

Report to: Corporate Governance Committee

Date of Meeting: 11 September 2019

Lead Officer/Member: Head of Business Improvement & Modernisation/
Lead Member for Finance, Performance and Strategic Assets

Report Author: Planning and Performance Officer

Title: Managing Risk for better service delivery: A guide to Risk Management – Risk Appetite

1. What is the report about?

1.1 The draft revised version of the Risk Management Guide, which now incorporates a Risk Appetite Statement.

2. What is the reason for making this report?

2.1 For Corporate Governance Committee to discuss the suggested new methodology.

3. What are the recommendations?

3.1 Corporate Governance Committee to consider and endorse the Risk Appetite Statement and how we intend to apply it.

4. Report details

4.1 Denbighshire's Risk Management Guide outlines our approach to risk management in the council (the existing published Guide is available [here](#)). It is a comprehensive guide to identifying and managing risk proactively.

4.2 An Internal Audit Review of risk management was undertaken in November 2018. The review concluded that Denbighshire's risk management is "robust with good processes in place". However, the Internal Audit Review found that the Guide was lacking in relation to risk appetite:

"The document; however, does not set out the Council's risk appetite, nor does it explain in sufficient detail the Council's approach to taking risks by explaining that effective risk management informs effective decision-making in order to encourage services to exploit available opportunities."

4.3 Risk appetite is defined as "the level of risk we are prepared to tolerate or accept as a Council in pursuit of our long term, strategic objectives". Determining and articulating our risk appetite allows us to consider all options to respond to risk and make informed decisions that are most likely to result in successful delivery whilst also providing an acceptable level of value for money.

- 4.4 Following the conclusions of the Review, we have undertaken a range of research and engagement, including with CET, SLT and at Cabinet Briefing, to develop an approach to risk appetite that is proportionate and workable. The approach we have developed is based on the application of risk appetite in other areas and by other institutions. We have also sought advice from our Strategic Risk Consultant, Zurich Insurance Ltd.
- 4.5 We have adapted our existing Risk Management Guide to incorporate information about risk appetite, which now includes Denbighshire’s Risk Appetite Statement and Risk Appetite Framework (contained in the guide attached at Appendix 1).
- 4.6 The Risk Appetite Statement, which should be reviewed annually, provides a framework for Officers and Members to work within. The statement is particularly useful for sense checking our risk appetite with our corporate priorities, projects and corporate risks (are we risk averse or risk hungry?).
- 4.7 The Statement sets out the level of risk that the Council is prepared to accept, tolerate or be exposed to at any point in time. This will vary depending on the category of risk. In some areas, the Council will take more risk in order to support innovative thinking. In other areas the Council may take less risk to ensure legal compliance for example.
- 4.8 The following table summarises our risk appetite in relation to different aspects of council business:

		Classification and description				
		← Unacceptable to take risks		→ Willingness to take risks		
		Adverse	Minimalist	Cautious	Open	Hungry
		Avoidance of risk and uncertainty is a key organisational objective	Preference for ultra-safe options that have a low degree of inherent risk and have a potential for only limited reward	Preference for safe options that have a medium degree of inherent risk and may have some potential for rewards	Willing to consider all options and choose one that is most likely to result in successful delivery with an acceptable level of reward (and value for money)	Eager to be innovative and to choose options offering potentially higher business rewards despite greater inherent risk
Reputation & Credibility						
Operational & Policy Delivery						
Financial				<i>(Treasury Management)</i>	<i>(Projects)</i>	
Compliance & Regulation						
People (Workforce)			<i>(Terms & Conditions)</i>	<i>(Learning & Development)</i>		

4.9 However, it should be noted that the inclusion of risk appetite does not substitute or lower the importance of the reporting and escalation process set out in our Risk Management Guide.

- 4.10 The Guide has been adapted to give guidance to those who have responsibility to ensure we consider and review our risk appetite, in addition to setting out our Risk Appetite Statement and Framework.
- 4.11 The Guide has also been amended to highlight the new role of the Senior Leadership Team, as owners of the Corporate Risk Register.

5. How does the decision contribute to the Corporate Priorities?

- 5.1 The purpose of the Risk Management Guide is to set out an agreed methodology for identifying potential future events that could have a detrimental impact on the council's ability to deliver its objectives, including its corporate priorities.
- 5.2 The Risk Appetite Statement sets out the Council's appetite to risk taking across a number of areas. These areas will affect/be affected by our corporate priorities.

6. What will it cost and how will it affect other services?

- 6.1 Costs associated with developing, monitoring and reviewing the Risk Management Guide are absorbed within existing budgets.

7. What are the main conclusions of the Well-being Impact Assessment?

- 7.1 The change in the Guide is not sufficient enough to require an impact assessment. However, any new process, strategy or policy arising as a result of a mitigating action should be impact assessed.

8. What consultations have been carried out with Scrutiny and others?

- 8.1 CET, SLT and Cabinet Briefing have been engaged in the development of our Risk Appetite Statement (see 4.4 above).
- 8.2 Subject to the approval of Corporate Governance Committee, a communications and training plan will commence from September 2019 and will be tailored to the needs of middle managers and Members.
- 8.3 Performance Scrutiny will receive an update in November 2019.

9. Chief Finance Officer Statement

- 9.1 There are no financial implications arising from the process outlined in this report for developing, monitoring and reviewing the Risk Management Guide.

10. What risks are there and is there anything we can do to reduce them?

- 10.1 No risks are associated with this report.

11. Power to make the Decision

- 11.1 [Chapter 2, Audit Committees, Local Government \(Wales\) Measure 2011](#).
- 11.2 Section 13, Corporate Governance Committee Terms of Reference, para. 5 (Responsibilities in respect of Risk Management), Denbighshire County Council Constitution.

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