

Draft Risk Appetite Statement
August 2024

OVERVIEW

The current risk appetite approach was developed, implemented and approved during the course of 2023 and included within the Risk Management Framework document dated September 2023. It has subsequently been reviewed and considered by the Executive Team in August 2024, the output from which is included within this document.

The approach used by the Authority aligns to good practice and the principles laid out within the Treasury's Orange Book on risk management. The approach essentially takes into consideration that there is not one risk appetite for an organisation, and that there will be multiple risk appetites, depending upon the nature of the type of risk in question. The Authority utilises 8 risk appetite themes, and these can be found in the summary table on slide 5, alongside an appetite level and threshold. Each theme is then expanded upon on the subsequent slides, to create the 'Risk Appetite Statement', this is what outlines the Authority's risk appetite.

Undertaking a review of risk appetite every 12-18 months is in line with good practice, given that operating environments change and need to be considered and discussed in light of the Authority's strategy and current position, to help inform risk-based decision making. Challenging the risk appetite statement and its associated elements, risk appetite theme, levels and thresholds is an important component of effective risk management.

The risk appetite statement provides the parameters for the management and decision making of the risks being faced by the organisation. Different categories of risk have been defined, each of which has an appetite aligned to it.

The associated risk appetite level aids in informing the target risk score for each risk within the corporate risk register, leading to the determination of whether further action is required to reduce the residual risk to within appetite. Changes made as a result of the review include:

- Data & Management Information – moved from Cautious to Minimal, to reflect increasing data security threats
- Partnerships – moved from Cautious to Open as this is a core part of achieving the Authority's objectives and by continuing with a Cautious approach this could stifle the organisation.
- Culture & Confidence – amended from talking about Improvement plan, to about embedding values and behaviours.

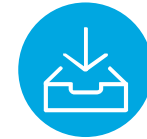
RISK APPETITE – WHY IS IT IMPORTANT?



Consistent understanding across the organisation of our risk appetite



Increased confidence that the organisation is focussed on the right risks



Better use of mitigation resources



Strengthened focus on achievement of objectives



Improve ability to measure the organisation risk exposure



Enable more informed risk taking

RISK APPETITE LEVELS

Risk appetite level	Risk appetite level description
Averse	We shall seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.
Minimal	We shall accept a low degree of residual risk. Benefit will not be the driver.
Cautious	We are willing to accept some degree of residual risk where we have identified scope to achieve significant benefit and / or realise an opportunity.
Open	We are willing to consider a range of options where we are able to demonstrate a balance between a high level of residual risk and a high likelihood of successful / beneficial outcomes.
Hungry	We are eager to be innovative and choose a range of options based on maximising opportunities and beneficial outcomes even if those activities carry a very high level of residual risk.

CURRENT RISK APPETITE THRESHOLDS

Impact	5 Critical	15	19	22	24	25
	4 Major	10	14	18	H	23
	3 Moderate	6	9	C	O	20
	2 Minor	3	A	M	12	16
	1 Negligible	1	2	4	7	11
		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
	Likelihood					

Risk Appetite Theme	Appetite Level	Appetite Threshold
Service Design & Delivery	Open	17
People	Open	17
Compliance & Regulation	Cautious	13
Culture & Confidence	Cautious	13
Data & Management Information	Minimal	8
Partnerships	Open	17
Programmes & Projects	Open	17
Finance	Cautious	13

Impact	5 Critical	15	19	22	24	25
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	3 Moderate	6	9	13	17	20
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		1 Rare	2 Unlikely	3 Possible	4 Likely	5 Almost Certain
		Likelihood				

SERVICE DESIGN & DELIVERY

For the Combined Authority to achieve its strategic objectives, we need to be **Open** to designing and delivering services differently and to innovate. However, we need to ensure that this does not negatively affect the stability or quality of our activities, for example through drawing resources away from day-to-day activities that are important to us or that are relied upon by our communities and stakeholders.

The Combined Authority has set an **Open** risk appetite and is willing to consider a range of options for service delivery where we are able to demonstrate a balance between a higher level of residual risk and a high likelihood of successful / beneficial outcomes.

Impact	5 Critical	15	19	22	24	25
	4 Major	10	14	18	21	23
	3 Moderate	6	9	C	O	20
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		Likelihood				

PEOPLE

The Combined Authority’s risk appetite for People related risks (including but not limited to capability, experience, and skills) has been set as **Open**. We will continue to provide and review creative opportunities to develop the workforce to build the capability and skills needed to deliver our strategic objectives.

However, we are mindful that we must remain **Cautious** to people risk that may negatively impact upon our ability to embed our values and behaviours or negatively affect the wellbeing or stability of the workforce.

Impact	5 Critical	15	19	22	24	25
	4 Major	10	14	18	21	23
	3 Moderate	6	9	C	17	20
	2 Minor	3	A	8	12	16
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		Likelihood				

COMPLIANCE & REGULATION

The Combined Authority faces an array of compliance and regulatory requirements. The Board and Corporate Management Team do not view regulation as a tick box exercise but instead understand that good regulation can provide benefits to the outcomes that the Authority is seeking. We will use compliance with regulation as a positive measure of quality and governance and therefore will develop this as part of our organisation’s culture.

As such we have set a **Cautious** risk appetite and are willing to accept some degree of residual risk where we have identified scope to achieve significant benefit. However, when complying with Health and Safety legislation, we have set an **Averse** risk appetite, and will seek to reduce the residual risk as far as practically and reasonably possible within the constraints of resources available.

5 Critical	15	19	22	24	25
4 Major	10	14	18	21	23
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	Likelihood				

CULTURE & CONFIDENCE

The Combined Authority’s risk appetite for risks related to culture and confidence has been set to **Cautious**. Our culture is important to us and will continue to evolve as it is a fundamental element of our organisational development to embed our values and behaviours.

We must therefore be willing to accept some degree of residual risk where we have identified scope to achieve significant benefit and / or realise an opportunity, however this will need to be undertaken in a considered manner.

Impact	5 Critical	15	19	22	24	25
	4 Major	10	14	18	21	23
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	2 Minor	3	5	M	12	16
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DATA & MANAGEMENT INFO

The Combined Authority relies heavily upon data and management information to make decisions in an informed manner, however it is understood and appreciated that not all data will always be available when a decision is required to be made.

We have therefore agreed a **Minimal** risk appetite with regards to the security, access, quality and analysis of data within the Combined Authority so that we are in the best informed position possible whilst accepting some degree of residual risk may exist where we have identified scope to achieve significant benefit and / or realise an opportunity.

Impact	5 Critical	15	19	22	24	25
	4 Major	10	14	18	21	23
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		Likelihood				

PARTNERSHIPS

The Combined Authority works collaboratively with a number of strategic partners and seeks to use its influence and relationships to harness the benefits that these can bring.

The Combined Authority has set an **Open** risk appetite for partnerships and is willing to accept some degree of residual risk where we have identified scope to achieve significant benefit and / or realise an opportunity. However, if there is potential for the brand or values of our organisation to be negatively impacted then a **Minimal** appetite will be adopted where a low degree of residual risk will be acceptable, and benefit will not be the driver.

Impact	5 Critical	15	19	22	24	25
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PROGRAMMES & PROJECTS

Programmes and projects underpin the Combined Authority’s strategic objectives and therefore it is important that an **Open** risk appetite is taken towards considering new bids, particularly given the desire to design and deliver services in a more innovative manner.

We are therefore willing to consider a range of options where we are able to demonstrate a balance between a high level of residual risk and a high likelihood of successful / beneficial outcomes.

We will however adopt a **Cautious** appetite to contract management risks to ensure that the programmes and projects deliver the desired outcomes and benefits, and that the reputation of the Combined Authority is not negatively impacted as a result.

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FINANCE

Ensuring continued financial viability is a key factor for the Combined Authority to ensure that it is suitably positioned to deliver its day-to-day activities and future plans. We will keep in check its key internal financial controls and financial arrangements to ensure they remain in the Combined Authority’s best interests.

The Combined Authority has set a **Cautious** risk appetite to financial risk, however, is willing to be **Open** and accept a higher level of residual risk where there is an opportunity to generate significant returns, benefit or outcomes in line with its Strategies.

Impact	5 Critical	15	19	22 2	24	25	
	4 Major	10	14 23	18	21	23	
	3 Moderate	6	7 14 9 15	1 21 13 19	13 20 12	17	20
	2 Minor	3 17	22 5	8	5 12	16	
	1 Negligible	1	2	4	7	11	
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OVERALL RISK PROFILE

- CRR0001 – Inflation
- CRR0002 – Future funding
- CRR0005 – Climate change
- CRR0007 – University of Peterborough future expansion
- CRR0012 – Financial - Underspend
- CRR0013 – Equality Impact Assessment (EQIA)
- CRR0014 – Cyber Security
- CRR0015 – HR Operations
- CRR0017 – Subsidiary companies and shareholder membership
- CRR0019 – Bus reform
- CRR0020 – Peterborough Station Quarter Fundings (PSQ)
- CRR0021 – Ely to Milton Interchange corridor
- CRR0022 – Recruitment and Retention
- CRR0023 – Embedding Improvement Journey

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4risk <https://youtu.be/12NyJhSNK3o>