

# PERTH & KINROSS COUNCIL

## RISK APPETITE STATEMENT

This Risk Appetite Statement describes the level of risk that Perth & Kinross Council is prepared to tolerate or accept in pursuit of its objectives. It is important that our appetite and thresholds are understood and communicated consistently throughout the organisation and with our stakeholders.

Establishing our risk appetite is fundamental to implementing a systematic approach to identifying, assessing, and managing risk within the Council. Below is an overall statement of our risk appetite. Table 1 below sets out our appetite in respect of each risk category. Table 2 sets out appetite and thresholds in respect to our most common risk factors and Table 3 sets out our appetite to risk in respect of our work as a partner, collaborator contractor or funder. More detail information as regards risk factor impact assessment is contained within the Risk Management Toolkit.

### Overall Risk Appetite Statement

**As a highly regulated public body Perth & Kinross Council has an overall conservative risk appetite. We will act in accordance with this risk appetite statement to achieve strategic objectives and remain a high performing and ambitious Council.**

We recognise that it is not practical or desirable to avoid all risk and that a greater degree of risk will require to be accepted if our programme of change and transformation is to succeed. In a rapidly changing public sector environment we will employ sound organisation wide risk management principles, transparent decision-making, and effective communication to prioritise our risk. In these challenging times we must maintain a highly motivated, diverse, talented, and empowered work force and will deploy resources to maximise their use and effectiveness. Our reputation as an effective, ethical and respected Council is highly valued. We will continue to operate with integrity, maintain strong ethical standards and adhere to all applicable legal and regulatory requirements.

**Table 1: CATEGORY RISK APPETITE STATEMENT**

<b>RISK CATEGORY</b>	<b>DESCRIPTION</b>	<b>OVERALL RISK APPETITE</b>	<b>RATIONALE</b>
<b>STRATEGIC</b>	Risks which impact on the delivery of the Council's corporate or community planning objectives.	<b>MODERATE</b>	Perth & Kinross Council is a high performing Council committed to continuously improving the services that we provide to our community. We are working in challenging times, with an ambitious national public service reform agenda, high customer demand and expectation, and reducing local government funding. In order to realise our ambitions we are prepared to accept a moderate degree of risk to ensure that we can maximise the benefits of any opportunities for growth and development which may arise, subject to the particular risk factor thresholds outlined below.
<b>TRANSFORMATIONAL</b>	Risks which impact upon the ability to deliver change and transformation within the Council	<b>MODERATE/ HIGH</b>	The public sector landscape is continually changing. The traditional approach to public service delivery is no longer considered sustainable or appropriate and public bodies need to rethink how their services can be delivered to better meet the needs of our communities and deliver better value for money. National policy is moving towards increased partnership and collaboration which will require more innovative and complex service delivery models to be developed. Perth & Kinross Council recognises that this new landscape significantly changes the traditional local government risk profile. We accept that new and different risks will emerge, that will require to be managed. We understand that in order to remain a successful and sustainable organisation, we need to be more innovative, entrepreneurial and open to opportunity and challenge. We will accept a moderate to high degree of risk in order to secure the long term benefits of transformation, subject to the particular risk factor thresholds outlined below.
<b>OPERATIONAL</b>	Risks which impact on the delivery of Council Services	<b>MODERATE</b>	Local authority service delivery is a highly regulated complex business. Services budgets are reducing and customer demand is increasing. The Council recognises that it requires to accept a moderate level of risk in order to continue to deliver an appropriate level of service, at value for money, subject to the particular risk factor thresholds outlined below.

**Table 2: RISK FACTOR APPETITE**

RISK FACTOR	DESCRIPTION	APPETITE	RATIONALE
HUMAN RESOURCE	Risks which impact upon Employees :		
	<ul style="list-style-type: none"> <li>Workplace culture</li> </ul>	NO	The Council has no appetite for risks that undermine the health and safety, diversity and equality of our employees or the public
	<ul style="list-style-type: none"> <li>Conduct and behaviour</li> </ul>	LOW	The Council has a low appetite for weaknesses in employee conduct
	<ul style="list-style-type: none"> <li>Attendance</li> </ul>	LOW	Employees are the Council's key asset, therefore the Council has a low appetite for absence, which may impact upon operational delivery of services, or impact upon the wellbeing of other staff.
	<ul style="list-style-type: none"> <li>Change management</li> </ul>	MODERATE	<p>To keep pace with the changing public sector landscape the Council recognises that change in public service delivery is inevitable and large scale service redesign is necessary. The Council will accept a moderate degree of risk in terms of its workforce capacity, planning, development and performance as it transforms its services through redesign, collaboration and alternative delivery models.</p> <p>Decisions to assume more risk will take into account internal and external factors such as best practices, innovation, changes in economic or market conditions, and national policy.</p>
LEGISLATION & COMPLIANCE	Risks which compromise compliance with applicable laws and	NO	<p>The Council has no appetite for :</p> <ul style="list-style-type: none"> <li>breaches of statutory obligations, regulations</li> <li>breaches of ethics or professional standards</li> <li>bribery, fraud or any form of corruption</li> <li>criminal acts by employees or elected members</li> </ul>

	regulations	<b>LOW</b>	The Council has a low appetite for weaknesses in governance and internal control processes
<b>FINANCE</b>	Risks which compromise sound financial management and sustainability		To maintain our long term financial viability and deliver on our objectives we must exercise prudent stewardship over our financial resources, maintain strong internal controls and ensure compliance with applicable governmental and accounting standards. We recognise that we cannot control or precisely predict external factors that may affect our financial resources, but we will make prudent decisions to mitigate the financial impact.
	<ul style="list-style-type: none"> <li>Financial stewardship and internal control</li> </ul>	<b>LOW</b>	The Council has a low appetite for weaknesses in financial stewardship, internal controls, reporting, and resource utilisation and expenditures that impair completion of business-critical functions.
	<ul style="list-style-type: none"> <li>Short term financial risks</li> </ul>	<b>MODERATE</b>	The Council has a moderate appetite for short-term financial risk that occurs in response to external factors, providing it is consistent with a plan for long-term health and stability of the Council and its people.
	<ul style="list-style-type: none"> <li>Sustainability</li> </ul>	<b>MODERATE</b>	The targeted level of uncommitted non-HRA General Fund Reserves continues to be in the range of 2% to 4% of the Council's net revenue expenditure in the medium term. The risk threshold is 2 % which shall be reviewed annually as part of the Council's budget setting processes

<b>INFORMATION TECHNOLOGY &amp; SECURITY</b>	The risk that information technology processing, security, stability, capacity, and performance jeopardises core operations or breaches compliance requirements		Information systems must support the delivery of our core functions with sufficient capability, capacity, resiliency, and security from internal and external threats. The Council is moving towards an increasingly mobile and technologically dependent workforce, and we therefore we must have a robust and secure technological infrastructure that meets its workforce and operational needs while supporting measured innovation.
	<ul style="list-style-type: none"> <li>• Compliance risks</li> </ul>	<b>NO</b>	The protection of confidential information on Council systems is paramount. The Council has no appetite for the unauthorised access to or use of systems and confidential data and will maintain strong controls to mitigate threats against its technology infrastructure and to protect confidential information held.
	<ul style="list-style-type: none"> <li>• Systems</li> </ul>	<b>LOW</b>	The Council has a low appetite for losing continuity of business operations stemming from unreliable telecommunications or system availability. Business resiliency planning and execution must be aligned with strategic objectives.
	<ul style="list-style-type: none"> <li>• Innovation</li> </ul>	<b>MODERATE</b>	The Council has a moderate appetite for innovative technology solutions to meet user demands in a rapidly changing environment and to support and facilitate change and business transformation.

<b>REPUTATION &amp; PUBLIC IMAGE</b>	<p>Risks which impact upon the reputation and public image of the Council.</p> <ul style="list-style-type: none"> <li>• Conduct &amp; standards</li> <li>• Operational performance</li> </ul>	<p><b>NO</b></p> <p><b>LOW</b></p> <p><b>LOW</b></p> <p><b>MODERATE</b></p>	<p>The reputation of the Council is important to maintain the credibility necessary to achieve its objectives. Elected members and staff must embrace equality, act with integrity, behave ethically and operate honestly and transparently.</p> <p>The Council has no appetite for any criminal acts or breach of ethical or professional standards</p> <p>The Council has a low appetite for any breaches of internal HR, financial or other internal regulatory processes which may compromise the integrity of the Council.</p> <p>The Council has a low appetite for any risks which are likely to result in loss of critical services to our communities.</p> <p>The Council has a moderate appetite for risk in respect of service performance levels in order to support innovation and creativity in our pursuit of more efficient operations. We accept the potential for increased short-term risk to achieve the long-term outcome of greater efficiency and effectiveness within the organisation and across the wider public service.</p>
<b>PROPERTY AND ASSETS</b>	<p>Risk of loss or damage to property and other physical assets which may impact upon service or community provision and business continuity</p>	<p><b>NO</b></p> <p><b>LOW</b></p>	<p>The Council has no appetite for the misappropriation or misuse of Council property or physical assets</p> <p>The Council has a low appetite for any risks which are likely to result in destruction or damage to Council property and other physical assets such as fleet</p>

<b>ENVIRONMENT</b>	Risks which may have an impact upon the environment	<b>LOW</b>  <b>MODERATE</b>  <b>MODERATE/ HIGH</b>	<p>The Council has a low appetite for any risks which may have a long term detrimental impact upon the environment</p> <p>The Council has a moderate appetite for short to medium term environmental risks in pursuit of long term sustainable development and economic growth.</p> <p>The Council recognises the importance of recycling, reuse and renewable schemes in respect of our environment. The Council will therefore accept a higher degree of risk in the short term to achieve long term environmental benefits.</p>
<b>CONTRACT AND PROCUREMENT</b>	Risks which flow from the Council's contract and procurement arrangements	<b>NO</b>  <b>NO</b>  <b>MODERATE</b>	<p>The Council has no risk appetite for any contractual or procurement arrangements which may involve serious and organised crime groups</p> <p>The Council has no risk appetite for contract or procurement activity which constitutes a breach of Scottish, UK or European procurement legislation.</p> <p>Council has a moderate risk appetite in respect of using procurement and contracting arrangements innovatively and creatively to maximise savings and generate income for the Council</p>

**Table 3: RISK FACTOR APPETITE AS A PARTNER, CONTRACTOR, COLLABORATOR OR FUNDER**

<b>RISK FACTOR</b>	<b>DESCRIPTION</b>	<b>APPETITE</b>	<b>RATIONALE</b>
<b>HUMAN RESOURCE</b>	<p>Risks arising from partnership and collaborative arrangements which will likely impact upon employees :</p> <ul style="list-style-type: none"> <li>• Changes to organisational structures and governance arrangements</li> <li>• Employee wellbeing</li> </ul>	<p><b>MODERATE/ HIGH</b></p> <p><b>MODERATE</b></p>	<p>The Government has an ambitious programme for the radical reform of public services with a strong focus on greater partnership working and collaborative arrangements across all sectors, which local government and our statutory partners must deliver. The Council recognises that it needs to significantly change how its services are delivered and that any service redesign will impact upon its employees.</p> <p>The Council has a moderate to high appetite for short term risks in terms of redesigning service structures and implementing new governance arrangements to support alternative service delivery vehicles in order to achieve better and more equitable outcomes for communities.</p> <p>Change programmes bring great opportunities for employees but the Council also recognises that for some the prospect of change presents a potential risk to morale and wellbeing . To mitigate this risk the Council will invest in training and development but is prepared to accept a moderate level of risk in this regard, in order to ensure the sustainability of our public services in the long term.</p>
<b>LEGISLATION &amp; COMPLIANCE</b>	<p>Risks which compromise compliance with applicable laws and regulations</p>	<b>NO</b>	<p>The Council has no appetite for :</p> <ul style="list-style-type: none"> <li>• breaches of statutory obligations, regulations</li> <li>• breaches of ethics or professional standards</li> <li>• bribery, fraud or any form of corruption</li> <li>• criminal acts by employees or elected members</li> </ul>

		<b>LOW</b>	The Council has a low appetite for weaknesses in any agreed governance and internal control processes
<b>FINANCE</b>	<p>Risks which compromise sound financial management and sustainability</p> <ul style="list-style-type: none"> <li>Financial stewardship and internal control</li> <li>Short term financial risks</li> </ul>	<p><b>LOW</b></p> <p><b>MODERATE</b></p>	<p>The Council recognises that it may not always have direct control in respect of the funding where services are delivered through partnership, collaborative or arm's length models. It does however still have a statutory responsibility to deliver best value in respect of public money.</p> <p>The Council has a low appetite for weaknesses in financial stewardship, internal controls, reporting, and resource utilisation and expenditures by the partnership, collaboration or arm's length bodies that fail to deliver the agreed outcomes and value for money.</p> <p>In its capacity as partner, contractor, collaborator or funder ( dependent upon the delivery vehicle), the Council will accept a moderate degree of financial risk in the short term to support the development and implementation of alternative delivery models to deliver better and more equitable outcomes for communities.</p>
<b>INFORMATION TECHNOLOGY &amp; SECURITY</b>	The risk that information technology processing, security, stability, capacity, and performance jeopardises the achievement of the agreed outcomes or		<p>Information systems must support the delivery of the agreed outcomes with sufficient capability, capacity, resiliency, and security from internal and external threats.</p> <p>In any partnership, collaborative, contracted or delegated arrangement, the sharing of adequate and relevant information between parties will be crucial to success. Failure to share relevant information at the right time presents a significant risk of performance failure.</p>



	<ul style="list-style-type: none"> <li>Operational performance</li> </ul>	<p><b>LOW</b></p> <p>The Council has a low appetite for any risks which are likely to result in significant service delivery failure.</p> <p><b>MODERATE</b></p> <p>The Council has a moderate appetite for short term risk in respect of service performance levels in order to support the effective implementation of any agreed alternative service delivery model and the achievement of the agreed objectives .</p>	
<b>PROPERTY &amp; ASSETS</b>	Risk of loss or damage or failure to fully utilise property and other physical assets which may impact upon achievement of the agreed outcomes	<p><b>NO</b></p> <p>The Council has no appetite for the misappropriation or misuse of Council property or physical assets</p> <p><b>LOW</b></p> <p>The Council has a low appetite for any risks which are likely to result in destruction or damage to Council property and other physical assets such as fleet</p> <p><b>MODERATE /HIGH</b></p> <p>The Council has a moderate to high appetite for short term risk in order to deliver more effective and efficient shared services through a rationalised public sector estate</p>	
<b>ENVIRONMENT</b>	Risks which may have an impact upon the environment	<p><b>LOW</b></p> <p>The Council has a low appetite for any risks which may have a long term detrimental impact upon the environment</p> <p><b>MODERATE</b></p> <p>The Council has a moderate appetite for short to medium term environmental risks in pursuit of long term sustainable development and economic growth.</p> <p>The Council recognises the importance of recycling, reuse and renewable schemes in respect of our environment. The Council in its capacity as partner, contractor, collaborator or funder, will therefore accept a higher degree of risk in the short term to achieve better long term environmental outcomes.</p>	

<b>CONTRACT &amp; PROCUREMENT</b>	Risk which flow from any contract and procurement arrangements	<b>NO</b>	The Council has no risk appetite for any contractual or procurement arrangements which may involve serious and organised crime groups
		<b>NO</b>	The Council has no risk appetite for contract or procurement activity which constitutes a breach of Scottish, UK or European procurement legislation.
		<b>MODERATE</b>	Council has a moderate risk appetite in respect of using procurement and contracting arrangements innovatively and creatively to deliver better value for money