

Background Information to accompany Risk Appetite report recommended from Standards Audit Committee

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Setting Risk Appetite

- Setting the Council's risk appetite is an important part of the Risk Management Framework
- 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.
- Setting the risk appetite was determined as an important activity in response to DLUHC

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Setting Risk Appetite

Risk Category
Strategy
Governance
Legal
Operations
Commercial
Project/ Programme
Property
Financial
People
Technology
Data and Information Mgmt
Security
Reputational

- The Council's Risk Management Framework adopted the Government's Orange Book list of risk categories.
- Risk categories are allocated according to the biggest impact on the Council should the risk materialise.
- Risk appetite is assigned to each risk category from a range or continuum: **Averse, Minimal, Cautious, Open, Eager**
- Risk appetite descriptors given on the following slides are from the Orange Book. These have been supplemented with comments arising from S&A Cttee held on Nov 21st
- Agreeing a risk appetite position for each risk category will support a more consistent approach to risk response

In the next slides:

- For each risk category, the recommended risk appetite position is highlighted.

Risk appetite position proposed by S&A Cttee for each risk category (13 in total)

Appetite position of S&A:

Unanimous x12


Consensus not reached x1

Risk Appetite - Strategy

	Risk Category	Strategy
Risk appetite level description	Averse	Guiding principles or rules in place that limit risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 5+ year intervals
	Minimal	Guiding principles or rules in place that minimise risk in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 4-5 year intervals
	Cautious	Guiding principles or rules in place that allow considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 3-4 year intervals
	Open	Guiding principles or rules in place that are receptive to considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 2-3 year intervals
	Eager	Guiding principles or rules in place that welcome considered risk taking in organisational actions and the pursuit of priorities. Organisational strategy is refreshed at 1-2 year intervals

Strategy risks – 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).

To illustrate: RBC's Corporate Business Plan is typically refreshed at 3-4 year intervals to reflect a planned and phased approach to change delivery, whilst still delivering business as usual activities. A step-change approach is taken to ensure existing resources are available to support delivery, or if new revenue or capital budget growth is required to deliver objectives, robust business cases are scrutinised to ensure alignment with corporate strategies.



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Risk Appetite - Governance

	Risk Category	Governance
Risk appetite level description	Averse	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud with significant levels of resource focused on detection and prevention
	Minimal	Willing to consider low risk actions which support delivery of priorities and objectives. Processes and oversight / monitoring arrangements enable limited risk taking. Organisational controls maximise fraud prevention detection and deterrence through robust controls and sanctions
	Cautious	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Controls enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions.
	Open	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.
	Eager	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.

Governance risks – Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.

To illustrate: RBC has strong governance arrangements, reporting and controls supporting decision making through CLT, SLT, Taskforces and Member Working Groups and Service Committees, Full Council, and Overview and Scrutiny.

For example, governance arrangements that specifically deal with fraud enable fraud prevention, detection and deterrence by maintaining appropriate controls and sanctions that target resources to concentrate on higher risk activities.



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Risk Appetite - Legal

Risk Category	Legal
Averse	Play safe and avoid anything which could be challenged, even unsuccessfully.
Minimal	Want to be very sure we would win any challenge.
Cautious	Want to be reasonably sure we would win any challenge.
Open	Challenge will be problematic we are likely to win, and the gain will outweigh the adverse impact.
Eager	Chances of losing are high but exceptional benefits could be realised

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).



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Risk Appetite - Operations

Risk Category	Operations
Averse	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority.
Minimal	Innovations largely avoided unless essential. Decision making authority held by senior management.
Cautious	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.
Open	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.
Eager	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.

Operations risks – 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.

To illustrate: operations need to be able to be innovative where benefits can be realised to support efficient and effective working and delivery of objectives. The organisation 'pushes the door' when appropriate, but carefully and with due consideration.



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Risk Appetite – Commercial*

	Risk Category	Commercial
Risk appetite level description	Averse	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.
	Minimal	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.
	Cautious	The organisations 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.
	Open	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.
	Eager	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.

* Includes procurement and contract management functions

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.

Due to the statutory obligation to be compliant with the Public Contract Regulations 2015, there is limited scope for innovation in the current procurement process outside of flexing the contract specification, soft-market testing, use of procurement frameworks etc. We have to be cautious in procurement due to the legislation we need to abide by. We tend to seek suppliers that are tried and tested to deliver services on our behalf.

We have been Open in our approach to Grounds Maintenance and bringing this service in-house. The new Housing reactive maintenance and voids contract is an example where we have used the contract specification to improve the service and engage suppliers not previously known to the Council. Both these could be described as ‘innovative’ approaches and demonstrate that we want to move towards open but we may not be there across the organisation as a whole.

We have formalised our Procurement Strategy and related policies of Social Value and Sustainable Procurement to ensure benefits realisation including social value and therefore this could lend itself to a more Open approach.


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Risk Appetite – Project/ Programme

	Risk Category	Project/Programme
Risk appetite level description	Averse	Defensive approach to transformational activity - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority. Benefits led plans fully aligned with strategic priorities, functional standards.
	Minimal	Innovations avoided unless essential. Decision making authority held by senior management. Benefits led plans aligned with strategic priorities, functional standards.
	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.
	Open	Innovation supported, with demonstration of commensurate improvements in management control. Responsibility for noncritical decisions may be devolved. Plans aligned with functional standards and organisational governance.
	Eager	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control. Plans aligned with organisational governance.

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.

To illustrate: our project management methodology requires establishment of a Project Board and defined roles and responsibilities. The Project Sponsor is typically a Senior Officer. We have established project reporting and monitoring to measure progress and provide early warning when issues need to be addressed to reduce the likelihood of a project going off course. Business cases are aligned to the Corporate Business Plan and Corporate Strategies to demonstrate how the project will deliver on priorities.



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Risk Appetite - Property

Risk Category	Property
Averse	Obligation to comply with strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.
Minimal	Recommendation to follow strict policies for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.
Cautious	Requirement to adopt arrange of agreed solutions for purchase, rental, disposal, construction, and refurbishment that ensures producing good value for money.
Open	Consider benefits of agreed solutions for purchase, rental, disposal, construction, and refurbishment that meeting organisational requirements.
Eager	Application of dynamic solutions for purchase, rental, disposal, construction, and refurbishment that ensures meeting organisational requirements.

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.

To illustrate: the Asset management Strategy provides the arrangements and requirements to support delivery. The impact if risks were to materialise is significant and therefore cautious is appropriate.



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Risk Appetite - Financial

Risk Category	Financial
Averse	Avoidance of any financial impact or loss, is a key objective.
Minimal	Only prepared to accept the possibility of very limited financial impact if essential to delivery.
Cautious	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.
Open	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.
Eager	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).

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.

To illustrate: our Treasury Management approach is cautious as cash reserves are managed carefully to avoid risky investments. The Local Government sectors financial landscape means that at this time, we need to be cautious.



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Risk Appetite - People

Risk Category	People
Averse	Priority to maintain close management control & oversight. Limited devolved authority. Limited flexibility in relation to working practices. Development investment in standard practices only
Minimal	Decision making authority held by senior management. Development investment generally in standard practices.
Cautious	Seek safe and standard people policy. Decision making authority generally held by senior management.
Open	Prepared to invest in our people to create innovative mix of skills environment. Responsibility for noncritical decisions may be devolved.
Eager	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control.

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.

Noncritical decision-making may be currently cautious but want to move towards open as standard.

To illustrate: we want to encourage diversity in personalities and skillsets through our recruitment policies and processes. We want to make the best of the people we employ. We want to develop an empowering culture and improve delegation of non-critical decision making.



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Risk Appetite - Technology

Risk Category	Technology
Averse	General avoidance of systems / technology developments.
Minimal	Only essential systems / technology developments to protect current operations.
Cautious	Consideration given to adoption of established / mature systems and technology improvements. Agile principles are considered.
Open	Systems / technology developments considered to enable improved delivery. Agile principles may be followed.
Eager	New technologies viewed as a key enabler of operational delivery. Agile principles are embraced.

Technology risks – Risks arising from technology not delivering the expected services due to inadequate or deficient system/ process development and performance or inadequate resilience.

To illustrate: our digital transformation programme supports improvements to our systems and processes to become more agile in delivery.



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Risk Appetite – Data and Information Management

Risk Category	Data and Information Mgmt
Averse	Lock down data & information. Access tightly controlled, high levels of monitoring.
Minimal	Minimise level of risk due to potential damage from disclosure.
Cautious	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.
Open	Accept need for operational effectiveness in distribution and information sharing.
Eager	Level of controls minimised with data and information openly shared

Information risks – Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.

This is to do with how we use and share our data.

Due to the need to comply with GDPR, risk needs to be mitigated. For example, email protocol, IT policies in place to limit risk.



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Risk Appetite - Security

Risk Category	Security
Averse	No tolerance for security risks causing loss or damage to property, assets, information or people. Stringent measures in place
Minimal	Risk of loss or damage to property, assets, information or people minimised through stringent security measures
Cautious	Limited security risks accepted to support business need, with appropriate checks and balances in place
Open	Considered security risk accepted to support business need, with appropriate checks and balances in place
Eager	Organisational willing to accept security risk to support business need, with appropriate checks and balances in place

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.



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Risk Appetite – Reputational

Risk Category	Reputational
Averse	Zero appetite for any decisions with high chance of repercussion for organisations' reputation.
Minimal	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.
Cautious	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.
Open	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.
Eager	Appetite to take decisions which are likely to bring additional Governmental / organisational scrutiny only where potential benefits outweigh risks

Risk appetite level description

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.

Maintaining residents trust is important.
Therefore, upholding our reputation is of significant importance.

