

# Governance, Audit and Risk Management Committee SUPPLEMENTAL AGENDA

**DATE: Thursday 29 March 2012**

**9. INFORMATION REPORT - RISK MANAGEMENT UPDATE (Pages 1 - 4)**

Appendix 4 to the Information Report of the Assistant Chief Executive.

*Note: In accordance with the Local Government (Access to Information) Act 1985, the following agenda item has been admitted late to the agenda by virtue of the special circumstances and urgency detailed below:-*

Agenda item

Special Circumstances/Grounds for Urgency

9. Information report – Risk Management Update

Appendix 4 to the report was not available at the time the agenda was printed and circulated. Members are requested to consider the appendix, as a matter of urgency to, as it provides a sample of a Directorate Statement of risk appetite (Corporate Finance), in the context of the overall report.

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**STATEMENT OF RISK APPETITE 2012-13**

**APPENDIX 4**

**Corporate Finance Directorate**

Overall in 2012/13 the Finance Directorate will have an “Open” appetite for risk and will be willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (quality, performance, value for money etc) with reference to the risk taken on.

The key factor in our attitude/approach to risk will be the need for the Council to strengthen its financial resilience and for the Directorate to generally do more on less operating resources and to move from its current position/culture to a position of recognized best practice in corporate finance.

Our attitude and appetite to take on a range of risks will be realistic and commensurate with these objectives.

Julie Alderson  
November  
2011

**Corporate Finance Directorate**

	<b>AVERSE</b>	<b>MINIMALIST</b>	<b>CAUTIOUS</b>	<b>OPEN</b>	<b>SEEKING</b>
<b>Risk Type</b>	Avoidance of risk & uncertainty is a key organisational objective	Preference for very service delivery options that have a low degree of inherent risk and only have a potential for limited reward.	Preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward.	Willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (quality, value for money etc).	Eager to be innovative and to choose service options offering potentially higher customer satisfaction/quality (despite greater inherent risk).
<b>Strategic</b>	Activities confined to existing services and business /delivery models with no departure from these unless enforced. Strong central senior management control.	Activities strongly confined to existing services and business /delivery models. Variations only considered if they have a low degree of inherent risk. Strong central senior management control.	Only prepared to accept essential and incremental changes in existing services, and business/delivery models Variations undertaken provided risk after mitigation is managed to low level. Strong central senior management control. Risks, costs and control often shared/spread via joint ventures/partnerships.	Prepared to invest for targeted reward and to be flexible in alterations service/business/delivery model provided these are managed to medium/acceptable levels of risk. Strong but looser central senior management control. Joint ventures and partnerships still a strong option.	Service delivery models under constant review. Organization highly geared and flexible to respond rapidly to self-created or emergent opportunities. Expansion actively sought. "Early-mover" in local authority terms. High levels of resourcing and risk taking. High levels of strategic autonomy in directorates & business units.
<b>Financial &amp; VFM</b>	Avoidance of financial loss is a key objective. Only willing to accept the low cost option. Resources withdrawn from nonessential activities.	Only prepared to accept the possibility of very limited financial loss if essential. VFM is the primary concern.	Prepared to accept the possibility of some limited financial loss. VFM still the primary concern but willing to also consider the benefits. Resources generally restricted to core operational targets.	Prepared to invest for increased service quality and then minimize the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to build on potential opportunities	Prepared to invest for the best possible quality/return and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return – 'investment capital' type approach.
<b>Operational &amp; Policy Delivery</b>	Protective approach to objectives - aim to maintain or protect, rather than to consider change. Priority for tight management controls and oversight with limited devolved decision making authority. General avoidance of systems / technology and developments.	Innovations avoided unless essential. Decision making authority held by senior management. Only essential systems / technology developments to protect current services.	Tendency to stick to the status quo. Innovations generally avoided unless necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements or protection of current services.	Innovation is supported, with demonstration of commensurate improvements in service delivery and management control. Systems / technology developments considered to enable service delivery. Responsibility for non-critical decisions may be devolved	Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of service delivery. High levels of devolved authority – management by trust rather than tight control
<b>Legal &amp; Regulatory</b>	Avoid anything which could be challenged even unsuccessfully. Play safe.	Want to be very sure we would win any challenge.	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge	Challenge will be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing are high and consequences serious. But a win would be seen as a great coup.
<b>Reputation &amp; Credibility</b>	Minimal tolerance for any actions/decisions that could possibly lead to Member, regulatory, media or public scrutiny /adverse criticism of the Council or	Tolerance for risk taking limited to those events where there is no chance of any significant Member, regulatory, media or public criticism of the Council or the Directorate	Tolerance for risk taking limited to events where there is little chance of Member, regulatory, media or public criticism of the Council or the Directorate	Appetite to take decisions with potential to expose the Council or Directorate to scrutiny and adverse criticism but only where appropriate steps have been	Appetite to take decisions that are likely to bring scrutiny by Members regulators, media and the public but where potential benefits outweigh the risks.

the Directorate.	should there be a failure	taken to minimize any exposure.
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**Appendix B: Risk Appetite Influencing Factors**

APPETITE	INFLUENCING FACTORS
<b>Strategic</b>	The Directorate will be “Open” in regard to strategic risk during 2012-13 and consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of reward (quality, value for money etc). The current economic climate necessitates this attitude to risk particularly as the Directorate has in the past perhaps been too closed and risk averse.
<b>Financial &amp; VFM</b>	The Directorate is jointly “cautious to open” in regard to financial and VFM risk. Factors influencing our attitude include the current economic climate, required procurement savings, issues of past poor financial control and also a relatively low level of reserves giving us a limited financial position. These factors have combined to give us a relatively low financial resilience which has to be strengthened. In the past the Directorate has been too willing to take too many risks and accept too many big costs without thinking hard about the benefits.
<b>Operational &amp; Policy Delivery</b>	In regard to operational and policy delivery we will be fundamentally “cautious” although we have a non-acceptance of the status quo and this may introduce elements of a more “Open” approach to our appetite. This is because there is a need at the Directorate to move more dynamically to a best practice situation and to use technology (eg centrally the SAP system) more effectively. These factors will inform our cautious approach.
<b>Legal &amp; Regulatory</b>	We have adopted an “Open” attitude to legal and regulatory risk because we need to be more brave to be able to access the gains from taking quantified and managed risk. We cannot afford to be too cautious in this area otherwise we will be unable to grasp good opportunities as they arise. The Directorate needs to challenge hard at the edges to be able to move to a best practice situation in finance.
<b>Reputation &amp; Credibility</b>	The Directorate will similarly have an “Open” attitude to reputation and credibility. We will have an appetite to take decisions with potential to expose the Council or Directorate to scrutiny and adverse criticism but only where appropriate steps have been taken to minimize any exposure or criticism. There is a need for tough decisions to be taken at the Council and for the Finance Directorate to move to a best practice situation and this cannot be achieved without accepting/having a willingness to take and to manage some criticism.
<b>OVERALL RISK APPETITE RATING</b>	<b>OPEN</b>

(Model Source: HM Treasury Green Book 2006)

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