

From: Roger Gough, Leader of the Council
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To: Policy & Resources Cabinet Committee – 3rd March 2021

Subject: **Risk Management: Strategic and Corporate Services**

Classification: **Unrestricted**

Past Pathway of Paper: None

Future Pathway of Paper: None

Electoral Division: All

Summary: This paper presents the strategic risks relating to the Strategic and Corporate Services directorate, in addition to the risks featuring on the Corporate Risk Register for which the Corporate Directors are the designated 'Risk Owners'.

Recommendation(s):

The Cabinet Committee is asked to consider and comment on the risks presented.

1. Introduction

- 1.1 Risk management is a key element of the Council's Internal Control Framework and the requirement to maintain risk registers ensures that potential risks that may prevent the Authority from achieving its objectives are identified and controlled. The process of developing the registers is therefore important in underpinning service delivery planning, performance management and operating standards. Risks outlined in risk registers are taken into account in the development of the Internal Audit programme for the year.
- 1.2 Directorate risks are reported to Cabinet Committees annually and contain strategic or cross-cutting risks that potentially affect several functions across the Strategic and Corporate Services directorate, and often have wider potential interdependencies with other services across the Council and external parties.
- 1.3 Strategic and Corporate Services Directors also lead or coordinate mitigating actions in conjunction with other Directors across the organisation to manage risks featuring on the Corporate Risk Register. The Directors in the Strategic and Corporate Services directorate are designated 'Risk Owners' (along with the rest of the Corporate Management Team) for several corporate risks.

- 1.4 The majority of these risks, or at least aspects of them, will have been discussed in depth at relevant Cabinet Committee(s) throughout the year, demonstrating that risk considerations are embedded within core business.
- 1.5 A standard reporting format is used to facilitate the gathering of consistent risk information and a 5x5 matrix is used to rank the scale of risk in terms of likelihood of occurrence and impact. Firstly, the current level of risk is assessed, taking into account any controls already in place to mitigate the risk. If the current level of risk is deemed unacceptable, a 'target' risk level is set and further mitigating actions introduced, with the aim of reducing the risk to a tolerable and realistic level. If the current level of risk is acceptable, the target risk level will match the current rating.
- 1.6 The numeric score in itself is less significant than its importance in enabling categorisation of risks and prioritisation of any management action. Further information on KCC risk management methodologies can be found in the risk management guide on the 'KNet' intranet site.

2. Strategic and Corporate Services (ST) directorate led Corporate risks

- 2.1 The Coronavirus pandemic has had a fundamental impact on KCC's risk profile over the past year, leading to an increase in the majority of corporate risks, including those below. Staff from across the Strategic and Corporate Services directorate have been playing key roles in Covid-19 response and recovery, in cross-KCC forums, as well as multi-agency settings. This is in addition to intensive preparation for EU Transition in the county and severe weather events during the winter.
- 2.2 The Strategic and Corporate Services directorate currently leads on seven corporate risks. A brief summary, including changes over the past year, are outlined below, with more detail contained in the risk register attached at appendix 1.

Risk No.	Risk Title	Current Risk Rating	Target Risk Rating
CRR0009	Future financial and operating environment for local government	High (25)	High (16)
<p>This risk underpins many of the risks on the corporate risk register and was raised to the maximum level due to the continued uncertainty regarding local government funding and other national policy agendas and the difficulties this presents for financial planning and assumptions. The impact of COVID-19 has exacerbated the already challenging financial future for local authorities, leading to enormous uncertainty and an unprecedented challenge for the Council in preparing its budget for the medium term. Responding to the pandemic has required a huge increase in spending and has come at the same time as</p>			

<p>reductions in income from council tax, business rates and funding generated by the authority's own services, all of which have been affected by the pandemic. The costs relating to the impact of the latest national lockdown and wave of infections also need to be taken into account in this environment, as well as the extreme pressure on services and increased levels of financial hardship for residents and businesses. These factors and the associated risks were presented to County Council for debate.</p>			
CRR0014	Cyber-attack threats and their implications	High (20)	High (16)
<p>The risk had briefly been raised to the maximum rating at the start of the coronavirus pandemic and remains high due to the continuing significant volumes of attempted attacks across the sector and inherent risks of increased cyber-attacks during emergencies such as this. Continued improvements have been made to KCC's ICT security infrastructure over the past nine months, with more work planned in the months ahead. The Authority's Technology Strategy continues the endorsement of a move to the "Cloud" in order to increase resilience.</p>			
CRR0039	Information Governance	High (20)	Medium (12)
<p>The risk rating increased back in the summer of 2020 at the start of the pandemic due to the increased threats presented by the changes / adaptations required to facilitate more remote working at scale in a short period of time. Additional messages are regularly being communicated to staff to raise awareness and warn of increased information governance threats and incidents and signposting to guidance. An audit of information governance arrangements in the context of a mainly remote workplace is in progress, and any issues raised will be responded to by management.</p>			
CRR0045	Maintaining effective governance and decision-making in a challenging financial and operating environment	Medium (10)	Low (5)
<p>The risk has been revised to reflect the uncertain and challenging environment that the Council is operating in; any learning opportunities presenting themselves from governance issues across the local government sector and areas for development highlighted in the previous years' Annual Governance Statement, which emphasises the importance of continually reviewing governance arrangements. This includes mitigations such as reviewing the future role of the Governance and Audit Committee to ensure it effectively discharges its functions in line with best practice.</p>			

CRR0048	Maintenance and modernisation of KCC Estate	High (16)	Medium (12)
<p>The risk relates in part to the ability to produce and deliver an affordable capital programme in the current environment, which could mean insufficient funds to undertake the required maintenance. There may be an opportunity to accelerate certain projects in light of the increased speed of adoption of virtual solutions to service delivery, although realising some of the benefits from these may be more medium-term.</p>			
CRR0049	Fraud and Error	High (16)	Low (6)
<p>The risk rating is high due to the fraud threat posed during emergency situations being higher than at other times. Covid-19 related fraud risk assessments have been drafted by KCC's Counter-Fraud Team for review by services and awareness raising messages are being delivered across the organisation. An exercise has been undertaken to review urgent payments made to suppliers under Procurement Policy Notices (PPN) to help maintain continuity of business during the coronavirus pandemic.</p> <p>It is important to note that the risk rating does not necessarily relate to staff fraud/error, but other factors such as cyber-fraud, fraud within the supply chain and 'scams' against the Council and Kent residents.</p>			
CRR0051	Maintaining or Improving workforce health, wellbeing and productivity throughout Coronavirus response and recovery	High (16)	Medium (12)
<p>The majority of the workforce has been working remotely for almost a year and a Work and Wellbeing "pulse check" survey in the autumn of 2020 indicated that our staff continue to show tremendous resilience in adapting to new working practices, finding innovative ways to engage with service users and residents, whilst continuing to deliver services. However, there are increasing wellbeing concerns for public and service user facing staff, particularly in areas of high infection rates, during a challenging winter period. The national 'lockdown' restrictions announced by the Government on 4th January 2021 have meant that a significant proportion of the workforce are once again balancing childcare or other caring responsibilities with working from home. The Corporate Management Team will ensure continual engagement with staff to monitor the situation and respond appropriately, putting in place further interventions as necessary to supplement pre-existing support to aid health and wellbeing. A 3rd staff survey has been conducted and the results are being analysed.</p>			

- 2.3 A previous corporate risk relating to financial, governance, reputational and service delivery risks associated with KCC's Local Authority Trading Companies is being revised to reflect the evolving context and will be managed at the Strategic & Corporate Services directorate level. This risk was initially

added to the register several years ago as the individual companies were being formed. Since then, holding company arrangements have been implemented. Recent reports issued in relation to Croydon Council and Nottingham City Council provide learning opportunities, although it is worth noting that there are significant differences in the types and structure of companies and how they are funded, and many of the recommendations made are already reflected in our existing arrangements or are mitigated by the nature of companies wholly owned by KCC and our investment in them. A Holding Company Transformation project is being scoped as part of the KCC Strategic Reset Programme.

3. Strategic and Corporate Services (ST) directorate risk profile

3.1 There is currently one directorate risk featured on the Strategic and Corporate Services directorate risk register, rated as high risk. The directorate register is underpinned by risk registers for each division that are considered for escalation in accordance with KCC’s Risk Management Policy.

ST0023	Workforce capacity across the directorate, capability and wellbeing	High (16)	Medium (12)
<p>This risk provides a Strategic & Corporate Services view of the KCC corporate risk, which has been adapted and given a narrower scope, focusing specifically on capacity to maintain day-to-day delivery while also supporting service changes across the Authority. Similar to the corporate workforce risk outlined above and in appendix 1, the risk rating has been raised due to implications of the coronavirus pandemic. As mitigation, resource requirements are reviewed regularly in light of projected workloads and project-based approaches are adopted and resource mapping takes place as required in order to aid capacity planning. In addition, as part of the KCC Strategic Reset Programme, expected resource requirements of corporate services from major change activity are being highlighted to enable conversations regarding what support can realistically be offered within timescales.</p>			

4. Key Divisional Risks

4.1 Underpinning the corporate and directorate risks, there are a number of divisional risks across the ST directorate, typically of a more operational nature, for which the Directorate Management Team have regular oversight, such as:

- Compliance with legislative duties and associated requirements e.g. Freedom of Information Act; Equality Act 2010 duties or internal standards.
- Dependencies on ICT systems.

- Resource availability in individual divisions to discharge their functions in a timely fashion.
- Ensuring effective relationships with our partners.
- Embedding and continual improvement of multi-agency safeguarding arrangements as a result of *Working Together* statutory guidance.
- Addressing safety risks.
- Supply chain failures.

5. Recommendation

Recommendation:

The Policy & Resources Cabinet Committee is asked to consider and comment on the risks presented.

6. Background Documents

- 6.1 KCC Risk Management Policy and associated risk management toolkit on KNet intranet site. <https://kentcountycouncil.sharepoint.com/sites/KNet>

7. Contact details

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