



Scottish Borders Council

Risk Appetite, Capacity and
Tolerance Toolkit – Guidance for
Managers

Jill Stacey, Chief Officer Audit and Risk
Emily Elder, Corporate Risk Officer
SCOTTISH BORDERS COUNCIL

Contents

Introduction and Overview	2
Benefits of an Appetite, Capacity and Tolerance Statement.....	5
Definitions.....	6
Appendix One – Standard Risk Prioritisation Matrix	9
Appendix Two – Risk Appetite and Tolerance Matrix Part One.....	10
Appendix Three – Risk Appetite and Tolerance Matrix Part Two	10
Appendix Four - Risk Appetite, Capacity and Tolerance by Taxonomy	11
Additional Reading	36

Risk Appetite, Capacity and Tolerance Statement

Introduction and Overview

A recent refresh of the Risk Management Policy, Strategy and Process Guide has presented an opportunity to define the Council's Risk Appetite in the form of a toolkit and by doing so provide additional guidance to managers.

As set out in the Process Guide a **Risk is defined as:**

“An uncertain event or set of events that, should they occur, will have an effect on the achievement of objectives.”

Risks can have either a positive or negative impact on the achievement of objectives i.e. they can arise in the form of a threat or an opportunity and the actions taken to either manage the threats or capitalise on the opportunities will differ. In line with this the Council's risk appetite will also vary depending on whether a risk focuses on minimising a threat or maximising an opportunity.

Risk management, of which risk appetite is a key component, is integral to good corporate governance and serves to provide assurance to stakeholders (e.g. Elected members, tax payers and partners) that sound decision making processes are in place, finite resources are utilised in an effective and efficient way and that best value is achieved in the delivery of services using the public pound.

The purpose of this toolkit is to cultivate a shared organisational understanding and ensure consistency of approach to managing risks, on a taxonomical basis, across the organisation, irrespective of the level (e.g. corporate/operational) service directorate, or programme/project and to guide decision making throughout. This serves to build upon the risk management responsibilities set out in the Risk Policy Statement and Strategy 2021-24 by setting out the Council's expectations and thresholds with regards to different risk areas, thereby providing additional guidance to risk managers on those levels of risk which are acceptable and those which are not in relation to any given risk category. With this in mind the toolkit has been developed with the Council's risk management capabilities and maturity in mind.

Defined appetites and tolerances will provide an indication as to whether additional actions are needed to mitigate risks or capitalise on opportunities and where risks may need to be escalated for action at a more senior level or for oversight purposes. Equally, it will provide an indication as to whether a risk, with the implementation of additional controls/actions, will be over-controlled, using resources which would be better utilised elsewhere or which will cost more to control the risk than the impact of the risk should it materialise. Finally, it will further enable managers to prioritise their activities towards risks which pose more serious consequences e.g. those relating to life and limb and statutory breaches over those which may result in minor reputational damage.

It is worth noting that this toolkit, to a significant degree, reflects existing expectations with regards to risk management appetite, tolerance and capacity levels along with subsequent activity already being implemented by Council employees across the organisation. This is evidenced, for example, in the Council's adherence to the Local Code of Corporate Governance; the production of annual financial and performance statements; the health & safety and safeguarding policies and procedures in place; and the creation of Business Continuity Plans. All of these examples serve as key controls to manage risks within expected and tolerable levels and to prevent risks from exceeding the Council's capacity to absorb negative impacts. Another way to look at this is that managers, already, in the course of their duties, consider risk appetite when taking decisions – balancing expected benefits with potential losses that may be incurred. This toolkit simply aims to clarify expectations and provide guidance that is both appropriate and proportionate to ensure a consistent and systematic approach is taken across, what is, a large and diverse organisation.

Every organisation must take some risks in the course of its business to achieve its objectives, while avoiding others. If an organisation were to avoid all risks it would severely stifle innovation. As such, calculated/planned risks may be taken by the Council e.g. in the pursuit of efficiencies; when developing new processes or offering new services while risks which may result in statutory breaches or significant reputational damage will be avoided. In essence the Council will seek to balance innovation with control.

In line with this, the Council's approach to risk taking is not fixed because the environment it operates in is not fixed. Risk appetite and tolerance levels must be flexible in order to respond to, for example, the health of the economy (boom or bust), the availability of cash reserves, changing social expectations and demographics and changing political landscapes and subsequent expectations. At the time of writing the Council has seen significant changes to its operating environment over the past five years, impacted by national and international events: there has been a global pandemic; the UK left the European Union; war has broken out in Ukraine bringing instability to Europe after 70 years of relative peace; and there is an emerging cost of living crisis. The threats facing the Council have changed but so have the opportunities it can pursue, for example, to modernise service delivery through its Transformation Programme, ensuring finite resources are best used and positive outcomes for its communities are achieved. The Council's operating environment will never remain static and as such its appetite and tolerance levels must be flexible and adaptable.

The Council must also be cognisant of the combined appetite and tolerance levels for different risks. As risks do not exist in a vacuum there is a need to be aware of the possibility that several risks may materialise at the same time, bringing with them, for example, the potential for compounded financial and reputational damage which may result in the Council's capacity to absorb these impacts being exceeded.

The Council's risk appetite and tolerance levels are defined in relation to taxonomy, or categories (see Appendix Four). It is not appropriate to set one overall appetite or tolerance for the entire organisation as this will not adequately reflect the complexity of the risk universe in which the Council operates, due to the diverse range of services delivered. Nor is

it appropriate to set one overall appetite for a particular service area - there is no 'one size fits all' approach. While every effort has been made to ensure that this toolkit is straightforward and accessible the complex nature of risk cannot be avoided if it is to be managed appropriately, effectively and proportionately. Similarly, the complex nature of the Council's risk appetite and tolerance cannot be over-simplified but it can be clarified.

Benefits of an Appetite, Capacity and Tolerance Statement

- Ensures a consistent and systematic approach to managing risks both vertically and horizontally across the organisation by defining the appetite and tolerance levels for different categories of risk and thereby setting clear standards and expectations for risk management.
- Supports performance measurement/improvement and risk reporting to the Strategic Leadership Team (SLT) by highlighting those risks that are within appetite, tolerance and capacity levels and those that are not and for which corrective action is needed. In short, it allows SLT to assess the Council's current exposure to risk with that which is deemed tolerable and for which it has capacity to bear.
- Presents an opportunity for SLT to regularly assess the appropriateness of appetite and tolerance thresholds and amend them if the underlying premise for setting the threshold significantly changes, becomes irrelevant or was incorrect to begin with. Without a formal statement this is not possible.
- Allows for better targeting of resources to ensure appropriate and proportionate responses to risks are embedded throughout the organisation. In essence it should highlight to managers those risks which should be prioritised for action because they have exceeded appetite, capacity and tolerance levels and for which mitigating actions would have the greatest positive impact on reducing the risk likelihood and/or impact. This is in contrast to putting in place additional controls and assigning finite resources to a risk that does fall within the expected levels. This subsequently helps to improve the health of the organisation as 'trade-offs' can be made to target action where it is most needed to achieve objectives.
- Provides assurances to the public that the Council is managing its publicly funded activities appropriately and prudently and that resources are directed and managed proportionately with respect to any given risk area, in a way which delivers best value and protects the public purse.
- Building on the above, as it is not possible to manage all risks to a desirable level at the same time due to limited resources (e.g. financial/workforce), and the changing environment in which the Council operates, defined appetites and tolerances further enable the Council to prioritise those risks which require more immediate mitigation and monitoring.
- Provides clarity on and reduces uncertainty for risk owners/managers in terms of where current and target risks should be positioned relative to the Risk Matrix, in essence setting out a statement of intent or goal for risk managers to work towards.
- Increases confidence in the management of risk across the organisation and enables better decision making because defined organisational expectations help to cultivate transparency. With reference to Elected Members, this then allows them to better fulfil and more effectively undertake their oversight, scrutiny and decision making

roles as they can more easily identify where risks do/do not meet expectations and the extent to which, for example, Council proposals may help bring risks within acceptable levels. Equally, it helps protect the Council from taking decisions/risks where it cannot bear the impact.

The Council's defined appetite and tolerance levels are made in reference to residual (or current) risks rather than inherent (or original ones). Simply put, the Council will normally accept those risks which when scored in accordance with the Risk Matrix after mitigations are in place (i.e. the residual risk) are Green (see Appendices One and Two) while it will likely not accept residual risks which are Red.

Definitions

Risk Appetite – *The amount of risk the organisation, or sub-set (e.g. services/ programmes / projects) of it is willing to pursue/accept.*

In essence this details the risks that:

- The Council will/will not pursue or accept e.g. in an attempt to achieve its objectives
- The Council will take on new initiatives or to capitalise on opportunities
- The Council is willing to accept e.g. for competing objectives/if the course of action being pursued cannot be abandoned.

Risk Capacity – *The maximum amount of risk that an organisation, or subset of it, can bear, linked to factors such as its reputation, capital, assets and ability to raise additional funds.*

The Council's Risk Appetite is informed by its capacity to bear the impact of any given risk should it arise, relating to e.g. regulatory breaches, reputational damage and harm to people. In other words risk appetite should not exceed risk capacity because if the risk materialises the Council will not have the capacity to bear the consequences. If for example the Council sets a high risk appetite for a particular capital project then it needs to be able to absorb the impact (e.g. in this case, financial) if the project were to fail.

Risk Tolerance – *The threshold levels of risk exposure that, with appropriate approvals, can be exceeded, but which when exceeded will trigger some form of response (e.g. reporting the situation to senior management for enhanced action).*

Tolerance levels represent a 'line in the sand' which should not be crossed and as such risk appetite levels should not exceed tolerance thresholds and should be set below it. Similarly, tolerance levels should not exceed risk capacity. With reference to the Risk Matrix this could result in an Appetite level of a low Amber e.g. 6-9 for a particular risk area but the risk can be tolerated at higher Amber levels e.g. 10-12. If the same risk were to increase to e.g. 15 on the Risk Matrix, pushing it into the Red this would mean that the risk has exceeded tolerance levels and urgent remedial

action is required along with an increased frequency of monitoring to avoid the risk exceeding the Council's Capacity to bear the impact of the risk should it materialise. Typically, this scenario may also trigger an escalation to more senior management for oversight or action.

As a public sector organisation, the Council has a legal responsibility to provide certain services. Unlike private sector organisations where decisions can be taken to stop the provision of services/retire product lines if they, for example, become unprofitable, the Council cannot take such an approach and as a result there are not only unavoidable risks that will require ongoing management but several tolerance levels that will be informed by legislative and regulatory requirements.

Note: Tolerance thresholds should not be confused with the Management Approach to Tolerate a risk (one of the 4 T's: Treat, Tolerate, Transfer, Terminate), as set out in the Risk Management Process Guide.

Appetite and tolerance levels/thresholds will also be informed by the nature of any given risk in terms of whether the risk focuses on mitigating a threat or capitalising on an opportunity. Thresholds will typically be lower for mitigating threats than for capitalising on opportunities if successful capitalisation of the opportunity in question will bring about greater rewards than costs should the opportunity be missed.

Another way to look at risk appetite and tolerance is that appetite refers to the amount of risk the organisation is willing to pursue while tolerance relates to what the organisation can actually cope with.

Finally, it is not always possible to fully mitigate all risks to an optimal level at the same time and in some cases they may need to be tolerated at a higher level that would normally be expected. This could arise from significant shortages in resources, adverse economic/market conditions, or significant global disruption e.g. a global pandemic, such as Covid-19, over which the Council has little to no control. In such instances increased monitoring should be undertaken as far as is possible and the Council's approach, while reactive in nature, will need to be flexible and agile to mitigate impacts rather than reduce likelihoods. In the same vein it is not possible to set appetite levels for unknown risks or, to a certain extent, develop controls in advance for the endless spectrum of risks which may arise. As result the Council, in these situations should, reactively but timeously, set appetite and tolerance levels to enable expectations to be disseminated which guide the implementation of appropriate and proportionate mitigations.

The Council's Risk Appetite, Capacity and Tolerance Statement has been consulted on and subsequently approved by SLT. As the environment in which the Council operates is ever changing this statement will be reviewed annually by SLT to ensure that it remains relevant and reflective of the Council' expectations.

The Council's Three Risk Appetite Levels are defined as:

Low – The Council is unwilling to accept such risks that could result in e.g. harm to people, significant damage to reputation or its operations, incur severe financial losses or breach legislation.

Medium – The Council is willing to accept some risk and subsequent activities in the pursuit of opportunities, where potential benefits/rewards are achievable and/or where risks inherent in an activity are unavoidable.

High – The Council is willing to accept a high level of risk in the undertaking of certain activities or to maximise opportunities where the potential for positive rewards are higher than the negative impacts of the risk should that risk materialise, acknowledging that risk taking is inherent in e.g. large scale programmes of change.

While some high risks will be considered acceptable and tolerated, risks for which the Council has a defined low or medium appetite and tolerance must, as a result of their significance, have controls and mitigation actions implemented as a matter of urgency to ensure that they do not exceed the Council's capacity to bear the consequences of the risk should it materialise.

A series of illustrative appendices have been created to provide additional clarity to managers:

Appendix One – An example of the Council's Standard Risk Prioritisation Matrix, detailing Likelihood and Impact definitions.

Appendix Two – A brief overview of which levels of risk are broadly acceptable and those which are not, mapped to the Risk Prioritisation Matrix.

Appendix Three – Required management activities have been mapped to the Risk Prioritisation Matrix, in relation to the different levels of risk appetite and tolerance.

Appendix Four – Provides details of the Council's risk appetite, capacity and tolerance on a taxonomical basis with a corresponding commentary section to provide additional clarity and guidance for managers.

Appendix One – Standard Risk Prioritisation Matrix

LIKELIHOOD

Almost Certain	5	10	15	20	25
Likely	4	8	12	16	20
Possible	3	6	9	12	15
Unlikely	2	4	6	8	10
Remote	1	2	3	4	5
	None	Minor	Moderate	Major	Catastrophic

IMPACT

Description					
	Service Delivery	Reputation	Life & Limb	Legal	Financial
Catastrophic 5	Unable to deliver service. Failure of key strategic contract. Performance failure. Impact on Corporate objectives not realised. Benefits not realised.	Loss of public/stakeholder/regulator confidence. Highly damaging publicity. Ministerial involvement. Special measures.	Death or life changing injury. Severe psychological damage to a number of people.	Significant regulatory/statutory breach, including prosecution of individuals; or Criminal activities; or Significant contractual breach; or Significant breach of duty of care.	Severe financial loss or fines impacting on the financial position of the organisation. Funding withdrawn. Significant savings not realised, income forfeited or additional expenditure incurred including cost over-runs, additional overheads/resource.
Major 4	Unable to deliver/significant delays delivering parts of the service. Performance considerably under target. Contract under threat. Objectives/benefits not realised. Business case threatened.	Damaging publicity. Loss of stakeholder credibility. Significant value-for-money concerns. Ministerial enquiry/briefing.	Serious injury. Severe psychological damage to individuals.	Regulatory/statutory breach; or Contractual breach; or Breach of duty of care.	Major financial loss or fines impacting on financial position of the organisation or Service. Current/future funding is threatened. Significant savings not realised, income forfeited or additional expenditure incurred including cost over-runs, additional overheads/resource.
Moderate 3	Some aspects of service not delivered. Performance not on target. Some concerns of contractor's ability to deliver. Material delays delivering objectives/benefits.	Repeated non-headline exposure or one-off headline exposure. Some value-for-money concerns. Ministerial interest.	Some physical or psychological harm to individual/s.	Possible legal implications.	Some financial impact impacting on the budget holder's financial position. Some savings not realised, income forfeited or additional expenditure incurred including cost over-runs, additional overheads/resource.
Minor 2	No significant impact on service delivery. Some minor concerns performance. Minor concerns over contract. Minor delays delivering objectives/benefits.	Non-headline exposure. Some public embarrassment. Minor value-for-money concerns.	First-aid treatment/counselling required.	No significant legal implications.	Small financial impact. Minor savings not realised, income forfeited or additional expenditure incurred including cost over-runs, additional overheads/resource.
Negligible 1	Negligible impact on service delivery. No material concerns over performance of contract. No effect on achievement of objectives/benefit realisation.	No external interest.	No obvious harm.	No legal implications.	Negligible financial impact.

Likelihood/Probability		
5	Almost Certain (near miss)	Over 91%
4	Likely (has happened before)	76-90%
3	Possible (has happened elsewhere)	50-75%
2	Unlikely (not expected but possible)	16-49%
1	Remote (force majeure)	0-15%

Appendix Two – Risk Appetite and Tolerance Matrix Part One

LIKELIHOOD OF OCCURRENCE

Normally acceptable	Normally not acceptable	Only rarely acceptable	Unacceptable	Unacceptable
Normally acceptable	Normally acceptable	Normally not acceptable	Only rarely acceptable	Unacceptable
Always acceptable	Normally acceptable	Normally acceptable	Normally not acceptable	Only rarely acceptable
Always acceptable	Always acceptable	Normally acceptable	Normally acceptable	Normally not acceptable
Always acceptable	Always acceptable	Always acceptable	Normally acceptable	Normally not acceptable

IMPACT SHOULD RISK OCCUR

Appendix Three – Risk Appetite and Tolerance Matrix Part Two

LIKELIHOOD OF OCCURRENCE

Minimum Annual Review – Monitor	Minimum 6 Monthly Review – Check appetite levels/Implement additional actions	Minimum 3 Monthly Review – Consider escalating if above appetite/tolerance. Action required.	Minimum 3 Monthly Review – Urgent action required to bring within appetite and tolerance levels	Minimum 3 Monthly Review – Urgent action required to bring within appetite and tolerance levels
Minimum Annual Review – Monitor	Minimum 6 Monthly Review	Minimum 6 Monthly Review – Check appetite levels/Implement additional actions	Minimum 3 Monthly Review – Consider escalating if above appetite/tolerance. Action required.	Minimum 3 Monthly Review – Urgent action required to bring within appetite and tolerance levels
Minimum Annual Review – Monitor	Minimum 6 Monthly Review	Minimum 6 Monthly Review – Check appetite levels/Implement additional actions	Minimum 6 Monthly Review – Check appetite levels/Implement additional actions	Minimum 3 Monthly Review – Consider escalating if above appetite/tolerance. Action required.
Minimum Annual Review – Monitor	Minimum Annual Review – Monitor	Minimum 6 Monthly Review	Minimum 6 Monthly Review	Minimum 6 Monthly Review – Check appetite levels/Implement additional actions
Minimum Annual Review – Monitor	Minimum Annual Review – Monitor	Minimum Annual Review – Monitor	Minimum Annual Review – Monitor	Minimum Annual Review – Ensure Business Continuity Plans Functional

IMPACT SHOULD RISK OCCUR

Appendix Four - Risk Appetite, Capacity and Tolerance by Taxonomy

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Strategic (delivery of objectives)				<p>In theory the Council has a low to medium risk appetite and tolerance with regards to strategic delivery risks. As noted earlier in this toolkit every organisation must take risks if it is to achieve its objectives and avoid stifling innovation. As such, the Council will seek to balance innovation with control at a strategic level (i.e. minimising threats while capitalising on opportunities).</p> <p>Risks relating to strategic delivery should be linked to the Council Plan which sets out how the Council will achieve its vision. Inherent in this plan is the requirement to take risks in some areas while avoiding them in others to deliver upon objectives (both explicit and implicit), within agreed timeframes. There is a fine balance to be struck between reaping the benefits of any opportunity being pursued and being aware of the negative implications should the opportunity fail to materialise or if the costs of failing exceed the benefits that would be gained. In short, opportunities to deliver upon strategic objectives cannot be sought without due regard to the potential 'cost'. At this juncture then it is worth noting that the achievement of ambitious objectives requires some risk taking.</p> <p>Assessments of successful strategic delivery is monitored through corporate performance reporting to SLT and Executive Committee and through the Scrutiny Committee to review the achievement of policy objectives and priorities. This is to ensure that there is clear accountability for the use of resources and the subsequent outputs and outcomes for service users and communities, as set out in the Local code of Corporate Governance.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Strategic (delivery of objectives) (cont'd)				<p>As set out in the Risk Management Process Guide, Corporate Risks are reviewed and presented to SLT on a quarterly basis, thus allowing for frequent assessment of the effectiveness of controls, the need for additional mitigating actions and the provision of oversight, with significant changes highlighted for attention. Corporate risks are also presented to Audit Committee on a cyclical basis to enable additional oversight and allow Elected Members to better undertake their scrutiny functions.</p> <p>The Council's capacity to bear the consequences of risks at this level will differ depending on the consequences in question as some may result in reputational damage while others may have links to financial sustainability or partnership working. As a result, it is important to reference the other categories in this table to determine the appropriate appetite and tolerance levels for differing strategic risks.</p> <p>As there is a low to moderate risk appetite and tolerance for risks relating to the delivery of strategic objectives, the effectiveness of controls and associated mitigating actions would be expected to result in no higher than a medium risk score (i.e. 6 -12 or Amber on the Risk Matrix).</p> <p>Again, as touched upon earlier in this toolkit, in certain situations it may be necessary to tolerate risks at a higher level than would normally be expected, noting that this might be for a relatively short period of time to take advantage of opportunities that may arise. As the Council does not exist within a vacuum and does not have control over its external operating environment it is likely that there will be times when risks to delivering strategic objectives are unavoidable. In such instances it may not be possible to fully mitigate them and plans may need to be adapted/expectations realigned and these should be communicated to stakeholders (e.g. Elected Members and the public).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Operational (delivery of objectives)				<p>The Council has a low to high level of risk appetite and tolerance in relation to risks associated with operational service delivery, due to the diverse nature of services it provides and their dispersion across a wide geographical area. Meeting the challenge of business continuity within available resources will involve making decisions on the relative priority of different services depending on the business criticality of the service in question (i.e. those services the Council is required to deliver by law compared with those provided as part of public service duties) and in certain instances this will result in the need to pause the provision of some services (and deploy staff and resources) to ensure the continuity of others. Another way to look at this is that service delivery will be prioritised according to the level of risk inherent in the provision of those services.</p> <p>It is acknowledged that, despite best efforts, there may be occasional gaps in service delivery. Recognising the potential impact on service users the Council will make every effort to ensure that disruption is minimised and will strive to return to business as usual as soon as is possible. Where services are disrupted the Council will endeavour to ensure effective communication and engagement with service users.</p> <p>Directors and managers are expected to forward plan and implement appropriate controls to prevent service delivery gaps, and detect and resolve them when they occur or minimise the impact if they cannot be completely resolved. This includes those services which are provided through third parties on the Council's behalf.</p> <p>A service's explicit objectives should be recorded in their Service Business Plans. These plans will also allude to implicit objectives such as those relating to legislation that must be followed. These plans should identify the relative priority of the activities therein. Examples could include: the need to make savings/reduce costs; process re-engineering/channel shifts; redesigning, expanding or improving on service delivery e.g. to meet additional responsibilities; investing in technology; and improving performance.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Operational (delivery of objectives) (cont'd)				<p>Key measures of success focus on the effectiveness of activities in meeting Service Plan Objectives, elements of which are also likely to be reflected in performance reporting arrangements. However, it may also be indicated by e.g. a reduction in complaints, staff turnover and overspends.</p> <p>Directors and Managers are expected to implement appropriate controls to limit the likelihood and impact of service disruption and ensure that standards of service are maintained at a high level and in line with legislative and regulatory expectations. This includes for example: the development of effective and up-to-date business continuity/disaster recovery plans, policies and procedures; ensuring staff undertake mandatory and complementary training and development; succession and people planning; risk identification and mitigation and implementation of Internal Audit recommendations.</p> <p>As the Council has a low to high appetite and tolerance for risks relating to operational service delivery, effective controls and mitigating actions are typically expected to result in no higher than a medium risk score (6-12 or Amber on the Risk Matrix). However, in certain circumstances the Council is willing to accept and tolerate a higher level of risk and in such instances it is acknowledged that tolerance thresholds, after risk mitigation could result in high risk score (a Red rating of 15-16 on the Risk Matrix).</p> <p>As with the delivery of strategic objectives, the Council's capacity to bear the consequences of risks at this level will differ depending on the consequences in question as some may result in moderate reputational damage while others may have implications for keeping people safe or fulfilling statutory functions. As a result, it is important to reference the other categories in this table to determine the appropriate appetite and tolerance levels for differing operational risks.</p> <p>If risks exceed appetite and tolerance thresholds, Management should engage with the Corporate Risk Officer with a view to escalating these risks to Directors for information/oversight purposes and, where required, to enable the implementation of enhanced mitigation actions.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Regulatory/Statutory Compliance				<p>The Council has a low risk appetite and tolerance in relation to regulatory and statutory compliance. Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and abiding by regulations and legislation are a form of implicit objectives.</p> <p>This category is probably the most far reaching of all those that are defined in this section. For example, and while not exhaustive, it covers legislation relating to: health and safety, employment, the environment, child and adult protection, waste disposal, community empowerment, UN sustainability goals, licensing, transport, data protection and Equal & Human Rights.</p> <p>Directors and Managers are expected to implement appropriate controls to ensure ongoing compliance, and identify, report and resolve breaches when they occur. As an example, controls will include: safeguarding, policy frameworks (with appropriate updates made in line with any changes to legislation/regulations), training and awareness, supervision/oversight, notification routes e.g. incident reporting, enhanced governance arrangements and audits.</p> <p>These controls need to be in place to ensure that risks are managed down to an acceptable level and to ensure that no Council Officer or Elected Member takes or recommends decisions or actions that contravene legislation. The effectiveness of these controls need to be monitored on a regular basis and appropriate actions implemented to address any deficiencies.</p> <p>As noted above the Council has a low risk appetite for regulatory and statutory risks along with a low tolerance for them. The Council's capacity to bear the consequences of these risks, should they arise are significantly limited as they pertain to the organisation's reputation, credibility, its ability to keep people from harm and the potential for financial penalties which would ultimately take money away from providing services.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Regulatory/Statutory Compliance (cont'd)				<p>As noted in the Operational (delivery of objectives) section, in the event of significant disruption which limits the Council's ability to deliver all of its services (achieve all of its objectives), priority for continued delivery will be given to those areas where there is a risk of breaching statutory or regulatory obligations, thus ensuring a risk based approach to service delivery.</p> <p>As risks relating to regulatory/statutory compliance will not be tolerated the effectiveness of controls and associated mitigating actions would be expected to result in a low residual risk score (i.e. 1-5 or Green on the Risk Matrix).</p> <p>If risks in this category exceed a score of 5 on the Risk Matrix, additional actions are required to be identified as a matter of priority and the risk is likely to require additional oversight by more Senior Management. With reference to the Risk Management Process Guide and the management approaches set out within, consideration should also be given to terminating an activity if there is an increasing risk of breaching regulatory/statutory compliance.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Reputation				<p>The Council has a low to medium risk appetite and tolerance for reputational damage. As the Council is responsible for delivering a wide range of complex services and meeting differing and sometimes opposing expectations it is likely that, from time to time, there will be some negative impacts on its reputation.</p> <p>Reputational damage could arise as a result of changes in service delivery through to missed bin collections and pot holes; where the Council has not quite met expected levels of performance; where there are policy decisions that fail to meet everyone’s expectations or are perceived to do so. Lastly, this type of reputational damage may result from unavoidable or necessary situations or decisions such as a planned rise in the rate of Council Tax or the prioritisation of service delivery in the event of major or disruptive incidents.</p> <p>The Council has a slightly higher appetite and tolerance for above types of scenarios than it does for reputational damage that has arisen as a result of, for example, breaches in legislation or a failure to apply/follow its own processes/policies; a failure in accountability, credibility and transparency; unacceptable staff and Elected Member behaviour; actions taken/not taken that result in people coming to harm (physical, psychological, financial) or; serious failures in investment activities such as those relating to capital projects or the prevention and detection of fraud. The Council has a low risk appetite and tolerance for these latter examples of reputational damage.</p> <p>Directors and Managers are required to implement appropriate controls to prevent significant and avoidable instances of reputational damage and to set a good example for their colleagues. All staff have a responsibility to, in the course of their duties, follow policies and procedures and act in a professional and responsible manner and, if they identify risks threatening the Council’s reputation, raise these with relevant colleagues. This will ensure that appropriate mitigating actions may be taken and that lessons learned are incorporated into future activities. As the Council aspires to be a ‘learning organisation’ Directors and Managers also have a responsibility to learn from customer complaints and feedback and put in place measures in order that avoidable reputational damage does not become chronic in nature and to ensure that transferable knowledge is shared across the organisation.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Reputation (cont'd)				<p>In addition to the above and where, for example, the Council knows it may not be able to meet expectations with regards to service delivery (e.g. as a result of resources/capacity or where prioritisation has been given to delivering another service), steps should be taken to communicate why this is the case, through enhanced customer engagement. A good example of this can be found when looking at the Council's prioritisation of activities during the Covid-19 pandemic where non-statutory or complementary services were suspended or reduced in order to support the provision of those services that were statutory in nature e.g. keeping people safe and sustaining the provision of education.</p> <p>It is also acknowledged that the Council will never be able to please all of its stakeholders and has a medium appetite and tolerance for reputational damage in relation to taking decisions which may be unpopular with some stakeholders but are none the less necessary for the achievement of statutory objectives.</p> <p>With regards to those risks which may give rise to what could be termed "run of the mill" reputational damage the Council has a medium risk appetite and tolerance and as such the effectiveness of internal controls and mitigating actions would be expected to result in no higher than a Medium residual risk score (i.e. 6-12 or Amber on the Risk Matrix).</p> <p>Conversely, for those risks which may give rise to what could be termed "significant" reputational damage (for example, those events which may result in national news coverage due to their severity) the Council has a low risk appetite and tolerance and the effectiveness of internal controls and mitigation actions are expected to result in a low residual risk score (i.e. 1-5 or Green on the Risk Matrix). Where this is not the case and residual risk scores exceed this level immediate and urgent remedial action must be taken to bring the risk within tolerable levels. This may also result in the need to escalate the risk to more Senior Managers to ensure a greater level of oversight and to apprise them of the potential impacts of the risk should it materialise, while enabling the implementation of additional and enhanced mitigation actions if required/possible.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Technology & Information				<p>The Council has a low to medium risk appetite and tolerance with regards to technology and information. A low risk appetite and tolerance exists in relation to how technology and information is used, safeguarded, shared and accessed while a medium appetite and tolerance exists with regards to innovation and the pursuit of new ways of working/automation (often as a result of a reduction in overall resources available to all public sector entities).</p> <p>In addition to developing and implementing its own internal controls, the Council aims to retain technology and information risks within appropriate appetite and tolerance levels through its strategic contract arrangement with CGI, its IT provider.</p> <p>Building on the above, as the Council increasingly progresses towards digitisation of services and the use of electronic rather than physical documents it is even more appropriate to assess technology and information as one category as they are often intrinsically linked.</p> <p>Technology relates to physical hardware (e.g. computers, phone systems and the network infrastructure) as well as software and applications, whether these are hosted internally or externally, while information relates to both that which is contained within hardware and software as well as that which is physical/manual in nature.</p> <p>Risk appetite and tolerance will also vary in relation to the criticality of the given technology or information in question as will the urgency of the response to specific situations. For example, if two widely used pieces of software became unavailable then resources, to develop and implement a solution, would first be targeted at the software system that was more significant and critical to the provision of Council services.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Technology & Information (Cont'd)				<p>Appropriate risk appetite and tolerance levels are maintained through the use of key controls, including but not limited to: security measures (e.g. firewalls, encryption, user access protocols); physical security i.e. locked doors and storage cabinets); system back-ups and upgrades, cyber security assessments/vulnerability scanning, cyber accreditations (and the achievement of required criteria) and stress testing; documented and disseminated policies and procedures, data sharing agreements Data Protection Impact Assessments (DPIAs) and the establishment of records retention periods; disaster recovery plans, business continuity plans i.e. the development of manual workarounds; staff training, audits and governance groups such as the Information Governance Group (IGG). Additional controls also include engagement with specialist national forums and applying best practice principles and practices as they are developed.</p> <p>Directors and Managers are responsible for ensuring ongoing compliance with legislation (e.g. GDPR, Data Protection), security protocols and procedures, including those which relate to externally hosted services and to raise any concerns where these are encountered. All staff have a responsibility to follow technology and information security protocols and procedures and to be aware of threats to security e.g. phishing emails and the inappropriate sharing/disposal of information.</p> <p>The Council has a low appetite and tolerance for those risks which relate to how technology and information is used, safeguarded, shared and accessed and as such the effectiveness of internal controls and mitigating actions would be expected to result in a low residual risk score (1-5 or Green on the Risk Matrix).</p> <p>The Council has a medium appetite for those risks relating to technological innovation and the pursuit of new ways of working as risk is inherent with any such venture. Ultimately, there is no guarantee that it will be successful and there is always the possibility that unforeseen problems could emerge. As such the effectiveness of internal controls and mitigating actions would be expected to result in no higher than a medium residual risk score (6-12 or Amber on the Risk Matrix).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Financial Sustainability				<p>The Council has a low to medium appetite in relation to financial risks, and may be prepared to accept some risk subject to:</p> <ul style="list-style-type: none"> • setting and achieving an annual balanced revenue budget in line with legislative requirements; • maintaining a General Fund unallocated reserves balance in line with legislative requirements. <p>The Council, as set out in the Local Code of Corporate Governance, has a requirement, as a public sector organisation, to:</p> <ul style="list-style-type: none"> • ensure financial management supports both long-term achievement of outcomes and short-term financial and operational performance and; • ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and control. <p>The Council’s strategic financial risks are set out in the Financial Strategy Risk Register which is presented annually, in February/March, along with Financial Resources, Strategies and Plans, to Council. Strategic financial risks are also captured on the Corporate Risk Register and various significant financial risks are captured within relevant Programme, Project and Service Risk Registers.</p> <p>The core governance and internal controls to aid in ensuring financial sustainability are set out in various code of governance documents including: the Scheme of Delegation (to Officers); Procedural Standing Orders; The Scheme of Administration (Committee constitutions, remits and functions); the Financial Regulations and the Procurement Contract Standing Orders, Employee and Councillor Codes of Conduct.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Financial Sustainability (cont'd)				<p>Directors and Managers are expected to design and maintain proper risk management, governance and internal control processes and systems to ensure probity in systems and operations, including the prevention, detection and resolution of fraud and irregularities. Directors and Managers are also responsible for checking that these arrangements and controls are operating effectively. These are known as first and second lines and are not fixed but evolve as the Council changes. Internal Audit as the third line independently and objectively examines, evaluates and reports on the adequacy of risk management, governance and internal controls.</p> <p>All staff with budgetary responsibilities are expected to familiarise themselves with the content of the Financial Regulations and any associated procedures, policies and practices to ensure they fulfil their responsibilities in connection with Council's financial sustainability and integrity.</p> <p>The Council has a low appetite and tolerance for those risks which relate to how funds are allocated, utilised and protected from fraud and corruption. It is also recognised that reserves (as a key measure of financial sustainability) can only be used once and as such risks relating to these aspects of financial sustainability will not be tolerated. As such, the effectiveness of internal controls and mitigating actions would be expected to result in a low residual risk score (1-5 or Green on the Risk Matrix).</p> <p>The Council has a medium appetite and tolerance for those risks relating to capital investment in infrastructure or transformative service delivery as risk is inherent (in terms of minimising threats and capitalising on opportunities) with any such venture. Ultimately, there is no guarantee that these will be successful and there is always the possibility that unforeseen problems could emerge. As such the effectiveness of internal controls and mitigating actions would be expected to result in no higher than a medium residual risk score (6-12 or Amber on the Risk Matrix).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Suppliers, Contractors & the Third Sector				<p>The Council has a low to medium risk appetite and tolerance for those risks relating to the use and management of supplier, contractor and third sector organisations. Appetite and tolerance will typically vary in accordance with the nature of the services provided by the organisation and the specific context from which risk may arise.</p> <p>The Council has a low appetite and tolerance for risks relating to the delivery of critical services to meet statutory requirements such as those which are contracted in the provision of a service to vulnerable people on the Council's behalf (e.g. out of hours call handling or commissioned care services); those which are not easily or quickly replaced or for which few to no substitutes exist (e.g. electoral management systems, IT provision); those which have cost a substantial amount of money (as it is vitally important to ensure that public funds are used appropriately to achieve best value); or those which are vital for the delivery of key organisational objectives (e.g. high profile programmes or projects).</p> <p>In addition, the Council has a low appetite and tolerance for risks which relate to the application of the procurement process (from initial tendering to longer-term contract management) for any supplier, contractor or third sector organisation and; for risks relating to health and safety practices or the conduct of these organisations (and Council employees) e.g. relating to ethical/legal practices such as modern day slavery, working time regulations, fraud, bribery/corruption and links to serious and organised crime.</p> <p>The Council expects its employees and Elected Members to act within the law and to maintain high ethical standards of integrity, honesty and openness, which are reflected in the Council's Code of Conduct internal codes, rules and procedures. The Council also expects that all external individuals and organisations, including service users, partners, suppliers, and contractors will act to the same standards.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Suppliers, Contractors & the Third Sector (cont'd)				<p>The Council's capacity to bear the consequences of the examples noted above are severely limited as they could ultimately result in: legal action, fines, harm to individuals, significant financial loss, reputational damage, undermined credibility, and disruption to critical services which may result in a failure to fulfil statutory duties.</p> <p>In contrast, the Council has a medium appetite and tolerance for those risks relating to the use of suppliers, contractors and third sector organisations which do not, for example, fall into the above categories. An example of this could be where several substitute organisations exist; where the service provided is non-critical in nature; its scale in terms of service provision is minimal; or where reasonable contingencies can be put in place in the event that an organisation can no longer deliver the expected service.</p> <p>The Council has various controls that underpin and ensure that these expectations are met, such as: the Council's Contract Management Framework, Procurement Contract Standing Orders, established procurement processes, codes of conduct (incl. registers of interest, gifts and hospitality and whistleblowing procedures), performance monitoring (incl. the External Services/Providers Monitoring Group), relevant staff training, internal audit and assurance processes and by taking appropriate measures to ensure that the Council meets its legal duty to provide best value as set out in the Local Code of Corporate Governance.</p> <p>Directors and Managers are expected to ensure that controls are applied consistently and effectively to both reduce the likelihood of these risks occurring and to limit the impact if they do. Where problems are identified, Directors and Managers are also expected to take immediate remedial action and, where appropriate, raise concerns to more Senior Management for oversight or for action which may require enhanced authority and decision taking powers.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Suppliers, Contractors & the Third Sector (cont'd)				<p>Additionally, Directors and Managers are expected to ensure that business continuity arrangements i.e. contingency plans have been developed and can be implemented in the event that suppliers, contracts and third sector organisations can no longer deliver the expected service and furthermore to forward plan for the end of contract periods to ensure that there is little to no service disruption when contracts come to an end. Finally, it is essential that the Directors and Managers remain cognisant of the fact that outsourcing services through contracts and commissioned services does not remove the statutory obligation the Council has with regards to the delivery of certain services and therefore the consequences of any failure of these arrangements.</p> <p>Suppliers, contractors and third sector organisations who deliver a service to the Council or on its behalf are expected to have developed their own Risk Management and Business Continuity arrangements to ensure that there is reasonable preparedness and contingencies in place for disruptive events.</p> <p>Where the Council has a low risk appetite and tolerance for risks relating to suppliers, contractors and third sector organisations (detailed above), the effectiveness of controls and mitigating actions would be expected to result in a low risk score (i.e. 1-5 or Green on the Risk Matrix).</p> <p>Where the Council has a medium risk appetite and tolerance for risks relating to suppliers, contractors and third sector organisations (again, detailed above), the effectiveness of controls and mitigating actions would be expected to result in no higher than a medium risk score (i.e. 6-12 or Amber on the Risk Matrix).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Workforce				<p>The Council has a low to medium risk appetite and tolerance for risks relating to its workforce.</p> <p>In terms of recruitment, retention and development the Council has a medium risk appetite and tolerance. The Council strives to recruit and retain suitably skilled and qualified staff and facilitate and encourage professional and personal development. However, it should be acknowledged that there are several external and internal factors which have a bearing on its ability to do this, some of which are outwith the Council's control, such as: labour market conditions (e.g. availability of skilled professionals such as care workers, EHOs, Social Workers, Teachers), sickness/absence (e.g. resulting from a global pandemic such as Covid-19), reducing budget availability and stretched resources, and the rural nature of the Scottish Borders region. There may also be instances where pursuing the development of staff (excl. mandatory training) needs to be postponed in order to ensure service provision, especially statutory service provision, is maintained. In addition, there may also be situations, such as those experienced during Covid-19 where there may be a need to deploy staff to areas other than those in which they typically work in order to deliver front line or statutory services.</p> <p>Directors and Managers are expected to consistently implement control measures that focus on, for example, removing barriers to recruitment and retention for areas that are within its control and by doing so maintain risks within the expected appetite and tolerance levels. Key controls include: defined and standardised recruitment and induction processes, people planning (e.g. resolving SPOFS, forward/succession planning and 'growing your own'), consistent application of the appraisal framework, undertaking training needs assessments, attaining memberships of professional bodies, and ensuring the provision of flexible and agile working arrangements.</p> <p>With regards to external labour market conditions and the shortages of certain professionals (giving rise to unavoidable risks), there may be instances where the Council needs to manage these risks above its appetite and tolerance levels. In such situations Directors and Managers are expected to increase the level of monitoring/oversight and develop contingency plans as far as is possible e.g. by deploying staff, by assessing the activities being undertaken by staff and reassigning activities that do not require a professional qualification to undertake to others in order to free-up capacity.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Workforce (cont'd)				<p>Where the Council has a medium risk appetite and tolerance for workforce related risks the effectiveness of controls and mitigating actions would be expected to result in no higher than a medium risk score (6-12 or Amber on the Risk Matrix).</p> <p>In contrast to the above, the Council has a low risk appetite and tolerance for risks relating to staff conduct and safety. Where instances of poor conduct or threats to safety are identified urgent actions will be taken to remedy this. The Council expects all employees to conduct themselves in a professional and responsible manner and to refrain from taking decisions or actions that contravene legislation, bring the Council into disrepute or otherwise contradict the high level of accountability, transparency and decorum expected of those who work in the public sector. Additionally, all Council employees are expected to treat others (colleagues, service users and members of the general public) with dignity and respect at all times.</p> <p>Directors and Managers are expected to develop and implement appropriate controls to ensure that staff adhere to the required codes of conduct and that measures are developed and implemented to ensure staff safety. Key controls include: the suite of HR Policies and Procedures (incl. the Employee Code of Conduct); H&S Policies and Procedures; the completion of mandatory training (e.g. data protection, dignity and respect in the workplace, adult and child protection, fire safety awareness, health and safety etc.); application of the staff appraisal process and performance management arrangements.</p> <p>Where the Council has a low risk appetite and tolerance for workforce related risks the effectiveness of controls and mitigating actions would be expected to result in a low risk score (1-5 or Green on the Risk Matrix).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Partnership Management				<p>The Council has a low to medium risk appetite and tolerance for those risks relating to joint working and partnership arrangements. Appetite and tolerance levels will typically vary in accordance with the nature of the relationship with the partner organisation (e.g. in terms of interdependencies or the criticality of services provided by partner organisations).</p> <p>It is necessary, in this toolkit, to distinguish between suppliers & contractors (incl. the Third Sector) and partners because the relationships with partners are more nuanced. The latter relationships can be statutory in nature, formal or informal, strategic or operational and long or short-term, they can be established for a specific purpose or for a variety purposes and in order to achieve a variety of objectives, some of which are shared by partner organisations.</p> <p>In order to achieve its objectives, fulfil its statutory functions and provide the best outcomes for the communities it serves it is imperative that the Council establishes and maintains effective joint working and partnership arrangements with a variety of other organisations. There are varied reasons for this, incl.: the dependencies of and interlinkages between services provided by different public sector organisations e.g. Health and Social Care; the finite resources available to the Council in the delivery of services and the subsequent increased reliance on other organisations; to capitalise on new and emerging opportunities in the pursuit of its objectives and those shared with partners as, together, the achievement of these objectives is more likely; to organise and initiate an effective response to emergency or crisis situations (especially as a Category One Responder), through the sharing of resources and intelligence to ensure minimal negative impacts and a swift response to and recovery from incidents and disruption (e.g. Covid-19).</p> <p>The Council has a low risk appetite and tolerance for risks relating to joint working and partnership arrangements, where the objective being pursued/or the service delivered is critical in nature or forms part of its duties as a Category One Responder because of the significant consequences that may arise if these joint working and partnership arrangements cease to function effectively. As establishing strong and effective joint working and positive relationships with other organisations requires an investment of finite time and resources, the Council also has a low appetite for risks relating to the effective governance and management of these relationships.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Partnership Management (cont'd)				<p>Directors and Managers are expected to develop and implement controls to enable and facilitate effective joint working and partnership arrangements. Key controls may include but are not limited to: Service Agreements (e.g. Scheme of Integration for IJB, Service Provision Agreement with Live Borders); Establishment of Terms of Reference (e.g. shared vision statement, mechanisms for dispute resolution etc.); Protocols (e.g. expectations, appropriate behaviours) and regular engagement, collaboration and communication activities to underpin appropriate levels of transparency, reporting and oversight arrangements.</p> <p>In contrast with the above, the Council has a moderate risk appetite and tolerance with regards to the establishment of new joint working and partnership arrangements or the expansion of current ones in the pursuit of its objectives or to capitalise on emerging opportunities. Risk taking is inherent in such activities and there is no guarantee that these joint working and partnership arrangements or the activities being pursued by them will be successful. Furthermore, it is expected that, in time, the development and implementation of governance and internal controls will progress from informal to more formal arrangements, as outlined above.</p> <p>As noted elsewhere in this guide there is a need for Directors and Managers to cross reference this category with others in this table to determine the appropriate risk appetite and tolerance levels for different areas and types of risk that may emerge when working with partners.</p> <p>Where the Council has a low risk appetite and tolerance for partnership related risks (detailed above) the effectiveness of controls and mitigating actions would be expected to result in a low risk score (1-5 or Green on the Risk Matrix).</p> <p>Where the Council has a medium risk appetite and tolerance for partnership related risks (again, detailed above) the effectiveness of controls and mitigating actions would be expected to result in no higher than a medium risk score (6-12 or Amber on the Risk Matrix).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Programmes and Projects (Incl. Transformation)				<p>The Council has a wide ranging appetite and tolerance for risks relating to programmes and projects that help to deliver its strategic aims. It is acknowledged that risk taking is inherent in any given change programme or when looking to capitalise on opportunities, implement a new process, improve service delivery or elements of its estate, design and build a new establishment (e.g. cultural attractions/high schools), embark on joint ventures with partners; and because of the significant variables involved in progressing programmes and projects from conception to completion.</p> <p>The appetite and tolerance levels for each type of programme or project will differ depending on the given nature of the programme or project in question. A decision as to appetite and tolerance will be informed by, for example: levels of criticality, the result of any failures in terms of impacts on Council service delivery, responsibilities and its process, resources, service users and finances (e.g. cost of initial investment and potential impact on reserves); the availability of contingency plans; the potential for reputational damage, whether or not the reward for success outweighs the cost should the programme or project fail; the programme/project drivers and whether it is external or internal facing.</p> <p>In light of this, Programme/Project Sponsors, Managers and Directors must determine the expected appetite and tolerance levels that should be adhered to with regards to any given programme or project based on the considerations outlined above and informed by other categories in this table. Appropriate management and governance arrangements must then be designed and implemented to ensure that these levels are not exceeded and a risk register is developed and reviewed at intervals as set out in the Risk Management Process Guide with respective escalation procedures in place informed by e.g. Early Warning and Key Performance Indicators (EWIs and KPIs).</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Programmes and Projects (Incl. Transformation) (Cont'd)				<p>Where there is a high appetite and tolerance for a risk care should still be taken to maintain this at a responsible and sustainable level. With regards to the Risk Matrix, Red risks (with controls and mitigating actions in place) would not be expected to exceed a score of 15-16. If scores do exceed this level it would give rise to concern about the Council's ability to bear any potential impact. In such instances the frequency of risk monitoring should be increased, urgent remedial action taken and the risk raised to more senior management for oversight purposes and potential additional action in order to bring it within appropriate levels.</p> <p>Projects and programmes do not exist in a vacuum and need to take into account the impact of their intended successes, or unintended setbacks or failures, on other Council services, especially where there is a service dependency on the outcome of a project or programme.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Governance and Decision Making				<p>The Council has a low risk appetite and tolerance in relation to governance and decision making. As a Local Authority and in line with its legislative framework Scottish Borders Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for.</p> <p>The Local Code of Corporate Governance States that “Local government organisations are accountable not only for how much they spend, but also for how they use the resources under their stewardship. This includes accountability for outputs, both positive and negative, and for the outcomes they have achieved. In addition, they have an overarching responsibility to serve the public interest in adhering to the requirements of legislation and government policies. It is essential that, as a whole, they can demonstrate the appropriateness of all their actions and have mechanisms in place to encourage and enforce adherence to ethical values and to respect the rule of law.”</p> <p>In discharging this overall responsibility Elected Members and Senior Officers are responsible for putting in place proper arrangements for the governance of Scottish Borders Council’s affairs and facilitating the exercise of its functions in a timely, inclusive, open, honest and accountable manner. These responsibilities are set out within the framework of the Council’s Local Code of Corporate Governance and the key controls are defined in: the Procedural Standing Orders, the Scheme of Administration, Scheme of Delegation, Financial Regulations, the Councillors Code of Conduct (as set out by the Standards Commission) and Employees Code of Conduct, all of which are subject to audit assurance processes. Another key element of sound and proper governance and decision making is transparency. Key controls include appropriate recording and subsequent accessibility of decision making processes by the Council e.g. minutes of Council meetings and the availability of these and their relative agendas and supporting documents/reports on Mod.Gov.</p> <p>The key controls outlined above are in place to ensure that no Officer or Elected Member takes or recommends decisions or actions that contravene legislation, brings the Council into disrepute or causes harm to the communities it serves.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Governance and Decision Making (cont'd)				<p>The Council has a low risk appetite and tolerance for governance and decision making risks because its capacity to bear the consequences of these risks is significantly limited e.g. in relation to legislative requirements, the potential negative impact on its reputation and credibility as well as the trust that the general public and its local communities places in it as a public sector organisation.</p> <p>The effectiveness of controls and associated mitigating actions would be expected to result in a low residual risk score (i.e. 1-5 or Green on the Risk Matrix). Where this is not the case and residual risk scores exceed this level immediate and urgent remedial action must be taken to bring the risk within tolerable levels. This will likely also result in the need to escalate the risk to more senior managers to ensure a greater level of oversight and, if required, the development of enhanced mitigation actions and controls.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Resilience				<p>The Council has a low to medium risk appetite and tolerance for resilience related risks and these levels will be determined by the service and the situation/incident in question; whether it relates to an internal or external situation/incident and its subsequent scale; the consequences that could arise (e.g. potential for harm, reputational or financial damage); the geographical spread; and the regulatory/statutory implications etc.</p> <p>The Council has a responsibility to ensure service preparedness and robustness, in the event that a disruptive incident occurs, to ensure that service delivery can be maintained. The Council's capacity to bear the consequences of significant service disruption is limited, especially in relation to the delivery of critical services, and as such its response to service recovery and the subsequent allocation of resources, finances and time will be prioritised based on service criticality. Due to the diverse range of services the Council provides, and the finite resources it has at its disposal, it is acknowledged that not all risks can be fully mitigated and as such it is willing to accept and tolerate a medium level of risk in relation to services which are not critical in nature.</p> <p>As well as internal responsibilities, the Council has statutory obligations as a Category One Responder under the Civil Contingencies Act 2004 whereby it must put in place emergency planning arrangements to prepare for and respond to emergency situations as and when they occur e.g. flooding/storms/fire. With reference to this particular element of resilience the Council has a low appetite and tolerance for risks which may threaten its ability to be prepared for and respond to emergencies. This is because its capacity to bear the consequences of failing to do so are extremely limited as the impacts could be catastrophic in terms of harm to people, buildings and infrastructure and because ultimately it would mean that the Council is in breach of its statutory obligations.</p> <p>In order to ensure internal resilience the Council has a Business Continuity Framework with subsequent guidance in place as to how this is applied. Part of this framework requires Directors and Managers to develop and review Business Continuity Plans for a range of scenarios (it is acknowledged though that not all events can be foreseen and planned for) and to prioritise recovery of those services which are critical for the delivery of statutory functions.</p>

Risk Category	Low (1-5)	Medium (6-12)	High (15-16)	Comments (expectations, actions)
Resilience (cont'd)				<p>Business Continuity Plans are a key internal control in terms of reducing the severity of resilience related risks and with reference to Appendix Three of this Toolkit they need to be functional to ensure that if risks materialise their impact can be effectively mitigated through the implementation of e.g. workarounds and contingency plans.</p> <p>In addition, the Council should undertake scenario planning exercises to test the strength and robustness of existing plans with a view to identifying required improvements, enhanced control mechanisms, incorporate lessons learned from previous incidents or periods of disruption and then share this knowledge and experience across the organisation.</p> <p>In terms of external responses to emergency situations the Council can stand-up additional governance arrangements and has an Emergency Planning Team with multi-agency partnership arrangements in place. These arrangements include agreed and predetermined plans, procedures and protocols on co-ordination and communication (incl. the provision of guidance and advice to the general public and businesses; for businesses and voluntary organisations this further includes a responsibility to provide advice and assistance with regards to business continuity arrangements).</p> <p>As the Council has a low risk appetite and tolerance for risks relating to its ability to prepare for and respond to emergency situations, the effectiveness of internal controls and mitigating actions would be expected to result in a low risk score (1-5 or Green on the Risk Matrix).</p> <p>As the Council has a low risk appetite and tolerance for risks relating to the continuity and resilience of critical internal services, the effectiveness of internal controls and mitigating actions would be expected to result in a low risk score (1-5 or Green on the Risk Matrix).</p> <p>As the Council has a medium risk appetite and tolerance for risks relating to the continuity and resilience of non-critical internal services, the effectiveness of controls and mitigating actions would be expected to result in no higher than a medium risk score (6-12 or Amber on the Risk Matrix).</p>

Additional Reading

1. Institute of Risk Management - Risk Appetite and Tolerance Guidance Paper, can be found at:
[Risk appetite and tolerance: guidance for practitioners \(theirm.org\)](https://www.theirm.org/risk-appetite-and-tolerance-guidance-for-practitioners)
2. UK Government Finance Function – Risk Appetite Guidance Note, can be found at:
[Orange Book - GOV.UK \(www.gov.uk\)](https://www.gov.uk/orange-book)

Version 1.0 October 2022