



Risk Appetite 05 December 2023

Report of Chief Executive

PURPOSE OF REPORT				
The enable cabinet to note and endorse the appropriate risk appetite levels for the Council.				
Key Decision	<input type="checkbox"/>	Non-Key Decision	<input checked="" type="checkbox"/>	Referral from Cabinet Member
Date of notice of forthcoming key decision	N/A			
This report is public				

RECOMMENDATIONS OF THE LEADER

- (1) To adopt the risk appetite levels for risks across the Council, as set out in appendix A.

1.0 Introduction

- 1.1 An audit of the council's risk management function was undertaken in May 2023. As a result of this audit, five recommendations were made. One of those being "Ensure that the Council's risk appetite statement is sufficient to be applied to risk category, and principal category of risk then used to help inform risk target score."
- 1.2 The management response to this audit finding was "Further research into best practice to be carried out with the aim of providing clear guidelines on the acceptable level of risk for each risk category to be carried out."
- 1.3 At the meeting on 22 November 2023, Audit Committee approved in principle the adoption of the Treasury risk categories and risk appetite levels as defined in "The Orange Book. Risk Management Guidance Note". The Chair of Audit Committee has asked that Cabinet have sight of, and endorse, the recommended risk appetite levels.

2.0 Proposal Details

- 2.1 It is proposed the council use The Orange Book guidance for risk categories and risk appetite definitions, with some minor changes to make it most suitable for our needs. (See appendix A).
- 2.2 Cabinet are asked to note and endorse the recommended risk levels, as shaded in yellow in appendix A. These recommendations are set based on the advice and professional judgment of officers.

3.0 Details of Consultation

- 3.1 Expert advice has been sought from our internal auditors, MIAA, on risk management.
- 3.2 The Leadership Team have been consulted on the planned approach and support it as outlined.
- 3.3 Audit committee support in principle the adoption of the Orange Book risk categories and risk appetite levels.

4.0 Options and Options Analysis (including risk assessment)

	Option 1: Endorse the recommended risk appetite levels as proposed in appendix A.	Option 2: Set different risk appetite levels, using the definitions in appendix A.	Option 3: Write and adopt new risk appetite definitions, specific to LCC
Advantages	Best practice on risk categories and risk appetite levels will be adopted.	Decision makers are satisfied with the adopted risk levels.	The risk appetite definitions will be very specific to LCC
Disadvantages	Resource time is necessary to deliver this work.	Resource time is necessary to deliver this work.	Resource time and effort required to create appropriate risk appetite levels for each risk category. The risk appetite levels will not follow any kind of best practice.
Risks	Adopting best practice would strengthen the councils risk management and make it fit for the future.	Adopting best practice would strengthen the councils risk management and make it fit for the future.	Not following best practice or any defined model will not allow the council to compare its risks to that of other local authorities.

5.0 Officer Preferred Option (and comments)

5.1 The recommended option is to proceed with endorsing the recommended the risk appetite levels as shown in appendix A (Option 1).

6.0 Conclusion

6.1 Endorsing the recommended risk appetite levels will strengthen the council's approach to risk management.

RELATIONSHIP TO POLICY FRAMEWORK

The Council have a Risk Management Policy, which is written to provide guidance on the management of risk. Risk Management is identified in the proposed Council Plan 2024-27.

CONCLUSION OF IMPACT ASSESSMENT

(including Health & Safety, Equality & Diversity, Human Rights, Community Safety, HR, Sustainability and Rural Proofing)

None directly identifiable.

LEGAL IMPLICATIONS

No direct legal implications arising from this report.

FINANCIAL IMPLICATIONS

No direct financial implications arising from this report.

OTHER RESOURCE IMPLICATIONS

Human Resources:

No direct HR implications arising from this report.

Information Services:

No direct ICT implications arising from this report.

Property:

No direct property implications arising from this report.

Open Spaces:

No direct open spaces implications arising from this report.

SECTION 151 OFFICER'S COMMENTS

The Section 151 Officer has contributed to this report in his role as Chief Officer Resources.

MONITORING OFFICER'S COMMENTS

Whilst Audit Committee is responsible for monitoring the effective development and operation of risk management in the council, any Councillor (in this case the Chair of Audit) can ask the Leader to place an item on the Cabinet Agenda for consideration.

BACKGROUND PAPERS

Appendix A: Risk Categories and Risk Appetite – 21.11.23

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