



Risk appetite statement

February 2026



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1.0 Introduction

At Salix, our mission is clear: to help save the planet through enabling and inspiring the public sector to move towards net zero and create better places to live and work.

Our new strategy, 'Delivering decarbonisation in a dynamic world,' sets out how we will deliver on this mission in the period 2025-28. This risk appetite statement has been developed alongside the new strategy, to help us achieve it.

1.1 What is risk appetite?

Risk appetite is defined by the HMT Orange Book [Risk Appetite Guidance Note](#) as:

'The amount of risk that an organisation is prepared to accept, tolerate or be exposed to at any point in time, in pursuit of its organisational goals.'

Our risk appetite outlines how willing, or unwilling we are to accept risks set against the potential gains to be made in pursuit of our strategic goals and business objectives.

A clearly understood and articulated risk appetite statement supports decision making, ensuring that activities are managed to avoid exposing us to unacceptable levels of risk. We also recognise that we sometimes have opportunities to develop and innovate.

1.2 How do we set risk appetite?

We developed our risk appetite statement by first identifying the key risk categories relevant to our organisation and selecting an appropriate methodology. Following background research and knowledge-sharing with other DESNZ partner organisations, we opted for the HM Treasury Orange Book methodology and definitions.

We then collaborated with subject matter experts across the organisation to assist in defining individual risk appetite statements, including specific appetite levels and tolerance thresholds. Their input also helped shape the overarching statement, ensuring alignment with our current strategic direction.

The completed risk appetite statement was subsequently reviewed in detail by our executive leadership team before being presented to the Audit and Risk Assurance Committee (ARAC) for further review and recommendation to the board.

The appetite statements and levels will be reviewed regularly.

Section 3 of this document provides further guidance on the application of the risk appetite statement within our risk management framework.

1.3 How do we use risk appetite?

Risk appetite forms an essential part of our risk management framework.

When managing current risks, we assess and score both the inherent risk, and the risk remaining after our controls and mitigations. We score both the likelihood of the risk event occurring, and the impact if it did occur. We use five-point scales where one is very low likelihood/very low impact, and five is very high likelihood/very high impact. The two factors are multiplied to give a risk score in the range one to 25.

We compare the post-mitigation risk scores to the board's risk appetite and tolerance levels.

The appetite level is the amount of risk we would ideally want to take in pursuit of the given objectives. The tolerance level is the maximum amount of risk we are willing to take where necessary in pursuit of the given objectives. The tolerance level is normally higher than the appetite level. We express the appetite and tolerance levels numerically on the same scale of 1 to 25, to make comparison easier (as demonstrated in section 4.1).

Post mitigation risk scores will often be higher than our appetite for the given category or business area. If they are higher than our appetite, but within our tolerance level, we will normally continue to operate while aiming to reduce the risk level over time, normally by improving our mitigating controls. If the post mitigation risk score is higher than our tolerance, the risk will be escalated to ARAC, and we need to consider whether we should terminate the relevant activity. If that is not practical, then we should urgently improve controls to bring the risk level back within tolerance.

We also recognise that opportunities may present themselves. Where post-mitigation risk scores are lower than the defined risk appetite, we may take on more risk in pursuit of opportunities.

1.4 Overarching risk appetite statement

Our three-year strategy for 2026 to 2028 has four key elements:

1. Deliver decarbonisation

We are dedicated to delivering our commitments for housing and public buildings schemes across England, Scotland, and Wales. As a trusted partner, we will continue to manage taxpayer funds well, providing assurance and clear financial reporting. We will support our clients in responding to market challenges and new requirements as they arise.

2. Innovate our operations

We will be ready for a range of future scenarios by building on our strengths and increasing our capability and capacity, especially around digital delivery. We will

embrace our culture of purpose and agility so that our team is inspired and ready to redeploy resources and expertise to maximise our impact.

3. Expand partnerships

We aim to build on our trusted and effective partnership with the Department of Energy Security and Net Zero (DESNZ) to actively develop new collaborative partnerships, delivering thought leadership and market development. We are committed to supporting local and newly combined authorities in their journey toward achieving net zero.

4. Maximise impact

We will maximise our impact towards decarbonisation of UK buildings by providing high quality, experienced-based perspectives and leveraging our unique market position, data, and evidence to inform policies, practice, and delivery of carbon savings. This approach will position us for long-term success, ensuring we remain competitive, agile, and well-equipped to support our clients in a rapidly evolving landscape.

Our vision is to be the most trusted and expert delivery partner, empowering and driving the public sector and social housing transition to net zero by 2030.

To deliver this strategy and help the UK achieve net zero, we have to be willing to take selective, well-managed risks, funding innovative technologies, opening access to our schemes, and collaborating with our partners. Our overarching risk appetite in our business with our customers is therefore open.

An open risk appetite is defined in the HM Treasury Orange book as:

Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.

However, in our corporate functions our risk appetite is lower. We have Minimalist risk appetite in relation to risk relating to our own people, our own budget, and our governance and compliance, and an averse risk appetite for health and safety risks. The definitions of those appetite levels are set out in section 3.

2.0 Range of risks

We have determined our risk appetite and tolerance for each category of risk along a five-point scale from averse to eager. The definitions we apply are based on the HM Treasury good practice guide and are provided in section 3.5.

Sections 4.1 and 4.2 provide heatmaps which visually summarise our risk appetite and tolerance for each category of risk, and these are also outlined in the following sections (sections 2.1 – 2.8).

In all categories except for the risk of fraud within schemes and in our data, digital and information technology, our tolerance for the risk is one level higher than the appetite. For the risk of fraud within our schemes, our appetite is minimalist, and our tolerance is also minimalist. For data, digital and IT risks, our appetite, and our tolerance are both cautious.

Our principal risk categories, and the appetite and tolerance levels we have for those categories of risk are as follows:

2.1 Scheme delivery risk appetite

Scheme delivery risk appetite– open

Definition of Scheme delivery risk

Scheme delivery risk refers to the risk that Salix could face disruption, ineffectiveness, or failure when delivering our schemes. This could be due to problems with installed systems, our processes, the organisations we work with or other external events.

This includes risks arising from the use of new or evolving decarbonisation or energy efficiency technologies, which play a crucial role in the sector we operate in. Although our schemes may generate other categories of risk (e.g. financial/value for money or fraud risks), these are addressed under separate risk categories.

Our appetite for scheme delivery risk

We have an **open** appetite for scheme delivery risk to support the rapid growth and complexity of the decarbonisation agenda.

We operate in a fast-moving and challenging environment and must remain agile – embracing innovation, remaining alert to emerging technologies and working with a wide range of public sector grant recipients, including those with less mature delivery teams, to achieve the greatest carbon savings. This means we must be more receptive to scheme delivery risk to meet our strategic objectives and deliver on our mission as outlined in the corporate strategy.

Whilst we accept higher scheme delivery risk to enable impact and inclusion, our appetite for financial and governance risk (as outlined within 2.5 and 2.6), attached to scheme delivery remains low in comparison. Strong controls and accountability are fundamental to protecting public funds and delivery responsibility.

2.2 People risk appetite

People risk appetite – Cautious

Definition of people risk

People risk refers to risks arising from any or a combination of the following factors:

- ineffective staff engagement
- a suboptimal culture
- inappropriate/unethical behaviours
- the unavailability of sufficient capacity and capability
- loss of key personnel
- non-compliance with relevant employment legislation/HR policies

People risks could result in negative impacts on Salix employee welfare, conduct, culture and/or performance.

Our appetite for people risk

We recognise that people are fundamental to the success and sustainability of our business. Our people risk appetite reflects our commitment to fostering a resilient, ethical, and high-performing workforce while minimising risks related to our people, conduct, culture, and capability. We do however recognise that, as an ALB operating within a rapidly changing external environment and shifting government policy, we must be willing to accept a higher degree of people-related risk in some areas, acknowledging the potential knock-on effects these pressures may have on our culture and staff retention.

We have a **cautious** appetite for people risk. This means we are willing to accept some risk in areas such as innovation in workforce practices, flexible work arrangements, and development initiatives, provided that these risks are carefully assessed, monitored, and aligned with our values, regulatory obligations, and strategic objectives.

However, for certain aspects of people risk, including employee wellbeing and other people-related issues that could significantly harm the organisation's reputation or culture, we have a **minimalist** risk appetite.

We actively promote a culture of accountability, diversity, inclusion, and continuous learning, and we ensure that governance structures are in place to identify, assess, and respond to people risks as they evolve.

2.3 Health and safety risk appetite

Health and safety risk appetite – averse

Definition of health and safety risk

Health and safety risk refers to the potential for harm to Salix staff or other stakeholders from Salix activities. This includes risks in our workplace as well as risks to our staff or our third-party personnel while working on Salix's behalf during site visits.

Our appetite for health and safety risk

We strive to ensure a safe and healthy workplace for all individuals involved. So, we have an **averse** approach to health and safety risks. But we accept that in some cases, this may not be entirely achievable, and we may be required to accept a higher degree of inherent risk – for example where our staff or third-party personnel working on our behalf are required to conduct site visits.

Our primary focus is on mitigating risks stemming from all work activities through safeguarding all individuals involved to the greatest extent and adhering to our legal obligations.

2.4 Data, digital and information technology risk appetite

Data, digital and information technology risk appetite – cautious

Definition of data, digital and IT risk

Data, digital and IT risk arises from a failure to produce robust, suitable and appropriate data, maintain data integrity, and/or failure to exploit data to its full potential. The risk can also arise when technology does not deliver as expected due to failures in system/process development, or vulnerabilities leading to inadequate resilience (e.g. cyber attacks).

Our appetite for data, digital and IT risk

We maintain a **cautious** risk appetite for digital, data and information technology to balance the need for innovation and operational efficiency with the importance of responsible risk management as a publicly funded body.

While we recognise the importance of leveraging technology to enhance scheme delivery, particularly in support of the government's net zero objectives, we must also be mindful of financial constraints. This means we may, at times, need to commit to delivering schemes using lower-cost IT solutions to meet critical government timelines. However, such decisions should always be carefully weighed against the potential risks, with a clear focus on maintaining acceptable levels of security, business continuity and data integrity. Failure to appropriately manage these risks could not only disrupt delivery but also have a wider impact across central government.

Therefore, our approach is to support progress through considered investment in IT, while ensuring strong risk management practices are in place to protect service delivery, maintain operational resilience, and uphold public and governmental confidence in our offering. We put particular focus on cybersecurity risk.

2.5 Fraud risk appetite (schemes)

Fraud risk appetite (schemes) – minimalist

Definition of fraud risk (schemes)

Fraud risk (schemes) refers to the risk of fraud being perpetrated by external scheme participants, or their agents or suppliers, who receive grant funding under the schemes which Salix operates.

This is separate from internal fraud risk at Salix, which is captured under a separate risk category, **financial risk – our own budget**.

Our appetite for fraud risk (schemes)

Our risk appetite for external fraud in the schemes we manage is **minimalist**. We and our agents look for signs of fraudulent behaviour by scheme participants or their agents seeking financial gain. While controls are tailored to individual schemes, all schemes include preventative checks, ongoing data validation, targeted counter-fraud measures, and investigative responses where appropriate.

2.6 Financial risk appetite (schemes)

Financial risk appetite (schemes) – cautious

Definition of financial risk (schemes)

Financial risk (schemes) refers to the risk of grant funding failing to deliver the outcomes for which the funding was approved, leading to a loss of value for money.

Our appetite for financial risk (schemes)

Within the schemes that we manage, our appetite for value for money risk and other non-fraud related losses is **cautious**.

As set out in section 2.1, our scheme delivery risk appetite is open since we must be willing to support innovation in decarbonisation schemes. This inevitably means some projects will fail, and some of the individual grants that we make will not achieve value for money.

We must also ensure that our schemes are accessible to a wide range of public sector applicants and avoid setting undue financial barriers to entry. However, we will not compromise on the evidence we require to support grant payments, and our processes to pay grant recipients accurately and on time will be robust.

2.7 Financial risk appetite – our own budget

Financial risk appetite (our own budget) – minimalist

Definition of financial risk (our own budget)

Financial risk – our own budget includes the risks of:

- errors in internal or external financial reporting
- overspending the budget delegated by DESNZ
- spending that does not comply with the applicable standards (e.g. Managing Public Money)
- losses or write offs
- failure to obtain value for money for the taxpayer
- internal fraud.

Our appetite for financial risk (our own budget)

Our appetite for financial risks within our own budget is **minimalist**, except in relation to internal fraud, where it is **averse**. Our own finances are not complex or inherently risky. We need systems and processes which enable our staff to conduct our business effectively and efficiently, but otherwise, there is no upside to accepting higher levels of risk. We need proportionate controls to ensure value for money within our own budget. We are dependent on DESNZ for funding, and we have no reserves, so we must maintain appropriate controls over cash and spending commitments.

Within our own budget, we have an **averse** appetite for the risk of fraud, reflecting our zero-tolerance approach to fraudulent activity within the organisation. We adhere to the Government Function Standard 013 (Counter Fraud), which sets out best practice for managing fraud, bribery, and corruption risks in the public sector. Comprehensive fraud risk assessments are undertaken across all business areas, with clearly defined accountabilities, responsibilities, and mitigating controls.

2.8 Governance (including scheme governance) and compliance risk appetite

Governance and compliance risk appetite – minimalist

Definition of governance and compliance risk

Governance and compliance risk refers to risks arising from unclear plans, priorities, authorities and lines of accountability, and/or ineffective oversight of decision-making and/or Salix's performance. This risk also covers non-compliance with regulatory/legislative requirements or established processes and procedures

Our appetite for governance and compliance risk

We maintain a **minimalist** risk appetite for governance and compliance related risks. This reflects our commitment to the development and maintenance of robust decision-making frameworks, with clear lines of accountability and the development of adequate internal processes which are sufficiently agile to meet evolving external circumstances.

In respect of scheme governance, we recognise the critical importance of strong oversight, accountability, and compliance in the delivery of publicly funded programmes, and ensuring schemes are governed with transparency, consistency, and robust controls.

We are committed to regulatory compliance or legislative requirements, responding proportionately to the risk of challenge or damage to the organisation. The rationale for the risk appetite selected is based on balancing both the need for effective management, but also proportionality.

3.0 Scoring risks

3.1 Likelihood of risk

Likelihood of a risk materialising is scored between one and five, with one being the lowest likelihood, and five the highest score (almost inevitable).

Scoring is based on a reasonable worst-case scenario.

The guidance used is as follows:

Assigning risk likelihood values			
Score	Title	Likelihood	% Chance
1	Rare	Rare. A very unlikely event. It could happen, but probably never will.	Below 5%
2	Unlikely	Not expected. Slight possibility. An improbable sequence of events.	5% - 25%
3	Possible	Moderate likelihood. Foreseeable.	25% - 50%
4	Likely	Strong possibility. High likelihood. An easily foreseeable event.	50% - 75%
5	Highly likely	Close to certain without any intervention.	Above 75%

3.2 Impact of risk

Impacts of risks are scored based on the severity of the effect of the risk on the categories identified in the risk appetite table. 1 being low severity (minor injury or small financial loss for example) and 5 being high severity such as death or serious injury, or large financial loss.

The guidance used is as follows:

Assigning risk severity values			
Score	Title	Outcome / Impact / Consequence	Cost / Time / Scope Implications
1	Insignificant	Minor changes needed. Resolvable by management team.	Can be managed. Acceptable.
2	Minor	Some changes required.	Adjustment to scope with some impact.
3	Moderate	One or more areas likely not to deliver as planned.	Significant impact.
4	High	Significant change in approach required.	Major Impact.
5	Extreme	Serious failure of objectives.	Highly significant impact not just for one team/business area but for all of Salix.

3.3 Total risk scores

Following the assignment of a post mitigation likelihood and impact score, these figures are then multiplied to produce a 'total risk score' ranging from 1 – 25.

The risk is then placed into a severity bracket as follows:

		Risk score				
Impact	5	5	10	15	20	25
	4	4	8	12	16	20
	3	3	6	9	12	15
	2	2	4	6	8	10
	1	1	2	3	4	5
		1	2	3	4	5
		Likelihood				

Key	
1-3	Low Risk
4-6	Moderate Risk
8-12	High Risk
15-25	Very High Risk

3.4 Applying risk appetite target scores to risks

Each risk category as defined in section 2 is given an appetite and a tolerance level (open to averse), and each of those levels is given a numerical range, as shown in section 4.1.

The post mitigation risk score for each risk will be compared to the numerical range for the appetite level for that category of risk.

In most cases, the current post mitigation risk score will fall within the risk appetite or tolerance range, but in instances where the current post mitigation score exceeds the tolerance, these risks will be escalated through the governance structure and be included in regular risk reporting to ELT, ARAC and if appropriate the board.

For all risks with a current post mitigation score outside of appetite, the risk owner must set a target date by which the risk will be brought within appetite.

3.5 Risk appetite definitions - based on HM Treasury good practice guide (HMT Orange Book (2020) [Risk Appetite Guidance Note](#))

Appetite/ tolerance level	Descriptions
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is largely deemed controllable.
Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

4.0 Risk appetite statement and thresholds

Our overarching risk appetite in our business with our customers is open. In our corporate functions our risk appetite is lower.

We have minimalist risk appetite in relation to risk relating to our own people's welfare, our own budget, and our governance and compliance, and an averse risk appetite for health and safety risks and internal fraud.

4.1 Risk appetite heat map

Appetite level	Target range	Categories in the appetite level
Averse	1-3	Health and safety Internal fraud
Minimalist	4-6	People – employee welfare

		Governance and compliance Scheme fraud Financial (Salix budget)
Cautious	6-8	Financial risk (schemes) Data, digital and IT People (excl. employee welfare)
Open	8-12	Scheme delivery
Eager	12-16	
Unacceptable	17-25	See note 1 below

4.2 Risk tolerance heat map

Tolerance level	Target range	Categories in the tolerance level
Averse	1-3	
Minimalist	4-6	Health and safety Internal fraud Scheme fraud
Cautious	6-8	People (all areas) Governance and compliance Financial (Salix budget) Data, digital and IT
Open	8-12	Financial risk (schemes)
Eager	12-16	Scheme delivery
Unacceptable	17-25	See note 1 below

Note 1 – Although post mitigation risk scores could be as high as 20 or 25 (4*5, 5*4, or 5*5), the range for an eager risk appetite or tolerance is 12-16. As set out in sections 3.1 and 3.2, a post mitigation risk score of 20 represents a likely event with an extreme impact, or a highly likely event with a high impact.

A post mitigation risk score of 25 represents a highly likely event with an extreme impact. None of those situations are tolerable, therefore the numerical range for eager is limited to 16.

Any risk identified with a post mitigation score above 16 must be urgently escalated to the executive leadership team and ARAC and the risk mitigated, or avoided, e.g. by ceasing the activity.

4.3 Responsibilities

The board is responsible for setting our risk appetite, taking into account recommendations from ARAC¹, and reviewing it at least annually.

ARAC is responsible for advising the board and the accounting officer on the strategic processes for risk, control, and governance, which includes risk appetite².

The executive leadership team, as owners of the relevant risks, are responsible for identifying risks and managing them within appetite and tolerance, and taking appropriate action when risks are outside of appetite or tolerance. They are also responsible for proposing updates to risk appetite statements and/or ratings where appropriate.

¹ Framework document, paragraph 21.10

² ARAC terms of reference, section 3

Document version control

Version	Date	Name	Comments
v.01	March 2025	P McCloskey (head of internal audit and risk) and Salix ELT	Initial document creation
v.02	May 2025	Various internal stakeholders	Initial draft of risk appetite statements
v.03	May 2025	ELT review of draft risk appetite statement and thresholds	ELT review and internal finalisation of draft risk appetite statement and thresholds for ARAC review and recommendation to board for approval.
v.04	June 2025	Update following June 2025 ARAC	Minor updates following feedback in June 2025 ARAC.
v.05	July 2025	ARAC review and recommendation to board for approval	ARAC recommended to board for approval. Document approved at board on 17 July 2025.
v.06	January 2026	ARAC 6-month interim review and recommendation to board for approval	Review of Risk Appetite Statement at 6-month mark. Agreed changes to be recommended to board for approval.
v.07	February 2026	Board Approval of changes	Changes finalised following Board approval on 29th January 2026