



Risk Management Strategy

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INTRODUCTION

This document sets out the Risk Management Strategy for Aberdeen City Council. It replaces the document last reviewed and approved in October 2013.

This Strategy and the principles of risk management governance and assurance it reflects can be applied to the risk management functions undertaken throughout the Council Group. Although we recognise the independence of our arms-length and partner organisations to determine internal governance and reporting structures, we strongly recommend that the principles documented in the strategy are adopted. In this way, we can best ensure a consistent approach to good governance across the Group and that robust arrangements for effective risk identification, assessment and response are in place.

The Risk Management Strategy will continue to be subject to annual review.

The Strategy is designed to meet the following requirements:

- To promote the development of an Enterprise Risk Management culture across the Council and its Group.
- To support Principle 4 of the Local Code of Corporate Governance which requires transparent informed decision making which is subject to effective scrutiny and the management of risk.
- To assist the achievement of objectives.
- To provide a framework for the application of risk management practices to partnership activity in which the Council leads.
- To enhance the value of services provided to communities.
- To establish the methodology that identifies our appetite for risk.

The Strategy is supported by an operational tool: the **Risk Management Manual**.

CONTEXT

Under the Local Government (Scotland) Act 1994, the Council must meet the governance requirements of the Scottish Government. This also supports our best value culture.

ROLES and RESPONSIBILITIES

Risk Management is led at the corporate level by the Director of Corporate Governance. The risk management function is coordinated by the Performance and Risk Manager who reports to the Performance and Transformation Manager.

Within each service, there will be suitable mechanisms for the identification, assessment and management of a comprehensive risk register for the service. This will include the clear identification of a risk owner for each assessed risk.

The Performance and Transformation Manager, Performance and Risk Manager and representatives of all services will be members of the Corporate Risk Management Group (CRMG). The Group supports the development of a consistent and structured approach to risk management activity across the Council and provides a forum for sharing best practice. The CRMG will meet quarterly.

There are five specialist risk-related areas and in each, the lead officer will be a permanent member of the (CRMG). These areas are:

- Health, Safety and Wellbeing
- Facilities management
- Insurance
- Information Management
- Business Continuity / Emergency Planning

In the wider context, managers throughout the Council hold responsibility for the management of risk. This responsibility embraces not only the control and mitigation of threats but the identification and exploitation of opportunities and supports a strategic governance assurance culture based on informed decision-making.

See appendix 4 for role descriptions

RISK AND RISK MANAGEMENT

Risk is defined as the combination of the likelihood of an event occurring and its impact, should it occur. Risk Management is the process whereby we address the uncertainty attaching to our activities with the goal of achieving sustained benefit within each activity and across the portfolio of all activities.

The Council is committed to the development of an Enterprise Risk Management approach (ERM). This approach categorises risks according to **hazard, control** and **opportunity**. **Hazard** risks are those which inhibit the achievement of benefits to the Council, the city and its communities. **Control** risks are those which increase uncertainty or doubt about the achievement of benefits and **Opportunity** risks are those which enhance the achievement of benefits.

Risk Management is intrinsic to the wider performance management function. By effectively linking the management of risk to performance management and reporting, the Council is able to improve decision making by minimising threats and maximising opportunities, key factors in meeting objectives. Risk Management aims to identify all significant risks and opportunities which present, to assess their likelihood and potential impact, evaluate the internal controls in place and determine what other actions are required to mitigate the risk or enhance the opportunity.

THE RISK MANAGEMENT CONTROL ENVIRONMENT

The risk management control environment has a key role in the management of risks that are significant to the achievement of our corporate objectives. Effective control requires that:

- Significant, strategic, operational, financial and compliance risks are identified and assessed on an ongoing basis;
- Managers understand which treatment option (risk response) is required with each risk;
- Our shared values, code of conduct, HR policies and performance reward systems support an opportunity risk culture;
- Authority and accountability are clearly defined and devolved decision-making is a reality;
- Employees understand their roles with regard to security of tangible and intangible assets, enforcing Health and Safety, Financial Management, Information Security and facilities requirements;
- Managers have relevant skills to manage risk and deliver objectives;
- There are channels of communication to allow individuals to report suspected breaches of law or other improprieties;
- Incident management informs risk management;
- Risk management activity is reported timeously for effective governance and to support a council-wide assurance strategy.
- Risk incidents are properly and timeously managed and

used to inform improvements and better risk control.

A Statement of Internal Control, which details the strength of the Council's response to these factors, will be presented to the Audit, Risk and Scrutiny Committee annually.

RISK RESPONSE

All risks are assessed in terms of the combination of impact and the likelihood of a risk occurrence. It is this assessment which then informs a decision on risk response.

The response to hazard and control risks is best summarised:

- Tolerate** We have assessed that the risk is at a level which is manageable and no further treatment is required.
- Treat** We formulate and apply action plans to mitigate the risk and reduce it to a tolerable level.
- Transfer** The risk is best responded to by means of transferring it to another party. This may be through insurance against liabilities, or by transferring the risk to a partner or arms-length external organisation (ALEO) in the service provision sectors.
- Terminate** The consequences, were the risk to occur, are of such magnitude, that the only acceptable response is to terminate it. (This may be impractical in the public sector where a statutory or regulatory function is involved).

Where the approach is to tolerate the risk, the current assessment, reflected in the risk matrix, will be identical to the residual assessment. In this scenario, all practical and affordable measures have been implemented to manage the risk and no further action may be necessary or appropriate. In certain circumstances however, the risk may continue to be recorded in the register for monitoring purposes. Where the approach is to treat the risk, the residual risk level will be lower than the current level and will need to be identified. This will be the level of risk the Council is prepared to tolerate when controls and mitigation at an agreed level, have been established. This level of tolerability is one of the key components in the Council's appetite for risk. *(see section on risk appetite and allocation of resources)*

The risk management approach to opportunities is the reverse to the management of hazard and control risk. In these cases, we seek to increase likelihood and maximise impact. The approach can be summarised:

Exploit the opportunity by increasing the likelihood of it happening;

Enhance the impact (by increasing the consequences of the opportunity risk);

Engage with partners in order to maximise received benefit.

The Council, in common with much of the public sector, faces reducing resources and increasing demand. These demands will be influenced by demographic changes, customer / citizen expectations, statutory requirements and central government policy. In this environment, the need to identify and exploit opportunities will be of increasing importance to the effective delivery of services and the achievement of outcomes. The Council's shared values and appetite for risk reflect this importance.

SYSTEM OF RISK MANAGEMENT

The Council's System of Risk Management comprises six criteria which direct our approach to risk. The System comprises:

- **Structure**; the design of risk registers, their ownership and management;
- **Skills**; the skills required of risk owners and others involved in the management and control of risk and the training designed to deliver appropriate skills sets;
- **System**; the technological arrangements in place to manage the Council's risk profile;
- **Strategy**; the Council's attitude to and appetite for risk;
- **Staff**; the people and roles needed to implement the strategy, manage the risk protocols, monitor and report risk management activity;
- **Shared Values**; the culture of the Council and our common beliefs.

STRUCTURE

A Strategic Risk Register will be maintained in which all service-critical and function-critical risks facing the Council will be recorded and managed. Risks will be grouped in terms of corporate criticality:

- Capacity
- Capability
- Compliance
- Harm

For governance, each will be led by a member of the Corporate Management Team. The management of risk at the strategic level will be informed by the implementation of controls and mitigation at both the strategic and service / operational levels. For example, developments in the management of a *Protecting Children* risk at the service level, will be linked at the strategic level to *Harm* and *Compliance* to ensure these key areas of risk are timeously updated and subject to dynamic management activity.

Beneath the strategic level, all services will maintain registers which include risks with the potential to impact on their Service and Improvement Plan priorities and outcomes. All services will take account of the corporate key dependencies in their consideration of risk:

- Financial Management and Planning
- Customer relations
- Employee engagement
- Business Continuity Planning
- Health, Safety and Wellbeing

Services will align the management of risk with the delivery of Service Improvement Plans and with the risks impacting those deliverables clearly articulated and scoped.

Services may also choose to maintain risk registers at lower tiers, which reflect those operational matters relating to business planning that require response at the team level.

Each risk will be assigned a single owner with direct accountability for the monitoring of control effectiveness and the delivery of actions to mitigate the risk.

Service Management Teams and the Corporate Management Team will take collective responsibility for service and strategic risk registers respectively and ensure that the Audit, Risk and Scrutiny Committee is provided with regular updates on the management of the Council's risk profile.

SKILLS

Effective risk management requires the appropriate skills sets for all those involved. Risk owners, Executive (Corporate Management Team) the non-executive (Elected Members) and all officers reporting to the Council's committees will need distinct training in order to develop appropriate skills in presenting comprehensive risk information when making recommendations in reports.

Internal senior and middle management training packages will include

a risk component targeted at specific officer needs. In particular, managers training programmes will deliver awareness and understanding of both the negative and positive aspects of risk management.

Elected member training will be delivered periodically, targeted at the development of appropriate challenge and assurance capabilities.

Our arrangements for the provision of training are subject to annual benchmarking.

SYSTEM

The Covalent Risk Module is the corporate risk management tool. The module is available to all services to manage their risk registers, produce tailored reports and set review and reassessment schedules. The module has linkages to other Covalent tools, namely the Incidents, Policies, Actions and Performance Indicators modules. The Performance and Risk Manager logs incidents of strategic significance against relevant risks in order to inform reassessment. These will include incidents affecting our facilities operations and security, ICT operations and security and Health and Safety. *(see section on risk incidents)*

Business Continuity Plans will be recorded in the Policies module and aligned with relevant strategic and operational risks.

Performance Indicators will be maintained to measure the effectiveness of the Councils risk management arrangements, informed through annual benchmarking activity.

Progress in delivering mitigating actions may be recorded in the Actions module and linked to the parent risk to aid assessment.

The efficacy of the Council's overall risk management technical support will be subject to annual benchmarking to ensure continuing compliance to industry standard.

Organisations in the Council Group may use alternative technical solutions to support risk management. All systems should be periodically reviewed to ensure continuing effectiveness.

STRATEGY

This document represents the Council's risk management strategy. That is it reflects our attitude to risk and our appetite for it. *(see section on risk appetite and allocation of resources)*

STAFF

Our employees are key to the risk management process. It is staff members working in their specialisms which must scan the risk environment, assist in managing existing risks through the completion

of mitigating actions, identify emerging risks and seek out opportunities. This will happen throughout the management tiers of the Council.

The ***Risk Management Manual*** is designed to provide our personnel with the tools to manage risk within their own work environment. The manual is regularly updated and includes advice on risk assessment techniques, response protocols, system use and monitoring and reporting requirements.

SHARED VALUES

The Council is '***Risk Aware.***' That is we actively seek to identify and address not only the risks to the achievement of our objectives, but also the opportunity risks which will deliver added benefit to our communities.

In order to maintain this culture, we require strong leadership and direction for risk management activity and effective communication at all levels within the Council, and between the Council and our stakeholders. There needs to be a high degree of accountability for the management of risks, according to established protocols.

The effectiveness of our shared values, or our Risk Culture, is assessed through the Council's risk assurance framework. This covers internal and external audits of our risk management arrangements and monitoring and review of those arrangements by the Corporate Management Team (CMT) and the Audit, Risk and Scrutiny Committee.

In addition, the Council annually benchmarks its risk management arrangements through a public sector benchmarking club. The outputs of these exercises provide an assessment of the extent to which risk management is embedded in the Council's management structures and processes and assesses the strength of our shared values and belief systems.

RISK APPETITE AND ALLOCATION OF RESOURCES

The two extremes of organisational risk management culture are referred to as '***risk averse***' and '***risk aggressive.***' In reality, most organisations will be placed at a point somewhere along this spectrum. That place will be determined by the organisation's appetite for risk. In the public sector, it is difficult to place a financial assessment on the level of risk appetite, unlike the commercial sector where the response to markets will largely determine where a firm is placed in terms of risk culture. The Council's risk appetite is determined by the Corporate Management Team and will be measured by our approach to both the negative and positive aspects of risk management, by:

- Assessing the residual level of hazard and control risk (the risk profile we are prepared to tolerate) and allocating the financial, people, infrastructure and time resources required to improve controls and apply mitigation, so that risks reach the desired level of tolerability.

- Identifying the level of resources (financial, people, infrastructure and time) we are prepared to invest in opportunity risk programmes and projects in order to enhance the achievement of outcomes and the addition of benefit to the Council and our communities.

Opportunity risks may actually arise from hazard or control risk management. For example, the Council may decide to bring a risk to an assessed level of tolerability by directing agreed resources at its management. Further analysis at this point may identify an opportunity to add benefit by investing additional resources in an improvement project, even though the original (hazard or control) risk is tolerable. As a rule, established techniques such as Cost Benefit Analysis or SWOT (Strengths, Weaknesses, Opportunities and Threats) will be required to identify and evidence the strength of opportunities and the resources required to manage them. Other creative thinking approaches will also come into play here and management training programmes will include a focus on positive risk techniques in decision making.

RISK INCIDENTS AND NEAR MISSES

An incident is an unplanned occurrence or event leading to harm, loss or damage to people, property or reputation. A near-miss is an incident that had the potential to cause harm, loss or damage but was prevented or avoided.

Risk incidents are incidents which have the potential to increase the level of risk recorded in the strategic risk register with implications for the level of resources required to manage the Council's risk profile. All incidents require categorisation and grading so that a determination may be made of their impact on the risk profile.

Incidents may occur in connection with:

- The operation of facilities (fire, flood etc.);
- The security of facilities and staff (unauthorised access, threats, aggression and violence towards staff and customers);
- Information Security (breach of security around electronic or paper records); [\[link to DP Breach Procedure and Management of Information Security Policy; Information Security Incident Reporting Procedure\]](#)
- ICT Operations (failure of critical operational systems);
- Health, Safety and Wellbeing. [\[link to the H&S Incident Reporting Procedure\]](#)

It is important that a proper incident management process is followed to ensure intelligence is captured and improvement actions identified to support the management of risk.

When an incident occurs, key personnel drawn from the function or service concerned should assess the scale of incident according to impact, using the incident / near miss matrix. Incidents assessed as **high**, **severe** or **extreme** must follow the Critical Incident Reporting process. All incidents impacting on

the Council's duty of Health and Safety should follow the relevant process.

Near misses will necessarily not carry the same impact as actual incidents but in some cases, the seriousness of the prevented or avoided incident will be such that it is expedient to follow the Critical Incident Reporting Process so that lessons may be learned and improvements identified and implemented.

Records of incidents and near misses will be analysed periodically to identify trends and patterns that may require additional systemic change, improvements or remedial action.

Please see appendices 2 and 3.

RISK MANAGEMENT IN THE COUNCIL GROUP

This strategy provides a framework to our Arms-Length External Organisations (ALEOs) within which appropriate risk management arrangements may be implemented as part of internal governance responsibilities. The strength of these arrangements will be subject to scrutiny by the Council to provide assurance that a proper consideration of risk is being taken.

As a minimum, all ALEOs should ensure that:

- A robust and transparent risk management process is established including arrangements for the identification, assessment, evaluation, recording, monitoring and reporting of risks;
- Performance information is monitored for early warning signs of emerging risk;
- Potential insurable risks and liabilities have been identified and provided for;
- Business continuity arrangements are in place in the event of a major incident.

INTEGRATION OF HEALTH AND ADULT SOCIAL CARE

The Integration of Health and Adult Social Care services requires a new approach to the management of risk. This strategy may be used to inform those arrangements. The Chief Officer of the **Aberdeen City Health and Social Care Partnership** (the Partnership) is responsible for establishing the Partnership's risk management framework, which should be embedded in the formal Integration Scheme. The Integration Scheme's section on risk management should specify:

- The Partnership's risk management policy and strategy and methods for consistently identifying, analysing and evaluating risk;
- Leadership and lines of accountability for risk management;
- Arrangements for recording, updating and monitoring risk management information;

- Arrangements for reporting risk management information both to the Board, and to the Council and NHS Grampian;
- Arrangements for agreeing when and how risks are retained or transferred between the partners or to third parties;
- The professional risk management and insurance support and guidance available from both the Council and NHS Grampian.

The Council will record integration as a risk in the ACC Strategic Risk Register.

The Shadow Integration Board will establish a register of key strategic and operational risks for management during the process of moving towards integration. The following issues and dependencies will inform the identification of risks over the short, medium and longer terms.

- Governance, Management and Strategy
- Financial Management
- People Management
- Assets Management
- Information Management
- Performance Management
- Customer Management
- Business Continuity / Disaster Recovery Management

These risks will be mitigated by clearly defined actions and protocols within the Integration Scheme. As actions are completed, risk control will increase and the scale of the risk should reduce. Similarly, as integration proceeds, continuing examination of issues and dependencies will identify new emerging risks.

The development of the Strategic Plan will establish the outcomes the Partnership sets out to achieve and the identification of risks impacting on the deliverability of outcomes, will inform the further construction of the Partnership's ongoing risk management framework.

RISK MANAGEMENT MONITORING AND REPORTING

Strategic risk management is a cyclical process that must be subject to regular revision to ensure its continuing effectiveness. Service risk monitoring and reporting processes will also reflect this requirement.

Risk owners are responsible for reviewing and reassessing their risks and determining if further treatment or an alternative risk response is required. The risk owner also determines the scoring of the risk according to the **Impact X Likelihood** matrix.

Services are responsible for ensuring that risk owners carry out scheduled reviews of risks in order to ensure that the Service Risk Register can be properly updated and maintained. As with the governance arrangements surrounding the Strategic Risk Register, Service Risk Registers

should be reported monthly to Service Management Teams and to the Audit, Risk and Scrutiny Committee on a rolling cycle, in order to guarantee continuing relevance and active management.

Maintenance and reporting of the Strategic Risk Register is the responsibility of the Performance and Risk Manager. The Strategic Risk Register is reported to the Corporate Management Team as part of the Corporate Performance Dashboard on a monthly basis and affords the CMT the opportunity to review the risk profile of the Council and also to identify emergent risks. Annual risk workshops may be convened to aid this process. The outputs of service risk register reviews will further inform the process. The Strategic Risk Register will be reported annually to the Audit, Risk and Scrutiny Committee, along with the Statement of Internal Control. In addition, Internal Audit will provide regular reports on the effectiveness of risk management to the Committee.

An analysis of the effectiveness of the components of the system of risk management will be reported periodically by the Performance and Risk Manager to the Audit, Risk and Scrutiny Committee.

See Appendix 1 for the Risk Management Reporting structure

RISK AND ASSURANCE

The significance of the *Risk Management Statement of Internal Control* has already been documented in this strategy. The Statement articulates the strength of our risk management arrangements and their role in supporting a council-wide assurance strategy. Central to this assurance is the relationship between risk management and internal audit. Internal audit planning will be risk-based and this depends on risk management being properly aligned with performance management, customer, employee and stakeholder feedback and robust horizon-scanning processes.

To support the required level of assurance in risk management activity, compliance with risk assessment schedules and incident / near miss reporting protocols will be monitored and reported through performance dashboards.

Risk assurance is also required with regard to the proper management and operation of organisations within the Council Group. The strength of this assurance is essential to the fulfilment of our statutory obligations and allows the Council to manage its own risk exposure which arms-length service delivery brings.

Risk management should be embedded as a continual process of identification, assessment and evaluation if it is to be effective in supporting a corporate assurance strategy.