Tandridge District Council

Risk Management Strategy

Document history

Date	Key changes made	Approved by
May 2021	Full review and draft created for S&R Committee.	Executive Leadership Team
July 2021	Put forward for adoption by Members.	Strategy & Resources Committee

Risk Management Strategy

This strategy sets out objectives for the management of risk at Tandridge District Council. It reflects our priority of building a better Council as set out in our Strategic Plan. It is supported by a robust risk management framework and guidance for officers.

The Strategy is reviewed annually by the Executive Leadership Team and updated as necessary to reflect developments in best practice risk management. Where updates are required, the Risk Management Strategy is reported to Members for approval.

We are always interested in ways to improve our approach to Risk Management and welcome your suggestions.

Contact us via our online General Enquiries form on our website, and mark for the attention of the Programme Management Officer.

Contents

1. Introduction

Risk is defined as an uncertain event or set of events which may, should they occur, affect Tandridge District Council's ability to achieve its' vision and objectives as set out in our Strategic Plan.

This Strategy focuses on providing risk management principles, tools and techniques as part of our wider governance arrangements.

Effective risk management is the process that is applied to help ensure that we maximise our opportunities, and minimise the risks we face, by monitoring the Council's exposure to risk and the actions taken to identify, assess, evaluate and control that risk. Hence improving our ability to deliver our corporate priorities and improve outcomes for our residents.

The purpose of risk management is not to eliminate risks completely, but to effectively manage the uncertainties that may apply in all areas of the Council's business.

All employees must understand the nature of risk and accept responsibility for risks associated with their area of authority. The necessary support, assistance and commitment of senior management will be provided.

As a public body, the Council also has to provide assurance in its Annual Governance Statement that its corporate governance is fit for purpose. Risk management is one of the key principles underlying that assurance and must be specifically addressed in the Annual Governance Statement.

This document sets out our approach to effectively managing our risks by identifying, evaluating, monitoring and mitigation; particularly those which affect our priorities and core business activities.

2. Objectives

This Strategy sets out our objectives with respect to risk management and provides a structured framework to be applied by all managers within the Council. The Strategy's objective are to:

- ✓ Provide the basis for a comprehensive, simplified and standardised framework which will integrate Risk Management into the culture of the Organisation;
- ✓ Raise awareness of the need for Risk Management by all those connected with the delivery of the Council's corporate priorities, including Partners;
- ✓ Engender associated corporate governance principles, such as risk and transformation activity being driven by programme / project management principles, including the use of business cases for investment decisions to manage risk effectively;
- ✓ Support the Council in anticipating and responding to changes in social, environmental and legislative conditions;
- ✓ Help to minimise injury, damage, loss and inconvenience to residents, staff, service users and assets arising from or connected with the delivery of our services;
- ✓ Continually improve our procedures for identification, analysis, assessment and management of risk, and the reporting and recording of events, based on best practice; and
- ✓ Support the Council in minimising the cost of risk.

The principal aim of this Risk Management Strategy is to set a clear framework for best practice risk management that enables the Council to achieve our Strategic Plan priority of:

"Building a better Council – making the Council financially sustainable and providing residents with the best possible services."

3. Risk Management Context

It is recognised that risk is present in all of our activities. We aim to be proportionate and ensure that risk to service delivery is adequately managed, without being unduly prescriptive.

The risks that the Council faces are becoming more complex and substantial. These are influenced by several factors, such as:

- Increasingly demanding budgetary constraints;
- Remaining resilient whilst undertaking organisational change to improve our services, performance and governance;
- Increasing complexity and speed of change with regard to regulations and legislation (such as with Covid-19 and the environment);
- Changes in technology;
- The rate of change and interconnected nature of modern society, and the implications this has for our communities, environment, biodiversity and planet;
- Increased level of expectations from customers and stakeholders;
- Increased involvement with other organisations through partnerships, collaboration or shared services.

Therefore a structured approach to managing risk is essential for us to contend with increased uncertainty, whilst successfully delivering our services and corporate priorities.

Our risk management framework is designed to be robust, consistent, and transparent: empowering managers rather than inhibiting them in taking positive and practical steps to deliver our priorities. It is also reflective of our size and the nature of our operations.

4. Risk Management Process

It is the our aim that risk management principles are applied at every level of our business and service delivery.

To this end, the Council manages its risks at three main organisational levels with associated risk registers (see Annex 1):

1. Corporate level – Corporate Risk Register owned and approved by the Executive Leadership Team.
2. Committee level – Policy committees' risk registers owned by each Directorate and approved by the Executive Head of the directorate.
3. Operational level – Directorates' risk registers owned by each Directorate and approved by the Executive Head of the directorate.

Risks can be escalated from Level 3 to Level 1 and vice versa. Risk owners and senior managers can propose moving risks up and down the levels at regularly scheduled Executive Team and Departmental Team meetings. These discussions are also informed by feedback from our committees.

The three levels of risk register as defined as follows:

Corporate	Risks that are strategic from a corporate level / political perspective, that is, carrying the highest level of impact regarding the ability of the Council to deliver on its strategic objectives and statutory duties.
Committee	Risks that are strategic from a committee perspective, that is, carrying a significant level of potential impact on a committee's ability to deliver its objectives. These risks can also be more politically sensitive in nature than the registers below.
Directorate	Risks that are important from a Directorate - service level, that is, delivering on the responsibilities and maintaining high-levels of service across the Directorate, which also require directorate level awareness, monitoring and support.*

* Note: programmes and projects will maintain their own specific registers in-line with programme/project management principles, which can roll up into the other risk registers above as appropriate.

Our process for risk management aligns with that set out in the government's "Orange Book"[1]:

The process begins with our risk management objectives as presented in Section 2 above. Managers are delegated responsibility for managing the risks in their service areas, including those related to our strategic priorities and corporate improvement, via the management of these risks within the four risk register levels.

It is the responsibility of each service manager and other risk owners to assess the opportunities and threats to their service areas and projects, and to provide the Council with a comprehensive view of the operational risks it faces.

The four other elements of the process help ensure risks are properly managed and reduced to an acceptable level:

- Identification – what could happen that could prevent the Council from achieving its corporate priorities. This includes describing the risk, its cause and its effect.
- Evaluation & assessment – what is the impact in terms of cost, reputation, service delivery, and what is the likelihood of the risk occurring. To evaluate and assess risks we use a scoring matrix based

[1] HM Government (2020) *The Orange Book: Management of Risk – Principles and Concepts,* Government Finance Function, pp. 18-22. Online available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF [Accessed 26/05/2021].

on the likelihood of the risk arising and the impact of the risk should it arise (see Annex 2).

- Response & action - the management / control techniques applied to manage the risk e.g. tolerate, treat, transfer, terminate.[2]
- Monitoring & reporting – regular review of risk management to ensure that it is effective and making improvements where necessary.

This process applies to existing service activities. It also applies when the Council is entering new partnerships, when embarking on a new project or when a new contract is being procured.

[2] Tolerate – as there will always be some level of risk; terminate – do not take the risk; transfer – to a third party /contractor; treat – add extra mitigations and controls.

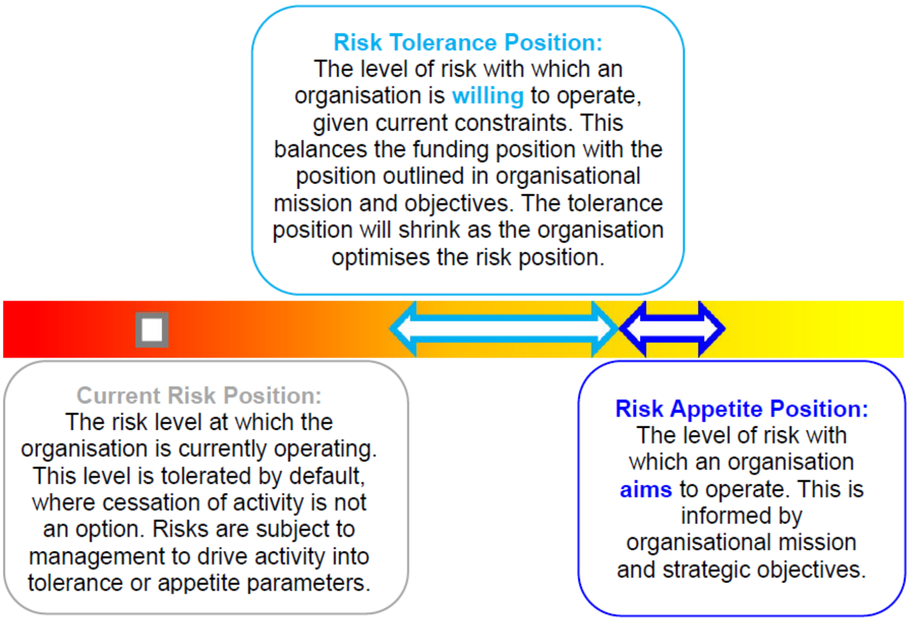
5. Risk Appetite and Tolerance

Risk appetite involves "continuously assess[ing] the nature and extent of the principal risks that the organisation is exposed to and is willing to take to achieve its objectives . . . and ensure that planning and decision-making reflects this assessment."[3]

Risk appetite and tolerance are viewed as different concepts as stated in government guidance, and can be defined as follows:

- "Risk Appetite: the level of risk with which an organisation aims to operate.
- Risk Tolerance: the level of risk with which an organisation is willing to operate."[4]

A diagram based on these definitions "demonstrates the interaction between these concepts", reflecting the "optimal" (Appetite) and "acceptable" (Tolerance) risk positions:[5]



The risk appetite statement below for the Council is based on where we aim to operate, and does not necessarily reflect our current risk position. Each local authority operates within their own context to a certain extent and

[3] HM Government (2020) *Risk Appetite – Guidance Note.* Government Finance Function, p.3. Online available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/929385/Risk_Appetite_Guidance_Note_v1.0_FINAL.pdf [Accessed 09/06/2021].

[4] Ibid. footnote no. 3, p. 4.

[5] Ibid. footnote no. 3, p. 5.

faces different challenges. Therefore there is not a standard risk appetite or tolerance level that can be subscribed to.

We face significant challenges at present following organisational restructures, changes to governance arrangements, budgetary constraints, and service challenges. Hence due to the limitations these challenges place on our capacity and resources, our risk tolerance position currently sits outside of our risk appetite position (see diagram above).[6]

Principally, our **tolerance** (acceptable) level of risk is lower than our appetite (optimal) position, due to tight budgetary controls. Hence we are willing to operate at a very low risk level at present, whereas our optimal position allows greater scope, although marginal, to take risks where significant benefits are expected and risks controllable to a large extent.

However, as we continue to undertake significant corporate improvement work, whilst seeking to reduce our budgets to a sustainable level, we are in a position where we must tolerate certain high risks in the short/medium-term, due to insufficient resources and competing corporate priorities, which prohibit us from reducing the risk to a more optimal position. Hence distinguishing between our risk tolerance and appetite positions, according to the definitions above, is difficult at this time.

Yet, wherever there are clear mandatory legal, statutory or regulatory requirements, these should be met. This standard applies to all service areas and all the Council's activities.

Our risk appetite below is based on government guidance and scales (see Annex 2),[7] and states where we aim to operate in terms of risk management at a corporate level given the caveats above:

Financial – budget setting: Our appetite for financial risk is **minimalist**. We have worked hard to balance our budget and remaining financially sustainable is our central corporate priority. As such our financial decisions are heavily scrutinised and achieving value for money for our residents is a key factor in decision making. We will therefore only undertake activities that carry a low degree of inherent risk.

Transformation activity: Our appetite for risk related to our transformation and corporate improvement work is **cautious**. Our preference is for safe options that have a low degree of inherent risk.

[6] "The definition of risk tolerance [as stated in the government guidance] relates specifically to an organisational position. [Hence a] risk tolerance position should not be confused with tolerating a risk, by choice, as a risk response" (Ibid. footnote no. 3, p. 5).

[7] Ibid. footnote no. 3, p. 14.

However we are willing to tolerate a degree of risk when selecting activities to take, if scoping confirms achievable benefits and controllable risks. Therefore all transformation work will be driven by programme management principles, which includes business cases for all investment decisions. Certain corporate priorities and projects may not, strictly speaking, be transformation work (e.g. climate change and economic development work). Hence we have a slightly reduced risk appetite for this work given our resourcing constraints.

Financial – investment: When considering investments, our investment sub-committee approaches risk in a **cautious** manner.

Service delivery: We have a **minimalist** approach towards our business as usual service delivery, as at present our aim is to maintain high standards for our basic statutory services and remain within our set budgets. Risk related to our service improvement work come under the transformation heading above.

6. Risk and Decision-making

The following flow chart highlights where we consider risk, who can make risk decisions and where we record risk assessments.

When risk will be considered

Decision-making at;

- Committee level;
- Executive level;
- Directorate level;
- Service level.

When proposing new, or significantly revising:

- Projects;
- Policies;
- Services.

Who will make risk decisions

- Committees
- Executive Leadership Team
- Departmental Leadership Team
- Senior Leadership Team
- Project Boards

What documentation will record risk assessments & decisions

Assessments:

- Committee reports;
- Business cases;
- Procurement activity requests;
- Partnership agreements;
- Projects approval & initiation documents;
- Project update reports;
- HR authorisation forms;
- Options appraisals.

Decisions:

- Meeting minutes;
- Legal DDR forms;
- Decision logs.

7. Roles & Responsibilities

The following tables outline the key roles and responsibilities of officers and corporate groups at the Council.

Key:[8]

ELT	Executive Leadership Team	**SLT**	Senior Leadership Team
DLT	Departmental Leadership Team		

RISK OWNERS *(inc. Project Managers)*	DLTs & PROJECT BOARDS	SLT *(in addition to Risk Owners)*
▪ Day to day management of their risks and input into service & project board risk discussions; ▪ Provide risk updates at, and be prepared in advance of, DLT meetings; ▪ Propose (d)escalations of risks to DLT / ELT; ▪ Be familiar with the corporate risk register structure, location of risk registers, and scoring matrix.	▪ Own, review, manage and quality assure their specific risk registers; ▪ Evaluate potential risk changes ▪ Decide whether escalations are necessary ▪ Document any risk changes ▪ Seek corporate support and advice where necessary.	▪ Pro-actively participate in, and be prepared in advance of, DLT meetings; ▪ Constructively challenge risks as appropriate.

[8] The difference between a DLT and the SLT is that a DLT is comprised of the senior management of one Directorate (Communities, Resources & Planning), whose meetings are a formal part of our model of corporate governance. The SLT refers to all service managers in the Council, who meet monthly, however these meetings are not a formal part of the Council's officer governance. The meetings are attended by at least one member of ELT, and act as an informal forum to support cross-organisational communication and coordination.

ELT

- Hold risk owners accountable for risk management and being prepared for DLT meetings;
- Champion risk management;
- Own, review and quality assure the Corporate risk register;
- Propose the risk management strategy to Strategy and Resources Committee.

POLICY COMMITTEES

- Own and review their register;
- Constructive challenge of risk registers;
- Assurance of risk management in relation to committee remit.

STRATEGY & RESOURCES COMMITTEE

- Own and review corporate risk register.

AUDIT & SCRUTINY COMMITTEE

- Review effectiveness of implementation of risk management strategy by the policy committees and senior management.

PROGRAMME MANAGEMENT OFFICER

- Take Monthly snapshots of committee, directorate and corporate risk registers;
- Prepare performance & risk committee reports informed by DLT/ ELT discussions;
- Provide 'critical friend' support at DLT meetings;
- Provide 1-1 familiarisation / training sessions to colleagues.

8. Monitoring and Reporting

The risk registers (Section 4) are used to report on risk, to prioritise improvement action and to monitor results. The Corporate Risk Register is reviewed and quality assured each month by the Executive Leadership Team. The Committee and Directorate registers are reviewed and quality assured monthly by each relevant Departmental Leadership Team. New and amended assessments are identified and recorded as and when necessary.

Business managers are required to review and update their risks on the Directorate registers before each Departmental Leadership Team meeting to:

- Ensure current controls are effective and do not require further planned actions;
- Ensure identified risks are still relevant and located on the correct register, i.e. they have not changed over time;
- Re-assess risks when change happens or new information comes to light: such as new equipment, changes in legislation, or at the start of a new project/procurement.
- Review key project, procurement, contract management and partnership risks and, where risks impact outside of their particular service areas – that is, when they require more corporate support, increase significantly in score, and/or become more strategically important – escalate these risks to the relevant Committee Risk Register;
- Prevent loss and damage and reduce the cost of risk to the Council and all involved in our activities.

Our "three lines of defence" for risk management are as follows:[9]

- 1st Line of Defence: Senior management and other risk owners monitoring, assessing and maintaining effective internal control measures over their risks at regular intervals using our risk processes.
- 2nd Lind of Defence: Executive, Directorate, Member and other corporate functions that oversee risk management such as: our Policy Committees, Audit & Scrutiny Committee, Executive Leadership

[9] Ibid. footnote no. 1, p. 29-32.

Team, Departmental Leadership Teams, and Corporate Procurement Board.

- 3rd Line of Defence: Internal audit provide an objective and independent perspective on the effectiveness and adequacy of our framework of governance, management and control. Evaluation of controls proposed by management is also provided.

9. Continual Improvement

The Council adheres to the principle of "Continual Improvement", that is, "Risk management shall be continually improved through learning and experience".[10]

The Council embarked on a substantial, and multifaceted, corporate improvement journey on 28th November 2019, which led to the formation of a corporate improvement plan.[11] Since then risk management workshops have been held with Officers and Members and our risk management process and risk registers refined on an iterative basis.

To ensure learning and improvement continues we maintain the 'three lines of defence' (Section 8), and will update/republish this document as circumstances changes and improvements are made. Therefore this Strategy can be viewed as a 'live' document, which will be reviewed in full on an annual basis.

Some examples of ongoing risk management improvement work are as follows:

- We are adding explicit reference to risk categories (Annex 4) in our Directorate level risk registers to aid risk identification and enhance understanding regarding the Council's overall risk profile;
- We are pro-actively seeking feedback and enhancing understanding of our new risk management processes by offering all Officers 1-1 / workshop familiarisation meetings (including with new risk owners). Identification of need occurs during the regular risk management discussions held at the Directorate, Senior Leadership Team and Executive meetings.
- The adoption of this Strategy symbolises a key progress milestone in our corporate risk management. Therefore we aim to shift more focus towards standardisation across our service / project level risk management.

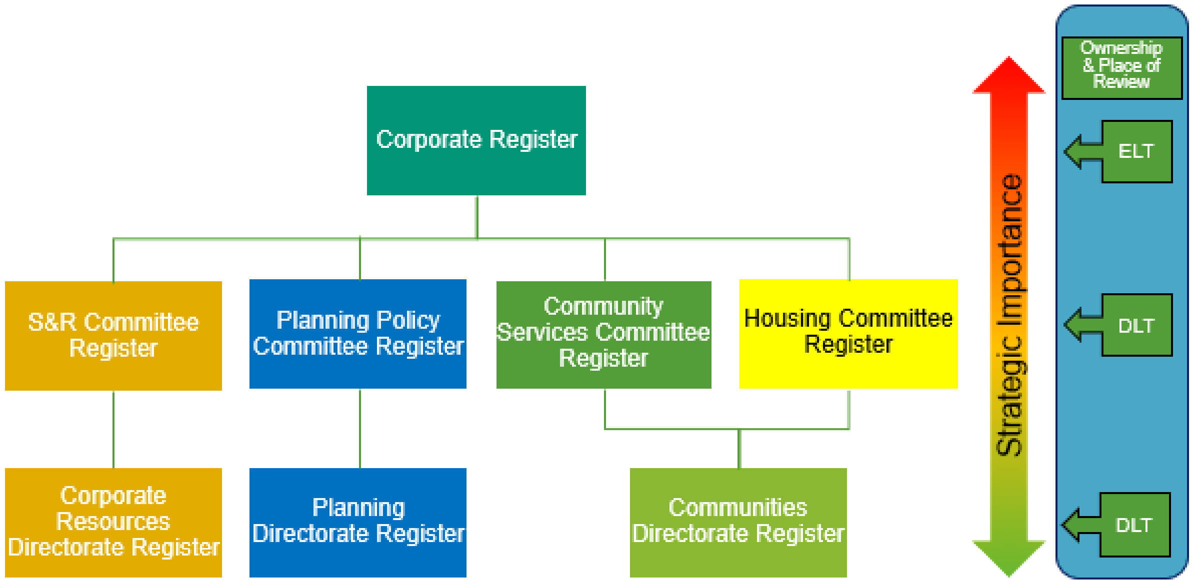
[10] Ibid. footnote no. 1, p. 24.

[11] See reports of the 9th July 2020 Strategy & Resources Committee: Covering report - https://tandridge.moderngov.co.uk/documents/s595/Council%20Improvement%20Plan%20-%20covering%20report.pdf; Improvement Plan - https://tandridge.moderngov.co.uk/documents/s701/Appendix%20E%20-%20Council%20Improvement%20Plan.pdf [Accessed 11/06/2021].

- We are also considering employing a more formal “Risk Assurance Framework”[12] for our strategic risks.

[12] MVDC (2021) *Risk Management Policy*, Mole Valley District Council, p. 21. Online available: https://www.molevalley.gov.uk/sites/default/files/inline-files/Risk%20Management%20Policy%20-%20interim%20review%20Feb%2021%20-%20accessible.pdf [Accessed 11/06/2021].

Annex 1 - Risk Register Structure



<u>Key</u>:

- S&R – Strategy and Resources Committee
- ELT – Executive Leadership Team
- DLT – Departmental Leadership Team

Annex 2 - Scoring Matrix

Version: 1.0 Apr 21

Likelihood						
	Very Likely	**4**	4	8	12	16
	Likely	**3**	3	6	9	12
	Possible	**2**	2	4	6	8
	Unlikely	**1**	1	2	3	4
			1	**2**	**3**	**4**
			Low	**Medium**	**High**	**Very High**
			Impact			

The scores are calculated as follows to make up the total risk score:

Total risk score = Likelihood x Impact

For the purposes of our risk tolerance and appetite positions (Section 5):

- RED risks are classed as High;
- YELLOW risks are classed as Medium;
- GREEN risks are classes as Low.

Likelihood Guidance Criteria

Risk Level		Controls
1	Unlikely	**Less than 10%** chance of circumstances arising
2	Possible	**10% to 40%** chance of circumstances arising
3	Likely	**41% to 75%** chance of circumstances arising
4	Very Likely	**More than 75%** chance of circumstances arising

<u>**Impact Guidance Criteria**</u>

	Low (1)	Medium (2)	High (3)	Very High (4)
People / Duty of Care	• Low level of foreseeable minor injuries • Loss of staff morale but unlikely to result in absence or turnover of staff	• High level of foreseeable minor injuries; Low level of foreseeable serious injuries • Declining staff dissatisfaction; Isolated instances of behaviours outside of value framework	• High level of foreseeable severe injuries • Adverse staff dissatisfaction / likely increased absence and turnover of staff; Negative impact on culture & value framework	• Foreseeable long-term injury, illness or fatality • Significant staff dissatisfaction / increased long term absence & staff turnover; Loss of culture and value framework
Financial Impact	• Less than 5% over budget	• Between 5-10% over budget	• Between 11-25% over budget	• More than 25% over budget
Legal Impact	• Minor civil litigation	• Major civil litigation and/or local public enquiry	• Major civil litigation and/or national public enquiry	• Legal action certain • Section 151 or government intervention or criminal charges
Service Impact	• Short term service disruption	• Noticeable service disruption affecting customers	• Significant service failure but not directly affecting vulnerable groups	• Serious service failure directly affecting vulnerable groups
Project Delivery	• Minor delay to project	• Significant delay to project	• Project fails to deliver target impacting on the Business Unit's performance	• Project fails to deliver target impacting on Council's performance and / or corporate objectives
Intervention Required	• Intervention by Service Manager, Project Manager or equivalent	• Intervention by Head of Service or equivalent	• Intervention by Corporate Board or equivalent	• Intervention by Members
Reputation Impact	• Short term negative local media attention	• Significant negative local media attention	• Sustained negative local media attention and/or significant national media attention	• Sustained negative national media attention

Annex 3 - Risk Appetite Scale[13]

Risk Appetite	Description
Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry virtually no inherent risk.
Minimalist	Preference for very safe business delivery options that have a low degree of inherent risk with the potential for benefit/return not a key driver. Activities will only be undertaken where they have a low degree of inherent risk.
Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken my carry a high degree of inherent risk that is deemed controllable to a large extent.
Receptive	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

[13] Ibid. footnote no. 3, p. 15.

Annex 4 - Risk Categories[14]

Strategy risks – Risks arising from identifying and pursuing a strategy, which is poorly defined, is based on flawed or inaccurate data or fails to support the delivery of commitments, plans or objectives due to a changing macro-environment (e.g. political, economic, social, technological, environment and legislative change).

Governance risks – Risks arising from unclear plans, priorities, authorities and accountabilities, and/or ineffective or disproportionate oversight of decision-making and/or performance.

Operations risks – Risks arising from inadequate, poorly designed or ineffective/inefficient internal processes resulting in fraud, error, impaired customer service (quality and/or quantity of service), non-compliance and/or poor value for money.

Legal risks – Risks arising from a defective transaction, a claim being made (including a defence to a claim or a counterclaim) or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets (for example, intellectual property).

Property risks – Risks arising from property deficiencies or poorly designed or ineffective/ inefficient safety management resulting in non-compliance and/or harm and suffering to employees, contractors, service users or the public.

Financial risks – Risks arising from not managing finances in accordance with requirements and financial constraints resulting in poor returns from investments, failure to manage assets/liabilities or to obtain value for money from the resources deployed, and/or non-compliant financial reporting.

Commercial risks – Risks arising from weaknesses in the management of commercial partnerships, supply chains and contractual requirements, resulting in poor performance, inefficiency, poor value for money, fraud, and /or failure to meet business requirements/objectives.

People risks – Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action and/or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.

Technology risks – Risks arising from technology not delivering the expected services due to inadequate or deficient system/process development and performance or inadequate resilience.

Information risks – Risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.

Security risks – Risks arising from a failure to prevent unauthorised and/or inappropriate access to the estate and information, including cyber security and non-compliance with General Data Protection Regulation requirements.

Project/Programme risks – Risks that change programmes and projects are not aligned with strategic priorities and do not successfully and safely deliver requirements and intended benefits to time, cost and quality.

Reputational risks – Risks arising from adverse events, including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation, leading to damages to reputation and or destruction of trust and relations.

[Fraud risks – Risks arising from intentional deception to secure unfair or unlawful gain against the Council, or to deprive the Council of its legal rights.]

Failure to manage risks in any of these categories may lead to financial, reputational, legal, regulatory, safety, security, environmental, employee, customer and operational consequences.

[14] HM Government (2020) *The Orange Book: Management of Risk – Principles and Concepts,* Government Finance Function. Online available: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/866117/6.6266_HMT_Orange_Book_Update_v6_WEB.PDF [Accessed 26/05/2021]. Note the Fraud risk category is a "Tandridge" specific addition to the Orange Book list.

Annex 5 - Appetite levels defined by Risk Categories.

The following table is an extract from the Government's guidance note on risk appetite,[15] which provides a useful example of using apply risk appetite scale to different categories of risk. Note: "open" is comparable to "receptive" in Annex 3.

	Risk Appetite				
	Averse	**Minimal**	**Cautious**	**Open**	**Eager**
Financial	Avoidance of any financial impact or loss, is a key objective.	Only prepared to accept the possibility of very limited financial impact if essential to delivery.	Seek safe delivery options with little residual financial loss only if it could yield upside opportunities.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).
Operations	Defensive approach to operational delivery - aim to maintain/protect, rather than create or innovate. Priority for close management controls and oversight with limited devolved authority	Innovations largely avoided unless essential. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with clear demonstration of benefit / improvement in management control. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
Reputational	Zero appetite for any decisions with high chance of repercussion for organisations' reputation.	Appetite for risk taking limited to those events where there is no chance of any significant repercussion for the organisation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the organisation.	Appetite to take decisions with potential to expose organisation to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional governmental / organisational scrutiny only where potential benefits outweigh risks.
Legal	Play safe and avoid anything which could be challenged, even unsuccessfully.	Want to be very sure we would win any challenge.	Want to be reasonably sure we would win any challenge.	Challenge will be problematic; we are likely to win and the gain will outweigh the adverse impact.	Chances of losing are high but exceptional benefits could be realised.
Commercial	Zero appetite for untested commercial agreements. Priority for close management controls and oversight with limited devolved authority.	Appetite for risk taking limited to low scale procurement activity. Decision making authority held by senior management.	Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management. Management through leading indicators.	Innovation supported, with demonstration of benefit / improvement in service delivery. Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.

[15] Ibid. footnote no. 3, p. 11.