

Annual Risk Appetite Review

1 Purpose of the paper

- 1.1 This paper is for discussion and decision.
- 1.2 The purpose of the paper is to consider whether FSS's Risk Appetite Statement, which was last agreed following the discussion at the Board meeting on [07 December 2022](#), continues to provide the FSS Board and Executive with an adequate framework to support effective risk management. This is particularly important given the continued financial challenges the organisation faces.
- 1.3 The Board is asked to:
 - **Discuss and provide a view** on whether the Risk Appetite Statement remains fit for purpose and proportionate.
 - **Decide** whether a facilitated training session on risk appetite should be organised for the Board.

2 Strategic Aims

- 2.1 This work supports all five FSS Strategic Outcomes.

3 Background

- 3.1 Our FSS risk appetite is the levels of risk FSS is prepared to accept, or not accept, in delivering its objectives, and ultimately our 5 year Strategy.
- 3.2 As stated in the [Scottish Public Finance Manual](#), risk appetite may be looked at in different ways depending on whether the risk being considered is a threat or an opportunity:
 - When considering threats, the concept of risk appetite embraces the level of exposure which is considered tolerable and justifiable should it be realised. In this sense it is about comparing the cost (financial or otherwise) of constraining the risk with the cost of the exposure should the exposure become a reality and finding an acceptable balance.
 - When considering opportunities, the concept embraces consideration of how much we are prepared to actively put at risk in order to obtain the benefits of the opportunity. In this sense it is about comparing the value (financial or otherwise) of potential benefits with the losses which might be incurred.
- 3.3 Generally our appetite for risk varies dependent on the particular category of risk it is. Our risk appetites support our risk process and facilitates the prioritisation of risk

mitigations, and therefore resources, on risks outside of our agreed acceptable limits.

3.4 The table below describes the different levels of risk appetite and the likely approach we would take to the management of risks as a result of the appetite.

RISK APPETITE	DESCRIPTIONS
Averse	Avoidance of risk in achievement of key objectives is paramount. Activities undertaken will only be those considered to carry little inherent risk e.g. around statutory requirements.
Minimalist	Tendency to undertake activities that are considered safe in achieving objectives. There should be a low degree of inherent risk. The pursuit of opportunity is not a key driver in this area.
Cautious	Willingness to accept a degree of risk in order to achieve key delivery objectives. Particularly where the opportunity of significant gains has been identified. Inherent risk is deemed controllable to a large extent.
Open	Aim to undertaken activities that have a high degree of value for money, the likelihood of success being a determining factor. These activities may potentially carry a large amount of residual risk.
Hungry	There is an eagerness or requirement to be innovative and a focus on activities designed to maximise opportunity. This approach will carry with it very high residual risk in pursuit of very high reward

3.5 At the 07 December 2022 Board, the Board agreed the following changes which have now been reflected in our risk appetite statement (**Annex A**). Additional changes that were discussed at the meeting have been reflected below:

3.5.1 **Policy / Legal / Regulation / Enforcement:** “averse to risks that have impact on animal health” has been added.

3.5.2 **Financial:** the word ‘positively’ has been added to “Hungry with regard to new approaches which could **positively** impact on efficiency and value”

4 Discussion

4.1 Ahead of the FSS Board discussion on risk appetite, the risk appetite was shared with subject matter experts and SLT for comment. The majority agreed with the current assessment however acknowledged the outcome of the reprioritisation exercise, because of spending review challenges FSS currently faces, continues to have the potential to present political, stakeholder and reputational implications and it remains vital to review the origination’s Risk Appetite Statement in line with this.

- 4.2 One proposal was to include a new statement under Financial to read “Hungry to be working with Scottish Government and partner agencies to scope, consider and invest in spend to save transformational opportunities”. This is also reflected in red in the Annex A.
- 4.3 The Board is asked look specifically at the public health/consumer risk appetite in light of the SAFER paper that the Board will have discussed earlier.
- 4.4 It is recommend that FSS organise a facilitated training session on risk appetite for the FSS Board. If the Board is agreeable then we can look to action this for in the New Year.

5 Equality Impact Assessment and Fairer Scotland Duty

- 5.1 Completion of an Equality Impact Assessment (EQIA) and a Fairer Scotland Duty Assessment have not been completed for this paper.

6 Conclusion/Recommendations

- 6.1 The Board is asked to:
- **Discuss and provide a view** on whether the Risk Appetite Statement remains fit for purpose and proportionate.
 - **Decide** whether a facilitated training session on risk appetite should be organised for the Board.

Please direct queries to:

Natalie Greenland, Head of Corporate Support
Natalie.Greenland@fss.scot

21/11/23

Annex A: FSS Risk Appetite

Public Health / Consumer Protection	<p>Averse to material risks that have potentially significant impact on public health</p> <p>Cautious where there is uncertainty around the balance of risks and benefits for public health or other consumer interests</p> <p>Open to new approaches and partnerships with the potential to enhance public health/consumer protection or to improve dietary health</p> <p>Hungry for innovative ways of improving the Scottish diet and reducing risks to the food chain</p>
Policy / Legal / Regulation / Enforcement	<p>Averse to approaches that fall short of legal requirements</p> <p>Averse to risks that have impact on animal health</p> <p>Open to policy/regulatory approaches that are evidence based, with the potential to produce the best outcomes in Scottish-specific circumstances</p> <p>Open to pursuing innovative approaches for implementing Regulatory Standards where analysis indicates potential for significantly improved compliance</p> <p>Hungry for policy approaches that combat the food-related effects of inequalities</p> <p>Hungry to apply the principles of better regulation, applying regulatory approaches which minimise burdens on businesses where appropriate</p>
Operational Delivery	<p>Averse to approaches which could potentially compromise the safety or wellbeing of staff</p> <p>Open to partnership working with the potential for improved compliance outcomes</p> <p>Hungry to consider innovation (e.g. working practices, systems, new technologies) with the potential to deliver improved efficiency and effectiveness</p> <p>Hungry to develop a skilled, confident and empowered workforce</p>

Reputation / Authority / Public Confidence	<p>Cautious about activities which could impact on our ability to influence effectively to protect consumers</p> <p>Open to making evidence-based decisions and recommendations and influencing opinion where we are clear that the benefits for consumers outweigh the risk</p> <p>Open to advocacy on behalf of consumers, where there is evidence to support their interests</p> <p>Hungry to exploit communication channels which promote FSS as the trusted source of advice on food safety, standards, diet and nutrition</p>
Relationships / Partnerships	<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>
Financial	<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>Hungry with regard to new approaches which could positively impact on efficiency and value</p> <p>Hungry to be working with Scottish Government and partner agencies to scope, consider and invest in spend to save transformational opportunities</p> <p>Minimalist but willing to consider some litigation consequences if we are unable to recruit official veterinarians, for reasons out with our control, which results in disruption to delivery of service</p>
External Factors	<p>Minimalist to risk of impact of external events; robust business continuity and incident management plans in mitigation</p> <p>Open to the possibility of divergence where we are not involved in making decisions which impact upon us</p>