

From: **Roger Gough, Leader of the Council**
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To: **Cabinet – 9th January 2025**

Decision No: **N/A**

Subject: **Corporate Risk Register**

Classification: **Unrestricted**

Past Pathway of Paper: N/A

Future Pathway of Paper: Governance & Audit Committee – 23/01/25

Electoral Division: ALL

Summary: This report updates Cabinet on the outputs from the latest, more formal review of KCC's corporate risk profile, including the 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 the Corporate Management Team, Cabinet Members and the Chair of the Governance & Audit Committee.
- 1.2 Once again, the review process has occurred in the midst of an extremely challenging and uncertain operating environment, with KCC, along with the local government sector as a whole, experiencing significant uncertainty and organisational pressures.
- 1.3 The risk landscape is always evolving. During the course of the process, several additional events occurred, including the new Government's first Autumn Budget Statement, the delay to the introduction of the European Union's Entry / Exit System (EES) and subsequently, the publication of the

English Devolution White Paper and provisional Local Government Finance Settlement, which all need to be factored in to KCC's risk profile.

- 1.4 There has been continued 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.
- 1.5 As part of the refresh, particular attention was paid to key themes such as budgetary pressures; partnerships and local "system-based" risks; senior level continuity; workforce pressures; and asset management.
- 1.6 Several positive developments were highlighted that demonstrated risks being managed well, including the work to support and accommodate unaccompanied asylum seeking children; independently recognised improvements in delivery of the Special Educational Needs and Disabilities (SEND) agenda; coping with home to school transport pressures; and taking some difficult decisions to support the financial sustainability of the Council.

2. Corporate Risk Register - summary of changes

- 2.1 There are 16 risks on the corporate risk register after this process, which is 7 less than reported to Cabinet at this time last year. This is partly due to the clarification of criteria for what goes on and what comes off the corporate register and key events passing, but also recognises risks that have been managed well and have been de-escalated to directorate or divisional level. The main changes to the register summarised below:

WITHDRAWN RISK

- 2.2 CRR0061: Care Quality Commission (CQC) Assurance has been removed from the corporate register for now, reflecting the fact that the first inspection under the Local Authority Assurance Assessment Framework took place at the end of September. This risk will be reviewed again once the outcome is known, as this will indicate whether there are further risks to be captured and at what level within the organisational hierarchy.

DE-ESCALATED RISK

- 2.3 Ahead of the formal refresh, the risk relating to potential unidentified Reinforced Autoclaved Aerated Concrete (RAAC), CRR0060, had already been removed from the corporate risk register, although a risk will remain at Infrastructure

divisional level that relates to potentially unsafe building materials that require investigation, rather than focusing on specific defective materials.

NEW RISK

- 2.4 CRR0065: Implementation of Oracle Cloud Programme. This is a critical programme for the organisation, replacing the current outdated infrastructure. It is a large and complex programme, which carries with it significant inherent risk. There have been reports in the public domain about other implementations that have been fraught with difficulties, so it is important that this organisation-wide risk features on the Corporate Risk Register for visibility and that the programme demonstrates robust governance, change and programme management, especially at a time where organisational capacity is stretched, with several major change activities in train.

RISK REDUCTION

- 2.5 CRR0063: Capacity to accommodate and care for Unaccompanied Asylum-Seeking Children (UASC). This is an area of risk where significant progress has been made to reduce the level of risk faced by the Council, working in partnership with external agencies such as the Home Office and Department for Education. Now that funding agreements are in place, accommodation has been sourced to receive those coming into our care, and improvements in the operation of the National Transfer Scheme (NTS) are being experienced, the risk rating has been reduced from High to Medium. However, it is recognised that certain factors e.g. volumes arriving in Kent and ongoing effectiveness of NTS, are still outside of the Council's direct control and will therefore require continued vigilance.
- 2.5.1 CRR0042: Border fluidity, infrastructure, and regulatory arrangements. The risk has reduced slightly from its maximum rating (although still High) due to the significant work that has been undertaken to plan for service impacts on KCC and providers, as well as the Council contributing to the work of the Local Resilience Forum with partners in preparation for the previous implementation date of 10th November 2024. KCC continues to work on preparedness and awaits further information on any revised implementation date and approach, which will instigate a further review of this risk.

REVISED RISKS

- 2.6 CRR0052: Adaptation of KCC Services to Climate Change impacts. The Council has recently adopted its Adaptation plan, which was the main mitigation previously listed against this risk. Successful delivery of the plan will not be without risk, particularly as it will rely in part on securing external funding, as well as being delivered by staff across the organisation that are required to embed the work into their day-to-day operations in a time of considerable resource constraint. The Adaptation Plan has a 3-year time horizon, which has

precipitated a review of the risk and its rating, which now stands at Medium level.

2.6.1 CRR0056 SEND Delivery Improvement and High Needs Funding shortfall.

This risk encompasses delivery of improvements identified in previous SEND inspections and outlined in the SEND Improvement Notice, as well as the funding challenges faced by KCC (and the sector more broadly) relating to the shortfall in High Needs funding. While it has made sense previously to combine the two aspects due to the intrinsic link between them, there are different drivers for the risks, and also different ratings. From an improvement perspective, there is significant progress being made, evidenced by the Improvement Notice being removed, but financial concerns and the imperative of meeting Safety Valve targets are still prevalent in their own right. Therefore, the two elements will be separated out for future reporting.

2.6.2 CRR0053: Capital Programme Affordability (impacts on assets, performance and statutory duties) – the refresh conversations re-emphasised the fact that

funding of the capital programme is an issue and a source of risk rather than a risk in itself. Much of the focus was understandably on asset management and degradation of assets over time, whether that relates to the KCC property estate, or community based assets such as highway infrastructure. Therefore, the risk is being retitled and will be rearticulated to reflect that.

2.7 A risk has been drafted for entry onto the Integrated Commissioning divisional risk register in Adult Social Care and Health relating to the four major contracts currently progressing through the commissioning process, totalling over £600m in current spend. It focuses on risk of not delivering the required activity within expected timescales. Given the scale of spend and challenges associated with the recommissioning activity, there is the potential for the risk to feature on the corporate risk register, if the delivery risk is deemed to be high.

2.8 Several risks remain at their maximum ratings, including those relating to the financial and operating environment of the council (CRR0009); significant failure to bring forecast budget overspend under control within budget level assumed (CRR0059); and sustainability of the social care market (CRR0015). Particular concerns have been raised regarding the latter risk, with the Budget Statement announcement of increases in employer National Insurance contributions and the National Living Wage impacting on social care providers.

2.9 The English Devolution White Paper was published on 16th December 2024 and this will lead to wide ranging changes for the local government sector. As more detail becomes known, the council's risk profile will be regularly reviewed to ensure it reflects implications arising and that transition risks are identified and managed.

2.10 More detail on the risks and their mitigations are contained in the Corporate Risk Register in appendix 1, which will be revised further with Risk Owners to take into account the revisions proposed above.

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 conversation and scrutiny of the risks and their management with the relevant Risk Owner and Cabinet Member present.
- 3.2 The detailed 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 has taken place against a continually challenging background in the Council's financial and operating environment. Many key themes arising last year are still valid, particularly the need to regularly prioritise (and de-prioritise where necessary) activity given the increasingly challenging risk environment and constraints such as workforce capacity.
- 4.2 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.
- 4.3 Several of the programmes and projects within the Council's Strategic Reset Programme (SRP) 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. The Risk & Delivery Assurance function is working closely with the SRP Team and others to offer support, advice and guidance to these programmes as they progress, as well as assessing delivery risk.
- 4.4 As risks evolve and new risks emerge, there is the need to consider the continued effectiveness of controls and any further mitigations that may be required.
- 4.5 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.

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