 | Chief Officer PWD | People |
| Organisational capability and capacity is not able to effectively and efficiently deliver on SEPA’s objectives | 10 | Chief Operating Officer’s DEI & RBE | Operational |
| SEPA fail to meet the full scope of statutory duties associated in the delivery of its environmental regulation function | 12 | Chief Operating Officer RBE | Policy and Legal |