

January 2023



Risk Appetite Statement



Contents

Risk Appetite Statement – January 2023.....	3
Introduction	3
Risk Appetite.....	3
Risk activities	4

Risk Appetite Statement – January 2023

Introduction

1. **Risk appetite** is the level of risk that we, the Council, are prepared to accept or tolerate in pursuit of our 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. Appetite levels will vary, in some areas our risk tolerance may be cautious in others, we may be open or ambitious for risk and are willing to carry risk the in the pursuit of important objectives.
2. 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, the Council must sometimes take risks to deliver beneficial outcomes to stakeholders and a Risk Appetite Statement 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, it can take a balanced approach of both caution and ambition (innovation). As an organisation, the Council is not willing to take risks that will cause significant negative consequences to its objectives. In some cases, the Council may have to accept higher risks due to the cost of controlling them or statutory obligations.

Risk Appetite

Overall Appetite (January 2023)	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*

3. The Council's overall attitude towards risk, across all our services, is currently assessed as MODERATE.

Risk activities

4. The risk appetite has been defined following consideration of the organisational risks, issues and consequences. 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 the risk tolerance will be cautious, in others, the Council is open for risk and willing to carry risk in the pursuit of important objectives. The Council will **always aim to** operate organisational activities at the levels defined below. Where activities are projected to exceed the defined levels, we will highlight this through the appropriate governance mechanism (for example referral to the Service Director, Chief Executive, Chief Financial Officer, Corporate Leadership Board or the Strategic Risk Management Group before a decision is taken). Risk management shall be an integral part of all organisational activities to support decision-making in achieving objectives.

Activity	Risk Appetite	Explanation
Legal/Regulatory Compliance Risk	AVERSE	<p>Compliance risk is the potential for losses and legal penalties due to failure to comply with laws or regulations.</p> <p><i>External Conditions</i> The Council is AVERSE to compliance risk. It must comply and adhere with legal requirements and carry out statutory duties and are entrusted with public funds to deliver services to residents. Some of the services of the Council relate to vulnerable individuals and families.</p> <p><i>Internal Conditions</i> The Council is AVERSE to internal compliance risk. It must comply and adhere with Codes of Conduct, Policies and Procedures. Line Managers are responsible for monitoring compliance.</p>

Activity	Risk Appetite	Explanation
Reputational Risk	OPEN /AMBITIOUS	<p>Reputational risk refers to the potential for negative publicity, public perception or uncontrollable events that have an adverse impact on the Council's reputation.</p> <p>The Council's brand and reputation is important in providing residents with confidence and security, but it is accepted that some 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 community leadership to address Climate Change.</p>
Financial Risk	MODERATE	<p>Financial risk refers to 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.</p> <p>The Council has adopted a MODERATE stance for financial risks taking a balanced approach but prepared to accept some degree of risk.</p>
Discretionary Services Risk	OPEN	<p>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 its ways of working and 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.</p>

Activity	Risk Appetite	Explanation
Innovation & Commercial Risk	OPEN	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. Its approach to commercial property investment and housing delivery are examples of our 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.
Health & Safety Risk	CAUTIOUS	The Council takes the safety of residents, staff, and visitors to the borough very seriously and is as far as reasonably practicable, is CAUTIOUS 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. Where legislation exists the Council has adopted an AVERSE stance (as set out in the Legal/Regulatory Compliance Risk).
Business Continuity Risk	CAUTIOUS	The Council has adopted a CAUTIOUS stance for incident management and business continuity risks. The Strategic Risk Management Group will receive ongoing assurance from regular testing of business continuity plans.
Cyber Risk	CAUTIOUS	The Council has adopted a CAUTIOUS stance for cyber risks. The Strategic Risk Management Group will have independent assurance on the risk of fraud and inadvertent or malicious corruption or modification of IT systems.
Information Risk	CAUTIOUS	The Council has adopted a

Activity	Risk Appetite	Explanation
		<p>CAUTIOUS stance for information risk, to reflect that the classification and sensitivity of information varies. The Council monitors the compliance with data and information security legislation through the Data Security Board. Where legislation exists the Council has adopted an AVERSE stance (as set out in the Legal/Regulatory Compliance Risk.</p>