

Risk Appetite Statement

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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

The Council recognises the following categories of risk:

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

3. Risk Appetite Definitions

Appetite Level (determined by risk category)	Approximate Target Risk Score Equivalent	Description	<div style="text-align: center;"> <p>Threat</p>  <p>Opportunity</p> </div>
Averse	1-6 (Low)	<p>Avoidance of risk. 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	8-9 (Medium)	<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.</p> <p>The activities may carry a high degree of risk that will be mitigated and controlled.</p>	
Open	10-12 (Medium)	<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.</p> <p>Activities themselves may potentially carry, or contribute to, a high degree of residual risk.</p>	
Hungry	15-24 (High)	<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 **cautious** to risks which may threaten the delivery of critical services, our outcomes and commissioning intentions.

The Council is **open** to taking well managed risks when opportunities provide clear benefits allowing for improvement, innovation, and transformation **or when the threat from external factors necessitates a change in strategic direction.**

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 will result in non-compliance or breaches in statutory obligations, regulations, and law. **Any deviation from our duties will require the appropriate approvals in place.**

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** 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 **deliver manage services in the face of growing demand including from external factors, provided these risks are assessed in light of our statutory duties and our agreed service standards.** ~~continuously improve service delivery and performance.~~

Financial

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 a **cautious** 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

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 **but** ~~and~~ will accept opposition when its activities and projects **are on balance designed to secure** ~~will provide~~ longer-term benefits and improvements to service delivery, performance, outcomes and commissioning intentions **or all of the above**.

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 order to contribute to **a net zero City and target of net zero Council** ~~corporate carbon emissions targets 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.