Policy and Sustainability Committee

10am, Tuesday, 24 October

Risk Management Policy

Executive/routine
Wards

1.   Recommendations

1.1   It is recommended that the Committee reviews and approves the Council's updated Risk Management Policy as set out in Appendix 1 to this report.

1.2   It is recommended this paper be referred on to the Governance, Risk and Best Value Committee for their information.

Deborah Smart

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Report

Risk Management Policy

2. Executive Summary

2.1 The purpose of this paper is to present the Council's refreshed Risk Management Policy (the Policy) to the Committee for review and approval. This Policy supersedes the existing policy dated 30 November 2021. The Policy describes the Council's overarching risk management approach and is supported by a risk management framework that describes how the policy will be applied by all Council directorates and divisions.

3. Background

3.1 Risk management is a fundamental part of effective business management.

3.2 As risk management is not a statutory or legislative requirement, it is the Council's responsibility to determine its risk appetite and implement its own Risk Management Policy and supporting arrangements.

3.3 The Chartered Institute of Public Finance and Accountancy (CIPFA) also notes that the discipline of risk management promotes innovation in support of strategic objectives and service delivery; opening the door to the possibility of taking risks to achieve positive outcomes.

3.4 Establishing a Risk Management Policy should also support identification and realisation of the improvements and benefits associated with both planned and unexpected opportunities, delivery of Council priorities, whilst protecting the citizens of Edinburgh, Council's employees and assets (where possible) from their potential negative impacts.

3.5 Consequently, good risk management should be an embedded component of both decision making and ongoing service delivery across the Council; should be viewed positively; and should not be performed as a separate standalone or retrospective activity.

4.   Main report

4.1   The objective of the Risk Management Policy is to support achievement of the Council's priorities by establishing a structured and proportionate organisational risk management approach that:

4.1.1   supports all Council areas in making and recording effective risk based strategic and operational decisions;

4.1.2   ensures that all known current and future risks associated with ongoing service delivery are consistently and effectively identified; recorded; assessed; and appropriately mitigated and managed in line with the Council's risk appetite; and

4.1.3   supports identification and realisation of the potential improvements associated with both planned and unexpected opportunities, delivery of Council priorities, whilst protecting the citizens of Edinburgh, the Council's employees and assets (where possible) from potential negative risk impacts.

4.2   The Policy sets out how risk management should be considered when making both strategic and operational decisions and delivering services; the Council's risk culture; the requirements for effective application of risk management across Council services; risk management structures and responsibilities.

4.3   The Policy also includes the requirement to consider project delivery risks, and any risks associated with partnership or contractual arrangements supporting delivery of Council priorities and service delivery that could potentially affect the Council.

4.4   The policy will be applied using the Three Lines Model. The Council has adopted the Institute of Internal Auditors Three Lines model to support the application of the Council's Enterprise Risk Management Policy and operation of its risk management framework:

4.4.1   first line divisions and directorates are responsible for identifying; assessing; recording; addressing; and escalating risks (where required) associated with decision making and ongoing service delivery.

4.4.2   the second line Corporate Risk Management team is responsible for maintaining the Policy; developing and maintaining the supporting operational risk management framework; providing ongoing oversight, challenge and assurance in a 'constructive critical friend' capacity; and promoting a positive risk culture through delivery of ongoing training and engagement across first line teams.

4.4.3   independent assurance on the design and effective application of risk management policies and frameworks is provided by Internal Audit.

4.5   The policy will be implemented in line with the Council's agreed risk appetite which sets out the amount of risk that the Council has agreed that it is prepared to take.

5. Next Steps

5.1 The Policy will be shared and communicated across the Council, with the refreshed version published on the policy register maintained on the Council's website.

5.2 The application of the policy will be supported by management development and risk workshops as required across divisions and directorates.

6. Financial impact

6.1 There are no direct financial implications associated with the Policy, although there may be costs associated with implementing controls to mitigate risks and/or failing to mitigate risks.

7. Equality and Poverty Impact

7.1 This paper does not directly impact on equalities or poverty impact, although not suitably identifying and responding to these risks would cause an impact. This Policy and the approach to risk management more generally should support these important areas.

8. Climate and Nature Emergency Implications

8.1 This paper does not directly impact the climate or nature emergency, although not suitably identifying and responding to these risks would cause an impact. This Risk Management Policy and the approach to risk management more generally should support these important areas.

9. Risk, policy, compliance, governance and community impact

9.1 This report should help reduce risk for the City of Edinburgh Council, as it seeks to set out the risk management framework through the attached policy for the Council, to support effective risk management and risk aware decision making.

10. Background reading/external references

10.1 ISO31000 Risk Management Guidelines

10.2 Institute of Risk Management

10.3 Management of Risk

10.4 CIPFA Risk Management

10.5 Scottish Government Public Finance Manual

11. Appendices

11.1 Appendix 1 - Risk Management Policy

Risk Management Policy

Implementation date: 24 October 2023

Control schedule

Version control

Approved by	Policy and Sustainability Committee
Approval Date	24 October 2023
Senior Responsible Officer	Deborah Smart, Executive Director of Corporate Services,
	Nick Smith, Service Director, Legal and Assurance
Author	Chris Lawson, Head of Health, Safety and Risk
Scheduled for review	October 2025

Version control

Version	Date	Author	Comment
0.3	6 October 2020	Lesley Newdall, Senior Audit and Risk Manager	
0.4	30 November 2021	Lesley Newdall, Head of Audit and Risk	
0.5	24 October 2023	Chris Lawson, Head of Health, Safety and Risk	

Previous committee decisions affecting this policy

Date	Committee	Link to report	Link to minute
6 October 2020	Policy and Sustainability Committee	Report	Meeting Minute
30 November 2021	Policy and Sustainability Committee	Report	Meeting Minute

Risk Management Policy

Policy statement

1.1 The purpose of this Risk Management Policy (the Policy), along with the Risk Management Framework (the Framework), is to support the Council in achieving its objectives; through strengthening the ability to respond to challenges, ensuring conformity with rules and regulations, providing assurance that controls are in place, and supporting well-informed decision making.

1.2 The Policy also aims to support identification of opportunities for improvement and operational efficiencies.

Scope

2.1 This Policy applies to all Council employees and is intended to support embedding of effective risk management in all Council directorates, divisions and services.

2.2 The Chief Executive and Corporate Leadership Team (CLT) have overall responsibility for the design and application of the Council's Risk Management Framework.

Policy content

Risk Framework

3.1 The Policy forms part of the overall Risk Management Framework, which includes governance arrangements, procedures and guidance, templates, training materials and communications relating to risk management within the Council. For the Framework to be effective, the following principles should be applied:

3.1.1 Risk management is an essential part of governance and leadership, and fundamental to how the organisation is directed, managed and controlled at all levels;

3.1.2 Risk management should be an integral part of all organisational activities to support decision making in achieving objectives;

3.1.3 Risk management should be collaborative and informed by the best available information and expertise;

3.1.4 Risk management processes should include risk identification and assessment to determine how the risks should be prioritised and managed;

3.1.5 Timely, accurate and useful risk reporting should be used to enhance the quality of decision-making and to support management and oversight bodies in meeting their responsibilities; and

3.1.6 Risk management processes should be continually improved through learning and experience.

3.2 The Corporate Risk Management Team is responsible for the ongoing maintenance of the Framework.

Alignment with Council Objectives

3.3. As the purpose of the Risk Management Framework is to support the Council in achieving its objectives, the Policy and approach should be aligned to those objectives, and applied proportionately to the level of risk the Council faces.

3.3.1 The Corporate Leadership Team should review the Framework periodically, and alongside the latest Business Plan and Council Policies to ensure alignment with the Council's strategic objectives;

3.3.2 The Council faces a wide range of risks across its services given the broad and diverse nature of the Council's undertakings; however the level of action should be proportionate to the risk rating;

3.3.3 Mitigations should be prioritised for those risks that have been rated as critical or high; and

3.3.4 The Corporate Leadership Team should meet quarterly to review how management is responding to critical and high rated risks; however operational risks are also considered as part of the normal flow of management information in the business-as-usual environment.

Risk Appetite

3.4 Risk Appetite is the level of risk the Council is willing to accept in pursuit of its objectives.

3.4.1 The Council's risk appetite statement is established by the Corporate Leadership Team and approved by the Policy and Sustainability Committee. The application of this is set out within Directorate Risk Committees and Divisional Management Teams, to ensure risks are managed consistently within agreed tolerances and within the overall Council risk appetite.

3.4.2 Risk Appetite can change over time as economic circumstances and objectives change; and

3.4.3 The Council reviews its overall risk appetite annually, aligned with the latest Business Plan, to ensure delivery of the Council's strategic objectives.

Risk Management Processes

3.5 The Risk Management Framework provides a number of tools to support services in the identification, management and reporting of risks:

3.5.1 Standardised Risk Register templates support a consistent approach to the articulation of risk causes and impacts, risk ratings, and the effectiveness of controls;

3.5.2 Standardised Directorate reporting provides a consistent view of the escalation and aggregation of key risks across the Council, leading to well-informed decision making from the leadership team;

3.5.3 Transparency and accessibility of risk information across all levels of the organisation supports effective governance and assurance of risk management by officers and elected members; and

3.5.4 The identification of common issues across directorates presents opportunities for new mitigating controls and potential improvements.

Implementation and Review

4.1 Implementation of this Policy will be effective from the date of approval. This Policy supersedes the previous Enterprise Risk Management Policy approved on 30 November 2021.

4.2 This policy will be reviewed bi-annually by the Policy and Sustainability Committee.

Roles and Responsibilities

5.1   All Council colleagues are responsible for identifying risks, which can be found locally within services, or derive from economic, circumstantial or other events.

5.1.1   **Policy and Sustainability Committee** has responsibility for approving the Council's Risk Management Policy and setting the Council's Risk Appetite;

5.1.2   **Chief Executive and Corporate Leadership Team** has overall accountability for the Council's approach to Risk Management. Decisions on the approach and the treatment of escalated risks that are made within the Corporate Leadership Team Risk Committee.

The CLT risk committee is used for endorsement of risk treatment, to provide constructive challenge, and to make final decisions on risk response and where necessary risk acceptance. The output from CLT risk committee accompanies an overall Council risk profile, for scrutiny by the Governance Risk and Best Value Committee;

5.1.3   **Executive Directors and Service Directors** have responsibility for the oversight and management of risks within their directorates and divisions respectively, and escalation of relevant risks to the Corporate Leadership Team through directorate risk committees;

5.1.4   **Heads of Service** are responsible for identifying and managing risks within their service area. Escalations are agreed within local risk meetings and leadership meetings;

5.1.5   **Operations Managers** provide support in the implementation and embedding of the Risk Framework locally, and through shared discussion and insight within the council-wide Risk Forum;

5.1.6   **Corporate Risk Management Team** provides templates, training, advice and guidance on the implementation and embedding of the risk management policy and the Framework;

5.1.7   **The Risk Forum**
The Council Risk Management Forum provides an opportunity for Officers representing all Council Directorates to discuss emerging risk

and the Council response, the application of the risk management framework and the development of the risk management approach within the Council from an operational perspective.

5.1.8 **The Governance Risk and Best Value Committee**
This committee is delegated to monitor the effectiveness of the Council's risk management arrangements. The Committee's role relates to monitoring internal controls, corporate risk management and key operational governance areas. The Governance Risk and Best Value Committee fulfil this role through scrutiny of quarterly risk reports from the Corporate Leadership Team. Further details on GRBV Committee's role are set out within the Committee Terms of Reference and Delegated Functions.

Related documents

6.1 The following documents / further reading should be considered alongside this Policy:

6.1.1 Council Business Plan.

6.1.2 Risk Management Orb pages.

6.1.3 Committee Terms of Reference and Delegated Functions