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To: Policy and Resources Cabinet Committee – 20th March 2020

Subject: **Risk Management: Strategic and Corporate Services**

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 Strategic and Corporate Services directorate, in addition to the risks featuring on the Corporate Risk Register for which the Corporate Directors are the designated 'Risk Owners'.

Recommendation(s):

The Policy and Resources 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 Strategic and Corporate Services directorate, and often have wider potential interdependencies with other services across the Council and external parties.
- 1.3 Strategic and Corporate Services 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 Strategic and Corporate Services directorate are designated 'Risk Owners' (along with the rest of the Corporate Management Team) 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. Strategic and Corporate Services (ST) directorate led Corporate risks

- 2.1 The Strategic and Corporate Services directorate currently leads on seven corporate risks. A brief summary, including changes over the past year, are outlined below, with more detail contained in the risk register attached at appendix 1.

Risk No.	Risk Title	Current Risk Rating	Target Risk Rating
CRR0009	Future financial and operating environment for local government	20 (High)	12 (Medium)
<p>There remains uncertainty over the funding settlement for local government beyond 2020/21 in the absence of the Spending Review, which impacts on KCC's medium term financial planning. The uncertainty includes those services funded via ring-fenced grants e.g. special educational needs and disability (SEND) provision funded by the Dedicated Schools Grant (DSG) and capital expenditure funded by grants e.g. Basic Need grant. The council, along with other local authorities, has been lobbying Government on these matters.</p>			
CRR0014	Cyber-attack threats and their implications	16 (High)	12 (Medium)
<p>Continued vigilance is critical to mitigate this risk that could have serious implications such as unauthorised access to data and / or significant business interruption. In 2019, KCC engaged the 'National Computer Centre Group' to conduct a cyber security review to provide independent assurance on the ability of KCC's IT services to prevent, detect and respond to cyber-attacks. The main findings of this review were presented to the Policy & Resources Committee in late 2019 and actions arising are being progressed via the Strategic Technology Board.</p>			
CRR0039	Information Governance	16 (High)	8

			(Medium)
<p>The risk was raised from 'medium' to 'high' at the end of 2019 in the light of the increasing obligations and implications caused by the adoption of the Data Protection Act 2018 and the General Data Protection Regulation. Improved reporting procedures and awareness have led to increasing numbers of reported data breaches across the organisation which, in addition to the continued high risk to data security posed by cyber threats, means the overall risk is now considered "high". As part-mitigation, the Council is investigating options to optimise automated controls where appropriate, as well as reviewing methods for recording and identification of patterns or trends.</p>			
CRR0040	Opportunities and risks associated with KCC's Local Authority Trading Companies	9 (Medium)	4 (Low)
<p>The risk centres around KCC's companies achieving target financial dividends and / or return on investment within timescales and ensuring appropriate governance is in place. One significant mitigation in progress is the implementation of holding arrangements for KCC's companies. The risk will be subject to further review with the Corporate Management Team and Cabinet Members once implementation of holding arrangements for KCC's companies has been finalised.</p>			
CRR0045	Effectiveness of governance within a Member-led authority	10 (Medium)	5 (Low)
<p>The continued challenging financial and operating environment for Local Government (see risk CRR0009) will require difficult policy decisions to be made in a timely manner, which requires continued effective governance and robust internal control mechanisms.</p> <p>KCC's informal governance arrangements, authorised by the KCC constitution, clarify how officers work with elected Members to support effective decision making. This is in addition to KCC Operating Standards for KCC officers to help them discharge their responsibilities effectively. These are currently being reviewed, in addition to consideration of further amendments to KCC's Constitution by the General Counsel.</p>			
CRR0048	Maintenance and modernisation of KCC Estate - NEW	16 (High)	12 (Medium)
<p>While there has been significant investment in parts of our property estate over time, there continues to be strain on the Authority's capital budget due to ongoing demands for additional statutory and discretionary spend. As our property assets age, it is becoming increasingly challenging to ensure that they continue to be maintained to a sufficient standard, so that they remain safe, avoid significant business disruption, and are fit-for-purpose, in terms of supporting new ways of working and meeting our environmental objectives.</p>			
CRR0049	Fraud and Error - NEW	12 (Medium)	6 (Low)
<p>In any organisation, particularly a large and complex organisation such as KCC,</p>			

there is an inherent risk of fraud and / or errors that result in financial loss for the council. The Counter-Fraud team is conducting further proactive work with directorates, raising awareness and assisting services with fraud risk assessments. While a number of controls are in place, complacency must always be guarded against, and a corporate risk has been created to ensure visibility, particularly until the current tranche of organisation-wide work has been completed and reviewed, to ensure any key areas of risk are identified, assessed and proactively managed.

2.2 Several corporate risks led by officers in the Strategic & Corporate Services directorate were withdrawn from the corporate risk register at the end of 2019, as outlined below:

2.2.1 CRR0013: Delivery of in-year savings within agreed budgets. The financial environment continues to be challenging, requiring continued savings to be made and no room for complacency. However, ensuring the council delivers its budget each year is essentially a 'business as usual' task, with well established, robust monitoring and reporting mechanisms in place that enable mitigating action to be taken when necessary. While this risk has been withdrawn, the medium-term financial and operating environment risk (CRR0009) remains on the register as a 'high' rated risk.

2.2.2 CRR0041: Maintaining a healthy and effective workforce. KCC's workforce makes a vital contribution to the delivery of the Council's strategic outcomes, through its energy, commitment and hard work and staff across the organisation need to be healthy, motivated and have the right skills to help the organisation to develop. To reflect this importance, there are several approaches and tools in place to engage staff and support their wellbeing and resilience. The council's comprehensive staff survey asks several questions relating to capacity and wellbeing. Headline results from the 2019 staff survey were reported to Personnel Committee at the end of January 2020. This highlighted positive movement in all themes, including increased positive responses about achieving a good work/life balance and making use of flexible working opportunities in the 'Resources and Workload' category; in addition to increases in positive responses in the 'My wellbeing' section. Therefore, rather than continue with a generic risk such as this, it was considered that the focus should be on risks flagged at directorate or divisional / service level that are more specific, with further analysis to be conducted to highlight any patterns or trends that require a corporate response. It should also be noted that workforce related risks and issues are embedded within several existing corporate risks i.e. recruitment and retention of qualified social workers etc.

2.2.3 CRR0011: Embedding KCC's strategic commissioning approach and consistency of commissioning standards. This risk was originally added to the corporate risk register several years ago as the Authority announced its intention to become a strategic commissioning authority and set out a list of 10 commissioning principles that have been adopted. However, it is acknowledged that there are still packages of work in progress, i.e. to fully embed consistent commissioning standards, and so consideration will be given by Corporate Board as to whether a revised risk is required that reflects how this risk has evolved.

2.3 Several comments relating to these risks were received at their presentation to Governance & Audit Committee on 22nd January. These were fed into the Strategic & Corporate Services Directorate Management Team for their initial views and will be considered further by Corporate Board in the coming weeks.

3. Strategic and Corporate Services (ST) directorate risk profile

3.1 There is currently one directorate risk featured on the Strategic and Corporate Services directorate risk register, rated as medium risk. The directorate register is underpinned by risk registers for each division that are considered for escalation in accordance with KCC's risk management policy.

ST0023	Workforce capacity across the directorate, capability and wellbeing	12 (Medium)	12 (Medium)
<p>This risk provides a Strategic & Corporate Services view of the KCC corporate risk, which has been adapted and given a narrower scope, focusing specifically on capacity to maintain day-to-day delivery while also supporting service changes across the Authority. As mitigation, resource requirements are reviewed regularly in light of projected workloads and project-based approaches are adopted and resource mapping takes place as required in order to aid capacity planning. In addition, as part of the Strategic Delivery Plan process, expected resource requirements of corporate services by directorates are highlighted to enable conversations regarding what support can realistically be offered within timescales.</p>			

3.2 A risk relating to anti-bribery and corruption was previously listed on the directorate risk register, but has been withdrawn as a specific directorate risk, to be included as part of the corporate Fraud and Error risk.

3.3 The Directorate Management Team is monitoring the evolving situation regarding Coronavirus (COVID-19), including business continuity arrangements. A COVID-19 KCC Business Continuity Taskforce has been established, chaired by KCC's Director of Public Health, focusing on resilience matters across all KCC services and commissioned services. At a partnership level the Director of Public Health also chairs the Kent Resilience Forum's COVID-19 Strategic Coordinating Group which involves central Government, the emergency services and all District/Borough Councils, among others. The Public Health risk relating to *chemical, biological, radiological, nuclear or explosives (CBRNe) incidents, communicable diseases and incidents with a public health implication* has been escalated to the corporate risk register.

4. Key Divisional Risks

4.1 Underpinning the corporate and directorate risks, there are a number of divisional risks across the ST directorate, typically of a more operational nature, for which the Directorate Management Team have regular oversight, such as:

- Compliance with legislative duties and associated requirements e.g. Freedom of Information Act; Equality Act 2010 duties or internal standards.
- Dependencies on ICT systems.

- Resource availability in individual divisions to discharge their functions in a timely fashion.
- Ensuring effective relationships with our partners.
- Embedding of multi-agency safeguarding board arrangements as a result of *Working Together* statutory guidance.
- Addressing safety risks, including fire safety.
- Supply chain failure.
- Health Visitor and school nurses staff recruitment.
- Chemical, biological, radiological, nuclear or explosives (CBRNe) incidents, communicable diseases and incidents with a public health implication.

5. Recommendation

The Policy and 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. <http://knet/ourcouncil/Management-guides/Pages/MG2-managing-risk.aspx>

7. Contact details

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