

COUNCIL

Risk Appetite

Meeting: 12 February 2014

Status: for decision

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Purpose

1. This paper presents a draft risk appetite statement for consideration and incorporation in the risk management strategy and policy.

Strategic Objective

2. This item contributes to the development of integrated and streamlined processes within the business.

Background

3. The internal auditors reviewed our risk management strategy, policy and practice and recommended that we augment these with a statement of risk appetite or attitude to risk, and this is considered to be good practice.
4. A statement of risk appetite or attitude is intended to set out the principle by which the organisation considers and manages the risks it faces.
5. It is important when setting this out to consider the current attitude to risk as demonstrated in the way the organisation behaves, and any aspirational change which may be required in order to fully meet the organisations objectives.
6. This draft risk appetite statement was discussed with ARC on 14 October 2013. Some modifications to the areas in which GOC might usefully consider it appropriate to take more risk were suggested and these comments have been included in this paper, and in the statement which is recommended for adoption.
7. ARC were particularly concerned that Council should consider how it might reflect the need for a changing attitude to risk in some areas to allow the organisation to be more flexible in meeting its core statutory purpose.

Analysis

Statement of current risk appetite:

8. The GOC's current attitude to risk is cautious in all areas. The organisation has a low appetite to risk in all areas of its operation and wishes to safeguard its reputation and assets in the public interest.
9. The organisation recognises that there may be some inherent risks which cannot be controlled or mitigated such as those around changes in government policy and certain types of legal challenge.
10. There may also be risks that arise as a consequence of the actions of others, such as a decision to incorporate in new legislation the requirement for regulators to formulate their individual rules.
11. The generally risk adverse attitude may be tempered by the possibility of increased return in the area of investments so long as capital is not put at risk.

Mitigating risk

12. Where recorded risks have higher likelihood ratings, the organisation takes steps to mitigate or manage risk wherever possible, using a range of methods including insurance.
13. GOC reviewed overall insurance arrangements in March 2013 and will continue to do so annually to ensure that suitable cover is obtained at a competitive price.

Match with values

14. GOC values state that GOC is agile and forward-thinking.
15. It is difficult to see how that fits with an entirely risk averse stance.
16. We need to consider the areas in which it might be more appropriate to take a less risk averse stance, so that we can allow staff the freedom to propose new and innovative ideas and ways of working, in order that we can live up to our values.
17. Areas for consideration in respect of a less risk averse stance:
 - setting policy – aiming to take the lead in developing policy;
 - relationship with key stakeholders – recognising the vested interests from some stakeholders and not allowing this to hamper policy development; and
 - illegal practice – taking a robust attitude in respect of the limits of our powers.

Impacts

- 18. Implications decisions by Council may have on:
 - 18.1 GOC's reserves - none
 - 18.2 GOC budget - none
 - 18.3 Legislation - none
 - 18.4 Resources - none
 - 18.5 Equality and Diversity - none
 - 18.6 Human Rights Act - none

Devolved Nations

- 19. There are no implications/differences in relation to this area and the devolved nations. This report does not need to be published in Welsh.

Communications

- 20. GOC accepted and adopted the Risk Management Strategy and policy in March 2013. This risk appetite statement if agreed will augment that strategy and policy.

Risks

- 21. As detailed above the formulation of an attitudinal statement in respect of risk is considered to be good practice. There are no particular risks identified in respect of this work.

Recommendations

- 22. The Council is asked to consider and adopt the statement of risk appetite and allow its incorporation into the Risk Management Strategy and Policy.

Timeline for future work

- 23. If Council agree and adopt this statement of risk appetite, it will be incorporated into the current operational Risk Management Strategy and Policy document which has been in place since its adoption in March 2013.