SOUTH KESTEVEN DISTRICT COUNCIL

Governance and Audit Committee

Thursday, 23 July 2026

Report of Councillor Philip Knowles, Cabinet Member for Corporate Governance and Licensing

Review of Strategic Risk Register

Report Author

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Purpose of Report

To provide an update following a review of the Council's Strategic Risks and Strategic Risk Register.

Recommendation

The Committee is asked to consider the outcomes of the review and approve the updated Strategic Risk Register.

Decision Information	
Does the report contain any exempt or confidential information not for publication?	No
What are the relevant corporate priorities?	Effective council
Which wards are impacted?	All Wards

1. Implications

1.1 Taking into consideration implications relating to finance and procurement, legal and governance, risk and mitigation, health and safety, diversity and inclusion, safeguarding, staffing, community safety, mental health and wellbeing and the impact on the Council's declaration of a climate change emergency, the following implications have been identified:

Finance and Procurement

1.2 There are no specific financial comments arising from this report. The Strategic Risk Register is regularly reviewed to ensure agreed actions are implemented and new risks and remedial actions are identified as necessary.

Completed by: David Scott – Assistant Director of Finance and Deputy S151 Officer

Legal and Governance

1.3 It represents good governance to keep the Council's Strategic Risk Register under regular review, which is a responsibility of the Governance and Audit Committee. There are no governance implications arising from this report which are not already reflected in the report or appendices.

Completed by: Graham Kitchen – Director of Law and Governance (Monitoring Officer)

Risk Management

1.4 Effective risk management is critical to ensure the Council maintains its services, progresses towards achieving its corporate objectives, and provides assurance it is operating on sound corporate governance principles.

Completed by: Tracey Elliott – Governance & Risk Officer

2. Background to the Report

2.1 One of the key areas for Governance and Audit Committee, as part of its terms of reference, is to monitor and review the risk management arrangements in place and the activities that are being undertaken to mitigate those risks. In accordance with Governance and Audit Committee's workplan, the Strategic Risk Register is presented to Committee twice a year for review.

2.2 Ensuring the ongoing effectiveness of the internal control environment is incumbent on those charged with governance at the Council. In doing so, the Council can demonstrate that it is protecting public funds, resources, and assets as well as staff, customer, and wider stakeholder interests. The Governance and Audit Committee rely on a number of assurance mechanisms for this purpose, including reports generated from within the Council, Scrutiny and Overview, and external reports from other bodies such as internal and external audit.

2.3 The Strategic Risk Register was last reviewed by the Committee at its meeting on 18 March 2026. This review included an assessment of effectiveness of the key controls that manage the Council's strategic risks. Since this date the Strategic Risk Register has been kept under review and updated accordingly.

2.4 As a reference point and translated into the Council setting, the UK Code of Corporate Governance identifies that those responsible for governance should carry out a robust assessment of the emerging and principal risks to determine the nature and extent of the risk it is willing to take in order to achieve its priorities. This is a requisite of good governance.

3. Summary

3.1 The Council faces an ever-changing risk landscape impacted by local, national and global events and therefore by its nature the Strategic Risk Register is always a work in progress.

3.2 With the above in mind, the Council has kept under review the Strategic Risk Register including the risks, causes and effects, controls, scoring, risk appetite and further actions. In doing so, the Council has used various sources including compare and contrast with other council's risks, the RSM Emerging Risk Radar (amongst other reports/publications) and the cumulative knowledge and experience of officers, as well as RSM whom have facilitated the strategic risk register review.

3.3 The current Draft Strategic Risk Register can be found at Appendix A. There are now 12 strategic risks, as compared with 11 previously reported, as a new risk Artificial Intelligence (AI) Governance Lag has been added.

3.4 The Council is committed to managing diverse strategic risks through defined priorities, risk appetites, controls, and proactive actions to safeguard governance, financial stability, service quality, and community well-being.

3.5 The risk scoring for the previous 11 reported remain unchanged from when the Strategic Risk Register was last reported.

3.6 The following provides a summary of the 12 strategic risks faced by the Council:

1. Cyber Security Attack Risk

- The Council prioritises an effective response to cyber threats with an averse risk appetite, aiming to minimise residual risk within resource limits.

- Key causes include outdated detection, inadequate training, unclear responsibilities, poor cyber culture, insecure systems, and increasing attack complexity by criminals and states. Effects range from service disruption, data breaches, financial costs, to reputational damage.
- Controls include a cyber strategy funded by MHCLG, up-to-date IT protections, mandatory training, two-factor authentication, defined roles, continuous software updates, incident monitoring, and engagement with national bodies.
- The residual risk is rated **High (13)**. A new action is the implementation of the MHCLG action plan in 2026/27 accompanied by its ongoing monitoring.

2. Health, Safety, Wellbeing, and Safeguarding Failures

- Aligned with the "Effective Council" priority and an averse risk appetite. This risk stems from lack of policy application, training, role clarity, culture, risk assessments, and system maintenance. Potential effects include harm to individuals, investigation costs, and reputational damage.
- Controls encompass reviewed policies accessible via intranet, dedicated managers and leads, defined responsibilities, regular reporting to committees and statutory groups, risk assessments, physical security measures, audits, training programs, wellbeing initiatives, and resilience workshops.
- The residual risk is **Medium (10)**. A new action proposes expanding the personal resilience survey/workshop to become Council wide.

3. Financial Sustainability (General Fund) Risk

- With a cautious risk appetite, the Council monitors external economic factors, local government financial settlements, and reorganisation implications. Causes include poor financial planning, controls, unclear roles, weak systems and global events. Effects threaten financial stability, council plans, reputation, and may lead to qualified audit opinions.
- Controls include a Medium-Term Financial Plan to 2027/28, monthly financial reporting, updated regulations, training, delegation schemes, scrutiny committees, experienced finance teams, audit plans, governance statements, and external audits.
- Residual risk is **Medium (10)**, with no new actions currently identified. Existing controls will continue to be monitored.

4. Staffing Capacity and Capability Challenges

- The Council's cautious (sometimes open) risk appetite addresses recruitment difficulties in certain roles, competition, Local Government Reorganisation (LGR) uncertainties, employer attractiveness, and

performance management. Effects include service quality deterioration, knowledge loss, user dissatisfaction, and inefficiency.
- Controls involve the People Strategy 2025-2030, HR business partnering, performance improvement policies, employer branding, pay benchmarking, attrition monitoring, recruitment campaigns, alternative service provisions, training, talent management, succession planning, wellbeing programs, and appraisal systems. Residual risk is **High (9)**.
- A new action is the implementation of the People Plan in financial year 2026/27 including its ongoing monitoring.

5. Compliance with New Regulations and Legislation

- With a minimal risk appetite, the Council faces risks from lack of awareness, ineffective interpretation, poor communication, and resource constraints amid increasing legislative changes, notably in planning. Possible effects include legal challenges, service quality decline, reputational damage, and regulatory intervention.
- Controls include horizon scanning, monitoring officers, reporting breaches, professional engagements, network collaborations, daily briefings from MHCLG, data reviews, and member briefings.
- Residual risk is **High (9)**, with continued monitoring of existing controls.

6. Societal, Demographic, and Cultural Changes

- The Council adopts an open risk appetite to explore innovative solutions addressing misinformation, extremism, poverty, distrust, communication gaps, and complex service user needs. Effects include stakeholder dissatisfaction, resource pressures, governance challenges, and harm to individuals.
- Controls include local economic forums, partnership engagement, community strategies, consultations, communications plans, youth councils, member networking, parish engagement, annual reports, safer streets initiatives, and asylum dispersal funding.
- Residual risk is **Medium (5)**. A new action involves developing an action plan in connection with how the asylum dispersal funding will be applied to best effect.

7. Major Governance Failure

- With an averse risk appetite, the Council mitigates risks from unclear committee structures, behavioural expectations, governance measurement, member development, and LGR governance drift. Effects include inefficient decision-making, illegality, dissatisfaction, and reputational harm.
- Controls include an up-to-date constitution, defined committees and terms of reference, delegation schemes, governance training, committee

assessments, experienced chairs, policies, published decisions, governance statements, code of conduct training, and complaint procedures.
- Residual risk is **High (9)**. Ongoing reviews and new post-committee reflection sessions are planned.

8. Fraud and Theft Risk

- An averse risk appetite guides efforts against external digital fraud and internal procedural weaknesses. Causes include outdated policies, insufficient training, unclear roles, poor culture, and system maintenance. Effects involve investigation costs and reputational damage.
- Controls feature counter-fraud strategies, whistleblowing and anti-money laundering policies, internal audit focus, governance committees, statutory officer meetings, reporting, trained staff, financial regulations, national data matching, external audit opinions, and risk assessments.
- Residual risk is **Medium (10)**. Actions include developing a fraud risk assessment plan and ongoing training with updates planned for Summer 2026.

9. Housing Revenue Account (HRA) Viability Pressure

- With a minimal risk appetite, challenges include demand exceeding supply, substandard stock conditions, insufficient engagement between / by providers, and resource limitations amid new housing regulations. Effects encompass poverty, increased support demand, financial impact on HRA, stakeholder dissatisfaction, and regulatory fines.
- Controls include policies on damp and mould, stock condition surveys, maintenance programs, reserves, tenant engagement, performance reporting, agency liaison, local plan reviews, enforcement actions, KPI dashboards, compliance meetings, business plan reviews, and external consultancy.
- Residually the risk is **Very High (14)**. A new action tracks progress on the HRA finance action plan with member updates to be provided.

10. Local Government Reorganisation (LGR) Implications and Uncertainty

- The Council’s open and sometimes hungry risk appetite embraces innovation while managing uncertainties from reorganisation timing, roles, service provision, partnerships, funding, and inter-authority relations. Effects include unmanaged risks, loss of influence, compromised business, recruitment challenges, poor value for money, and criticism.
- Controls involve continuous monitoring, staff briefings, project teams, regular cabinet updates, engagement with parish councils, partnerships, professional advice, data agreements, MHCLG meetings, national

briefings, governance timelines, risk assessments, and a "No Regrets" work plan.
- Residual risk is **Very High (15)**, with continued monitoring of existing controls.

11. Devolution Opportunities

- With a hungry risk appetite, the Council seeks to maximise benefits from devolution despite uncertainties in roles, resources, funding, and engagement. Effects mirror those of LGR with unmanaged risks and compromised quality.
- Controls include monitoring proposals, staff communications, project teams, cabinet updates, combined authority updates, joint committees, member representation, and risk assessments.
- Residual risk is **High (12)**, with continued monitoring of existing controls.

12. New Risk: Artificial Intelligence (AI) Governance Lag

- The rapid adoption of AI poses disruptive risks including data breaches, poor decisions, loss of trust, increased external enquiries, and inefficient investments (lost opportunity). Causes include absence of AI policies, limited senior understanding, unsanctioned AI tool use, data ownership ambiguities, technical capability gaps, and potential misuse by stakeholders.
- Controls and enablers are under development, including a senior responsible officer, data governance oversight, and IT monitoring.
- Residual risk is **Very High (14)**. A new action is developing and communicating a Council-wide AI governance framework with supporting tactical plans.

4. Conclusion

4.1 The Committee can take assurance from the management assessment that the strategic risk control environment is deemed in the main effective and in some cases partially effective.

4.2 In all cases consideration has been given to what action can be taken to improve and strengthen the strategic risk controls, taking into account the risk appetite.

5. Next steps

5.1 The Council will continue to keep under review the strategic risks and update the Strategic Risk Register accordingly. This will include a review of emerging risk, and the Council Emerging Risk Radar will be updated (Quarter 3), as well as an assessment of strategic risk controls effectiveness (Quarter 4).

5.2 Outcomes of the above could lead to changes in the Strategic Risk Register and will be included in reporting to this Committee at a future meeting.

5.3 Officers will be encouraged to consider the Council's strategic risks and risk appetite in making decisions including explicit reference to this in committee reports where it is appropriate to do so

6. Key Considerations

6.1 The Committee should keep under review the Strategic Risk Register, and any further steps identified.

6.2 The Committee should seek to ensure alignment of assurance provision within the Strategic Risk Register for the purpose of building a picture of effectiveness of risk management within the Council.

7. Reasons for the Recommendations

7.1 Governance and Audit Committee, as part of its terms of reference, 9.1 (xi) reviews the Strategic Risk Register and other key risks (including partnerships) and seek assurances that appropriate mitigating action has been taken where necessary.

8. Appendix

8.1 Appendix A – Draft Updated Strategic Risk Register