

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Audit, Risk and Scrutiny Committee
<b>DATE</b>	22 <sup>nd</sup> February 2022
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Annual Review - Risk Appetite Statement
<b>REPORT NUMBER</b>	COM/22/036
<b>CHIEF OFFICER</b>	Fraser Bell
<b>REPORT AUTHOR</b>	Ronnie McKean
<b>TERMS OF REFERENCE</b>	1.1

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### 1. PURPOSE OF REPORT

The purpose of this report is to present the Council's updated Risk Appetite Statement (RAS) to Committee for approval.

### 2. RECOMMENDATION(S)

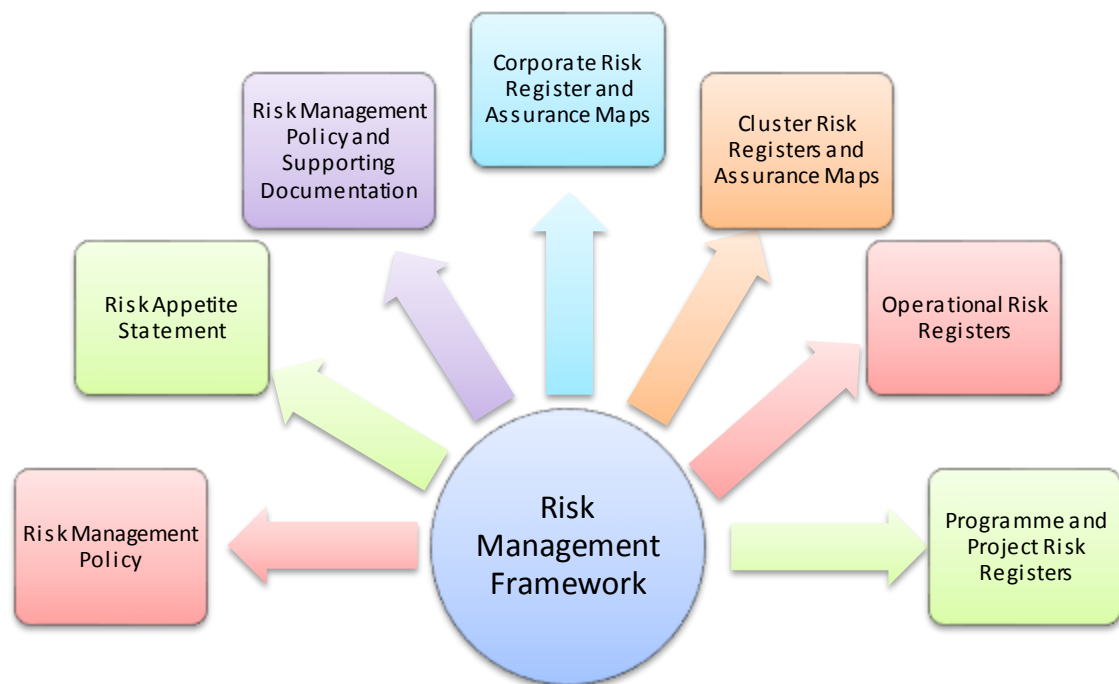
It is recommended that the Committee:

- 2.1 Approves the updated RAS attached as Appendix (A),
- 2.2 Note the progress to embed the RAS during 2021; and
- 2.3 Note the training and engagement activities for 2022

### 3. BACKGROUND

- 3.1 The Council's RAS sets out the categories of risk recognised by the Council and the amount (extent) of risk that the Council is and is not prepared to tolerate in pursuit of its strategic outcomes. The RAS balances the relationship between acceptance of risk in one area to achieve the benefits or outcomes required in another area and recognises that there are both threats and opportunities in risk management.

- 3.2 The RAS was approved by Committee in December 2020 and is a key element in the documents, processes and templates that form the Council’s risk management framework as illustrated below:



- 3.3 The Council’s RAS was approved by Committee in December 2020. It was agreed by Committee that:

- The RAS would be subject to an annual review to understand whether the levels of risk appetite are appropriate and accurate.
- Implementation of the RAS would be reviewed during the first year.

- 3.4 The process of embedding the RAS within the Council has made good progress during 2021 and it has been used to guide strategic/operational proposals and decision making as demonstrated by the examples below:

- **CMT/ECMT** – Assessment of risks identified in projects to support budget delivery
- **Executive Boards:**
  - Service Planning – alignment of proposal/s to RAS
  - Commissioning Cycle - alignment of risks identified to delivery of Commissioning Intentions with RAS
  - Business Case Template – updated to reflect RAS in recommendations
  - Corporate Risk “Deep Dive” Template reflects RAS
- **Scheme of Governance** – incorporated into the Council’s main governance documents, including Financial Regulations, Procurement Regulations and Powers Delegated to Officers
- **Health & Safety** - risk assessment procedure revised to assess risks identified against RAS

- **Committee Report Template and Guidance** – update agreed by CMT on 18 November 21 to reflect RAS in recommendations – to be rolled out.
- **Council Policy Template and Guidance** – the Council’s policy documents are control documents designed primarily to eliminate or control risks. The risk section of the policy template and guidance has been updated and enhanced to ensure that policy authors identify and categorise what risks the policy is seeking to mitigate. Authors are required to explain how each risk identified will be mitigated appropriately and in accordance with the Council’s RAS by considering the level of risk that the Council is willing to accept or avoid.
- **Council Risk Management Guidance** – the risk assessment and evaluation section of the guidance document has been updated and sets out how risk owners should use the RAS as a tool when assessing and evaluating risks to determine the appropriate level at which the risk should be recorded, treated, and managed.
- **Risk Register Committee Reporting** – alignment of risks on risk register with RAS.
- **Internal Audit**
  - 2022/23 Audit Plan reflects the level of risk appetite for each area to be audited
  - Audit reports will reference the level of risk appetite in the area audited. Any recommendations should acknowledge, and be proportionate to, the level of risk appetite.

3.5 Further risk management training and engagement activities will be conducted during 2022 as we work to further embed our risk management principles and approach in all sections of the organisation. These activities will include:

- Review Policy Template and Guidance documentation to review policy development and content in context of RAS.
- Elected Member and officer training on risk section updates of Committee report and policy template and author guidance.
- Establishment and roll-out of a Risk, Safety and Resilience SharePoint site that will host the Council’s risk management information, blogs, and online training.

3.6 The existing RAS was considered and reviewed by ECMT in November 2021 and CMT in January 2022. The revisions agreed and proposed are included in the updated RAS attached in Appendix A and are summarised below. If approved, the revisions will take effect from 1<sup>st</sup> April 2022.

- **Purpose Section** – it was recognised that in some instances, that risks in one area may overlap or compete with another. Additional text has been added to this section to provide additional guidance to users when the appetite for risk in one area is high but may also present risks in another area where the appetite is lower.
- **Strategic Risk** – there was consensus that the appetite for this category should be changed from “averse” to “cautious”. It was considered that this better reflects the required tolerance of risk to deliver the Council’s

outcomes and commissioning intentions in the current operating environment (e.g., existing pandemic and financial challenges).

- **Compliance Risk** – it was agreed that the word “may” should be replaced with “will”. It is considered that this better reflects the Council’s current approach. That would mean the Council is averse to risks that *will* result in non-compliance. Where there are any risks that *may* result in non-compliance, consideration will be given to the likelihood of any legal challenge and the likely success of any legal challenge.
- **Operational Risk** – the appetite within this category has been changed from “averse” to “cautious”. It is considered that this better reflects the complexity of day-to-day operational decision making where certain actions to mitigate short-term risks could result in greater long-term risks. ‘Cautious’ would better reflect a requirement to weigh up cost/benefit.
- **Environment/Climate** – text has been updated in this area to be clearer and to reflect the Council’s net zero carbon ambitions.

#### 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 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 updated RAS is not approved.

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

## 7. OUTCOMES

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

## 8. IMPACT ASSESSMENTS

<b>Assessment</b>	<b>Outcome</b>
<b>Impact Assessment</b>	Full impact assessment not required
<b>Data Protection Impact Assessment</b>	Not required

## 9. BACKGROUND PAPERS

None.

## 10. APPENDICES (if applicable)

Appendix A – Annual Risk Appetite Statement – Proposed Changes

## 11. REPORT AUTHOR CONTACT DETAILS

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