



REPORT TO GARIOCH AREA COMMITTEE – 27 AUGUST 2019

RISK MANAGEMENT POLICY & PROCEDURES

1 Recommendations

The Committee is recommended to consider and provide comments on the Risk Management Policy for submission to Business Services Committee at its meeting on 14th November 2019.

2 Background / Discussion

- 2.1 Internal Audit Report No. 1928 – Risk Management Process – identified that no record could be found of the Risk Management Policy (Section 1 of **Appendix 1**) having been agreed or reviewed by the appropriate committee. See **Appendix 2** for the Executive Summary for this Audit report. Subsequent searching of Committee records have established that the Policy was agreed by Policy & Resources Committee at its meeting on 22 April 2010.
- 2.2 However, the Policy does require to be reviewed and agreed in accordance with the [Policy Development and Review Framework](#) in Part 4B in the Scheme of Governance. The Risk Management Policy has not changed since it was approved apart from an amendment of Senior Management Team to Strategic Leadership Team to reflect current terminology.
- 2.3 There have been regular updates to the procedure that supports the Risk Management Policy. These updates will continue to reflect current practice and to be in accordance with the actions agreed in response to the Internal Audit Report mentioned in 2.1 above. Comments from Area Committees on the procedure will be provided to the Risk Manager.
- 2.4 The comments on the Policy from the Area Committees will be reported to Business Services Committee at its meeting on 14th November 2019 and this Committee will be requested to approve the reviewed Policy.
- 2.5 The Head of Finance and Monitoring Officer within Business Services have been consulted in the preparation of this report and their comments are incorporated within the report and are satisfied that the report complies with the Scheme of Governance and relevant legislation.

3 Scheme of Governance

- 3.1 The Committee is able to consider and take a decision on this item in terms of Section B.1.2 of the List of Committee Powers in Part 2A of the Scheme of Governance as it relates to a policy which impacts on their Area.

4 Implications and Risk

- 4.1 An equality impact assessment is not required because the review of the Policy does not have a differential impact on any of the protected characteristics.
- 4.2 There are no staffing or financial implications.
- 4.3 The following Risks have been identified as relevant to this matter on a Corporate Level: [Corporate Risk Register](#).
ACORP009 Operational Risk Management (including health & safety).

Ritchie Johnson
Director of Business Services

Report prepared by Norrie Crichton, Risk Manager
Date 23 July 2019

Appendix 1



Risk Management Policy & Procedures

July 2019

Version: 6.0

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1 Risk Management Policy Statement

Aberdeenshire Council recognises that there are risks involved in everything it does and that it has a duty to manage these risks in a structured manner. In doing so, the Council will better achieve its objectives and enhance the quality of the services it provides.

Aberdeenshire Council is therefore committed to adopting best practice for the identification, evaluation and cost effective control of risks to ensure that they are eliminated or reduced to an acceptable level.

Elected Members and the Strategic Leadership Team are committed to the necessary allocation of resources to enable effective management of risk throughout Aberdeenshire Council.

Employees will be supported to ensure their understanding of the nature of the risks faced and their role in eliminating or mitigating the risks associated with their area of work.

The Council recognises risk management as an integral part of its Corporate Governance arrangements. Approval and publication of this Policy Statement demonstrates this intention. The Policy is fully supported by Elected Members, the Chief Executive and the Strategic Leadership Team who are accountable for the effective management of risk within the Council.

2 Introduction

Aberdeenshire Council operates in an environment where it continually requires to balance expenditure pressures against the need to meet statutory duties and deliver high quality services in the most efficient and effective manner. Failure to pay proper attention to the likelihood and consequences of risks can cause the Council serious problems. Financial cost, service disruption, bad publicity, threats to public health and claims for compensation are among the most obvious.

This policy is drawn up in order to ensure that areas of high risk are identified, appropriate remedial action is considered and where appropriate, financial provision is made to implement risk reduction measures. Regular consultation and liaison with Elected Members, Directors, Directorate Management teams and operational staff will achieve this.

On a day to day basis the Council requires to manage risks that impact on its strategic plan (and associated priorities) and operational activities. Effective risk management enables delivery of quality customer focused services in support of the council plan and associated priorities.

Risk management is the process of identifying risks, evaluating their potential consequences and determining the most effective methods of controlling them and/or responding to them. It is not an end in itself. Rather, risk management is a means of minimising the costs and disruption to the Council caused by undesirable events. The aim is to reduce the frequency of risk events occurring (wherever this is possible) and minimise the severity of their consequences if they do occur. Even when the likelihood of an event occurring (such as a severe storm) cannot be controlled, steps can be taken to minimise the consequences by having effective and robust Emergency Plans and Business Continuity Plans in place.

A systematic assessment of risk needs to be undertaken when judging all policy and service delivery options available to the Council. The effective management of risk is therefore a critical part of delivering the Council's priorities.

3 Risk Management Philosophy

Aberdeenshire Council is an organisation committed to continual improvement and development through both innovation and a willingness to change and adapt.

The Council firmly believes that risk requires to be properly managed rather than avoided and that effective risk management will not stifle creativity and innovation. In managing risk the Council will look to exploit opportunities as well as guarding against threats and ensure that decisions are taken with full regard and understanding of the possible impact upon the Council's reputation, assets, employees and the wider community.

The Council recognises its responsibilities under the Civil Contingencies Act 2004 and the need to provide resilient services and to support the community of Aberdeenshire in the event of an emergency arising.

It is expected that all officers should be conversant with the contents of this policy.

Reports to decision makers should identify the risks associated with actions recommended.

4 Risk Management Roles & Responsibilities

Everyone in the Council is involved in risk management and should be aware of their responsibilities in identifying and managing risk. In order to ensure that the Council has an effective risk management framework responsibilities for risk management are detailed below.

Aberdeenshire Council

- To demonstrate a commitment to and ensure sufficient priority and resource is given to risk management.
- To ensure that each key strategic decision is taken with a thorough understanding of the associated risks.

Council Committees

- To ensure that existence of and approve the risk management strategy and governance framework.
- To monitor the overall performance of the Council's risk management and governance process.
- To regularly review the Council's arrangements for risk management as they impact on our statutory obligations, the annual "Statement of Assurance" and overall governance arrangements.

Chief Executive & Directors

- To ensure that the Council manages risk effectively through the development of a comprehensive corporate strategy and to monitor delivery by receiving regular reports.
- To consider strategic risks affecting the Council and the delivery of its priorities.

Corporate Risk Management Steering Group

- To support the Council and its Services in the effective development, implementation and review of the risk management strategy.
- To provide a forum for the sharing of information and best practice in respect of existing, new and emerging risks.
- To approve changes to the Council's Corporate Risk Register

Internal Audit

- To independently review and report on the adequacy and effectiveness of the risk management strategy.
- To report annually to the Audit Committee on compliance with the Code of Corporate Government.

Risk Manager

- To develop, co-ordinate and implement the Council's risk management strategy.
- To ensure that Corporate, Directorate and operational Risk Registers are maintained and reviewed in line with the agreed process.
- To assist in the embedding of risk management throughout the Council.

- To ensure that the Council meets its statutory obligations in respect of Emergency Planning & Business Continuity.

Directorate/Service Management Teams *

- To ensure that risk is managed effectively within each Service in respect of the Council's priorities and operational activities.

Service Managers *

- To manage risk effectively in their area of responsibility.

Employees

- To manage risk effectively in their job.

*** Risk Champions**

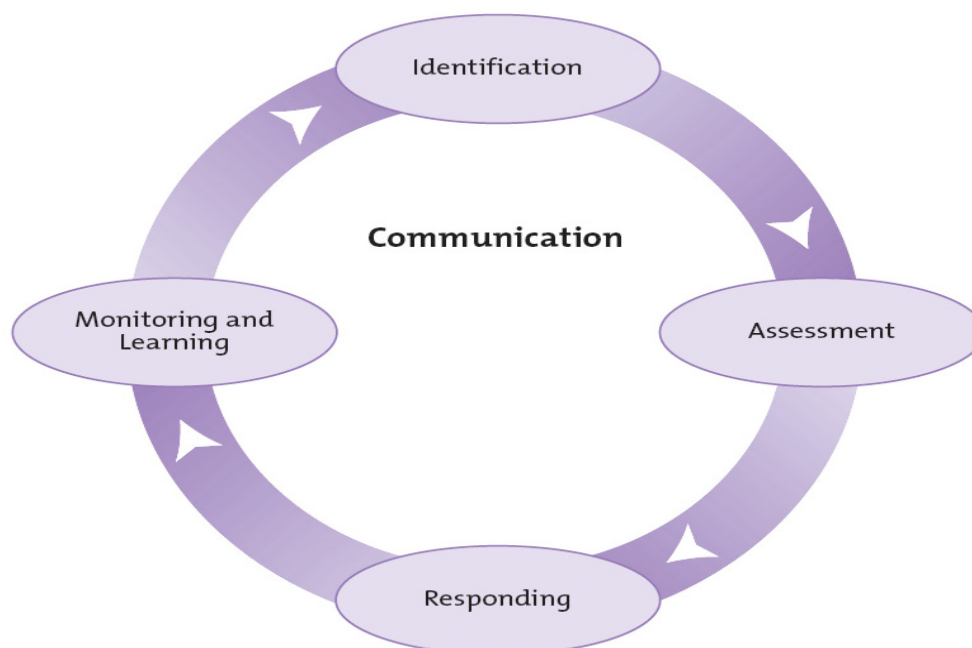
Services should consider the identification of Risk Champions to support the Directorate and Service Management Teams in applying risk management processes and techniques with the aim of increasing awareness, ownership and management of risks leading to improved business performance.

Risk champions are not necessarily experts in risk but they have enough influence within their team, which is backed up by their genuine interest and basic knowledge about the risk process.

Good risk champions understand that their role is that of providing leadership and guidance for their specific teams supported by the Council's Risk Management team where required.

5 Risk Management Process

Risk Management Cycle



Identification

- Identification of the risks inherent in business processes, systems and services requires the Council to identify where and how they are exposed to events or situations which could cause a financial loss or negatively impact the Council's reputation, citizens/customers or employees.
- Material risks inherent in business processes, systems and services must be identified, understood and clearly documented.
- Services should consider engaging widely with staff at this stage.

Assessment

- Assessment of the risks requires the Council to consider the probability of a risk occurring and assess what the impact would be.
- Risks require to be assessed using the agreed Impact and Probability Classification Table (i.e. minor, important, significant or major).

Responding

- Responding requires the Council to determine appropriate mitigation techniques to reduce its risk exposure to an acceptable level.
- Mitigation techniques include improving the business process, accepting, controlling, transferring or eliminating the risk.
- The adequacy and effectiveness of controls and other risk mitigants (e.g. insurance) must be tested regularly and the results documented.
- Where unacceptable control weaknesses are identified, action plans must be produced and tracked to completion. To drive improvement action plans should be shared as widely as possible within the Service.

Monitoring & Learning

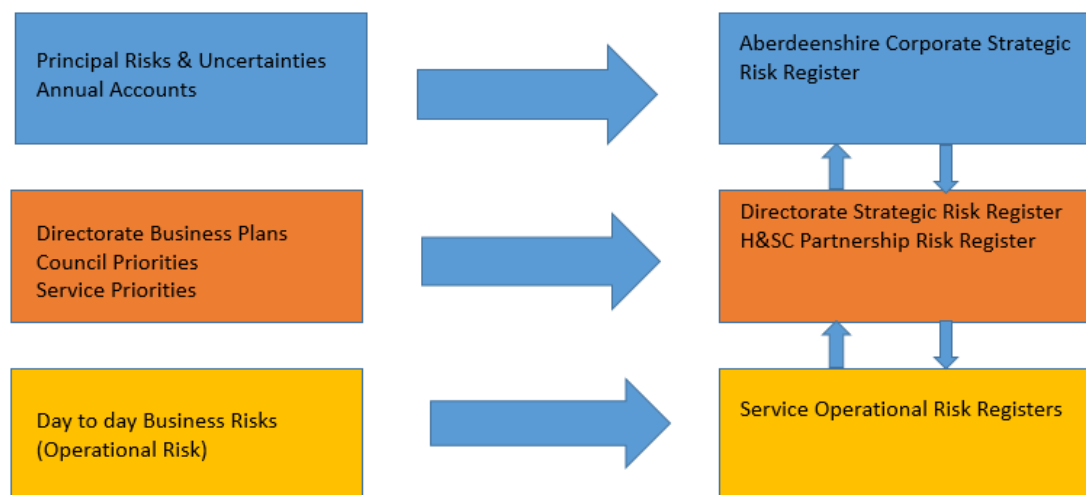
- Monitoring risk requires the Council to regularly review its risks and controls to check they have not changed, and to ensure that how these are being managed remains appropriate.
- Significant incidents and events (including “near misses”) require to be reviewed by Services to ensure that the risks identified are understood and properly documented. A “near miss” is an incident or event that did not result in injury, damage or loss but had the potential to do so.

Communication (Reporting)

- It is important to formally report on risks and controls, so that they receive the right level of management attention.
- The risks and controls must be regularly reported to management and key stakeholders.

6 Risk Registers

The Risk Register process is used by the Council to identify, assess, manage, monitor and report on its strategic and operational risks. It captures information on the risks arising from key processes, systems and activities. It enables the Council to assess both its inherent and residual risk exposure and determine its approach to managing risk. The Council's Risk Register hierarchy is shown in the table below.



Corporate & Directorate Strategic Risk Registers

- The Council requires that Strategic Risk Register be maintained at both a Corporate and Directorate level and that these are updated annually as a minimum.

Service Operational Risk Registers

- Service Operational Risk Registers are owned and maintained by Services and should be updated annually as a minimum.

Project Risk

- Risk Registers and Risk Issue Logs should be maintained for all formal projects. (See Appendix 2)
- The review of the Risk Registers and Risk Issue Log should be an agenda item for each meeting of the Project Board.

Partnership Risk

- Risk Registers (in the same format as Operational Risk Registers) should be maintained by the lead Service for all significant partnerships.
- A scorecard for identifying significant partnerships can be found in Appendix 1.
- In some cases the Partnership Risk Register will be maintained by a partner other than the Council.

7 Risk Ratings

The risk rating is a function of the frequency and severity of a risk crystallising. In order to derive the impact of a risk crystallising the Council applies the following calculation:

- Identify the greatest impact from the Impact Classification Table. (see page 12)
- Assess the likelihood of the risk crystallising within the next 12 months using the Probability matrix. (see below)
- Plot the Probability and Impact ratings on the grid to give the Risk Rating. The Risk Rating can also be expressed as a numerical value to assist in the prioritisation of risks falling within the same risk band.
- For example a risk with a significant financial impact (score: 3) and a medium probability (score: 3) will be rated as a Significant score: (3*3 =9)

Probability Matrix

Probability ↑	High – Score 4 75-100% chance of occurring within 1 year.	4	8	12	16
	Medium – Score 3 50-75% chance of occurring within 1 year.	3	6	9	12
	Low – Score 2 25- 50% chance of occurring within 1 year.	2	4	6	8
	NEGLIGIBLE – Score 1 0 – 25% chance of occurring within 1 year.	1	2	3	4
Impact →		Minor Score 1	Important Score 2	Significant Score 3	Major Score 4

- The matrix is utilised to assess both **Inherent Risk** (the probability and impact of the risk crystallising if no mitigants or controls are in place) and **Residual Risk** (the probability and impact of the risk crystallising when mitigants or controls are in place).
- **If the Residual Risk scores as either Significant or Major (i.e. the Risk is scored at 8 or above) then it will be considered to be outside the Councils Risk Appetite.** Wherever possible an action plan should be put in place to reduce the Residual Risk to within the Council's Risk Appetite.



Impact Classification Table for Risks and Risk Issues

Impact	Financial	Customer/Citizen/Staff	Reputation
	<i>Potential or actual direct financial loss in any one event/incident..</i>	<i>Actual or potential impact arising from either operational failure or management failure which leads to an inability to: Provide a quality of service; or Execute our services; or Comply with laws, regulations or policies and procedures.</i>	<i>Actual or potential impact to the external reputation of Aberdeenshire Council. This includes the views held by any legislative or regulatory body.</i>
Major (4)	£100,000 or more.	<ul style="list-style-type: none"> Affecting more than 25% of a Service's customers/citizens or staff. Total failure of major 3rd party supplier. Loss of key system for a period of time resulting in a failure to meet critical process deadlines. Management failure at Corporate level. 	<ul style="list-style-type: none"> High likelihood of (or actual) formal censure by a legislative or regulatory body. Concerted, widespread or recurrent critical coverage of the Council or for a specific event in the media.
Significant (3)	Between £99,999 and £50,000	<ul style="list-style-type: none"> Affecting between 5% and 25% of a Service's customers/citizens or staff. Partial failure of major 3rd party supplier. Loss of key system for a period of time resulting in a significant operational or customer/citizen impact. Management failure at a Service level. 	<ul style="list-style-type: none"> Any event, which may affect our standing with a legislative or regulatory body. An event that may (or has) damage (d) relations with consumer bodies, trade associations etc. Individual press reports in national media that Corporate Communications consider being of material concern to the Council.
Important (2)	Between £49,999 and £10,000	<ul style="list-style-type: none"> Affecting up to 5% of a Service's customers/citizens or staff. Partial failure of major 3rd party supplier. Loss of key system that causes a minor operational or customer/citizen impact. Management failure at a unit or supervisory level. 	<ul style="list-style-type: none"> Any event that may (or has) tarnish(ed) our reputation with any significant customer/citizen group, 3rd party, legislative or regulatory body. Actual adverse comment in local press or the equivalent that corporate Communications consider to be of material concern to the council.
Minor (1)	Less than £10,000	<ul style="list-style-type: none"> Affecting a small number of customers/citizens or staff. Deteriorating performance of a non-critical 3rd party supplier. Loss of non-key system, which causes a minor operational, or customer/citizen impact. Management failure at a unit or supervisory level 	<ul style="list-style-type: none"> Any event that may tarnish our reputation with any significant customer/citizen group, 3rd party, legislative or regulatory body. Threat of adverse comment in local press or the equivalent that corporate Communications consider to be of material concern to the council.

8 Risk Management Governance & Reporting

Reporting

The Risk Manager will provide a Risk Management Review each quarter (as at end, April, July, October and December) to:

- Business Services Committee
- Audit Committee
- Senior Leadership Team
- Heads of Service & Area Managers

The latest Risk Management Review will be provided to the Corporate Risk Management Steering Group upon the Group meeting.

Additional reporting will be undertaken as required by either Council Committees or the Senior Leadership Team.

Governance

The Council's Risk Management Governance Process is as detailed in the Risk Management and Business Continuity Strategy document.

The Risk Manager is required to Report to the Audit Committee annually. This normally takes place at the December meeting of the Audit Committee.



Document Control

Owner	Norrie Crichton, Risk Manager
Author	Norrie Crichton, Risk manager

Change History

Version	Date Published	Changed By	Changes
Draft	December 2009	Norrie Crichton	New document
1.0	March 2010	Norrie Crichton	Minor changes following consultation with CRMSG & Resilience Forum members
2.0	August 2011	Norrie Crichton	Minor changes to Section 8 - Reporting.
3.0	September 2017	Norrie Crichton	Updated to reflect revised Risk Register hierarchy
4.0	November 2018	Norrie Crichton	Appendix 2 added
5.0	January 2019	Norrie Crichton	Appendix 2 Updated to reflect current practice and documentation.
6.0	July 2019	Norrie Crichton	Full review subsequent to Risk Management Process audit and prior to Policy being taken to Business Services Committee.

Appendix 1 Significant Partnership Scorecard

Partnership Name:	Completed by:	Date:

All partnerships must be recorded in the partnership register
This table assesses whether your partnership should be recorded as a **significant** partnership requiring a Risk Register.
Please enter the score in the last column in the statement which most closely represents your partnership.

Impact	Description	Minor (Score 1)	Important (Score 2)	Significant (Score 3)	Major (Score 4)	Score
1	The Council contributes to the partnership by direct funding and/or indirectly through staff resources, work	< £10K per annum	£10K to < £50 k per annum	£50K to < £100k per annum	> £100k per annum	
2	The partnership's success is critical to the achievement of one or more of the Council's Strategic objectives.	Not directly linked to a Strategic objective	Linked to a Strategic objective.	Significant contributor to success of a Strategic objective.	Essential to the achievement of a Strategic objective.	
3	Failure of the partnership would have an impact on the Council's reputation.	Threat of adverse comment in local press or the equivalent that corporate Communications consider to be of material concern to the Council.	Actual adverse comment in local press or the equivalent that corporate Communications consider to be of material concern to the Council.	Individual press reports in national media that Corporate Communications consider being of material concern to the Council	Concerted, widespread or recurrent critical coverage of the Council or for a specific event in the media	
4	The extent to which partnership expenditure is controlled by the Council.	The Council has full control over expenditure decisions.	The Council has veto on expenditure decisions.	The Council is a party to expenditure decisions.	The Council has no control over expenditure.	
5	The partnership takes decisions on behalf of or which are binding on the Council	The Partnership does not take decisions on behalf of the Council.	The Partnership does not take decisions on behalf of the Council but Council representatives with decision making authority attend the partnership and consider and influence its	The Partnership does not take decisions on behalf of the Council but Council representatives with decision making authority attend the partnership and agree to be bound by its decisions.	The partnership has decision making responsibilities directly delegated to it from the Council.	
6	The Council has set up the partnership in order to receive additional funding and/or meet Statutory or Regulatory requirement.	Not required by law or to receive funding.	Indirect or limited links to successful achievement of funding.	Direct links to successful achievement of funding.	The Council is required to participate in this partnership by law or to receive specific funding.	
Total Score						0
Maximum Possible Score						24
Impact % (a score of 60% or more indicates a "significant" partnership arrangement).						0.00%
Evaluation						Not Significant

Appendix 2 Project Risk

The Council's Risk Manager is available to give Project Teams and Boards guidance and support in this area.

Risk Register & Issues Log

A pro-forma Risk & Issues Log can be downloaded from:

<https://aberdeenshire.sharepoint.com/sites/Arcadia/services/Pages/Business%20Services/HR%20and%20OD/Health%20and%20Safety,%20Wellbeing%20and%20Risk%20Management/Risk%20Management/Risk-Management.aspx>

Risk Register – things that may happen

All projects involve risk and it is recommended that some formal Risk Assessment be undertaken around all Projects. Whilst an ongoing process as part of normal project control, Risk Assessment is vital at the outset of the project and offers an opportunity to involve stakeholders in the project by inviting them to participate. It is vital that they participate not only in identifying risk, but also in identifying mitigating and alternative actions to reduce probability and/or impact of risk.

Risk identification is something best done as a group activity. It is recommended that some risk analysis be focussed on each task identified in the project plan. Analysing the probability and impact of identified risks before thinking of mitigating actions and 'what if' scenarios will allow time to be prioritised to those risks with the greater potential for impact on the project. To ensure consistency the Impact Classification Table used for Risk Management Registers will also be utilised for this project. The Impact Classification Table is attached for information purposes.

Issues – things that are actually happening

All projects involve some uncertainties. Things will happen due to both foreseen risk and unforeseen incident or circumstance. It is important that those involved in the project, particularly the project board and project manager, understand and expect this and do not become disheartened by it.

Keeping a log of issues, together with actions taken to resolve them ensures that:

- Issues get dealt with and are not forgotten
- Repetitive issues have a log of the solution for when they occur again
- A legacy of learning is created to benefit project managers in the future
- There is a record for reference in meetings and reports

Process

- Project Team identify the project risks, agree a risk rating and document any mitigating actions.
- Project Team identify current issues, allocate an Issue Owner and identify actions/tasks required to resolve the issue. **It is important to note that the Issue Owner is responsible for ensuring that those to whom tasks and actions are allocated carry them out.**
- Risk Register and Issues Log to be kept up to date and ratified by the Project Board on a regular basis.

Risk Register

Risk ID	Unique reference number for each risk e.g.XXR001
Risk Description	Clear statement of the risk that should be understandable to anyone reading the risk register.
Date Identified	Date risk added to Risk Register
Impact	Rate in line with the Risk Matrix. If the risk has more than one impact (e.g Financial & Reputational) rate the risk based on highest scoring impact.
Likelihood	Rate from in line with the Risk Matrix.
Risk Rating	This is Impact x Likelihood (automatically calculated).
Mitigating Measures	Actions agreed to manage or reduce the risk. These can be actions which reduce the Probability, the Impact or both.
Person Responsible (for mitigation)	Identify the individual esponsible for ensuring that the mitigating measure is adequate and is being effectively applied.
Impact	Taking into account the mitigating measures reassess in line with Risk Matrix. If the risk has more than one impact (e.g. Financial & Reputational) rate the risk based on highest scoring impact.
Likelihood	Taking into account the mitigating measures reassess in line with the Risk Matrix.
Risk Rating	This is Impact x Likelihood (automatically calculated). The Project Board should be made aware of Significant and Major risks and wherever possible actions agreed to reduce the risks to Important or Minor. Refer to Section C of the Risk Matrix for Action Required.

Status	Choose from drop down options. New = Risk Identified but assessment not yet ratified by Project Board. Accepted = Risk rating and mitigants agreed by Project Board. Action = Risk rating and mitigants agreed however action required to reduce risk rating. Complete = Risk is considered to be over but requires ratification by Project Board. Closed = Project Board agrees risk can be closed.
Date Completed	Date that Status amended to closed.

Issue Log

Issue Number	Unique reference number for each Issue e.g. XXI001
Date Identified	Date Issue entered into log
Identified By	Name and Designation
Priority	Choose from: High – to be resolved immediately. Medium – to be resolved within current project stage. Low – to be resolved by the end of the project where possible.
Description	Clear description of the issue.
Action Taken To Rectify	Clear description of actions/tasks required to resolve the issue.
Person Responsible	Action/task owners must be identified and may differ from the Issue owner.
Date Completed	Date Project Board agreed closure of issue.

Appendix 2

Internal Audit Report No. 1928 – Risk Management Process

Executive Summary

The Council has a Risk Management Strategy, reviewed every 3 years, and implementation of the Strategy is managed by Services in line with the “Risk Management Policy and Procedures” and “Operational Risk Registers – Guidance notes for Services” documents, supported by the Risk Manager. However, there are no available records of the Risk Management Policy having been agreed, or reviewed, by a Committee between 2008 and 2019. The Scheme of Governance Part 4B - Policy Development and Review Framework requires policies to be reviewed periodically, and at least every 5 years. This policy (if it was adopted) is therefore due for review, and the Service will do so during 2019.

Directorate risk registers are currently under review, pending alignment with Service Plan updates, which have still to be concluded. In the interim risks are not all being maintained up to date.

Improvements to procedures and guidance notes have been agreed and will be implemented by the Risk Manager including accessibility; management of action plans; the content, format and scheduling of Services’ reviews of risk registers; and records of incidents and near misses. The Risk Management and Insurance Teams will also work together to support Services to ensure resources are being effectively targeted.

Partnerships and Projects have their own risks, which can result in risks to the Council. Work is continuing in respect of actions agreed in Internal Audit report 1835 – Partnerships & Joint Working, to ensure risk assessments are carried out regularly in accordance with policy. Major change projects will be overseen by the Strategic Change Board, which is in the process of developing the related governance arrangements.

Risk management is reviewed by the Corporate Risk Management Steering Group. Whilst quarterly reviews are provided to Strategic Leadership Team (SLT) and to Business and Audit Committee members, they are not currently being subject to recorded scrutiny and debate – e.g. in a formal report. The Risk Manager plans to provide the next report to the Audit Committee, and the Director of Business Services will continue to highlight specific matters arising to SLT as appropriate, in lieu of periodic reporting.