ABERDEEN CITY COUNCIL

COMMITTEE	Audit, Risk and Scrutiny Committee
DATE	12 February 2024
EXEMPT	No
CONFIDENTIAL	No
REPORT TITLE	Corporate Risk Register, Cluster Assurance Maps, and Inspections Planner
REPORT NUMBER	COM/24/008
DIRECTOR	Gale Beattie
CHIEF OFFICER	Jenni Lawson/Vikki Cuthbert
REPORT AUTHOR	Ronnie McKean
TERMS OF REFERENCE	Remit 1.1

1.   PURPOSE OF REPORT

1.1   To present the Corporate Risk Register, Cluster Assurance Maps and Inspections Planner and to provide assurance on the Council's overall system of risk management.

2.   RECOMMENDATION(S)

That the Committee:-

2.1   note the Corporate Risk Register set out in Appendix A and the summary of movements in risk scores set out in table at section 3.6;

2.2   note the Cluster Assurance Maps provided at Appendix B; and

2.3   note the Inspections Planner provided at Appendix C, note that this is unlikely to include all external scrutiny requirements for 2024 for the reasons explained in item 9.5 and note that this limits the Council's visibility on the balance of management, internal and external assurance required to manage our risk environment.

3.   CURRENT SITUATION

3.1   The Audit, Risk and Scrutiny Committee is responsible for overseeing the system of risk management on behalf of the Council 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. It is the role of the Council's service Committees to scrutinise the Cluster Risk Registers that are relative to each Committee remit to receive assurance of the controls in place and the Committee's role to scrutinise the corporate risk register.

3.2   The Council's Corporate Risk Register (CRR) provides a high level overview of the Council's operational risk environment and captures the risks which, at this time, pose the most significant threat to the achievement of our organisational outcomes and which have the potential to cause failure of service delivery. Risks which will face us in the next 12 months are identified through broader horizon scanning, using resources such as the government publications, the National Risk Register, inspection and audit reports (of our own authority as well as others') and the corporate risk registers of our peers in local government. The impact of financial uncertainty, geo-political events and risks being managed by UK and Scottish governments, all help to inform this risk profile for the council. At local authority level, the corporate level risks are very similar when compared amongst councils

3.3   The CRR is scrutinised by the officer Risk Board after being updated by risk managers and owners. The CRR was last reported to the Committee in March 2023. An updated version is attached to the report at Appendix A.

3.4   The CRR 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.
- **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 |

3.5   The risks contained within the Corporate Risk Register are grouped below by risk category and show the Council's corresponding risk appetite for the category as set within the Council's Risk Appetite Statement (RAS) which are

accurate at time of writing. A separate report contains proposals to amend the existing RAS. Clusters are working towards a target risk score which aligns with the risk appetite.

Risk Category	Risk Title	Target Risk Appetite	Aligned with RAS?
Strategic	Workforce Capacity and Organisational Resilience	Averse	Yes
Compliance	Civil Contingencies Compliance	Averse	Yes
	Health & Safety Compliance	Averse	Yes
Operational	Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC)	Cautious	Yes
	Cyber Security	Cautious	Yes
	Excessive resettlement and asylum demand and risk of harm	Averse	Yes
Financial	Supply Chain - Commodity Risks	Averse	Yes
	Financial Sustainability	Averse	Yes
Environment/Climate	Climate Change (Place)	Cautious	Yes

3.6   Committee is asked to note that the risks contained in the CRR are those which ECMT and the Risk Board consider the most significant at the time of writing. These must be read alongside the Assurance Maps for each risk, where the completed control actions for these risks are documented – in each case, there are controls already in place, and those yet to be completed.

3.7   Risks are also monitored and managed through Cluster Risk Registers and may be escalated to the CRR if deemed necessary. When the Risk Board receives the required assurance that significant risks are being managed, they will agree to de-escalate them back to Cluster level. This will generally be the case when the target risk score is achieved, and the residual risk is aligned with the Risk Appetite Statement.

3.8   Below is a comparison with the corporate risks reported to Committee in March 2023:

De-escalated to Cluster level:

1. Industrial Action – Pay Negotiations -   The risk has now been closed as the Pay Award for 2023/24 has been implemented.

Escalated to Corporate level:

1. Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC) - to reflect the risk that (RAAC) presents to the Council and to allow higher level monitoring and reporting of the mitigation activities and response workplans developed by the Officer Working Group set up by the Risk Board.

Remaining on Corporate Risk Register:

	Current Risk Score 2023	Current Risk Score 2024	Movement
Financial Sustainability	9	16	🔴⬆
Workforce Resilience	12	12	🟡➡
Cyber Security	12	12	🟡➡
Resettlement and Asylum	9	12	🔴⬆
Supply Chain (Commodities)	12	12	🟡➡
Climate Change (Place)	12	12	🟡➡
Civil Contingencies	9	9	🟡➡
Health and Safety Compliance	12	9	🟢⬇

Risk Overview

3.9 The movement in these risks is explained in some further detail below by risk owners:

Financial Sustainability

3.9.1 The Scottish Government published its latest Medium Term Financial Strategy in May 2023. This indicates that while the Scottish Resource Budget is increasing up to 2027-28, in both cash and real terms, it is not expected to rise at the same rate as the spending bill, creating a growing funding gap over time.

The Local Government position of priority in the Scottish Budget is exemplified by the 2024/25 Financial Settlement, outlined on 21 December 2023. COSLA, in their budget reality calculations, show that there is a cash reduction in the overall revenue and capital settlements. This cash reduction takes no account of inflation, including wage inflation and demand pressures that Councils are actually experiencing.

Financial settlements that cover a single year and cash reductions only make the financial environment for Councils more challenging, and reinforce the constant need for financial savings to be made to balance the books.

Workforce Resilience

3.9.2 There has been progress on control actions related to the workforce risk over the last 12 months - including delivery of the Workforce Delivery Plan in January 2023, and review and revision of Service Standards being proposed to elected members as part of the budget process - and some of these have moved over to the assurance map as strong controls. However, uncertainty about how budget decisions may impact on workforce resilience, the potential impact of known and unknown external factors which may impact on our workforce at any time, and the expected impact of the other corporate risks we are managing on workforce (eg RAAC), it is anticipated that workforce and organisational resilience will remain a corporate risk for the foreseeable future. For this reason, the risk score has been determined to remain at the same level as last year.

Cyber Security

3.9.3 The UK is experiencing a period of heightened cyber security threat due to the current global geopolitical situation. This is reflected in the risk remaining at a corporate level and maintaining its risk score, despite Digital and Technology's significant ongoing work towards completing the identified control actions.

Resettlement and Asylum Demand

3.9.4 The risk in this area has remained high due to the on-going pressures of both increased and continuous levels of inward migration and it is anticipated that will continue to create demand for housing support and homelessness services. The mitigating control actions on-going and completed are viewed as being sufficiently robust to mitigate against the risk and it is anticipated that these in addition to regular monitoring of the risk will facilitate an overall reduction in the risk score.

Supply Chain

3.9.5 Progress has been made in relation to implementation of control actions which has supported the mitigation of a proportion of cost pressures to the Council. The target date, risk score and percentage complete is reflective of progress, market developments, inflation and indices affecting supply chain in 2023, however we would expect to see the risk level reduce into the next financial year as inflation is coming under control and interest rates are stabilising. Market developments, inflation and indices will continue to be monitored and the risk updated as appropriate based on the monitoring and resultant level of risk. Through regular monitoring and review of the risk and control actions we would hope to reduce/mitigate the risk and as appropriate amend or add further controls.

Climate Change (Place)

3.9.6 A number of key controls covering climate related strategy, governance, monitoring and reporting are in place to mitigate this risk. Regular review, monitoring and updates to the risk and remaining control actions takes place and there has been continued progress. The risk scoring has been maintained

and reflects related external factors including changes to legislation and climate projections.

Civil Contingencies

3.9.7 There has been significant progress in a number of our key business areas over the past 12 months, most notably in growing the number of community resilience groups and strengthening our response to weather-related emergencies. Community-led resilience plans are in place for areas most vulnerable to flooding. Officers annually provide information, advice and guidance on overall resilience planning, such as winter preparedness and power outages to individuals, communities and businesses. We continue to progress our National Power Outage Plan and Persons at Risk Database to the next stages. These are complex corporate projects for the city which also cross over into regional plans. The risk score reflects the assessments of likelihood of civil contingency events from various sources of surveillance data shared with the Local Resilience Partnership (of which the Council is a member), combined with the strong progress which officers have made on managing the impact of such events.
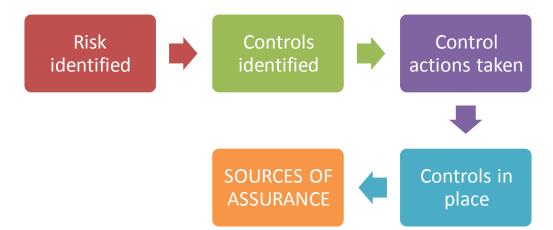
Health and Safety Compliance

3.9.8 There has been positive movement in our risk score over the past 12 months, with remaining control actions relating to the automation of reporting and compliance monitoring. The risk rating has reduced because the systems in place, whilst manual, do not increase the likelihood or impact of a non-compliance event, they simply lengthen the process for officers to analyse and report on reduced or non-compliance. Training, internal communications, procedures, governance and the overarching Corporate Health and Safety Policy are the key controls and are complete (whilst remaining under review through continuous improvement) and act as our main line of defence.

3.10 Development and improvement of the CRR and the associated processes has continued since the CRR was last reported to the Committee:

- The Council's Risk Appetite Statement (RAS) has been reviewed and updated and is before the Committee for approval today.
- Regular review and updates to "Managing Risk" pages published on the Council's intranet pages. These pages contain information and links for officers and elected members on the Council's RAS, Risk Management Policy, Guidance and Training.
- Review of the Council's Risk Management Policy
- 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

3.11 The risk registers which are reviewed by the Council's service 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 in place 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 identified  →  Controls identified  →  Control actions taken
                                                      ↓
SOURCES OF ASSURANCE  ←  Controls in place
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3.12 Each 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.

3.13 Clusters will continue to review and update assurance maps to support their Risk Registers, and these will be reported to the operational committees over the course of the year. In addition, the assurance rating presented in Internal Audit reports, relative to the risk rating, assists us in fully defining the controls in place and the extent to which they are acting as a defence against a risk manifesting.

<u>Inspections Planner</u>

3.14 The Inspections Planner provides Committee with a timetable of known external/internal audits and third-party regulatory inspections and compliance audits that are specified within the "Third Line of Defence" on each Assurance Map. These audits and inspections provide the Council with independent assurance of regulatory compliance and best practice to achieve and maintain accreditation. Where relevant, the improvement recommendations and actions arising from these audits and inspections will continue to be reported to the relevant Committees for review.

3.15 The Inspections Planner, together with the Assurance Maps, will continue to be kept under review throughout the year in light of any changes to the risk environment of the council. In 2023, a number of unnotified inspections and audits were completed, for which minimal notice was provided. For instance, Audit Scotland completed an audit of Housing Benefit in Q3, reported in December 2023. This was not notified until 6 weeks prior to the audit fieldwork. Previously, external scrutiny was coordinated through the Local Area Network which was reported to this committee. This is no longer available and as explained in item 9.5. To date, we have responded to these scrutiny requirements in spite of the additional pressures they place on services, however there is risk in this approach. Committee is asked to note that we will endeavour to respond to external scrutiny requirements at short notice but that these are often onerous and would benefit from being included in the Inspection Planner. Agenda item 9.5 proposes that action be taken to write to the Strategic Scrutiny Group seeking a schedule of external scrutiny for 2024/25.

4. FINANCIAL IMPLICATIONS

4.1 There are no direct financial implications arising from the recommendations of this report. The report deals with the highest level of risk 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 Corporate Risk Register serves 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 report provides information on the Council's system of risk management and the improvements designed to make the system robust and fit for the changing social, political and economic environment in which we operate. The system

ensures that all risks attaching to the Council's business and strategic priorities are identified, appropriately managed and are compliant its statutory duties.

The assessment of risk contained within the table below is considered to be consistent with the Council's Risk Appetite Statement.

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	It is confirmed by the Interim Chief Officer – Governance (Assurance) that no Integrated Impact Assessment is required.
Data Protection Impact Assessment	Not required
Other	Not applicable

10. BACKGROUND PAPERS

10.1 None

11. APPENDICES

11.1 Appendix A – Corporate Risk Register
11.2 Appendix B – Cluster Assurance Maps
11.3 Appendix C – Inspections Planner

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