



Gangmasters &
Labour Abuse Authority

GLAA65/11 - Risk Appetite Update

24 July 2019

Board Paper Reference – GLAA 65/11 Risk Appetite Update

1. Purpose of the Report

- 1.1 To provide the GLAA Board with an update on the current position regarding the current and a potential future risk appetite statement
- 1.2 Risk appetite can be complex. It is essential that this is acknowledged at the outset rather than ignore this but understand that risk appetite needs to be measurable and aligned with the GLAAs capacity and capability.

2. Recommendation

- 2.1 Due to the nature of the GLAA and the drive to embed risk management methodology across the organisation, it is recommended that a review be undertaken on the benefits of using different 'ratings' within the risk appetite statement.
- 2.2 Consideration could also be given to utilising a matrix and include appetites such as *averse, minimalist, cautious, open or even hungry*.

3. Reasons for Recommendation

- 3.1 The Board have previously suggested the GLAA risk appetite statement be reviewed after it has been static for one year.
- 3.2 Following the significant amount of work undertaken in relation to Risk Management over the past 12 months it is currently felt that the 'one size fits all' approach to risk appetite may no longer be relevant for purpose.

4. Summary of Key Points

- 4.1 The setting of risk appetite is the responsibility of the GLAA Board and this is not a delegated responsibility. The Board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives.
- 4.2 The GLAA risk appetite statement has been reviewed annually but has remained unchanged for several years.
- 4.3 Below is the current GLAA risk appetite statement;

The GLAA operates in an environment that includes criminality and GLAA operations are not without risk. The GLAA undertakes inspections and investigations where the process and the result cannot be predicted. Consequential court cases can be expensive and the duration uncertain. Government funding of the GLAA is subject to public expenditure pressures. To fulfil its basic purpose the GLAA has to accept a degree of risk: its appetite cannot be universally low.

The GLAA will be unrelenting in its approach to disrupt labour exploitation in all its forms by any lawful, ethical and cost effective means. Its core aim is to protect vulnerable and exploited workers and hence has a low risk appetite towards safety,

enforcement and compliance objectives with a marginally higher risk appetite towards its financial and legal obligations, albeit these are still low.

- 4.4 In order that a risk appetite statement is useful it needs to provide measurement (or parameters) and cover the whole organisation. The risk appetite should cover both the need for risk taking and for controls. Ultimately, without taking measured risks an organisation cannot achieve its objectives

5. Update

- 5.1 Due to the nature of the GLAA and the drive to embed risk management methodology across the organisation, it is recommended that a review be undertaken on the benefits of using different 'ratings' within the risk appetite statement.
- 5.2 Consideration could also be given to utilising a matrix and include appetites such as *averse, minimalist, cautious, open or even hungry*. An example of such a matrix is attached at Appendix 1. This will explain how operational risks may in future have a different appetite to those surrounding employees and a financial risk may also have a different appetite to any legal risks. Risk are categorised on the register and using varying appetites would allow for *flex* in the risk tolerance levels as necessary.
- 5.3 Variations in appetite are used by other organisations, including those with operational and legislative responsibilities like the GLAA. A benchmarking exercise is currently underway by the Risk and Information Assurance Manager and findings will be shared.
- 5.4 Risk appetite is best expressed with a series of boundaries which should be appropriately managed by the GLAA Board and will provide clear levels of acceptable limits of risk taking.
- 5.5 Having an effective risk appetite method should also ensure any trigger points can be clearly identified and ensure risks are escalated to the appropriate level at the appropriate time for necessary action.
- 5.6 Consideration should also be given to the content of the GLAA Strategic Assessment and the control strategy at Appendix 2 of this paper and having a flexible risk appetite will enable the GLAA to effectively deliver on strategic objectives.

6. Financial Implications and Budget Provision

- 6.1 None at present.

7. Organisational Risks

- 7.1 A clearly expressed risk appetite will help the organisation manage its risks in a number of ways,
- Support the Executive Team in communicating the GLAA position of risk internally and externally.
 - Help the GLAA understand if it is within risk tolerance levels

- Support the organisation in aligning resources to manage risk and delivery of GLAA strategy.

8. Policy Implications and Links to Strategic Priorities

8.1 The organisation risk appetite statement is explicitly linked to the organisational priorities.

9. Details of Consultation/EQIA

9.1 The GLAA are currently undertaking a benchmarking exercise with other organisations and liaise with the Home Office, the Security Industry Authority, the Data and Barring Service the College of Policing and the Regulator of Social Housing. Additionally, the Office of Police Conduct have also confirmed they will provide information.

9.2 A report containing details of the benchmarking exercise and potential options will be put forward to the Board for their final decision in the coming weeks.

10. Background Papers and Relevant Published Documents

10.1 Minutes of GLAA 56th Board Meeting, 8 November 2017.

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Appendix 1: Example of a Risk Appetite Framework

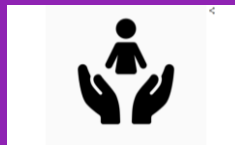
	1 Averse	2 Minimalist	3 Cautious	4 Open	5 Hungry
	Avoidance of risk and uncertainty is a key Organisational objective	Preference for ultra-safe business delivery options that have a low degree of inherent risk and only have a potential for limited reward.	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (and value for money etc.).	Eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk).
Category of Risk	Example behaviours when taking key decisions...				
Reputation and credibility	<ul style="list-style-type: none"> Minimal tolerance for any decisions that could lead to scrutiny of the Government or the Department. 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the Government or the Department. 	<ul style="list-style-type: none"> Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the Government or the Department should there be a failure. 	<ul style="list-style-type: none"> Appetite to take decisions with potential to expose the Government or Department to additional scrutiny but only where appropriate steps have been taken to minimise any exposure. 	<ul style="list-style-type: none"> Appetite to take decisions that are likely to bring scrutiny of the Government or Department but where potential benefits outweigh the risks.
Operational and policy delivery	<ul style="list-style-type: none"> Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision making authority. General avoidance of systems / technology developments. 	<ul style="list-style-type: none"> Innovations always avoided unless essential. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations. 	<ul style="list-style-type: none"> Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations. 	<ul style="list-style-type: none"> Innovation supported, with demonstration of commensurate improvements in management control. Systems / technology developments considered to enable operational delivery. Responsibility for non-critical decisions may be devolved. 	<ul style="list-style-type: none"> Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.
Financial/VFM	<ul style="list-style-type: none"> Avoidance of financial loss is a key objective. Only willing to accept the low cost option. Resources withdrawn from non-essential activities. 	<ul style="list-style-type: none"> Only prepared to accept the possibility of very limited financial loss if essential. VFM is the primary concern. 	<ul style="list-style-type: none"> Prepared to accept the possibility of some limited financial loss. VFM still the primary concern but willing to also consider the benefits. Resources generally restricted to core operational targets. 	<ul style="list-style-type: none"> Prepared to invest for reward and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities. 	<ul style="list-style-type: none"> Prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return – 'investment capital' type approach.
Compliance – legal / regulatory	<ul style="list-style-type: none"> Avoid anything which could be challenged, even unsuccessfully Play safe. 	<ul style="list-style-type: none"> Want to be very sure we would win any challenge. 	<ul style="list-style-type: none"> Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge. 	<ul style="list-style-type: none"> Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences. 	<ul style="list-style-type: none"> Chances of losing are high and consequences serious. But a win would be seen as a great coup.

Appendix 2: GLAA Control Strategy



PREVENT

*Preventing Worker Exploitation
Maintaining a credible licensing scheme,
creating a level playing field and
promoting growth
Support compliant business
Engage with stakeholders to minimise
and manage risk*



PROTECT

*Protecting vulnerable people
Identify & support victims of labour
exploitation
Work in partnership to protect workers' rights
and prevent labour exploitation*



PURSUE

*Pursuing those who exploit others for
their work either financially,
physically and or through coercion and
control
Disrupt criminal activity within the labour
market*

Control Strategy 2019		
	MoRILE: Total Harm Score	Owner
Human Trafficking, Modern Slavery & forced labour	31	Ian Waterfield
Protecting vulnerable workers and preventing exploitation	19	Ian Waterfield
Maintain a credible licensing scheme	10	Martin Jones
Unlicensed activity	8	Ian Waterfield
Labour Providers based overseas	7	Martin Jones