

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	23 March 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Annual Review - Risk Appetite Statement
REPORT NUMBER	COM/23/071
DIRECTOR	Gale Beattie
CHIEF OFFICER	Jenni Lawson
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	Remit 1.1

1. PURPOSE OF REPORT

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

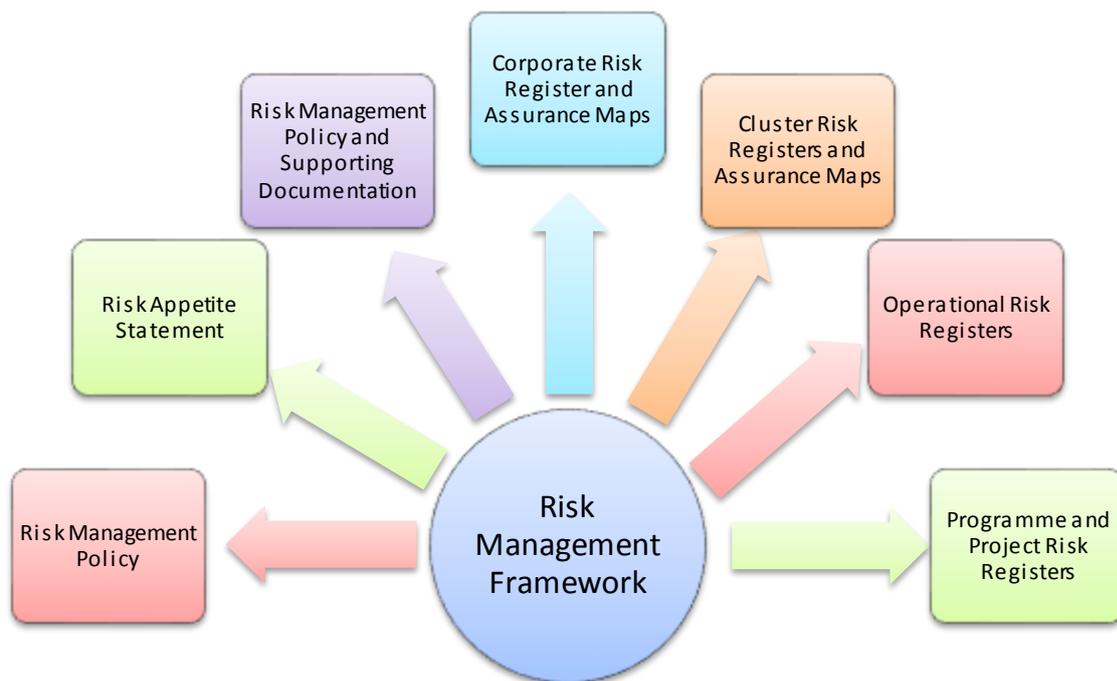
2. RECOMMENDATION(S)

It is recommended that the Committee:

- 2.1 Approve the updated Risk Appetite Statement, attached at Appendix A; and
- 2.2 Note the progress made towards embedding the RAS during 2022 and the training and engagement activities planned for 2023.

3. CURRENT SITUATION

- 3.1 The Council's RAS sets out the categories of risk recognised by the Council and the amount (extent) of risk that the Council is and is not prepared to tolerate in pursuit of its strategic outcomes. The RAS balances the relationship between acceptance of risk in one area to achieve the benefits or outcomes required in another area and recognises that there are both threats and opportunities in the management of risk.
- 3.2 The RAS was last reviewed by Committee in February 2022 and is a key element in the Council's risk management framework as illustrated below:



3.3 When the Council’s RAS was originally approved by Committee in December 2020. It was agreed by Committee that it would benefit from an annual review to ensure the levels of risk appetite are appropriate and accurate.

3.4 The process of embedding the RAS within the Council has continued to progress during 2022 and it has been used to guide strategic/operational proposals and decision making as demonstrated by the examples below:

- **CMT/ECMT** – Assessment of risks identified in projects to support budget delivery.
- **Executive Boards:**
 - Business Case Template – updated to reflect RAS in recommendations.
 - Corporate Risk “Deep Dive” Template reflects RAS
- **Scheme of Governance** – incorporated into the Council’s main governance documents, including Financial Regulations, Procurement Regulations and Powers Delegated to Officers
- **Health & Safety** - risk assessment procedure revised to assess risks identified against RAS.
- **Committee Report Template and Guidance** – updated to reflect alignment of risk and report recommendations with RAS
- **Council Policy Template and Guidance** – the Council’s policy documents are control documents designed primarily to eliminate or control risks. The risk section of the policy template and guidance ensures that policy authors identify and categorise the risks that the policy is seeking to mitigate. Authors are required to explain how each risk identified will be mitigated appropriately and in accordance with the Council’s RAS by considering the level of risk that the Council is willing to accept or avoid.
- **“Managing Risk” Intranet Pages** – pages that contain links accessible to Officers and Elected Members on the Council’s RAS, Risk Management Policy, Guidance and Training.

- **Risk Register Committee Reporting** – alignment of risks on risk register with RAS.
- **Internal Audit**
 - Council’s risk register and RAS were used in the formation of the 2023-26 Audit Plan.
 - Audit recommendations consider the level of risk appetite in the area audited to ensure they are proportionate to the level of risk appetite.

3.5 Further risk management training and engagement activities will be conducted during 2023. These activities will include:

- Further development of “Managing Risk” intranet pages.
- Elected Member training on risk and risk appetite.

3.6 The existing RAS was considered and reviewed by ECMT in December 2022 and CMT in January 2023. The revisions agreed and proposed are included in the updated RAS attached in Appendix A and are summarised below. If approved, the revisions will take effect from 1st April 2023.

- **Strategic Risk** – there was consensus that the appetite for this category should be changed from “hungry” to “open”. It was considered that this better reflects the required tolerance of risk to undertake the Council’s transformation activities within the current operating environment (e.g., economic volatility).
- **Financial Risk** - the appetite within this category has been changed from “open” to “cautious”. It is considered that this better reflects the current approach and decision making around longer term and capital financial investments within the current economic environment.

4. FINANCIAL IMPLICATIONS

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

5. LEGAL IMPLICATIONS

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

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 There are no risks arising from the recommendations from the report. The RAS is a supporting document which forms part of the Council’s overall system of risk management. The risk management system ensures that all risks attaching to the Council’s business and strategic priorities are identified,

appropriately managed and that the Council's activities are compliant with its statutory duties.

The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) <small>*taking into account controls/control actions</small>	*Does Target Risk Level Match Appetite Set?
Strategic Risk	The council is required to have a management system in place to identify and mitigate its risks.	The council's risk management system requires that risks are identified, listed and managed via Risk Registers.	L	Yes
Compliance	As above.	As above.	L	Yes
Operational	As above.	As above.	L	Yes
Financial	As above.	As above.	L	Yes
Reputational	As above.	As above.	L	Yes
Environment / Climate	As above.	As above.	L	Yes

8. OUTCOMES

- 8.1 The recommendations within this report have no direct impact on the Council Delivery Plan however, the risks contained within the Council's risk registers could impact on the delivery of organisational outcomes.

9. IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	Not applicable

10. BACKGROUND PAPERS

- 10.1 None

11. APPENDICES

11.1 Appendix A – Annual Risk Appetite Statement – Proposed Changes

12. REPORT AUTHOR CONTACT DETAILS

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