
RISK APPETITE

Committee: Audit Committee

Date: 17th October 2022

Author: Director, Finance

[X87]

1. **ISSUE**

1.1 To update Committee on the Council's Risk Appetite.

2. **RECOMMENDATION**

2.1 Committee is asked to note the contents of this report.

3. **BACKGROUND / OPTIONS**

3.1 Following the discussion at Committee on the 25th July 2022 with regard to the Council's Risk Management process, it was resolved

“That the update report and Corporate Risk register, as set out in Appendix 2 of the report, be noted and the Finance Manager [now Director, Finance] bring a Risk Appetite Options Paper to the next meeting of Committee, for a review of the Council's risk appetite.”

3.2 This is the requested report.

3.3 The Council's current Risk Appetite is detailed in the Risk Management Policy which states:

Appetite for Risk

As an organisation with limited resources it is inappropriate for the Council to seek to mitigate all of the risk it faces. The Council therefore aims to manage risk in a manner which is proportionate to the risk faced, based on the experience and expertise of its senior managers.

The Council has defined the maximum level of residual risk which it is prepared to accept as a maximum risk score of 15 in line with the scoring matrix attached at appendix 1 (for corporate priority risks).

Colour	Score	Detail
Red	16 and above	This is in excess of the Council's risk appetite. Action is needed to redress, with regular monitoring. In exceptional circumstances residual risk in excess of the risk appetite can be approved if it is agreed that it is impractical or impossible to reduce the risk level below 16. Such risks should be escalated through the management reporting line to Corporate Management Team, Audit Committee and Council.
Amber	5 to 15	Likely to cause the Council some difficulties – six monthly monitoring
Green	1 to 4	Low risk. Monitor as necessary

4. ARGUMENTS / CONCLUSIONS

- 4.1 The Council has had the same Risk Appetite score for a number of years. This being that if a risk has a residual risk score of 16 or above, it should be escalated through management reporting as detailed above.
- 4.2 The Risk Appetite score is very much a subjective opinion, there is no formula approach that can be applied. The Risk appetite score should reflect the amount of risk that the Council is prepared to accept, and where the risk should be managed and reviewed at the various risk scores.
- 4.3 Options available for the Risk score at which risks are escalated to management and Full Council
- Retain the current Residual Risk score of 16 or above
 - Increase the Residual Risk score
 - Reduce the Residual Risk score
- 4.4 Therefore the question is – do we feel that any risk has not been managed in the right place in recent years?
- 4.5 No risks in recent years have been formally escalated to either Management Team or Full Council, this implies that the residual risk score does not need to be increased. An increase in score, would mean it's less likely that a risk would be escalated but if none are at present, then we should feel comfortable at the current level.
- 4.6 The other option is for the residual risk score to be reduced, resulting in more / some risks being escalated to Full Council for consideration. However, there is no suggestion that any of the risks encountered by the Council in recent years and managed via either the Risk Management Group or by individual service leads have not been handled correctly and mitigations put in place to manage the risk. Therefore there is seen to be no need for the Council to reduce its Risk Appetite score at this point.

4.7 It is therefore recommended that the current scores, detailing where risks are managed, as detailing in 3.3 above, be retained. If however, Audit Committee wish to suggest different scores, with an explanation to why they think these are more appropriate, then these can be taken away and considered by the Risk Management Group.

<u>Background Documents</u>	<u>Location</u>	<u>Contact Officer</u>
	Room 104 The Grange Ely	Ian Smith Director, Finance Tel: (01353) 616470 E-mail: ian.smith@eastcambs.gov.uk