From: Roger Gough, Leader of the Council

                Amanda Beer, Chief Executive Officer

To: Policy & Resources Cabinet Committee – 13th March 2024

Subject: **Risk Management: Chief Executive and Deputy Chief Executive Departments**

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 Chief Executive and Deputy Chief Executive Departments, in addition to the risks featuring on the Corporate Risk Register that fall within the relevant Cabinet portfolios.

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. The process of developing the registers is therefore important in underpinning service delivery planning, performance management and operating standards. Risks outlined in risk registers are taken into account in the development of the Internal Audit programme for the year.

1.2   Directorate risks are reported to Cabinet Committees annually and contain strategic or cross-cutting risks that potentially affect several functions across the Chief Executive and Deputy Chief Executive Departments, and often have wider potential interdependencies with other services across the Council and external parties.

1.3   Chief Executive and Deputy Chief Executive Department Directors also lead or coordinate mitigating actions in conjunction with other Directors across the organisation to manage risks featuring on the Corporate Risk Register. The Directors in the Chief Executive and Deputy Chief Executive Departments are designated 'Risk

Owners' (along with the rest of the Corporate Management Team (CMT)) for several corporate risks.

1.4   The majority of these risks, or at least aspects of them, will have been discussed in depth at 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.

1.7   The Corporate Risk Register has grown significantly over the past few years given the challenging environment in which the Council is operating. With an increasing number of risks and the majority of them still rated as High, it is important to review the criteria for what risks appear on the corporate risk register, and perhaps more importantly, the criteria for risks to come off the register (for example risks that are deemed to be at their "target" residual level and not rated as High). This approach was endorsed by Cabinet in January 2024 and further detail will be presented to Governance & Audit Committee in May 2024 for review.

2.   **Corporate risks led by the Chief Executive and Deputy Chief Executive Departments.**

2.1   There is continued uncertainty in the local government operating environment with the Council facing issues relating to the cost-of-living crisis, economic volatility, workforce shortages and cost inflation all of which impact financial sustainability.

2.2   There are nine corporate risks of particular relevance to this Committee. A summary, including changes over the past year, are outlined below, with more detail of the risks and their mitigations contained in appendix 1.

Risk Reference	Risk Description	Current Score	Target Score
CRR0009	Future financial operating environment for Local Government.	High (25)	High (16)

The risk focuses on the Council's ability to operate effectively within an extraordinarily challenging external environment and uncertainty around sufficiency of the council's core spending power when faced with service demand and other pressures. The risk rating has been at the maximum rating of 25 since September 2023. Despite the increased pressures reported to Government, the overall settlement is significantly less than spending growth pressures and therefore will require significant savings in 2024/25. There is an expectation from Government that Councils consider using reserves to sustain services.

The Council's budget was approved at County Council on 19th February 2024, although the significant financial risks were noted and debated. Delivery plans have been developed to support major savings.

Risk Reference	Risk Description	Current Score	Target Score
CRR0014	Cyber and Information Security Resilience	High (20)	High (20)

This risk focuses on cyber and information security threats and has been updated to reference the potential for this to arise within the Council's supply chain by way of supplier system breaches or vulnerabilities within purchased equipment.

Cyber standards and risk assessments have been incorporated into the central ICT commissioning framework.

The risk is at its target rating and remains a high rated risk. The risk rating reflects constantly evolving threats that require controls to remain effective and fit-for-purpose to protect the Council from threats to its information security.

CRR0039	Information Governance	Medium (15)	Medium (9)

This risk is focused on the obligations of the Council to meet requirements of the UK General Data Protection Regulations (GDPR) and ensuring that the appropriate processes, procedures and behaviours are embedded to meet requirements.

The risk rating reflects the Information Commissioner's Office (ICO) approach to public sector enforcement with fines issued in only in the most serious of cases.

The Council seeks to improve its approach to mitigate information governance risks and has implemented automated processes to improve efficiency and data capture for future analysis and feedback to services. There are further improvements actions identified within the 2023/24 Annual Governance Statement action plan, including an information governance improvement plan for each directorate.

CRR0045	Maintaining effective governance and decision making in a challenging financial and operating environment	High (20)	Medium (10)

This risk focuses on the need for effective governance and decision making as well as robust internal control mechanisms to support timely and challenging policy decisions. Recent examples from other local authorities have shown the impact that ineffective decision making can have on financial resilience. Following a significant finding in relation to governance in the 2021/22 External Auditor report, the auditors completed an assessment of governance arrangements culminating in 22 recommendations of improvements reported in October 2023. This report was also referenced in the External Auditors Annual Report 2022/23 where a further significant weaknesses in relation to governance was identified and two key recommendations and one improvement recommendations have been made. Improvement actions have been identified within the 2022/23 Annual Governance Statement report, and implementation of those actions will be monitored by the Annual Governance Statement action plan.

CRR0049	Fraud and Error	Medium (10)	Low (5)

This risk acknowledges the inherent risk of fraud and/or error that exists within any organisation and the need for the council, like all public bodies, to be attuned to the risks facing their organisations and the public sector. The risks are heightened by the cost-of-living crisis. The Counter Fraud team recently reported that cyber enabled fraud continued to be a risk for all organisations.

The direction of travel for this risk has remained static, and the Counter Fraud team have been delivering several fraud awareness sessions and are part of the Serious and Organised Crime cross directorate working group.

CRR0053	Capital Programme Affordability	High (25)	High (16)

This risk is focused on the affordability of the capital programme, and the uncertainty surrounding grant funding for capital expenditure, with particular concern relating to impacts on our ability to meet operational requirements and/or statutory duties and invest in infrastructure. The major risks and issues associated with the capital programme have been discussed as part of the budget process.

CRR0058	Capacity and capability of the workforce	High (16)	Medium (12)

KCC is experiencing increasing demand for services due to whole system pressures which is placing strain on the existing capacity of the workforce. Risks relating to the workforce equate to a third of all risks being monitored by the Council As well as national skills shortages in key areas, attracting suitably qualified, skilled and experienced staff, and retaining them to ensure sufficient capacity and capabilities to deliver services continues to be reported as a challenge across directorates. As a result of the complexity and volatility of issues being faced in the organisation capacity within the management, and leadership teams is stretched.

Recently a suite of targeted management development activities has been released to the organisation to provide clarity and guidance for KCC managers on their responsibilities and accountabilities, including focus on key areas, such as digital, hybrid, equality, inclusiveness, and performance management. In addition, a Change Support Hub is now available which provides a suite of tools, knowledge, models, videos and change related resources to support leaders, managers, staff, and project delivery teams.

CRR0059	Significant failure to bring forecast budget overspend under control within budget level assumed	High (25)	Medium (9)

The Council is under a legal duty to set a balanced and sustainable budget and maintain adequate reserves such that it can deliver its statutory responsibilities and priorities. The most significant overspends (and budgeted spending growth) in both 2022-23 and 2023-24 are in adult social care and children's services. Urgent action is required to bring revenue spending down to a sustainable level, both within the current financial year and over the medium term (see risk CRR0009) to safeguard the council's financial resilience and viability. The Council has set the budget recovery strategy – *Securing Kent's Future* – to address the in-year and future years financial pressures the council is facing and the specific and broader action that can be taken to return the council to financial sustainability. Finance and performance monitoring progress reports are being considered at every Cabinet meeting to ensure the focus on *Securing Kent's Future* remains until the council's financial position is stabilised.

CRR0060	Reinforced Autoclaved Aerated Concrete	Medium (15)	Low (5)

This risk is focused on the Council's responsibilities for identification and management of RAAC in its estate. RAAC is a lightweight form of precast concrete, frequently used in public sector buildings in the UK from the mid-1960s to at least the mid-1980s. It is mainly found in roofs, although occasionally in floors and walls. It is less durable than traditional concrete and there have been problems as a result, which could have significant safety consequences. Kent Schools (Local Authority responsibility) were written to in relation to RAAC and Diocesan schools and Academies written to in relation to their responsibilities. Surveys have been completed for Kent Schools. In September 2023, the government committed to funding longer-term refurbishment or rebuilding projects to address the presence of RAAC in schools. Schools and colleges will either be offered capital grants to remove RAAC where works are typically smaller in scale, or schools will enter the School Rebuilding Programme where works to remove RAAC are extensive.
Focus is now on completing surveys where required in the wider corporate estate.
Lastly, the Council's care providers have been written to regarding their contractual responsibilities for health and safety. Where providers identify RAAC they have been advised to contact their contract managers who will liaise with Health and Safety colleagues for advice and guidance.

3. Chief Executive and Deputy Chief Executive's Departments risk profile

3.1 The Chief Executive's and Deputy Chief Executive's hold three risks on the departmental register

Risk No.*	Risk Title	Current Risk Rating	Target Risk Rating	Direction of Travel since April 2023
DCED0004	External supplier resource capacity	Medium (12)	Low (4)	⇔
DCED0003	Departmental resource capacity	Medium (12)	Medium (9)	⇔
DCED0002	Anti-bribery and corruption	Low (4)	Low (4)	⇔

3.2 The risk register has been reviewed and amended during the year with quarterly reporting into the Departmental Management Team, with the most recent review and discussion in February 2024.There are no high rated risks, and one risk is at target level.

3.3 The direction of travel for the following risks has remained static since the risks were incepted in September 2023, however actions and controls have been revised during the year to further mitigate and reduce the risk:

- There has been a recent review and redesign of services within the Infrastructure division, and there are plans to review structure and resources within the Technology division.
- There will be a review of business planning submissions to inform work plans and to support conversations regarding resource and capacity.
- The department is looking collectively for long term solutions to address challenges with sustainability.

4. Recommendation

Recommendation:

The Policy & Resources Cabinet Committee is asked to **consider** and **comment** on the risks presented.

5.   Background Documents

5.1 KCC Risk Management Policy and associated risk management toolkit on KNet intranet site. https://kentcountycouncil.sharepoint.com/sites/KNet

Contact details

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