

From: Derek Murphy, Cabinet Member for Economic Development

Clair Bell, Cabinet Member for Community and Regulatory Services

Simon Jones, Corporate Director for Growth, Environment & Transport

To: Growth, Economic Development and Communities Cabinet Committee – 5th March 2024

Subject: **Risk Management: Growth, Environment and Transport Directorate**

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 Growth, Economic Development and Communities Cabinet Committee, comprising of 3 risks on the Corporate Risk Register that fall within the relevant Cabinet portfolios; plus a summary of key risks from within the Growth, Environment and Transport directorate.

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.
- 1.2 Corporate and Directorate risks are reported to Cabinet Committees annually and contain strategic or cross-cutting risks that potentially affect several functions across the Growth, Environment & Transport directorate, and often have wider potential interdependencies with other services across the Council and external parties.
- 1.3 Corporate Directors also lead or coordinate mitigating actions in conjunction with other Directors across the organisation to manage risks featuring on the Corporate Risk Register.

- 1.4 The majority of these risks, or at least aspects of them, will have been discussed in depth at the 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. Growth, Environment and Transport led Corporate Risks

- 2.1 The Corporate Director for the Growth, Environment and Transport directorate is the lead, on behalf of the Corporate Management Team, for several of the council's corporate risks that fall within the Economic Development or Community and Regulatory Services Cabinet portfolios. A brief summary of changes over the past year are outlined below, with full details contained in the risk register extract attached at Appendix 1. The risks are regularly reviewed by directorate and divisional management teams.

Risk Reference	Risk Description	Current Score	Target Score
CRR0003	Securing resources to aid economic growth and enabling infrastructure.	High (25)	High (16)
<p>The Council actively seeks to secure the resources/funding necessary to provide the infrastructure required to support growth, which often need to be bid for in very tight timescales and are increasingly subject to the drive to deliver economic impact, housing and employment outputs.</p> <p>The risk specifically highlights gaps in funding at local level between the overall costs of the infrastructure required and the Council's ability to secure sufficient funds through the current funding systems, including Section106 contributions, Community Infrastructure Levy and other growth levers and the consequential impacts.</p> <p>The Development Investment Team (DIT) in the Growth and Communities division, has established strong working relationships with each of the wider KCC service areas to ensure that contributions are targeted to their needs. Work completed during the adoption of the updated Developer Contributions Guide has enabled planning responses to include greater flexibility of infrastructure project descriptions. Moving forward, this will assist KCC service areas' ability to spend the contributions they receive, helping to unlock existing barriers, where overly prescriptive project descriptors within s106 agreements have historically made it harder for service areas to spend.</p> <p>The Levelling Up and Regeneration Act 2023 holds potentially significant implications,</p>			

although these are mostly medium to long-term. For example, the reforms to devising and implementing local plans are not due to come into force until 2026 while the new infrastructure levy, intended to replace section 106 agreements and the community infrastructure levy, is expected to take several years to fully implement.

KCC has led the development of a Kent and Medway Economic Framework with partners, setting out a high-level strategy that will guide activity to support the sustainable growth of the county's economy through to 2030. One key ambition is to "secure resilient infrastructure for planned, sustainable growth, supporting joint work across Kent and Medway to maintain a dynamic understanding of the county's infrastructure needs, and making the case for investment in its national connectivity infrastructure and the resilience of local business-critical infrastructure."

CRR0042	Border fluidity, infrastructure and regulatory arrangements <i>(Target Risk Rating increased)</i>	High (25)	High (20)
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The UK now operates a full, external border as a sovereign nation and controls are now placed on the movement of goods between the UK and the EU.

The Government has published its Border Target Operating Model to control imports of animals, plants, food, feed and consumer goods. New import rules are being rolled out throughout 2024 in three phases from the end of January to end of October. Potential impacts on KCC Trading Standards activities in particular, have been considered and will be closely monitored.

New border controls for people, including the Entry/Exit System (EES) which sees non-EU citizens fingerprinted and photographed at borders, are due to be introduced in October 2024. The Council is working with partners at local and national level to plan for and prepare responses to potential impacts arising.

CRR0004	Simultaneous emergency response and resilience <i>(Current Risk Rating reduced)</i>	Medium (15)	Medium (15)
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Ensuring that the Council works effectively with partners to plan for, respond to, and recover from, emergencies and service disruptions is becoming increasingly important, informed by accelerating climate change linked severe weather impacts, national and international security threats, severe weather incidents, 'cyber attacks' and uncertainties around implications of the future UK/EU relationship.

Throughout the past year, KCC has been engaging with an independent review of the Kent Resilience Forum to provide clarity on KCC's role, contribution and responsibilities as a partner within the KRF. One key outcome from this is the redesign and strengthening of KCC's Emergency Planning and Resilience Service. The Council has proven to be adept at handling numerous incidents concurrently in recent years, with this becoming "business as usual". Therefore, it is proposed that this risk is delegated to directorate level, for the Risk Owner to escalate if there are particular concerns.

3. Growth, Environment and Transport Directorate risk profile

3.1 The current risks in the GET Directorate risk register are shown below.

Risk Reference	Risk Description	Current Score	Target
GT0031	Recruitment and Retention challenges for key roles. <i>(Target Risk Rating increased).</i>	High (20)	High (16)
<p>This relates to the directorate's perspective on a key corporate risk for the Council and has superseded a previous directorate workforce risk that was more narrowly focused on shortages in project management skills to bid for external funding (which remains a valid risk).</p> <p>There are a number of key or specialist roles across the directorate for which the role holders often have skill sets transferrable to other sectors, which presents risks to the recruitment and retention of suitably trained and experienced staff. It is particularly challenging to compete with salary demands for some specialist roles.</p> <p>The risk carries potential consequences for workforce capacity, capability and morale. An updated approach to recruitment and retention is being developed, led via the directorate's Organisational Development group, aiming to address key skills gaps. Succession planning is another mitigation.</p>			

Risk Reference	Risk Description	Current Score	Target
GT0020	Identification, planning and delivery of Medium-Term Financial Plan targets. <i>(Target Risk Rating increased).</i>	High (20)	High (16)
<p>The current and target risk ratings have increased further during the past year as the financial environment has become increasingly challenging, particularly with ongoing uncertainty over the medium-term funding envelope for the council and the fact that there are significant levels of savings still to be identified over the medium term.</p> <p>The directorate is required to make its contribution to the challenging savings targets required by the council over the medium term. There is a reduced ability for the directorate to mitigate year-on-year, but the Directorate participates fully in financial monitoring processes and has developed savings and income proposals that have been fed into the MTFP that require timely decision-making to ensure successful delivery. Key projects are monitored and managed by the GET Directorate Management Team.</p>			

Risk Reference	Risk Description	Current Score	Target
GT0025	Capital Investment and Asset Management	High (20)	High (16)

	(Current and Target Risk Ratings increased).		
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There are challenges to the sufficiency of capital funding for Highway Asset Management and Infrastructure growth, as well as achieving Net Zero for the KCC estate by 2030 (cross-reference to GT0026 below). Therefore, more external funding will need to be secured, which presents risks related to resources required to develop feasibility / bids for these, (alongside any “abortive costs” if bids are not successful), plus the sometimes onerous and challenging grant conditions that come with the funding that could expose KCC to financial risk. Shortfalls in capital funding that impact on the KCC estate can also present implications for services in the directorate that operate from KCC buildings. An increasing risk also the annual shortfall in funding to achieve “steady state” in terms of asset management and the impact of significant inflationary pressures in recent years. Actions are taking place to source additional capital funding with ongoing oversight within the directorate.

Risk Reference	Risk Description	Current Score	Target
GT0026	Funding sufficiency for Net Zero 2030 carbon ambitions	High (16)	Medium (9)

This risk relates to the capital investment needed to meet the 2030 Net Zero objective for KCC’s corporate estate and traded companies, which is not yet fully identified. Some funding has been secured for estate decarbonisation and funding opportunities continue to be sought and applied for, although the changing nature of Government funding presents challenges, with some schemes now requiring match funding from KCC at a time when revenue and capital resources under significant pressure. The risk will be reviewed again once a revised Net Zero plan has been developed for discussion in the coming months.

Risk Reference	Risk Description	Current Score	Target
GT0027	Provision of Suitable IT systems	Medium (12)	Medium (12)

The directorate is increasingly reliant on information held electronically and would be impacted by staff being unable to continue working remotely due to equipment or network failure. Business Continuity Plans have been updated to include plans to mitigate against this risk and equipment is upgraded when available and necessary.

Risk Reference	Risk Description	Current Score	Target
GT0019	Delivery of in-year budget targets. (Target rating increased)	Medium (12)	Medium (12)

As well as the medium-term financial challenges raised in GT0020 above, more immediate budget challenges exist in-year. Like other parts of the council, services in the directorate are being impacted by increased costs, and income volatility can be problematic for some services such as Waste Management, which is demand-led. However, there are robust monitoring procedures in place and the directorate reacts swiftly and anticipates in-year pressures well,

At the time of reporting to Cabinet on January 25th 2024, the GET directorate was forecasting a breakeven position for the current year 2023/24, with this position improved further since, due to specific management action. It should be noted though, that this extensive management action, including the implementation of additional spending controls, is not sustainable beyond the short-term and any non-delivery of savings or decisions not taken in a timely manner are difficult to manage in the context of the demand, inflationary pressures and funding / capacity concerns outlined above. This is why the risk remains at a Medium rating.

Risk Reference	Risk Description	Current Score	Target
GT0021	Resources provided to the Directorate - (availability and quality)	Medium (12)	Medium (9)

The directorate liaises regularly with corporate services to ensure they can provide expert advice to services at the right time. However, it is acknowledged that there are capacity challenges elsewhere across the organisation that can impact on the level and timeliness of support available.

The Directorate Management Team is also continually liaising with KCC commissioners on any issues regarding performance of service providers (e.g., KCC Local Authority trading companies or outsourced services), and the directorate's services are increasingly being involved as key stakeholders in matters of strategy and service design.

Risk Reference	Risk Description	Current Score	Target Score
GT0001	Health and Safety considerations.	Medium (10)	Medium (10)

Services across the directorate need to pay due regard to potential Health and Safety issues due to the nature of the work they undertake.

Recommendations from health & safety reviews are monitored, with any improvements made as required. Sound health & safety systems are maintained at Waste sites, including reviews of any accidents or near misses, while services work with Facilities Management regarding regular risk assessments of directorate sites and testing for

hazards.

A Health, Safety and Wellbeing Board for the directorate has been established and is reviewing the priority areas for action, including reporting mechanisms.

- 3.2 The GET Directorate Leadership Team (DLT) agreed at its last risk review that market capacity and competition factors were relevant across all divisions and therefore it warrants a directorate risk that DLT can review collectively at regular intervals. A themed analysis is being conducted to outline which areas of the directorate are most impacted.

4. Recommendation

The Cabinet Committee is asked to **consider** and **comment** on the risks presented in this report.

5. Appendices

Appendix 1 – GET-led Corporate Risks

6. Contact details

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