

From: Neil Baker, Cabinet Member for Highways & Transport
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To: Environment and Transport Cabinet Committee – 7th 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 Environment and Transport Cabinet Committee, comprising of 2 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.

CRR0042	Border fluidity, infrastructure and regulatory arrangements <i>(Target Risk Rating increased)</i>	High (25)	High (20)
<p>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.</p> <p>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.</p>			

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.

CRR0052	Adaptation of KCC services to climate change impacts.	High (25)	High (20)
<p>This risk relates to the short, medium and long-term impacts of climate change on the services the Council provides and the need to embed environmental considerations in our operating model and meet our environmental commitments. There are a number of actions being put in place to mitigate this risk, including an Adaptation Strategy that is being developed. Due to the broad nature of the risk, a review of its scope will be conducted in the coming months.</p>			

2.2 There was previously a corporate risk relating to Home To School Transport on the Corporate Risk Register that focused on operational concerns in the wake of a major re-tendering exercise, for which the Internal Audit function has conducted a lessons-learned review that has been followed by a management action plan. This has been removed as a standalone corporate risk, as the predominant risk now relates to increases in costs for Home To School Transport (SEND and Mainstream). Therefore, the cost pressures and plans being progressed to mitigate them are to be included as part of the corporate budgetary and SEND delivery improvement and high needs funding shortfall risks. Any more operational risks on this topic are captured at directorate / divisional level.

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</p>			

challenging to compete with salary demands for some specialist roles.
 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.

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)

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.

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.

Risk Reference	Risk Description	Current Score	Target
GT0025	Capital Investment and Asset Management <i>(Current and Target Risk Ratings increased).</i>	High (20)	High (16)

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 above). 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)
<p>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.</p> <p>The risk will be reviewed again once a revised Net Zero plan has been developed for discussion in the coming months.</p>			

Risk Reference	Risk Description	Current Score	Target
GT0027	Provision of Suitable IT systems	Medium (12)	Medium (12)
<p>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.</p>			

Risk Reference	Risk Description	Current Score	Target
GT0019	Delivery of in-year budget targets. <i>(Target Rating increased).</i>	Medium (12)	Medium (12)
<p>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.</p> <p>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.</p>			

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

Risk Reference	Risk Description	Current Score	Target Score
GT0001	Health and Safety considerations.	Medium (10)	Medium (10)
<p>Services across the directorate need to pay due regard to potential Health and Safety issues due to the nature of the work they undertake.</p> <p>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.</p> <p>A Health, Safety and Wellbeing Board for the directorate has been established and is reviewing the priority areas for action, including reporting mechanisms.</p>			

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.

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