



**Governance & Audit
Committee**

16 July 2024

Subject: Risk Tolerance Questionnaire

Report by:

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Contact Officer:

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Purpose / Summary:

To present to members of the committee the draft risk tolerance questionnaire for approval so it can be shared with Members and Officers for completion.

RECOMMENDATION(S):

That Members consider the content of the questionnaire at Appendix One and approve the questionnaire for dissemination to Management Team, the Policy Committees and Governance and Audit Committee.

IMPLICATIONS

Legal: None directly arising from this report.

Financial:

There are no financial implications directly arising from this report.

Staffing: None arising from this report

Equality and Diversity including Human Rights:

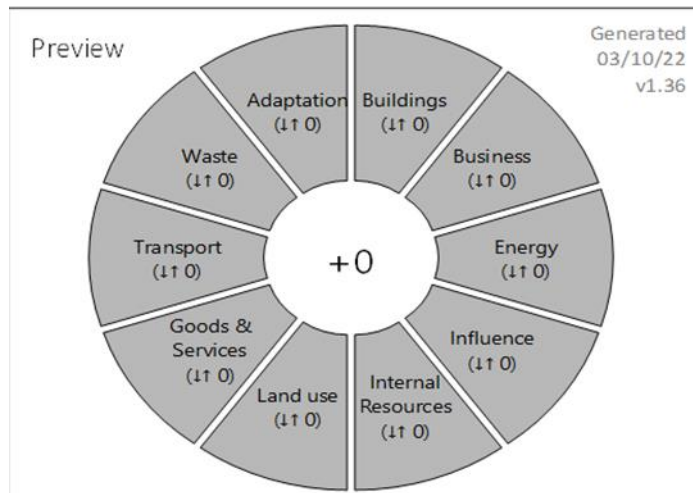
None arising from this report.

Data Protection Implications:

None arising from this report.

Climate Related Risks and Opportunities:

None directly arising from this report.



Section 17 Crime and Disorder Considerations:

None arising from this report.

Health Implications:

None arising from this report.

Title and Location of any Background Papers used in the preparation of this report :

Risk Management Strategy Date Date

Risk Assessment :

In advance of forming our new Risk Management Strategy it is essential that the organisation defines its risk appetite or tolerance. The new risk management strategy will be brought to Governance and Audit Committee for approval in October 2025 and results from this questionnaire are key in forming the strategy.

Call in and Urgency:

Is the decision one which Rule 14.7 of the Scrutiny Procedure Rules apply?

i.e. is the report exempt from being called in due to urgency (in consultation with C&I chairman)

Yes

No

x

Key Decision:

A matter which affects two or more wards, or has significant financial implications

Yes

No

x

1. Context and Background

- 1.1 The West Lindsey District Council Risk Management Strategy was approved by the Governance and Audit Committee in 2019 and is now due to be reviewed and replaced.
- 1.2 In advance of writing the revised risk management strategy it is essential we understand the risk appetite or tolerance of the organisation and how much risk it is prepared to take in the pursuit of its corporate plan and delivery of strategic objectives.
- 1.3 We need to understand two key factors being the organisation's capacity for risk (i.e. the ability to take risk with the resources we have in place) and secondly what is the organisation's attitude to risk (i.e. the willingness to take risk).
- 1.4 The attached questionnaire at Appendix One has been developed and devised from examples provided by the Institute of Risk Management and ALARM. Alarm is a not-for-profit membership association that supports risk management practitioners.
- 1.5 The results of the questionnaire will enable us to define our Risk appetite. This guides resource allocation and provides the infrastructure necessary to effectively respond to and monitor risks and helps to define our activities related to identifying, assessing, responding to and monitoring risks in pursuit of organisational objectives
- 1.6 The questionnaire contains a range of statements where the participant is required to choose a response to a scenario, the answers of which will be consolidated to provide an organisational wide view.

Appendix One

West Lindsey District Council

Risk Appetite Survey

WLDC are developing a new Risk Management Strategy which will provide a framework to identify, mitigate, monitor and report the risks that the organisation faces.

Risk appetite provides a framework which enables an organisation to make informed management decisions. A key aspect in the development of the Strategy is understanding what the Council's risk appetite is.

The survey should take about 10 minutes to complete.

Thank you in advance for your time in completing the survey.

1. Risk Appetite categories

The Government guidance on risk management provides a risk appetite scale for organisations using the following risk categories. Please select which of these categories you believe best describes the Council's overall risk appetite in relation to land and property investment:

Please select at most 2 options.

- Averse - Avoidance of risk and uncertainty is a key organisational objective.
- Cautious - Preference for safe delivery options. Tolerance for risk taking is limited to those investments where there is little chance of any significant downside impact.
- Creative & Aware - Willing to consider all potential investments with a tolerance for risk taking to balance higher reward.
- Opportunist - Actively seeking options. Tolerance for investments with potential for significant risk, but with appropriate steps to minimise any exposure and deliver benefits.
- Hungry - Eager to be innovative and pursue options offering potentially higher rewards (despite greater inherent risk).

Question 2

Current Commercial Investment Portfolio

WLDC has previously actively invested to create a commercial investment portfolio. Which of the following statements best describes your view of that existing portfolio:

Please select all that apply.

- The portfolio makes a positive financial contribution to the Council's finances and reduces dependence on income from other sources.
- The portfolio should be divested (sold) or reduced in size.
- The portfolio size should be increased through the acquisition of additional properties.
- The portfolio should not be increased or decreased but should be actively managed to maintain income and grow capital value.
- Other

Question 3

Reputation & Credibility - risks about the trust / confidence people have in the Council.

Potential opportunity:

The Council can purchase land in Gainsborough town centre with the aim to reconnect the marketplace to Marshall's Yard allowing the Council to improve the space between the two and delivering new wayfinding and seating. This could support place making and create social value, as it encourages more linked trips and improving footfall in the historic town centre.

Potential risk:

If the Council fails to meaningfully engage the local community and relevant stakeholders in the planning and decision-making process to determine what improvements are needed, it could inadvertently harm local businesses, the historic character of the town, or people visiting the town centre which could lead to backlash from residents, and media outlets.

Your view:

- The Council has no tolerance for taking risks where there is a chance of any negative repercussion for the Council (locally or further afield)
- The Council has a tolerance for risk taking limited to those events where significant repercussion for the Council is extremely unlikely.
- The Council will consider activities which could result in minor scrutiny and reputational repercussions but only where steps can be taken to minimise any exposure to an acceptable level.
- The Council is comfortable to take risks that could expose the Council but only where appropriate steps have been taken to proactively manage community relations and media and coverage.
- The Council isn't concerned about taking decisions that are likely to result in significant or national scrutiny of the Council, with reputational repercussions, where the benefits are considered to be great.

Question 4 Delivery Risk

Potential opportunity:

The Council wants to embark on a long-term investment to procure a fibre broadband network for West Lindsey. The Council will commit to connecting all of its buildings to the new network for a twenty year period as the anchor customer. The Council will procure a development partner who would build the network and businesses, community groups and residents would be able to connect to the network once it is built. The project requires £5m investment in the Council's buildings and the acquisition of land for a data centre. It is estimated that the new network will speed up the roll out of gigabit speed fibre, and lead to an overall increase in business productivity and attract new businesses to the area.

Potential risk:

During the construction there will be significant transport disruption as roads are dug up and buildings connected. There is a risk of service disruption and challenges in providing a smooth customer experience. Residents may encounter technical glitches, difficulties navigating new interfaces, or delays in receiving assistance, leading to frustration and dissatisfaction.

Your view:

- The Council aims to maintain or protect, rather than to create or innovate. Priority is for tight management controls and oversight. General avoidance of systems / technological developments
- The Council avoids innovations unless essential. Decision making authority held by senior management. Only essential systems / technology developments are considered.
- The Council tends to stick to the status quo, innovations are generally avoided unless necessary. Decision making authority is generally held by senior management. Systems / technological developments limited to improvements to protect current operations.
- The Council supports innovation where measurable improvements are anticipated. New systems / technological developments considered. Responsibility for noncritical decisions may be devolved.
- The Council pursues innovation and has a desire to 'break the mould' and challenge current working practices. New technologies are viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control

Question 5

Financial/VFM - risks about financial loss and value for money

Potential opportunity:

The Council can purchase a former office block within Gainsborough that has been empty for 8 years. The Council purchases the private developer that owns the office block, and therefore the property itself. The developer had previously obtained the planning permission to have it turned into 16 apartments with a small shop on the ground floor but is no longer moving forward with these plans. The local authority plans to own the property long term to provide temporary accommodation and aid issues of homelessness.

Potential risk:

While the proposed investment delivers new housing, the financial success of this investment opportunity relies on the property's ability to save temporary accommodation costs in the long term. There is a risk that the property may not be fully utilised or needed in the long term or may face difficulties in attracting tenants for the shop, affecting the Council's rental income and overall financial returns.

Your view:

- Avoidance of financial loss is a key objective. The Council is only willing to accept the low cost / most secure option. Resources could be withdrawn from non-essential activities.
- The Council is only prepared to accept the possibility of very limited financial loss, if absolutely unavoidable. Value for Money is the primary concern.
- The Council is prepared to accept the possibility of some limited financial loss. VfM still the primary concern but also willing to consider wider benefits.
- The Council is prepared to invest where there is a high reward and risks of financial loss can be managed to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities.
- The Council is prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return.

Question 6

Financial/VFM - risks about financial loss and value for money

Potential Opportunity:

The Council is interested in purchasing a town centre hotel and retail units within Gainsborough. It will cost the local authority £22.6 million. The hotel closed down in 2014 and part of the building has been demolished. Some of the retail units have become vacant since the closure of the hotel. The Council plan to build a new leisure development, consisting of a cinema and restaurants. This is part of a regeneration project that has had £41m million of investment from the local authority and external sources. This has funded a new health centre, bus station and community library, among other things. The redevelopment of the town centre is expected to give a £14 million boost to the local economy, create 400 jobs and generate another £570,000 in business rates annually.

Potential Risk:

While the proposed investment delivers new housing the financial success of this investment opportunity relies on the property's ability to attract tenants or occupants in the long term. There is a risk that the property may not be in high demand or may face difficulties in attracting tenants, affecting the Council's rental income and overall financial returns.

Your view:

- Avoidance of financial loss is a key objective. The Council is only willing to accept the low cost / most secure option. Resources could be withdrawn from non-essential activities.
- The Council is only prepared to accept the possibility of very limited financial loss, if absolutely unavoidable. Value for Money is the primary concern.
- The Council is prepared to accept the possibility of some limited financial loss. Value for Money is still the primary concern but should be also willing to consider wider benefits.
- The Council is prepared to invest where there is a high reward and risks of financial loss can be managed to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities.
- The Council is prepared to invest for the best possible reward and accept the possibility of financial loss (although controls may be in place). Resources allocated without firm guarantee of return.

Question 7
Legal and Regulatory

Potential opportunity:

The Council purchases a struggling shopping centre which has many vacant units. In the long term, the Council will demolish the shopping centre and promote the comprehensive redevelopment of the high street. However, it will take up to five years for the centre to be stripped of asbestos and demolished. In the meantime, the Council plans a light refurbishment of the shopping centre to encourage existing tenants to stay at market rates and will use vacant units for community and third sector activities on below market terms.

Potential risk:

The light refurbishment of the shopping centre and the temporary use of vacant units for community and third-sector activities may trigger compliance issues related to building codes, fire safety, accessibility, and land use regulations. Additionally, the presence of asbestos in the shopping centre and the need for its removal before demolition introduces a significant health and safety compliance risk. Improper handling of asbestos could pose serious health hazards to workers, occupants, and the surrounding community.

Your view:

- The Council 'Plays it safe' with no deviation from legal or regulatory requirements. Avoid anything which could be challenged.
- The Council considers only activities that could deviate in a very minor way from compliance expectations.
- The Council's only willing to 'stick our neck out' when the risk of challenge is very low.
- The Council has some appetite to deviate where challenge is likely, but only if we are likely to win it and where the gain will outweigh the adverse consequences.
- Chances of losing are high and the consequences serious, but a win could be seen as a great coup, the Council is prepared to invest.

Question 8

Long Term/ Short Term

Potential Opportunity:

The Council has an opportunity to purchase a large area of agricultural land at the edge of a village in West Lindsey. The Council aims to bring forward a mixed-use development on the site by promoting it through the next Local Plan which will allocate the site in the later part of the plan period. The site will enable the Council to create social value by delivering employment space and new homes and deliver open space and playing fields for the village.

Potential Risk:

The long-term investment will require the Council to bear the cost of financing the development and promoting the site through the planning process with a long delay before any returns can be made from the site. The cost of this will have an impact on the Council's budget until the new development is delivered. There is a chance that local pressure might be applied to preserve the field as agricultural land or turn it into public open space instead of delivering new homes.

Your view:

- The long-term objectives of delivering on social value are most important and the risk of short-term budget pressure is less important than delivering the long term social value
- The Council needs to balance the long term and short term needs of the Council when considering opportunities.
- The Council should only focus on short term budget impact of investment opportunities.