

ACTIVE LANCASHIRE LIMITED

RISK MANAGEMENT POLICY, FRAMEWORK AND APPETITE STATEMENT



1. Introduction and Executive Statement

Active Lancashire is a Charity and a Company limited by guarantee.

The **Active Lancashire strategy 'A Decade of Movement'** is a commitment to changing behaviour to create and embed a culture of health and wellbeing for everyone by engaging partners, empowering communities and enabling individuals. The goal is to see a future where everyone in Lancashire has access to and benefits from a physically active lifestyle.

However, it is acknowledged that all activities contain inherent risks and Active Lancashire regards risk management as a mutual objective for the Board of Trustees, Management and Colleagues at all levels.

Active Lancashire will meet its commitment by:

- Embedding a risk management system that is consistent, understood and implemented at all levels
- Applying risk management at all levels of business planning and communicate with key stakeholders where necessary
- Acknowledging that risk management is not about risk elimination in its entirety; it is about encouraging appropriate risk taking where risks are evaluated and understood.

The Risk Management Strategy is developed in line with the organisation purpose and vision and by living the values that shape our own culture and influence those around us.

Our Purpose	Work with Partners to tackle inequalities and help people enjoy active and healthy lives		
Our Vision	Create and embed a culture of health and wellbeing for everyone in Lancashire		
Our Values			
Our Strategic Priorities	Engage Partners Working collaboratively with like-minded partners who share our vision, we can address challenges and create opportunities across Lancashire and beyond	Empower Communities Combining an individual and collaborative approach, we will support our diverse communities to create, deliver and sustain physically active lifestyles	Enable Individuals With our help, each individual will thrive from improving, and taking responsibility for their physical and mental health

Successful organisations are successful risk takers and aware of their risk appetite. The potential of disruption to operations, impact on employees, partners, participants and loss or damage from a range of risks is inherent. The organisation seeks to take appropriate action through active risk management to minimise the potential for disruption, loss or damage.

There will be differing views on levels and impact of risk but whilst the scoring is important it is more important that there is an awareness of the risks and considerations of actions that can mitigate and manage those risks within the environment and the financial envelope that the organisation operates within.

It is also important that risk management is not seen as an isolated activity and instead is understood as a fundamental element in the way we lead, direct, manage and operate.

2. Risk Policy Purpose

The main aspect to successful risk management is a robust clear structure providing the mechanisms for risk identification, handling and management of risks and appropriate behaviours within that structure which represent a strong culture of risk management.

This policy:

- sets out the organisation's attitudes to risk
- Defines and sets out the benefits of risk management.
- Helps the organisation to understand risk appetite and tolerance and makes the most of risk opportunities.
- Defines the structures for management and ownership, monitoring and review.
- Identifies a series of risk management objectives.

3. Risk Management:

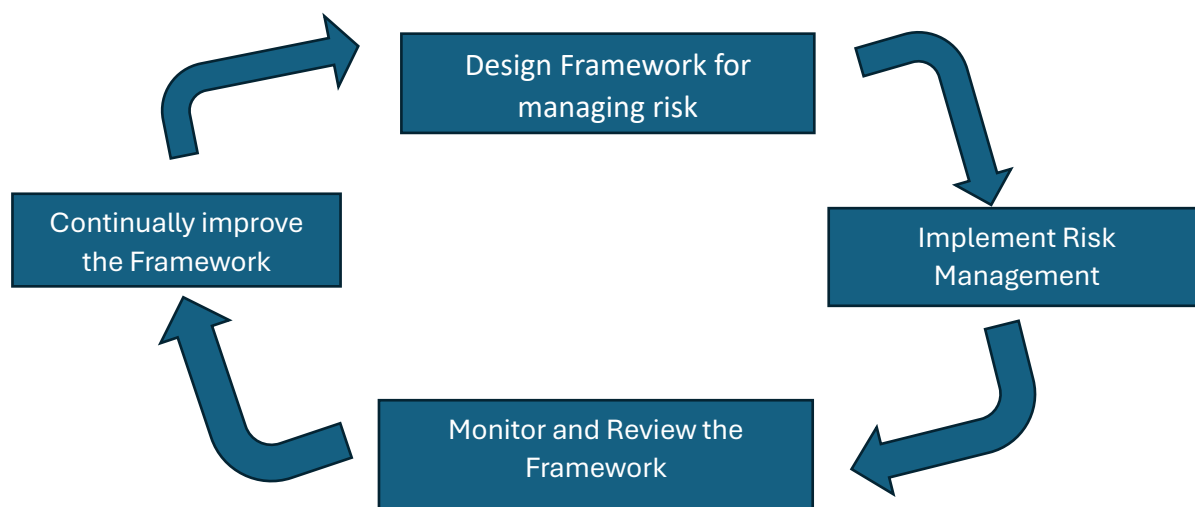
- Managing risk is part of governance and leadership and is fundamental to how the organisation manages at all levels. It contributes to the improvement of management systems by sound decision making and priority setting.
- Managing risk is part of all activities associated with and includes interaction with stakeholders/partnerships.
- Managing risk considers the external and internal context of the organisation including human, behaviour and cultural factors.
- Risk is present in everything we do – risk is the effect of uncertainty on achieving our objectives. Risk can also be a threat or an opportunity: anything that could harm, prevent, delay or enhance our ability to achieve our objectives.

4. Risk Management Principles

- Creates Value
- Part of decision making
- Based on best available information
- Transparent and inclusive
- Takes human and cultural factors into account
- Facilitates continual improvement and is responsive to change
- Integral part of the organisational process
- Systematic, structured and timely

5. Risk Framework

Manages the whole process and its full integration into the organisation.



6. Risk Management Process

The risk management process comprises 4 key elements and the cycle is only complete if all steps are performed .

In identifying and assessing risks the operational and strategic context should always be considered

The four steps are as follows:

Step 1 - Risk Identification and assessment to determine and prioritise how risks should be managed. Management will **identify risks and calculate a risk assessment** – this will be reviewed by the Audit and Finance Committee on behalf of the Board on a regular basis in conjunction with the risk appetite.

Step 2 - Selection and implementation of **Risk Treatment options** to support the achievement of intended outcomes and manage risks to an acceptable level. Management will **identify risk actions to mitigate risk** and these again will be reviewed on a regular basis by the leadership team with review of major strategic and operational risks by the Audit and Finance Committee

Step 3 - the design and operation of integrated, insightful and informative **Risk Monitoring**. Recognising that all risk cannot be eradicated **risk monitoring** will take place at an operational level with regular view by the leadership team throughout each year to assess the level or change in risk or opportunity.

Key strategic risk will be identified and monitored through the Board sub-committees

Step 4 - Timely, accurate and useful **Risk Reporting** to enhance the quality of decision making and to support management and oversight bodies in meeting their responsibilities. **the risk register will be reported** at all audit & finance committee meetings with an exception report highlighting the key risks and any escalation of risk.

It is important that risk management adds value by enhancing leadership and decision making capability and supports the ability to measure and predict variance so that action can be taken quickly as problems arise.

In Managing risk the Risk Management Groups should provide leadership in ensuring that operational risks is monitored, challenged, escalated or de-escalated through the Governance framework : **Treat, Tolerate, Transfer, Terminate or Take the Opportunity**

7. Assessment and Review of Risks – See Risk Register

All Risks will be scored based on probability of occurrence and the impact if they occur to give an overall score. **Formula: (Probability score x Impact score) + Impact score**

This formula intentionally places an emphasis on the impact of the risk. The scoring matrix is below:

		Likelihood			
		1	2	3	4
		Low	Medium	High	Very High
Impact	1 Low	2	3	4	5
	2 Medium	4	6	8	10
	3 High	6	9	12	15
	4 Very High	8	12	16	20
Formula:		Likelihood x impact + impact			

All risks will be assigned a risk appetite score by the Board and the Senior Leadership Team within the risk appetite tolerance. See table below.

	LOW						MEDIUM						HIGH									
	AVOID - Avoidance of risk and uncertainty is a key organisational objective			MINIMAL - Preference for ultra safe options with a low or no degree of inherent risk and only limited reward potential			CAUTIOUS – Preference for safe options that have a low degree of inherent risk and may only have limited reward potential			OPEN – Willing to consider all potential options and choose whilst also providing an acceptable level of reward and value for money			SEEK - Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risks			MATURE – Confident in setting high levels of risk appetite because controls, forward planning and responsiveness systems and processes are robust						
Risk Score	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20		

The full risk register will be reviewed by the Senior Leadership team on a BI- annual basis or in the event of significant new or escalating risks

Risks with a risk score of 9+ (impact score x probability score) are classed as likely to happen and with a serious impact will be reviewed on a quarterly basis by the Senior Leadership along with new risks and escalating risks and any risk with a probability or impact score of 4.

Any risk with a score of 12+ will be reported to and reviewed at the Audit & Finance Committee quarterly meeting along with any new and escalating risks.

Probability				Impact			
Score	Description of Score	Correspondence to the Risk Matrices	%	Score	Description of Score	Correspondence to the Risk Matrices	%
1	Rare, very small chance of it happening	Low	25%	1	Minor: very small impact even if the impact becomes reality	Low	25%
2	Unlikely, Small chance of happening	Medium	50%	2	Moderate: impact is noticeable but fixable or can be worked around	Medium	50%
3	Likely to happen at some point	High	75%	3	High: Serious impact that will create challenges with working around the risk	High	75%
4	Expected: very high chance of it happening	Very High	100%	4	Critical: critical impact with serious finance and/or business reputation implications and threats that will severely impact strategy delivery	Very High	100%

The risk register will include the risk and a description and risk classification of that risk along with the scoring and the responsible officer with comparison against the Risk Appetite score.

Reasonable mitigating actions will also be considered and documented on the risk register

8. Framing of Risks

The Risks will be Framed by 'Cause' 'Event' 'Effect'

Cause – What might trigger the event to occur e.g **IF** our financial performance is incomplete

Event – An unplanned/unintended variation from an objective e.g **THEN** we may be unable to demonstrate value for money in all areas

Effect – How the organisation could be impacted should the event occur e.g **RESULTING IN** (1) a threat to future funding and (2) damage to the organisations reputation

9. Risk Appetite and Tolerance and Risk Classifications

See Risk Appetite Statement

The approach to **Risk Appetite** should be practical and pragmatic appreciating the context that the organisation is a Charity and often working with public sector funding.

Decision makers should be able to understand the risks and the degree of risk to which they are permitted to expose the organisation whilst encouraging enterprise and innovation.

The organisation will seek to both minimise threats and maximise opportunities to optimise the achievement of objectives.

The aim of the Risk appetite statement is to set levels and types of risk that the organisation is prepared to accept in pursuing its objectives. This then informs planning and objective setting. It represents risk optimisation – a balance between the potential benefits of innovation and transformation and the threats and opportunity that change inevitably brings

Risk Tolerance – reflects boundaries within which the Board are willing to allow the day to day risk profile of the organisation to fluctuate while they are executing strategic objectives in accordance with the Board's strategy and risk appetite. It is the level of the current (residual) risk within which the Board expects Committees and management to operate, manage and escalate.

The risk appetite and risk tolerance may vary dependent on the type of risk

All risks will be awarded a risk appetite score which may be based on the risk classification.

The Risk Classifications are:

STRATEGIC GROWTH

OPERATIONAL

Financial / Workforce – People & Resources / Compliance / Performance – Operational and Technical / Reputational

The matrix below outlines the descriptions of the level and appetite of risk against the risk classifications

	LOW						MEDIUM						HIGH							
	AVOID - Avoidance of risk and uncertainty is a key organisational objective			MINIMAL - Preference for ultra safe options with a low or no degree of inherent risk and only limited reward potential			CAUTIOUS – Preference for safe options that have a low degree of inherent risk and may only have limited reward potential			OPEN – Willing to consider all potential options and choose whilst also providing an acceptable level of reward and value for money			SEEK - Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risks			MATURE – Confident in setting high levels of risk appetite because controls, forward planning and responsiveness systems and processes are robust				
Risk Score	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Strategic Growth	The consious and deliberate avoidance of risk and uncertainty in achieving the strategic objectives and growth			ALARP - As little as reasonably possible preference for ultra safe options and decisions with a low degree of inherent risk in pursuing startegic growth and objectives			A preference for safe options and decisions with a low degree of inherent risk and low potential for reward when pursuing strategic objectives and growth			A willingness to consider all potential decisions and options with a balanced and considered view of costs/benefits and a potential acceptable success level in achieving strategic objectives and growth			Eager to be innovative and proactive in challenging the status quo and choose options and decisions with potential higher business success despite greater or uncertain inherent risk			Confident and aggressive in a high risk strategy and appetite in pursuing all options for achieving the strategic objectives with high level of confidence in controls, forward planning and responsiveness of the processes and resources.				
Finance	Avoidance of financial loss is a key objective. We are only willing to accept the low cost option as value for money is the primary concern			Only prepared to accept the possibility of very limited financial loss if essential. Value for Money is the primary concern			Prepared to accept the possibility of some limited financial loss. Value for money is still the primary concern but willing to consider other benefits or constraints. Resources are generally restricted to existing commitments			Prepared to invest for return and minimise the possibility of financial loss by managing risks to a tolerable level. Value and benefits considered, not just cheapest price. Resources allocated in order to capitalise on opportunities			Investing for the best possible return and accept the possibility of financial loss (with controls in place). Resources allocated without a firm guarantee of return "investment capital" type of approach			Consistent focus on the best possible return , maximising surpluses but accepting the significant impact of high risks. Resources allocated with confidence that the process is a return in itself.				
Compliance	Play safe - avoid anything that is a risk or could be challenged			Be as compliant as reasonably possible with resources allocated appropriately to try to ensure compliance and minimise any challenge or non compliance.			Limited tolerance for sticking the neck out . Surity and assurance that non compliance is mitigated as far as possible .			Any non compliance would be mitigated and could be defended and the gain would outweigh any likely consequences.			The chances of non compliance are real and consequences would be significant. However the benefits could also be significant.			Consistently pushing back on the regulatory burden with a front foot approach with the view that this approach improves regulation.				
Performance - Operational & Technical	No tolerance for risk in relation to operational performance. Defensive approach to partnerships with the aim to protect the organisation rather than provide connections. Retain tight management controls with very limited devolved decision making authority. General avoidance of systems/technology developments.			Tolerance for risk taking limited to performance with no chance of adverse results or innovations commonplace elsewhere. Partnerships only accepted if essential or commonplace elsewhere. Decision making authority held by the Board and Chief Executive only. Only essential system/technology development to protect current operations.			Low degree of inherent risk in relation to operation options and decisions preferring the status quo with innovation avoided unless necessary and where there is limited chance of adverse consequences. Partnerships pursued if commonplace amd necessary. Decision making authority limited to the senior management team or retained by the Board if strategic. Sysyems/technology improvements developments limited to improvements to protect current operations.			Willingness to consider all delivery options that provide acceptable outcomes with innovation supported with commensurate magement control. Preference not to take risks but a considered decision balancing benefits/adverse consequences. New partnerships accepted with management control and Board oversight if strategic. Acceptance of some devolved decisions. Systems/technology developments used routinely to enable operational delivery.			A willingness to take risks and choose options and decisions that provide potentially higher outcomes . Innovation pursued with a desire to break the mould and challenge current working practices. Partnerships willingly sought in order to be innovative and challenge current business models. High level of devolved authority by trust rather than tight control. New technology viewed a key enabler to operational delivery.			Confident and aggressive in taking high levels of risk with operational decisions because of the consistently successful track record in over achieving. Innovation is a priority to consistently break the mould and challenge current practices New partnerships pursued consistently to challenge current business models . New ideas engaged and willingness to work together. Some devolved authority - management by trust rather than tight control is standard practice. Investment in new technology a catalyst for operational delivery.				
Workforce/staff - People & Resources	Conscious avoidance of all risks related to staff engagement, recruitment, retention and health and safety and wellbeing . Avoid all risks related to physical resources			Minimal risks taken with resources people and physical . Preference for very safe options with low inherent risk but may offer limited benefits to staff and the organisation			Moderate appetite for risk. Preference for safe options and decisions with a low inherent risk.			Willing to take some risks in relation to workforce/staff engagement that may offer potentially higher benefits to staff and the organisation . Similarly with physical resources.			Innovation in taking risks that will offer potentially higher benefits for staff and participants and for the organisation			Track record in delivering workforce transformational programmes that offer potentially higher benefits to staff , participants and the organisation				
Reputational	No tolerance of any decisions that could lead to scrutiny of or indeed attention to the organisation			Tolerance for risk taking is limited to those events and decisions where there is no chance of any significant repercussions or attention for the organisation			Tolerance for risk taking is limited to those events and decisions where there is little chance of any significant repercussions for the organisation in the event of failure. Mitigation is in place for any undue interest.			Appetite to take decisions with a potential to expose the organisation to additional scrutiny or interest. Prospective management of organisation's reputation is recognised.			Willingness to take decisions that are likely to bring attention and scrutiny to the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing the reputation of the organisation			Track record and investment in communications has built confidence by public, press and partners that the organisation will take difficult decisions for the right reasons with benefits outweighing the risks				

10. Risk Ownership and Governance

The Senior Leadership Team will review the full risk register and scoring on at least a bi-annual basis – both Strategic and Operational .

The Chief Executive is responsible for the development and maintenance of the Risk Policy and Risk Register with delegation to other members of the Senior Leadership Team

The Board of Trustees is responsible for ensuring the effectiveness of the Risk Management Framework and ensuring that adequate resources and support systems are in place to enable the organisation to manage threats to the organisation.

Strategic Risks

- Strategic Risks are aligned to the organisation's strategic objectives .
- Risks are identified, defined and assessed by the Senior Leadership Team and Board (Top down).
- The Strategic Risk Register would usually contain no more than 10 risks
- Strategic risks would typically have a high impact score due to their strategic nature
- Decisions to include risks, remove or adjust scores in the Strategic risk register are taken by the Board through the Audit & Finance Committee on a quarterly basis.
- Each risk will have both controls and assurances
- On an annual basis the Board will assess the Risk Appetite and Risk controls of the strategic growth risks

Operational risks

- Operational risks arise from the organisations day to day activities and risks will be operational or organisational in scope.
- All risks will be included on the risk register and will be identified at an operational level and escalated to the Senior Leadership team
- The scoring of risks will vary according to probability and likely impact
- Usually only controls are identified.
- The number of risks will vary but can be up to 50+
- Ownership of the risk will be assigned to a Senior Leadership team member

Audit & Finance Committee

- Will review the risk register on a quarterly basis by exception with focus on the strategic growth risks and high operational risks by exception
- The Committee will each quarter review finance and audit performance and risks
- The Committee will use the framework of the 5 T's for ensuring that the operational risks are monitored, challenged , escalated or de-escalated – Treat, Tolerate, Transfer, Terminate, Take the Opportunity
- The Committee will escalate to the main Board of Trustees any risks of significant concern or opportunity
- The Committee will review and recommend the Risk appetite for each risk category on at least an annual basis

The HR, Remuneration and Nominations Committee

- Will monitor and review the Workforce/Staff – People and resources Risk Category
- Will monitor and review the Compliance Risk Category with the exception of Finance and audit risk

The Board of Trustees

- Will set the Risk appetite for each risk category at the recommendation of the Committees and review that appetite risk scoring on an annual basis
- Will review the strategic objective risks on an annual basis and/or at the recommendation of the Committees
- The Board will review any emerging reputational risks.
- The Board will receive quarterly operational reports highlighting significant risks or opportunities in operational performance and operational activity
- The Board of Trustees is responsible for ensuring the effectiveness of the Risk Management Framework and ensuring that adequate resources and support systems are in place to enable the organisation to manage threats to the organisation.

11. [Risk Management Objectives](#)

The Risk Management Objectives for the next 12 months April 2024 to March 2025 are:

- To implement the Risk Appetite statement and scoring with agreement of the Board
- To reassess all risks on the risk register and reword along the “Cause – Event-Effect” framework
- To identify mitigating controls for operational risks and controls and assurances for all strategic risks
- To review the Risk policy and appetite statement and scoring in 12 months to assess the effectiveness.

The overall objective of the Risk Management framework is to Identify, Assess, Treat , Monitor, Review all significant risks.

The Risk Management Groups should provide leadership in ensuring that operational risks is monitored, challenged, escalated or de-escalated through the Governance framework : Treat, Tolerate, Transfer, Terminate or Take the Opportunity

12. [Related documents for further reference](#)

- Risk Appetite Statement
- Risk Register

Active Lancashire Limited

Risk Appetite Statement



13. Purpose

- a. This document sets out the Board's appetite regarding the degree of risk that Active Lancashire is willing to make
- b. Management of risks is an essential component of Active Lancashire's governance framework. Effective risk management increases the likelihood of successful outcomes, protecting the reputation, sustainability and success of the organisation.
- c. Management and the Board are expected to operate within the approved risk appetite levels, including avoiding any actions that could result in exceeding the approved risk appetite levels.

14. Key Definitions

- a. Risk is defined as the effect of uncertainty on objectives. Risk is neither inherently good nor bad. A level of risk is required to grow, survive and change as an organisation.
- b. Risk Appetite is defined as the degree of risk that is acceptable in day-to-day activities and the pursuit of strategic objectives, considering the interests of all stakeholders including the employees, participants, volunteers and Board.


Risk appetite is set by the Board and directs management in its day to day operations and the achievement of its strategic objectives.

15. Informing Active Lancashire's risk appetite

- a. Active Lancashire is a Charity and a Company limited by guarantee.
- b. The **Active Lancashire strategy 'A Decade of Movement'** is a commitment to changing behaviour to create and embed a culture of health and wellbeing for everyone by engaging partners, empowering communities and enabling individuals. The goal is to see a future where everyone in Lancashire has access to and benefits from a physically active lifestyle.
- c. The Risk Management Strategy is developed in line with the organisation purpose and vision and by living the values that shape our own culture and influence those around us.

Our Purpose

Work with Partners to tackle inequalities and help people enjoy active and healthy lives

Our Vision	Create and embed a culture of health and wellbeing for everyone in Lancashire		
Our Values			
Our Strategic Priorities	Engage Partners Working collaboratively with like-minded partners who share our vision, we can address challenges and create opportunities across Lancashire and beyond	Empower Communities Combining an individual and collaborative approach, we will support our diverse communities to create, deliver and sustain physically active lifestyles	Enable Individuals With our help, each individual will thrive from improving, and taking responsibility for their physical and mental health

- d. Our risk appetite guides how much risk we are willing to seek or accept to achieve our objectives. We recognise we will need to take risks, both in our ordinary business and to achieve the strategic priorities. Good risk management ensures we make well informed decisions and we understand the associated risks. By ensuring that we properly respond to risks we will be more likely to achieve our priorities. It also provides control and a high level of due diligence consistent with our responsibilities in managing largely public money.

We recognise effective risk management considers not just threats but also opportunities. So, our approach to risk is to seek the right opportunities and, where possible, minimise threats. By encouraging managed risk taking, and considering all of the available options we seek a balance between caution and innovation.

Our risk appetite reflects our current position; encouraging managed risk taking for minor to moderate level risks, but controlling more closely those risks that come further up the scale. Our appetite for risk will vary over time depending on our ambitions and priorities and the environment we work in.

16. Assessment of Active Lancashire's Risk Appetite

- a. **A key challenge** in determining risk appetite includes an appropriate balance between:
 - Ethical and effective governance and practices including responsible stewardship of Active Lancashire's resources
 - Pursuit and realisation of opportunities, allowing innovation and avoiding unnecessary bureaucracy; and
 - Avoidance of a risk averse organisational culture, which could stifle innovation rather than support growth
- b. **The Risk Appetite Statement applies to the following key risk areas:**
 - **Strategic Growth Risk** – These are the risks from acting on strategic growth objectives. The risk might materialise and become an issue following pursuit of an unsuccessful business plan, including due to poor strategic decisions, poor execution of decisions, inadequate or excessive resource allocation and/or failure to respond to changes in the internal and/or external environment. A certain level of strategic growth risk is considered necessary to grow, remain innovative and ensure ongoing engagement and impact
 - **Operating Risks** – The risks of financial loss and/or non compliance with laws due to inadequate or failed processes, people and/or systems, or from external risks. It includes legal risks, Sub -categories of operating risk:
 - **Financial Risk** – the risk to the short, medium and long term financial viability and overall financial strength. Financial risks can result from expenditure decisions, failure to retain key staff and/or effectively manage change. This includes the risk of being unable to meet payment obligations as they fall due.
 - **Compliance Risk** – The risk of failure to act in accordance with laws, regulations, industry standards and codes, internal policies and procedures and general principles of good governance. This includes risks relating to ethical decision making and prevention of fraud. Managing this risk well is often vital to funding.
 - **Reputation Risk** – The risk to the reputation of the organisation as an independent facilitator, leader, advocate and provider of services to improve the health and economic wellbeing through physical activity and sport of our communities. Our reputation is reflected in our values as well as our professional approach.
 - **Performance – Operational & Technical Risk** – The risk to the effective and efficient delivery. This also includes a risk of a loss of confidence by key stakeholders, including members, funding bodies, partners as well as staff retention.
 - **Workforce/Staff -People & Resources Risk** – This includes the health and safety and wellbeing, illness, injury or loss of staff, volunteers, visitors, participants.

c. The following levels are used to describe the Board's risk appetite levels:

LOW- AVERSE – conscientious avoidance of risk and uncertainty. Not willing to accept any negative impact in order to pursue strategy. Risks that cannot be treated are actively avoided. Avoidance of risk and uncertainty is a key organisational objective

LOW – MINIMAL – Only willing to accept a small negative impact in order to pursue a strategic goal. Costs to maintain minimal risk can be high. Preference for ultra safe options with a low or no degree of inherent risk and only limited reward potential

MEDIUM -CAUTIOUS - Preference for safe but balanced options that have a low degree of inherent risk and may only have limited reward potential. A balanced, objective assessment of cost/benefit and importance/urgency is important in this category

MEDIUM – OPEN - Willing to consider all potential options and choose one that is most likely to result in success and provide an acceptable level of reward and value for money whilst always mindful of risk/benefit outcomes

HIGH – SEEK - Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risks including the higher risk of doing nothing. Willing to accept the possibility of negative impacts in order to achieve strategic goals.

HIGH – MATURE - Confident in setting high levels of risk appetite because controls, forward planning and responsiveness systems and processes are robust. Willing to aggressively and entrepreneurially be innovative and take risks because of high potential reward in order to achieve strategic goals whilst accepting the potential of large negative impacts

These Risk Appetite levels are summarised in the table below:

	LOW						MEDIUM						HIGH								
	AVOID - Avoidance of risk and uncertainty is a key organisational objective			MINIMAL - Preference for ultra safe options with a low or no degree of inherent risk and only limited reward potential			CAUTIOUS – Preference for safe options that have a low degree of inherent risk and may only have limited reward potential			OPEN – Willing to consider all potential options and choose whilst also providing an acceptable level of reward and value for money			SEEK - Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risks			MATURE – Confident in setting high levels of risk appetite because controls, forward planning and responsiveness systems and processes are robust					
Risk Score	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20	

d. To ensure an up to date assessment of risk appetite, the following should be formally assessed on at least an annual basis:

- i. Risk Appetite
- ii. Likely Risk impact of current strategy
- iii. Current Risk level
- iv. Alignment of current risk levels with risk appetite including actions required
- v. Formally note the outcomes of the assessment and actions for approval by the Board (or via Committees)

A reassessment should also be completed to coincide with any proposed change in strategy to be approved by the Board.

The outcome of each reassessment should be included in Board or Committee minutes including any risk appetite levels amendments with clear details of actions or outcomes required and who is responsible.

The Matrix below describes the various levels of risk appetite against the various classifications of risk.

	LOW						MEDIUM						HIGH							
	AVOID - Avoidance of risk and uncertainty is a key organisational objective			MINIMAL - Preference for ultra safe options with a low or no degree of inherent risk and only limited reward potential			CAUTIOUS – Preference for safe options that have a low degree of inherent risk and may only have limited reward potential			OPEN – Willing to consider all potential options and choose whilst also providing an acceptable level of reward and value for money			SEEK - Eager to be innovative and choose options offering potentially higher business rewards despite greater inherent risks			MATURE – Confident in setting high levels of risk appetite because controls, forward planning and responsiveness systems and processes are robust				
Risk Score	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Strategic Growth	The conscious and deliberate avoidance of risk and uncertainty in achieving the strategic objectives and growth			ALARP - As little as reasonably possible preference for ultra safe options and decisions with a low degree of inherent risk in pursuing strategic growth and objectives			A preference for safe options and decisions with a low degree of inherent risk and low potential for reward when pursuing strategic objectives and growth			A willingness to consider all potential decisions and options with a balanced and considered view of costs/benefits and a potential acceptable success level in achieving strategic objectives and growth			Eager to be innovative and proactive in challenging the status quo and choose options and decisions with potential higher business success despite greater or uncertain inherent risk			Confident and aggressive in a high risk strategy and appetite in pursuing all options for achieving the strategic objectives with high level of confidence in controls, forward planning and responsiveness of the processes and resources.				
Finance	Avoidance of financial loss is a key objective. We are only willing to accept the low cost option as value for money is the primary concern			Only prepared to accept the possibility of very limited financial loss if essential. Value for Money is the primary concern			Prepared to accept the possibility of some limited financial loss. Value for money is still the primary concern but willing to consider other benefits or constraints. Resources are generally restricted to existing commitments			Prepared to invest for return and minimise the possibility of financial loss by managing risks to a tolerable level. Value and benefits considered, not just cheapest price. Resources allocated in order to capitalise on opportunities			Investing for the best possible return and accept the possibility of financial loss (with controls in place). Resources allocated without a firm guarantee of return "investment capital" type of approach			Consistent focus on the best possible return , maximising surpluses but accepting the significant impact of high risks. Resources allocated with confidence that the process is a return in itself.				
Compliance	Play safe - avoid anything that is a risk or could be challenged			Be as compliant as reasonably possible with resources allocated appropriately to try to ensure compliance and minimise any challenge or non compliance.			Limited tolerance for sticking the neck out . Surety and assurance that non compliance is mitigated as far as possible .			Any non compliance would be mitigated and could be defended and the gain would outweigh any likely consequences.			The chances of non compliance are real and consequences would be significant. However the benefits could also be significant.			Consistently pushing back on the regulatory burden with a front foot approach with the view that this approach improves regulation.				
Performance - Operational & Technical	No tolerance for risk in relation to operational performance. Defensive approach to partnerships with the aim to protect the organisation rather than provide connections. Retain tight management controls with very limited devolved decision making authority. General avoidance of systems/technology developments.			Tolerance for risk taking limited to performance with no chance of adverse results or innovations commonplace elsewhere. Partnerships only accepted if essential or commonplace elsewhere. Decision making authority held by the Board and Chief Executive only. Only essential system/technology development to protect current operations.			Low degree of inherent risk in relation to operation options and decisions preferring the status quo with innovation avoided unless necessary and where there is limited chance of adverse consequences. Partnerships pursued if commonplace and necessary. Decision making authority limited to the senior management team or retained by the Board if strategic. Systems/technology improvements developments limited to improvements to protect current operations.			Willingness to consider all delivery options that provide acceptable outcomes with innovation supported with commensurate management control. Preference not to take risks but a considered decision balancing benefits/adverse consequences. New partnerships accepted with management control and Board oversight if strategic. Acceptance of some devolved decisions. Systems/technology developments used routinely to enable operational delivery.			A willingness to take risks and choose options and decisions that provide potentially higher outcomes . Innovation pursued with a desire to break the mould and challenge current working practices. Partnerships willingly sought in order to be innovative and challenge current business models. High level of devolved authority by trust rather than tight control. New technology viewed a key enabler to operational delivery.			Confident and aggressive in taking high levels of risk with operational decisions because of the consistently successful track record in over achieving. Innovation is a priority to consistently break the mould and challenge current practices New partnerships pursued consistently to challenge current business models . New ideas engaged and willingness to work together. Some devolved authority - management by trust rather than tight control is standard practice. Investment in new technology a catalyst for operational delivery.				
Workforce/staff - People & Resources	Conscious avoidance of all risks related to staff engagement, recruitment, retention and health and safety and wellbeing . Avoid all risks related to physical resources			Minimal risks taken with resources people and physical . Preference for very safe options with low inherent risk but may offer limited benefits to staff and the organisation			Moderate appetite for risk. Preference for safe options and decisions with a low inherent risk.			Willing to take some risks in relation to workforce/staff engagement that may offer potentially higher benefits to staff and the organisation . Similarly with physical resources.			Innovation in taking risks that will offer potentially higher benefits for staff and participants and for the organisation			Track record in delivering workforce transformational programmes that offer potentially higher benefits to staff , participants and the organisation				
Reputational	No tolerance of any decisions that could lead to scrutiny of or indeed attention to the organisation			Tolerance for risk taking is limited to those events and decisions where there is no chance of any significant repercussions or attention for the organisation			Tolerance for risk taking is limited to those events and decisions where there is little chance of any significant repercussions for the organisation in the event of failure. Mitigation is in place for any undue interest.			Appetite to take decisions with a potential to expose the organisation to additional scrutiny or interest. Prospective management of organisation's reputation is recognised.			Willingness to take decisions that are likely to bring attention and scrutiny to the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing the reputation of the organisation			Track record and investment in communications has built confidence by public, press and partners that the organisation will take difficult decisions for the right reasons with benefits outweighing the risks				

e. Current Risk Appetite

The current Risk appetite and tolerance levels are set out in the table below for each of the Risk Categories and are subject to annual review and approval by the Board of Trustees.

Key Risk Category	Risk Appetite Level	Risk Tolerance Score	Risk Appetite Statement
Strategic Growth	HIGH - SEEK	13-15	We have a SEEK appetite for strategic growth. Eager to be innovative and choose options offering potentially huger business rewards whilst understanding there may be greater inherent risks , A desire to break the mould and challenge current working practices, use new technology and a high level of devolved authority - management by trust rather than tight control.
Finance	MEDIUM - CAUTIOUS	7-9	We have a CAUTIOUS appetite for measured risk taking to support growth whilst making best use of resources, delivering value for money. Prepared to accept the possibility of limited financial loss. Value for money is the primary concern but willing to consider othe benefits or constraints. Resources generally restricted to wxiting commitments.
Compliance	LOW - MINIMAL	4-6	We have a MINIMAL appetite, and we will not take any risks which will impact on out ability to meet our code of Governance requirements balanced within a financial and resource envelope. We will have a low appetite to take any risks which impact compliance with law, statute .
Performance - Operational & Technical	MEDIUM - OPEN	10-12	We have an OPEN appetite for risk. Willing to consider all potential delivery options that provide acceptable levels of reward or outcomes.
Workforce/Staff - People & Resources	MEDIUM - CAUTIOUS	7-9	We have a CAUTIOUS appetite for measured risk taking to support growth whilst making best use of resources, delivering value for money. Preference for safe options with low inherent risk. The exception is on Health & Safety Matters where LOW AVOID risk appetite is to be taken
Reputational	MEDIUM - CAUTIOUS	7-9	Tolerance for risk taking is limited to those events where there is little chance chance of any significant repercussions for the organisation should there be failure.

f. Risk Appetite Governance

- i. Active Lancashire is expected to comply with the Board's risk appetite. If a relevant legal, regulatory or compliance requirement imposes a more stringent standard then that requirement must be met and take precedence.
- ii. Compliance with this Risk Appetite Statement is the responsibility of management, extending to all employees and Board members.
- iii. The Risk Appetite does not supplant any legally valid obligation to any party in relation to any contract or commitment including those that relate to funding. Management must highlight to the Board any identified discrepancies between the Risk Appetite assessment outcomes and any legal, regulatory, compliance or policy requirement.
- iv. The Chief Executive is responsible for the development and maintenance of a Risk Register of the business risks faced in the day to day operations and the control framework which is in place to mitigate these risks. The Risk Register will take into account risks from within the organisation and external sources and should be reviewed regularly throughout the year as part of the regular management processes. The Risk Register should also be updated when there are key changes to policies, structures or functions. The Risk Register should inform the current Risk level.
- v. Management must consider changes to risk levels on an ongoing basis as likely/possible risks emerge and as actual issues occur. Based on those changes or at least bi-annually management should update the Audit & Finance Committee as to any/all approved risk appetite levels that have been breached or are likely to be exceeded.
- vi. Authority to formally approve and amend Active Lancashire's Risk Appetite rests with the Active Lancashire Board based on recommendation from management to the Audit & Finance Committee of the Board.

17. Related documents for further reference

- Risk Policy
- Risk Register