

From: Neil Baker, Cabinet Member for Highways & Transport
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To: Environment and Transport Cabinet Committee – 25th February 2025

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 Highways and Transport and Environment Cabinet portfolios. A brief summary of changes over the past year are outlined below, with full details contained in the risk register extract attached as Appendix 1. The risks are regularly reviewed by directorate and divisional leadership teams.

Risk Reference	Risk Description	Current Score	Target Score
CRR0042	Border fluidity, infrastructure and resilience. <i>(Current risk rating reduced but remains High and target rating reduced to Medium)</i>	High (20)	Medium (12)
<p>The UK operates a full, external border as a sovereign nation and controls are now placed on the movement of goods and people between the UK and the EU.</p> <p>New border controls for people, including the Entry/Exit System (EES) which sees non-EU citizens fingerprinted and photographed at borders, were originally due to be introduced in October 2024. This implementation date was subsequently delayed</p>			

and then put formally on hold due to a lack of preparedness from several bordering nations.

The KCC Resilience team have undertaken various internal resilience activities to plan for and prepare responses to potential impacts arising. They have also undertaken several external partner activities to ensure preparedness and collaborative working is sufficient to mitigate foreseen risks.

KCC continues to work with KMRF partners and government in anticipation of the new implementation date for EES. This is dependent on revised EU legislation allowing for a phased introduction of the levels of checks over a period of several months, anticipated to begin at some point between May and November 2025.

CRR0052	Adaptation of KCC services to climate change impacts. <i>(Risk revised)</i>	High (16)	Medium (12)
<p>This risk has been revised to ensure it relates to the adaptation of the services the Council provides to short, medium and long-term impacts of climate change and the need to embed environmental considerations in our operating model and meet our environmental commitments.</p> <p>The Environment Plan and Climate Change Adaptation Plan were approved for adoption at Cabinet on 28 November 2024. These plans set the strategic direction for the Council from 2025-28 to embed climate change adaptation into its assets and services. 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.</p>			

3. Growth, Environment and Transport Directorate risk profile

3.1 The current risks present on the GET Directorate risk register are shown below:

Risk Reference	Risk Description	Current Score	Target
GT0025	Capital Investment and Asset Management. <i>(Current risk rating increased)</i>	High (25)	High (16)
<p>This risk relates to financial pressures in maintaining and improving Kent highways and all assets including structures and bridges. The increase in costs of backlog of works results in 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).</p>			

The risk has increased in rating in the past year to ongoing and increased financial pressures.

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 ever-increasing risk is 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 continue to take place to source additional capital funding with ongoing oversight within the directorate.

Risk Reference	Risk Description	Current Score	Target
GT0036	UK Emissions Trading Scheme (UKETS). <i>(Risk escalated)</i>	High (20)	High (16)

This risk relates to the UK Emissions Trading Scheme (UKETS) that went live on 1 January 2021, replacing the UK’s participation in the EU Emissions Trading Scheme.

The UKETS applies to regulated activities which result in greenhouse gas emissions, including combustion of waste for fuel recovery. New legislation is set to be introduced in April 2028 to incorporate Energy from Waste Activities into UKETS, and costs will then become applicable to KCC due to waste disposal responsibilities. Based upon the 2023/24 forecast, expenditure cost pressures may be as high as £19m per annum.

Officers are continuing engagement with Kent Enviropower Limited and wider industry bodies to clarify ramifications of the UK trading scheme.

The risk has been escalated to the GET Directorate Risk Register until such time that the full impacts and mitigations are known.

Risk Reference	Risk Description	Current Score	Target
GT0031	Recruitment and Retention challenges for key roles.	High (20)	High (16)

This risk relates to the directorate’s recruitment shortfalls and retention challenges and has remained high over the past year.

There are a number of key or specialist roles across the directorate for which the postholders often have skillsets that are 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 key specialist roles.

The risk carries potential consequences for workforce capacity, capability and morale. A Workforce Strategy Action Plan is in place and regularly reviewed alongside the Directorate Organisational Design Group. Succession planning is another mitigation in place.

Risk Reference	Risk Description	Current Score	Target
GT0020	Identification, planning and delivery of Medium-Term Financial Plan targets.	High (20)	High (16)

This risk relates to the directorate's responsibilities to the MTFP and has remained high over the past year due to increasingly challenging financial pressures, 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.

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 Leadership Team.

Risk Reference	Risk Description	Current Score	Target
GT0026	Net Zero and insufficiency of funding	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.

The risk has remained static over the past year, although some funding has been secured for estate decarbonisation and funding opportunities continue to be sought and applied for.

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 are under significant pressure.

Mitigations include the recently approved Environment and Adaptation Plans which are focused on organisation-wide business change activity to ensure climate change adaptation is included, both in operational service delivery and projects.

Risk	Risk Description	Current	Target
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Reference		Score	
GT0027	Provision of suitable ICT systems and reliance on KCC technology projects.	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> <p>This risk rating has remained the same over the past year.</p>			

Risk Reference	Risk Description	Current Score	Target
GT0021	Availability and quality of resources provided to the directorate.	Medium (12)	Medium (12)
<p>The directorate liaises regularly with other organisational services to ensure they can provide expert support and 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 risk has therefore not changed over the past year.</p> <p>The Directorate Leadership 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 and this risk has remained static over the past year.</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. The risk is in the process of being revised to incorporate wellbeing factors or creating a separate risk if deemed required in this area.</p>			

3.2 Previously reported risk GT0019 - Delivery of in-year budgets has been withdrawn due to being classified as an issue that is being managed by the directorate. At the time of reporting to Cabinet on 30th January 2025, the GET directorate was forecasting a £6.3m overspend for the 2024-25 financial year, largely due to the English National Concessionary Travel Scheme, Waste Facilities & Recycling Centres and Highways Asset Management.

4. Recommendation

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

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