

## ABERDEEN CITY COUNCIL

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<b>COMMITTEE</b>	Capital Programme Committee
<b>DATE</b>	16 June 2022
<b>EXEMPT</b>	No
<b>CONFIDENTIAL</b>	No
<b>REPORT TITLE</b>	Cluster Risk Registers and Assurance Maps
<b>REPORT NUMBER</b>	RES/22/118
<b>DIRECTOR</b>	Steven Whyte, Director of Resources
<b>CHIEF OFFICER</b>	John Wilson, Chief Officer, Capital Stephen Booth, Chief Officer, Corporate Landlord
<b>REPORT AUTHOR</b>	Chief Officers
<b>TERMS OF REFERENCE</b>	General 7.4

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### 1. PURPOSE OF REPORT

- 1.1 To present the Cluster Risk Registers and Assurance Maps in accordance with Capital Programme Committee Terms of Reference to provide assurance that risks are being managed effectively within each Cluster.

### 2. RECOMMENDATION(S)

That the Committee:-

- 2.1 Note the Cluster Risk Registers and Assurance Maps set out Appendices A-D.
- 2.2 Note, in particular, the external factors which are having a negative impact on the delivery of Capital programmes/projects.

### 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 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. These are:-
- Capital Risk Register
  - Corporate Landlord Risk Register

## **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 and C and reflect the risks which may prevent each Cluster area 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 below by risk category 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 2022.

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

<b><u>Capital</u></b>			
<b>Risk Category</b>	<b>Risk Title</b>	<b>Target Risk Appetite</b>	<b>Aligned with RAS?</b>
Operational	Capital Project - Budget Allocations	Cautious	Yes
Operational	Capital Projects - Developer Obligations Income	Cautious	Yes
Operational	Capital Projects - Financial Stewardship	Cautious	Yes
Operational	Capital Projects – Resource	Cautious	Yes
Operational	Concurrent Risks; External Impacts (Covid, Brexit, War, etc)	Cautious	Yes
Operational	Construction delays due to interruption to supplies of materials	Averse	Yes

<b><u>Corporate Landlord</u></b>			
<b>Risk Category</b>	<b>Risk Title</b>	<b>Target Risk Appetite</b>	<b>Aligned with RAS?</b>
Financial	Failure to deliver asset valuations	Averse	Yes

Operational	Inadequate Asset Management Planning	Averse	Yes
Operational	Reinforced Autoclaved Aerated Concrete Panels and Planks (RAAC)	Averse	Yes
Compliance	Risk of non-compliance with Statutory Compliance with Council Properties	Averse	Yes
Financial	Risk to the delivery of Capital and Revenue Income	Averse	Yes

3.7 The Cluster Risk Register 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						
<b>Very Serious</b>	4	4	8	12	16	20	24
<b>Serious</b>	3	3	6	9	12	15	18
<b>Material</b>	2	2	4	6	8	10	12
<b>Negligible</b>	1	1	2	3	4	5	6
<b>Score</b>		1	2	3	4	5	6
<b>Likelihood</b>		Impossible	Almost Very Low	Low	Significant	High	Very High

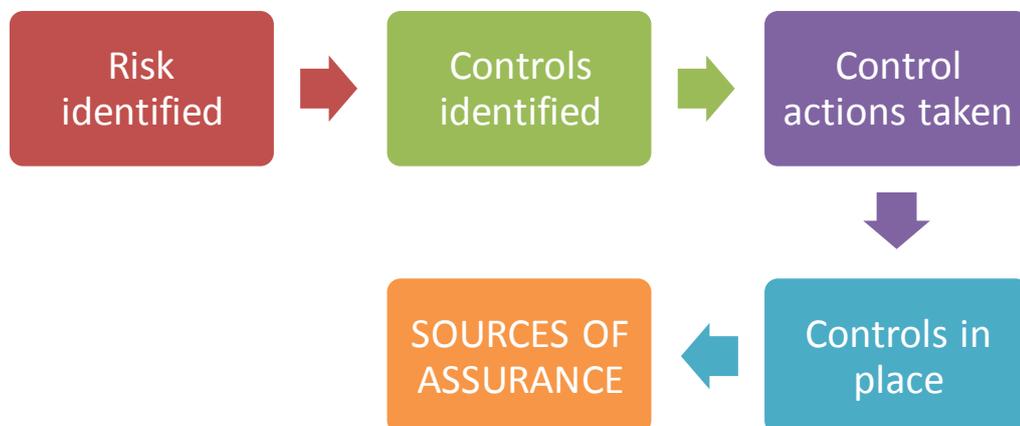
3.8 Development and improvement of the Cluster Risk Register and associated risk management processes has continued since the Cluster Risk Registers were last reported to the Committee:

- The Council's Risk Appetite Statement (RAS) was reviewed and updated.

- Risk Management Guidance – the complementary documentation which supports the Risk Management Policy was updated and approved by the Risk Board.
- Committee Report Template and Guidance – risk sections were reviewed and updated to reflect RAS and enhanced to provide additional guidance on management of risk.
- Assurance Maps – were updated to include the Corporate and/or Cluster Risks that are being managed by each Cluster to provide an overview of both the risk/s being managed and the sources of assurance which includes completed risk control actions for each of the three-lines of defence.
- The Corporate Risk Lead has continued to provide support to Risk Owners and Managers to review and update Risk Registers to improve monitoring and reporting across the organisation.

### **Assurance Maps**

3.9 The Risk Registers that are reviewed by the Council’s Committees list the risks identified within each of the relevant Functions and Clusters and provides 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 Committee can consider where these are effective, following the completion of control actions. Presentation of each Cluster’s Assurance Map provides full sight of the defences that the organisation has in place to manage the risks facing local government.



3.10 The Assurance Maps provide a breakdown of the “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 these and categorising them, thus ensuring that any gaps in sources of assurance are identified and addressed:

<b>First Line of Defence “Do-ers”</b>	<b>Second Line of Defence “Helpers”</b>	<b>Third Line of Defence “Checkers”</b>
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**

- 3.11 Over the last financial year, the most significant risk impacts are those which are external to the Council. These are impacts derived from the Covid 19 pandemic, Brexit and the recent Russia/Ukraine war. This has led to a shortage of skilled construction workers and a shortage of construction materials across all construction sectors, with the inevitable impact on the timeline for project delivery.
- 3.12 These impacts are having an adverse impact on construction costs whereby the cost of raw materials and manufactured products have increased at an alarming rate and are continuing to rise as shortages increase. Officers are also seeing an extension of lead-in times for the ordering of materials. This has generally led to a shorter period for the acceptance of any tender offers.
- 3.13 Officers are continuing to monitor published advice related to procurement, inflation and the supply chain. A recent assessment would suggest that the approved Capital Programme will require to be reviewed and reprofiled in Q1 of FY 22/23.
- 3.14 Consideration is ongoing on how best to mitigate these impacts.

## **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>	Not 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 A: Capital Cluster Risk Register

11.2 Appendix B: Capital Cluster Assurance Map

11.3 Appendix C: Corporate Landlord Cluster Risk Register

11.4 Appendix D: Corporate Landlord Assurance Map

## 12. REPORT AUTHOR CONTACT DETAILS

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