

EAST RENFREWSHIRE COUNCILCABINET14th December 2023Report by Chief ExecutiveREVIEW OF EAST RENFREWSHIRE COUNCIL'S APPROACH TO RISK APPETITE**PURPOSE OF REPORT**

1 This report sets out the current level of Risk Appetite as contained in the Risk Management Strategy 2023 – 2025 approved by the Cabinet in February 2023 and reflects the discussion on 26th September 2023 by the Audit and Scrutiny Committee around if the level of risk appetite assigned to “Reputational Risk” was still appropriate or if this level should be revised.

RECOMMENDATIONS

2 Following discussion at the Audit and Scrutiny Committee on 26th September 2023 the Cabinet is asked to

- Discuss and agree if the risk appetite for “reputational risk” outlined in this report reflects the current approach to risk for East Renfrewshire Council: and
- Consider if the level of risk appetite for “reputational risk” should be changed from “one” to “two”, as recommended by the Audit and Scrutiny Committee, to reflect the current approach to risk for East Renfrewshire Council.

BACKGROUND

3 While considering the Risk Management Strategy 2023 – 2025 on 23rd February 2023, the Cabinet requested that a further report on risk appetite of “reputational risk” be considered by the Audit and Scrutiny Committee in September 2023 to ascertain if that level of risk appetite continues to be appropriate and to bring a report brought back to Cabinet in due course for consideration.

4 The Audit and Scrutiny Committee considered a report on a “Review of East Renfrewshire’s Approach to Risk Appetite” on 26th September 2023 and this report brings forwards the recommendations from that meeting.

REPORT

5 The term “risk appetite” describes the attitude towards the amount of risk the Council is prepared to accept in trying to achieve outcomes. The Council’s appetite to risk, as set out in the Risk Management Strategy 2023 – 2025, is illustrated below.

	Unacceptable to take					Higher willingness to take risks				
	1	2	3	4	5	6	7	8	9	10
Reputation										
Compliance										
Financial										
People and culture										
Operational Services										
Major change activities										
Environmental and social responsibility										

6 The risk appetite scale ranges from 1 (low risk appetite) to 10 (higher willingness to take risks). Guidance for Impact (low, medium, high and very high) and likelihood (unlikely, possible, likely and very likely) over the above key areas and is provided as Appendix 1 to this report.

7 Using this information on a 4 x 4 matrix (impact 1 – 4 and likelihood 1 – 4) the scale for risk appetite based on this could be considered as follows:

- An overall risk score (impact x likelihood) of low impact and unlikely likelihood might equate to a risk appetite for that area of 8, 9 or 10 and a higher willingness to take risks
- An overall risk score (impact x likelihood) of medium/high impact and possible/likely likelihood might equate to a risk appetite for that area of between 4 to 7 and
- An overall risk score (impact x likelihood) of high/very high impact and likely/very likely likelihood might equate to a risk appetite for that area of between 1 to 3 and a view that it would be unacceptable to take risks.

8 The attitude towards risk can differ across our services, from risk adverse to risk taking. Risk appetite is about taking well thought through risks where the long-term rewards are expected to be greater than any short-term losses.

9 To date the approach has been to minimise exposure to reputational, compliance and financial risk where statutory requirements and regulations must be met, whilst accepting and encouraging an increased degree of risk in pursuit of innovation and improved outcomes providing that we have the ability, skills, knowledge and training to manage those risks well. It is recognised that the appetite for risk varies according to the activity undertaken, and the acceptance of risk is subject to ensuring that potential benefits and risks are fully understood

before developments authorised, and that the appropriate measures to mitigate risks are established.

10 Further details on each heading are contained within the Risk Management Framework but the information on “reputation” is included below for ease of reference:

11 *Reputation*: It is regarded as critical that the Council preserves its reputation. The Council therefore has low appetite for risk in the conduct of any of its activities that puts its reputation in jeopardy, could lead to undue adverse publicity, or could lead to loss of confidence by the Scottish Government and funders of its activities.

12 The current risk appetite levels were agreed in February 2023 but, given the challenging financial circumstances, the need to meet climate change obligations and other additional statutory or operational requirements it is inevitable that difficult decisions have had to be made and that this is likely to continue. Given this, it may be that the risk appetite as set out above for “reputational risk” no longer reflects the levels of risk likely to be required in order for East Renfrewshire Council to continue to deliver the outcomes which are important to our residents and businesses and a different risk appetite level would now be more appropriate.

13 During the discussion at the Audit and Scrutiny Committee it was proposed that the current risk appetite for reputational risk should be increased from one to somewhere in the range of one to two. The Chair of the Committee indicated that the Council’s financial position was somewhat clearer, that savings required to be made and that a further contextual issue to consider was the potential Council Tax reform under consideration. It was agreed that these issues were bound to impact on the Council’s reputation and therefore the Audit and Scrutiny Committee proposed that the level of appetite for reputational risk be increased to two.

FINANCE AND EFFICIENCY

14 There are no specific finance and efficiency considerations for the report although good risk management with appropriate levels of risk appetite will seek to minimise the risk of financial loss.

CONSULTATION

15 The Audit and Scrutiny Committee discussed a similar report on 26th September 2023.

IMPLIATIONS OF THE PROPOSALS

16 There are no specific equality, fairness and rights, ICT or Climate Change implications of this report.

RECOMMENDATIONS

17 The Cabinet is asked to

- Discuss and agree if the risk appetite for “reputational risk” outlined in this report reflects the current approach to risk for East Renfrewshire Council: and

- Consider if the level of risk appetite for “reputational risk” should be changed from “one” to “two”, as recommended by the Audit and Scrutiny Committee, to reflect the current approach to risk for East Renfrewshire Council.

REPORT AUTHOR

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Steven Quinn, Chief Executive

28th November 2023

BACKGROUND PAPERS

- Item 11_Review of East Renfrewshire Council Risk Appetite – Audit and Scrutiny Committee, 26th September 2023
- East Renfrewshire Council Risk Management Strategy 2023 – 2025
- East Renfrewshire Council Risk Management Framework 2023 – 2025

Appendix 1: Measures of Likelihood and Impact (Taken from Risk Management Framework 2023 – 2025)

Appendix 2: Measures of Likelihood and Impact

IMPACT	Very High (4)	4	8	12	16
	High (3)	3	6	9	12
	Medium (2)	2	4	6	8
	Low (1)	1	2	3	4
		Unlikely (1)	Possible (2)	Likely (3)	Very Likely (4)
		LIKELIHOOD			

Likelihood Measures

	Unlikely 1	Possible 2	Likely 3	Very Likely 4
Probability	Less than 10% chance of circumstances arising	10% to 40% chance of circumstances arising	41% to 75% chance of circumstances arising	More than 75% chance of circumstances arising
Timescale	Is unlikely to occur.	Possible in the next 3 or more years .	Likely to occur in the next 1-2 years .	Occurred in the past year or is very likely to occur in the next year .

Impact Measures

	Low 1	Medium 2	High 3	Very High 4
People / Duty of Care	Low level of foreseeable minor injuries	High level of foreseeable minor injuries Low level of foreseeable serious injuries	High level of foreseeable severe injuries	Foreseeable long-term injury, illness or fatality
Financial Impact	Up to £500k Less than 5% over project budget	Up to £2 million 5-10% over project budget	Up to £5 million 11-25% over project budget	Over £5 million More than 25% over project budget

Legal Impact	Minor civil litigation	Major civil litigation and/or local public enquiry	Major civil litigation and/or national public enquiry	Legal action certain, government intervention or criminal charges
Service Impact	Short term service disruption	Noticeable service disruption affecting customers	Significant service failure but not directly affecting vulnerable groups	Serious service failure directly affecting vulnerable groups
Project Delivery	Minor delay to project	Significant delay to project	Project fails to deliver target impacting on the performance	Project fails to deliver target impacting on Council's performance
Intervention Required	Intervention by Service Manager, Project Manager or equivalent	Intervention by Head of Service or equivalent.	Intervention by Corporate Management Team or equivalent	Intervention by Members
Reputation Impact	Short term negative local media/social media attention and/or some customer complaints	Significant negative local media/social media attention and/or some customer complaints	Sustained negative local media/social media attention and/or significant national media attention, an impact on long term customer surveys and/or a high number of customer complaints	Sustained negative national media/social media attention, a sustained impact on customer surveys and/or a significant number of customer complaints