From:	**Roger Gough, Leader of the Council**
	David Cockburn, Chief Executive Officer
To:	**Cabinet – 5th January 2023**
Decision No:	**N/A**
Subject:	**Corporate Risk Register**
Classification:	**Unrestricted**

Past Pathway of Paper: N/A

Future Pathway of Paper: Governance & Audit Committee

Electoral Division: ALL

Summary: This report updates Cabinet on the outputs from the latest, more formal refresh of KCC's corporate risk profile, including the revised Corporate Risk Register.

Recommendation(s):

Cabinet Members are asked to NOTE the report.

1.   Background

1.1   The Corporate Risk Register is a 'living document' and is regularly reviewed and updated throughout the year 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. It is subject to a more formal review each autumn, including conversations with Corporate Management Team and Cabinet Members and taking into consideration comments made by the Governance & Audit Committee.

1.2   The review process has taken place against a backdrop of continued uncertainty in the local government operating environment, with the Council facing implications relating to geo-political factors, the cost-of-living crisis, broader economic volatility, workforce shortages and cost inflation.

1.3   The refresh highlighted a strong consensus on what are seen as the main risks for KCC, both in relation to respective portfolios / directorates and wider KCC concerns. There remains a strong correlation between these views and

risks already captured on directorate registers or the corporate risk register, which would indicate that the current risk management process is robust. However, the context of the risks continues to evolve, along with the Council's responses.

2. Corporate Risk Register – summary of changes

2.1 Ahead of the formal refresh, two changes to the risk register had already been made:

2.1.1 CRR0056 – *SEND Delivery and High Needs Funding.* The previously separate SEND risks relating to the Council's response to the Written Statement of Action and High Needs funding have been merged due to the intrinsic link between funding and delivery. The risk has also been updated to reflect developments regarding the recent Ofsted / CQC revisit findings, Safety Valve mechanism and SEND Transformation Programme. The risk is currently rated at a maximum rating of 25.

2.1.2 A new High risk *CRR0057 – Home To School Transport* has been added due to the medium term concerns relating to increasing demand and market capacity constraints.

2.2 More recently, as a result of the refresh process, a number of changes have been made to the Corporate Risk Register, which are summarised below:

2.2.1 CRR0009 – *Future financial and operating environment for local government*. The risk was increased from 20 to the maximum rating of 25 due to having to absorb inflationary pressures, the significant in-year forecast overspend and medium-term financial budget pressures. The Autumn Statement has provided some additional funding towards spending growth pressures next year and reduces the budget gap, although the provisional local government finance settlement will contain the fine detail. Therefore, the risk rating will be reviewed again in the coming weeks once this has been analysed and the Council's budget conversations have progressed further.

2.2.2 CRR0051 – *Supporting the workforce transition to hybrid working.* This risk is being closed and a new risk has been entered onto the corporate register (CRR0058) that focuses more specifically on workforce recruitment and retention in relation to key roles across KCC. Notable consequences include workforce capacity challenges. The risk is rated as High.

2.2.3 CRR0045 – *Maintaining effective governance and decision making in a challenging financial and operating environment for local government.* The risk level is being increased slightly to reflect both the increasingly challenging financial environment (see above) and the subsequent pressure it puts on decision-making, as well as several areas being identified in the Council's Annual Governance Statement that require addressing.

2.2.4 *CRR0014 – Technological resilience and information security threats.* The risk is being de-scoped to focus solely on cyber and information security threats. This is due to key systems being moved to the cloud, which helps to improve resilience. The target residual rating for the risk has been raised to match the current level of 20. This is to reflect that despite continuing improvements to the council's security environment, the risk level will remain high due to constantly evolving threats that require controls to remain effective and fit-for-purpose. The risk reflects controls of a technical nature as well as those that provide training and awareness raising of cyber threats for our workforce.

2.2.5 CRR0004 – *Simultaneous Emergency Response and Resilience* is being revised to outline mitigations that KCC is responsible for relating to preparedness as a Council for potential power rationing or outages during the upcoming winter months and an action relating to this has been added to the register. However, it has been noted throughout the refresh that the Council has been managing simultaneous incidents well as part of "business as usual" in recent times and therefore consideration will be given to reducing the risk to its target level in the coming months.

2.2.6 The impact rating for risk CRR0039 – *Information Governance* has reduced to reflect the Information Commissioner's Office (ICO) revised approach to public sector enforcement, which focuses on increased use of the ICO's wider powers, including warnings, reprimands and enforcement notices, with fines issued in only in the most serious of cases. This does not negate the need for the Authority to continue its rigorous efforts to mitigate information governance risks.

2.2.7 CRR0055 – *Impacts of the 'People at the Heart of Care' Social Care Reform White Paper* was added earlier in 2022, but as the key reforms have been delayed as part of the Autumn Statement, the corporate risk is being withdrawn and reassessed pending further information on their implementation. However, one area of reform still progressing is the Care Quality Commission (CQC) Assurance Framework, which may contain risks that require capturing at corporate or directorate level.

2.2.8 CRR0010 - *Provision for Unaccompanied Asylum-Seeking Children (UASC)* has been delegated to the CYPE directorate register with the continuation of the mandated National Transfer Scheme.

2.3 While 2.2.8 above mentions the more specific UASC situation, one key theme raised regularly throughout discussions with CMT and Cabinet Members was the broader refugee and asylum situation in Kent, including the various resettlement schemes in operation that the Council leads. This was in the context of potential community impacts and pressures on the Council's services. While the cause of any impacts may not be within the Council's control, there are still core responsibilities and duties that need to be met and associated risks managed. These are being considered with a view to entering as a specific risk on the corporate register if the aggregated risk exposure is deemed to warrant it. Otherwise, relevant risks will continue to be captured in the relevant risk profiles across the Authority.

2.4 More detail on the risks and their mitigations are contained in the Corporate Risk Register in appendix 1.

3. Monitoring and Review

3.1 The corporate risks led by each Corporate Director are presented to the relevant Cabinet Committees annually, alongside existing arrangements for presentation of directorate risks. This allows for more in-depth conversations about the risks with the relevant Risk Owner and Cabinet Member present.

3.2 The corporate register is also presented to Governance & Audit Committee twice yearly for assurance purposes, and the Internal Audit function uses the register as a source of information to inform its audit plan for the coming year.

3.3 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 Quarterly Performance Report.

4. Conclusions

4.1 The refresh process this year has taken place against a continued background of uncertainty, particularly in the external environment, with the Council severely impacted by supply chain and market factors, inflationary pressures and impacts of the cost-of-living crisis, meaning that there are still nearly as many 'High' rated risks as at the height of the Covid-19 pandemic.

4.2 One common theme arising was the need to regularly prioritise and re-prioritise given the increasingly challenging risk environment. This applies to the corporate risk profile, with most of the corporate risks now being rated as high. This requires further work to develop a deeper understanding of the drivers of each risk, the proximity of potential impacts, and the effective prioritisation and sequencing of mitigations, within resourcing constraints.

4.3 The refresh highlights again the complex and systemic nature of the risks KCC faces, which often involve management alongside partners and providers, meaning that some risks are only partly within our control to mitigate. This emphasises the importance of continual horizon scanning and scenario modelling, along with agility of response and resilience. It is also important to obtain clarity of ownership and accountability in relation to these types of risks.

4.3.1 The fact that a number of our corporate risks are not entirely within our gift to control or manage is demonstrated by the 'target' residual risk ratings that are listed against each risk. The majority of them are medium or high ratings, which is indicative of the fact that even with further mitigation, the Council will have to accept holding significant levels of risk going forward.

4.4   Several of the programmes and projects within the Council's Strategic Reset Programme aim to mitigate elements of our corporate risk profile. Therefore, it is important that there is visibility of any significant risks and issues that could affect their successful delivery.

4.5   As risks evolve and new risks emerge, there is the need to consider the continued effectiveness of controls and any further mitigations as appropriate.

4.6   The consideration of the aggregate picture of risk at a corporate level should aid thinking on how risk (including risk appetite) needs to feed into decision-making when setting priorities and allocating resources.

5.   Recommendation

5.1   Cabinet Members are asked to NOTE the report.

Report Author:

Mark Scrivener, Corporate Risk & Assurance Manager
Email: mark.scrivener@kent.gov.uk

Relevant Director

David Whittle, Director of Strategy, Policy, Relationships and Corporate Assurance
Email: David.whittle@kent.gov.uk