From: Roger Gough, Leader of the Council

David Cockburn, Chief Executive Officer

To: Governance and Audit Committee – 21st July 2022

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary: Governance & Audit Committee receives the Corporate Risk Register every six months for assurance purposes.

FOR ASSURANCE

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1. Background

1.1 The Corporate Risk Register is regularly reviewed and updated to reflect any significant new risks or changes in risk exposure that arise due to internal or external events; and to track progress against mitigating actions.

1.2 A combination of the cost-of-living crisis, rising energy bills and inflation pressures, all exacerbated by the war in Ukraine and global supply chain issues, mean that the council, its residents, service users and staff are facing significant challenges.

1.3 The Corporate Risk Team will be discussing the alignment of risks to priorities set out in the Council's new Strategic Statement with Cabinet Members and the Corporate Management Team during the autumn, as well as ensuring regular liaison with the Strategic Reset Programme Board regarding delivery risks associated with major change activity.

2. Corporate Risk Register summary

2.1 Given the background context above, there have been several changes to the Corporate Risk Register during the past few months, summarised below:

2.2 NEW Risk: CRR0055 - Adult Social Care Reform. Elements of this risk have been featured as part of the medium term financial and operating environment risk (CRR0009) but the publication of the Adult Social Care White Paper has raised the prospect of a number of risk implications for councils. For instance, concerns have been raised that the Government's Social Care Reform impact assessment had not adequately factored in the cost and impact on KCC and providers. In addition, there have been extremely tight timescales in which to

conduct a “Fair Cost of Care” exercise that informs the Market Sustainability Plan, although the Government has recently stated that the major policy shift to implementation of Section 18(3) of the Care Act will be phased in. Available evidence indicates that the implications flowing from the implementation of the twin policy proposals of the ‘Fair Cost of Care’ and Section 18(3) of the Care Act 2014 necessitate further consideration of the funding commitment; otherwise, there is the potential for the council to be subject to unacceptable financial risk.

2.3 In addition to the new risk above, the details of several risks previously presented to this Committee in headline form have been added to the register:

- CRR0052: Impacts of Climate Change on KCC services. This has been drafted in consultation with the Risk and Control Owners, with an initial risk rating of “High”.

- CRR0053: Capital Programme Affordability (Impacts on performance and statutory duties). This risk has been discussed with the Capital Officer Group to appropriately articulate the risk and the various controls, and a current rating of “High” has been assigned.

- CRR0054: Supply Chain and Market Factors. Details have been discussed with KCC’s Interim Strategic Commissioner and there has been a focus on the corporate controls relating to Commissioning Standards, which have recently been refreshed. However, there are service areas across the council with specific challenges and any additional intelligence available will be factored into this corporate risk, also rated High.

2.4 CRR0001: Safeguarding Vulnerable Children. The risk level has been reduced to reflect the findings from the recent Ofsted inspection of children’s services, which deemed services for the protection of vulnerable children as good, with an overall effectiveness of outstanding.

2.5 The recent Revenue and Capital Outturn report to Cabinet highlighted again the pressures relating to higher demand and cost for **high needs placements**, with the net deficit on the high needs block increasing from £62m in March 2021 to £104m in March 2022. The Department for Education has recently invited the Council to take part in the second round of the Safety Valve Programme for those Councils with the highest deficits to support the development of a sustainable plan for recovery. This may include further funding from the DfE to pay off historic deficits but only if the Council can demonstrate a credible plan, which requires agreement by September 2022.

2.5.1 In light of the latest developments in this area, and the intrinsic link between funding and delivery of changes in practice, it is proposed that the two corporate risks relating to the High Needs funding shortfall (CRR0044) and the more practice-based risk (CRR0047) concerning the implementation of the Council’s response with partners to the Written Statement of Action are merged and updated to frame the latest position.

2.6 Recent issues arising from the retendering of **SEND Transport** services have led to a lessons-learned review being commissioned, led by the Head of Internal Audit. While this relates to matters in the past, there is a risk that should be considered relating to whether similar issues could arise again in September for the start of the new academic year, particularly with the economic position continuing to worsen, a shortage of drivers and increasing demand for SEND transport. Timely and effective mitigations are required and are being discussed by CYPE and GET Directorate Management Teams, as well as the Corporate Management Team, with outputs to be fed into the KCC risk profile.

2.7 KCC is working with partners to implement the **Ukraine resettlement schemes**. The main risks and issues have initially related to some gaps or ambiguity in guidance from central Government, more recently in relation to the expansion of the scheme to cover unaccompanied children; welfare concerns and safeguarding risks; and questions relating to ongoing support arrangements once placements end. This is all in the context of additional arrivals of refugees from other countries also requiring support. While from a KCC perspective several risks exacerbate existing corporate risks, it has been proposed that this will be added to the Corporate Risk Register as a standalone risk in the short term, until many of the risks associated with establishing the schemes have been mitigated. This involves continual liaison with our local partners as well as central government. The details of the risk and associated controls are being discussed with the relevant accountable officers.

2.8 The Corporate Risk Register is attached in appendix 1.

2.9 The Council's Risk Management Policy & Strategy states, "*Corporate Risks are subject to "deep dive" reviews by Corporate Board and the Governance & Audit Committee, with those responsible for the management of risks present, at an appropriate frequency, depending on the nature of the risk."* Therefore, the Committee may wish to consider whether any corporate risks require more in-depth review for assurance purposes.

3. Directorate Risks

3.1 A headline summary of directorate risks is reported to this Committee to give it oversight of risks that are being regularly monitored and reviewed by Directorate Management Teams. These are attached at appendix 2 and are reported in more detail to Cabinet Committees annually, with accountable Risk Owners present.

4. Timescales to Target Residual levels of risk

4.1 This Committee has previously discussed the direction of travel in relation to current risk ratings and their progress towards realistic and deliverable "target" residual ratings. This question has been put to Risk Owners, and while there

are external factors that can influence achievement of these target ratings, they have been proposing estimated time bands for them (namely within 1 year; 1-2 years; or 3 plus years) according to the nature of the risks, with some accompanying commentary. These timescales are a work-in-progress subject to further collective discussion with the Corporate Management Team as well as the relevant Cabinet Portfolio Holders. They are attached at appendix 3.

5. Monitoring and Review

5.1 There is a focus on ensuring that key mitigating actions are identified, and progress monitored. The risks within the Corporate Risk Register, their current risk level and progress against mitigating actions are reported to Cabinet quarterly via the KCC Quarterly Performance Report.

6. Recommendation

6.1 The Governance and Audit Committee is asked to:

a) NOTE the report for assurance.

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