

Risk Appetite Development Output City of London City Corporation

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Appendix 1

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1. Risk Appetite Development Overview

In August 2017, Zurich was engaged by the City Corporation to support the development of an organisation wide Risk Appetite approach. Using an established methodology, Zurich facilitated a risk appetite survey across the City Corporation.

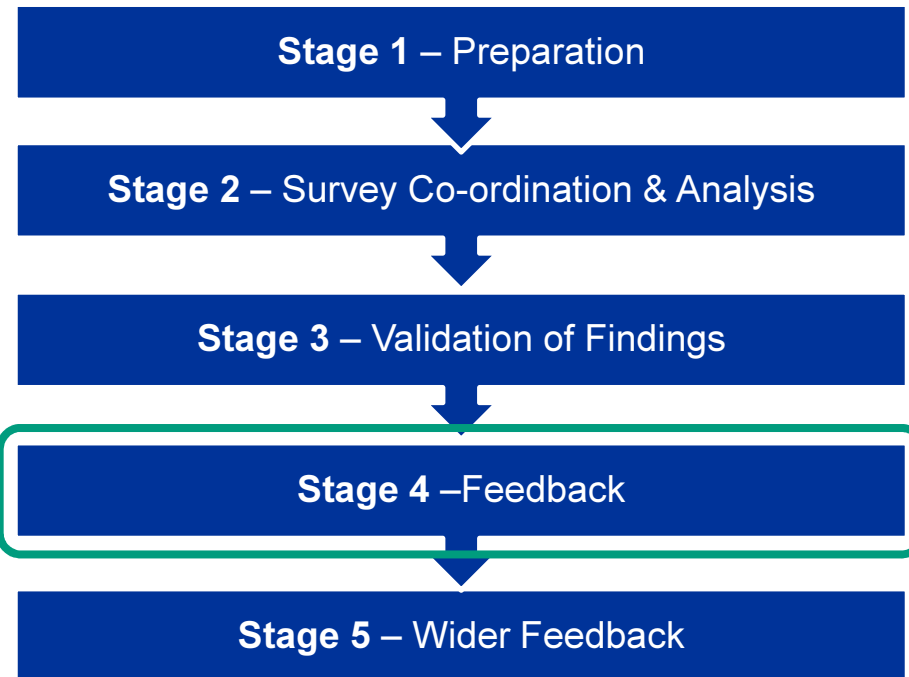
As part of the survey, individuals were asked, across a number of categories, where they believed the current level of risk exposure was for the organisation and where they thought the risk appetite should be in the future.

As part of Stage 4 of the risk appetite development, further sessions are to be held with the Summit Group and Audit & Risk Committee. This document represents the initial analysis from the survey and seeks to validate this against the corporate risks.

In addition to these steps, we anticipate on-going dialogue with Chief Officers as the development moves forward to ensure that it is fit for purpose as the risk landscape changes.

It should be appreciated that the City Corporation is different to many other Local Authorities in the way that it operates and approaches its activities and therefore the results shown within this report may differ from other LA's attitude to risk. The different stakeholders and drivers for are also varying to other LA's and this may have had an impact upon the results of the survey.

Previous projects with other organisations have indicated that they would like to take more risk in the future across the some of the risk categories than the City Corporation. See chart [Survey response analysis \(page 6\)](#) which compares the City Corporation's results against benchmarking data.



Key findings from the survey:

- High response rate – 127 from c 164 invitations (overall 77.4%). This includes Chief Officers, members of their respective DMTs and other senior managers (86% response) plus Chairman of Grand Committees, members of Audit and Risk Management Committee (53% response).
- Generally, respondents scored future appetite as lower than current exposure. This suggests that the organisation is taking on a higher level of risk in certain categories than is optimal at this point in time.

Risk Appetite Development Overview Continued

- There are categories where the difference between current and future appetites remain at the same level.
- The exception to this is Innovation, where respondents would like to a greater level of risk taken. This links to the Corporate Plan objectives.
- The Benchmarking data (see note below) suggests that there are a number of risk categories where the City Corporation is in line from a future tolerance perspective which is encouraging. This data is provided as a point of reference whilst recognising that the City Corporation's functions encompass only about one third of its responsibilities.
- The Innovation score, exceeds the benchmark for future risk tolerance, which as highlighted earlier, falls in line with the ambitions set out in the Corporate Plan objectives.
- The survey results also suggest that the City Corporation's current risk exposure to financial risk is considerably lower than the benchmark.

Note: The benchmarking data is based on the findings and survey results from 4 other Local Authorities. Benchmarking data was not available for all of the risk categories used as part of the survey as 3 of the categories are specific to the City Corporation. **The benchmarking data is included to provide a comparison and is not intended to be used as a measure of the City Corporations results against other Local Authorities.**

The benefits of understanding the Corporation's risk appetite(s) and putting it into practice:

- Clarity of risks faced by the Corporation and their links to the strategic objectives
- Articulation of the attitudes to risk
- Exercise appropriate oversight and governance by defining the nature and level of risks it considers acceptable
- Bring focus to higher priority issues (i.e. where appetite thresholds are under threat)
- Ensure the Corporation is only taking a level of risk, and the types of risks that it is comfortable with
- Empowerment so that staff have the tools to make judgements about which risks and opportunities are acceptable and which are not
- Ensure that the Corporation's response to risk is proportionate, and to enable informed risk based decisions.

Terms used in the charts

The following terms are used in the following slides and these may inform the understanding of the data presented.

Risk Appetite: Risk appetite is the amount and type of risk an organisation is willing to seek out in pursuit of its objectives. It is a core consideration in an organisation and their approach to the management of risk.

Current Risk Exposure: This is the perceived level of risk that the City Corporation is exposed to / faces for each risk category at this point in time. It is measured on a 1-5 basis.

Future Risk Tolerance: This is the level of risk, per category that is deemed acceptable for the City Corporation to accept in the future.

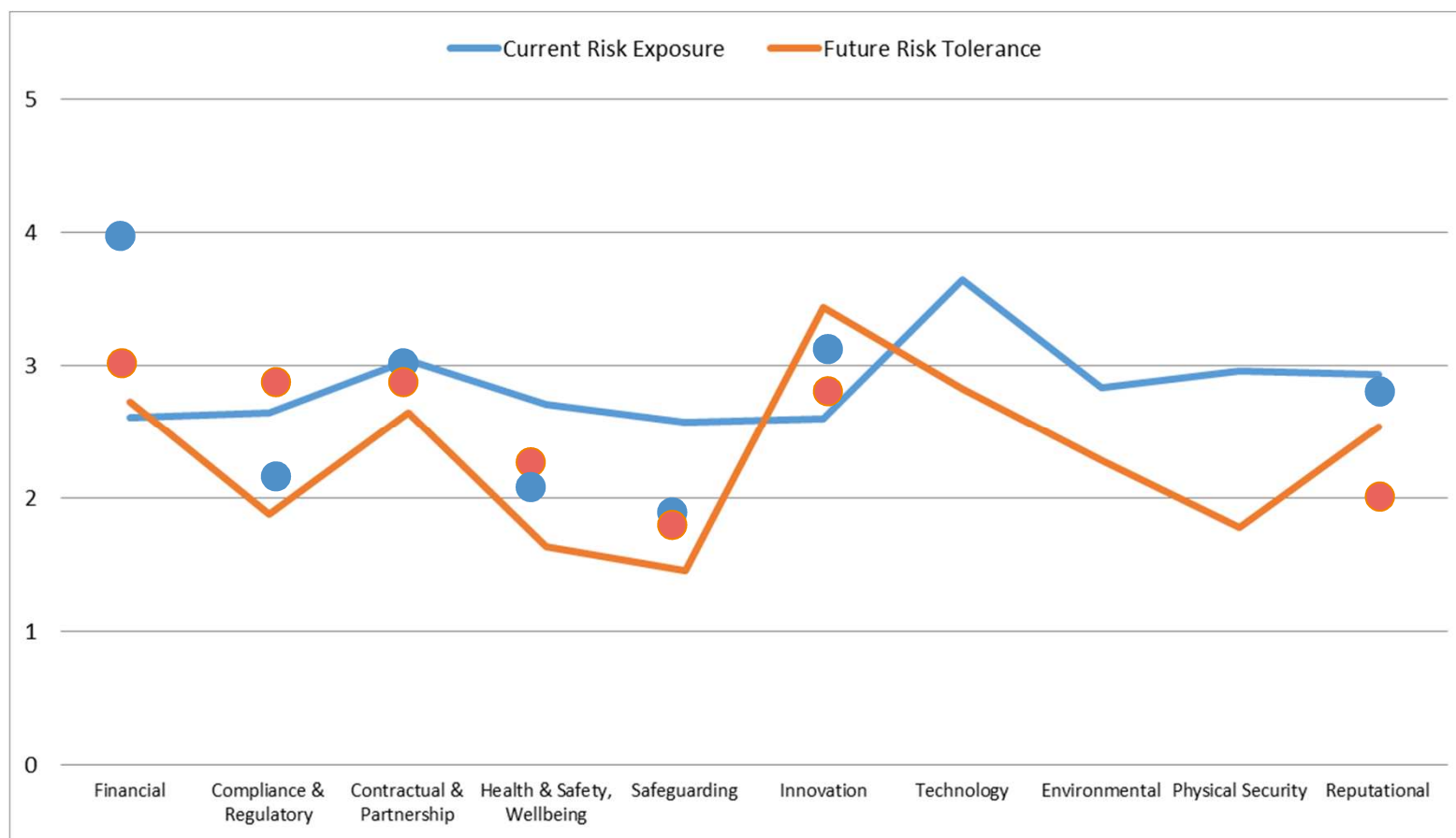
The table below shows the meaning the terms used in the survey response analysis charts

Risk Appetite Level	Risk Appetite Description
Negligible	Avoidance of risk and uncertainty is a key objective. Exceptional circumstances are required for any acceptance of risk.
Low	Preference for the ultra-safe options that have a low degree of risk and only have a potential for limited benefit.
Moderate	Preference for the safe options that have a moderate degree of risk and may only have limited potential benefits.
High	Willing to consider all options and choose the one that is most likely to result in successful delivery. Risk will be minimised while also providing an acceptable level of business benefit.
Very High	Eager to realise benefits and to choose options to achieve this despite the higher risk.

[Appendix A](#) outlines the definitions of the categories used in the survey

3. Survey Response Analysis

The chart below shows the average view of both the current risk exposure and future risk tolerance across the City Corporation (**Officers and Members**)

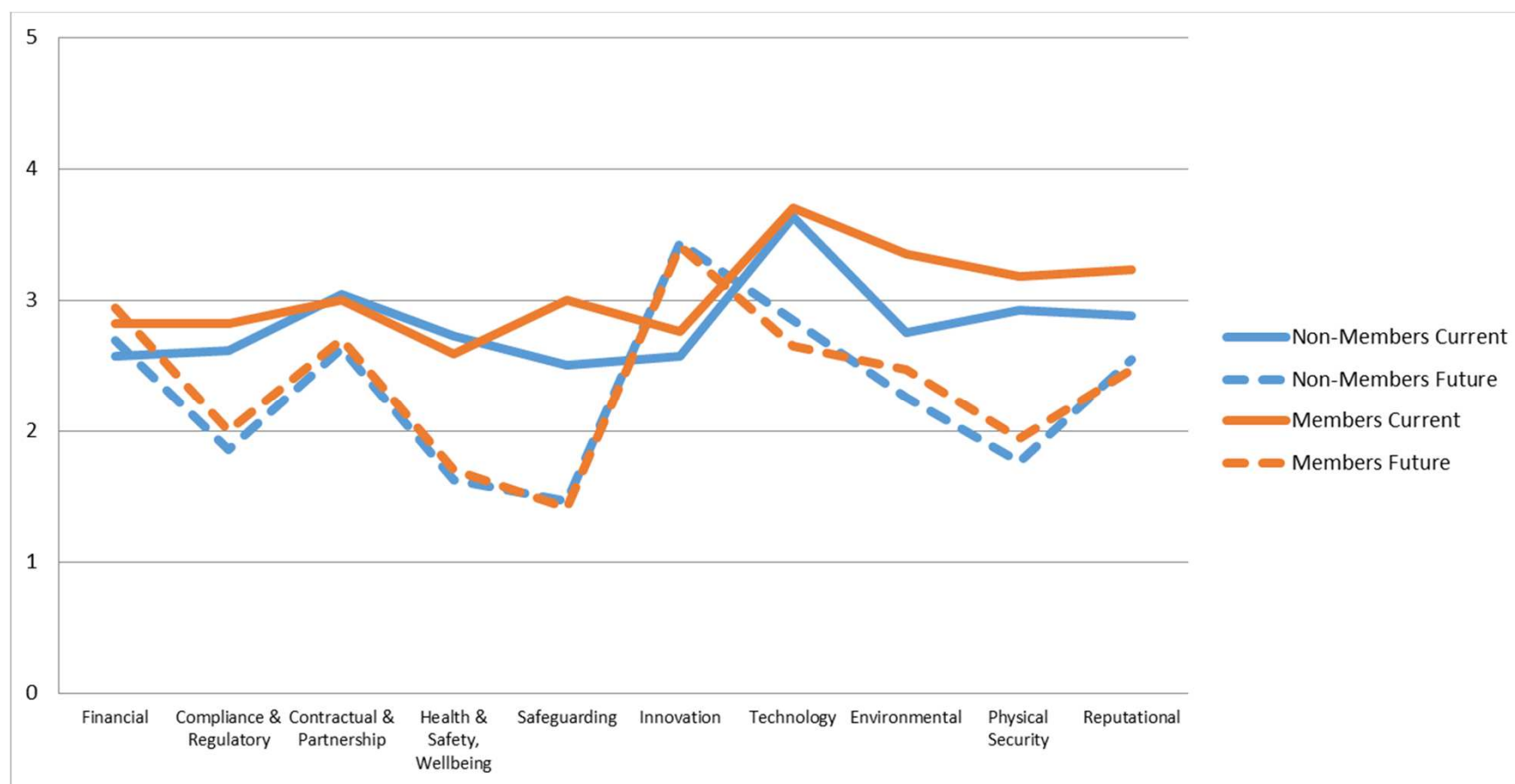


- Current Exposure Benchmark
- Future Risk Tolerance Benchmark
- N.B Where no benchmark is indicated, data was not available
- 1= Negligible, 2=Low, 3= Moderate, 4= High, 5= Very High

Number of responses = 127

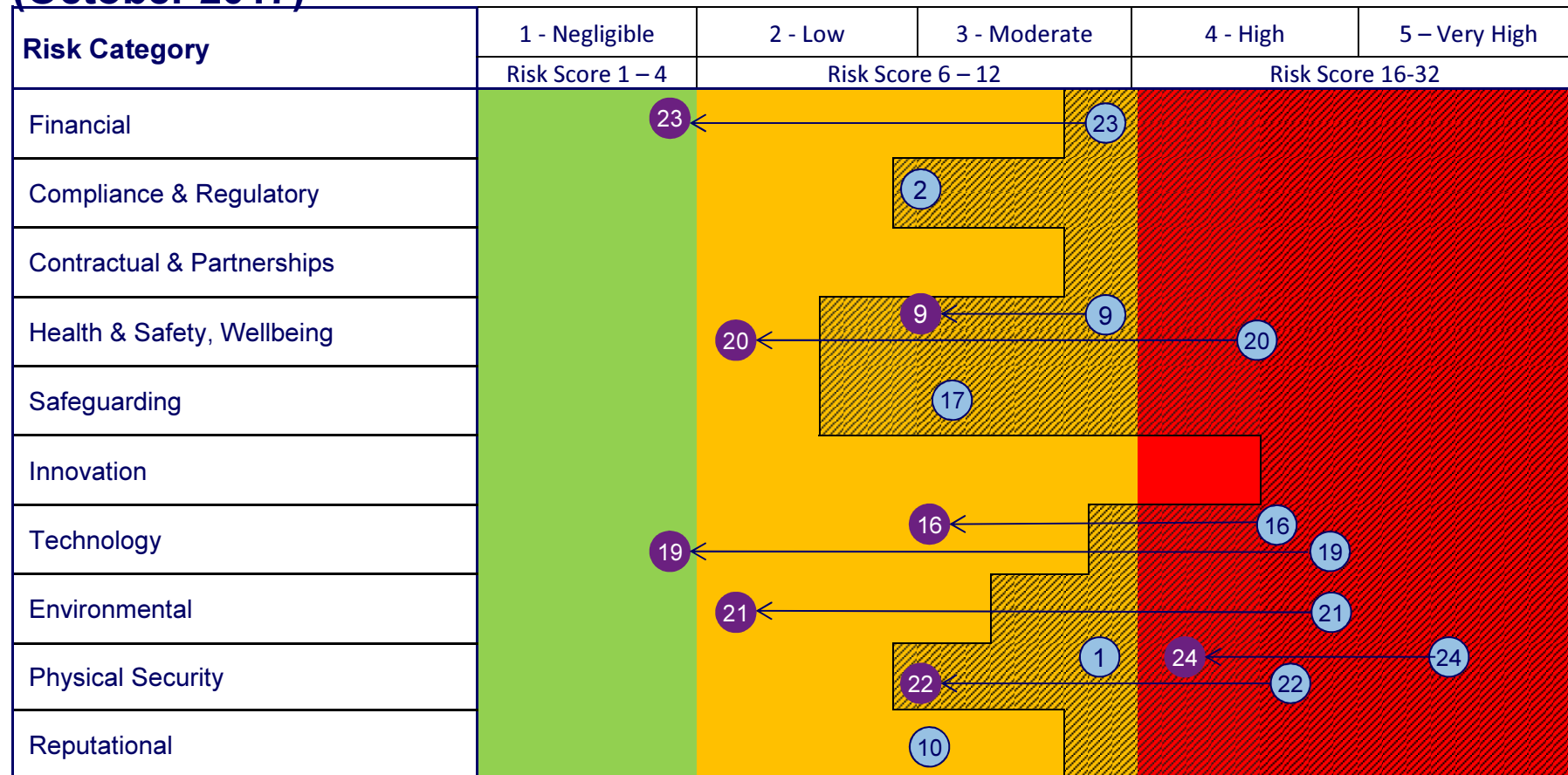
Risk Appetite Analysis Graph

The chart below shows the average **Officer** view of both the current risk exposure and future risk tolerance compared with **Members**



1= Negligible, 2=Low, 3= Moderate, 4= High, 5= Very High

3. Future Risk Appetite Matrix - Corporate Risks (October 2017)



This matrix shows the next development of the risk appetite methodology. The survey results have been taken to inform the matrix and its thresholds, combined with the City Corporation's risk assessment process. To validate this, the City Corporation's corporate risks have been mapped onto the matrix to demonstrate whether they are currently positions above or below the potential future risk appetite of the City Corporation. If there is an arrow and purple node, this has been used to show the movement to the risk's target score.

Risk Titles:

- | | |
|---|------------------------------|
| 1 Resilience Risk | 19 IT Service Provision |
| 2 Loss of Business Support for the City | 20 Road Safety |
| 9 Health and Safety Risk | 21 Air Quality |
| 10 Adverse Political Developments | 22 Barbican Centre Fire Risk |
| 16 Information Security | 23 Police Funding |
| 17 Safeguarding | 24 Operational Security |

Appendix A – Key Definitions

Key Definitions

Risk Categories:

1. Financial Risks affecting the ability of the City Corporation to meet its financial commitments. These include budgetary pressures, external macro-level economic changes, or consequences of proposed investment decisions.
2. Compliance and Regulatory Risks that expose the City Corporation to failures resulting in fraud, internal control failure, regulatory failings, changes in European or national law.
3. Contractual and Partnership Risks associated with the failure of partnerships and contractors to deliver services or products to the agreed cost and specification.
4. Health & Safety, Wellbeing Risks Hazards associated with staff, visitors, contractors and customers e.g. lone working, use of computers, verbal abuse.
5. Safeguarding Risks associated with the failure of the City Corporation to effectively identify and manage safeguarding concerns.
6. Innovation Risks associated with being innovative to maintain a competitive edge, potential impacts upon cost and/or quality of services, along with its ability to deliver best value.
7. Technology Risks associated with the capacity of the City Corporation to deal with the pace/scale of technological change, or its ability to use technology to address changing demands. It may also include the consequence of internal technological failures on the City Corporation's ability to deliver its objectives.
8. Environmental Risks relating to the environmental consequences of progressing the City Corporation's strategic objectives and those relating to pollution, noise or the energy efficiency of on-going service operations. This may also include the loss of green space and environmental disease.
9. Physical Security Risks related to fire, security, accident prevention. (for example, hazard/risks associated with buildings, vehicles, plant and equipment).
10. Reputational Risks associated with the City Corporation's failure to deliver either its own business aims and objectives or local or central government policy that will have an impact on the City Corporation's reputation amongst both internal and external stakeholders