

Appendix A – Risk Appetite Statement 2026/27

Risk Appetite Statement 2026/27

- 1.1 The Risk Appetite Statement forms part of the risk management framework and defines the level of risk the council is willing to accept to deliver the priorities of the Herefordshire Council Plan 2024-28 and annual Delivery Plan.
- 1.2 Identifying the level of risk appetite for each of the council's key risk categories ensures a balanced and proportionate approach to the management of risks which is aligned to the delivery of strategic objectives. This approach recognises that there will be a range of appetites for different risks and that these appetites may change as the priorities and operating conditions of the council evolve.
- 1.3 The Statements sets out clear boundaries for risk-taking and serves as a guide for decision-making and management of risk at all levels. A clear risk management framework encourages and supports innovation and collaboration, ensuring that opportunities are explored within a specified risk appetite.
- 1.4 Risks will be monitored and managed against the risk appetite levels determined for each category and where decisions or planned activities expose the council to risks above the accepted risk appetite, the impact will be assessed and escalated as part of the risk management and governance framework.

Risk Appetite Levels

- 1.5 The levels of risk appetite which guide the council's risk management activity are outlined below:

	Risk appetite	Description
Tolerate less risk--->	Averse	Avoidance of risk and uncertainty in achievement of key deliverables or initiatives is key objective. Activities undertaken will only be those considered to carry no/low degree of inherent risk.
	Cautious	Preference for safe options that have low degree of inherent risk and only limited potential for benefit. Willing to tolerate a degree of risk in selecting which activities to undertake to achieve key deliverables or initiatives, where we have identified scope to achieve significant benefit and/or realise an opportunity. Activities undertaken may carry a high degree of inherent risk that is deemed controllable to a large extent.
<---Tolerate more risk	Open	Willing to consider all options and choose one most likely to result in successful delivery while providing an acceptable level of benefit. Seek to achieve a balance between a high likelihood of successful delivery and a high degree of benefit and value for money. Activities themselves may potentially carry, or contribute to, a high degree of residual risk.
	Eager	Eager to be innovative and to choose options based on maximising opportunities and potential higher benefit even if those activities carry a very high residual risk.

- 5.6 The level of risk appetite determined for each category of risk is set out in the Risk Appetite Matrix at Appendix B.

Appendix B – Risk Appetite Matrix

	Denotes the council's risk appetite for each Risk category
	Denotes the council's risk appetite for the identified Exception

Risk category	Risk appetite level definition			
	Averse	Cautious	Open	Eager
Strategic Delivery (Council Plan Priority: PEOPLE)	Innovation largely avoided unless essential. Decision making authority held by senior management.	The council has a limited tolerance to risk. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management.	The council is ambitious in its aim to support children and young people to thrive within highly effective schools and flourishing communities. It seeks out opportunities to collaborate with partners to support residents to live healthy lives within connected and safe communities and is prepared to accept a level of risk to deliver against this priority.	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.
Exception 1: Safety and wellbeing of residents	Limited appetite to risk. The council is responsible for providing care to those who need it most, including vulnerable adults and children and operates rigorous safeguarding measure to ensure the health and safety of residents. The council will continually seek to avoid activities that present a threat to the safety of the public and will do everything possible to prevent the loss of life.			
Strategic Delivery (Council Plan Priority: PLACE)	Innovation largely avoided unless essential. Decision making authority held by senior management.	The council has a limited tolerance to risk. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management.	The council is innovative and pioneering in its commitment to managing the effects of climate change across the county. It has ambitious plans to deliver learning and culture projects and to expand infrastructure, to support economic growth and housing, and is prepared to	Innovation pursued – desire to 'break the mould' and challenge current working practices. High levels of devolved authority – management by trust / lagging indicators rather than close control.

Risk category	Risk appetite level definition			
	Averse	Cautious	Open	Eager
			accept a level of risk to deliver against this priority.	
Strategic Delivery (Council Plan Priority: GROWTH)	Innovation largely avoided unless essential. Decision making authority held by senior management.	The council has a limited tolerance to risk. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management.	The council is aspirational and seeks out opportunities to attract investment, drive business growth and development of talent across the county and is prepared to accept a level of risk to deliver against this priority.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control.
Strategic Delivery (Council Plan Priority: TRANSFORMATION)	Innovation largely avoided unless essential. Decision making authority held by senior management.	The council has a limited tolerance to risk. Tendency to stick to the status quo, innovations generally avoided unless necessary. Decision making authority generally held by senior management.	The council is committed to improving the use of technology across its services and will embrace new technologies, test ideas and develop a culture of innovation to improve services and deliver value for money. Transformation and Digital Strategies in place to support deliver of aims.	Innovation pursued – desire to ‘break the mould’ and challenge current working practices. High levels of devolved authority – management by trust rather than close control.
Legal & Compliance	Play safe and avoid anything which could be challenged, even unsuccessfully.	The council has a cautious appetite level towards legal and compliance risks with robust processes in place to ensure the risk of legal challenge is minimised.	Legal challenge will be problematic; we are likely to win, and the gain will outweigh the adverse impact.	Chances of losing legal challenge are high but exceptional benefits could be realised.
Financial	Avoidance of any financial impact or loss, is a key objective.	Seek prudent financial options and solutions with little or no residual financial loss. Maintain strong financial governance and systems to protect financial position.	Prepared to invest for benefit and to minimise the possibility of financial loss by managing the risks to tolerable levels.	Prepared to invest for best possible benefit and accept possibility of financial loss (controls must be in place).
Governance	Avoid actions with associated risk. No decisions are taken outside of processes and oversight / monitoring arrangements. Organisational controls minimise risk of fraud, with significant levels of resource focused on detection and prevention.	Willing to consider actions where benefits outweigh risks. Processes, and oversight / monitoring arrangements enable cautious risk taking. Implemented controls enable fraud prevention, detection and deterrence by maintaining	Receptive to taking difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements enable considered risk taking. Levels of fraud controls are varied to reflect scale of risks with costs.	Ready to take difficult decisions when benefits outweigh risks. Processes, and oversight / monitoring arrangements support informed risk taking. Levels of fraud controls are varied to reflect scale of risk with costs.

Risk category	Risk appetite level definition			
	Averse	Cautious	Open	Eager
		appropriate controls and sanctions.		
Data & Technology	Lock down data & information. Access tightly controlled, high levels of monitoring.	Accept need for operational effectiveness with risk mitigated through careful management limiting distribution.	Accept need for operational effectiveness in distribution and information sharing.	Level of controls minimised with data and information openly shared.
Security	Low tolerance for security risks causing loss or damage to property, assets, information or people. Risks minimised through stringent security measures,	Limited security risks accepted to support business need, with appropriate checks and balances in place.	Considered security risk accepted to support business need, with appropriate checks and balances in place.	Willing to accept security risk to support business need, with appropriate checks and balances in place.
Reputational	Zero appetite for any decisions with high chance of repercussion for the council's reputation.	Appetite for risk taking limited to those events where there is little chance of any significant repercussion for the council.	Appetite to take decisions with potential to expose the council to additional scrutiny, but only where appropriate steps are taken to minimise exposure.	Appetite to take decisions which are likely to bring additional organisational scrutiny only where potential benefits outweigh risks.