

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Finance and Resources Committee
<b>DATE</b>	7 <sup>th</sup> May 2025
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Cluster Risk Registers and Assurance Maps
<b>REPORT NUMBER</b>	CORS/25/093
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<b>CHIEF OFFICER</b>	Vikki Cuthbert, Martin Murchie, Steve Roud, Julie Wood, Jonathan Belford, Craig Innes, John Wilson and Stephen Booth
<b>REPORT AUTHOR</b>	Chief Officers
<b>TERMS OF REFERENCE</b>	2.1.4

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### 1. PURPOSE OF REPORT

- 1.1 To present the Cluster Risk Registers and Assurance Maps in accordance with Finance and Resources Committee Terms of Reference to provide assurance that risks are being managed effectively within the Clusters detailed below.

### 2. RECOMMENDATION(S)

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

### 3. CURRENT SITUATION

- 3.1 The Risk Management Policy Framework states that 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 (Legal and Assurance)
- Data Insights HDRCA
- Digital and Technology
- City Regeneration and Environment
- Finance
- Commercial and Procurement Services
- Capital
- Corporate Landlord (Asset Management)

- 3.2 The Audit, Risk and Scrutiny Committee is responsible for overseeing the overall 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.

### **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 is scrutinised annually by the Audit, Risk and Scrutiny Committee.
- 3.5 The Cluster Risk Registers are set out in appendices A to G 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 P 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 February 2024.

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

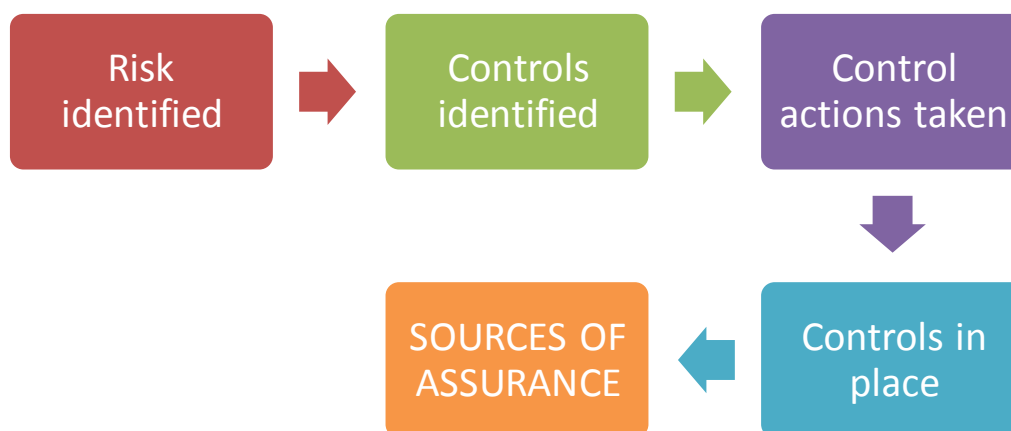
3.8 Development and improvement of the Cluster Risk Registers and associated risk management processes has continued since the Cluster Risk Register was last reported to Committee:

- The Council's Risk Appetite Statement (RAS) was reviewed and updated.
- Work to complete the recommendations from the internal audit of the Council's Risk Management arrangements including enhancements to Cluster Risk Management reporting which are incorporated within this report.
- On-going improvements and updates to the "Managing Risk" pages 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.
- 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 as set out in appendices H to O 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.



- 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 and Comparison**

- 3.11 Below is a comparison with the Cluster risks last reported to Committee in August 2024 by each Cluster:

### **Governance Cluster Risk Overview**

- 3.12 At the present time, there are no Cluster level risks in the Legal and Assurance teams within Governance and as this was the case in August 2024, there are no comparison with previous risk scores to be reported.
- 3.13 The Cluster level risks relating to Protective Services within Governance falls into the remit of the Communities, Housing and Public Protection Committee and will therefore be reported to that committee.

### **Data and Insights (HDRCA) Cluster Risk Overview**

- 3.14 The number of information security incidents reduced in every quarter of 2023, from 57 in Q1 to 41 in Q4. Whilst there was a marginal increase in the number of recorded information security incidents in 2024 compared to the previous year, we remain confident that all incidents are reported and, therefore, we believe that controls are being effective.


Risks de-escalated to Operational level or closed:

None.

New risks added or escalated to Cluster level:

None.

Risks Remaining on the Data and Insights HDRCA Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Information Governance	12	12	

### **Digital & Technology Cluster Risk Overview**

- 3.15 Digital & Technology continues to manage risk through its management team meeting structure and through the formal methodologies that relate to programme and project delivery. The cluster continues to manage contraction through redesign and process optimisation whilst monitoring any impact on risks within the operational risk register alongside monitoring of risks on the Corporate Risk Register.


Risks de-escalated to Operational level or closed:

None.

New risks added or escalated to Cluster level:

None.

Risks Remaining on the Digital and Technology Cluster Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Climate Change – Digital Infrastructure	9	9	

**City Development and Regeneration Cluster Risk Overview**

- 3.16 The senior management team, and service managers continue to monitor and manage risk through its management team meeting structure. Uncontrollable risks are acknowledged and monitored, such as price fluctuations in the energy sector, which has a direct impact on the economic health of the city. Just transition and inward investment form part of the wider risk awareness and assessment for the city's health.
- 3.17 The specific risk related to the care and management of the city's archive will require capital investment, including external funding applications, to comply with statutory obligations and cluster aspirations.


Risks de-escalated to Operational level or closed:

None.

New risks added or escalated to Cluster level:

None.

Risks Remaining on the City Development and Regeneration Cluster Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Relocation of City Archives (Old Aberdeen House)	18	18	

**Finance Cluster Risk Overview**

- 3.18 The Finance Cluster risk register was last reviewed by Committee in August 2024. A Finance Restructure of the Finance Monitoring & Advisory / Business Partnering / Systems & Controls including Counter Fraud / Social Care Financial Assessments is on-going and aimed at streamlining functions, improving financial reporting capabilities, and advancing the use of automation tools. 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.

Increased attention is being given to the risk of fraud with several actions being taken by the Finance team, in conjunction with Council officers, to address identified areas of risk following the high-profile case involving Council Tax embezzlement .


Risks de-escalated to Operational level or closed:

None.

New risks added or escalated to Cluster level:

None.

Risks Remaining on the Finance Cluster Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Failure to deliver key financial services in the event of the failure of plans, capabilities, systems and processes	8	8	

**Commercial and Procurement Cluster Risk Overview**

- 3.19 The C&PSS Risk Register was last reviewed by committee in August 2024. Since the last report the Supply Chain Commodity Risk was de-escalated from a Corporate Level Risk to a Cluster Risk as inflation had stabilised to a degree and less requests for price increases on contracts were coming through the system. Given the announcement on National Insurance increases and the impact that tariffs may have on the competitive landscape this risk will be closely monitored and regular assessment carried out on potential controls/mitigations and to assess scale of impact all of which will support limiting the exposure for the Council, assessment will include whether this should be escalated to a Corporate Risk. A robust process of scrutiny and negotiation with suppliers in relation to any price increase request including those referenced above is in place with regular communication with contract owners on the application of the process.
- 3.20 Progress has continued to be made on control actions relating to Procurement Compliance, Climate Change, Procurement Fraud, Delivery of KPI's and benefits of Scotland Excel Membership. New or revised processes and procedures have been put in place across a range of areas to support further assurance around the risks noted above, this work will continue across the coming months, with implementation of an assurance reporting model in this

period to support evaluation of effectiveness of measures implemented. Risks continue to be monitored regularly by SMT whilst processes are introduced and impact on risk scores considered.

Risks de-escalated to Operational level or closed:

1. Shared Procurement Service Partner Withdrawal

New risks added or escalated to Cluster level:

1. Supply Chain - Commodity Risks

This risk continues to be monitored closely particularly following national insurance increases, introduction of trade tariffs and other geo-political events and will be escalated to the Corporate Risk register if necessary.

Risks Remaining on the Commercial and Procurement Services Cluster Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Climate Change and severe weather affect the costs and availability of goods and services	9	9	→
Non-Compliance with Procurement Regulations	12	12	→
Procurement Fraud	9	9	→
Supply Chain - Commodity Risks	N/A	9	N/A
Shared Service - Service Level Agreement - Delivery of KPI's	9	9	→
Scotland Excel - Membership does not deliver anticipated benefits	9	9	→

**Capital Cluster Risk Overview**

- 3.21 The Capital Cluster risk register was last reviewed by Committee on 7 August 2024. Over the last financial year, the most significant risk impacts continue to be those risks which are external to the Council. These are the historical impacts derived from the EU-Exit and the on-going Russia/Ukraine war. In



addition to this, there is further unrest in the Middle East and now more recently from America, there is now a new risk of a global trade war which will inevitably have a further adverse impact on the supply and cost of materials.

- 3.22 We are currently in a period where we don't know the full extent of the impacts that a trade war would have, as threats of tariffs are quoted and exchanged as a regular occurrence. However, should a trade war escalate and gain momentum, then in addition to the supply and cost of materials it will also have an inevitable impact on the timeline for project delivery.
- 3.23 Due to these external factors, there is still a risk that costs will increase for those projects under construction and also those in the future pipeline.
- 3.24 Taken together, the historical impacts have had an adverse impact on construction costs whereby the cost of raw materials and manufactured products have increased, however it is too early to determine what the impacts of an impending trade war will be.

In the meantime;

1. Officers are continuing to experience requests and the need for an extension of lead-in times for the ordering of materials.
  2. Officers are continuing to monitor published advice related to procurement, inflation and the supply chain.
- 3.26 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.
- 3.27 Two risks within the Cluster have reduced scores: Capital Projects – Financial Stewardship and Capital Projects – Budget Allocations risk assessment have been reduced from 8 (Likelihood 2 – Very Low, Impact 4 – Very Serious) to 6 (Likelihood 2 – Very Low, Impact 3 – Serious)



Risks de-escalated to Operational level or closed:





None.

New risks added or escalated to Cluster level:

None.

Risks Remaining on the Capital Cluster Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Capital Projects - Financial Stewardship	8	6	
Construction delays due to	9	9	

interruption to supplies of materials			
Capital Project - Budget Allocations	8	6	
Capital Projects - Developer Obligations Income	8	8	
Capital Projects - Resource	8	8	
Concurrent Risks; External Impacts (Covid, Brexit, War, etc)	12	12	

### **Corporate Landlord (Asset Management) Cluster Risk Overview**

- 3.28 The Corporate Landlord Risk Register is reviewed by the Cluster Managers on a regular basis and requires to be responsive to a range of changing circumstances and issue.
- 3.29 Primary ongoing risk relate to the availability of specialist expertise in a number of areas leading to unfilled vacancies in some key areas of risk. In particular all local authorities are having difficulties in recruiting to Estates Surveyors posts and asbestos inspectors. Within some of these areas agency staff are supporting delivery although this comes at higher costs for less hours with concerns around project continuity. Similarly works is prioritised to reflect more immediate financial of health and safety risks as part of mitigation measures.
- 3.30 The cluster has responded to a number of ongoing risks throughout the reporting cycle including RAAC, roof trusses and electrical testing with escalation to board structures as required.
- 3.31 Significant financial pressures continue driven by construction and general cost inflation (building materials/ external contractors/ materials supply etc.), In turn wider macro and micro economic factors will continue to impact and growth in rental or income delivery. Requirements from our insurances in relation to bv our insurers in relation to building condition and systems is also increasing.
- 3.32 The risk associated with Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC) was escalated from the Corporate Landlord Cluster level risk register to the Corporate Risk Register to enable the risk and Council's response to be monitored by the Risk Board in addition to the RAAC board. The RAAC risk will be reported alongside the the Corporate Level risks to Audit, Risk and Scrutiny Committee.

Risks de-escalated to Operational level or closed:

Bucksburn Academy – modular space - complete.

Prevent duty – assessment works complete

New risks added or escalated to Cluster level:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Failure to ensure buildings are resilient to climate change		12	
Insurance cover Additional requirements		12	

Risks Remaining on the Corporate Landlord Cluster Risk Register:

Risk Title	Current Risk Score 2024	Current Risk Score 2025	Movement
Declining condition of operational property estate, with impact on repair, maintenance and management costs along with higher risk of building failure.	9	12	➡
Risk of non-compliance with Statutory Compliance with Council Properties	20	20	➡
Failure to deliver asset valuations	12	12	➡
Inadequate Asset Management Planning	12	12	➡
Risk to the delivery of Capital and Revenue Income	24	24	➡

Risks relating to other Corporate Landlord risk are also reported to other appropriate committees.

#### 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?
<b>Strategic Risk</b>	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
<b>Compliance</b>	As above.	As above.	L	Yes
<b>Operational</b>	As above.	As above.	L	Yes
<b>Financial</b>	As above.	As above.	L	Yes
<b>Reputational</b>	As above.	As above.	L	Yes
<b>Environment / Climate</b>	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
<b>Integrated Impact Assessment</b>	It is confirmed by the Interim Chief Officer – Governance that no Integrated Impact Assessment is required.
<b>Data Protection Impact Assessment</b>	Not required
<b>Other</b>	Not applicable

## 10. BACKGROUND PAPERS

- 10.1 None

## 11. APPENDICES

- 11.1 Appendix 1 to 7 – Cluster Risk Registers for Data and Insights HDRCA, Digital and Technology, City Development and Regeneration, Finance, Commercial and Procurement, Capital and Corporate Landlord.
- 11.2 Appendix 8 to 15 – Assurance Maps for Governance, Data and Insights HDRCA, Digital and Technology, City Development and Regeneration, Finance, Commercial and Procurement, Capital and Corporate Landlord.
- 11.3 Appendix 16 – Cluster Risks grouped by category

## 12. REPORT AUTHOR CONTACT DETAILS

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