APPENDIX 3

RISK APPETITE STATEMENT

Risk appetite is the level of risk the Council are prepared to tolerate or accept in the pursuit of its strategic objectives. The Council's aim is to consider all options to respond to risk appropriately and make informal decisions that are most likely to result in successful delivery, while also providing an acceptable level of value for money. The acceptance of risk is subject to ensuring that all potential benefits and risks are fully understood and that appropriate measures to mitigate risk are established before decisions are made.

The Council recognises that the appetite for risk will vary according to the activity undertaken and hence different appetites and tolerances to risk apply. We illustrate our risk appetite in the matrix below. The red area represents the outer limit of our risk appetite. As a Council we are not willing to take risks that have significant negative consequences on the achievement of our objectives.

RISK SCORING MATRIX

VERY HIGH	5	10	15	**20**	**25**
HIGH	4	8	12	**16**	**20**
MEDIUM	3	6	9	12	15
LOW	2	4	6	8	10
NEGLIGIBLE	1	2	3	4	5
IMPACT / LIKELIHOOD	**VERY RARE**	**UNLIKELY**	**POSSIBLE**	**LIKELY**	**VERY LIKELY**

Risk scores 16 to 25 Excess of Council's risk appetite

Risk scores 5 to 15 Likely to cause the Council some difficulties

Risk scores 1 to 4 Monitor as necessary

RISK RESPONSE

Risk Rating		Guidance to Risk
16-25	Risk at this level sits above the appetite of the Council and are of such magnitude that they form the Council's biggest risks. The Council is not willing to take risks at this level and action should be taken immediately to manage the risk.	Identify the actions and controls necessary to manage the risk down to an acceptable level. Steps will be taken to collectively review the risk and identify any other possible mitigation (such as controls). Risks that remain at this level will be escalated to CCLT, who will actively monitor and provide guidance on the ongoing management of risks at this level.
12-15	These risks sit on the borders of the Council's risk appetite and so while they do not pose an immediate threat, they are still risks that should remain under review. If the impact or likelihood increases then risk owners should seek to manage the increase.	Keep these risks on the radar and update as and when changes are made, or if controls are implemented.
5-10	These are low level risks that could impede or hinder achievement of objectives. Due to the relative low level it is unlikely that additional controls will be identified to respond to the risk.	Keep these risks on your register and formally review once a quarter to make sure that the impact and likelihood continues to pose a low level.
1-4	Minor level risks with little consequence but not to be overlooked completely. They are enough of a risk to have been assessed through the process, but unlikely to prevent the achievement of objectives.	No actions required but keep the risk on your risk register and review quarterly.