

# Governance, Risk and Best Value Committee

**10.00am, Thursday 6 March, 2014**

## Risk Management – Risk Appetite

Item number	8.3
Report number	
Wards	

### Links

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Coalition pledges	
Council outcomes	<a href="#">CO25</a>
Single Outcome Agreement	

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# Executive summary

## Risk Management - Risk Appetite

### Summary

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In August 2013, the Director of Corporate Governance commenced a project, as part of the co-sourced audit and risk management arrangements with PwC, to re-design the Council's risk management arrangements, ensuring these are fit for purpose, fully integrated into Council business activities and that consideration of risk is integral to decision making going forward.

As the first phase of the design and build process, a risk management framework was approved by the Corporate Policy and Strategy Committee in January 2014. The next stage of this process is for the Corporate Management Team to determine its appetite to risk, in order to ensure that the Council can deliver its services in a cost effective and efficient manner. The risk appetite is intended to create an approach to risk management which is aligned to the Council's strategic vision and objectives, recognising that risks are constantly changing.

The Council's appetite for risk reflects the different types of risk that could impact on the Council's ability to meet its statutory requirements and strategic outcomes, including likely reputational impact and potential financial implications. The Risk Appetite Statement will be circulated on the Orb and made available to all staff to ensure they understand the Council's approach.

This report updates Committee on the new City of Edinburgh Council Risk Appetite Statement (the "Risk Appetite Statement") set out in appendix one.

### Recommendations

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1. To note the Risk Appetite Statement.

### Measures of success

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The Risk Appetite Statement is applied consistently throughout the Council leading to strengthened governance and accountability in relation to the Council's key risks.

### Financial impact

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None.

### Equalities impact

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None.

## Sustainability impact

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None.

## Consultation and engagement

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There has been consultation and engagement with the Corporate Management Team in relation to the Risk Appetite Statement.

## Background reading / external references

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[Operational Governance update report](#) Governance, Risk and Best Value Committee, 6 November 2012

### Alastair Maclean

Director of Corporate Governance

## Links

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### Coalition pledges

**Council outcomes** CO25 – the Council has efficient and effective services that deliver on objectives

### Single Outcome Agreement

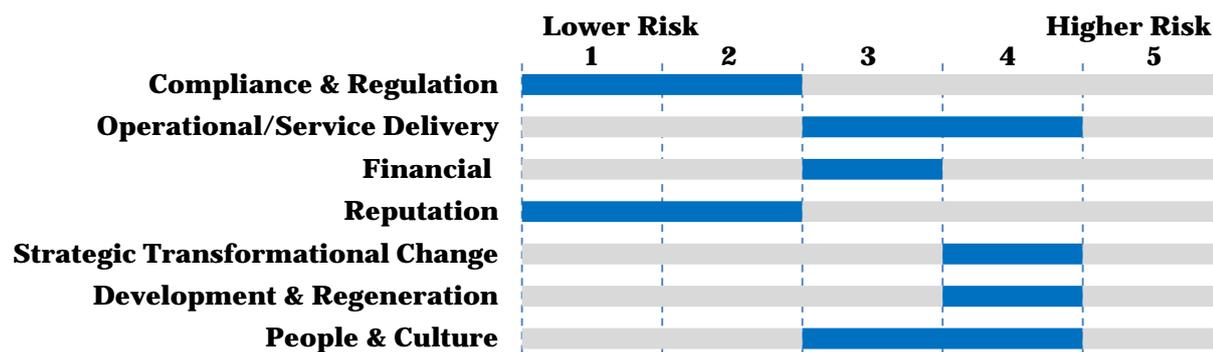
**Appendices** Appendix one – Risk Appetite Statement

# City of Edinburgh Council

## Risk Appetite Statement

Risk appetite is the level of risk we are prepared to tolerate or accept in the pursuit of our strategic objectives. Our aim is to consider all options to respond to risk appropriately and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made. We recognise that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. Specifically, our approach is to minimise exposure to compliance and reputational risk, whilst accepting and encouraging an increased degree of risk in other areas in pursuit of our strategic objectives as illustrated in the diagram and statements below.



*Compliance & Regulation* – The Council recognises the need to place high importance on compliance, regulation and public protection and has no appetite for breaches in statute, regulation, professional standards, ethics, bribery or fraud.

*Operational/Service Delivery* – The Council is one of the pre-eminent local authorities in Scotland and accepts a moderate to high level of risk arising from the nature of the Council's business operations and service delivery to deliver an appropriate level of service at value for money, whilst minimising any negative reputational impact.

*Financial* – 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 requires to set a balanced overall revenue budget by 11 March every year and Directors must then contain net expenditure within approved service totals;
- In accordance with Council's reserves strategy, a minimum General Fund unallocated reserves balance of £13m should be maintained at all times; and
- The Council's maximum level of variable interest rate exposure on its net debt is (currently) set at 75%.

*Reputation* – It is regarded as essential that the Council preserves a high reputation and hence it has set a low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy through any adverse publicity.

*Strategic Transformational Change* – The environment the Council works in is continually changing through both its internal operations and the services it provides. Change projects provide the Council with an opportunity to be the leading Council in Scotland and also to establish benefits for the longer term. The Council recognises that this may require increased levels of risk and is comfortable accepting the risk subject to always ensuring that risks are appropriately managed.

*Development & Regeneration* – The Council has a continuing obligation to invest in the development and regeneration of the City. To continue to be progressive and innovative in the work performed the Council is willing to accept a higher risk appetite whilst ensuring that benefits are assessed and risks are fully scrutinised and appropriately mitigated before developments are authorised.

*People & Culture* – The Council recognises that its staff are critical to achieving its objectives and therefore the support and development of staff is key to making the Council an inspiring and safe place to work. It has moderate to high appetite for decisions that involve staffing or culture to support transformational change and ensure the Council is continually improving.