

## Appendix (A) - Annual Review - Risk Appetite Statement

### Proposed Changes

#### 1. Purpose

The Council's risk appetite statement sets out how the Council balances the risks and opportunities in pursuit of delivering the outcomes set out within the Local Outcome Improvement Plan and associated strategies.

The risk appetite statement is a key element that supports our Scheme of Governance and should provide guidance when decisions are made by Full Council, committees and sub-committees within their Terms of Reference, and officers under the Powers Delegated to Officers.

The statement will assist Council Officers and Elected members in considering their response to findings and recommendations arising from external audits and inspections.

**There may be occasions where there are competing risks to which the Council has a competing risks and appetites. In such instances, the decision maker and/or the officer making a recommendation, will be expected to consider and manage those competing risks and appetites and exercise careful judgement.**

From time to time, the Council may deviate from its agreed risk appetite. When this is case, it will be important to exercise judgement whilst assessing the potential impacts across the organisation.

The statement is reviewed annually by the Risk Board and the Corporate Management Team which will submit any proposals for revision to the Audit Risk and Scrutiny Committee.

#### 2. Risk Categories (no change)

The Council recognises the following categories of risk:

- Strategic
- Compliance
- Operational
- Financial
- Reputational
- Environment/Climate

### 3. Risk Appetite Definitions

**Cautious appetite to read** – “The activities may carry a high degree of risk that will be mitigated and controlled.

Appetite	Description	<div style="text-align: center;"> <p>Threat</p>  <p>Opportunity</p> </div>
Averse	<p>Avoidance of risk.</p> <p>Uncertainty in achievement of strategic objectives and delivery of outcomes is critical.</p> <p>Activities undertaken will only be those considered to carry virtually no risk.</p>	
Cautious	<p>Willing to accept/tolerate a degree of risk when selecting which activities to undertake in order to achieve a significant reward and to achieve delivery of strategic outcomes and objectives. The activities may carry a high degree of risk that be mitigated and controlled.</p>	
Open	<p>Undertakes activities by seeking to achieve a balance between a high likelihood of successful delivery and a high degree of reward and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.</p>	
Hungry	<p>Eager to be innovative and choose activities that focus on maximising opportunities (additional benefits and goals) and offering potentially very high reward, even if these activities carry a very high residual risk.</p>	

## 4. Overarching Statement

Aberdeen City Council delivers a wide range of services to the citizens of Aberdeen. Risk management forms a fundamental part of its operations, and the Council recognises that whilst it may be desirable to avoid risks it must also accept risks in order for the Council to evolve and achieve its ambitions for the people and the place.

### Strategic

The Council is **averse cautious** to risks which may threaten the delivery of critical services, our outcomes and commissioning intentions.

However, the Council is hungry for taking well managed risks when opportunities provide clear benefits allowing for improvement, innovation, and transformation.

The Council has an open appetite for risks that provide and contribute to the economic prosperity of the City.

### Compliance

The Council is averse to any risks that **may will** result in non-compliance or breaches in statutory obligations, regulations, and law.

The Council is cautious when giving legal advice and considers the likelihood of any legal challenge and the likely success of any legal challenge.

### Operational

The Council is **cautious averse** to any risks that may have a negative effect on the health and safety, diversity and equality of its staff, elected members and members of the public.

The Council has an open appetite to the risks that allows it to manage service demand, continuously improve service delivery and performance.

### Financial (no change)

The Council is averse to risks associated with impairing financial stewardship, internal controls, and financial sustainability. The Council has an open appetite for short-term risks that support financial performance and mitigate negative external factors. It has an open appetite

for longer term capital and financial investments provided that the risks are well managed and demonstrate realisable future benefits for delivering the Council's outcomes and commissioning intention

### **Reputational (no change)**

The Council relies on its reputation to ensure engagement with communities, partner organisations and stakeholders in order to deliver its strategic outcomes. The Council has a cautious appetite to reputational risk and will accept opposition when its activities and projects will provide longer-term benefits and improvements to service delivery, performance, outcomes and commissioning intentions.

### **Environment/Climate**

The Council has an averse appetite for any risks that may have a long-term detrimental impact upon the environment but is hungry for well managed risks in ~~pursuit of our long term sustainable development and net zero ambitions~~ order to achieve inclusive economic growth and to contribute to net zero corporate carbon emissions in the City by 2045.

**The Council is cautious to any risks relating to the impact of climate change which may threaten the delivery of critical services, our outcomes and commissioning intentions.**