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To: Governance and Audit Committee – 30 November 2010

Subject: STRATEGIC RISK REGISTER UPDATE

Classification: Unrestricted

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**Summary:** The Strategic Risk Register is updated every six months. This paper provides the Committee with the outcome of the latest review.

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## **FOR ASSURANCE**

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### **Introduction and background**

1. The strategic risk register is maintained by the Corporate Risk and Insurance team on behalf of Cabinet and Corporate Management Team (CMT). The content of the register is developed by senior officers from across the directorates, who draw on their knowledge of the most significant risks in the directorate risk registers, and also their collective view of cross cutting themes faced by the Council.
2. The strategic risk register is renewed annually and is linked to the objectives identified during the business planning process. The annual review is approved by CMT, Cabinet and presented to Governance and Audit Committee.
3. In line with agreed practice, the register has been updated to present a mid-year position, and this has been reviewed by CMT. Cabinet have also been asked to assess the changes to the risk register and whether the risk levels are appropriate, and explore if there are actions which could be taken to mitigate them. The changes to the risk register and top rated risks are now presented to Governance and Audit Committee to provide assurance that the strategic risks of the Council are being effectively managed.

### **Move to a Risk Management Information System**

4. Prior to August 2010 all risk registers, including the strategic risk register, were held in Microsoft Word documents. This format limited the usefulness of the registers as dynamic tools of management, and as a result it was decided move to a simple risk management information system. The strategic risk register has now been migrated to this system, although there remains some work to do in assigning ownership of risks, controls and actions, as well as creating a sensible review schedule for risks and delivery dates for actions.

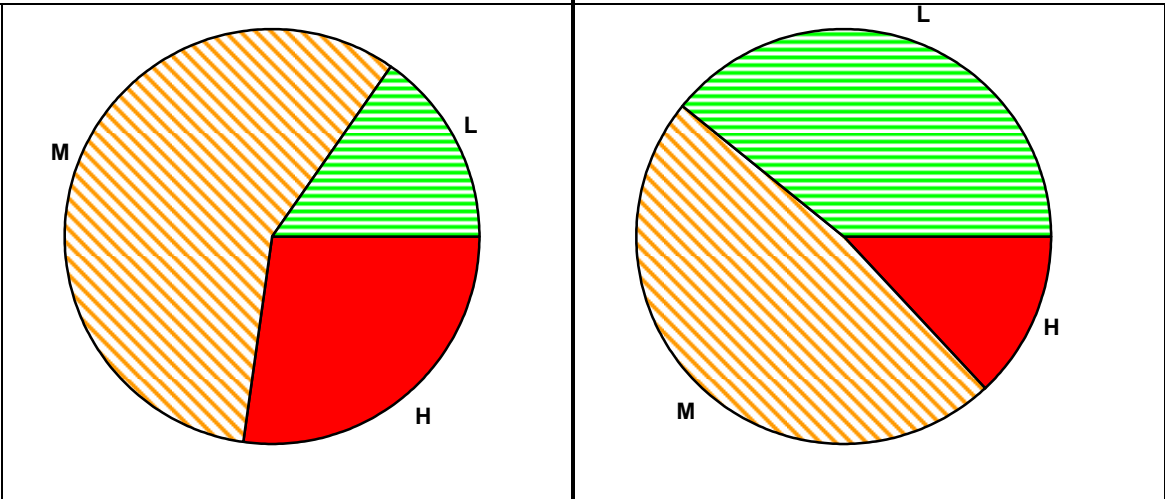
### **Content of the updated Risk Register**

5. The strategic risk register currently contains 33 risks. This is an increase of ten from the previous version. The increase is a combination of the aggregation and disaggregation of risks to allow entry onto the new system, but is mainly due to new risks identified since April 2010. Of these new risks, three have been escalated from the "*Change to Keep Succeeding*" transformation project risk register previously reported to Cabinet and monitored by CMT, while others relate to recently announced government policies.

- 6. Table 1 below gives the breakdown of the risk register by risk rating. It shows an increasing risk profile of the Council, with 85% of risks now assessed as high or medium, compared to 61% in April. This is a reflection of the very dynamic position of the UK economy, the public sector and also the organisational changes within the Council.
- 7. The changes to the Council's risk profile is analysed fully in annex 1, while annex 2 contains the full detail of those risks graded as high.

**Table 1**

Level	October 2010		April 2010	
	Risks	%	Risks	%
High (Score 16-25)	9	27%	3	13%
Medium (Score 8 – 15)	19	58%	11	48%
Low (Score 16-25)	5	15%	9	39%








**Recommendations**






- 8. Members are asked to:
  - (1) Note the changes to the strategic risk register and the actions being taken to mitigate these risks.

**David Tonks**  
**Head of Audit and Risk**  
**Ext: 4614**







## Annex 1: Changes to the Strategic Risk register

Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
13	<p><b>Children's Social Workers.</b> There will be a breakdown of children's placements due to limited success of local / national / international campaigns to recruit Children's Social Workers, or recruitment of a large volume of inexperienced staff, resulting in service pressures, poor practice and challenging workloads for existing staff.</p>	<p style="text-align: center;">25 </p>	<p>CMT agreed that the likelihood of this risk had increased from "likely" to "very likely".</p>
43	<p><b>Financial Accounting Framework</b> Required amendments to the financial accounting framework will not be delivered by 1st April or other statutory requirements will not be met as a result of a lack of appropriate capacity resulting in compromised financial management and critique from statutory regulators.</p>	<p style="text-align: center;">New risk entry 20 </p>	<p>This is a new risk identified in relation to the "Change to keep succeeding" project</p>
44	<p><b>Multiple pressures</b> Key aspects of medium term financial plan and other corporate projects in response to internal and external changes are not delivered as available management capacity in exceeded, or projects are deemed no longer viable, resulting in adverse financial standing, service or policy failure in the short to medium term.</p>	<p style="text-align: center;">New risk entry 20 </p>	<p>This is a new risk identified in relation to the "Change to keep succeeding" project</p>
23	<p><b>Transfer of LD Services and accountability to the County</b> LD transfer from NHS presents 2 levels of risk; from now to 31 March 2011, local health bodies pass insufficient funds across to maintain individual's services; and from April 2011 when the funding transfers nationally, that this is done by formula, and not by recognising actual costs.</p>	<p style="text-align: center;">16 </p>	<p>This risk was previously included as part of a general service transfer risk, scored medium overall. It was considered that the overall likelihood of insufficient funds being provided in the current climate had increased.</p>
25	<p><b>Information sharing and cross agency working to provide services</b> Information is not shared, or is not shared correctly, resulting in a failure of service provision (including preventing harm to clients) and/or data protection breach.</p>	<p style="text-align: center;">16 </p>	<p>The following issues increased the likelihood of this risk:</p> <ul style="list-style-type: none"> <li>• Organisational restructuring may impact on risk sharing arrangements.</li> <li>• Removal of statutory backing for safeguarding board. With changes to PCTs / SHAs and academies will have safeguarding implications?</li> </ul>




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Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
49	<p><b>Proposed cap on housing benefit entitlement</b> There will be a significant movement of families from large city areas, particularly London, into the County due to the proposal of government to cap housing and other benefit resulting in an unsustainable increase in demand for our services such as schools and social services.</p>	<p>New risk entry 16 </p>	<p>This is a new risk identified in response to recent Central Government proposals on housing and other benefits.</p>
52	<p><b>Public Health Duties</b> The Council fails to plan delivery of new public health responsibilities set out in the proposed changes in the way Public Health is to be delivered in the NHS White paper, resulting in a breach of statutory duties, and poor health protection, emergency preparedness and health improvement provision.</p>	<p>New risk entry 16 </p>	<p>This is a new risk identified in response to recent Central Government proposals for Public Health provision.</p>
19	<p><b>Staffing</b> The County may suffer the loss of a significant number of key staff through retirement or other reasons and suffer from an inability to attract high calibre staff to fill vacant positions.</p>	<p>15 </p>	<p>The changed scoring reflects the impact of government plans for the public sector, and the limitations this may place on local government to compete in the market place.</p>
31	<p><b>Assessment and inspection activity</b> KCC is assessed as failing to meet one or more of its statutory or regulatory responsibilities and is subject to intervention or negative comment from a national regulator</p>	<p>12 </p>	<p>Media focus has increased recently following the publication of serious case reviews and high profile cases such as baby P. Significant pressures on budgets mean that gaps in the control processes become more likely and service pressure will become more intense.</p> <p>No new significant control actions identified</p>
24	<p><b>Academies Act</b> The Academies Act could lead to a fragmentation of and inconsistency in service provision. There could also be reduced funding for LEAs with a knock on effect for the proportionately more expensive statutory functions supporting schools that remain within LEA control.</p>	<p>New risk entry 12 </p>	<p>This is a new risk in response to new legislation.</p> <p>New control action - The implications of free schools on KCC services is being identified and understood.</p>

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Risk No.	Title and Description of risk	Current risk rating & direction of change	Reason(s) for change
21	<p><b>Unaccompanied asylum seeking children</b> There is an increased risk of KCC failing to deliver its policy in relation to unaccompanied asylum seeking children especially in light of the UK Border Agency reducing funding.</p>	<p>New risk entry 12 </p>	<p>New control action</p> <ul style="list-style-type: none"> <li>The lobbying of the UK Border Agency to obtain clarity of legislative requirements.</li> </ul>
40	<p><b>Organisational transformation</b> Sizeable workforce reductions and changes to services delivered resulting from the financial constraints mean that there is an institutional knowledge drain, inappropriate or mismanaged service cuts or other unintended outcomes (loss of top performing staff, unintended escalation of consultancy use, increased costs of redundancy and pensions, negative moral, poor staff relations) and stable or increasing workloads that fall onto a smaller pool of staff</p>	<p>New risk entry 12 </p>	<p>New controls actions</p> <ul style="list-style-type: none"> <li>Improve programme and project management across KCC to identify wider implications, timing and impact of separate initiatives</li> <li>Improved scheduling of changes involving support staff</li> </ul>
41	<p><b>Information Governance</b> The Council may fail to deliver robust information governance and be deemed to have broken either the Data Protection Act or FOI or its duty of care.</p>	<p>New risk entry 12 </p>	<p>This risk was previously contained within other risks, but considered prominent enough to warrant separate consideration.</p>
47	<p><b>Corporate Governance</b> Corporate governance may fail to a greater or lesser extent (including delegated authority) as a result of changes made at senior levels not being reflected in revised governance structures, resulting in inappropriate decisions regarding spending or other outcomes.</p>	<p>New risk entry 12 </p>	<p>This is a new risk identified in relation to the “Change to keep succeeding” project</p>
39	<p><b>Emerging legislation</b> New and emerging legislation may have a fundamental but unforeseen impact on the way in which Council services are delivered</p>	<p>New risk entry 10 </p>	<p>The coalition government is introducing a range of new legislation and other significant changes that have major implications for local government and the wider public sector.</p>
34	<p><b>Vulnerable transport links</b> A significant closure of any primary access route could severely disrupt the County due to the nature of its geography and transport infrastructure.</p>	<p>8 </p>	<p>Potential civil unrest across the UK and the continent, with associated strike action and blockades, led to the likelihood score being increased.</p>

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36	<p><b>Funding of Partnerships</b> There may be a withdrawal of funding by partner bodies (or central government) for partnerships that are key to the achievement of KCC objectives</p>	<p style="text-align: center;">8 </p>	<p>Actions by the new coalition government has targeted funding to local partnerships as a means of saving money</p>
38	<p><b>Potential suspension of the BSF programme</b> The suspension of the BSF programme may lead to a significant affordability gap and increased potential for litigation against the Council by existing PFI contractors for loss of profit.</p>	<p style="text-align: center;">New risk entry 8 </p>	<p>There will be increased pressure on the viability of schools where investment has not been made in Districts where the BSF programme is halted mid-programme, and an increase in the volume of schools admission appeals with the associated adverse publicity as a result There may also be an impact in relation to:</p> <ul style="list-style-type: none"> <li>• SEN and KCC strategy for Special Schools</li> <li>• Impact on local economy (estimated worth of wave 4 = £32m)</li> <li>• Potential litigation from contractors (around £11m)</li> <li>• Impact on apprenticeship scheme (120 places linked to wave 4)</li> </ul>
22	<p><b>Response to major incident or event</b> Inability of the Council to effectively respond effectively to a major incident or event that results in significant service disruption and failure to return business to normal in anticipated timescales.</p>	<p style="text-align: center;">6 </p>	<p>The previous iteration included three sub risks in relation to major incidents, two of which related to pandemics and were graded medium. The risks have been aggregated and the overall rating of likelihood reduced.</p>

**Annex 2: Top Rated Risks**