



ALARM

embrace risk

The
practitioners'
view

THE PRINCIPLES OF RISK APPETITE



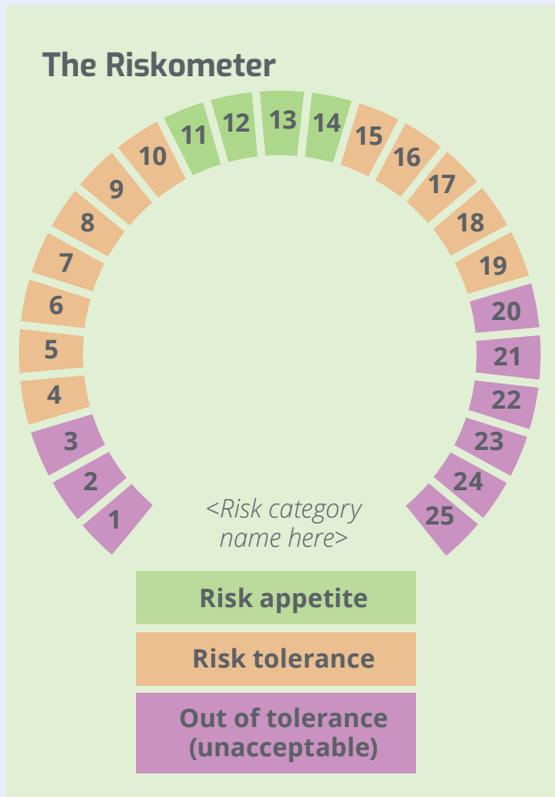
CASE STUDY

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Implementing risk appetite

Avon Fire & Rescue Service (AF&RS) was missing a risk appetite statement, and the concepts of risk appetite and risk tolerance were not understood, so were not driving effective risk management. This had been flagged by internal auditors with an action that remained overdue. HMICFRS had also highlighted the corporate risk register for improvement. They noted the lack of detail, a setup that grouped risks together, and a concern over the validity and reliability of risk scoring and scrutiny.

Risk appetite and risk tolerance needed to be embedded in the risk management framework as a priority. We had to create the foundation for a new risk management strategy and to support an overhaul of risk descriptors and the corporate risk register design and reporting processes.



Our approach

The implementation of a risk appetite process was planned out as a project. It included thorough research, ensuring best practice was at its heart, and was decided that a quantitative data approach would be applied. The Service Leadership Board (SLB) were tasked with setting risk appetite and risk tolerance levels for each of the 14 categories of risk, based on a risk scoring matrix. This replaced the descriptive words such as Eager, Cautious, or Averse used formerly.

Ensuring the SLB took ownership and set the tone from the top was essential. They were involved in several workshop activities that had them visually plotting, discussing and agreeing the different levels for each risk category. These were then turned into 14 Riskometers (see image) and their rollout supported the publication of our new risk appetite and tolerance statement.



Our challenges and pitfalls

A full stakeholder engagement was required, and the process was time-consuming as new training resources and guidance materials needed developing. The newly proposed risk appetite process wasn't just rolled out into the existing risk register but was part of a bigger piece of improvement work where leaders and risk owners worked together towards a shared goal. The new approach to risk appetite and risk tolerance challenged the mindset of 'the lower the risk score, the better', particularly with the Riskometer design and the lower-end zones of tolerance (amber) and out of tolerance (red).

The aim is to value strategy as practice, so that organisational-wide risk management is an integral part of what everyone does, not just something the Service has.

The benefits of the quantitative risk appetite and risk tolerance process include:

Improved understanding of the relationship between opportunity and risk, plus enthusiastic staff buy-in.

The visual impact of the Riskometer provides a quick grasp of status at each reporting point, and different risk events are held to account based on the category of risk to which they align.

Within six months there was a notable improvement in the quality of risk identification, evaluation, monitoring, reporting and discussion.

Transparency of risk reporting has improved with risk owners feeling more empowered and trusted by those above.

The risk appetite process has supported the use of key risk indicators (KRIs), with enhanced use of data triggers.

The implementation has been pivotal for Avon Fire & Rescue Service's journey of improved risk maturity.

The aim to value 'strategy-as-practice', so organisational-wide risk management is becoming an integral part of what everyone *does*, not just something the Service *has*.