

28 NOVEMBER 2022**FC RISK POLICY REVISION & NEW RISK APPETITE STATEMENT****Purpose**

1. To provide the FC Executive Board with an updated Risk Policy & Procedures document for approval and a FC Risk Appetite Statement for discussion.

Background

2. Following an FC strategic risk management audit that took place during 2020, two recommendations were made to improve the FC Risk Policy & Procedures document.
3. At the end of 2020 the Government Finance Function published a Risk Appetite Guidance Note to provide more information to Departments in this maturing area.
4. Following the implementation of the standard risk register template, the introduction of the role of Risk Leads and the Risk Leads Forum and the establishment of the Forestry England Risk Management Group, risk conversations are becoming more detailed and mature across the FC. Setting and publishing a Board agreed risk appetite would help support these conversations and ultimately cohere consistent decision making from the strategic level through to operations.

FC Risk Policy & Procedures

5. The FC Risk Policy & Procedures has been updated at Annex A to include more guidance on risk appetite following a recommendation made during the 2020 review of the FC's strategic risk management processes. It also contains more information on managing opportunities as this is something we have started to formally record on our risk registers.
6. The other change that has been made to this document is to update the governance structure chart to reflect the move to a single FC ARAC. This was also a recommendation made during the GIAA review.

FC Risk Appetite Statement

7. The risk appetite statement provides a framework which enables an organisation to make informed management decisions. By defining risk appetite, an organisation clearly sets out an optimal position in the pursuit of its strategic objectives. A risk appetite statement also puts those decisions in writing, tying them to our broader business objectives. It is a living document, critical to risk management since it helps to establish parameters and priorities for our policies, procedures, and internal controls. The benefits of adopting a risk appetite include:
 - Supporting informed decision-making;
 - Reducing uncertainty;
 - Focusing on priority areas within an organisation;

8. The template included in Annex B has been produced in accordance with the Government Finance Function Risk Appetite Guidance Note. It provides an outline for setting the FC's risk appetite, but more work is needed to clearly define this.
9. A table has been included in Section C of the document where the FC Executive Board can clearly define and document risk appetite by each of the 13 risk categories recommended within the HMT Orange Book. A draft of each statement has been provided as a starting point for discussions.
10. Each of these risk appetite statements provides guidance on the nature and extent of risk the FC is prepared to take. The aim of these statements is to promote consistent and informed decision making by setting clear risk boundaries. Whilst the general risk appetites have been set against the categories in the table above, each risk will need to be assessed on an individual basis to determine the exact acceptable level of risk. This can be done by assessing the risk and assigning a target risk score in the risk register template.

Next Steps

11. The FC Executive Board is invited to review and approve the revised FC Risk Policy & Procedures document under Annex A. They are also invited to review and discuss the FC Risk Appetite Statement at Annex B, with particular focus on how risk appetite should be set for each risk category.

Head of Internal Governance
November 2022

Annex

- A. FC Risk Policy & Procedures v2.0 – (DRAFT)
- B. FC Risk Appetite Statement (DRAFT)