

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	9 th December 2020
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Risk Appetite Statement
REPORT NUMBER	COM/20/227
CHIEF OFFICER	Fraser Bell
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	1.1

1. PURPOSE OF REPORT

To present the Risk Appetite Statement for approval.

2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 Approves the Risk Appetite Statement (RAS) attached as Appendix (A); and
- 2.2 Instructs the Chief Officer – Governance to propose amendments to the Scheme of Governance to the meeting of Full Council scheduled for 3 March 2021 to reflect the Risk Appetite Statement; and
- 2.3 Instructs the ALEO Assurance Hub to consider a review of risk appetite within each ALEO as part of the Hub's workplan for 2021.

3. BACKGROUND

- 3.1 In 2019, the Council conducted a review of its existing Risk Management Framework. The review established a number of areas for improvement and incorporated recommendations and areas of good practice from a number of areas and organisations including, CIPFA's Governance Review which benefited from input from the Good Governance Institute, and a

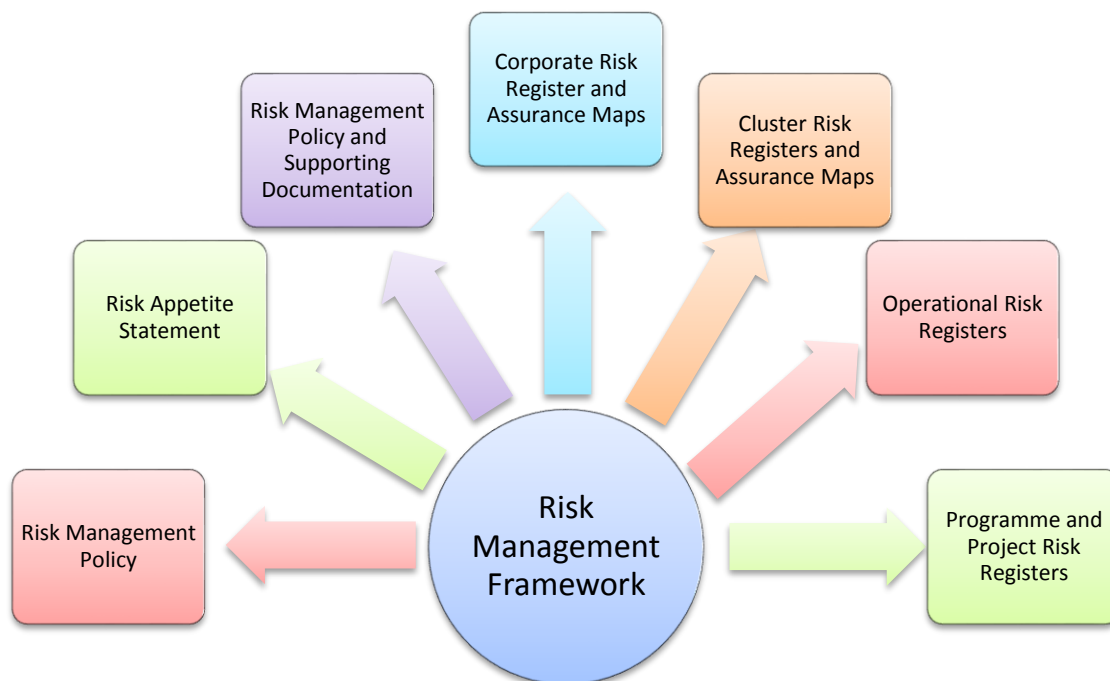
recommendation from Internal Audit that developing and adopting a risk appetite would provide a clearer basis for identifying and addressing the most relevant risks and, support decision making when considering risk. A RAS was adopted by the Integrated Joint Board (IJB) and this has also been reviewed. This has been in operation at the IJB since 2016 and the levels of risk within the statement have recently been revised. It would be the intention to review the proposed RAS for the Council in January 2022, after one year of operation.

The Risk Management Policy was updated and approved by Committee in December 2019 and sets out the Council’s vision:-

“It is our vision to deliver a fully integrated risk management system which:-

- ✓ *supports the Council’s business processes and decision making;*
- ✓ *allows the Council to identify and mitigate emerging risks whilst exploiting opportunities;*
- ✓ *is fully embedded and thereby provides evidence of a risk intelligent organisation; and supports improvements to operational performance and delivery of the Council’s outcomes”*

The policy is supported by a number of documents, processes and templates which together form the risk management framework, as illustrated below:-



3.2 The RAS was identified a key element to the framework that would support achievement of the Council’s vision and allow the organisation to establish and embed the culture required in order to become a “risk intelligent organisation”. By providing staff and elected members with a document that describes and details the types and levels of risk the Council is willing to accept in the pursuit

of its strategic outcomes, decision making would be proportionate and aligned to these outcomes.

3.3 It is intended that the RAS will be used by all Officers and Elected Members to guide:

- operational proposals and decision making;
- strategic proposals and decision making; and
- Committee report recommendations, including Business Cases and policies, to ensure the recommendations had regard to the approved risk appetite for the Council.

3.4 The RAS will be subject an annual review and will be referenced within the Council's Scheme of Governance. It will be important to monitor its implementation over the first year, to understand whether the levels of risk appetite set are appropriate and accurate. The Committee will be asked to review these at its February 2022 meeting. Risk appetite will guide officers when making decisions under the Powers Delegated to Officers and committees when exercising the powers delegated through the Committee Terms of Reference.

3.5 Members will note that there are categories of risk against which an appetite level has been set. The risk categories are set within the Risk Management Policy approved by the Committee in December 2019. The levels of appetite proposed take account of risk appetite statements held in other councils, the Integrated Joint Board whilst also having regard to the risk profile of the Council. Regardless of the level of risk appetite, decisions should be risk assessed as appropriate including the identification controls and mitigations where required. Such assessments will be evident in the committee reporting template, which will seek to ensure that authors have regard to the risk appetite statement as part of their risk assessment.

3.6 Given the benefits outlined above, the ALEO Assurance Hub will consider whether to include the development of risk appetite within the remainder of the Group structure. This can draw on practice within the IJB and the Council and ensure that there is a consistent approach.

3.7 In order to develop the RAS for approval, the following stakeholder engagement activities were conducted:

September/October 2020	Workshop Discussions with Chief Officers
November 2020	Review by the Risk Board
November 2020	Review by the Corporate Management Team
November 2020	Workshop Discussion with members of Audit Risk and Scrutiny Committee

3.7 Following approval from Committee and in order to fully embed the RAS statement within the organisation, the following implementation activities will be completed:

1. Committee Report Template and report author guidance to be amended (December 2020)
2. Audit, Risk and Scrutiny Committee Risk Management Training (commencing January 2021)
3. Elected Member Risk Management Training (Commencing January 2021)
4. Officer Risk Management Training – Chief Officers, Leadership Forum and Risk Champions

4. FINANCIAL IMPLICATIONS

- 4.1 There are no direct financial implications arising from the recommendations of this report.

5. LEGAL IMPLICATIONS

- 5.1 There are no direct legal implications arising from the recommendations of this report.

6. MANAGEMENT OF RISK

- 6.1 The RAS is a supporting document which forms part of the Council's overall system of risk management. The risk management system ensures that all risks attaching to the Council's business and strategic priorities are identified, appropriately managed and that the Council's activities are compliant with the its statutory duties.

The RAS is designed to support improvements previously recommended to the Council's system of risk management. Whilst there are no risks arising from the recommendations from the report, there is a risk that the Council would be unable to deliver the improvements required if the RAS is not approved.

Category	Risk	Low (L) Medium (M) High (H)	Mitigation
Strategic Risk	The council is required to have a management system in place to identify and mitigate its risks	H	The council's risk management system requires that risks are identified, listed and managed via risk registers
Compliance	As above	H	As above
Operational	As above	H	As above

Financial	As above	H	As above
Reputational	As above	H	As above
Environment/Climate	As above	H	As above

7. OUTCOMES

7.1 The recommendations within this report have no direct impact on the Council Delivery Plan.

8. IMPACT ASSESSMENTS

Assessment	Outcome
Equality & Human Rights Impact Assessment	Full EHRIA not required
Data Protection Impact Assessment	Not required

9. BACKGROUND PAPERS

None.

10. APPENDICES (if applicable)

Appendix A – Risk Appetite Statement

11. REPORT AUTHOR CONTACT DETAILS

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