

Report title	Risk Appetite Statement 2025
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Department	Assistant Chief Executive / S151 Officer
Exempt	No

Purpose of report:
To recommend to full Council.

Synopsis of report:
The Council’s Risk Appetite Statement is an important part of the risk management framework as it defines the risk the Council is willing to tolerate to achieve the priorities set out in its Corporate Business Plan. Alongside its overarching Risk Appetite Statement, the risk appetite position for each of its principal risk categories is proposed to remain unchanged for 2025 as the operating environment remains broadly similar.

Recommendation:
The overarching Risk Appetite Statement for 2025 and supporting risk appetite statements for each risk category, as set out at Appendix B, be agreed for recommendation to Full Council on 19th December 2024.

1. Context and background of report

- 1.1 The Council’s Risk Management Framework was approved by Full Council on 19 October 2023. This was followed by approval of the Council’s risk appetite statement for 2024 at Full Council in Dec 2023.
- 1.2 Setting the Council’s risk appetite is an important part of the first step in the Framework: objective setting. The risk appetite defines the amount of risk the Council is willing to tolerate to achieve the priorities set out in the Corporate Business Plan. It is accepted that there is an element of risk in most activities that are undertaken. Effective and efficient risk governance and oversight provides assurance that the Council’s business activities will be positively enhanced by opportunities, but not adversely impacted by threats that could have been foreseen.
- 1.3 This report presents the annual review of the overarching Risk Appetite Statement and supporting risk appetite statements for each of its identified principal risk categories.

2. Report

- 2.1 The following text provides the overarching Risk Appetite Statement for 2025, which after review by Officer is proposed to remain unchanged from 2024.

“Risk Management is a continuously evolving process, whereby the Council constantly seeks to refine and improve process, in order to support the delivery of its objectives and take a proportionate approach to risk. Identifying its risk appetite enables the Council to take a balanced approach in respect of risk by understanding the risk levels it may tolerate, and therefore target its scarce resources at the management of risks that cannot be tolerated. Effective risk management supports informed decision-making through the determination of the nature and extent of the principal risk exposure of the Council and how much risk it is capable of absorbing to achieve its objectives.

It is often not possible to manage all risk to the most desirable level, but the setting of risk appetites means that risks can be managed to a tolerable level.

In addition to having an overarching risk appetite statement, the Council has developed statements to describe its attitude to accepting risk in each of its principal risk categories; recognising that risk appetite is not a single, fixed concept but that there will be a range of appetites for different risks and that these appetites may well vary over time.”

- 2.2 The Government’s [Orange Book: Management of Risk – Principles and Concepts](#) provides examples of risk categories that the Council has adopted as part of the approved Risk Management Framework. The thirteen risk categories are Strategy, Governance, Operations, Legal, Property, Financial, Commercial, People, Technology, Data and Information Management, Security, Project/Programme, and Reputational. These risk categories still cover the range of risks that the Council has identified in the risk management system. The definition of each risk category, risk appetite scale and the current risk appetite position is provided in **Appendix A** and below.

Risk Category	Risk definition	2024 Risk appetite approved position
Strategy	Strategy Risk: Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).	CAUTIOUS: Guiding principles or rules are in place that allow considered risk taking in organisational actions and the pursuit of priorities.
Governance	Governance Risk: Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.	CAUTIOUS: Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking.
Operations	Operations Risk: Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.	OPEN: Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-

Risk Category	Risk definition	2024 Risk appetite approved position
		critical decisions may be devolved.
Legal	<p>Legal Risks: Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).</p>	CAUTIOUS: Want to be reasonably sure we would win any challenge if a legal claim were to be made against the organisation.
Property	<p>Property Risks: Risks arising from property deficiencies or poorly designed or ineffective/inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.</p>	CAUTIOUS: Requirement to adopt a robust decision-making process for asset management and options appraisals that ensures good value for money.
Financial	<p>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.</p>	CAUTIOUS: Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.
Commercial	<p>Commercial Risks: Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and/or failure to meet business requirements/objectives. Includes risks associated with procurement of goods/works/services.</p>	CAUTIOUS: The organisation's current position is a tendency to seek third party suppliers that are market leaders with demonstrable experience and expertise; innovative solutions are generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.
People	<p>People Risks: Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.</p>	<p>OPEN: Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.</p> <p>Noncritical decision-making may be currently cautious but want to move towards open as standard.</p>
Technology	<p>Technology Risks: Risks arising from technology not delivering the expected services due to inadequate or</p>	OPEN: Systems / technology developments considered to enable

Risk Category	Risk definition	2024 Risk appetite approved position
	deficient system/process development and performance or inadequate resilience.	improved delivery. Agile principles may be followed.
Data and Information Management	Data and Information Management Risks: Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.	CAUTIOUS: Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.
Security	Security Risks: Risks arising from a failure to prevent unauthorised and/or inappropriate access to the estate and information, including cyber security and non-compliance with General Data Protection Regulation requirements.	CAUTIOUS: Limited security risks accepted to support business need, with appropriate checks and balances in place.
Project/Programme	Project/Programme Risks: Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.	CAUTIOUS: The Council has an established project management methodology to support project delivery, deviation from the methodology is generally avoided unless necessary. Decision making authority generally held by senior management. Plans aligned with strategic priorities, functional standards.
Reputational	Reputational Risks: Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.	CAUTIOUS: Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.

Table 1: Risk Category Definitions taken from the Government's [Orange Book: Management of Risk – Principles and Concepts](#) and the approved risk appetite position for 2024.

2.3 The risk profile position of risks attributed to risk categories in Q1 2024/25 (as reported to this Committee in Sept 2024) is as follows:

Risk Category	TOTAL no. of risks in category
Operations	69
Financial	51
Property	27
People	30
Legal	11
Strategic	13
Security	2
Data and Information Mgmt	13
Reputational	15
Governance	17
Technology	10
Commercial	7
Project/ Programme	3
Grand Total	268

- 2.4 For each category the risk appetite is identified on a scale described as Averse, Minimal, Cautious, Open or Eager. The orange book description for each point on the scale for each risk category is provided at Appendix A. Risk appetite was set as Cautious for the majority of risk categories in 2024, apart from Operations, Technology and People which were assigned as Open.
- 2.5 As per the Risk Management Framework, the risk appetite statement should be reviewed annually to ensure the risk tolerance levels remain appropriate and account for any changes in operating environment.
- 2.6 The Council's operating environment has remained broadly similar to 2024 and therefore if Members concur, it is proposed that risk appetite remains unchanged for each risk category for 2025. Below provides a summary of considerations that Members may want to refer to when setting risk appetite for 2025. **Appendix B** provides a proposed risk appetite statement for 2025 for Member discussion.
- 2.7 The financial landscape has not changed significantly to warrant a more or less optimistic position than a 'Cautious' risk appetite for Financial risks. Whilst the Council is now responding to the non-statutory Best Value Notice, Officers were previously working with the Ministry of Housing, Communities and Local Government MHCLG (formally Department of Levelling-up, Housing and Communities DLUHC) on the response to the CIPFA capital review when risk appetite was set in Nov/Dec 2023.

The Medium-Term Financial Strategy (MTFS) reported to CMC and Full Council in October 2024 reported an improved position with respect to the forecast revenue budget gap, however a budget gap remains. Any activity that requires budget growth must be critical and where possible, funded from existing budgets. Similarly, an assumption in the MTFS forecast is that no new borrowing will be undertaken for new capital projects. Financial constraints remain in place and will continue to limit activity in 2025.

- 2.8 Property risk appetite is strongly linked to Financial risk appetite due to the revenue income that is generated from the Council's property holdings. With the tightening of the prudential framework, coupled with the spirit and context of the Levelling Up and Regeneration Act 2023, the Council formalised its intent not to purchase additional investment property with a moratorium on new debt-funded asset investments, i.e. assets purchased primarily for yield. Therefore, for Property Holdings, risk appetite should be set as the same as Financial risk – Cautious.

Property risk appetite is also the level of risk that the Council is willing to tolerate with regards to health and safety compliance of buildings used for operational purposes. As the impact of un-mitigated risk in this area could have unintended consequences for employees, residents, service users as well as environmental or sustainability consequences, a cautious risk appetite continues to be appropriate.

To note that these two elements for Property risk category have been split out in the proposed risk appetite statements for 2025 at Appendix B.

- 2.9 Strategic and Governance risk appetites could have changed due to the change in administration both locally and nationally during 2024. However, Runnymede Council Alliance co-leaders have confirmed their alignment with the Corporate Business Plan 2022-2026 pending a review in 2025 to enable the production of the strategic plan for the following four years. Governance and decision-making

arrangements remain broadly unchanged, working to the Committee system and continuing to elect by thirds. Therefore, it is proposed that both Strategic and Governance risk appetites remain as Cautious.

- 2.10 Operational and Technology risk appetite was previously set as Open. Innovation continues to be sought, and ideas encouraged to improve productivity, efficiency and effectiveness of service delivery. This remains the case and is a significant consideration in both the Service Review and the Savings and Efficiency programmes. The Digital Transformation strategy includes themes of maximising existing technology and embracing smarter systems. Maintaining these risk appetites as open means that a higher level of risk can be tolerated to bring forward and deliver innovative solutions, including technology solutions, for the Council's operations.
- 2.11 Commercial risks include those associated with procurement of goods/works/ services and contract management. Risk appetite is currently set as cautious but could change with the implementation of the Procurement Act 2023 and the introduction of the new Competitive Flexible Procedure for above-threshold procurements. Once embedded, this could lead to more innovative approaches to procuring third party contracts. However, the implementation date of the Act has been delayed by four months and will now come into force in February 2025. Use of the new procedure may take some time to be fully understood both internally and more widely throughout the sector by both buyers and suppliers.

Contract management has been identified as an area for development and the roll-out of the contract management framework is planned during 2025. Continuing with a cautious commercial risk appetite is recommended whilst lessons are learned from early-adopters of the new procurement procedure and contract management knowledge and skills are developed during 2025.

- 2.12 In addition to this framework, the capital and investment strategy contains further details of financial risk appetite specifically for property holdings, asset management and divestment opportunities. Risk assessments in these areas will need to refer specifically to risk appetite statements within the Capital and Investment Strategy.

3. Policy framework implications

- 3.1 Adopting Risk Appetite Statements supports delivery of the Corporate Business Plan 2022-2026 as follows:

Corporate Business Plan achievement

- Understanding the risk appetite that will be tolerated to deliver objectives.
- Increased probability of achieving strategic objectives: through minimising or removing key obstacles.

Organisational Development

- Improved awareness of risk: the Council can become less risk averse if risks are identified, assessed and mitigated.
- Improved corporate governance: through stronger, more transparent evidence-based decision making, accountability and prioritisation.
- Safeguard the organisation and provide assurance to all stakeholders such as elected members and residents.

3.2 Risk management is an integral part of corporate governance and is a principle in the Local Code of Corporate Governance (Principle F: Managing Risk). Setting risk appetite as an organisation is an important action to support effective risk management and was also an agreed response to the Council's recent work with CIPFA.

4. Resource implications

4.1 Failure to mitigate risks or take advantage of opportunities could result in financial loss to the Council.

4.2. Understanding the Council's risk appetite will support decision making when responding to and mitigating against risk.

5. Legal implications

5.1 The Council has a legal duty to have risk management arrangements in place, as stated in the Accounts & Audit Regulations 2015 (Part 2: Internal control - Responsibility for internal control):

- “A relevant body must ensure that it has a sound system of internal control which:*
- (a) facilitates the effective exercise of its functions and the achievement of its aims and objectives.*
 - (b) ensures that the financial and operational management of the authority is effective.*
 - (c) includes effective arrangements for the management of risk.”*

The setting of Risk Appetite Statements is an important element of the Council's agreed Risk Management Framework, which supports delivery of this legal duty.

6. Equality implications

6.1 None arising directly from this report.

7. Environmental/Sustainability/Biodiversity implications

7.1 None arising directly from this report.

8. Other implications (where applicable)

8.1 Failure to regularly review and update the Risk Appetite Statements could have an adverse impact on the Council's Annual Governance Statement.

9. Timetable

9.1 The Council's risk appetite statement will be reviewed annually as part of annual business and budget planning to feed into the Council's budgetary and policy framework. The next review will therefore be brought back to this Committee in October/ November 2025.

10. Conclusions

10.1 The Committee is invited to review the overarching Risk Appetite Statement for 2025 and the supporting Risk Appetite Statements for each of the categories of risk set out in the report for onward recommendation to Full Council.

11. Background papers

[Annex 4: Example Risk Categories, The Orange Book
Risk Appetite Guidance Note](#)

12. Appendices

Appendix 'A' Risk appetite scale for each risk category and 2024 approved position.
Appendix 'B' Proposed Risk Appetite Statement for 2025.