# Corporate Policy and Strategy Committee

**10.00am, Tuesday 7 August 2018**

## Council's Risk Appetite Statement

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| **Item number** | 7.8 |
| **Report number** | |
| **Executive/routine** | |
| **Wards** | |
| **Council Commitments** | |

## Executive Summary

An organisation's overall appetite for taking risk should be agreed at a strategic level which allows risks to be taken, communicated, and managed throughout the organisation in line with this overall direction. This should be set out in a risk appetite statement, which should be approved and then reviewed on a regular basis.

This document sets out recommendations for the Council's overall risk appetite statement for approval by the Corporate Policy and Strategy Committee.

The risk appetite statement set out in this report will supersede the Council's existing risk appetite statement dated 1 April 2014.

# Report

## Council's Risk Appetite Statement

### 1.    Recommendations

1.1    Committee is requested to:

1.1.1    Note that an organisation's attitude to taking risk should be set at the top level and cascaded down, and that this 'risk appetite' may be different across different services and types of risks;

1.1.2    Note that risk appetite is already set and established in many areas through policies, existing controls and schemes of delegation; and

1.1.3    Approve the overall risk appetite presented within this report.

### 2.    Background

2.1    It is for the Council to design and maintain an appropriate risk management framework, including setting an appropriate risk appetite, taking into account the services it delivers, relevant statutory requirements, the nature and magnitude of risks it faces and the objectives of the organisation. The aim is to make judgements about risk more explicit, consistent and transparent.

2.2    Risk appetite should be set in accordance with the Enterprise Risk Management Policy.

2.3    'Risk' is defined as the effect of uncertainty on objectives. It is recognised that there are some risks which the Council can control and some which it cannot.  The Council's risk management framework is designed to ensure that the Council makes better-informed decisions and, by doing so, supports the achievement of the Council's objectives.

2.4    'Risk appetite' is defined as the amount of risk the Council, or a part of it, is willing to accept. Risk appetite can and will vary between individuals, groups, and levels of seniority based upon a number of factors including conscious and unconscious biases, levels of understanding, past experiences and other factors. Risk appetite may change over time and can vary between similar events.

2.5    Risk appetite has already been set in many areas of the Council. Schemes of delegation, corporate structures and existing controls and policies are all intended to reduce aspects of risk to levels which are appropriate and acceptable for the Council.

2.6 This document should be read alongside the Council's Enterprise Risk Management Policy which is also being submitted for approval to the Corporate Policy and Strategy Committee on 7 August 2018.

## 3. Main report

3.1 Not all risk is undesirable, and if we seek to avoid risk completely then we reduce our chances of achieving our objectives. The Enterprise Risk Management Policy identifies four top-level categories of risk, and while there will inevitably be some overlap between categories, the general appetite for risk and decision-making in each category is described below.

3.2 Directors will, where considered appropriate, set specific levels of risk appetite within their respective service areas. As set out in 2.5 above, this is already done in relation to many aspects of the Council's activities. This may also be done through the identification and setting of "target risk" for each risk within corporate risk registers.

3.3 Managers and risk owners will consider the Council's overall risk appetite in determining appropriate controls and actions to mitigate the risks to a tolerable level. Any risks or decisions which may lie outside the risk appetite must be identified, justified, and escalated for approval.

**Risk appetite statement**

3.4 It is proposed that the Council's overall risk appetite statement be approved across the identified risk categories as set out in the Appendix to this report.

3.5 The risk appetite set out in this report will supersede the Council's existing risk appetite statement dated 1 April 2014.

## 4. Measures of success

4.1 Setting an appropriate risk appetite forms part of an effective risk management framework, which is intended to help the Council achieve its objectives.

## 5. Financial impact

5.1 There are no direct financial implications associated with setting the Council's risk appetite, though setting and operating within an appropriate risk appetite will enable good financial governance.

## 6. Risk, policy, compliance and governance impact

6.1 Setting an appropriate risk appetite forms part of an effective risk management framework, which is part of good corporate governance.

## 7. Equalities impact

7.1 An effective risk management framework seeks to ensure compliance with all relevant equalities considerations.

## 8. Sustainability impact

8.1 An effective risk management framework seeks to ensure compliance with all relevant sustainability considerations.

8.2 Opportunities to improve the Council's position on sustainability issues may be identified through the risk management framework.

## 9. Consultation and engagement

9.1 This document has been prepared by the Chief Risk Officer with engagement from subject matter experts as appropriate, and has been considered by the Corporate Leadership Team.

## 10. Background reading/external references

10.1 In addition to the policies accessible via the Council's online Policy Register, key related documents are listed below.

10.1.1 Council Business Plan 2017-22

10.1.2 Procedural Standing Orders for Council and Committee Meetings

10.1.3 Committee Terms of Reference and Delegated Functions

10.1.4 Contract Standing Orders

10.1.5 Scheme of Delegation to Officers

10.1.6 Employee Code of Conduct

10.1.7 Financial Regulations of the City of Edinburgh Council

10.1.8 Corporate Debt Policy

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## 11.    Appendices

Appendix 1 – Council's Risk Appetite Statement

**Appendix 1**


**City of Edinburgh Council - Risk Appetite Statement**


## Service delivery

The "service delivery" category refers to the current and future delivery of effective and efficient services, on time and within budget, in line with statutory requirements and stakeholder expectations.

**Risk Appetite** - The Council recognises that, on occasion, and despite all best efforts, there may be gaps in service delivery provision. We recognise the impact this could have upon service users and will always strive to return to optimal service delivery at the earliest practicable opportunity. In pursuing our objectives, the Council is open to taking risk, and is prepared to seek out and pursue major change initiatives, projects, and programmes where these are intended to bring significant improvements in service delivery. Service managers are expected to design, implement and sustain controls to manage such risks.  The Council recognises that, as a large organisation directed by elected politicians delivering a wide and complex range of services to the public, it is likely to suffer occasional reputational damage, and the Council will tolerate a low level of occasional isolated damage to its reputation in this respect.

**Decision-making** - The Council has well-established controls in place through its Committee and corporate structure, schemes of delegation and levels of authority.


## Infrastructure

The "infrastructure" category refers to the physical structures (buildings, facilities, locations, equipment, software etc) and organisational structures (people, teams, processes, workflows etc) which ultimately support the provision of services.

**Risk Appetite** - In pursuing its objectives, the Council is open to taking risks, and is prepared to seek out and pursue major changes, upgrades, projects and programmes where these are intended to bring significant improvements to physical structures, internal processes, organisational capability, equipment or assets.

**Decision-making** - The Council has well-established controls in place through its Committee and corporate structure, schemes of delegation and levels of authority.


## Compliance

The "compliance" category refers to all applicable legislative, statutory, policy and procedural requirements (including, but not limited to, those relating to information governance and health and safety) relating to the Council and its activities.

**Risk Appetite** - The Council is averse to taking risk in this area and aims to comply with legislative requirements to the fullest extent possible.

**Decision-making** - No officer or elected member may knowingly take or recommend decisions or actions which breach legislation.


## Financial

The "financial" category relates to direct and indirect financial loss and financial stability and management over the short, medium and long term.

**Risk Appetite** - The Council aims to maintain its long term financial viability and its overall financial strength whilst aiming to achieve its strategic and financial objectives subject to the following minimum criteria:

The Council is legally required to set a balanced overall revenue budget every year and Executive Directors must then contain net expenditure within approved totals; and

In accordance with Council's reserves strategy, an appropriate General Fund unallocated reserves balance should be maintained in accordance with legislation. The Council has a cautious approach to financial risk and may be prepared to accept risk subject to the above criteria.

**Decision-making** - The Council has well-established decision-making processes in place through its Committee and corporate structure. Financial controls are set out in various documents including the Scheme of Delegation to Officers, Contract Standing Orders, Committee Terms of Reference and Delegated Functions, and the Financial Regulations of the City of Edinburgh Council.