

RISK APPETITE REVIEW

1 Purpose of the paper

- 1.1 This paper is for information and agreement.
- 1.2 Its purpose is to consider whether the changes made to FSS's risk appetite statement, following the discussion at the Board meeting on [19 August 2020](#), have been captured correctly and that the updated risk appetite statement provides the FSS Board and Executive with an adequate foundation/framework/underpinning to support effective risk management.
- 1.3 The Board is asked to:
 - **Note** the content and coverage of the updated statement of risk appetite
 - **Agree** the updated statement of risk appetite effectively aligns with the new strategy, subject to agreement to item 21/02/07 on the agenda, and is fit for purpose

2 Strategic Aims

- 2.1 This work supports all six FSS Strategic Outcomes.

3 Background

- 3.1 FSS's risk appetite (see Annex A for the statement in full) is currently stated as, essentially:
 - Low** for public health
 - Low** for finance
 - Low** for reputation/trust during non-routine incidents (linked to the public health risk)
 - Medium** for reputation/trust in normal circumstances
 - High** for innovation.
- 3.2 In November 2019, the Board had agreed that FSS's risk appetite statement remained applicable, and that the Executive should continue to use it to support FSS decision making. At the same time, the Board decided that risk appetite should be reviewed once we had a clearer understanding of the direction of travel in relation to EU Exit.
- 3.3 When the proposal to revise FSS's risk appetite statement was taken to the Board meeting on 19 August 2020 for discussion we were still not clear on the direction of travel for EU Exit. However, at that time COVID-19 had presented us with a situation where we needed to make risk management decisions urgently in response to an external shock, and the robustness of our risk appetite statement was tested against this.

- 3.4 The Board was also asked to consider and express its views on its appetite for comment and engagement on the wider aspects of consumer interests in relation to food as per our legislation.

4 An approach to the August review

- 4.1 The [Scottish Public Finance Manual](#) says that risk appetite is key to achieving effective risk management, and may be looked at in different ways depending on whether the risk being considered is a threat or an opportunity.
- 4.2 [HM Treasury guidance](#) suggests that risk appetite can be explored and stated by identifying risk categories or groupings (e.g. operational, reputational, strategic, external) and producing a matrix that relates those categories to the type of response, on a scale of risk averse to risk hungry, which each category would typically evoke.

Risk categories

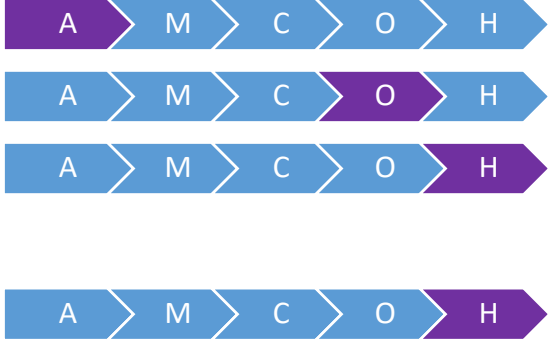
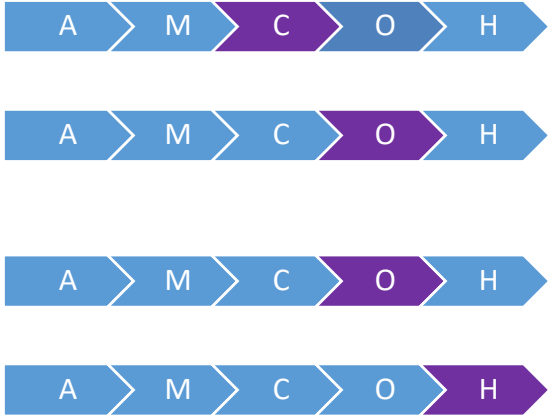
- 4.3 The purpose of the risk appetite statement is to frame, rather than to replicate, management of specific risks, and so a limited number of suggested broad and high level categories were proposed for consideration: Averse, Minimalist, Cautious, Open and Hungry.

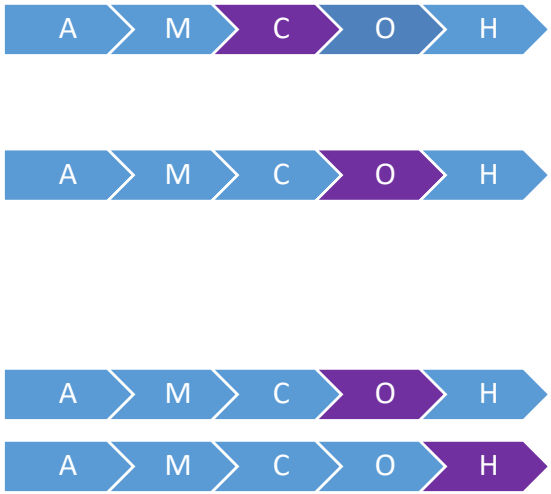
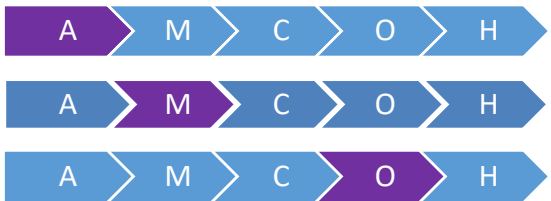

5 Discussion

- 5.1 At the meeting on 19 August 2020 the Board welcomed the approach used to update the risk appetite statement, in context of EU Exit, COVID-19 and Future Trade deals, and agreed it would help with how risk is looked at going forward.
- 5.2 The Board was content with the examples provided with the categories and risk appetite classifications.
- 5.3 The Board suggested some modifications to the text within the statement to make some of the points being made clearer and requested a change to minimalist on one of the financial classifications.
- 5.4 The Board suggested an addition to the risk appetite statement to cover our willingness to make statements on behalf of consumers in areas where we are not directly responsible but are impacted by e.g. we are not responsible for the supply of food but are responsible for nutritional health. In response to this the Reputation/Authority/Public Confidence section has been updated to include an additional point on being open to advocacy on behalf of consumers, where there is strong evidence to support their interests.
- 5.5 The Board suggested that the risk appetite statement should be lined up against the key points in the new strategy. The full content of Table 1 has been reviewed against the new strategy and some changes have been made to the wording of some of the points for clarification. In addition the table now includes a section on Relationships / Partnerships and an additional point has been added in the Reputation/Authority/Public Confidence section about being hungry to exploit communication channels which promote FSS as the trusted source of advice on food safety, standards, diet and nutrition.

Table 1 – Draft FSS risk appetite

<p>Public Health/Consumer Protection</p>	<p>Averse to material risks that have potentially significant impact on public health Cautious where there is uncertainty around the balance of risks and benefits for public health or other consumer interests Open to new approaches and partnerships with the potential to enhance public health/consumer protection or to improve dietary health Hungry for innovative ways of improving the Scottish diet and reducing risks to the food chain</p>	
<p>Policy/Legal/Regulation/Enforcement</p>	<p>Averse to approaches that fall short of legal requirements Open to policy/regulatory approaches that are evidence based, with the potential to produce the best outcomes in Scottish-specific circumstances Open to pursuing innovative approaches for implementing Regulatory Standards where analysis indicates potential for significantly improved compliance Hungry for policy approaches that combat the food-related effects of inequalities. Hungry to apply the principles of better regulation, applying regulatory approaches which minimise burdens on businesses where appropriate</p>	

<p>Operational Delivery</p>	<p>Averse to approaches which could potentially compromise the safety or wellbeing of staff Open to partnership working with the potential for improved compliance outcomes Hungry to consider innovation (e.g. working practices, systems, new technologies) with the potential to deliver improved efficiency and effectiveness Hungry to develop a skilled, confident and empowered workforce</p>	
<p>Reputation/Authority/Public Confidence</p>	<p>Cautious about activities which could impact on our ability to influence effectively to protect consumers Open to making evidence-based decisions and recommendations and influencing opinion where we are clear that the benefits for consumers outweigh the risk Open to advocacy on behalf of consumers, where there is strong evidence to support their interests Hungry to exploit communication channels which promote FSS as the trusted source of advice on food safety, standards, diet and nutrition</p>	

<p>Relationships / Partnerships</p>	<p>Cautious around our relationships with industry and government to safeguard our independence and ensure our work prioritises consumer interests</p> <p>Open to contributing to Scottish Government strategy for promoting sustainable economic growth within the Scottish food and drink sector and supporting future export markets, ensuring there is no conflict with our consumer protection role</p> <p>Open to working with all partners who are able to help us in achieving our strategic goals</p> <p>Hungry to form partnerships with the potential to influence consumers' dietary behaviour</p>	
<p>Financial</p>	<p>Averse to risks of internal fraud or corruption</p> <p>Minimalist but willing to consider options with other financial risks if they have the potential to deliver success</p> <p>Open with regard to new approaches which could impact on efficiency and value</p>	
<p>External Factors</p>	<p>Averse to risk of impact of external events; robust business continuity and incident management plans in mitigation</p>	

6 Equality Impact Assessment and Fairer Scotland Duty

- 6.1 The Fairer Scotland Duty has been considered, and a summary assessment is at Annex B. Given that the burden of diet-related disease falls disproportionately on the deprived sectors of our community, a specific reference to risk appetite with respect to policies that could reduce such inequality has been included in Table 3 above.
- 6.2 This matter does not raise issues of equality within the terms of the Equality Act 2010 and the Equality Act 2010 (Specific Duties) Regulations (Scotland), and so an equality impact assessment is not required.

7 Conclusion/Recommendations

- 7.1 The current FSS risk appetite statement has supported strategic risk management decisions both in normal business and in circumstances of heightened pressure (high profile incidents, and the current COVID-19 crisis). There was, however, potential to review and expand the risk appetite statement so that it provides a broader high level framework to support FSS risk management at all levels. Table 1 has been revised following Board discussion and agreement on 17 August 2020 and Board approval for the updated risk appetite table is now sought.
- 7.2 The Board is asked to:
- **Note** the content and coverage of the updated statement of risk appetite
 - **Agree** the updated statement of risk appetite effectively aligns with the new strategy, subject to agreement to item 21/02/07 on the agenda, and is fit for purpose

Please direct queries to:

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ANNEX A

FSS Risk Appetite Statement

With regards to public health the Board has generally a low appetite for risk. This is because consumer protection and public health are at the core of what we do. Ensuring food is safe is our primary, non-negotiable, function and forms the basis of the trust consumers have in FSS. On public finance the Board has a low tolerance and would expect the Accountable Officer to apply the principles of sound financial management, managing within budget.


Clearly any organisation needs to think about its reputation and how an organisation is perceived is important. Perceptions will vary between different stakeholders but the trust of consumers is paramount. In this regard the Board's appetite for risk is medium tolerance. During Level 2, 3 & 4 incidents, the risk appetite for reputation should be low to align with the low tolerance risk appetite in relation to protection of public health.

Obviously, it is important that we work collaboratively and effectively but it is possible given the breadth of our remit that there are opportunities for disagreement. As our organisation is non-Ministerial, it is important that we retain and use that independence from Government wisely, taking account of, but not being wholly influenced by the views of others.

Given the current landscape and the challenges the organisation faces, the Board has a high tolerance for innovation and taking well managed and thought-through risks in areas such as piloting of new ideas, delivery models etc.

ANNEX B

FAIRER SCOTLAND DUTY SUMMARY – RISK APPETITE REVIEW

Title of Policy, Strategy, Programme etc	Risk appetite definition
Summary of aims and expected outcomes of strategy, proposal, programme or policy	To review FSS's existing risk appetite, and establish a clear definition, agreed by the Board, of the nature and extent of the principal risks that FSS is exposed to and is willing to take to achieve its objectives.
Summary of evidence	We know that poor diet exists across the population but the most deprived tend to have the poorest and most energy dense diets, and suffer the greatest burden of diet-related disease. ¹
Summary of assessment findings	We considered whether FSS's risk appetite could have any impact in inequalities of outcome, and decided that we should recognise the unequal burden of diet-related problems by including specific reference to our risk appetite with respect to policies that had potential to reduce such inequality.
Sign off	Name:  Job title: Chief Executive

¹ [https://www.foodstandards.gov.scot/downloads/Situation_report - the Scottish diet - it needs to change - 2018 update FINAL.pdf](https://www.foodstandards.gov.scot/downloads/Situation_report_-_the_Scottish_diet_-_it_needs_to_change_-_2018_update_FINAL.pdf)