

Annual Risk Appetite Review

1 Purpose of the paper

- 1.1 This paper is for discussion and decision.
- 1.2 As agreed at the 11/12/24 FSS Board meeting we initiated a comprehensive review of our risk appetite statements in line with development of our new FSS Strategy 2026 – 31.
- 1.3 The purpose of the paper is for the FSS Board to consider the revised FSS risk appetite statement (**Annex A**) to ensure it provides the FSS Board and Executive with an adequate framework to support effective risk management.
- 1.4 The Board is asked to:
 - **Discuss and provide a view** on whether the revised risk appetite statement is fit for purpose and remains proportionate.

2 Strategic Aims

- 2.1 This work supports all five FSS Strategic Outcomes.

3 Background

- 3.1 FSS operates with finite resources and recognises that not all risks can be eliminated. Therefore, it must focus on maximising the impact of its resources and optimising its approach to risk management. Risk is an inherent part of operations, and FSS must determine the extent to which it can reasonably mitigate risk to a level deemed tolerable.
- 3.2 Risk Appetite refers to 'the amount of risk an organisation is willing to accept in pursuit of its objectives.
- 3.3 Establishing a clear risk appetite is essential to ensure a consistent and informed approach to risk management. Agreed levels of risk appetite help prevent both excessive risk-taking that could expose FSS to intolerable threats, and overly cautious behaviour that may hinder meaningful improvement, continued efficiency and delivery.
- 3.4 By defining its risk appetite, FSS can more effectively prioritise risks, ensuring that resources are directed towards managing those risks that exceed the acceptable threshold.

- 3.5 Generally, our appetite for risk varies dependent on the 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.
- 3.6 The table below describes the different levels of risk appetite and the likely approach we would take to the management of risks because of the appetite.

RISK APPETITE	DESCRIPTIONS
Very low / Averse	Avoidance of risk in achieving key objectives is paramount. Activities undertaken will only be those considered to carry little inherent risk e.g. around statutory requirements.
Low / 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.
Medium / Cautious	Willingness to accept a degree of risk to achieve key delivery objectives. Particularly where the opportunity of significant gains has been identified. Inherent risk is deemed largely controllable.
High / Open	Aim to undertake 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.
Very high / Eager	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.

4 Discussion

- 4.1 As agreed at the 11/12/24 FSS Board meeting we initiated a comprehensive review of our risk appetite statements in line with development of our new FSS Strategy 2026 – 31. The original risk appetite statement can be found in **Annex B**.
- 4.2 As part of the review, we reviewed other government bodies risk appetite statements to identify best practice, including Scottish Government (who had recently undertaken a similar review) and Forestry and Lands. We also extensively engaged with Iain MacNab (SGs Head of Risk Management Policy) throughout the process.
- 4.3 One key message to arise from the research was to ensure our risk appetite level statements were sufficiently high level to enable us to:
- 4.3.1 align statements more easily with our vision values and priorities
 - 4.3.2 easily communicate across the organisation
 - 4.3.3 ensure broad interpretation and adaptability across different business areas
 - 4.3.4 ensure longevity of the statement

4.3.5 develop more detailed, operational level appetites if needed

4.4 During the review we also identified 3 new risk appetite categories, and they were:

4.4.1 Impacts on the delivery of our Strategy

4.4.2 Impacts on our Technology and Innovation abilities

4.4.3 Impacts on our cyber security

4.5 The risk appetite statements, and proposed levels, were developed in line with the above. The revised statements were then discussed with the Heads of Division.

4.6 Our approach also proposes to map risk appetite statements to risk target scores and thresholds (**Annex B**) to greater align our risk appetite to our FSS risk registers and overall risk management process.

4.7 As part of the review Iain MacNab also presented to several forums including presentations to the Heads of Division and the 28/10/25 FSS Board.

5 Equality Impact Assessment and Fairer Scotland Duty

5.1 Completion of an Equality Impact Assessment (EQIA) and a Fairer Scotland Duty Assessment are not required for this paper.

6 Conclusion/Recommendations

- **Discuss and provide a view on** whether the revised risk appetite statement remains fit for purpose and remains proportionate.

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Annex A: FSS Risk Appetite

Risk appetite categories and definitions

Category	Category definition
NEW (proposed) Impacts on the delivery of our Strategy	<p>This category refers to the degree of risk the organisation is willing to accept in relation to achieving its strategic objectives. It encompasses risks that could affect the successful implementation, timing, or effectiveness of strategic ambitions. It considers both internal and external factors that may disrupt or delay strategic progress or compromise intended outcomes.</p> <p>Note: There is a difference between risks that fall into this category and risks that fall under the banner of 'strategic risks' as presented to the Board. The two will be different and not all 'strategic risks' will fall into this category.</p>
Impacts on our People	This category refers to the degree of risk we are willing to accept in relation to the impact on our people. It encompasses risks arising from 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.
Impacts on Public Health	This category refers to the degree of risk we are willing to accept in relation to potential adverse effects on the health and wellbeing of the public arising from food and feed safety, nutrition, and related regulatory decisions.
Legal or Regulatory impacts	Risks arising from a 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)
Impacts on our Reputation	This category refers to the degree of risk we are willing to accept in relation to the impact on our reputation. It encompasses risks arising from 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
Impacts on our Partnerships	This category refers to the level of risk we are willing to accept in relation to the quality, effectiveness, and sustainability of our relationships with external stakeholders, including government bodies, industry and academia (could include examples of specific partners)
Impacts on our Finances	This category refers to the degree of risk we are willing to accept in relation to the impact to our finances. It encompasses risks arising from not managing finances in accordance with requirements, not being able to balance our budget, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.
NEW (proposed) Impacts on our Technology and Innovation abilities	Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development.
New (proposed) Impacts on our cyber security	Risks arising from a failure to prevent unauthorised and/or inappropriate access to information and non-compliance with General Data Protection Regulation requirements.

The risk appetite levels and thresholds relate to our **ambition** of where risk scores should be mitigated down to. Note our mitigating actions may not always result in bringing the risk score down to our appetite level (e.g. due to resource constraints) and these are the risks that need to be considered carefully at the appropriate forums.

Risk appetite level and threshold

Impact	Very high (50)		high / open	very high / eager	
	High (25)		medium / cautious		high / open
	Medium (10)		low / minimalist		
	Low (5)		very low / averse		
		Rare (1)	Low (2)	Medium (3)	High (4) Very high (5)
		Likelihood			

Risk Impact Matrix Key

IMPACT	Multiplier	1	2	3	4	5
Very High	50					
High	25					
Medium	10					
Low	5					
	Multiplier	1	2	3	4	5
	LIKELIHOOD	Rare	Low	Medium	High	Very High

Category	Revised Risk Appetite high level statement	Risk appetite Level	Risk appetite threshold	
Impacts on Public Health	As the body responsible for food safety, we are committed to protecting public health and maintaining consumer confidence. Our remit covers all aspects of the food chain which can impact on public health. Our public health appetite is very low , and we are averse to taking risk that impacts on our ability to protect the interests of consumers in relation to food and risks that could negatively impact public health.	Very low / Averse	5-	10
Legal or Regulatory impacts	As a public sector food body for Scotland, we will always comply with legislation and our statutory obligations. Legal risk appetite is very low , and we are averse to taking risk that impacts on our ability to be compliant in the delivery of our statutory duties.	Very low / Averse	5-	10
Impacts on our Reputation	Our key priorities are public health and consumer protection and as an organisation it is crucial that we are trusted, viewed as being transparent and having integrity therefore our reputational risk appetite is very low . We are averse to organisational decision making where decisions attract risk to how we are perceived and decisions that could impact on our ability to influence effectively and protect consumers.	Very low / Averse	5-	10
Impacts on our Finances	We recognise public finances will continue to remain under increasing pressure. We will therefore ensure that we are proactive and proficient in the decisions we take on the use and deployment of our resources to maximise business benefits, ensuring financial resilience. FSS aims to maintain a balanced budget at the end of each financial year, meet its statutory obligations and avoid instances of fraud. Our financial risk appetite is very low , and we are averse to taking risks that negatively impact on the management of our finances.	Very low / Averse	5-	10
Impacts on our cyber security	There will be occasions where a more risk averse approach may need to be taken in response to specific threats. Due consideration should be given to risks related to information classed as OFFICIAL-SENSITIVE , when dealing with personal, HR, legal or security information, where a very low / averse approach may be more appropriate.	Very low / Averse	5-	10
Impacts on our cyber security	Our risk appetite for risks which may give risk to the unauthorised access or release of OFFICIAL information is low / minimalist . This includes routine business operations and services, some of which could have damaging consequences if lost, stolen or published in the media.	Low / Minimalist	20-30	
Impacts on our People	We will take a low tolerance to adverse impacts on the wellbeing of our staff, ensuring that the workplace is inclusive and supports safe and healthy working.	Low / Minimalist	20-30	
Impacts on our Finances	We shall also pursue opportunities to diversify our funding, identify areas for income generation and take a lead role in the development of shared services and/or partnership working to minimise our overall costs and maximise returns on our investments. To improve sustainability of our resources we will accept a minimal risk to our resources where it will secure longer-term business benefits.	Low / Minimalist	20-30	
Impacts on the delivery of our Strategy	We maintain a medium risk appetite in relation to the delivery of our strategic ambitions.	Medium / Cautious	40-75	
Impacts on our People	With people being our greatest asset, our risk appetite is medium , and we are cautious to taking risks relating to the deployment of our staff, seeking to ensure there is appropriate flexibility to match skills and capabilities with demand.	Medium / Cautious	40-75	
Impacts on our Reputation	Alongside the importance of taking account of all views interested parties in undertaking our duties, as an evidence-based organisation we must also be rigorous in ensuring decisions we make are transparent and based on robust evidence. As such, we will adopt a cautious approach to reputational risk where consensus cannot be reached across all relevant parties to ensure there is no impact on our ability to influence effectively to protect consumers.	Medium / Cautious	40-75	
Impacts on our Partnerships	We work collaboratively with stakeholders and speak out publicly about areas of consumer interest to encourage high food standards and healthy eating in Scotland therefore our partnership risk appetite is medium , and we are cautious to activities that risk our independence and risk the prioritisation of consumer interests.	Medium / Cautious	40-75	
Impacts on our Technology and Innovation abilities	We remain cautious to ensure we do not develop at a pace that impacts on capacity and capability at an organisational and individual level. We also remain cautious in ensuring our exploitation of data, and use of technology, is not at the expense of data security or the use of sensitive/personal information.	Medium / Cautious	40-75	
Impacts on the delivery of our Strategy	We are open to accepting a degree of risk where it enables innovation, improves efficiency, or enhances long-term outcomes for consumers and stakeholders.	High / Open	100-125	
Impacts on our Technology and Innovation abilities	We are open to exploring new ways of working, encouraging our staff and stakeholders to identify and suggest alternative approaches, systems and methods that help our effectiveness through efficient practices and tools.	High / Open	100-125	
Impacts on our Technology and Innovation abilities	Our risk appetite for technology, data and innovation is very high and we are eager for opportunities to use innovation and technology to deliver wider business benefits and to leverage innovation to enhance our regulatory frameworks, operational efficiencies and enhance our ability to monitor food safety, predict risks, and respond swiftly to emerging issues.	Very High / Eager	150-250	

Annex B: Previous FSS Risk Appetite Statement

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 detrimental impact on animal health and welfare</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> <p>Hungry to develop and apply the principles surrounding sustainability and carbon reduction</p>
Organisational 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>Hungry 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> <p>Open to financial planning against forecasted requirement to enable delivery of the organisation's core objectives recognising some residual risk of potential overspend</p> <p>Averse to any reduction in financial management and oversight</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>