

EXECUTIVE DIRECTOR SPONSOR: Sarah Jane Hannah

SCOTTISH CANALS RISK APPETITE STATEMENTS

Purpose

On the recommendation of the Audit & Risk Committee, the Board to review and approve Scottish Canals proposed risk appetite statements attached as appendix 1.

Priority

This is a routine paper.

Background

Scottish Canals has undertaken a comprehensive review and development of its risk appetite statements, a high-level tool to inform key decisions across Scottish Canals aligned with the definitions of risk appetite set out in the Scottish Public Finance Manual. The document set out as appendix 1 has been simplified and includes criteria for risk appetite definitions. For reference, the Risk Appetite positions as agreed by the Board in March 2023 are outlined below:

Risk Appetite Category	Risk Appetite Statement/Commitment	Position
Safety Related Asset Failure	As the custodian of Scotland's canals, we have a minimal risk appetite for safety related asset failure.	Minimal
Operational Asset Health	As the custodian of Scotland's canals, we have a minimal risk appetite in relation to asset health. We use risk-based assessments to inform decision making on the management of our assets against available resources, with importance being placed on accessibility.	Minimal
Reputation and Brand	Scottish Canals has a cautious risk appetite to ensuring that public perception and stakeholder engagement remains positive and good external relationships maintained.	Cautious
Health & Safety	We will deliver our statutory duties to the highest standards ensuring we undertake activities which are safe. We have an averse appetite for failure or non-compliance and work to achieve objectives while reducing risk to levels as low as reasonably possible.	Averse
Regulatory Compliance	We have an averse risk appetite for making any decisions which put us at risk of breaching any legislative or regulatory duties.	Averse
Financial Sustainability	We have a cautious risk appetite for making any decisions on medium and long term financial sustainability to ensure financial resilience, whilst continuing to provide value for money.	Cautious
Commercial Investment	We have a cautious risk appetite to undertaking activities that provide value for money and guaranteed future revenue streams.	Cautious

People and Organisational Culture	We have an open risk appetite to innovate new ways of working, challenging old ways of working and driving cultural change.	Open
Climate Change	We have an open risk appetite for coming up with ways to mitigate against climate change.	Open
Digital Change	We have an open risk appetite for digital change to ensure we are adaptable and agile within the digital space.	Open
Placemaking and Projects	We have an open risk appetite to working in partnership to benefit canal-side communities, continue to improve the health benefits by providing safe green and blue spaces accessible for all, and providing attractive areas for sustainable investment for the future of communities and Scotland.	Open

Key Points for Noting

The current Risk Appetite statements were reviewed by the EMT at its quarterly risk review meeting on 5 September 2024. It was decided that some categories could be renamed, and certain areas could be merged. The changes are as follows:

Risk Appetite Category (March 2023)	Risk Appetite Category Updated Titles (as amended by EMT)
Safety Related Asset Failure	Asset Health and Degradation
Operational Asset Health	
Reputation and Brand	Stakeholder Relationship Management
Health & Safety	No change
Regulatory Compliance	Compliance
Financial Sustainability	Long-term Financial Sustainability
Commercial Investment	
People and Organisational Culture	People Development and Growth
Climate Change	Sustainability and Climate Adaptability
Digital Change	Business Transformation
Placemaking and Projects	No change

The proposed risk appetite statements and tolerances attached as appendix 1 were reviewed by the ARC at its meeting on 10 October 2024. Since the ARC meeting, it has been further recommended that the Reputation and Brand risk appetite statement is retained with a cautious position.

The Board is invited to consider and approve the risk positions and definitions of the proposed risk appetite statements as set out in appendix 1.

The EMT and ARC have also considered the risk appetite statements in line with current corporate risks. Appendix 2 sets out risks that have averse risk appetites but currently have high impact and high likelihood risk positions. Additionally, appendix 2 highlights corporate risks which are not linked to a risk appetite statement. The Board is asked to note these anomalies which the EMT will continue to monitor and report to the ARC and Board.

Corporate Considerations

Strategic Priorities: The risk appetite statements inform strategic priorities and decision making that have an impact on delivery of our core business objectives and/or legal obligations.

Health & Safety: Health and Safety tolerance reflected in the risk appetite statements.

Risk/Risk Appetite: This paper and annexes details the risk appetite statements.

Legal: Legal and compliance risk tolerances reflected in the risk appetite statements.

Financial: Finance risk tolerances reflected in the risk appetite statement.

Human Resources: People and organisational culture tolerances reflected in the risk appetite statements.

Fair Work First: N/A

Communication: Risk appetite statements will inform decision making and will set a tone for business areas in how they approach opportunity and risk.

Community & Third Sector: N/A

Commercial: Risk appetite statements will inform decision making and will set a tone for business areas in how they approach commercial opportunities and risks.

Asset: Risk appetite statements will inform decision making and will set a tone for certain business areas in how they approach commercial opportunities and risks.

Environment: Risk appetite statements will inform decision making and will set a tone for certain business areas in how they approach commercial opportunities and risks.

Conclusions and Recommendations

The Board is invited to:

- review and approve the proposed risk appetite statements as set out in appendix 1.
- note the connected corporate risks linked to each risk appetite statement set out in appendix 2.

Author: Claire Laurenson

Title: Risk and Compliance Manager

Date: 22/10/2024