

From: Roger Gough, Leader of the Council
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To: Policy & Resources Cabinet Committee – 24th March 2022

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 significant impact on KCC's risk profile, with the majority of corporate risks still rated as high risk, although several have reduced slightly in severity. Recently, at a national level, the Government has published its plan for living with Covid, and various Government White Papers relating to Levelling Up, Social Care Reform, Health and Social Care Integration etc. have been emerging. Alongside this, a "Second Jolt" of rising inflation, geo-political uncertainty, soaring energy prices and other macro challenges arising from the Covid-19 pandemic is putting pressure on organisations and individuals.
- 2.2 The Strategic and Corporate Services directorate currently leads on nine corporate risks. A brief summary, including changes over the past year, is outlined below, with more detail of the risks and their mitigations contained in appendix 1.

Risks being added to the Corporate Register

- 2.3 Supply chain and market factors - a key theme arising from risk management discussions has been external factors affecting KCC's supply chain and markets. A specific risk remains on the corporate register that focuses on the sustainability of the care market. However, workforce shortages are being experienced in key areas across the council, which presents significant challenges, alongside shortages of materials that are driving associated cost inflation. Therefore, a strategic risk covering supply chain factors, to complement more specific service risks across the council, has been considered by CMT.

- 2.4 Impacts on performance and fulfilment of statutory duties due to capital programme affordability. The corporate register has contained risks relating to specific elements of the capital programme, such as Basic Need grant shortfall to enable sufficient school place provision, as well as maintenance and modernisation of the KCC estate. These risks are now being included in a broader risk relating to the affordability of the capital programme and the potential implications for the fulfilment of statutory duties or achievement of performance standards. This considers important service areas not explicitly covered before such as highways infrastructure. The risk has been discussed by the Corporate Management Team and further detail is being developed in conjunction with officers in Finance and Infrastructure teams.

Changes to Existing Risks

- 2.5 CRR0009 - Future financial and operating environment for local government: The Government's Spending Review in autumn 2021 gave the local government sector more certainty in terms of funding over 3 years, although the local government finance settlement for individual councils only covered the one-year period of 2022-23. The risk rating was reduced slightly in light of the Government Spending Review and Local Government Settlement, but is still rated as High.
- 2.5.1 One of the main aspects of this risk now is whether spending growth pressures facing services across the council can be contained within the Council's core spending power over the medium term. This is particularly pertinent in light of external environmental factors such as inflation and rising energy prices. Revenue inflation was identified as a key budgetary risk in the Budget Risk Register presented to County Council in February 2022.
- 2.6 Risk ratings for two other risks risks have reduced slightly (CRR0004 - Simultaneous Emergency Response and Resilience; CRR0049 – Fraud and Error) reflecting the fact that while the risks still require close management, the risk exposure is not deemed quite as high as at the height of the Covid-19 pandemic.
- 2.7 CRR0014 - Technological resilience and Information Security. The risk has been broadened from a cyber security risk, to reflect the importance of ensuring our technology infrastructure remains fit for purpose as an enabler for the achievement of our Technology Strategy, as well as resilient in light of the ever-increasing dependency on technology to conduct day-to-day business. Cyber-attacks remain a significant area of threat for the council.

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

3.1 There are currently two directorate risks featured on the Strategic and Corporate Services directorate risk register (summarised below), both currently 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. 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.</p> <p>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>			
ST0027	Payment card data security standards	High (16)	Medium (12)
<p>Payment Card Industry Data Security Standard (PCI-DSS) is a compliance requirement for all environments, people, processes, and technologies that store, process or transmit cardholder data. If cardholder data were to be exposed KCC could be subject to a significant fine and reputational damage. This risk has been recently escalated to the directorate register from the Finance divisional register as this matter impacts the directorate and potentially wider organisation. The Strategic Reset Programme has recently approved funding for twelve months for a specialist role within the Compliance and Risk Team to undertake compliance scoping exercise across the organisation.</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
- Construction inflation, material and labour shortages
- Workforce and succession planning
- Co-dependencies with the voluntary sector

- Resource availability and capacity in individual divisions to discharge their functions in a timely fashion.
- ICT resilience

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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