ABERDEEN CITY COUNCIL

COMMITTEE	Finance and Resources Committee
DATE	5th July 2023
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Cluster Risk Registers and Assurance Maps
REPORT NUMBER	COM/23/213
DIRECTOR	Gale Beattie, Director of Commissioning and Steve Whyte, Director of Resources
CHIEF OFFICER	Vikki Cuthbert, David Dunne, Richard Sweetnam, Jonathan Belford, Craig Innes, John Wilson, and Stephen Booth
REPORT AUTHOR	Chief Officers
TERMS OF REFERENCE	2.1.4

1.   PURPOSE OF REPORT

1.1   To present the Cluster Risk Registers and Assurance Maps to provide assurance that risks are being managed effectively within each Cluster.

2.   RECOMMENDATION(S)

2.1   That the Committee note the Cluster Risk Registers and Assurance Maps set out in appendices A to N.

3.   CURRENT SITUATION

3.1   The Audit, Risk and Scrutiny Committee is responsible for overseeing the system of risk management and for receiving assurance that the Extended Corporate Management Team (ECMT) are effectively identifying and managing risks. Reviewing the strength and effectiveness of the Council's system of risk management as a whole is a key role for the Committee.

3.2   The Risk Management Policy Framework states that all other committees should receive assurance on the risk management arrangements which fall within their terms of reference. This is provided through the risk registers for the relevant Clusters which fall within the remit for this Committee as detailed below:

- Governance
- Strategic Place Planning
- City Growth
- Finance

- Commercial and Procurement
- Capital
- Corporate Landlord

Risk Registers

3.3 The Council's Risks Registers are tools used by Functions and Clusters to capture and manage the risks which could prevent achievement of organisational outcomes and service delivery.

3.4 The Council's Corporate Risk Register (CRR) captures the risks which pose the most significant threat to the achievement of the Council's organisational outcomes and have the potential to cause failure of service delivery. The CRR scrutinised annually by the Audit, Risk and Scrutiny Committee.

3.5 The Cluster Risk Registers are set out in appendices A to F and reflects the risks which may prevent each Cluster from delivering on organisational outcomes and services, these risks may be escalated to the CRR where deemed necessary.

3.6 The risks contained within the Risk Register for each Cluster are grouped by risk category in appendix N and show the Council's corresponding risk appetite for each category as set within the Council's Risk Appetite Statement (RAS) which was approved by the Audit, Risk and Scrutiny Committee in March 2023.

The Clusters are working towards a target risk score which aligns with the risk appetite.

3.7 The Cluster Risk Registers provides the organisation with the detailed information and assessment for each risk identified including;

- **Current risk score** – this is current assessment of the risk by the risk owner and reflects the progress percentage of control actions required in order to achieve the target risk score.
- **Target risk score** – this is the assessment of the risk by the risk owner after the application of the control actions. This is aligned with the risk appetite for this particular category of risk.
- **Control Actions** – these are the activities and items that will mitigate the effect of the risk event on the organisation.
- **Risk score** – each risk is assessed using a 4x6 risk matrix as detailed below.

The 4 scale represents the impact of the risk and the 6 scale represents the likelihood of the risk event.

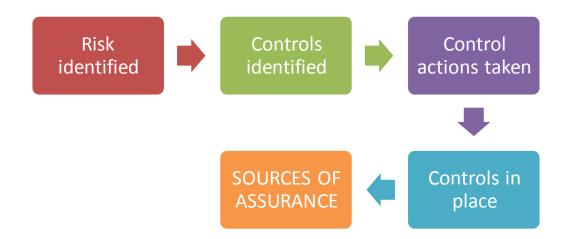| Impact	Score						
Very Serious	4	4	8	12	16	20	24
Serious	3	3	6	9	12	15	18
Material	2	2	4	6	8	10	12
Negligible	1	1	2	3	4	5	6
Score		1	2	3	4	5	6
Likelihood		Almost Impossible	Very Low	Low	Significant	High	Very High

3.8 Development and improvement of the Cluster Risk Registers and associated risk management processes has continued since the Cluster Risk Register was last reported to Committee:

- The Council's Risk Appetite Statement (RAS) was reviewed and updated.
- "Managing Risk" pages were published on the Council's intranet pages which contains information and links for officers and elected members on the Council's RAS, Risk Management Policy, Guidance and Training. This supports the further embedding of our risk management culture and ensures that everyone knows the part they play in managing risks within the wider system.
- Training was provided to officers on the updated Committee report template risk sections that were reviewed and updated to reflect RAS, ensuring that officers fully align their proposals to elected members with the Council's agreed risk appetite statement.
- Risk owners and leads continue to review and update risk registers to improve monitoring and reporting across the organisation. These are mechanisms which reflect the day-to-day business of assessing and mitigating the risks and opportunities inherent in delivering public services.

Assurance Maps

3.9 The risk registers which are reviewed by the Council's Committees detail the risks identified within each of the relevant Functions and Clusters and provide detail of the risk, the potential impact and consequence of the risk materialising and the control actions and activities required to manage and mitigate the risk. Assurance Maps provide a visual representation of the sources of assurance associated with each Cluster so that the Committee can consider where these are sufficient. Sources of assurance are controls which are fully effective, following the completion of control actions. Presentation of each Cluster's assurance map provides full sight of the defences we have in place as an organisation to manage the risks facing local government.

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┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│     Risk     │ ──▶  │   Controls   │ ──▶  │   Control    │
│  identified  │      │  identified  │      │ actions taken│
└──────────────┘      └──────────────┘      └──────────────┘
                                                    │
                                                    ▼
┌──────────────┐      ┌──────────────┐      ┌──────────────┐
│  SOURCES OF  │ ◀──  │ Controls in  │      │              │
│  ASSURANCE   │      │    place     │      │              │
└──────────────┘      └──────────────┘
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3.10   The Assurance Map provides a breakdown of the sources of assurance within "three lines of defence", the different levels at which risk is managed. Within a large and complex organisation like the Council, risk management takes place in many ways. The Assurance Map is a way of capturing the sources of assurance and categorising them, thus ensuring that any gaps in sources of assurance are identifiable and can be addressed:

First Line of Defence "Do-ers"	Second Line of Defence "Helpers"	Third Line of Defence "Checkers"
The control environment; business operations performing day to day risk management activity; owning and managing risk as part of business as usual; these are the business owners, referred to as the "do-ers" of risk management.	Oversight of risk management and ensuring compliance with standards, in our case including ARSC as well as CMT and management teams; setting the policies and procedures against which risk is managed by the do-ers, referred to as the "helpers" of risk management.	Internal and external audit, inspection and regulation, thereby offering independent assurance of the first and second lines of defence, the "do-ers" and "helpers", referred to as the checkers" of risk management.

Risk Overview

City Growth

3.11   The previous committee risk and assurance map from City Growth focussed on Concurrent Economic Events and the impact on our economy. In the past year, we have analysed data and adapted to a new policy environment. Through consultation with partners and stakeholders we have developed a new Regional Economic Strategy. As a result, this risk has been updated to emphasize the main area of focus and mitigation for inclusive economic growth.

Governance Cluster

3.12   At the present time, there are no Cluster level risks in Governance. The risk that income to the service would be negatively affected by COVID and inflation pressures has been de-escalated to operational level. This will be kept under review to ensure the in-year position is achieved but the service is not expected to under-recover.

Strategic Place Planning

3.13   SPP's risk register was last reviewed in early 2023 with the key risks remaining *Climate Change (Place)* at a corporate level, *Climate Duties – Council* and *Strategic Plan Delivery* at a Cluster level. The Climate Change risks, at both a Place and Council level are challenging. They represent long term risks and require long term concerted effort across all facets of council and place activities. Significant work is underway to address these challenges as set out in the risk register and the assurance statement, with ongoing refinement of governance arrangements and the recent introduction of carbon budgeting.

3.14   Strategic Plan Delivery is also highlighted as a cluster risk but recent progress on the Local Development Plan is welcomed in helping to address this. Concern is noted over the increasing complexity associated with the development of strategic plans and the budgetary constraints faced by the council and SPP in developing and delivering them.

Finance

3.15   The Finance Cluster risk register was last reviewed by Committee in June 2022. Succession planning has continued due to turnover of staff in the Transaction team, and through the Graduate Apprentice programmes for Accounting. Digital improvements to financial systems continue to be rolled out, and the upgrade of the Council's financial ledger system now scheduled for this financial year. The transfer to a cloud-based system is expected to improve system performance and reliability.

Commercial and Procurement

3.16   The C&PSS Risk Register was last reviewed by committee in June 2023, at the time of the last report the Supply Chain Commodity Risk was escalated from a Cluster Level Risk to a Corporate Risk due to the global market situation, growing inflation rates and pricing increases as a result, over the last year period impacts to the Council have been closely monitored and there has been success through the control actions implemented in limiting the exposure across a number of price increase requests to the Council through a robust process of scrutiny and negotiation with suppliers.

3.17   The Office for National Statistics reported that inflation, as measured by the consumer prices index, fell to 8.7% in April 2023, down from 10.1% in March 2023, falling below double figures for the first time in nearly a year. Whilst this seems to suggest there are some positive signs in the market we continue to monitor this as a corporate risk until such time as markets further stabilise.

Capital

3.18 The Capital Cluster risk register was last reviewed by Committee on 16 June 2022. Over the last financial year, the most significant risk impacts continue to be those risks which are external to the Council. These are impacts derived from the Covid 19 pandemic, EU-Exit and the Russia/Ukraine war.

3.19 In particular how these events have led to labour and materials shortages across the sector whereby the issues are now compounded with a dramatic rise in the cost of fuel and energy. We are still in a period where these events are having an inevitable impact on the timeline for project delivery, and it is likely that this will prevail in the short term (few years look ahead).

3.20 In practice these impacts have had an adverse impact on construction costs whereby the cost of raw materials and manufactured products have increased, however there is some evidence that prices are stabilising but are currently not returning to the price level prior to the start of the Covid pandemic.

3.21 This has led to the following;

1. Officers are continuing to experience requests and the need for an extension of lead-in times for the ordering of materials.

2. In general, there continues to be a shorter period for the acceptance of any tender offers.

3. Officers are continuing to monitor published advice related to procurement, inflation and the supply chain.

   In light of all of the above the Chief Officer – Capital continues to review the approved Capital Programme and maintains a close dialogue with the Finance Cluster for reporting purposes. Consideration is also ongoing on how best to mitigate these impacts now, and in the future.

Corporate Landlord

3.22 The Corporate Landlord Senior Management considered the risk register in early 2023. The risks around the delivery of the asset valuations continues to be active with the recruitment of professional staff an ongoing issue. That issue is very much being experienced across Scotland. This also means the risks to delivering capital receipts and rental income remain on the Corporate register.

3.23 There is now an approved Property and Estates Strategy which supports TOM 1.2. This alone will not address the risk around asset management planning. With there being an ongoing need to prioritise and allocate transformation projects, whilst dealing with day to day property management issues.

3.24 The Reinforced Autoclaved Aerated Concrete (RAAC) risk has now been removed from the Corporate Risk Register following consideration of a paper submitted to the Risk Board. Although a number of buildings do contain RAAC there is no requirement to carry out any capital works to the affected roofs. The

recommendations made by the structural engineers have been implemented or in the process of being actioned. As such the risk is now being managed at Service level.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report. This report deals with risk management at Cluster level and this process serves to identify controls and assurances that finances are being properly managed.

5. LEGAL IMPLICATIONS

5.1 There are no direct legal implications arising from the recommendations of this report. The Council's Risk Registers serve to manage many risks with implications for the legal position and statutory responsibilities of the Council.

6. ENVIRONMENTAL IMPLICATIONS

6.1 There are no direct environmental implications arising from the recommendations of this report.

7. RISK

7.1 There are no risks arising from the recommendations in this report. The Committee is provided with assurance that the risks presented within the Cluster Risk Register are those that may affect achievement of organisational outcomes and delivery of services for each Cluster are identified, appropriately managed and that the Council's activities are compliant with its statutory duties.

Category	Risks	Primary Controls/Control Actions to achieve Target Risk Level	*Target Risk Level (L, M or H) *taking into account controls/control actions	*Does Target Risk Level Match Appetite Set?
Strategic Risk	The council is required to have a management system in place to identify and mitigate its risks.	The council's risk management system requires that risks are identified, listed and managed via Risk Registers.	L	Yes
Compliance	As above.	As above.	L	Yes
Operational	As above.	As above.	L	Yes
Financial	As above.	As above.	L	Yes
Reputational	As above.	As above.	L	Yes
Environment / Climate	As above.	As above.	L	Yes

8.   OUTCOMES

8.1   The recommendations within this report have no direct impact on the Council Delivery Plan however, the risks contained within the Council's risk registers could impact on the delivery of organisational outcomes.

9.   IMPACT ASSESSMENTS

Assessment	Outcome
Integrated Impact Assessment	Not required
Data Protection Impact Assessment	Not required
Other	Not applicable

10.   BACKGROUND PAPERS

10.1   None

11.   APPENDICES

11.1   Appendix A to F - Cluster Risk Registers for Strategic Place Planning, City Growth, Finance, Commercial and Procurement, Capital, and Corporate Landlord.

11.2   Appendix G to M - Cluster Assurance Maps for Governance, Strategic Place Planning, City Growth, Finance, Commercial and Procurement, Capital, and Corporate Landlord.

11.3   Appendix N – Cluster Risks grouped by category

12.   REPORT AUTHOR CONTACT DETAILS

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