

Eastleigh Borough Council Risk Appetite Statement November 2021

Risk appetite is the level of risk that the Council is prepared to accept in pursuit of its objectives, before action is deemed necessary to reduce the risk. It represents a balance between the potential benefits of innovation and the threats, that change inevitably brings.

Risk appetite is an important tool in guiding what the Council is willing to seek or accept in pursuit of its strategic objectives set out in its corporate plan. As an organisation, we must sometimes take risks to deliver beneficial outcomes to stakeholders and a risk appetite allows for risk-taking to be a controlled process. Good risk management allows for informed decision making and understanding of associated risks in undertaking certain tasks and activities. The ability to properly manage and understand risks means that the Council is more likely to be able to achieve its goals, as well as allowing for control and a high level of due diligence consistent with the responsibilities of a public sector organisation. Risk management also incorporates opportunities as well as threats. The Council's approach to risk is to seek the right opportunities where possible and minimise risk as effectively as possible. By encouraging managed risk-taking and considering options, the Council can take a balanced approach of both caution and ambition (innovation). As an organisation, we are not willing to take risks that will cause significant negative consequences to our objectives. In some cases, the Council may have to accept higher risks due to the cost of controlling them or statutory obligations.

Overall Appetite (September 2021)	MODERATE
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(Risk Appetite (tolerance) range: AVERSE - CAUTIOUS – MODERATE – OPEN – AMBITIOUS)

AVERSE: avoidance of risk and uncertainty, no inherent* risk

CAUTIOUS: preference for safe options that have a low degree of risk but willing to accept/tolerate a degree of risk

MODERATE: taking a balance approached, accepting/rejecting some risks

OPEN: prepared to accept greater inherent risk

AMBITIOUS: eager to be innovative and choose activities that focus on maximising opportunities and offering high reward but can carry high residual** risk

**Inherent Risk – the current risk level given to the existing set of controls*

*** Residual Risk – the risk level given after mitigating controls are introduced*

The Council's overall attitude towards risk, across all its services, is currently assessed as MODERATE. However given the diverse services provided across a dynamic and innovative Council, it is recognised that not one classification is appropriate Appetite levels will vary, in some areas our risk tolerance will be cautious in others, the Council is more open to risk and willing to carry risk in the pursuit of important objectives. Risk management shall be an integral part of all organisational activities to support decision-making in achieving objectives. Where activities are projected to exceed the defined levels, this must be highlighted through appropriate governance mechanisms.

Compliance Risk

Compliance risk is the potential for losses and legal penalties due to failure to comply with laws or regulations. The Council is AVERSE to compliance risk. It **must** comply with legal requirements and carry out statutory duties and is entrusted with public funds to deliver services to residents. Some of the services of the Council relate to vulnerable individuals and families.

Reputational Risk

Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events to have an adverse impact on the Council's reputation. The Council's brand and reputation is important in providing residents with confidence and security, but the Council accepts that some of its activities may be unpopular, or may not be fully understood by stakeholders; appetite towards reputational risk is therefore OPEN. The Council is AMBITIOUS in relation to its community leadership to address Climate Change.

Financial risks

Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting. We have adopted a MODERATE stance for financial risks taking a balanced approach but prepared to accept some degree of risk.

Discretionary Services Activity

In discretionary service areas, or for core services for a limited period, the Council will adopt an OPEN approach to risk, due to financial constraints and changes in the Council's ways of working; the Council is prepared to accept a small negative impact upon its financial position in order to achieve its overall goals, especially when achievement of those goals will deliver substantial benefits to residents/businesses and/or realise significant longer-term efficiencies.

Innovation & Commercial Activity

The Council's appetite to risk is more OPEN where it needs to operate more innovatively and commercially in order to continue to provide services and achieve corporate objectives. The introduction of new ways of working, and the Council's approach to commercial property investment and housing delivery are examples of the Council's more AMBITIOUS appetite for risk; risks are more acceptable here because the opportunity for reward is greater; nevertheless robust measures are taken to mitigate risk e.g. treasury management.

Health & Safety Risk

The Council takes safety of residents, staff, and visitors to the borough very seriously and is AVERSE to risk in this area. A range of policies and procedures are in place, as well as specific services that promote safety: e.g. Food Hygiene, Health and Safety inspections of businesses, working practices by Direct Services operatives, Community Safety and Emergency Planning.