

# Governance Risk and Best Value Committee

10.00am, Tuesday, 14 December 2021

## Council's Risk Appetite Statement – referral from the Policy and Sustainability Committee

Executive/routine  
Wards  
Council Commitments

### 1. For Decision/Action

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- 1.1 The Policy and Sustainability has referred the attached report to the Governance, Risk and Best Value Committee for information.

**Stephen S. Moir**  
Executive Director of Corporate Services

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# Referral Report

## Council's Risk Appetite Statement

### 2. Terms of Referral

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- 2.1 On 30 November 2021, the Policy and Sustainability Committee considered a report which set out the Council's risk appetite statement.
- 2.2 The Policy and Sustainability Committee agreed:

#### **Motion**

- 1) To note that the Council's attitude to taking risk should be set at the top level of the organisation and cascaded down, and that this 'risk appetite' may be different across different services and types of risks.
- 2) To note that risk appetite was already set and established in many areas through governance arrangements; frameworks; policies, existing controls and schemes of delegation.
- 3) To approve the Council's updated risk appetite statement presented within the report by the Executive Director of Corporate Services.
- 4) To refer the report to the Governance, Risk and Best Value Committee for information.

- moved by Councillor McVey, seconded by Councillor Day

#### **Amendment**

- 1) To note that the Council's attitude to taking risk should be set at the top level of the organisation and cascaded down, and that this 'risk appetite' may be different across different services and types of risks.
- 2) To note that risk appetite was already set and established in many areas through governance arrangements; frameworks; policies, existing controls and schemes of delegation.
- 3) To agree to maintain the Risk Appetite Statement agreed by Committee in October 2020 for the previous 11 enterprise risks and the addition of the 2 new enterprise risks as the Council's ongoing approach noting that while the Covid-19 operational resilience environment may make it harder to mitigate risk to within the Risk Appetite it should not reduce the Council's intention to manage Enterprise Risks and continue to provide essential core services to a high standard.

- 4) To refer the report to the Governance, Risk and Best Value Committee for information

- moved by Councillor Whyte, seconded by Councillor Jim Campbell

### **Voting**

The voting was as follows:

For the motion	-	10 votes
For the amendment	-	6 votes

(For the motion: Councillors Burgess, Day, Fullerton, Gardiner, Macinnes, McVey, Miller, Munn, Perry and Wilson.

For the amendment: Councillors Aldridge, Jim Campbell, Gloyer, Johnston, Mitchell and Whyte.)

### **Decision**

To approve the motion by Councillor McVey.

## **3. Background Reading/ External References**

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- 3.1 Minute of the Policy and Sustainability Committee – 30 November 2021

## **4. Appendices**

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Appendix 1 – report by the Executive Director of Corporate Services

# Policy and Sustainability Committee

10.00am, Tuesday 30 November 2021

## Council's Risk Appetite Statement

Item number	Executive
Executive/routine	
Wards	
Council Commitments	

### 1. Recommendations

It is recommended that the Committee:

- 1.1 notes that the Council's attitude to taking risk should be set at the top level of the organisation and cascaded down, and that this 'risk appetite' may be different across different services and types of risks;
- 1.2 notes that risk appetite is already set and established in many areas through governance arrangements; frameworks; policies, existing controls and schemes of delegation;
- 1.3 approves the Council's updated risk appetite statement presented within this report; and
- 1.4 refers the report to the Governance, Risk and Best Value (GRBV) Committee for information.

**Stephen S. Moir**  
Executive Director of Corporate Services

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## Council's Risk Appetite Statement

### 2. Executive Summary

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- 2.1 The purpose of this paper is to set out the Council's risk appetite statement for approval by the Policy and Sustainability Committee:
- 2.2 This document should be read together with the Council's Enterprise Risk Management Policy (the Policy) which is also being submitted for approval to the Policy and Sustainability Committee on 30 November 2021.
- 2.3 Two new enterprise risks (workforce and fraud and serious organised crime) have been included in the risk appetite statement. These risks were previously included within service delivery risk, and have been separated recognising their potential significance and impact as standalone risks.
- 2.4 The refreshed Risk Appetite Statement includes an operational risk appetite range and an increased risk appetite range that will apply in the current Covid-19 operational resilience environment to services affected by these extraordinary circumstances. Where possible, services will be expected to operate within the lower operational risk appetite range, but can apply the increased risk appetite range (where required) in response to ongoing Covid-19 pressures.
- 2.5 This approach enables the Council to accept increased levels of risk to support delivery of strategic priorities and services in the current environment, and acknowledges that it may not be possible to implement mitigating actions to reduce the potential impacts of current risks to a level that would be acceptable in a normal operating environment.
- 2.6 If approved by the Committee, Executive Directors and Service Directors will be responsible for ensuring that all risks associated with strategic and operational decisions have been considered to determine whether they expose the Council to a level of risk that exceeds the agreed risk appetite, and (where this is the case) ensure that it is appropriately approved.
- 2.7 Additionally, Executive Directors and Service Directors (with support from Corporate Risk Management) will be responsible for translating the Council's overarching risk appetite into appropriate target risks to support ongoing delivery of strategic

priorities; services; and projects within their areas, where this is not already specified through the Council's established governance frameworks.

- 2.8 The risk appetite statement included in this report supersedes the Council's existing risk appetite statement dated 6 October 2020.

### 3. Background

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#### Definitions

- 3.1 Risk is defined as the positive or negative impact of an uncertain event or issue on achievement of organisational priorities and delivery of services.
- 3.2 Not all risk is undesirable, and if risk is avoided completely then organisations limit their chances of fully achieving their priorities.
- 3.3 Some risks can be identified, and actions implemented to ensure that their negative impacts are effectively controlled, and their positive impacts realised, whilst other unexpected risks associated with unplanned events (for example some risks associated with the Covid-19 pandemic) cannot easily be identified in advance and fully mitigated.
- 3.4 When unplanned events occur, organisations depend on their resilience and contingency plans to respond to the impacts of these events, and should establish appropriate processes to identify; assess; record; and manage the new risks that they present.
- 3.5 Risk appetite is defined as the amount and type of planned risk that an organisation, or a part of it, is willing to take to deliver their strategic priorities and services. Risk appetite can and will vary across levels of seniority, and between individuals and groups, based on a number of factors including conscious and unconscious bias; knowledge and understanding; and past experience. Risk appetite will change over time and can also vary in similar situations.
- 3.6 The Scottish Government notes in the risk management section of its Scottish Public Finance Manual that 'the concept of a "risk appetite" is key to achieving effective risk management and it is essential to consider it before moving on to consideration of how risks can be addressed', and highlights that:
- 3.6.1 when considering opportunities, risk appetite involves assessing how much risk the organisation is prepared to take to realise the benefits of the opportunity, essentially comparing the value (financial or otherwise) of potential benefits with the losses that might be incurred.
- 3.6.2 when considering threats, risk appetite involves assessing the level of exposure that can be justified and tolerated by comparing the cost (financial or otherwise) of mitigating the risk with the cost of the exposure if the risk crystallises into an issue, and finding an acceptable balance.

- 3.7 Target risk is defined as the maximum level of risk that an organisation is prepared to accept in pursuit of a specific priority, and is used to determine whether additional controls or mitigating actions are required to reduce the potential negative impacts of a specific risk.
- 3.8 A risk management policy establishes a structured organisational approach to risk management with the objective of ensuring that risk based decisions are explicit; consistent; and transparent, and that all known current and future risks are identified; recorded; assessed; and their negative impacts appropriately mitigated and managed in line with the organisation's risk appetite.
- 3.9 Risk management policies typically include a requirement for all parts of an organisation to consider risk appetite in their strategic and operational decision making. They also specify management's responsibilities for establishing appropriate target parameters for the risks that they manage, and implementing appropriate mitigations to ensure that these are achieved, enabling effective ongoing management of risk across the organisation in line with risk appetite.
- 3.10 A risk management policy is usually supported by an operational risk management framework that provides detailed guidance to ensure that policy requirements are consistently and effectively applied throughout the organisation.
- 3.11 Risk appetite should be agreed at a strategic level and recorded in a risk appetite statement that is then approved and reviewed on an ongoing basis.
- 3.12 Once approved, risk appetite statements should be communicated throughout the organisation to ensure that risk appetite is consistently and effectively considered in decision making and ongoing management of operational risks.

#### **The Council's approach to risk management and risk appetite**

- 3.13 The Council is responsible for designing and maintaining an appropriate risk management policy; setting its risk appetite; and implementing and maintaining an operational risk management framework.
- 3.14 Both the Council's risk appetite statement and risk management policy are reviewed by the Corporate Leadership Team (CLT) and approved annually by the Policy and Sustainability Committee. Definitions supporting the Council's risk appetite are included at Appendix 3.
- 3.15 The Council also has an established governance framework that is designed to support achievement of risk appetite through application of, and compliance with, schemes of delegation; governance structures (for example, Council executive and operational management committees); completion of annual governance statements by directorates and divisions; an extensive range of policies and operational frameworks (for example, health and safety; human resources; digital services; and fraud prevention) and supporting processes that are designed to manage and mitigate risk at levels that are appropriate and acceptable for the Council.

- 3.16 In October 2020, the Policy and Strategy Committee approved the Council's refreshed risk appetite statement that detailed the Council's risk appetite in relation to 11 enterprise risks that could potentially impact all Council Directorates and services.

### **Covid-19**

- 3.17 As the Council's Covid-19 resilience response was mainly dependent on implementing Scottish Government and Public Health Scotland guidance, it was unable to set an appropriate risk appetite and target risks for the new Covid-19 risks that it faced at the outset of the pandemic.
- 3.18 Instead, the Council established the following three key Covid-19 objectives:
- i) to protect the most vulnerable in our City;
  - ii) to minimise the risks to our colleagues; and,
  - iii) to continue to provide services in challenging circumstances
- 3.19 A risk management process to ensure that ongoing Covid-19 risks were identified; assessed; recorded was also established. Details of this process were shared with this Committee on 23 July 2020.
- 3.20 A paper was presented to the Governance, Risk, and Best value Committee in September 2020 that demonstrated the risk appetite changes faced by the Council during Covid-19. This was based on the established (currently monthly) review of the Council's current risk profile by the Council's Incident Management Team (CIMT).

### **The Three Lines Model**

- 3.21 The Council has adopted the Institute of Internal Auditors Three Lines model to support the application of the Council's Enterprise Risk Management Policy and operation of its risk management framework:
- 3.21.1 first line divisions and directorates are responsible for identifying; assessing; recording; addressing; and escalating risks (where required) associated with decision making and ongoing service delivery.
  - 3.21.2 the second line Corporate Risk Management team is responsible for maintaining the Policy; developing and maintaining the supporting operational risk management framework; providing ongoing oversight, challenge and assurance in a 'constructive critical friend' capacity; and driving a positive risk culture through delivery of ongoing training and engagement across first line teams.
  - 3.21.3 independent assurance on the design and effective application of risk management policies and frameworks is provided by Internal Audit.



## 4. Main report

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### **The Council's Risk Appetite Statement**

- 4.1 The Council's risk appetite statement is set out at Appendix 2 and outlines the Council's risk appetite range (based on definitions included at Appendix 3) in relation to thirteen key enterprise risks that could potentially impact delivery of the Council's strategic priorities and ongoing service delivery.
- 4.2 Two new enterprise risk appetite ranges have been defined and included in the refreshed Risk Appetite Statement, reflecting that any potential negative impacts on the Council's workforce will significantly impact delivery of strategic priorities and services; and the potential impacts associated with risk of fraud and serious organised crime. The Council's appetite for these risks were previously considered as part of ongoing service delivery risk, however a separate appetite range for these risks has been defined recognising their potential significance and impact as separate risks.
- 4.3 Recognising that the Council continues to operate in a Covid-19 operational resilience environment that will continue for the foreseeable future, an increased risk appetite range is proposed that can be applied (where appropriate), to reflect the unique risks associated with this situation, and the increased levels of risk associated with potential concurrent resilience events that the Council may be unable to mitigate to an acceptable level. Where possible, services will be expected to operate within the lower operational risk appetite range.
- 4.4 Consequently, the risk appetite ranges set out at Appendix 1 include a lower operational risk appetite range, and an increased risk appetite range can be applied (where required) in the current environment. This approach enables the Council to accept increased levels of risk to support delivery of strategic priorities and services in both the current environment and short to medium term. It also acknowledges that it may not always be possible to implement appropriate controls and mitigating actions to reduce the potential impacts of current risks to a level that would be acceptable in a normal operating environment. This increased risk appetite range will be closely monitored and reduced when appropriate.
- 4.5 It is important to recognise that the Health and Social Care Partnership (the Partnership) is facing unique and unprecedented levels of service delivery; workforce; and health and safety risks that are directly attributable to ongoing Covid-19 impacts and workforce supply challenges in the Edinburgh employment market.
- 4.6 Consequently, the CLT has acknowledged and accepted that these current Partnership risks now exceed the Council's agreed increased Covid-19 risk appetite ranges outlined below, and that this position is likely to continue until a wider national solution for these systemic challenges is identified and implemented. In the interim, the Partnership has recorded and (where possible) continues to manage these risks to mitigate their potential impacts.

4.7 The impacts of these changes are as follows:

- 4.7.1 **Minimum possible to Moderate** – the Governance and Decision making and Regulatory and Legislative Compliance risk categories have a minimum possible to moderate risk appetite range, recognising that the Council continues to make a number of decisions in a Covid-19 operational resilience environment, and may still be required to make some emergency decisions if potential resilience events occur simultaneously; and the potential risk that Council services may not be fully aligned with regulatory and legislative requirements whilst services remain under pressure from Covid-19.
- 4.7.2 **Minimum possible to High** – the Health and Safety and Fraud and Serious Organised Crime risk categories have a minimum possible to high risk appetite range that reflects the increased levels of risk associated with Covid-19. This is mainly driven by the ongoing wellbeing challenges affecting Council employees, and the increased likelihood that fraud (both internal and external) and targeted serious organised crime could potentially impact the Council. This risk appetite range also recognises the varying types of fraud risk (for example unique fraudulent transactions versus systemic targeted activity) and the potential significance of fraud and serious organised crime incidents
- 4.7.3 **Low to High** – seven risk categories (Strategic Delivery; Financial and Budget Management; Programme and Project Delivery; Supplier, Contractor and Partnership Management; Technology and Information; Workforce; and Reputational) have a low to high risk appetite range. This is mainly attributable to the ongoing impacts of Covid-19 (for example medium term financial pressures; ongoing employee retention and recruitment challenges; and the increased likelihood of cyber-attacks), and also reflects the significant volume of programmes and projects in progress; the requirement to deliver business plan priorities; reshape service delivery based on lessons learned from Covid-19; and the significant volume of critical contractual and partnership arrangements established across the Council that could potentially be under pressure due to Covid-19.
- 4.7.4 **Low to Critical** – the Service Delivery operational risk appetite range has established as low to high, and increased to critical. This is directly attributable to the increased levels of risks currently impacting delivery of critical services (for example adult social care services delivered by the Health and Social Care Partnership), and services where resources have been redirected to focus on delivery of ongoing Covid-19 activities (for example, provision of asymptomatic testing centres across the city). This risk appetite range also reflects the likelihood that there will be a backlog of operational activities that require to be addressed once services are fully reinstated.

- 4.8 Whilst acknowledging that it may not always be possible to mitigate the impacts of the Council's risks in the current environment to an acceptable level, management will continue to focus on ensuring that (where possible) the Council's most significant risks are effectively managed

## **5. Next Steps**

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- 5.1 Once approved by the Committee, the risk appetite statement will be shared and communicated across the Council.
- 5.2 Executive Directors and Service Directors will (where appropriate) set target risks within their respective divisions and across the services that they deliver. As noted at 3.15 above, target risk is already specified for a number of matters through the Council's established governance frameworks.

## **6. Financial impact**

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- 6.1 There is no direct financial impact arising from this report, however, effective risk management in line with the Council's agreed risk appetite should have a positive impact on Council finances.

## **7. Stakeholder/Community Impact**

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- 7.1 Provision of assurance that the Council considers and specifies appropriate thresholds for the amount and type of planned risk that it is willing to take to support achievement of strategic objectives; ongoing service delivery; and protect its people; citizens; assets; and reputation.

## **8. Background reading/external references**

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- 8.1 [Scottish Public Finance Manual](#)
- 8.2 [Institute of Internal Auditors Three Lines Model](#)

## **9. Appendices**

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- 9.1 Appendix 1 – City of Edinburgh Council Risk Appetite Statement
- 9.2 Appendix 2 – Risk Appetite Definitions

## Appendix 1 – Enterprise Risk Descriptions and Impact Statements

Ref	Risk	Risk Description	Impact Statement
R1	<b>Strategic Delivery</b>	Inability to design and / or implement a strategic plan for the Council.	Lack of clarity regarding future direction and structure of the Council impacting quality and alignment of strategic decisions
R2	<b>Financial and Budget Management</b>	Inability to perform financial planning; deliver an annual balanced budget; manage cash flows; and confirm ongoing adequacy of reserves	Council is unable to continue to deliver services and implement change in line with strategic objectives; inability to meet EIJB financial directions; adverse external audit opinion; adverse reputational consequences
R3	<b>Programme and Project Delivery</b>	Inability to deliver major projects and programmes effectively, on time and within budget	Inability to deliver Council strategy; achieve service delivery improvements; and deliver savings targets
R4	<b>Health and Safety (including public safety)</b>	Employees and / or citizens (including those in the Council's care) suffer unnecessary injury and / or harm	Legal; financial; and reputational consequences
R5	<b>Resilience</b>	Inability to respond to a sudden high impact event or major incident	Disruption across the City; to service delivery; and serious injury or harm to employees and / or citizens.
R6	<b>Supplier, Contractor, and Partnership Management</b>	Inability to effectively manage the Council's most significant supplier and partnership relationships	Inability to deliver services and major projects within budget and achieve best value
R7	<b>Technology and Information</b>	Potential failure of cyber defences; network security; application security; and physical security and operational arrangements	Inability to use systems to deliver services; loss of data and information; regulatory and legislative breaches; and reputational consequences
R8	<b>Governance and Decision Making</b>	Inability of management and elected members to effectively manage and scrutinise performance, and take appropriate strategic and operational decisions	Poor performance is not identified, and decisions are not aligned with strategic direction
R9	<b>Service Delivery</b>	Inability to deliver quality services that meet citizen needs effectively and in line with statutory requirements	Censure from national government and regulatory bodies; and adverse reputational impacts
R10	<b>Workforce</b>	Insufficient resources to support delivery of quality services that meet citizen needs effectively and in line with statutory requirements	Ongoing employee health and wellbeing; increased trade union concerns; impacts from engagements with national government and regulatory bodies; and adverse reputational impacts
R11	<b>Regulatory and Legislative Compliance</b>	Delivery of Council services and decisions are not aligned with applicable legal and regulatory requirements	Regulatory censure and penalties; legal claims; financial consequences

Ref	Risk	Risk Description	Impact Statement
R12	<b>Reputational Risk</b>	Adverse publicity as a result of decisions taken and / or inappropriate provision of sensitive strategic, commercial and / or operational information to external parties	Significant adverse impact to the Council's reputation in the public domain
R13	<b>Fraud and Serious Organised Crime</b>	Isolated or systemic instances of internal and / or external fraud and / or serious organised crime	Financial consequences; loss of systems; loss of data; inability to deliver services; regulatory censure and penalties; and adverse reputational impacts

## Appendix 2 - City of Edinburgh Council - Risk Appetite Statement

\* These risks are currently at a critical level for the Health and Social Care Partnership

Risk Description	Operational Risk Appetite Range		Range Increased To	Commentary
	From	To		
1. Strategic Delivery	Low	Moderate	High	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate operational risk appetite in relation to strategic delivery risk, and aims to ensure effective delivery of the Council's strategy and commitments in line with agreed timeframes.</li> <li>2. Strategic delivery is monitored through the ongoing performance reporting process and established Council governance processes.</li> <li>3. Executive Directors and Service Directors are expected to establish appropriate monitoring and oversight controls to ensure that their strategic and service delivery objectives are achieved in line with the overarching Council strategy.</li> <li>4. Risk range has been increased from moderate to high reflecting the ongoing impacts of Covid-19 on the Council's capacity and ability to deliver strategic priorities in the current environment that cannot be mitigated to a moderate level of current risk.</li> </ol>
2. Financial and Budget Management	Low	Moderate	High	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate operational risk appetite in relation to financial risk, and may be prepared to accept some risk subject to: <ul style="list-style-type: none"> <li>• setting and achieving an annual balanced revenue budget in line with legislative requirements</li> <li>• maintaining a General Fund unallocated reserves balance in line with legislative requirements.</li> </ul> </li> <li>2. The Council's target financial risk is 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, and is also supported by the controls embedded in established financial technology systems.</li> <li>3. Executive Directors and Service Directors are expected to implement appropriate system based and manual controls to prevent financial errors and detect and resolve them when they occur.</li> <li>4. Risk range has been increased from moderate to high reflecting the know medium and longer term financial risks that will potentially affect the Council that it may not be possible to fully mitigate to a moderate level of current risk.</li> </ol>

Risk Description	Operational Risk Appetite Range		Range Increased To	Commentary
	From	To		
3. Programme and Project Delivery	Low	High	High	<ol style="list-style-type: none"> <li>1. The Council is prepared to initiate a range of low to high risk major change initiatives where these support strategic delivery; improved organisational capability and service delivery; or improvements to across the Council's operational property and technology estates and infrastructures.</li> <li>2. The Corporate Leadership Team; Executive Directors; Service Directors; and Project Managers are expected to design; implement; and maintain appropriate programme and project management and governance controls to manage these risks.</li> <li>3. This risk appetite range remains aligned with the pre Covid-19 range as the Council has no appetite to accept critical programme and project delivery risks that cannot be effectively mitigated to a high level of current risk.</li> </ol>
4. *Health and Safety (including public safety)	Minimum Possible	Low	High	<ol style="list-style-type: none"> <li>1. Recognising that accidents can occur as a result of unknown and / or unplanned events, the Council has an appetite to fully comply with all relevant health and safety requirements to minimise any health and safety risks that could potentially result in loss of life or injury to citizens or employees.</li> <li>2. Executive Directors and Service Directors are expected to ensure that Health and Safety policies; frameworks; and guidance are consistently and effectively applied, with incidents identified, reported, and immediately addressed.</li> <li>3. Risk appetite range has been increased from low to high reflecting the ongoing health and safety (including public safety) risks that the Council continues to manage in the current Covid-19 environment, that cannot be effectively mitigated to a low level of current risk.</li> </ol>
5. Resilience	Low	Moderate	High	<ol style="list-style-type: none"> <li>1. Recognising that it is not always possible to effectively mitigate the risks associated with unplanned events, the Council has a low to moderate operational risk appetite in relation to resilience.</li> <li>2. The Council has an established resilience management framework that includes resilience and contingency plans for certain scenarios, and provides guidance to first line directorates and divisions in relation to identifying critical systems and services and establishing appropriate resilience plans.</li> <li>3. Executive Directors and Service Directors are responsible for ensuring that this framework is consistently maintained and routinely tested and can be effectively applied in the event of a resilience situation.</li> </ol>

Risk Description	Operational Risk Appetite Range		Range Increased To	Commentary
	From	To		
				4. Risk appetite range has been increased from moderate to high recognising the significant impact of risks associated with a number of potential concurrent resilience events that the Council may be unable to fully mitigate to a moderate level of current risk.
6. Supplier, Contractor, and Partnership Management	Low	High	High	<ol style="list-style-type: none"> <li>1. The Council has a low to high operational risk appetite range in relation to ongoing supplier, contractor and partnership management. It should be noted that this appetite will vary depending on the criticality of the service provided or supported by third parties.</li> <li>2. The Council has an established procurement process that is aligned with Audit Scotland Best Value requirements and is supported by the Contract Standing Orders, and an established contract management framework.</li> <li>3. Executive Directors and Service Directors are expected to ensure that the procurement and contract management frameworks are consistently and effectively applied, with issues identified, reported, and immediately addressed. This will typically involve ongoing focus on high risk contracts supporting delivery of critical services or projects.</li> <li>4. Risk appetite range has not been increased as the Council is not prepared to accept critical supplier, contractor and partnership risks that cannot be mitigated to a high level of current risk.</li> </ol>
7. Technology and Information	Low	Moderate	High	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate operational risk appetite in relation to technology and information risk and aims to ensure that this is achieved working together with CGI, the Council's technology partner and through direct contract management by service areas with any 'shadow IT' suppliers.</li> <li>2. This risk appetite applies to both the Council's technology networks; cloud based applications used to support delivery of services; and processes where manual documents are used and retained.</li> <li>3. This risk appetite will vary depending on the nature; significance; and criticality of systems used, and the services that they support.</li> <li>4. Technology risk is managed through ongoing use of inbuilt technology security controls such as user access; encryption; data loss prevention; firewalls; and ongoing vulnerability scanning and a range of technology security protocols and procedures.</li> <li>5. Executive Directors and Service Directors are responsible for ensuring ongoing compliance with technology security protocols and procedures, including the Council's protocol for externally hosted 'cloud' services.</li> </ol>



Risk Description	Operational Risk Appetite Range		Range Increased To	Commentary
	From	To		
				<p>6. The Council is also progressing towards full alignment with the Scottish Government's Public Sector Cyber Action Plan and the UK Government National Cyber Security Centre guidance.</p> <p>7. Risk appetite range has been increased from moderate to high reflecting the increased risk of cyber-attacks in the current environment and risks associated with home working arrangements that it may not be possible to mitigate to a moderate level of current risk.</p>
8. Governance and Decision Making	Minimum Possible	Low	Moderate	<p>1. The Council has a minimum possible to low risk operational appetite in relation to governance and decision making.</p> <p>2. The Council's target governance and decision making risk is detailed in its established Committee and corporate structures; schemes of delegation; levels of authority; and the member-officer protocol.</p> <p>3. No officer or elected member may knowingly take or recommend decisions or actions which breach legislation.</p> <p>4. Risk appetite range has been increased from low to moderate reflecting that the Council remains in an operational resilience environment and continues to make operational resilience decisions. Additionally, if concurrent resilience events occur, it may not be possible to mitigate this current risk to a low level.</p>
9. *Service Delivery	Low	High	Critical	<p>1. The Council has a low to high operational risk appetite range in relation to the risks associated with ongoing service delivery that will vary depending on the nature and criticality of individual services.</p> <p>2. It is acknowledged that, despite best efforts, there may be occasional gaps in service delivery.</p> <p>3. Recognising the potential impact on service users the Council will always strive to return to optimal service delivery as soon as possible, and ensure effective ongoing engagement with service users where issues occur.</p> <p>4. Executive Directors and Service Directors are expected to implement appropriate controls to prevent service delivery gaps, and detect and resolve them when they occur.</p> <p>5. Risk appetite range has been increased from high to critical reflecting current levels of service delivery risk for critical services, and backlogs of service delivery activities that the Council is unable to mitigate to a high current risk level.</p>

Risk Description	Operational Risk Appetite Range		Range Increased To	Commentary
	From	To		
10. *Workforce	Low	Moderate	High	<ol style="list-style-type: none"> <li>1. The Council has a low to moderate operational risk appetite range in relation to the risks associated with workforce capacity and capability.</li> <li>2. It is acknowledged that, despite best efforts, there may be occasional gaps in workforce capacity and capability.</li> <li>3. Recognising the potential impact on service delivery, the Council will always strive to return to optimal service workforce capacity and capability as soon as possible, and ensure effective ongoing engagement with employees and trade unions when issues occur.</li> <li>4. Executive Directors and Service Directors are expected to maintain appropriate workforce plans that are aligned with the Council's People Strategy and Strategic Workforce Plan, and ensure sufficient capacity and capability to support service delivery. It is acknowledged that there is also a key dependency on both employment market and agency worker availability.</li> <li>5. Risk appetite range has been increased from moderate to high reflecting ongoing Covid-19; employment market; and recruitment challenges that the Council is unable to mitigate to a moderate current risk level</li> </ol>
11. Regulatory and Legislative Compliance	Minimum Possible	Low	Moderate	<ol style="list-style-type: none"> <li>6. The Council aims to comply with applicable regulatory and legislative requirements to the fullest extent possible.</li> <li>7. No officer or elected member may knowingly take or recommend decisions or actions which breach legislation.</li> <li>8. Executive Directors and Service Directors are expected to implement appropriate controls to ensure ongoing compliance, and identify; report; and resolve breaches when they occur.</li> <li>9. Risk appetite range has been increased from low to moderate reflecting the potential regulatory and service challenges that are directly linked to ongoing service delivery risks in the current environment that the Council may be unable to mitigate to a low current risk level.</li> </ol>
12. Reputational	Low	Moderate	High	<ol style="list-style-type: none"> <li>1. The Council is prepared to tolerate a low to moderate level of occasional isolated reputational damage.</li> <li>2. The Council recognises that, as a large organisation delivering a wide range of complex services to the public and directed by elected politicians, it is likely to suffer occasional reputational damage,</li> </ol>

Risk Description	Operational Risk Appetite Range		Range Increased To	Commentary
	From	To		
				<p>3. Executive Directors and Service Directors are expected to implement appropriate controls to prevent significant or systemic reputational damage, and identify and address issues when they occur.</p> <p>4. Risk appetite range has been increased from moderate to high reflecting the ongoing reputational risks associated with delivery of both strategic priorities and services in the current operating environment, that the Council may be unable to mitigate to a moderate level of current risk.</p>
13. Fraud and Serious Organised Crime	Minimum Possible	Moderate	High	<p>1. The Council is prepared to tolerate a low to moderate level of occasional isolated fraud and serious organised crime.</p> <p>2. The Council recognises that, as a large organisation delivering a wide range of complex services to the public and directed by elected politicians, it is likely to suffer occasional fraud, and potentially be subject to targeted serious organised crime.</p> <p>3. Executive Directors and Service Directors are expected to implement appropriate controls to prevent significant or systemic damage from fraud and / or serious organised crime, and identify and address issues when they occur.</p> <p>4. Risk appetite range has been increased from moderate to high reflecting the ongoing fraud and serious organised crime risks that the Council may be unable to mitigate to a moderate level of current risk.</p>

## Appendix 3 – Risk Appetite Definitions

Risk Appetite Description	Definition
<b>Minimum Possible</b>	The level of risk is completely unacceptable and will not be tolerated. Appropriate mitigating actions should be implemented urgently to ensure that the risk is treated to the fullest extent possible, with the objective of preventing the risk from becoming an issue.
<b>Low</b>	The level of risk is unacceptable and will not be tolerated. Appropriate mitigating actions should be implemented immediately to treat the risk and prevent it from becoming an issue where possible.
<b>Moderate</b>	A moderate level of risk can be accepted. Appropriate mitigating actions should be implemented as soon as possible to either prevent the risk from becoming an issue, or detect the issue and ensure that it is addressed.
<b>High</b>	A high level of risk can be accepted. Appropriate actions should be implemented to identify issues resulting from these risks and address them where feasible and practical.