

ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Annual Review - Risk Appetite Statement
REPORT NUMBER	COM/24/009
DIRECTOR	Gale Beattie
CHIEF OFFICER	Jenni Lawson/Vikki Cuthbert
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 to Committee for approval.

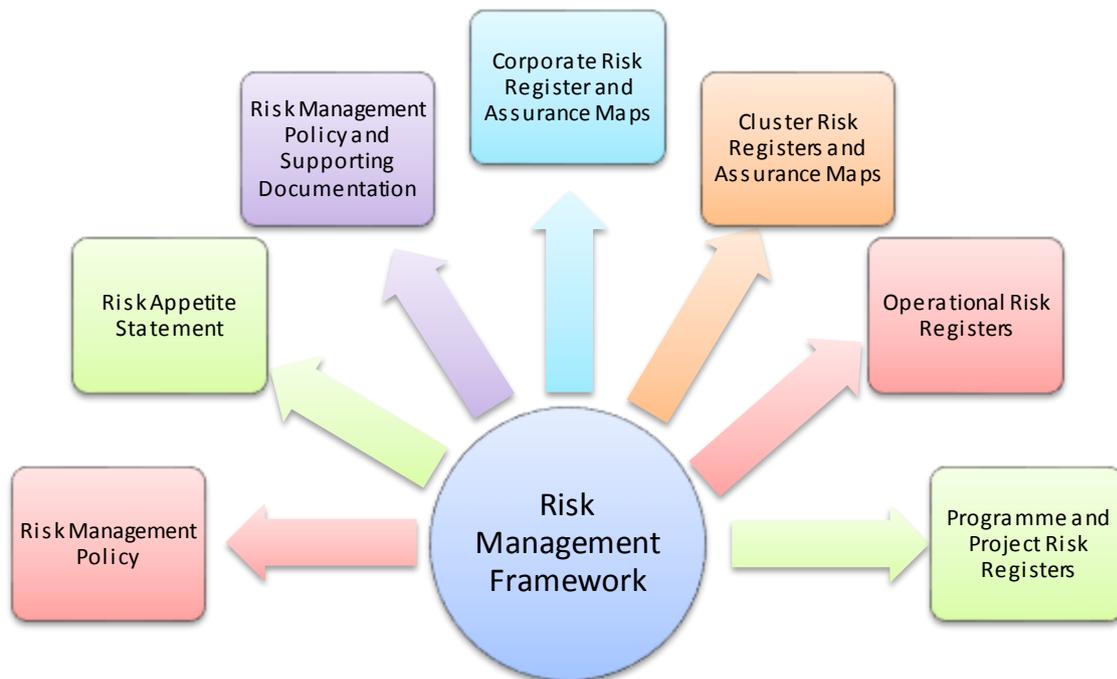
2. RECOMMENDATION(S)

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 2023 and the training and engagement activities planned for 2024.

3. CURRENT SITUATION

- 3.1 The Council's Risk Appetite Statement (RAS) sets out the categories of risk recognised by the Council and the amount (extent) of risk that the Council is/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 March 2023 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 to undertake an annual review to ensure the levels of risk appetite are appropriate and reflect any changes in our risk environment.

3.4 The process of embedding the RAS within the Council has continued to progress during 2023 and it continues to be used by officers when exercising delegated powers and to guide strategic/operational proposals and decision making as demonstrated by the examples below:

- **Corporate Management Team (CMT)/Extended Corporate Management Team (ECMT)** – RAS has been integrated into the budget process to support the assessment of any options to be considered by officers and Elected Members.
- **Executive Boards and Committees** – Capital Project Business Case Template risk section has been updated to reflect RAS to ensure that risk appetite is considered in planning for capital projects.
- **“Managing Risk” Intranet Pages** – these pages contain links accessible to officers and Elected Members on the Council’s RAS, Risk Management Policy, Guidance and Training.
- **Internal Audit -**
 - Council’s risk register and RAS were used in the formation of the 2024-27 Audit Plan, also presented to this committee for approval.
 - 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 improvement activities will be conducted during 2024. These activities will include:

- Incorporate RAS into the Council’s Integrated Impact Assessment (IIAs) supporting processes.

- Update of the Council's Budget Protocol to incorporate RAS to enable assessment and alignment of proposals against the RAS.
- Further development of "Managing Risk" intranet pages.
- Elected Member training on scrutiny.

3.6 The existing RAS was considered and reviewed by ECMT and CMT in November 2023 and by the Risk Board in December 2023. The revisions agreed and proposed are included in the updated RAS attached in Appendix A and are summarised below.

The updates proposed reflect the Council's current operating environment which includes the on-going recovery from the pandemic, current and future economic challenges, inflationary pressures and increased demand for Council services. If approved, the revisions will take effect from 1st April 2024.

- **Strategic Risk** – the appetite level within this category remains unchanged however, the text has been updated to reflect that changes in strategic direction may be required in order to respond to threats emerging from external factors. In recent years, local authorities have reacted to significant change in the world's economy, geo-political events and the pandemic. In expectation of some of these turbulent events continuing, it is recommended that we reflect this in our appetite for strategic risks.
- **Compliance Risk** – the appetite level within this category remains unchanged however, the text has been updated to provide assurance that any deviation from Council's duties would require the appropriate approvals to be in place. This provides additional assurance and a safeguard against non-compliance.
- **Operational Risk** – the appetite level within this category remains unchanged however, the text has been updated to reflect the increase in demand for the Council's services and the impact this may have on our operational performance. By aligning our appetite level to the Council's agreed service standards and statutory duties, we ensure that we have a shared clarity on the risks we are willing to take.
- **Reputational Risk** – the appetite level in this area remains unchanged however, the text has been updated to make clear that there is a need to balance a number of factors when we make decisions which affect our reputation. This relates to the possibility of the Council making strategic and operational decisions in response to increased demand for our services whilst under budget pressures. Service improvement and performance, strategic outcomes and commissioning intentions would ideally be aligned with one another, but there may be occasions where this is a balancing act.

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) *taking into account controls/control actions	*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
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Integrated Impact Assessment	It is confirmed by the Interim Chief Officer – Governance (Assurance) that no Integrated Impact Assessment is 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

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