Good Governance Institute

ABERDEEN CITY COUNCIL

Aberdeen City Council

Assurance development programme: risk management system

A report from the Good Governance Institute (GGI)

September 2016

www.good-governance.org.uk

Good
Governance
Institute

The Good Governance Institute

The Good Governance Institute exists to help create a fairer, better world. Our part in this is to support those who run the organisations that will affect how humanity uses resources, cares for the sick, educates future generations, develops our professionals, creates wealth, nurtures sporting excellence, inspires through the arts, communicates the news, ensures all have decent homes, transports people and goods, administers justice and the law, designs and introduces new technologies, produces and sells the food we eat - in short, all aspects of being human.

We work to make sure that organisations are run by the most talented, skilled and ethical leaders possible and work to build fair systems that consider all, use evidence, are guided by ethics and thereby take the best decisions.

Good governance of all organisations, from the smallest charity to the greatest public institution, benefits society as a whole. It enables organisations to play their part in building a sustainable, better future for all.

Good Governance Institute

Final Report

Client:	**Aberdeen City Council**
Project name:	**Assurance development programme: risk management system Document name: Final report**
Reference:	**GGI_ACC_Final report_09Sept**
Version:	**Final version 1**
Date:	**September 2016**
Authors:	**Hilary Merrett, Senior Associate, Good Governance Institute, John Bullivant, Chairman, Good Governance Institute**
Reviewed by:	**Donal Sutton, Team Leader - Service Development, Good Governance Institute, Hannah Campbell, Senior Programme Delivery Officer, Good Governance Institute, David Cockayne, Managing Director, Good Governance Institute**
Designed by:	**Emiliano Rattin, Senior Communications Officer, Good Governance Institute**

This document has been prepared by GGI Limited. This report was commissioned by Aberdeen City Council. The matters raised in this report are limited to those that came to our attention during this assignment and are not necessarily a comprehensive statement of all the opportunities or weaknesses that may exist, nor of all the improvements that may be required. GGI Limited has taken every care to ensure that the information provided in this report is as accurate as possible, based on the information provided and documentation reviewed. However, no complete guarantee or warranty can be given with regard to the advice and information contained herein. This work does not provide absolute assurance that material errors, loss or fraud do not exist.

This report is prepared solely for the use by Aberdeen City Council. Details may be made available to specified external agencies, including regulators and external auditors, but otherwise the report should not be quoted or referred to in whole or in part without prior consent. No responsibility to any third party is accepted as the report has not been prepared and is not intended for any other purpose.

© 2016 GGI Limited

GGI Limited, Old Horsmans, Sedlescombe, near Battle, East Sussex TN33 0RL is the trading entity of the Good Governance Institute

info@good-governance.org.uk

www.good-governance.org.uk

Contents

1.0	Introduction	5
1.1	Background	5
1.2	Methodology	6
1.3	Limitations	7
1.4	Acknowledgements	7
2.0	High Level Findings	8
3.0	Detailed Findings	9
3.1	The governance framework and risk: picking up the golden thread	9
	- Strategic Priority	
	- The assurance and escalation framework	
3.2	The risk management system	10
	- Risk management strategy	
	- Risk Appetite	
	- Risk Register Structure: Strategic and Corporate Risk Registers	
3.3	Ownership of risk	13
	- Overall accountability for risk management	
	- Culture and understanding of risk	
3.4	Roles and responsibilities in relation to risk	14
	- Elected Members	
	- Directors and Officers	
	- Performance and Risk Manager	
	- Risk Management Team	
	- Corporate Management Team	
	- Extended CMT	
	- Corporate Risk Management Group	
	- Audit, Risk and Scrutiny Committee	
	- Finance, Policy and Resources Committee	
	- Transformation Board	
	- Governance Hub and ALEO Board	
	- Integration Joint Board	
3.5	Risk reporting structure	17
3.6	Risk processes	19
	- Identification	
	- Risk monitoring - closing the loop	
	- Risk processes at service level	
	- Risk process issues – projects and programmes	
3.7	Risk supports	23
	- Information	
	- Training and development	
3.8	Relationships with provider stakeholders	24
	- Aberdeen Health and Social Care Partnership	
	- Arms' Length External Organisations	
3.9	Assurance mapping	28
Appendix		30

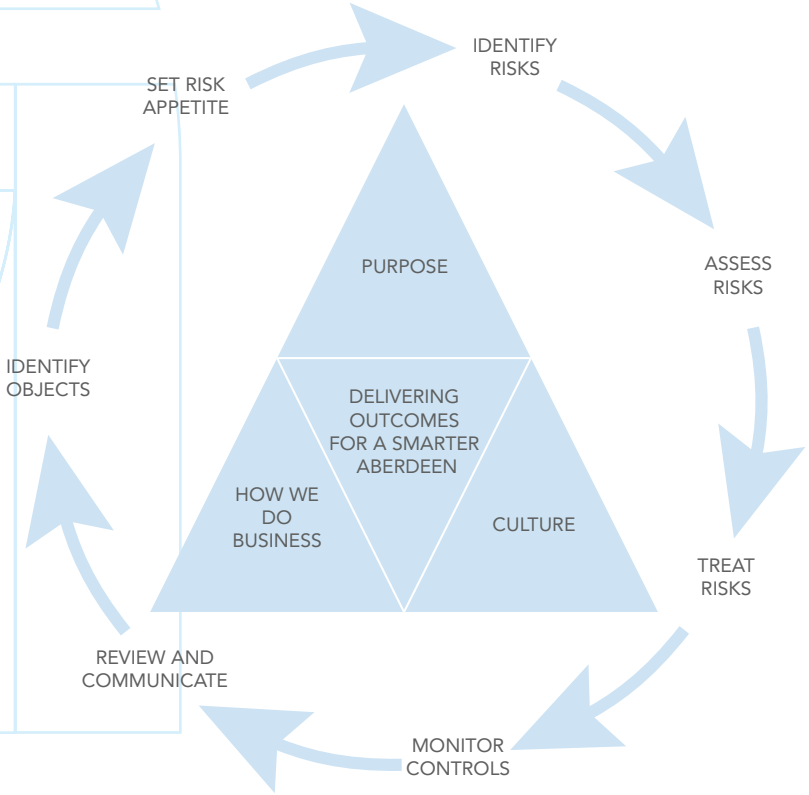
1.0 Introduction

1.1 Background

Aberdeen City Council (ACC) is committed to supporting communities, investing in the future of the city and working in partnership to deliver the vision originally set out in its long term plan, "Shaping Aberdeen"[1].

In order to ensure its refreshed strategy for a Smarter Aberdeen is supported by a reliable and coherent governance system, the Council has embarked on a wide-ranging review of governance, aimed at delivering a dynamic assurance framework and set of constitutional documents for March 2017. This review is being supported and facilitated by the Good Governance Institute (GGI) and by the Chartered Institute of Public Finance and Accountancy (CIPFA). As part of this assurance development programme, GGI has been commissioned to focus on the Council's risk management system.

The outputs of this review are thus intended to help to ensure that there are effective and comprehensive structures, processes and behaviours in place to identify, understand, monitor, and address the range of current and future risks faced by ACC. GGI understands that the governance system in general, and the risk management system in particular, must support the achievement of the six strategic priorities for Council services set out as a vision for a Smarter Aberdeen. These priorities, in turn, are supported by organisational plans which establish the purpose, culture and business approach to deliver the required outcomes.



The review has been informed by GGI's current status as the governance development partner with Aberdeen City Health and Social Care Partnership (ACHSCP), and our experience of developing the partnership's assurance framework.

1) Aberdeen City Council, Strategic Business Plan; Refresh 2016-2017, Aberdeen City Council, 2016

This report outlines the findings of our review and the associated recommendations for improvement. Our recommendations are aligned with the Society of Local Authority Chief Executives and Senior Managers, or "SOLACE", principles of good governance.[2]

The ultimate aim of the Council's corporate governance function is to construct and maintain a "golden thread" which runs through all its plans, policies and improvement activity and targets. This "golden thread" depends on clarity around strategic objectives and priorities and how these connect service, directorate and corporate governance and risk systems.

The scope of the review covered all operations of the Council, including the effectiveness of the developing accounting reporting process between the Council's Governance Hub and its Arm's-Length External Organisations (ALEOs) and with the Integration Joint Board (IJB) of the ACHSCP.

The outputs of the risk management review include:

- An assessment of ACC risk management strategy, structure and systems, and setting out recommendations for improvements and recommendations in relation to a revised risk management and assurance framework
- An assessment of risk appetite and risk tolerance in liaison with Council officers and members, and development of a risk appetite statement for ACC

This report outlines the GGI team's findings and recommendations with relation to the first of these outputs, and includes refined proposals for the achievement of the second.

1.2 Methodology

For this review GGI adopted a classic systems review approach, based on observations, interviews and document review, allowing for triangulation of findings.

Between June and August 2016, interviews were undertaken with selected members, directors and officers of the Council, key corporate governance personnel and the Managing Directors or Chief Executives of all Tier 1 and some Tier 2 ALEOs.

Relevant documentation was reviewed, including Council and committee minutes and papers, and governance and risk management related strategies, policies and procedures. Observations of the Corporate Management Team (CMT), the Audit, Risk and Scrutiny Committee (ARSC) and the Tier 1 Governance Hub / ALEO meetings were also undertaken.

The team's proposals have thus been developed in the context of the findings from interviews, observations, document review and in line with best practice[3], the SOLACE principles, Treasury[4] and Government[5] guidance, as well as Australia/New Zealand risk management standard.[6 7]

2) CIPFA SOLACE (2016) Delivering Good Governance in Local Government: Framework 2016, http://www.cipfa.org/policy-and-guidance/publications/d/delivering-good-governance-in-local-government-framework-2016-edition
3) Good Governance Institute, 2013, Countering the biggest risk of all: attempting to govern uncertainty in healthcare management, http://www.good-governance.org.uk/wp-content/uploads/2014/02/Countering-the-biggest-risk-of-all-attempting-to-govern-uncertainty-in-healthcare-management.pdf
4) HM Treasury, 2006, Thinking about risk: Managing your risk appetite – a practitioner's guide, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/191520/Managing_your_risk_appetite_a_practitioners_guide.pdf
5) Risk Management – public sector guidance, The Scottish Government, http://www.gov.scot/Topics/Government/Finance/spfm/risk
6) Institute of Risk Management, 2012, Risk Culture: Under the microscope guidance for boards, https://www.theirm.org/media/885907/Risk_Culture_A5_WEB15_Oct_2012.pdf
7)Standards New Zealand, 2009, AS/NZS ISO 31000:2009 Risk Management – Principles and guidelines, https://shop.standards.govt.nz/catalog/31000:2009(AS%7CNZS%20ISO)/scope?

The report identifies our high level findings and an outline view of how a revitalised risk management framework might contribute to the overall governance approach, setting out arrangements for assurance and escalation. A more detailed commentary follows on the risk management system and each of its key elements, setting out suggested recommendations for improvement or adjustment. There are also commentaries as requested on the approach to mapping of assurances, and on the governance processes between the Council and ACHSCP's IJB, and between the Council and its ALEOs.

1.3 Limitations

The review did not cover interviews with service managers, nor was it possible within the time frame to observe the Finance, Policy and Resources Committee. GGI is also aware that there are improvements and developments underway on an ongoing basis and that some of the issues described within this report may have been or are being addressed meanwhile.

1.4 Acknowledgements

GGI would like to thank everyone who participated, including all interviewees. In particular GGI would like to thank Vikki Cuthbert, (Programme Manager, Governance Review, ACC) for her support in the co-ordination of the project and our project sponsor Richard Ellis, (Interim Director of Corporate Governance, ACC).

2.0 High level findings

The GGI review team encountered a high degree of enthusiasm for improving governance amongst all interviewees, and an appreciation of the need for a "golden thread" of good governance connecting all parts of the Council and its operations. It was also clear from all aspects of the review that much good work has been done in recent weeks and months, particularly in relation to the development of performance reporting and the risk management reporting system. There was a widespread appreciation of the quality of leadership provided by the Chief Executive Officer (CEO) and of the work of the Corporate Governance Directorate (CGD). Risk is now a standing item on all agendas and communication of the importance of a risk management approach has been stepped up. The Council's vision for the city will be enhanced by its commitment to engage on governance and risk management with the newly formed ACHSCP, as well as with the full range of ALEOs.

The foundation of a functional risk management approach is a strong understanding of the strategic objectives of an organisation. This is key to the identification of risks to achieving those objectives and putting in place controls and assurances as needed. There are several sets of priorities in play across the Council, including the outcomes of the Single Outcome Agreement (SOA) and other area plans, the priorities of "Smarter Aberdeen" and the triple aims set out in "Shaping Aberdeen" and those shared with ACHSCP. While it is not GGI's intent to suggest any set of objectives take precedence, we strongly recommend that the same framework of priorities is used for the risk reporting and risk register system, as is now being adopted for the performance reporting framework.

The development of a risk appetite statement for the Council depends on clarity of the Council's strategic priorities and its ability to take a balanced approach to making decisions, where both risk and opportunity are considered, and outcomes rather than processes become the focus. It will also, importantly, support better horizon scanning processes and delegation within agreed tolerances across the council and for arm's length bodies. Once risk appetite and tolerance are agreed, Council should set out an annual delegation of roles to its committees, ALEOs, and officers, aligned to best practice and the agreed risk tolerances.

Council directors and officers are clear on the need to develop a risk management culture and to increase the level of risk awareness and tackle silo thinking about risk. There is an education and development programme required at all levels of Council operations, from Elected Members to Practitioners at service level, which must be supported by investment of time and resources.

In terms of the risk system itself, there were a few overarching issues for the review team. There remains a need to standardise risk register formats, if possible with project management and perhaps with Tier 1 ALEOs. These will need to be aligned to strategic priorities as stated above, and it is imperative that assurances (as distinct from controls) are also included in the strategic risk register and preferably other risk registers as well.

The assurance roles of committees and groups are currently not universally clear. The team has made recommendations about ensuring that the role of the ARSC remains focused on assurance of governance risk systems, rather than on their operational performance. There is also a need to refine the reporting, moderation (to ensure consistent scoring) and escalation of risks. This of itself has implications for the committee structure and this report sets out a role for an extended CMT and / or a revitalised Risk Management Committee.

Financial pressures are likely to increase over time and the Council has recognised the need to streamline its operations. This review aims to make suggestions which will support this need. There are issues of resilience, however, especially with regard to supporting the development and embedding of risk management across operations, and the CGD is heavily dependent on a small number of senior managers.

3.0 Detailed findings

3.1 The governance framework and risk: picking up the golden thread

Strategic priority

There is a strong Council commitment to the concept of a "golden thread" running through all activities and reporting lines, which will allow the full Council and its management team to be assured of the quality and performance of its services.

The Council has oversight of a wide range of diverse operations and services, encompassing both direct and arm's-length management arrangements. In order to account properly to its stakeholders, the Council leadership must be able to rely on strong line of sight from operations upwards to assure itself of probity, performance against objectives and maintenance of high levels of quality and safety. Fundamental to any assurance system are that the organisation's strategic objectives are specific, measurable, actionable, realistic and time bound (SMART), in support of its vision.

ACC's refreshed Strategic Plan for 2016/17 clearly sets out the vision for a Smarter Aberdeen, in the context of area plans. There are six objectives associated with this vision. There are also a set of "Triple Aims" identified in "Shaping Aberdeen" which define the goals which should shape Council directorates and service plans.

Many of these objectives are interdependent and complementary, and directorate and service managers are expected to take account of both Smarter Aberdeen and "Shaping Aberdeen" in developing plans. It is notable that the strategic plan does not describe risk or risk management as an integral part of its strategic framework, nor is there any mention of the Council's approach to its risk appetite against objectives. Making risk management fundamental to an organisation's thinking and business approach is the cornerstone of robust governance.

The newly developed performance management framework is designed to allow directorates and services to report against objectives. It appears that the three directorates may be using different overall objectives according to their remits. While this is understandable, it is critical that the Council's strategic objectives or priorities are consistent across the board so that both performance reporting and risk reporting facilitate the golden thread, or "line of sight". Streamlining or standardising the top line objectives may thus be helpful to enhance overall accountability for service quality and performance, and to establish an overall framework for:

- development of decision-making criteria for service and project development, planning and delivery; resource and funding allocation
- the assurance and escalation system
- risk reporting across all providers
- individual performance and appraisals
- evaluation of achievement against objectives

Recommendation 1

Clarify top line strategic objectives for the Council and standardise which will be used for performance and risk reporting systems

The assurance and escalation framework

This report presents proposals for improvement and development which the GGI team hopes will be helpful to, and consistent with, the outcomes of the wider governance review. Our suggestion at this point is that the Council should consider compiling a high-level governance framework as part of its constitution which describes the means by which it secures assurance on its activities. The framework should set out the governance structure, systems and performance and outcome indicators through which the Council receives assurance. It should also describe the process for the escalation of concerns or risks which could threaten delivery of the strategic priorities.

Our suggested framework would involve the population of a table as outlined in Figure 1. This broadly follows the approach developed for the ACHSCP.

	ASSURANCE of COMPLIANCE	ASSURANCE of TRANSFORMATION – achieving the triple aims
FOCUS	Compliance with standards and regulation, communication and escalation of concerns and risks	Improving services, measuring and sustaining improvement Challenging existing behaviours and work patterns, innovation, redesign and transformation
KEY COMPONENTS	People and Groups: partners; roles; committee structures Plans and Strategies : area plans, strategic plans, business and funding plans, transformation, workforce etc Risk Management strategy and audit plans etc Feedback and Reporting processes: routes for routine reporting, raising concerns and escalation process	
MAP OF COMPONENTS AT EACH LEVEL	COUNCIL LEADERSHIP LEVEL	
	DIRECTORATE LEVEL	
	SERVICE LEVEL AND PROJECT LEVEL	
	ARMS LENGTH PROVIDERS / AHSC PARTNERSHIP	
	INDIVIDUAL LEVEL	
OUTCOMES	Council measures of success for stakeholders and assurances from internal and external sources	Council measures of success for the tax payer and its stakeholders and assurances from internal and external sources

Figure 1. Suggested high-level governance framework 6

The recommendations and commentary in the body of this report are intended to inform the constituent parts of this framework.

Recommendation 2

Compile an assurance framework which describes components of assurance system for compliance and for transformation

3.2 The risk management system

Risk management strategy

The internal audit report into risk management of 2015 recommended the revision of the Council's risk management strategy. While the document itself has not yet been revised due to the reviews underway, there have been significant developments in terms of the risk management system.

We would advise the identification of specific objectives for the risk management system, in line with the achievement of strategic priorities as outlined above. The revised strategy and associated operational manual will provide the detail for key parts of the assurance framework as suggested above, especially in terms of role and responsibilities, risk processes and risk reporting flows. Any revised strategy should reflect the reality of the revised risk register system (see section 3.1).

The current strategy sets out in detail the theory of enterprise risk management – this is not yet apparent in risk registers observed and may be an important issue to include in training and to assess in terms of understanding when reviewing the quality and comprehensiveness of risk reporting.

There is some lack of clarity about the use of the terms "residual" and "current" and some inconsistency observed between risk registers. This issue is discussed in section 3.2.

The role of audit is critical to the provision of assurance and a vital tool for addressing risks and monitoring the implementation and success of mitigating actions. While the contribution of internal audit is clearly set out, the roles of Council committees and groups for assurance monitoring is less so. This is addressed further in this report in section 3.4, on roles and responsibilities. It is of concern that the internal audit plan uses different terminology and risk assessment methodology from the risk management strategy. However, there was a clear indication that it will be easier for audit colleagues to align their plans and programmes with the newly developed format for the Council's strategic risk register.

If the risk management requirements of provider organisations (ALEOs and ACHSCP) are to be incorporated into this strategy, there needs to be explicit description of how these are monitored i.e. through Governance Hub arrangements and reporting to the Council.

The Corporate Risk Management Group referred to in the document did not appear to be extant at the time of the review, nor was its original remit clear. Further proposals about this group and potential functions are discussed in section 3.4.

Recommendation 3

Ensure that the revised risk management strategy incorporates risk management objectives

Risk appetite

The CMT is clear that the achievement of strategic priorities may involve balancing different types of risk and that there may be a complex relationship between different risks and opportunities. There is widespread agreement between elected members and officers that discussion is needed about the level and nature of risk that the Council is prepared to take in pursuit of its aims. This should be beyond financial and short-term political criteria, to include the full range of capitals that underpin the triple aims outlined in Shaping Aberdeen.

The output from this discussion should be an agreed statement to be used to guide the Council in decision-making. It can be used to consider the risks to organisational goals and of not taking decisions as well as of taking them. It also valuable in communicating to stakeholders the criteria by which Council members can ensure that they exercise their duties in line with the Council's vision and values. Robust horizon scanning through proper scrutiny as defined by the Williams Commission[8] will also ensure that the public and stakeholders are involved appropriately.

All reports and information on activities that go to the Council should be assessed against the risk appetite. This will help to clarify the required role of the Council in report i.e. whether they are for decision and recommendation, endorsement, or for information and noting only.

The risk appetite statement will be an important milestone for demonstrating the maturity of the governance approach, not least for the Council's key external and other partners in service provision. The Council will benefit by ensuring a shift from developing an overall risk appetite 'mission statement', to the specific and practical use of the approach when tackling each objective or issues that arise. GGI's Risk Appetite Board Assurance Prompt developed with ACHSCP is attached in Appendix III and may serve as a useful reference for the Council.

8) Welsh Government, 2014, Commission on Public Service Governance and Delivery, http://gov.wales/topics/improvingservices/public-service-governance-and-delivery/report/?lang=en

The following is an extract from the type of risk appetite statement that other organisations have developed:

This organisation recognises that achievement of its priorities will involve balancing different types of risk and that there will be a complex relationship between different risks and opportunities. The risk appetite approach is intended to be helpful to the Council in decision-making and to enable members to consider the risks to organisational goals of not taking decisions as well as of taking them.

The board has identified several broad dimensions of risk which will affect the achievement of its strategic priorities. These are: financial risk; regulatory compliance risks; risks to transformation and innovation outcomes; risk of harm to members of the community, Council clients and to staff; reputational risk.

The organisation will set a level of appetite ranging from "none" up to "significant" for these different dimensions. It will have zero tolerance of instances of fraud. It will accept no or minimal risk in relation to breaches of regulatory and statutory compliance. Similarly, it will accept no or minimal risks of harm to service users or to staff. It will accept low to moderate risk in relation to financial loss and to transformation and innovation outcomes which predict clearly identifiable benefits and can be managed within statutory safeguards. It will accept moderate to high risks to reputation where the decision being proposed has significant benefits for the organisation's strategic priorities. Higher levels of all risk types may be accepted if specific and effective controls are demonstrably in place and there are clear advantages for our objectives.

The Council has an appetite from its inception to take decisions which may expose the organisation to additional scrutiny and interest where there is evidence of confidence by key stakeholders, especially the public, that difficult decisions are being made for the right reasons.

This risk appetite statement will be reviewed annually.

At this point, it is important to differentiate between risk appetite and risk tolerance. The Institute of Risk Management has produced clear guidance on this distinction, which can be summarised as: "risk appetite is about the pursuit of risk, risk tolerance is about what you can allow the organisation to deal with."[9] While the council will wish to discuss, develop and quantify as far as possible the extent of risk that it is willing to take in the context of its aspirations, it is likely that its risk tolerance will be wider e.g. the amount of financial risk that it could bear or the level of reputational damage that it could sustain. Risk tolerances should also be measured as far as possible to allow for delegated levels of decision-making to be set. This will allow Council business to be streamlined so that decisions bearing risk within certain tolerances may not have to come to full council. The risk scoring system described in sections 3.6 should inform both risk appetite and risk tolerances. The suggested application of a richer impact table (see section 3.6) would facilitate setting both risk appetite and delegating tolerances.

Recommendation 4

Hold workshops with Council to discuss and agree risk appetite. Develop an associated risk appetite statement, to underpin Council decision-making

Risk register structure: strategic and corporate risk registers

At a high level the risk management framework should be formed by the risk appetite statement, risk management strategic objectives, and strategic and corporate risk registers[10]. The CGD has worked with the CMT to agree a revised risk register matrix which identifies different tiers for risk registers aligned to different areas of Council business. This is designed to make clear the difference between strategic and corporate risks. Strategic risks are defined as those that pose significant threats to the Council's ability to do essential business and comply with statutory requirements. In theoretical terms, these issues are those which could have a serious impact on the ability of the organisation to deliver on its strategic objectives, hence the importance of articulating these and setting risk appetite levels against them. Corporate risks are defined as those which could impact adversely on key business dependencies including employee health and safety, business continuity planning, workforce planning, financial stewardship, IT systems and customer relations management.

9) The Institute of Risk Management, 2011, Risk Appetite and Tolerance, https://www.theirm.org/knowledge-and-resources/thought-leadership/risk-appetite-and-tolerance/
10) Good Governance Institute, 2013, Countering the biggest risk of all: attempting to govern uncertainty in healthcare management, http://www.good-governance.org.uk/wp-content/uploads/2014/02/Countering-the-biggest-risk-of-all-attempting-to-govern-uncertainty-in-healthcare-management.pdf

There has been historical confusion between a corporate risk register and the corporate governance directorate risk register. The new structure has a logical thread and will depend on effective communications and review of its operations to identify any adjustments needed and ensure it becomes embedded across the Council's business.

There is a need to describe and establish processes for:

- aligning all registers with strategic priorities
- escalating issues from other service and directorate, and project risk registers
- moderating risk measurements to improve consistency
- identifying cross-cutting risk issues and aggregating issues appropriately
- identifying the nature and strength of assurances on the strategic risk register
- standardising formats, and inclusion of target risk and risk appetite
- identifying monitoring mechanisms for mitigating actions on the corporate risk register
- ensuring council is sighted on the risk appetite and risk registers of arm's length bodies and has sought assurance of risk mitigation

Our suggestions for the points above appears in section 3.4.

Recommendation 5

Consider amendments to the risk register formats in line with the report suggestions, especially the inclusion of assurances on the strategic risk register

3.3 Ownership of risk

Overall accountability for risk management

The CEO holds overall accountability for risk and delegates responsibility to the corporate governance directorate.

All risks are assigned owners at director level or project manager level for projects.

The CEO is clear that directors are accountable for the performance and risk management within their services and reporting runs through the service and directorate committee structure, and from the Transformation Board to CMT. The escalation route is through to the CMT. It is important to ensure accountability for identifying and addressing shared risk across services e.g. with ACHSCP.

The role of the ARSC is to have oversight of the systems for risk management and audit.

The provision of assurance to the Council is described variously as resting with the CMT and the ARSC, and the system for risk register review does not reflect a clear distinction between review of the effectiveness of the system for control on the on the hand, and the review of the effectiveness of the controls themselves, on the other. Suggestions for how this might be clarified appear in the specific sections below.

Culture and understanding of risk

The review observed and was told of considerable confusion about the nature and scale of risks and a concomitant difficulty in pitching discussions at various committees and groups at the right level. This affects the strength of risk management by limiting the quality and thus value of constructive challenge at Council meetings and committees. The development of a mature approach to risk appetite and proactive communications and engagement plans with elected members, officers, and service managers, should help to improve this picture.

These plans must include clarification of the roles of certain individuals, committees and groups. Key points about some of these are highlighted below.

3.4 Roles and responsibilities in relation to risk

Elected Members

Council members' corporate responsibility for decision-making needs to be discharged with good access to information, subject matter expertise, and against a background of transparency and scrutiny. There are huge expectations of elected members, who tend to be bombarded with a wealth of information on a range of diverse issues. Committee papers are substantial and late submission is reportedly an issue.

There is a Code of Conduct for members and a Member Officer Protocol is under development. While these give sound guidance for elected members, there is little detailed guidance on procedures around conflict of interest etc.

There is a need to improve confidence and awareness about the appropriate level of challenge and discussion, whether at full Council or at committee level, and where local politics or operational minutiae may not be appropriate to the discussion in hand.

Currently, neither the strategic risk register nor the corporate risk register is discussed at full Council. It is important that all Council members have an overview of key risks to Council business and how well these are being managed. It may be that the Council Group reviews the top line registers and reports to full Council.

There does not appear to be an effective, accessible structured programme for the induction or development of elected members. The governance review should reinforce the importance of these issues with Council members and allow for the standardising of terms and processes.

Recommendation 6

Ensure there is supporting guidance or worked scenario sand advice on induction for elected members on procedures concerning conflict of interest and liability

Directors and officers

Interviewees felt that the confidence of Council officers and directors in challenging elected members or each other at meetings varies.

Performance and Risk Manager

This role is pivotal to the operation and promotion of the risk management system and reports appropriately into the CGD. Many interviewees reported working closely with the incumbent and valuing his input. The current workload is skewed towards risk rather than performance, and there are no team members supporting this role on the risk remit. The reporting arrangements for this role seem to be largely into the Director of Corporate Governance but theoretically into the CGD Business Manager. It would be helpful to consider the creation or designation of a role dedicated to risk, reporting into the Performance and Risk Manager, and to consider clarifying the Manager's reporting role and / or change this to a direct report into the Director of Corporate Governance. Guidance on the role should make it clear that the officer is not holding the risk, but rather advising on how to identify, mitigate and provide/seek assurance.

Recommendation 7

Consider support to the Performance and Risk Manager and communicate and promote this role and the team role across the Council

Risk Management Team

More clarity is needed within the Council, its committees, directorates and services, about the role of the Performance Risk Manager and his team, although this has reportedly improved significantly in recent times. Integrating the approach to performance and risk reporting will help to strengthen this understanding further.

Corporate Management Team

The CMT alternates its fortnightly meetings between stewardship and strategic issues. It is charged with discussing risk and compiling both the strategic risk register and the corporate risk register. The CEO also discusses risk in her one to one meetings with directors and they, in turn, should have discussed these with their service managers.

While the overall agendas are clearly structured, there does not appear to be a structured approach to discussion of risk at CMT, especially where there is no obvious driver (e.g. legal requirement) for the risk issue. As a consequence, meeting time can be taken up with ad hoc identification of likely risks and requesting further information, rather than the identification of cross cutting issues and horizon scanning.

Recommendation 8

Develop CMT agenda structure to include review high level risks reported through the system, and risks to be escalated to strategic risk register.

Extended CMT

The senior management team - or extended CMT – comprising all directors and heads of services was suspended at the time of the GGI review. This appears to be partly due to a lack of clarity about its role. There are important functions that need to be fulfilled in terms of risk identification and moderation: i.e. sense checking the nature and scale of the issues headlining risk registers. While these may be fulfilled by a revitalised extended CMT, it is equally possible that they would fall into the remit of the Corporate Risk Management Group (see below). At this stage, and in the knowledge that the governance review may make further proposals, the GGI team recommends the identification of a forum for the following with some urgency.

- moderation of risk scores escalated to the corporate risk register
- review of high level risks from directorate risk registers
- compilation and refresh of corporate risk register
- submission of issues for escalation to CMT for the strategic risk register
- horizon scanning discussion and escalation

Corporate Risk Management Group

This group ran for 1.5 years but reportedly the membership was too junior to fulfil its remit. It is important that heads of service are engaged in the reality check of how risk is recorded, shared, aggregated and escalated. Please see the suggested remit for a group of this nature above.

Recommendation 9

Consider re-establishing the Corporate Risk Management Group with a remit as discussed in this report

Audit, Risk and Scrutiny Committee

The review team found that many interviewees felt that the level of challenge at the ARSC has improved and there was also a reduction in the level of operational detail discussed, although this still remains a concern. The Internal Audit Team has reported to the committee on the strengths and weaknesses of the risk management system. There was no structured discussion of risk management systems and developments at the meeting observed and a more formalised structure for considering risk may be beneficial. The members seem more comfortable with the internal audit role than with the risk management one. There was no observed review of the quality of assurance against risk, or of any gaps in assurance and how these would be addressed.

The 2015 self evaluation of the committee document observed by the team showed high levels of comfort with the committee's operations. It is likely that a more objective and comprehensive system across all committees would allow for comparison over time and measurement against planned improvement.

As a general rule the Audit Committee is not a performance committee, but should ensure that the business is being run according to its stated policies, procedures and guidelines. The Terms of Reference (ToR) for the ARSC make its role to oversee the effectiveness of governance, audit and risk systems clear.

Some duties listed in the ToR do not sit comfortably with the role of the ARSC, but stray into operational territory. These activities may be focussed on the actions of directly managed or arm's length services and the achievement of their objectives or compliance with standards. There is a belief amongst some interviewees that the ARSC reviews strategic and operational risk: while it should receive the registers to ensure that the system is operating effectively, it can have no management responsibility for the effectiveness or otherwise of the management of risk itself.

Committees should not hold management roles such as whistleblowing, although they may seek assurance that the processes are working and that access to routes for raising concerns is good. The receipt of specific concerns should not be a role for the ARSC, unless this is aggregated information which the ARSC uses to commission audit work or recommend specific actions to Council.

It also does not seem appropriate for the ARSC to be developing health and safety policy as this is a specialised area. Approval of the policy and oversight of achievement of its implementation plan are legitimate roles.

Recommendation 10

Refocus the ARSC to include:

- discussion of assurances to the risk management system
- review of its role in relation to whistleblowing and policy development

Finance, Policy and Resources Committee

The ToR for this committee do not mention risk although the team was told that it reviews its risk register regularly and also discusses the financial risks from the directorates. As it is charged with reviewing performance against objectives, as well as developing resource polices and plans, it is essential that committee members understand the risks to achievement of objectives which may be presented by resource allocation decisions.

Transformation Board

The Transformation Board has oversight and stewardship of all programmes within the Shaping Aberdeen portfolio. It reports progress into the CMT, aligning reporting with the relevant strategic priorities. Again, it seems logical that the board should review risk registers from programme and projects in order to fulfil its function, but this is not explicit in its ToR. The team takes this as a further indication that a risk management culture is not yet embedded or fully understood across the Council.

Governance Hub and ALEO board

The Governance Hub is relatively new and establishing regular meetings with Tier 1 and Tier 2 ALEOs to provide assurance via the ARSC to the Council that ALEO business is moderated by robust risk management arrangements.

The ALEO board is a very new forum, hosted by the Director of Corporate Governance and it has been warmly welcomed by the ALEO personnel interviewed. It is widely believed that it should develop a more strategic role in enabling the Council to ensure that there is clarity about what ALEOs can contribute to the Council's vision and stated direction, and to build upon opportunity in the context of horizon scanning and partnership working. The ALEO Board should have a clear focus on forward trajectories of delivery and the risks that could compromise achievement of objectives. Where a capacity challenge arises in relation to delivering assurance against risks, this should be escalated to the ALEO Board for refocusing of resources and capacity, and to Council where a re-prioritisation of objectives in time and scale is required.

Further commentary and recommendations on ALEO / Council relationship in the context of risk is given in section 3.8.

Integration Joint Board

The IJB is the decision-making body of the ACSCP and has a joint reporting relationship to ACC and to NHS Grampian. It has developed a risk appetite statement and risk reporting system which will be enhanced by the agreement of joint objectives with the Council (please see diagram 2.0 and section 3.6).

Much work has already been undertaken to understand the role of elected Council members on this Board. This clarification of responsibilities to the Integration Joint Board rather than the Council is a useful model for ALEOs requiring processes other than councillor attendance to provide assurance of safe, joined up, cost effective service delivery.

Recommendation 11

Establish a rigorous and objective evaluation process for all committees, to be considered by full Council

3.5 Risk reporting structure

The current risk reporting diagram – "Risk Management and Reporting Roles" shows all information flowing up to the ARSC. For the reasons set out in the section above, this may not be helpful or conducive to sound scrutiny and the separation of operational or management roles from strategic or assurance roles. The diagram observed does not describe roles for the CGD, the Transformation Board or the IJB.

Reportedly, a "common sense" approach is applied to the need to escalate risk. Undoubtedly heads of service and directors and other risk owners are responsible and knowledgeable about risk in their areas. However, the emerging risk measurement system (section 3.2) should be used to determine risk tolerances and appropriate and timely escalation in most cases. It is also imperative that service committees and directorate committees include review of risk registers as a standing item on agendas.

There needs to be a clear route through from service level to the corporate risk register, and Council members must have regular access to the top level risks on this register as well as to the strategic risk register, as well as to assurance that these are being managed (see assurance section 3.9).

The diagram below is a suggested revision incorporating a Corporate Management Group and showing how assurance might flow through committees and groups operating across the Council and its services. It should be viewed as a point for further discussion in view of the findings of the wider governance review and it should be noted that this shows risk reporting information as it flows through committees and groups and is not a substitute for management ownership and responsibility for risk which should predate and inform discussion at the committees.

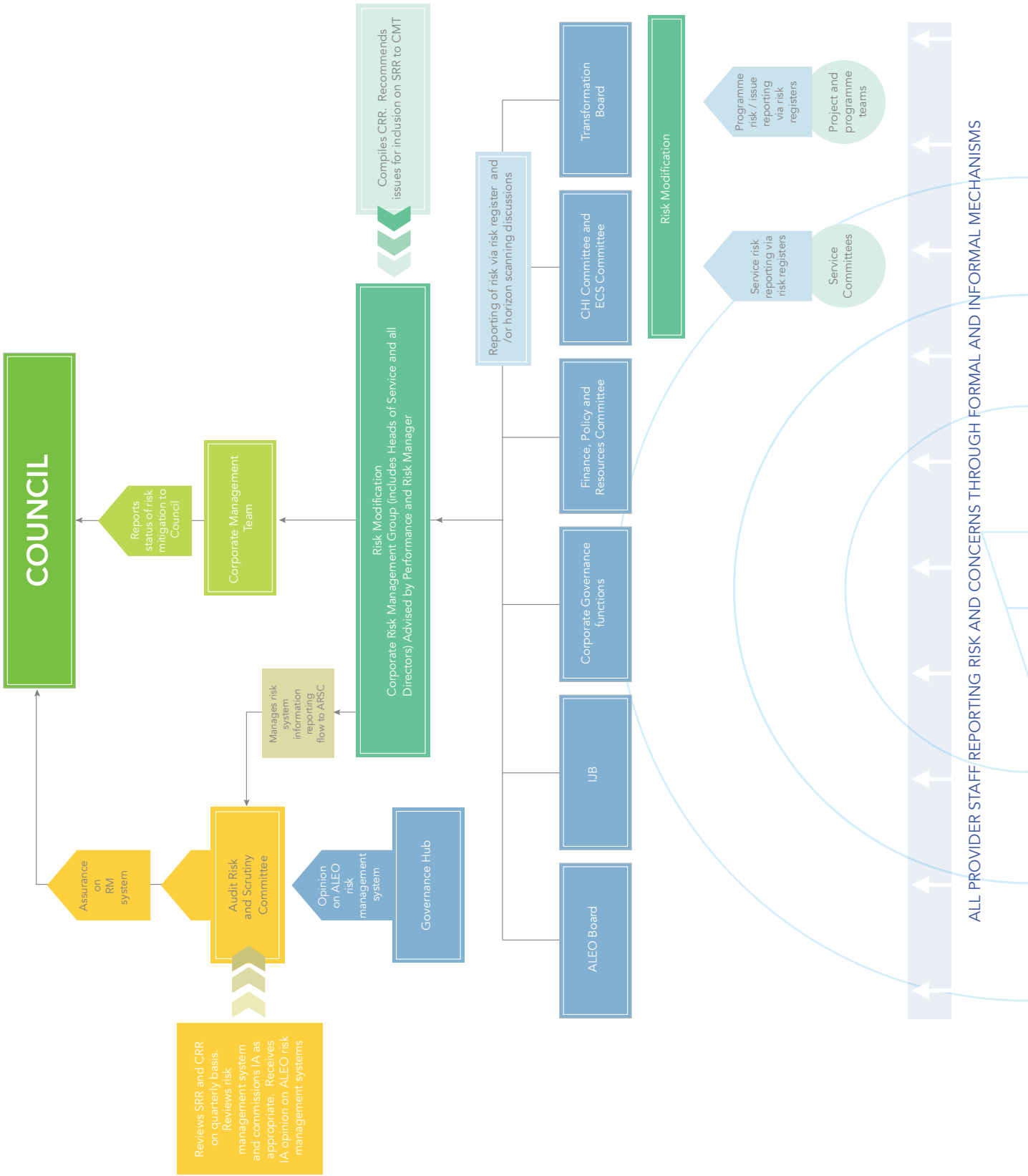


Figure 2.0 Suggested risk reporting structure

Recommendation 12

Consider streamlining risk reporting to include:

- clarity of delegation using risk tolerance levels
- escalation using risk scores
- service and directorate committees include review of their risk registers
- transformation board and IJB to report risk through to CMT via Corporate Risk Management Group
- Council to review strategic risk register and corporate risk register at agreed intervals

3.6 Risk processes

Identification

There is currently a lack of confidence at senior level at ACC about how and whether heads of service discuss forward risks, and whether risk registers reflect the true nature and scale of existing and future risk issues. The process is becoming more structured and embedded at directorate level but it is acknowledged that there is work to do at service level. Using a strategic priority framework for risk registers should aid this discussion, as will standardising committee agendas.

A fully formed picture of risk depends on a range of activities, amongst which are:

- understanding of risk, appetite, tolerance, assurance and accountability particularly where the objectives and risk are corporate or shared across service areas and responsibilities
- analysis of risk reporting and incident information from service level
- benchmarking with similar organisations and services
- review of national and local inquiries and their findings
- review of alerts, legislation etc.
- horizon scanning discussions
- consideration of risk implications for all reports to Council and its committees

While risk management training programmes will doubtless the formalised means of identifying risk, it is important to build in review of the external sources which may pose threats to Council objectives. These may emerge as part of horizon scanning discussions but there is evidence to suggest that relevant information may not always be recognised as an indication of potential risk. Developing and communicating the risk appetite approach with directors and officers can help to establish a more formalised approach to horizon scanning and the identification of forward risk, especially from external sources.

Recommendation 13

Support identification and discussion of risk by:

- formal training and induction
- standardising committee agendas
- use of risk appetite within risk system
- promotion of a range of risk identification methods

Risk assessment and the risk register system

The current risk measurement or scoring matrix operated six likelihood categories and four categories for impact. This is unusual in risk matrices generally used for public bodies, where a "5 by 5" matrix is often used. The review team perceives no problem with this per se, providing it can be standardised as far as possible across the Council, including preferably project and programme risk registers (which currently use different scoring matrices). The descriptors for likelihood categories move within only one category from "low" to "significant" and all descriptors are measured in terms of numbers of years (i.e. "low" is occurring once in 10 years and "significant" once every 5 years). The team remit did not include an evaluation of how consistently the scores are applied not whether the leap in scale from low to significant feels comfortable for scoring.

However, it would seem likely that this is a difficult scale to apply and may discourage people from scoring risks higher. Indeed, very few higher scoring risks were observed across risk registers. This results in a lot of green risks with the attendant risk that these are not regularly reviewed or interrogated to enable the Council to be proactive in prevention of emergent issues.

In terms of the impact scale, there are descriptors for each point on the scale. Many public bodies use a more complex impact table which separate out the different dimensions of impact. An example from NHS Scotland is shown below:

NHS Scotland Core Risk Assessment Matrices

Table 1 - Impact/Consequence Definitions

Descriptor	Negligible	Minor	Moderate	Major	Extreme
Patient Experience	Reduced quality of patient experience/ clinical outcome not directly related to delivery of clinical care.	Unsatisfactory patient experience/clinical outcome directly related to care provision – readily resolvable.	Unsatisfactory patient experience/clinical outcome, short term effects – expect recovery <1wk.	Unsatisfactory patient experience/ clinical outcome, long term effects –expect recovery > 1wk.	Unsatisfactory patient experience/clinical outcome, continued ongoing long term effects.
Objectives/ Project	Barely noticeable reduction in scope, quality or schedule.	Minor reduction in scope, quality or schedule.	Reduction in scope or quality of project; project objectives or schedule.	Significant project over-run.	Inability to meet project objectives; reputation of the organisation seriously damaged.
Injury (physical and psychological) to patient/ visitor/staff.	Adverse event leading to minor injury not requiring first aid.	Minor injury or illness, first aid treatment required.	Agency reportable, e.g. Police (violent and aggressive acts). Significant injury requiring medical treatment and/or counselling.	Major injuries/long term incapacity or disability (loss of limb) requiring medical treatment and/or counselling.	Incident leading to death or major permanent incapacity.
Complaints/ Claims	Locally resolved verbal complaint.	Justified written complaint peripheral to clinical care.	Below excess claim. Justified complaint involving lack of appropriate care.	Claim above excess level. Multiple justified complaints.	Multiple claims or single major claim. Complex justified complaint.
Service/ Business Interruption	Interruption in a service which does not impact on the delivery of patient care or the ability to continue to provide service.	Short term disruption to service with minor impact on patient care.	Some disruption in service with unacceptable impact on patient care. Temporary loss of ability to provide service.	Sustained loss of service which has serious impact on delivery of patient care resulting in major contingency plans being invoked.	Permanent loss of core service or facility. Disruption to facility leading to significant "knock on" effect.
Staffing and Competence	Short term low staffing level temporarily reduces service quality (< 1 day). Short term low staffing level (>1 day), where there is no disruption to patient care.	Ongoing low staffing level reduces service quality **Minor error** due to ineffective training/implementation of training.	Late delivery of key objective/ service due to lack of staff. **Moderate error** due to ineffective training/ implementation of training. Ongoing problems with staffing levels	Uncertain delivery of key objective /service due to lack of staff. **Major error** due to ineffective training/implementation of training.	Non-delivery of key objective/ service due to lack of staff. Loss of key staff. **Critical error** due to ineffective training / implementation of training.
Financial (including damage/loss/ fraud)	Negligible organisational/ personal financial loss (£< 1k).	Minor organisational/ personal financial loss (£1-10k).	Significant organisational/ personal financial loss (£10-100k).	Major organisational/personal financial loss (£100k-1m).	Severe organisational/ personal financial loss (£>1m).
Inspection/Audit	Small number of recommendations which focus on minor quality improvement issues.	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action plan.	Enforcement action. Low rating. Critical report.	Prosecution. Zero rating. Severely critical report.
Adverse Publicity/ Reputation	Rumours, no media coverage. Little effect on staff morale.	Local media coverage – short term. Some public embarrassment. Minor effect on staff morale/ public attitudes.	Local media – long-term adverse publicity. Significant effect on staff morale and public perception of the organisation.	National media/adverse publicity, less than 3 days. Public confidence in the organisation undermined. Use of services affected.	National/international media/ adverse publicity, more than 3 days. MSP/MP concern (Questions in Parliament). Court Enforcement. Public Enquiry/FAI.

Table 2 - Likelihood Definitions

Descriptor	Rare	Unlikely	Possible	Likely	Almost Certain
Probability	• Can't believe this event would happen • Will only happen in exceptional circumstances.	• Not expected to happen, but definite potential exists • Unlikely to occur.	• May occur occasionally • Has happened before on occasions • Reasonable chance of occurring.	• Strong possibility that this could occur • Likely to occur.	This is expected to occur frequently/in most circumstances more likely to occur than not.

Version March 2013

Table 3 - Risk Matrix

Likelihood	Consequences/Impact				
	Negligible	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	V High	V High
Likely	Medium	Medium	High	High	V High
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Medium	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

References: AS/NZS 4360:2004 'Making It Work' (2004)

Table 4 - NHSG Response to Risk

Describes what NHSG considers each level of risk to represent and spells out the extent of response expected for each.

Level of Risk	Response to Risk
Low	Acceptable level of risk. No additional controls are required but any existing risk controls or contingency plans should be documented. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective.
Medium	Acceptable level of risk exposure subject to regular active monitoring measures by Managers/Risk Owners. Where appropriate further action shall be taken to reduce the risk but the cost of control will probably be modest. Managers/Risk Owners shall document that the risk controls or contingency plans are effective. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective. Relevant Managers/Directors/Assurance Committees will periodically seek assurance that these continue to be effective.
High	Further action should be taken to mitigate/reduce/control the risk, possibly urgently and possibly requiring significant resources. Managers/Risk Owners must document that the risk controls or contingency plans are effective. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective. Relevant Managers/Directors/Executive and Assurance Committees will periodically seek assurance that these continue to be effective and confirm that it is not reasonably practicable to do more. The Board may wish to seek assurance that risks of this level are being effectively managed. However NHSG may wish to accept high risks that may result in reputation damage, financial loss or exposure, major breakdown in information system or information integrity, significant incidents(s) of regulatory non-compliance, potential risk of injury to staff and public.
Very High	Unacceptable level of risk exposure that requires urgent and potentially immediate corrective action to be taken. Relevant Managers/Directors/Executive and Assurance Committees should be informed explicitly by the relevant Managers/Risk Owners. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective. The Board will seek assurance that risks of this level are being effectively managed. However NHSG may wish to accept opportunities that have an inherent very high risk that may result in reputation damage, financial loss or exposure, major breakdown in information system or information integrity, significant incidents(s) of regulatory non-compliance, potential risk of injury to staff and public.

Figure 3.0 NHS Scotland Core Risk Assessment Matrices (A more legible version is included in Appendix II)

The advantage of this approach is that it enables managers and staff to consider a range of impacts, which may be present, but at different degrees or may appear to conflict e.g. a high risk to client safety may be mitigated by taking a decision that has a high financial cost. The decision-making involved is aided by the approach to setting risk appetite outlined in this report. The value of an impact table as suggested is that it can help to make decision-making around risk more consistent, transparent and realistic.

The newly revised risk management system aims to standardise the format for risk registers. It is understood that directorates and, the team assumes, services will move to this format. The new formats observed are an improvement in the following areas:

- tighter description of risk issue
- inclusion of consideration of potential impact
- closer attention to describing controls and effectiveness, leading to identification of mitigating actions required

However, there does not appear to be facility for:

- aligning risk with strategic priorities (see previous comments)
- source of risk – i.e. was it on a service or other risk register – how was it escalated / reported?
- recording the target risk score or any note of risk appetite
- metrics used for evaluating success of mitigating actions and explaining movement or closure of risks
- assurances – these are at times confused with controls or gaps in assurances

It was not clear to the team how "current" and "residual" risk terms are now being used. This was also not clear in previous versions. Presumably, current now refers to the actual risk score with controls in place and taking into account their effectiveness. Previously, this term was used to mean "inherent" in some cases. In the new format, it is unclear whether "residual" score means the target score or the current score.

The team appreciates the work and thought that has underpinned the new format, and suggests that this is supported over the next year, perhaps with the additions and amendments listed in our recommendations. The system and formats should be evaluated at the end of this period with particular regard to how accessible and useful they prove to be for service line managers and their teams, as embedding of a risk system depends on the involvement of those who are most likely to confront and manage risk on a daily basis. GGI believes that the nature of risk held on a strategic risk register – or a board assurance register - lends itself to a different format from the operational risk registers – whether at corporate, directorate or service level. We would be happy to discuss this further and provide examples, in the light of the wider governance and/or risk register review.

Multiple risk registers also lead to confusion on how to manage composite risk of risks, and it is important to clarify how cross-cutting and shared risks are managed. GGI believe a simple guide and extended scheme of delegation to include risk ownership will support clarity of role and the remit of different groups.

The importance of identifying where and how risk scores are moderated has been set out in the Roles and Responsibilities section above. The following diagram suggests how risk issues from risk registers might be escalated, based on the adoption of a standardised scoring system for projects and services. As it may not be possible to agree a standardised system with all ALEOs, an agreement about how they delegate risk tolerances and how they report triggers for escalation with these organisations should be reached and qualifying risk issues reported at Governance Hub meetings.

The effectiveness of using risk scores for escalation will depend on promotion of the system and a proactive risk management education and awareness support programme (see section 3.7). However, investment in this process will pay dividends in enabling a less subjective consideration of complex issues which may cut across organisational boundaries.

Recommendation 14

Standardise risk register and recording system and terminology as far as possible, to validate the use of risk scores for escalation. Issues to consider include:

- review of likelihood scores
- the use of a table allowing for different dimensions of impact
- alignment with strategic priorities
- risk target and risk appetite
- metrics for success of mitigating actions
- assurances and gaps in assurance

Recommendation 15

Agree delegated tolerances and triggers for escalation with all ALEOs within agreed risk appetite and tolerance

Recommendation 16

Evaluate the system for acceptability and consistency after year one of operation

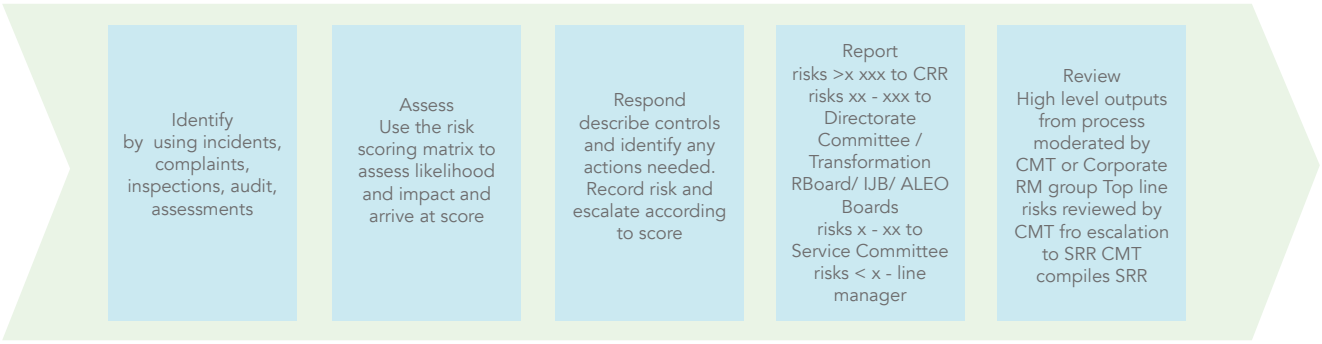


Figure 4.0 Escalation of risks from risk register

Risk monitoring - closing the loop

Mitigating actions must be monitored both to ensure they have been implemented and also to assess their effectiveness.

The CGD operates a robust system for monitoring and closing off actions. Directorate senior management teams undertake monthly monitoring of risk to assess the need for escalation. This should be undertaken in the light of risk scores as detailed in the previous section. This discipline should now be rolled out to service committees.

While the CMT monitors action plans at a high level, this does not seem to be a formalised process overall and a CMT action tracker would be helpful. Action plans reported to the CMT are standardised and there is a good discipline of clarifying the actions required of the CMT.

Most interviewees felt that learning was ad hoc across the Council's business and tended to be in reaction to events, rather than emanating from analysis of operations, horizon scanning or risk reporting.

The risk management strategy observed describes the role of service risk champions. While these have been identified, it is less clear whether they are currently fulfilling any specific role for identifying and sharing learning. There is plenty of scope emerging from this review to use these roles to engage with Council staff and partners and to spearhead the embedding of new processes.

Recommendation 17

An action tracker could assist the CMT in closure of actions

Recommendation 18

The potential contribution of service risk champions to learning within, between and beyond services should be defined

Risk processes at service level

Council officers and directors are conscious of the fact that risk management is not yet embedded at service level. It is encouraging to note that heads of service are working on populating risk registers which are, or will be, linked to service plans. The risk assessment methodology is better understood in some places than others and the CGD has a challenge in ensuring that services are supported in taking a risk-based approach to planning and performance reporting. The directorate has category managers in place whose role will be to take a business partner approach with the services. Services will need support in:

- recognising emergent risks
- liaising and sharing risks and opportunities with other services, across directorates and partners, including the implications of mitigating actions
- formalising and minuting discussions around risk

- completion of performance reporting and business case templates
- contributing to the planned annual review of the system

Recommendation 19

Support to services from the CGD in embedding risk management systems should be recognised, resourced and time-limited if appropriate

Risk process issues – projects and programmes

Systems and processes relevant to project management are described within the corporate project management toolkit. The Project Management Office (PMO) is developing dashboard reporting and strategic projects are all reported through the PMO to the Transformation Board, which reporters to the CMT. Services manage programmes, supported by the PMO.

As mentioned previously, the risk measurement matrix generally used in project risk registers differs from the main Council approach. There is very little monitoring or assurance information provided. The Council's Performance and Risk Manager works closely with the PMO and is committed to bringing the systems in line with each other. Lack of clear accountability for project risks was mentioned to the team as an issue, and the directorate or service senior management teams are expected to monitor risk identification and management across their projects and programmes.

The assurance route was variously described as running through ARSC and also to CMT – see previous commentary on risk reporting structure (section 3.5 for a suggested clarification that this should be primarily through directors and the CMT).

3.7 Risk supports

Information

The Council relies on the Covalent system for its risk information capability. There was some feeling that the system does not meet all directorate needs. There was also awareness that the analysis and transformation of data into intelligence was weak across the Council, and that the optimal level of detail in Council papers may not always be achieved. There is a need to develop a strategy aligned to priorities, which also identifies the strengths and weaknesses of current management information systems in relation to these goals.

Recommendation 20

Build risk management information needs and evaluation of the Covalent system into Information Communications Technology (ICT) strategy and plans

Training and development

Elected members and others interviewed identified a need for a programme which they can realistically access and that focuses on their roles in Council, and as committee convenors or members. Other staff and partners also spoke of emerging training needs.

There appear to be many different strands to an ideal programme but, in relation to risk management, the GGI team would very broadly suggest the following:

	Elected members	Directors and officers	Head of service and managers	Directors in partner organisations
Risk appetite discussion	X	X		X
Risk roles on council and committee – eg conflict of interest / code of conduct – scenario testing	X	X		
Building confidence and skill in constructive challenge	X	X		
Risk management awareness	X	X	X	X
Risk identification and assessment – using the system		X	X	
Testing risk scores – moderation of assessment		X		X
Investigation and learning from events		X	X	X

Recommendation 21

Develop training and development programmes tailored to stakeholder groups with summaries to be incorporated into induction packs

3.8 Relationships with provider stakeholders

Aberdeen City Health and Social Care Partnership

Through the Integration Joint Board (IJB), the ACHSCP has set its risk appetite and approved its overall approach to assurance. Its strategic priorities are aligned with the Council's overall vision and values. While it has its own risk management methodology, there is clarity about how significant risks are measured and escalated. The IJB agenda and reports go to full Council, including statutory, financial and the Chief Social Worker's report, as part of its accounting relationship with ACC. There is currently a challenge in streamlining which reports go through the internal audit routes and which go to the Council. This is likely to become more pressing as the ACHSCP moves forward with its integration agenda, and it is critical to establish a succinct form of reporting relevant risks.

Recommendation 22

Using the risk appetite statement, agree with IJB reporting routes for specific papers and establish their place in cycle of business

Arm's Length External Organisations

As part of the review of risk management, GGI was asked to consider the relationship between the Council's Governance Hub and the ALEOs, with particular reference to the level of assurance that is currently being provided. It is likely that many of our comments below will be more relevant to Tier 1 ALEOs than others.

Role of the Governance Hub and accountabilities

There is a clear role described for the scrutiny of performance against objectives via the Governance Hub to the ARSC. However, the ALEO senior managers interviewed reported being unclear about how their organisational objectives aligned with those of the Council and a consequent lack of clarity about expectations. This impacts understandably on the efficiency and effectiveness of reporting, with many ALEOs reporting that they provide the Council with Key Performance Indicators (KPIs) that are not used within their organisations, nor deemed to be helpful to business. What became clear during the review was that the Governance Hub is not the appropriate forum for discussion of expectations and current or emerging objectives and targets: the recently convened ALEO board is much better placed. This has only recently started to meet and has been met with enthusiasm by many ALEO officers. The GGI team believes that there has been conflation of two different roles:

- the setting and agreement of aspirational goals and mutual planning and horizon scanning on the one hand, and
- the scrutiny of performance against agreed objectives, on the other

Several interviewees expressed concern that there was confusion about accountability at the Council for some ALEOs, depending on which directorate had originally commissioned services. While elected members and the full Council must be ultimately accountable for all services they commission, it would seem logical that the relevant service directorate has delegated responsibility for assessing performance, assisted by audit processes.

Governance Hub meetings

Several issues emerged from our review of meetings:

- there is too much paperwork provided for meetings, running into 100s of pages of audit results – it is laudable that some ALEOs are open and transparent with their data but detailed reporting should be by exception i.e. where there are significant risk or performance issues and other wide dependent on reporting of the working of risk management and performance systems, rather than process measures
- the burden of attending 28 meetings annually (this includes pre meeting with convenors) will be unsupportable in future – the differentiation of business at the Governance Hub and at the ALEO board should help to address this, as will tighter management of reporting
- while questioning and challenge at meetings is informed and thorough, there is too much operational and process detail discussed, much of which could be addressed outside of, and prior to, meetings. This could also address concerns about accuracy of reports and discrepancies which can reportedly lead to confrontational exchanges at meetings
- the terminology around audit is used inconsistently: internal audit as a function should be differentiated from the range of audit methods and measures which all organisations will have to assess the quality and performance of their business
- in the absence of clear objectives and an agreed dataset to demonstrate achievement and progress against these, there is a tendency to rely on word of mouth e.g. "presumably you will....." which elicits a positive response but does not constitute proper scrutiny, or provide tracking or strong assurance of delivery

Gaining assurance: requirements and reporting dataset

The Governance Hub arrangements are still relatively new and tackling the challenge of finding the right level of assurance from ALEOs. The 2015 internal audit report into governance made several recommendations in relation to ALEOs which are being addressed.

The Director of Procurement is currently reviewing service level agreements with ALEOs and this should ensure that there is alignment with Council objectives, and thus a transparent means of demonstrating a return on investment. This presents an opportunity to reset KPIs which are meaningful to the ALEO itself as well as to the Council, and which support the achievement of ACC's vision for Aberdeen. The dataset template to be submitted to the Governance Hub and upon which questioning should be based might include the ALEO's top scoring risks and mitigation and assurance status.

The procurement team has recently produced a suggested template for reporting to the Governance Hub. This is an excellent initiative and should be refined and extended to cover finance, risk, quality, health and safety and other considerations.

Personnel from the education and children's directorate have participated in a performance review workshop with IJB members and are developing more meaningful KPIs as a result.

Many interviewees reported a wish to measure and discuss outcomes e.g. the effect of participation in sport on obesity and health. While this is desirable, it is challenging and would be better planned into the emerging ALEO board's agenda and / or to workshops operating outside of hub meetings themselves.

In terms of risk, there is scope to work with a group of ALEOs to consider standardisation of risk systems (see section 3.8) and to share approaches to measuring and managing risk. As a minimum, the Governance Hub should be receiving assurance that there is a risk register in place which covers:

- alignment with objectives
- delivery against trajectory milestones
- risk owners
- target risk
- assessment of current controls and planned mitigating actions
- reasons for movement of risk
- internal and assurance means and assessment if any gaps

They should also be assured that the ALEO has a functioning structure and board level review of risk, and a range of routes for raising concern and escalation of risks – both formal and informal.

In terms of other types of assurance, most ALEOs can demonstrate accreditation to voluntary and/or mandatory standards e.g. ISO 9000 and ISO12012, Investors in People, and other professional body accreditations or quality statements according to the nature of their business. ACC can take assurance from these accreditations providing renewals or changes are reported to them and they have access to any associated high level reports or action plans.

One of the internal audit report recommendations was that the Council members of Governance Hub meetings should articulate an opinion on the level of assurance they had gained from ALEO officers after each meeting. The hub convenor will then produce a summary statement of assurance, inform the AEO of the content of this summary statement, and pass this to internal audit for submission to the ARSC. In the meetings observed, Council officers seemed unsure of what level of assurance they had gained in some examples and unwilling to make a definitive statement in others. This is understandable as there is no clarity about what level of accountability is expected of them. While no one can guarantee that nothing can go wrong in an organisation, the hub should be receiving enough information – both before, during and outwith the meetings – to satisfy members that the structures and systems are in place and working as intended to deliver agreed outcomes or that issued and problems in the working of structures and systems have been identified and plans are in place to deal with these.

The use of templates as discussed above and other suggestions in this section and in the whole of this report should contribute to the hub's ability to have confidence that it can fulfil this requirement. The range of assurances discussed in this section could also be used to develop a method for deciding appropriate levels of scrutiny for different ALEOs, depending on which tier they belong to, the health of their financial performance and the degree of risk their operations may pose to the Council's objectives. This was another internal audit recommendation.

Relationships in the future

During the review, many suggestions were made to improve relationships between ALEOs and the Council. These include:

- developing the agenda for the ALEO board as illustrated below
- increasing the capacity in the Council for liaison between directorates and ALEOs
- encouraging ALEO board members or trustees to attend Council meetings
- encouraging elected members to attend ALEO board or committee meetings
- inviting elected members to visit ALEOs
- sharing risk management approaches

Differentiating the roles of the Governance Hub and the ALEO board

Governance Hub – one to one with individual ALEO	ALEO board – involving members of all ALEOs (of all tiers)
• holding ALEO executives to account for achievement against goals agreed with ACC • reviewing KPIs • receiving and challenging information on the operation of the ALEO's structure and systems in term of governance , risk management and assurance of ALEO Board members • forming an opinion based on information for onward submission to ARSC	• meeting with ALEOs to discuss objectives and strategy • discussion of cross-cutting issues between ALEOs in terms of overall strategic direction • discussion of governance systems and assurance approaches • Discussion of how best to measure outcomes • horizon scanning debates

Recommendation 23

Differentiate the scrutiny and assurance role of Governance Hub from the strategic and horizon scanning role of the ALEO board

Recommendation 24

Agree objectives for each ALEO in line with the Council's vision and priorities, facilitating:

- revised KPIs
- streamlined reporting dataset templates

Recommendation 25

Locate accountability for ALEO performance with the relevant service directorate supported by the CGD, who oversee the operation of the governance process

Recommendation 26

Review opportunities to standardise or share risk management approaches

Recommendation 27

Clarify acceptable ALEO assurances to include quality audits and external accreditation schemes

Recommendation 28

Consider a range of initiatives to improve informal relationships between ALEOs and Council members and officers

3.9 Assurance mapping

The team has been asked to consider the assurance map exercise undertaken by PriceWaterhouseCoopers (PWC) in January 2015, in the light of how comprehensive it is and how valid its approach might be. Further to the report on the crematorium incident this summer, ACC has issued instruction for the development of a full assurance map and required Council directors to involve service committees in the process for checking the existence and adequacy of assurances emanating from ACC itself.

While CIPFA will wish to form an opinion and comment as a result of the wider governance review, our response can be summarised as follows:

- the PWC approach is theoretically sound, and maps assurances from three different sources – business, corporate and external or independent against the operations and services within remits of the three Council directorates
- the methodology involved discussion with directors and heads of service – if these are the individuals completing risk registers, performance reports and service plans, this is a sound approach to covering the right issues
- the assurances listed do not give a sense of the cycle of business and assurance that is needed to provide a true picture of assurance: rather they list the functions, reviews and audits in terms of the process or the resulting report without any reference to reporting periods
- such a map can only ever be a snapshot in time as the nature of services as well as the strength or other wise of assurances, will change over time
- many of the interviewees of the GGI review did not seem sighted on the exercise or aware of what it was for: this indicates a more important issue about assurance picked up elsewhere in this report
- before the assurance mapping exercise can be successfully completed, there is an awareness raising task to be undertaken with elected members, directors and heads of service covering:
    - the nature of assurances and the cycle of assurance
    - the difference between controls and assurances in relation to the risk management process and risk registers
- an assessment of assurances (business and corporate) should be built into the risk register system as a matter of urgency: gaps in assurances should be identified and actions for addressing these implemented

In addition to these comments, the team has picked up some service-specific concerns about the adequacy of assurances which we include here for information. It should be stressed that these issues have been reported by interviewees but have not been triangulated with other data:

- social care risk – child and adult protection
- security of social care records / IT
- insufficient horizon scanning of national inquiries and potential issues (eg crematorium incident)
- lack of process for holding police to account

- lack of assurances on fleet management
- lack of assurance that innovation and service redesign will still be within mandatory or legal requirements
- compromised ability to align workforce plans with strategy and service plans

Recommendation 29

Reinforce the assurance mapping task by:

- building review of assurances into Council business cycle
- define and communicate the distinction between controls and assurances
- engage heads of service in the recognition and analysis of assurances of good risk management
- build the identification and assessment of assurances as an integral part of the risk management system, reflected in risk registers

Appendix I

Recommendations

Recommendation 1

Clarify top line strategic objectives for the Council and standardise which will be used for performance and risk reporting systems

Recommendation 2

Compile an assurance framework which describes components of assurance system for compliance and for transformation

Recommendation 3

Ensure that the revised risk management strategy incorporates risk management objectives

Recommendation 4

Hold workshops with Council to discuss and agree risk appetite. Develop an associated risk appetite statement, to underpin Council decision-making

Recommendation 5

Consider amendments to the risk register formats in line with the report suggestions, especially the inclusion of assurances on the strategic risk register

Recommendation 6

Ensure there is supporting guidance or worked scenario sand advice on induction for elected members on procedures concerning conflict of interest and liability

Recommendation 7
Consider support to the Performance and Risk Manager and communicate and promote this role and the team role across the Council

Recommendation 8

Develop CMT agenda structure to include review high level risks reported through the system, and risks to be escalated to strategic risk register.

Recommendation 9

Consider re-establishing the Corporate Risk Management Group with a remit as discussed in this report.

Recommendation 10

Refocus the ARSC to include

- discussion of assurances to the risk management system
- review of its role in relation to whistleblowing and policy development

Recommendation 11

Establish a rigorous and objective evaluation process for all committees, to be considered by full Council

Recommendation 12

Consider streamlining risk reporting to include:

- clarity of delegation using risk tolerance levels
- escalation using risk scores
- service and directorate committees include review of their risk registers
- transformation board and IJB to report risk through to CMT via Corporate Risk Management Group
- Council to review strategic risk register and corporate risk register at agreed intervals

Recommendation 13

Support identification and discussion of risk by:

- formal training and induction
- standardising committee agendas
- use of risk appetite within risk system
- promotion of a range of risk identification methods

Recommendation 14

Standardise risk register and recording system and terminology as far as possible, to validate the use of risk scores for escalation. Issues to consider include:

- review of likelihood scores
- the use of a table allowing for different dimensions of impact
- alignment with strategic priorities
- risk target and risk appetite
- metrics for success of mitigating actions
- assurances and gaps in assurance

Recommendation 15

Agree delegated tolerances and triggers for escalation with all ALEOs within agreed risk appetite and tolerance

Recommendation 16

Evaluate the system for acceptability and consistency after year one of operation

Recommendation 17

An action tracker could assist the CMT in closure of actions

Recommendation 18

The potential contribution of service risk champions to learning within, between and beyond services should be defined

Recommendation 19

Support to services from the CGD in embedding risk management systems should be recognised, resourced and time-limited if appropriate

Recommendation 20

Build risk management information needs and evaluation of the covalent system into Information Communications Technology (ICT) strategy and plans

Recommendation 21

Develop training and development programmes tailored to stakeholder groups with summaries to be incorporated into induction packs.

Recommendation 22

Using the risk appetite statement, agree with IJB reporting routes for specific papers and establish their place in cycle of business

Recommendation 23

Differentiate the scrutiny and assurance role of Governance Hub from the strategic and horizon scanning role of the ALEO board

Recommendation 24

Agree objectives for each ALEO in line with the Council's vision and priorities, facilitating:

- revised KPIs
- streamlined reporting dataset templates

Recommendation 25

Locate accountability for ALEO performance with the relevant service directorate supported by the CGD, who oversee the operation of the governance process

Recommendation 26

Review opportunities to standardise or share risk management approaches

Recommendation 27

Clarify acceptable ALEO assurances to include quality audits and external accreditation schemes

Recommendation 28

Consider a range of initiatives to improve informal relationships between ALEOs and Council members and officers

Recommendation 29

Reinforce the assurance mapping task by:

- building review of assurances into Council business cycle
- define and communicate the distinction between controls and assurances
- engage heads of service in the recognition and analysis of assurances of good risk management
- build the identification and assessment of assurances as an integral part of the risk management system, reflected in risk registers

NHS Scotland Core Risk Assessment Matrices

Table 1 - Impact/Consequence Definitions

Descriptor	Negligible	Minor	Moderate	Major	Extreme
Patient Experience	Reduced quality of patient experience/ clinical outcome not directly related to delivery of clinical care.	Unsatisfactory patient experience/clinical outcome directly related to care provision – readily resolvable.	Unsatisfactory patient experience/clinical outcome, short term effects – expect recovery <1wk.	Unsatisfactory patient experience/ clinical outcome; long term effects –expect recovery >1wk.	Unsatisfactory patient experience/clinical outcome, continued ongoing long term effects.
Objectives/ Project	Barely noticeable reduction in scope, quality or schedule.	Minor reduction in scope, quality or schedule.	Reduction in scope or quality of project; project objectives or schedule.	Significant project over-run.	Inability to meet project objectives; reputation of the organisation seriously damaged.
Injury (physical and psychological) to patient/ visitor/staff.	Adverse event leading to minor injury not requiring first aid.	Minor injury or illness, first aid treatment required.	Agency reportable, e.g. Police (violent and aggressive acts). Significant injury requiring medical treatment and/or counselling.	Major injuries/long term incapacity or disability (loss of limb) requiring medical treatment and/or counselling.	Incident leading to death or major permanent incapacity.
Complaints/ Claims	Locally resolved verbal complaint.	Justified written complaint peripheral to clinical care.	Below excess claim. Justified complaint involving lack of appropriate care.	Claim above excess level. Multiple justified complaints.	Multiple claims or single major claim. Complex justified complaint.
Service/ Business Interruption	Interruption in a service which does not impact on the delivery of patient care or the ability to continue to provide service.	Short term disruption to service with minor impact on patient care.	Some disruption in service with unacceptable impact on patient care. Temporary loss of ability to provide service.	Sustained loss of service which has serious impact on delivery of patient care resulting in major contingency plans being invoked.	Permanent loss of core service or facility. Disruption to facility leading to significant "knock on" effect.
Staffing and Competence	Short term low staffing level temporarily reduces service quality (< 1 day). Short term low staffing level (>1 day), where there is no disruption to patient care.	Ongoing low staffing level reduces service quality **Minor error** due to ineffective training/implementation of training.	Late delivery of key objective/ service due to lack of staff. **Moderate error** due to ineffective training/ implementation of training. Ongoing problems with staffing levels	Uncertain delivery of key objective /service due to lack of staff. **Major error** due to ineffective training/implementation of training.	Non-delivery of key objective/ service due to lack of staff. Loss of key staff. **Critical error** due to ineffective training / implementation of training.
Financial (including damage/loss/ fraud)	Negligible organisational/ personal financial loss (£<1k).	Minor organisational/ personal financial loss (£1-10k).	Significant organisational/ personal financial loss (£10-100k).	Major organisational/personal financial loss (£100k-1m).	Severe organisational/ personal financial loss (£>1m).
Inspection/Audit	Small number of recommendations which focus on minor quality improvement issues.	Recommendations made which can be addressed by low level of management action.	Challenging recommendations that can be addressed with appropriate action plan.	Enforcement action. Low rating. Critical report.	Prosecution. Zero rating. Severely critical report.
Adverse Publicity/ Reputation	Rumours, no media coverage. Little effect on staff morale.	Local media coverage – short term. Some public embarrassment. Minor effect on staff morale/ public attitudes.	Local media – long-term adverse publicity. Significant effect on staff morale and public perception of the organisation.	National media/adverse publicity, less than 3 days. Public confidence in the organisation undermined. Use of services affected.	National/International media/ adverse publicity, more than 3 days. MSP/MP concern (Questions in Parliament). Court Enforcement. Public Enquiry/FAI.

Table 2 - Likelihood Definitions

Descriptor	Rare	Unlikely	Possible	Likely	Almost Certain
Probability	• Can't believe this event would happen • Will only happen in exceptional circumstances.	• Not expected to happen, but definite potential exists • Unlikely to occur.	• May occur occasionally • Has happened before on occasions • Reasonable chance of occurring.	• Strong possibility that this could occur • Likely to occur.	This is expected to occur frequently/in most circumstances more likely to occur than not.

Version March 2013

Table 3 - Risk Matrix

Likelihood	Consequences/Impact				
	Negligible	Minor	Moderate	Major	Extreme
Almost Certain	Medium	High	High	V High	V High
Likely	Medium	Medium	High	High	V High
Possible	Low	Medium	Medium	High	High
Unlikely	Low	Medium	Medium	Medium	High
Rare	Low	Low	Low	Medium	Medium

References: AS/NZS 4360:2004 'Making It Work' (2004)

Table 4 - NHSG Response to Risk

Describes what NHSG considers each level of risk to represent and spells out the extent of response expected for each.

Level of Risk	Response to Risk
Low	Acceptable level of risk. No additional controls are required but any existing risk controls or contingency plans should be documented. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective.
Medium	Acceptable level of risk exposure subject to regular active monitoring measures by Managers/Risk Owners. Where appropriate further action shall be taken to reduce the risk but the cost of control will probably be modest. Managers/Risk Owners shall document that the risk controls or contingency plans are effective. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective. Relevant Managers/Directors/Assurance Committees will periodically seek assurance that these continue to be effective.
High	Further action should be taken to mitigate/reduce/control the risk, possibly urgently and possibly requiring significant resources. Managers/Risk Owners must document that the risk controls or contingency plans are effective. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective. Relevant Managers/Directors/Executive and Assurance Committees will periodically seek assurance that these continue to be effective and confirm that it is not reasonably practicable to do more. The Board may wish to seek assurance that risks of this level are being effectively managed. However NHSG may wish to accept high risks that may result in reputation damage, financial loss or exposure, major breakdown in information system or information integrity, significant incidents(s) of regulatory non-compliance, potential risk of injury to staff and public.
Very High	Unacceptable level of risk exposure that requires urgent and potentially immediate corrective action to be taken. Relevant Managers/Directors/Executive and Assurance Committees should be informed explicitly by the relevant Managers/Risk Owners. Managers/Risk Owners should review these risks applying the minimum review table within the risk register process document to assess whether these continue to be effective. The Board will seek assurance that risks of this level are being effectively managed. However NHSG may wish to accept opportunities that have an inherent very high risk that may result in reputation damage, financial loss or exposure, major breakdown in information system or information integrity, significant incidents(s) of regulatory non-compliance, potential risk of injury to staff and public.

Good Governance Institute

Risk Appetite for Health & Social Care Partnerships
A maturity matrix to support better use of risk in partnership decision taking

Aberdeen City Health & Social Care Partnership
A caring partnership

DEVELOPED WITH ABERDEEN CITY H&SCP
V 1.1 OCT 2015

RISK LEVELS / KEY ELEMENTS	0 AVOID Avoidance of risk and uncertainty is a Key Organisational objective; No consensus by partners	1 MINIMAL (ALARP) (as little as reasonably possible) Partners have reference for ultra-safe delivery options that have a low degree of inherent risk and therefore potential for only limited reward	2 CAUTIOUS Partners have preference for safe delivery options that have a low degree of inherent risk and may only have limited potential for reward	3 OPEN All parties willing to consider all potential delivery options and choose while also providing an acceptable level of reward (and VfM)	4 SEEK All parties eager to be innovative and to choose options offering potentially higher business rewards (despite greater inherent risk)	5 MATURE Partnership confident in setting high levels of risk appetite because controls, forward scanning and responsiveness systems are robust
FINANCIAL /VFM	Avoidance of financial loss is a key objective. Only willing to accept the low cost option. VfM is the primary concern.	Only prepared to accept the possibility of very limited financial loss if essential. VfM is the primary concern.	Prepared to accept the possibility of some limited financial loss. VfM still the primary concern but willing to also consider other benefits or constraints. Resources generally restricted to existing commitments	Prepared to invest for return and minimise the possibility of financial loss by managing the risks to a tolerable level. Value and benefits considered (not just cheapest price). Resources allocated in order to capitalise on potential opportunities.	Prepared to invest for the best possible return and accept the possibility of financial loss (with controls and assurances in place). Resources allocated without firm guarantee of return – 'investment capital' type approach	Consistently focussed on the best possible return for stakeholders. Resources allocated in 'social capital' with confidence that process is a return in itself
COMPLIANCE / REGULATORY	Avoid anything which could be challenged, even unsuccessfully. Play safe	Want to be very sure we would win any challenge. Similar situations elsewhere have not breached compliances	Limited tolerance for sticking our neck out. Want to be reasonably sure we would win any challenge	Challenge would be problematic but we are likely to win it and the gain will outweigh the adverse consequences.	Chances of losing any challenge are real and consequences would be significant. A win would be a great coup.	Consistently pushing back on regulatory burden. Front foot approach informs better regulation
INNOVATION/ QUALITY / OUTCOMES	Defensive approach to objectives – aim to maintain or protect, rather than to create or innovate. Priority for tight management controls and oversight with limited devolved decision taking authority. General avoidance of systems / technology developments	Innovations always avoided unless essential or commonplace elsewhere. Decision making authority held by senior management. Only essential systems / technology developments to protect current operations	Tendency to stick to the status quo, innovations generally in practice avoided unless really necessary. Decision making authority generally held by senior management. Systems / technology developments limited to improvements to protection of current operations.	Innovation supported, with demonstration of commensurate improvements in management control. Systems / technology developments used routinely to enable operational delivery Responsibility for non-critical decisions may be devolved.	Innovation pursued – desire to 'break the mould' and challenge current working practices. New technologies viewed as a key enabler of operational delivery. High levels of devolved authority – management by trust rather than tight control.	Innovation the priority – consistently 'breaking the mould' and challenging current working practices. Investment in new technologies as catalyst for operational delivery. Devolved authority – management by trust rather than tight control is standard practice.
REPUTATION	No tolerance for any decisions that could lead to scrutiny of, or indeed attention to, the organisation. External interest in the organisation viewed with concern	Tolerance for risk taking limited to those events where there is no chance of any significant repercussion for the organisation. Senior management encouraged to distance themselves from any chance of exposure to attention	Tolerance for risk taking limited to those events where there is little chance of any significant repercussion for the organisation should there be a failure. Mitigations in place for any undue interest	Appetite to take decisions with potential to expose the organisation to additional scrutiny/interest. Proactive management of organisation's reputation	Willingness to take decisions that are likely to bring scrutiny of the organisation but where potential benefits outweigh the risks. New ideas seen as potentially enhancing reputation of organisation	Track record and investment in communications has built confidence by public, press and politicians that organisation will take the difficult decisions for the right reasons with benefits outweigh the risks. New ideas pursued
APPETITE	NONE	LOW	MODERATE	HIGH	SIGNIFICANT	

Based on the Risk Appetite Matrix developed initially by HMT, 2005 and subsequently by GGI and Southwark BSU, 2011
ALL GGI matrices are published under license form the Benchmarking Institute.

WWW.GOOD-GOVERNANCE.ORG.UK

www.good-governance.org.uk