From:	Roger Gough, Leader of the Council
	David Cockburn, Chief Executive Officer
To:	Policy & Resources Cabinet Committee – 9th March 2023

Subject:	**Risk Management: Chief Executive's and Deputy Chief Executive's 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's and Deputy Chief Executive's 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.

2. Chief Executive's and Deputy Chief Executive's Departments, led Corporate risks

2.1 Economic disruption from the aftermath of the coronavirus pandemic and from the Ukraine war, high levels of inflation and severe labour shortages have had a massive impact on the council's services and finances. This affects the risk environment, which is likely to be volatile, complex and ambiguous for some time to come.

2.2 The Chief Executive's and Deputy Chief Executive's Departments were formed from what was previously the Strategic and Corporate services directorate. There are eight 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 (20)	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 overall local government finance settlement for 2023-24 was insufficient to fully fund forecast demand and cost growth pressures facing services across the council (even after additional funding for social care). The Council's budget was approved at County Council on 9th February 2023, although the significant financial risks were noted and debated. Savings rely on more significant policy decisions than previous budgets and increased income from other sources (including fees and charges and company dividends).			

Risk Reference	Risk Description	Current Score	Target Score
CRR0014	Cyber and Information Security Resilience	High (20)	High (20)
The risk has been de-scoped to focus solely on cyber and information security threats. This is due to key systems being moved to the cloud, which helps to improve resilience. The target residual rating for the risk has been raised to match the current level of 20. This is to reflect that despite continuing improvements to the council's security environment, the risk level will remain high due to constantly evolving threats that require controls to remain effective and fit-for-purpose. The risk reflects controls of a technical nature as well as those that provide training and awareness raising of cyber threats for our workforce.			
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 has recently been reduced has reduced to reflect the Information Commissioner's Office (ICO) revised approach to public sector enforcement, which focuses on increased use of the ICO's wider powers, including warnings, reprimands and enforcement notices, with fines issued in only in the most serious of cases. This does not negate the need for the Authority to continue its rigorous efforts to mitigate information governance risks, including automating processes where appropriate.			
CRR0045	Maintaining effective governance and decision making in a challenging financial and operating environment	Medium (15)	Low (5)
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. The risk level is being increased slightly to reflect both the increasingly challenging financial environment and the subsequent pressure it puts on decision-making, as well as several areas being identified in the Council's Annual Governance Statement that require addressing.			
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.			

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.			
CRR0054	Supply chain and market challenges	High (20)	TBC
This risk focuses on challenges being faced by the Council as a result of the impact on its supply chains and the markets it works with. Economic uncertainty, competition and availability of the workforce, resilience of suppliers and geopolitical events all impact on the financial and operating environment. Officers are working with providers to help with costs, including accessing grants for energy efficiencies, energy deals through Commercial Services, and advice on reviewing general operating costs. There is also a focus on making sure that the Council's overall commissioning standards and procedures remain fit for purpose.			
CRR0058	Recruitment and retention of the workforce	High (16)	Medium (9)
The risk relating to supporting the workforce transition to hybrid working has been closed and this new risk has been entered onto the corporate register which focuses specifically on workforce recruitment and retention in relation to key roles across KCC. Notable consequences include workforce capacity challenges and impact on delivery of projects to expected time scales.			

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

3.1   The Chief Executive's and Deputy Chief Executive's departments are considering whether there are specific risks that require management across those departments e.g., workforce capacity risks.

4.   Key Divisional Risks

4.1   Underpinning the corporate risks are a number of divisional risks across both the Chief Executive's and Deputy Chief Executive's Departments, typically of a more operational nature, for which the Department Management Teams have regular oversight, for example relating to:

- Compliance with legislative duties and associated requirements

- Workforce and succession planning arrangements
- Stability of the voluntary sector
- Resource availability and capacity in individual divisions to discharge their functions in a timely fashion.
- Revenue and capital budget challenges
- ICT Commissioning
- Preparedness for and management of major events that impact KCC, and Kent residents.
- Policies / frameworks for legal assurance across the council.
- Maintained schools, which have a large deficit, moving to becoming academies; at which point the deficit will pass to KCC.
- Fair cost of care

5. Recommendation

Recommendation:

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

6. Background Documents

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

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