

## Monmouthshire County Council Risk Appetite Statement

Last reviewed:

There will be occasions when the Council may benefit from introducing new opportunities or adopting innovative approaches, or where circumstances have changed and a revised approach to service delivery is necessary. These may result in a degree of calculated risk that is inherent in the approach so that a benefit can be gained. Where circumstances involve exposure to such risks, they must be assessed in line with the Council's risk appetite, as set out below.

Individual project proposals and business plans must contain an assessment of likely risks and consider the risk tolerance levels.

Any innovation or opportunity that presents medium or high risks must be closely examined, the risks clearly identified, analysed, documented and as appropriate, consulted on.

### Risk appetite

Risk appetite can be defined as 'the amount and type of risk that an organisation is willing to take in order to meet their strategic objectives'<sup>1</sup>. In some circumstances, a degree of risk may be accepted in order that a benefit can be gained or an opportunity taken.

Risk appetite can be thought of as made up of concepts:

- Optimal risk position - the level of risk with which an organisation aims to operate.
- Tolerable risk position - the level of risk with which an organisation is willing to operate

The council uses the following definitions of risk appetite levels<sup>2</sup>:

Risk appetite	Description
Averse (1)	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 (2)	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 (3)	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 may carry a high degree of inherent risk that is deemed controllable to a large extent.
Open (4)	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

<sup>1</sup> <https://www.theirm.org/knowledge-and-resources/thought-leadership/risk-appetite-and-tolerance.aspx>

<sup>2</sup> HM Government Orange book, risk appetite guidance note  
[https://assets.publishing.service.gov.uk/media/61239758e90e0705481fc085/20210805\\_-\\_Risk\\_Appetite\\_Guidance\\_Note\\_v2.0.pdf](https://assets.publishing.service.gov.uk/media/61239758e90e0705481fc085/20210805_-_Risk_Appetite_Guidance_Note_v2.0.pdf)

	benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
Eager (5)	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.

Risk appetite will vary between risks, departments and functions. The following table displays the council's risk appetite levels by organisational activity:

Risk category <sup>2</sup>	Risk appetite range		Comment
	Lower limit	Upper limit	
Strategic	Cautious (3)	Open (4)	The council will be cautious to open to risk that may prevent us from achieving our agreed objectives.
Financial	Minimalist (2)	Cautious (3)	The council will have a cautious approach to financial risks where there is value for money to be gained, and otherwise will take a minimalist approach.
Legal and regulatory	Averse (1)	Averse (1)	The council will not accept any risk that may result in a deliberate failure to comply with laws and regulations.
Governance and decision making	Averse (1)	Minimalist (2)	The council will seek to ensure that strong leadership and governance is in place at all times, but accepts there may be instances where a minimalist approach to governance and decision making risks is needed.
People	Averse (1)	Cautious (3)	The council will not accept any risks that may result in non-compliance with any employment policies or HR regulation or cause harm to people. We will, however, take a cautious approach to some risks that have a low degree of inherent risk.
Political	Minimalist (2)	Cautious (3)	The council will take a minimalist to cautious approach to political risks in seeking to achieve its objectives.
Environmental	Averse (1)	Minimalist (2)	The council has an averse to minimalist risk appetite in relation to environmental risk, aiming to have a minimal impact on our county's natural and built environment.
Service delivery (operational)	Averse (1)	Open (4)	The council will be averse to risks that could result in the failure to deliver essential services to our residents. We will, however, be open in situations where there is a high degree of benefit and value for money to be gained and the risk will not impact directly on essential services.

Reputational	Minimalist (2)	Open (4)	The council will be open to risk that may result in reputational risk in order to achieve its objectives.
Safeguarding	Averse (1)	Averse (1)	The council will not accept any risk that may result in harm to any person or a failure of safeguarding arrangements. The council will comply with all relevant safeguarding requirements to minimise any safeguarding risks.
Information governance	Averse (1)	Averse (1)	The council will not accept any risk that may result in a breach of personal or sensitive data.
Technology	Cautious (3)	Eager (5)	We will take a cautious to eager approach to risks where technological innovation is possible.
Health and safety (including public safety)	Averse (1)	Averse (1)	The council will not accept any risk that may result in harm to any person. We will ensure compliance with the council's own health and safety risk management policy and wider legislation.