

RISK MANAGEMENT STRATEGY **2024 - 2027**



PURPOSE OF REPORT

1. To present an updated Risk Management Strategy with a view to ensuring that key risks to the achievement of the Council's strategic objectives continue to be identified and managed within an agreed risk appetite and clear risk tolerances.
2. To seek approval of the updated 3 year Risk Management Strategy for the period up to 31 March 2027.
3. To maintain an overview of national developments and legislative requirements relevant to Risk Management through the Strategic Risk Officers' Group – thus ensuring effective implementation at a local level.
4. To remit officers to develop and implement guidance, including eLearning resources to support the revised Risk Management Strategy.
5. To ensure that services in relation to Risk Management are provided within a Best Value framework and that performance is regularly monitored and continuous improvement achieved in accordance with performance and efficiency agendas.
6. To ensure that our approach to Risk Management supports the delivery of the East Ayrshire Community Plan 2015-2030 and the Council's Strategic Framework 2022-2027.
7. To provide an efficient and effective Risk Management coordination service to the Chief Executive and Council Management Team, supporting them to develop Corporate and Service risk management arrangements – including risk registers – and manage their risks in line with the Council's strategic risk management framework.

RECOMMENDATIONS

8. It is recommended that the Governance and Scrutiny Committee (G&S) consider and approve the updated three-year Risk Management Strategy 2024-2027 attached as an Appendix to this report.

BACKGROUND

9. Risk management is an integral part of the Council's governance arrangements which supports our commitment to identifying and maintaining a positive approach to managing risk.
10. In its Code of Practice, Audit Scotland clearly stipulates that audited bodies are responsible for both the development and implementation of internal control systems – including risk management – and are required to conduct annual reviews of the effectiveness of the systems of internal control.
11. The way that the Council manages the many and varied risks facing it contribute towards achieving its strategic objectives and key priorities contained in the East Ayrshire Community Plan 2015-2030 and the Council's Strategic Plan 2022-2027.
12. The Risk Management Strategy 2017/2020 and associated Action Plan was agreed by the Governance and Scrutiny Committee on 28 September 2017 and sought to further reinforce the Council's approach to risk, whilst at the same time provide the framework to ensure the benefits that could be achieved from managing risk effectively were seen.
13. The Strategy responded to changes that had taken place in the internal and external environment and in particular, those changes that had a direct impact on the Council's wider risk management framework. The changes at that time included organisational reform, political change and the creation of the Integration Joint Board and Ayrshire Roads Alliance.

MAIN ISSUES

14. The Treasury Orange Book described risk management as: "The co-ordinated activities designed and operated to manage risk and exercise internal control within an organisation."
15. Risk management is not a negative concept, nor is it just about insurance – around 80% of risks faced by local Councils would be considered as not being insurable. Where identified and managed effectively, risks will make a positive contribution to Service improvement. A robust risk management framework provides assurance to insurers that as a Council, we are committed to our risk management practices and processes.
16. The continuous development, maintenance and improvement of a dynamic and risk aware culture is a critical factor as the Council continues to transform the way in which it provides services to the public against a backdrop of funding reductions and an increasing demand for Services.
17. Historically, the Council has had a successful track record of managing risk and is able to demonstrate that the principles set out in previous risk management strategies are embedded into both service planning and delivery. However, the Council Management Team has recognised that a new updated strategy is now required to ensure risk management is embedded into the culture of the Council through effective policy, procedures and communication, as well as to ensure that the risks to achieving strategic objectives are systematically identified, assessed, reported, monitored and reviewed.
18. The purpose of the new Risk Management Strategy is to set out the Council's strategic direction for the management of all types of risk for the 3 year period up to 31 March 2027. It provides a framework for the development of risk management across the Council. This will align with both the East Ayrshire Community Plan 2015-2030 and the Council's Strategic Plan 2022-2027.

19. The proposed Strategic Risk Management Improvement Plan 2024/2027 which is attached at Appendix 1, seeks to build on the existing model in operation whilst at the same time seeking approval to implement key changes and recommendations in relation to the identification, assessment, reviewing and reporting of risk. A number of these recommendations, however, are continuations of work derived from the 2017/2020 Strategy.

IMPLICATIONS

- 20.

Implications	Yes	No	Paragraph Number in Report
1. Policy/Strategic Planning	x		21
2. Governance	x		22
3. Human Resources	x		23
4. Equality and Fairer Scotland Duty	x		24
5. Financial		x	
6. Risk	x		Throughout
7. Community Wealth Building		x	
8. Net Zero		x	

POLICY / STRATEGIC PLANNING IMPLICATIONS

21. The Risk Management Strategy will contribute to each of the three main themes of the Community Plan: Economy and Skills; Safer Communities; and Wellbeing, as well as supporting the delivery of our six shared priorities detailed in the Strategic Plan 2022-2027.

GOVERNANCE IMPLICATIONS

22. This Strategy will ensure that the Council remains compliant with any legal and regulatory obligations, as well as industry best practices and standards

HUMAN RESOURCES IMPLICATIONS.

23. The proposed e-learning modules will form part of the Council's Corporate Induction 'Employee Essentials', with a goal to provide staff with a better understanding and awareness of risk management. Training modules must also be completed by current staff members.

EQUALITY IMPACT AND FAIRER DUTY IMPLICATIONS

24. Whilst there are no direct Equality or Fairer Scotland duty impacts arising from the updated Strategy, the management and assessment of Equality Impacts across the Council is identified as an emerging risk for the Council as it progresses with the delivery of the 2022-2027 Strategic Framework.

RISK IMPLICATIONS

25. Risk management is a key function and control to support good governance across the Council. The new Risk Management Strategy will set out the strategic direction for the management of all types of risk and will provide assurance that the Council has robust and effective policies in place to support and contribute to the wider corporate governance and internal control systems.
26. If the Council does not have robust risk management arrangements in place, including a Risk Management Strategy and risk registers, its ability to efficiently monitor and manage risks and make well-informed decisions to achieve strategic objectives could be impacted.
27. Not having such arrangements in place could lead to, amongst other things, non-compliance with legislation and regulation resulting in legal repercussion or financial penalties, an inability to identify and seize opportunities or an inability to achieve its objectives and deliver best outcomes for East Ayrshire.
28. The new Strategy will allow the Council to understand and prioritise its risks, set a risk appetite statement, and reduce overall risk exposure. By adopting a holistic approach to managing risk, the Strategy will enable the efficient deployment of scarce risk resources and the proactive, coordinated management of risks across the authority. The Strategy encourages a risk awareness and management approach rather than risk aversion.

CONSULTATIONS

29. Both the Strategic Risk Officers Group (SROG) and Council Management Team have been consulted in preparation of this report, as well as engagement with Trade Unions.
30. The Scottish Local Authorities Chief Internal Auditors Group (SLACIAG) – a Special Interest Group of CIPFA – have recently undertaken a benchmarking exercise which has helped us identify risk management best practice across other Council areas and will continue to support best practice through shared experiences.

BACKGROUND PAPERS

- East Ayrshire Council Risk Management Strategy 2017-2020;
- East Ayrshire Health and Social Care Partnership Integration Joint Board Risk Management Strategy 2023;
- East Ayrshire Leisure's Risk Management Policy 2018; and
- Transformation Strategy 2021/22 Revenue Budget.

PERSON TO CONTACT

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IMPLEMENTATION OFFICER

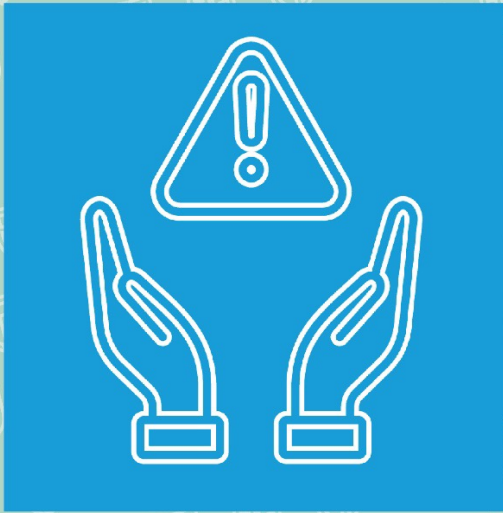
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RISK MANAGEMENT



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1. RISK MANAGEMENT STRATEGY

Our Vision

- 1.1 *“East Ayrshire is a place with strong, safe and vibrant communities where everyone has a good quality of life and access to opportunities, choices and high quality services which are sustainable, accessible and meet people’s needs.”*

Aims and Objectives

- 1.2 The Council will take all reasonable steps in the management of risk to protect service users, employees and operational assets. A primary focus of this strategy is the provision of safer, risk-reduced environments together with working policies and practices, which take into account assessed risks. The Council is committed to taking all reasonable precautions to minimise the potentially harmful effects of loss to the organisation such as: loss of service or quality; loss of a safe environment for service users and employees; financial loss; or loss of reputation.
- 1.3 The Council aims to:
- Have clear management structures, accountability and responsibility levels throughout the organisation in relation to risk management so as to ensure there are no gaps or overlaps, as well as a well-defined escalation process for reporting emerging risks;
 - Ensure that all employees within the Council have the knowledge, skills and support to implement the policies and procedures associated with this strategy. Part of this process will be the completion of electronic learning modules covering a variety of risk related subjects;

- Agree and implement risk management objectives for the Council via an annually approved risk management improvement plan;
- Take cognisance of best practice, due diligence and shared learning in respect of risk management activities;
- Promote a positive and proactive risk management culture which encourages learning from both previous and future adverse events and allows careful decisions to be taken on risk which will increase the quality of service delivery for service users and employees;
- Develop appropriate reporting and monitoring processes to ensure that risk management standards are implemented, emerging risks are identified and risks are reduced to the lowest practical levels as appropriate;
- Continue to promote a partnership approach to the management of risk by working closely with all Community Planning partners, statutory bodies and employee representatives;
- Contribute to the efficient and effective use and allocation of resources within the Council; and
- Improve reputation and confidence in the Council’s ability to deliver services by minimising the impact risk has upon strategic and service priorities.

Strategic Context

- 1.4 Sitting under the strategic lead of the Chief Executive and Council Management Team, the Risk Management Strategy contributes to each of the three main themes of the Community Plan: Economy and Skills; Safer Communities; and Wellbeing, as well as supporting the delivery of our six shared priorities detailed in the Strategic Plan 2022-2027, namely:
- Building a Fairer Economy;
 - Securing Financial Sustainability;
 - Delivering a Clean Green East Ayrshire;
 - Improving Community Wellbeing;
 - Supporting Children and Young People; and
 - Tackling Poverty and Inequality.
- 1.5 At East Ayrshire Council, good progress has been made in implementing the actions contained in the Strategy approved by the Governance and Scrutiny Committee in September 2017. The ongoing and continuing work, and revised arrangements are set out in this new updated strategy and related annual Improvement Plan.
- 1.6 Upon the revision of this strategy, consideration was given to both East Ayrshire's Health and Social Care Partnership Integration Joint Board Risk Management Strategy 2023 and East Ayrshire Leisure's Risk Management Policy 2018.

- 1.7 Adopting a robust risk management framework is not merely a response to potential threats; it is a strategic commitment to organisational resilience and success. In an ever-changing business landscape, the ability to flexibly integrate risk management principles into our decision making processes will empower us, as a Council, to navigate uncertainties with confidence, seize opportunities, and foster a culture of innovation and adaptability.

2. RISK APPETITE

Current Position

- 2.1 East Ayrshire Council has historically adopted the position that it would be risk aware rather than risk averse, but as a custodian of public funds, we naturally have a lower appetite for risk taking.
- 2.2 This has been the general approach for most public sector organisations. However, there has been a noticeable shift over recent years as organisations now look to consider a greater appetite for risk in order to realise opportunities and benefits that support the delivery of their strategic objectives.
- 2.3 Taking account of the significant change and transformation over the last few years and more so the current pressures on finance, there is now a renewed focus within the Council to have a greater appetite for risk to achieve our strategic objectives.
- 2.4 The Institute of Risk Management (IRM) 2011 defines risk appetite as ***“the amount of risk that the Council is willing and able to accept in order to deliver its agreed strategic objectives”***.
- 2.5 The Scottish Government notes in its Scottish Public Finance Manual 2023 that ‘the concept of a “risk appetite” is key to achieving effective risk management’. The Government highlights that when considering opportunities, risk appetite involves assessing how much risk the organisation is prepared to take to realise the benefits of the opportunity, essentially comparing the value (financial or otherwise) of potential benefits with the losses that might be incurred. On the other hand, when considering threats, risk appetite involves assessing the level of exposure that can be justified and tolerated by comparing the cost (financial or otherwise) of mitigating the risk with the cost of the exposure if the risk crystallises into an issue, and finding an acceptable balance.

- 2.6 A key objective of risk appetite is to improve organisational performance and therefore, it should be seen as an intrinsic part of risk management frameworks, rather than being understood as something separate or extra to existing risk arrangements. In other words, it often represents a balance between the potential benefits of being innovative and the threats that change can inevitably bring. Thus, risk appetite should be an overarching part of an organisation’s risk management strategy.

Overarching Risk Appetite Statement

- 2.7 As such, a key recommendation in the Risk Management Strategy 2017/2020 was the introduction of a Risk Appetite Statement. In the 2017 Strategy, the Council’s appetite in terms of risk was as follows:

“East Ayrshire will be risk aware, but not overly risk averse, actively managing business risk to safeguard the organisation while supporting transformational change”.
- 2.8 Adopting a comprehensive risk appetite statement will provide the Council with a way to better assess whether it is operating within acceptable limits of risk. It will provide guidance on the level of risk permitted and encourage consistency of approach to risk management across all Council services. A comprehensive risk appetite statement will detail a clear and shared understating of parameters with which management and officers are enabled to take risks.
- 2.9 If we lack a clear understanding of our organisation’s risk appetite and the underlying reasons for such tolerance, this may result in impetuous or inopportune risk taking, exposing the Council to a risk it cannot tolerate. In contrast, this may result in the organisation adopting an overly cautious stance, hindering growth and development.

- 2.10 If the Council's leadership is unaware of the appropriate levels of risk they can undertake, or where they fail to seize significant opportunities when they arise, then Service improvements may be jeopardised and users outcomes affected.
- 2.11 East Ayrshire Council recognises that it is impossible, and would not always be desirable to eliminate all risks. The Council aims to encourage and support change whilst actively managing business risk in order to safeguard the organisation. Systems of control should not be so rigid that they stifle innovation and imaginative use of resources to achieve overall benefits for Service users.

Categories of Risk

- 2.12 Having said that, risk appetite is not a static process, nor is it a single fixed concept. Therefore, the Council may wish to change the level of appetite we have for specific risks over time in response to changing circumstances in our internal and external risk environment.
- 2.13 HM Treasury Orange Book recommends that risks should be organised by taxonomies or categories of risk. Grouping risks in this way supports the development of an integrated and holistic view of risks and helps to develop appropriate risk responses.
- 2.14 Strategic risks are commonly summarised using the mnemonic PESTLE (Political, Economic, Sociological, Technological, Legal, and Environmental).
- 2.15 The proposed risk categories for the Council are as follows: People; Economic; Environmental; Operational; Information Governance; Financial; Legal / Compliance; and Reputational. A visual along with context for each of these topics is attached at Appendix 2.

- 2.16 Risk categorisation is a particularly important consideration whilst developing a risk appetite statement. It is proposed that a separate risk appetite statement is agreed upon for each of the above classifications, given their differing nature. The proposed risk appetite for each of these are attached at Appendix 3.

Risk as an Enabler

- 2.17 It is important to highlight the prominence of risk as an enabler. By measuring our risks, the Council will be able to determine their upside value accurately. Upside value refers to the potential positive outcomes or advantages which can be gained by taking calculated risks.
- 2.18 Generally speaking, the fear of negative consequences often overshadows the potential benefits of risk-taking. However, by managing our risks, the Council can evaluate the potential upside value in terms of expected returns, innovation; service delivery, and other strategic objectives.
- 2.19 Risk management should empower decision-makers to assess the potential rewards of taking on specific risks and make more informed judgments regarding risk appetite and risk tolerance.
- 2.20 A crucial aspect of risk being utilised as a performance enabler is the ability to encourage an appropriate level of risk-taking within organisations. Risk aversion is usually prevalent where there is a lack of understanding of risks and their potential benefits. Therefore, by quantifying risks and determining their upside value, organisations can strike a balance between risk and reward.

A prime example of risk as an enabler occurred in February 2021 when the Council approved the use of £6m to fund 200 apprentices and graduate interns in response to a higher than average youth unemployment statistic, worsened by the Coronavirus pandemic. The concept of risk and reward was established and agreed by Elected Members and it is a concept where the risk of both utilising the financial resource and indirect human resource the jobs and training initiative fell on the Council. Whereas, the rewards, specifically around financial benefits and wider public health benefits were felt by other organisations and agencies including DWP, NHS, A&A and Ayrshire College.

The concept of risk and reward is becoming established and the Council has taken the opportunity to prescribe the concept within the Community Planning Partnership Framework and also how the principles and powers of Christie are at the heart of the initiative.

Since 2021, Officers have met with representatives from both UK and Scottish Government as well as a host of other agencies to explain the work around risk and reward and how it can be used as a catalyst for change. It is a concept that will be expanded further given the specific non-recurring funding which will become available in the next few years.



3. RECORDING, MANAGING AND REPORTING RISK

Risk Management Process

- 3.1 As defined by the Society of Local Authority Chief Executives (SOLACE) 2017, risk management is:

"The management of integrated or holistic business risks in a manner consistent with the virtues of economy, efficiency and effectiveness. In essence it is about making the most of opportunities (making the right decisions) and about achieving objectives once those decisions are made."

- 3.2 In practice, this can be achieved through the Four T's method:

Tolerate: is where no action is taken to mitigate a risk. This may be because the cost of instituting risk reduction or mitigating activity is not cost-effective or the risks of impact are so low that they are deemed acceptable to the business. Even when these risks are tolerated, they should be monitored as future events may change this assessment.

Treat: is a method of controlling risk through actions which reduce the likelihood of the risk occurring or minimise its impact prior to its occurrence. When treating a risk, contingent measures should be considered and developed to reduce the impact of an event once it has occurred.

Transfer: can be achieved through the use of insurance or outsourcing to third parties who are prepared to take the risk on behalf of the Council. This may also include other risk transfer options such as Performance and Surety Bonds, Escrow Funds or Security over assets.

Transferring the risk does not necessarily mean that it becomes less of a concern, from a financial and reputational perspective, and mitigations should be in place to protect our people and assets as far as is reasonably practicable. Where mitigations aren't felt to be robust enough, further proposed mitigations should be considered. Transferring the risk, or indeed the financing of any implications of the risk crystallising, should be viewed as only a part of the required governance arrangements alongside the physical security of assets, inspection and repair etc.

Terminate: is the simplest and most often ignored method of dealing with risk. This approach should always be considered first and is achieved by altering an inherently risky process or practice to remove the risk completely.

The Four T's method will be included in the proposed Risk Impact Assessment attached at Appendix 4, and as detailed below.

Risk Impact Assessment

- 3.3 It is proposed that risk management implications are to be considered at the beginning of any new activity or project. Similar to the Equality Impact Assessment, it is suggested that a "Risk Impact Assessment (RIA)" (Appendix 4) is developed and utilised by all Services to assess the possible risk impacts of existing or new initiatives such as policies, strategies, functions, plans and projects. The aim is to guide and encourage all Council employees to give due consideration to the key risk factors ahead of new initiatives.
- 3.4 The process is intended to ensure thorough and systematic assessment which builds on what is currently being developed in relation to risk management. This will support the mainstreaming of risk into policy development and implementation, as well as day-to-day business. Ongoing reviews should also be carried out to identify new risks arising from current activities and ensure continuous improvement.

Risk Matrix

- 3.5 It is proposed that a five by five risk matrix is maintained throughout both the Corporate Risk Register and Service-level Risk Registers. The 5x5 Risk Matrix is attached at Appendix 5.
- 3.6 This is currently a well-established approach in Pentana for Service-level Risk Registers.
- 3.7 The risk matrix is based on two intersecting factors: the likelihood that the risk event will occur and the severity that the risk event will have if it were to occur. In other words, it's a tool which helps users visualize the probability versus the impact of a potential risk. Guidance as to how each risk should be scored in terms of likelihood and severity are attached at Appendices 6 and 7.
- 3.8 Due consideration was given to the Risk Management Strategy issued by East Ayrshire's Health and Social Care Partnership during the development of these guides to ensure consistency Council-wide.

Electronic Performance Management System (EPMS)

- 3.9 Performance management enables the Council to secure continuous improvement and to deliver high quality, efficient and user-focused services. An integral part of the Council's performance management framework is the Electronic Performance Management System, known as Pentana.
- 3.10 This system allows Services to effectively monitor progress of Key Performance Indicators (KPIs) and strategic actions, and to provide regular and consistent management information to Chief Officers and Elected Members.

- 3.11 Every Service within the Council has its own Risk Register which is monitored and reviewed on the EPMS. At present, there is a nominated Service Officer from each Service who has ownership and responsibility for ensuring that their Service Risk Register is assessed and updated periodically.
- 3.12 Typically, this is the Service Manager or Chief Officer who has the responsibility for the delivery of the service activity, or the people or assets associated with the risk. However, it is proposed to identify 'Service Risk Champions', these individuals will take risk ownership.
- 3.13 The Corporate Support Service has oversight and responsibility for the management, development and monitoring of the Council's EPMS. Depending on severity and likelihood, these risks will inform and populate the overarching Corporate Risk Register.
- 3.14 It is also proposed that a clear escalation process is developed in relation to risks. It is suggested that a definitive timescale is agreed which would prompt for a risk to be removed from the relevant Service Risk Register once it has been mitigated for a continuous period of time, provided that it has not increased in terms of either severity or likelihood. It is important to establish this as it sets a clear indication as to when a risk becomes day-to-day business.

Governance Arrangements

- 3.15 It is crucial that the Council has a culture which encourages employees at all levels to be able to report risk and therefore, it must have a streamlined process which enables them to do so.
- 3.16 There should be clear reporting systems in place for staff and others working with the Council if they become aware of any activity which causes them concern in terms of risk management. Employees should know how to report their concerns.
- 3.17 To accommodate this, the Council will utilise the principles laid out in the model in Appendix 8. This graphic – which has largely been influenced by The Three Lines of Defence model presented in the Treasury Orange Book with content also lifted from CIPFA guidance – helps to clarify the key roles and responsibilities of East Ayrshire Council employees:

1st Line of Defence - officers on the front line – Those who manage risk on a daily basis, observe the Council's policies and procedures to ensure compliance with legislation, regulation, government guidance and best practice and carry out the Council's defined risk management processes.

2nd Line of Defence - senior management – Those responsible for establishing and communicating appropriate organisational risk management governance. Those who are responsible for the oversight of officers on the front line, supporting through active supervision and management to ensure compliance and identify, evaluate, monitor and mitigate risks. These individuals also help develop risk management policies, processes and procedures.

3rd Line of Defence - internal and external assurance providers –

Those responsible for independently assessing through sample testing and reporting on the work of the other two lines of defence with the view to providing assurance and helping to drive improvement. These individuals provide independent assurance on selected controls established to manage and mitigate risks.

- 3.18 It is acknowledged that the Council has an additional two key stakeholders which aren't included within The Three Lines model, notably Elected Members and members of the community and so, the model in Appendix 8 has been modified to reflect this.



4. COMMUNICATION AND IMPLEMENTATION

Communication Methods

- 4.1 Communicating policies and procedures is essential to any effective risk management strategy. By communicating expectations and providing clarity, employees will be more likely to follow procedures and identify and report risks.
- 4.2 In order to ensure awareness of effective risk management and good governance, the Council will communicate this Strategy and the importance of good practice to all East Ayrshire Council employees and Elected Members.
- 4.3 The strategy will be made widely available both internally and to external stakeholders via a range of communication channels including:
- The Council's intranet site;
 - Direct distribution to external stakeholders, as appropriate, including our insurers, the HSE as requested, Scottish Government, inspectors and auditors;
 - Quarterly bulletin issued to relevant Services detailing key updates from external sources such as ALARM, the Institute of Risk Management, SOLACE, and Audit Scotland; and
 - Cascaded through the Council's internal communication structures.

E-Learning

- 4.4 In order to effectively manage risks and associated internal controls and governance, the Council recognises that it must continue to support its people to develop the appropriate skills and competencies so as to enable them to manage risk effectively. However, this will only be successful if it is properly communicated and implemented.
- 4.5 By developing e-learning modules through LearnPro – some of which will be mandatory and form part of the Council's corporate induction pack under 'Employee Essentials' – risk management capacity and competency will be improved. Current employees will also be required to complete this training. Complexity will be dependent upon roles and responsibilities as appropriate.
- 4.6 The Course Objectives will be:
- Understand why the management of risk is an essential part of their duty as an East Ayrshire Council employee;
 - To create and maintain a good organisational culture;
 - Understand how managing risks is fundamental to the Council's policy, planning and performance;
 - Be able to identify risks which may hinder the achievement of objectives and to put actions in place to mitigate these risks; and
 - Understand how risks are analysed, assessed, recorded, escalated and monitored in the Council.
- 4.7 The Council does, however, acknowledge that risk management may be an abstract concept. Therefore, relevant communications will use clear and simple language and avoid using jargon and technical terms. Where the use of complex risk terminology cannot be helped, a glossary will be provided.

Roles and Responsibilities

- 4.8 The key roles and responsibilities for the Risk Management Strategy and process within the Council are detailed in the following sections.

The Council:

- 4.9 The Council is responsible for reviewing the effectiveness of all internal controls in terms of finance, strategy and risk management. The Council sets objectives which aim to protect staff, the public and other stakeholders against risks of all natures. In order to inform the Annual Governance Statement, the Council needs to be able to demonstrate that they have been informed through assurances about all risks (not just those which are financial), and that they have concluded on the totality of risk based on all of the evidence presented to them.

Governance and Scrutiny Committee:

- 4.10 Specific responsibility for ensuring the existence of, and compliance with, an appropriate Corporate Risk Management Strategy and will receive an annual update report on risk management activities.

Elected Members:

- 4.11 Responsible for setting the tone at the top through culture council-wide, as well as determining where the red line is in terms of risk appetite across the different domains of risk within the Council.

Cabinet:

- 4.12 Responsibility for ensuring the adequacy and effectiveness of the Council's systems, processes and documentation identified within the Local Code of Corporate Governance, including risk management activity and arrangements.

Chief Executive and Council Management Team (CMT):

- 4.13 The Chief Executive has overall accountability and responsibility for risk management and the CMT provides a forum for the review of strategic business risks that could impact on the delivery of the key corporate objectives of the Council. This ensures that risks are considered across traditional departmental boundaries, allowing clear corporate and cross cutting decisions to be reached. The overall accountability and responsibility for risk management and governance ultimately rests with the Chief Executive.

Service Management Team (SMT):

- 4.14 Heads of Service are responsible for recording, reporting, and managing operational risks which impact on service delivery and planning; and provide early identification of strategic risks with subsequent reporting to the Council Management Team, as appropriate. Such reviews should be undertaken on a quarterly basis and it is essential that the content of the register reflects the "true risk position", and does not simply become a "tick box" exercise. The reviews should equally identify the risk of "missed opportunities" to make improvements.

4.15 Heads of Service will formally review their Service Risk Register in line with East Ayrshire Performs lodgement deadlines, and update this on the EPMS, no less than quarterly, in order to:

- Challenge, update and agree the content;
- Ensure the Strategic Risk Officers Group is made aware of any required alterations or emerging risks for consideration and discussion;
- Raise with the SROG those risks which could potentially feed into the Corporate Risk Register;
- Ensure that the recorded risks are a current reflection of the overall risk status of the department; and
- Identify opportunities for further improvement or potential opportunity.

Strategic Risk Officers Group (SROG):

4.16 Formerly the Corporate Risk Advisory Group. The re-established SROG will act as a focus for all Council risk groups with membership including both Chief Officers and nominated Service Risk Champions.

4.17 This group is tasked with reporting routinely to the Council Management Team, and should provide a consolidated report to the CMT, summarising risk management achievements, weaknesses and opportunities twice a year. It has the responsibility of ensuring that common risks are addressed collectively rather than in isolation and for identifying and promoting emerging risks.

4.18 The objectives of this group are as follows:

- Promote best practice, eLearning, good organisational culture, and increase awareness of risk management across all services of the Council;

- Ensure a consistent approach is taken to manage, reduce and mitigate identified risks including, where necessary, the formation of focus groups to consider specific risk issues;
- Report on operational and strategic risk management activity at a service level to the Council Management Team on a regular basis, including analysis of Service risks to identify any common risks and threats;
- Examine the content of service risk registers to ensure these are complete, effective and updated quarterly;
- Ensure there is coherency between the Corporate Risk Register and both East Ayrshire's Health and Social Care Partnership's risk register and service based risk registers, as appropriate;
- Periodically review the implementation and effectiveness of the risk management strategy; and
- To advise the Council and Executive Management Team on strategic risk issues.

Service Risk Champion (SRC):

4.19 It is essential that a lead officer is identified in each Service to take ownership and therefore, responsibility, for ensuring that the Risk Register detail is updated. Each 'Risk Champion' must be approachable and lead discussion on risk management within their Service. The 'Service Risk Champion' scheme aims to raise awareness as well as recognition and reward of a positive risk culture throughout the Council. In other words, it will celebrate positive employee behaviours and engagement with risk management.

4.20 These individuals must leave sufficient time between SROG meetings to reflect on the need to add, delete or change risks on the register and consider whether any of their risks should be escalated to the SROG and therefore, the CRR.

All Staff:

- 4.21 Have a responsibility for identifying opportunities, as well as hazards and risks, in performing their day to day duties, and to take advantage of opportunities or limit the likelihood and impact of risks. It is important that departments establish reporting channels allow employees to highlight matters of concern regarding both threats and opportunities, and for these to be escalated through the DRCs to the SROG and CMT where appropriate and necessary. As such, it is expected that all Council employees will:
- Continuously demonstrate an awareness of risk and its consequences;
 - Consider the risks involved in their day to day business and to minimise those risks, where possible, to an agreed and acceptable level;
 - Comply with and practice in accordance with the Council's policies and procedures relevant to their area of work, as well as professional codes of conduct;
 - Comply with the Risk Management Strategy and associated policies and procedures including Incident Reporting and Consent;
 - Escalate any identified risks to appropriate persons, where necessary;
 - Actively participate in the Council's risk management training; and
 - Accept personal responsibility for maintaining a safe working environment for themselves and their colleagues.
- 4.22 It is important that the "tone at the top" promotes transparency in relation to decision making and leaders ensure that staff feel comfortable to "speak up". This will help everyone to feel valued and encourage employees to take ownership in managing the Council's risks.



5. MONITORING AND REVIEW

Current Position

- 5.1 The Council's Risk Management Strategy was last updated in 2017. This is to be reviewed every three years so as to ensure it remains appropriate and fit for purpose. A review was scheduled in 2020 but was managed at a corporate level pending lessons learned from the Coronavirus pandemic.
- 5.2 Until now, this role has resided with the Council's Chief Financial Officer and Head of Finance and ICT. However, a recent Service redesign has moved this role to the Corporate Support Service. As such, the individual responsible for reviewing and monitoring risk management will be the Corporate Officer (Risk Management).
- 5.3 The Corporate Risk Register will act as an organisation-wide risk profile and will be "owned" on behalf of the Council by the Council Management Team. The newly-appointed Corporate Officer for Risk Management is the nominated officer responsible for the co-ordination and management of the Corporate Risk Register which is currently reported on by the Chief Financial Officer under East Ayrshire Performs on a quarterly basis.
- 5.4 Internal Audit, as part of their statutory function, will continue to review the efficacy of risk management arrangements and associated governance and internal controls within their annual risk based plans.
- 5.5 The Governance & Scrutiny Committee will maintain an overview of the adequacy and effectiveness of the Council's risk management systems and associated internal control environment on a quarterly basis. The Committee will ensure the existence of and compliance with the appropriate strategic risk management strategy.

Risk Assessment Tools

- 5.6 It is important to give consideration to any new emerging risks which might affect the Council and our Services. The last three years have shown us the profound impact that global and existential threats can exert on the effective delivery of future public services. This has emphasised a need to look ahead. As such, the UK Government's 'Futures Toolkit 2018' recommends that everyone in the public sector has a responsibility to consider the future.
- 5.7 In practice, this can be executed through risk horizon scanning – a technique used by risk management practitioners to identify emerging risks. This method is designed to explore prospective future developments, enabling a more insightful anticipation of risks and emerging trends which could impact an organisation. Fostering a culture of anticipation and preparedness will inspire and equip practitioners across the Council to explore the future thinking.
- 5.8 Horizon Scanning takes a longer-term strategic approach, enhancing the resilience of current plans to future uncertainties. Given their diverse and elusive nature, emerging risks pose challenges in identification and quantification. Identifying these risks early on is crucial, as they may have the potential to significantly hinder an organisation's ability to fulfil its future objectives for communities
- 5.9 Although Services should constantly be scanning the horizon, it is proposed that horizon scanning on a wider scale is carried out on a quarterly basis to ensure alignment with the Corporate Risk Register, or appropriately updated where there is a known significant change in the risk environment.

Emerging Risks

- 5.10 As previously stated, emerging risks can be identified using horizon scanning, but will also be informed by HM Government's Annual National Risk Register, as well as any guidance issued by the Regional Resilience Partnerships in Scotland.
- 5.11 Many of these are already considered within the Council's Corporate Risk Register including risks in relation to: restrictions in funding; Brexit and the UK's withdrawal from the European Union; ransomware and cyber-attacks; climate change; cost of living crisis; and pandemic recovery and renewal.
- 5.12 There are, however, a number of emerging risks which should be of future consideration for informing our Corporate Risk Register. There are, however, a number of core risks expected in our Corporate Risk Register over the next few years. These are detailed below.

Budgetary Pressures

- 5.13 New research released on Wednesday 13th December 2023 revealed that almost one quarter of Scottish councils are on the brink of effective bankruptcy. The Local Government Information Unit (LGIU) Scotland reported that numerous local authorities have expressed concerns about their ability to balance their budgets in the 2024/25 financial year. These apprehensions persist despite the fact that every Scottish council has outlined their intention to cut spending on services in the upcoming financial year. Approximately two-thirds of respondents expect to cut spending budgets on education, parks and leisure, and business support.
- 5.14 Budget cuts not only have drastic risk implications for our communities and residents, but also create prevalent issues for an overreliance on the wider third party sector.

Demographic Changes

- 5.15 At present, East Ayrshire's population is 120,300 (Census 2022), this is a 0.2% increase from the 2021 Mid-Year population estimates of 120,020. Within East Ayrshire, changes in the population shift dramatically depending on location. Whilst we can expect to see areas with an increase in their population of 13%, our communities with in the most rural areas of the authority are faced with a very different prediction.
- 5.16 Our Southern Locality is looking at an overall population decrease of -7% based on the Improvement Service 2018-based principle population projections by 2028. Broken down, the Wards in the Locality, Cumnock & New Cumnock, Ballochmyle, and Doon Valley are expected to see a population decrease of -8%, -9% and -4% respectively by 2028. These are some of the highest decreases present in the authority and are saturated to the one location. The working aged population in these three Wards is projected to fall on average by -16% and those in the population aged 65+ are projected to increase by 7% and those 75+ are increasing on average by 22%. On top of this, the age band of 0-15 is projected to fall by -10%.
- 5.17 On the other hand, the Annick Ward, located in the north of the locality, is looking at an overall population increase of 13% by 2028. The largest town located in the ward, Stewarton, is becoming increasingly popular providing new housing developments, close transport links via the train to Glasgow and Kilmarnock and provides great social opportunities for both young families and those of an older age. The working population of Stewarton is projected increase slightly by 3% whereas the younger population (0-15), is projected to decrease by -21%.
- 5.18 The retirement age, 65+ is projected to increase by 11% and those over 75, to increase by 39%. The population growth in this area as came as result of significant development growth over the recent years.

- 5.19 This has, however, resulted in capacity issues at local health, social care and education, as well as pressure on infrastructure like roads, digital, sewerage, and water. The Local Development Plan recognises these issues and addresses that there is still appetite for further developments in this area but notes that health care and schools are addressed first and any future growth will take place in a 'suitable and coordinated matter'.
- 5.20 Kilmarnock West is also projected to see a slight increase in population, with a projected increase of 8% by 2028. This area is also the only ward to have a population increase at all age bands and the only ward to have a projected increase in those aged 0-15. The Kilmarnock West ward looks like it could have the potential to be an area of population growth
- 5.21 Moving forward, we must aim to address the issue of population decline and recognise the value of our vibrant communities and their economic contributions to Scotland's prosperity and cultural diversity. As a Council, we should be aware that population decline can have an adverse effect on community confidence and Service sustainability, and poses an increase in the vulnerability of communities both now and in the long term. It also creates many risk implications in relation to community participation, transportation and connectivity, social isolation, poverty, as well as accessibility issues surrounding jobs, housing, and education.
- 5.22 These significant population challenges create an immense demographic risk for local Councils across all Services in relation to diversity and inclusion. In the context of the workplace, diversity equals representation. However, without inclusion, the crucial connections which attract diverse talent, foster innovation, encourage participation in decision making, and lead to business growth cannot be achieved.
- 5.23 A lack of diversity and inclusion also poses a major risk in relation to recruitment. In terms of East Ayrshire's Workforce Strategy, the BAME (Black, Asian, and Minority Ethnic) community remain underrepresented.
- 5.24 Having the right people with the right skills in the right places is key to the Council being able to achieve its policy ambitions and deliver high-quality public Services to the people of East Ayrshire. Yet, demographic change remains a siloed issue.
- 5.25 It is evident that further research into how we can stabilise the population of this area is necessary. As such, East Ayrshire has applied for the Scottish Government's "Addressing Depopulation Fund" in an attempt to tackle this very prevalent and growing issue. If we were to be successful in securing such funding, the Council has committed to developing a robust Population Strategy. This Strategy would ensure long-term coherence across Council policy as a driver to successful local attraction and retention.
- 5.26 In other words, there is a need to promote East Ayrshire to make it a more attract place to live, work and visit. Otherwise, our community will become aged and our towns, more rural and deprived.
- 5.27 It is important to highlight that as a Council, we are under a statutory obligation to complete an Equality Impact Assessment at the beginning of any new initiatives such as policies, strategies, functions, plans and projects. Failure to do so poses severe reputational and legal risks.

External Guidance

5.28 East Ayrshire Council will continue to utilise guidance from external bodies throughout this Strategy to ensure best practice and continuous improvement, including:

- HM Treasury – The Orange Book: Management of Risk Principles and Concepts 2023;
- International Organisation for Standardisation: British Standards ISO 31000 2018;
- National Audit Office – Good Practice Guide: Managing Risks in Government 2011;
- National Audit Office – Good Practice Guide: Overcoming Challenges to Managing Risks in Government 2023;
- Institute of Risk Managers – A UK Risk Management Standard 2002;
- Audit Scotland – Best Value Toolkit: Risk Management 2020;
- HM Government Office for Science – The Futures Toolkit 2018;
- European Confederation of Institutes of Internal Auditing – Risk in Focus 2023;
- HM Government – National Risk Register 2023;
- HM Treasury – Code of Good Practice: Corporate Governance in Central Government Departments 2017;
- Department for Levelling Up, Housing & Communities – Best Value Standards and Intervention 2023;

- HM Government Finance Function – Good Practice Guide: Risk Reporting 2023;
- HM Government Finance Function – Risk Appetite Guidance Note 2021;
- Chartered Institute of Public Finance and Accountancy – Audit Committees: Practical Guidance for Local Authorities and Police 2022;
- World Economic Forum – Global Risks Report 2024;
- HM Treasury – Setting and Communicating Your Risk Appetite 2006;
- Zurich Municipal Resources; and
- ALARM Communications and Workshops.



6. APPENDICES

Appendix 1: Strategic Risk Management Improvement Plan 2024-2025

ACTION REQUIRED	LEAD OFFICER	TIMESCALE
IDENTIFYING RISK		
Critical friend: Invite a critical friend to challenge CMT on emerging risk management practices.	Corporate Officer (Risk Management)	Ongoing
Service-specific risk survey: Develop risk survey for each Service to gain feedback on departmental understanding of risk. Work with Services to review and refresh Service risk registers. Utilise the ALARM National Performance Model for Risk Management in Public Services to assess risk maturity within Services.	Corporate Support SROG CMT	June 2024
Utilise risk classifications: Bring clarity to overarching risk classifications and utilise these on Pentana to allow for seamless differentiation.	Corporate Officer (Risk Management)	2025
Horizon Scanning: Consider arrangements for identifying emerging external risk factors and best practice through horizon scanning. Scanning the environment will identify any potential threats, risks, emerging issues and opportunities to allow for better preparedness and support decision making. Ensure explicit inclusion of relevant National Risk Register risks in the organisation's management of risk.	Corporate Officer (Risk Management) SROG CMT	Ongoing
ASSESSING RISK		
Overarching risk appetite statement: Develop and adopt a risk appetite statement which encapsulates the Council's willingness to operate within acceptable limits of risk. This will provide guidance on the level of risk permitted and encourage consistency of approach to risk management across all Council Services.	SROG CMT	Ongoing

ACTION REQUIRED	LEAD OFFICER	TIMESCALE
Establish risk categories and risk appetite statements: Develop risk categories using the PESTLE model and establish appropriate risk appetite statements for each.	Corporate Officer (Risk Management) SROG	Ongoing
Escalation process: Develop and establish an automated escalation process to ensure risks and mitigating actions are routinely reviewed and updated. Establish a Council-wide time frame as to say when a risk is removed from the register after being mitigated for a continuous period of time.	SROG CMT	April 2024
Risk Impact Assessment: Develop Risk Impact Assessment model to ensure that risk management implications are considered at the beginning of any new activity or project. This model should be utilised by all Services to assess the possible risk impacts of existing or new initiatives such as policies, strategies, functions, plans and projects as well as to establish whether there is any opportunity for risk and reward.	Corporate Officer (Risk Management)	Ongoing
REVIEWING AND REPORTING RISK		
Strategic Risk Officers Group (SROG): Re-establish the SROG as detailed in the strategy and convene on a quarterly basis.	SROG	Ongoing
Service Risk Champions: Identify officers within each Service to be departmental lead for risk management and direct escalation contact.	SROG	August 2024
Refresh the Corporate Risk Register: Review and refresh CRR. Detail how each corporate risk relates to each Service. Ensure mitigation is up-to-date. Look to transfer the current spreadsheet CRR to Pentana ensuring consistency with the departmental risk registers.	Corporate Officer (Risk Management) & Chief Financial Officer	April 2024
Matrix Guide: Adopt the 5x5 matrix for the Corporate Risk Register. Develop a matrix guide for both likelihood and severity to ensure risk registers are consistent with EAHSCP.	SROG	April 2024
Committee Report Template: Consider governance arrangements for committee report template and produce guidance on this.	SROG	April 2024

ACTION REQUIRED	LEAD OFFICER	TIMESCALE
COMMUNICATION AND LEARNING		
LearnPro Modules: Promote the uptake of Risk Management modules which are available via e-learning. Consider making elements of the programme mandatory for certain officers/ jobs. Ensure all staff – both new and existing – complete the relevant training modules.	Corporate Officer (Risk Management) & Organisational Development	2025
Quarterly Bulletin: Issue a quarterly bulletin to relevant Services detailing key updates from external sources such as ALARM, the Institute of Risk Management, SOLACE, and Audit Scotland.	Corporate Support & Communications	March 2024
Communicate the new strategy and approach to risk management: Set the tone at the top by ensuring all staff are given time to read and understand how the risk management strategy relates to their roles and responsibilities.	SROG	Ongoing

Appendix 2: Risk Categories with Context

People	Economic	Environmental	Operational	Information Governance	Financial	Legal/ Compliance	Reputational
Training and development Industrial action Health and safety Wellbeing Equality and diversity Organisational culture	Scottish budget National debt Consumer spending Inflation Unemployment statistics Taxation Recessions Poverty Energy rate	Global warming Extreme weather conditions Climate change Pollution Sustainability Clean Green Carbon Footprint Renewables Direct & vacant land Deforestation	Cyberattacks Ransomware Technology demand Fraudulent activity Digital modernisation Value for Money	Data utilisation Information ownership Strategy and policy Quality assurance Decision-making Organisational performance Accountability Leadership	Misappropriation of resources Asset management Liability Value for money Financial reporting Funding levels Budgetary pressures	Legislation Professional standards Regulatory bodies External Audit Ethics Bribery Fraud EU law and Brexit	Ethical violations Sustainability Systemic failure Lack of innovation Trust and relations Public and media perception

Appendix 3: Risk Categories and Proposed Appetite

RISK CATEGORY	RISK APPETITE
<p>People: Risks arising from ineffective leadership and engagement, suboptimal culture, inappropriate behaviours, the unavailability of sufficient capacity and capability, industrial action or non-compliance with relevant employment legislation/HR policies resulting in negative impact on performance.</p>	<p>The Council aims to provide a secure, dynamic work environment by valuing, supporting, encouraging, and utilising all of our employees' potential. It prioritises a culture of equality and diversity, morale and respect, collegiality, FACE-time conversations, and health, safety, and wellbeing of employees, visitors and residents. Any departure from its expectations in these areas is met with little hunger. There is, however, an appetite to modernise our services in line with the current climate and so, part of that will include training and developing our employees' skillsets.</p>
<p>Economic: Risks arising as a result of inflation, recessions, energy rate fluctuations, poverty and the cost of living crisis, Brexit, and socio-economic impacts in the context of health emergency events.</p>	<p>The Council has little to no appetite for risks which could potentially impact the health and wellbeing of our communities, society and/or economy. We aim to support our community during a period of rapid increase in food and energy prices, partly in response to the conflict in Ukraine, increasing inflation rates, global recovery from the coronavirus (COVID-19) pandemic, giving due consideration to the forthcoming demography changes.</p>
<p>Environmental: Risks arising from extreme weather conditions, climate change, pollution and carbon footprint and the occurrence of natural disasters.</p>	<p>The Council recognises the implications of its decisions and actions on the environment and aims to take positive steps to mitigate and offset its carbon footprint. We aim to make a positive contribution to the overall welfare of Scotland and the rest of the UK in a sustainable and socially responsible manner. We recognise that this must involve an increased degree of risk and as a Council, we are comfortable in accepting those risks which reap potential benefits so long as we ensure that risks are fully considered, understood and mitigations are appropriate established.</p>
<p>Operational: Risks arising from inadequate, poorly designed or ineffective/ inefficient internal processes resulting in fraud, error, ransomware, cyber-attacks, impaired customer service i.e., quality or quantity of service, non-compliance or poor Value for Money.</p>	<p>Faced with declining budgets and an increasing demand for the majority of our Services, there is a clear necessity for organisational development. As a council, we have a focus to address and adjust in relation to five crucial areas: prevention, community engagement, data utilisation, modernising work processes, and embracing digital solutions. We recognise that by innovating and changing the way in which Services are delivered, this may create or indeed, increase risks. However, it also presents us with the opportunity to optimise our resources for efficient and effective Service delivery which meet our communities' needs.</p>

RISK CATEGORY	RISK APPETITE
<p>Information Governance: Risks arising from unclear plans, priorities, authorities and accountabilities or ineffective or disproportionate oversight of decision-making or performance. Also, risks arising from a failure to produce robust, suitable and appropriate data/information and to exploit data/information to its full potential.</p>	<p>As a key provider of public Services, the Council will ensure decisions are made with clarity and confidence to maximise efficiency. We aim to utilise data to its maximum potential so as to ensure that any changes we make to do the way we deliver our Services are well considered. All existing and new initiatives, such as policies, strategies, functions, plans and projects will be informed by robust and appropriate performance management measures, with due consideration given to the risks associated with each.</p>
<p>Financial: Risks arising from not managing finances in accordance with requirements or from the lack of effective resource planning. This, in turn, could lead to poor decision making at a strategic level and at a local level, the misappropriation of resources, failure to manage assets or liabilities, financial loss through fraudulent activities, or to obtain Value for Money from the resources deployed or non-compliant financial reporting.</p>	<p>The Council is recognised nationally as having effective financial management frameworks in place and modelling and forward planning tools which help to plan for the future. Challenges remain around reducing grant funding levels and pressures from increased demand and need resulting in planning taking place against a backdrop of budget cuts in the years ahead. The need to maintain sound governance in financial management while at the same time, responding to our changing demographic and decisions aligned to the Council's overall risk appetite will mean that the financial risks, whilst managed, may be subject to volatility.</p>
<p>Legal / Compliance: Risks arising from a defective transaction, a claim being made including a defence to a claim or a counterclaim, or some other legal event occurring that results in a liability or other loss, or a failure to take appropriate measures to meet legal or regulatory requirements or to protect assets such as intellectual property.</p>	<p>The Council has no appetite for any breaches of legislation or compliance in relation to statute, regulation, professional standards ethics, bribery or fraud. We remain risk averse in relation to any non-compliant or illegal behaviour.</p>
<p>Reputational: Risks arising from adverse events including ethical violations, a lack of sustainability, systemic or repeated failures or poor quality or a lack of innovation leading to damages to reputation or the destruction of trust and relations.</p>	<p>It is imperative that the Council continues to maintain and preserve its reputation. As such, the Council is willing to take on little to no risk in the course of its operations which may put its reputation in jeopardy, result in unwarranted adverse publicity, or cause the Scottish Government and its sponsors to lose confidence in East Ayrshire Council.</p>

Appendix 4: Proposed Risk Impact Assessment Model

STAGE OF PROCESS	KEY CONSIDERATIONS
Establish the Context	Define the activity: Aims and objectives:
Risk Identification	What could happen? How could it happen?
Risk Assessment	Determine existing controls: Determine where each risk would be placed on the 5x5 risk matrix: Likelihood: Severity: Score: Identify any mitigating actions to reduce potential risks:
Risk Treatment:	Consider each of the risks with reference to the Four T's: Tolerate: consider whether the risk is at an acceptable level or retention is unavoidable Treat: consider whether the risk likelihood can be controlled through positive action Transfer: consider whether the risk can be transferred through outsourced contract, partnership, joint venture or possibly insurance Terminate: consider whether the activity giving rise to the risk could be prevented or innovated promptly
Review and Reporting Risk	Identify and escalate to service nominated risk officer or corporate officer, as appropriate: Add to risk register and develop appropriate mitigations: Monitor the risk and update the risk register, as appropriate: (This is usually on a quarterly basis but is largely dependent on urgency).
Risk Opportunities	Consider any potential risk opportunities which could be beneficial in terms of risk and reward:
Communication and Learning	Identify who is or could be directly or indirectly affected and raise awareness as appropriate i.e., internally and externally:

Appendix 5: Risk Matrix (5x5)

Source: IJB RMS

	RISK SEVERITY				
RISK LIKELIHOOD	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
5 Almost Certain	5	10	15	20	25
4 Likely	4	8	12	16	20
3 Possible	3	6	9	12	15
2 Unlikely	2	4	6	8	10
1 Remote	1	2	3	4	5

Appendix 6: Risk Likelihood Guide

Source: IJB RMS

RISK LIKELIHOOD	1 REMOTE	2 UNLIKELY	3 POSSIBLE	4 LIKELY	5 ALMOST CERTAIN
PROBABILITY OF OCCURRING	Will only occur in exceptional circumstances.	Unlikely to occur but definite potential exists.	Reasonable chance of occurring - has previously occurred on occasion.	Likely to occur - strong possibility.	High probability of occurring - will occur in most circumstances.

Appendix 7: Risk Severity Guide

Source: IJB RMS

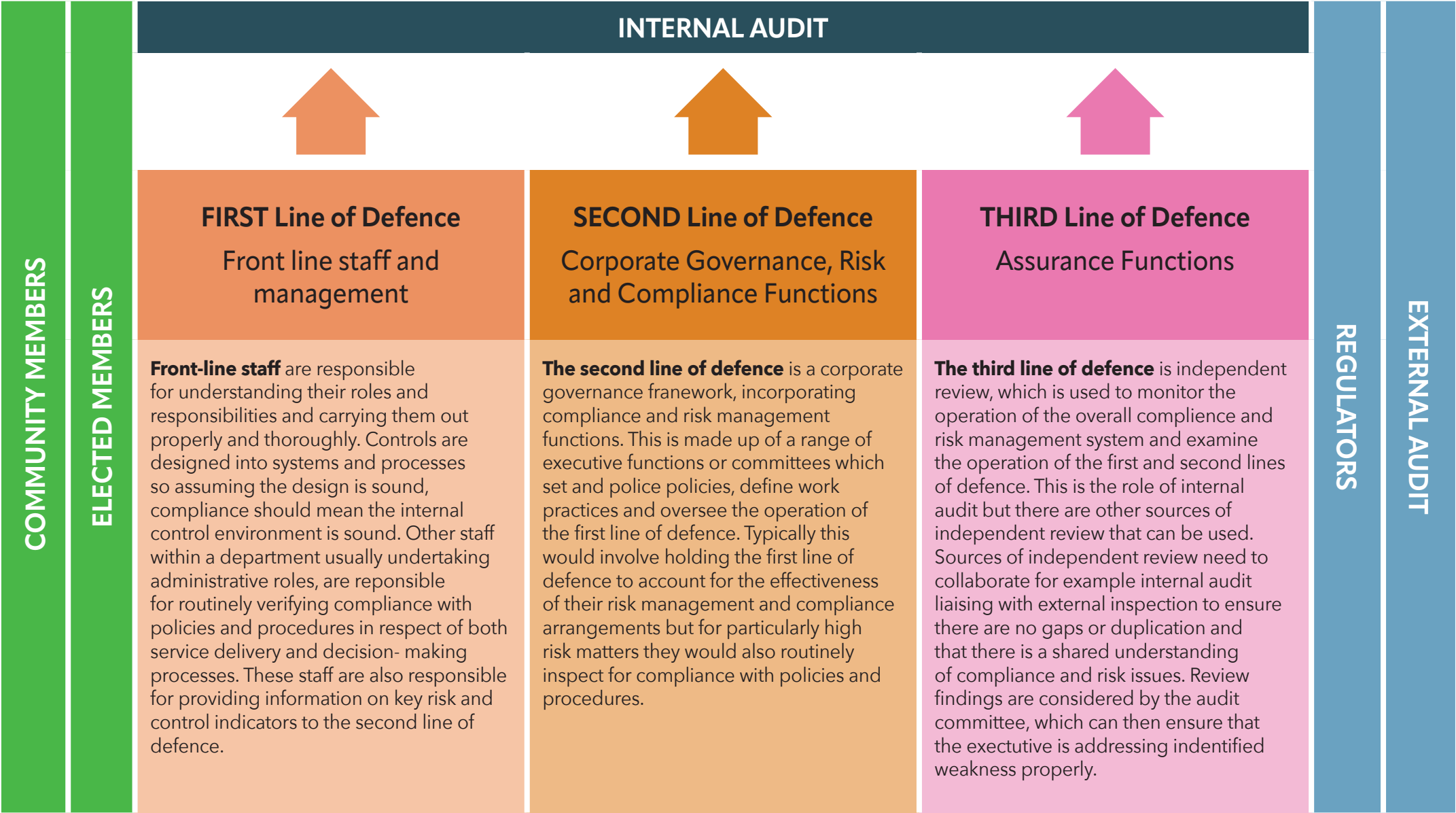
	RISK SEVERITY				
RISK CLASSIFICATION	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
RISK APPETITE	Hungry: Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.	Open: Willing to consider all potential delivery options and choose the one which is most likely to result in successful delivery whilst also providing an acceptable level of reward and value for money.	Cautious: Preference for safe delivery options which have a low degree of inherent risk and may only have limited potential for reward.	Minimalist: Preference for ultra-safe business delivery options which have a low degree of inherent risk and only have a potential for limited reward.	Averse: No risk appetite and no willingness to consider options. Avoidance of risk and uncertainty is a key organisational objective.
People	Minor injury or first aid treatment.	Injury requiring medical treatment and/or lost time from workplace.	Major injury or hospitalisation.	Single death or multiple severe injuries.	Multiple deaths.
Economic	1-10% of budget or revenue (organisational budget or project budget as relevant).	10-30% of budget or revenue.	30-60% of budget or revenue.	60-80% of budget or revenue.	>80% of organisational or project budget or revenue.
Environmental	Environmental incident with no lasting detrimental effect.	Short term public health or environmental incident (weeks).	Medium term major public health or environmental incident (up to 1 year).	Long term major public health or environmental incident (+1 year).	Permanent, major environmental or public health damage.

	RISK SEVERITY				
RISK CLASSIFICATION	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
RISK APPETITE	Hungry: Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.	Open: Willing to consider all potential delivery options and choose the one which is most likely to result in successful delivery whilst also providing an acceptable level of reward and value for money.	Cautious: Preference for safe delivery options which have a low degree of inherent risk and may only have limited potential for reward.	Minimalist: Preference for ultra-safe business delivery options which have a low degree of inherent risk and only have a potential for limited reward.	Averse: No risk appetite and no willingness to consider options. Avoidance of risk and uncertainty is a key organisational objective.
Operational	Minimal impact on non-core operations. The impact can be dealt with by routine operations.	Some impact on organisational capability in terms of delays, systems, service quality but able to be dealt with at operational level.	Impact on the organisation resulting in reduced performance such that targets are not met. Organisation is not threatened, but could be subject to significant review.	Breakdown of key activities leading to a reduction in performance i.e., service delays, revenue loss, client dissatisfaction or legislative breaches.	Protracted unavailability of critical skills or people. Critical failure(s) preventing core activities from being performed. Survival of organisation or project is significantly threatened.
Information Governance	Compromise of information otherwise in the public domain.	Minor compromise of information sensitive to internal or Partnership interests.	Compromise of information sensitive to the organisations operations.	Compromise of information sensitive to organisational interests.	Compromise of information with significant ongoing impact.
Financial	Negligible organisational financial loss (£< 1k).	Minor organisational financial loss (£1- 10k)	Significant organisational financial loss (£10- 100k).	Major organisational financial loss (£100k-1m)	Severe organisational financial loss (£>1m).

	RISK SEVERITY				
RISK CLASSIFICATION	1 Insignificant	2 Minor	3 Moderate	4 Major	5 Extreme
RISK APPETITE	Hungry: Eager to be innovative and to choose options offering potentially higher business rewards, despite greater inherent risk.	Open: Willing to consider all potential delivery options and choose the one which is most likely to result in successful delivery whilst also providing an acceptable level of reward and value for money.	Cautious: Preference for safe delivery options which have a low degree of inherent risk and may only have limited potential for reward.	Minimalist: Preference for ultra-safe business delivery options which have a low degree of inherent risk and only have a potential for limited reward.	Averse: No risk appetite and no willingness to consider options. Avoidance of risk and uncertainty is a key organisational objective.
Legal / Compliance	No breach of legal or statutory obligations.	Non-compliance with good practice or non-statutory guidance. Minor breach of regulations or standards. Activity may incur complaint but no financial or regulatory penalty imposed.	Regulatory censure or action. Significant contractual breach Significant breach of statutory obligations.	Breaches of regulation or legislation punishable by significant fines. Continuing breach of statutory obligations.	Commission of a criminal offence. Major adverse corporate litigation, difficult to defend. Prosecution or criminal penalty. Public censure, regulatory veto on project or withdrawal of funding.
Reputational	Minor impact. No media coverage, little effect on staff morale. Quickly forgotten about. Freedom to operate unaffected.	Short term Local Media coverage. Minor effect on staff morale / public attitudes. Scrutiny by Internal Audit to prevent escalation.	Long term Local Media coverage. Impact on staff morale and public perception of the organisation. Persistent national concern. Scrutiny by external agencies required.	National Media (< 3 days). Media or political scrutiny. Public confidence in the organisation undermined. Usage of services affected.	National Media (> 3 days). MP / MSP Concern (Questions in Parliament). Government concern. Affects long term "brand" impact.

Appendix 8: The Three Lines of Defence Model (3LoD)

Source: Treasury Orange Book and CIPFA Guidance





East Ayrshire Council
Comhairle Siorrachd Àir an Ear