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To: Governance and Audit Committee – 29th January 2015

Subject: **CORPORATE RISK REGISTER**

Classification: Unrestricted

Summary:

Governance & Audit Committee receives the Corporate Risk Register every six months for assurance purposes. The register is presented to the Committee along with an overview of the changes since last presented and an outline of the ongoing process of monitoring and review.

FOR ASSURANCE

1. Introduction and background

1.1 The Corporate Risk Register is maintained by the Corporate Risk Team on behalf of Cabinet and the Corporate Management Team. The register is formally reviewed annually each autumn, but is a 'living document' and is reviewed and updated in-year to reflect any significant new risks or changes in risk exposure that may arise due to internal or external events; and to track progress against mitigating actions.

2. Corporate Risk Register

2.1 The Corporate Risk Register contains fourteen risks. Changes since the register was last reported to Governance & Audit Committee in July 2014 are as follows:

- NEW RISK: CRR20 – A risk relating to the Banking Reform Act has been added to the Corporate Risk Register at the request of the Corporate Director of Finance & Procurement. From July 2015, local authority depositors with unsecured deposits in a bank would be exposed to a higher proportional loss should that bank fail. KCC has unsecured deposits with various banks, in accordance with its Treasury Strategy and is currently reviewing its position.
- The previous risk relating to procurement (CRR 14) has now been broadened to reflect key considerations relating to the development of KCC as a Strategic Commissioning Authority. The risk now incorporates elements of the former Governance & Internal Control risk (CRR 7), particularly the importance of ensuring our governance arrangements keep pace with any changes to operating models. Consequently, risk CRR7 has been closed.

- CRR17 - The future operating environment for local government risk now explicitly references the scale of the financial challenge, with the 2015 – 2018 medium term financial picture included.
- CRR9 - Better Care Fund (previously known as Integration Transformation Fund). The level of risk was raised from amber to red in July after the Government announcement changes to funding arrangements, which could potentially impact on the level of funding available for social care initiatives that promote independence. With the revised BCF plan approved with support, and Government arrangements with Clinical Commissioning Groups advancing, the level of risk has been reduced back to amber.
- CRR 18 - Public Services Network Code of Compliance security standards. KCC has successfully complied with these Government security standards. The risk level, while remaining 'amber' overall has been amended slightly from a score of 8 to 9 to reflect the fact that the risk relates to the potential impact on transformation activity of complying with more stringent standards being introduced, rather than non-compliance with the standard.
- CRR 13 – Delivery of 2014/15 Savings. The Risk Owner has advised that the overall budget is broadly balanced and although not all of the specific savings plans will be delivered, particularly in Children's Services, compensating savings will have been found.

2.2 To summarise, out of the fourteen risks there are three areas of risk currently rated as 'high', ten rated as 'medium' and one rated as 'low'. The high risks relate to the management of demand in both adults and children's social care and the future financial and operating environment / landscape for local government. All risks have mitigating actions in place that aim to achieve a target residual rating of 'medium' or 'low'.

- Management of Adult Social Care Demand – Adult Social Care services across the country are facing growing pressures, particularly with factors such as increasing numbers of young adults with long-term complex needs, increases in Deprivation of Liberty Safeguards Assessments and likely implications of the Care Act on demand for services. The Adult Social Care transformation programme aims to respond to these challenges and the design stage of Phase 2 of the Programme is currently in progress.
- Management of demand on specialist children's services: A programme to deliver integrated Early Help and Preventative Services for 0-19s and their families is underway. A one-year plan for early help & preventative services has been produced, setting out priorities for service development and change. Diagnostic work has been conducted with the aid of an efficiency partner, aiming to ensure an improved and measurable impact

of Early Help Services on Specialist Children's Services demand. A 'sandbox' approach is being used to provide an opportunity to test out new and innovative service design concepts.

- Future operating and financial environment for local government: Local authorities nationally are facing increasing pressures as public sector austerity measures will continue well into the next parliament. KCC's response is its 'Facing the Challenge' Transformation Programme, which is continuing apace with progress updates regularly reported to County Council. Work undertaken so far includes completion of phase 1 service reviews, the launch of a new Leadership & Management Framework to address identified gaps in key skills and the establishment of four change portfolios to enable a clear and single view of all the change activity taking place across the council. A commissioning workstream is progressing to deliver the recommendations set out in the May 2014 County Council paper "Facing the Challenge: Towards a Strategy Commissioning Authority".

2.3 Further details of these risks, including controls and mitigating actions, are contained in appendix 1.

2.4 The Corporate Risk Team supports directorates to ensure that the Corporate Risk Register is underpinned by divisional / service and directorate risk registers, from which risks will be escalated in accordance with KCC's Risk Management Policy. Directorate risk registers are formally reviewed quarterly by Directorate Management Teams and on an annual basis by Cabinet Committees.

3. Monitoring, Review and Reporting

3.1 There is a particular focus on ensuring that key mitigating actions are identified and progress monitored. The risks within the Corporate Risk Register, their current risk level and progress against mitigating actions are reported quarterly to Cabinet via the Quarterly Performance Report.

3.2 In addition, the corporate risks relevant to each Cabinet Committee were reported in the 2014 summer round of Committees along with directorate risk registers, allowing for discussion of these risks with the relevant Risk Owners and responsible Cabinet Members. The output from these discussions informs directorate risk registers and aids the refreshing of the Corporate Risk Register.

3.3 Subsequent to the presentation of the Corporate Risk Register to Cabinet in December 2014, the Risk Owners for two of the Authority's 'high' rated risks were asked to attend Scrutiny Committee to provide more detail on the nature of the risks and the Authority's response.

4. Corporate Risks and Transformation

- 4.1 It is likely that the Authority's risk profile will continue to evolve during the coming months as KCC's transformation agenda progresses
- 4.2 High-level risks identified so far are common to many major change programmes, and include:
- delivery of financial and non-financial benefits;
 - potential gaps in key skills relating to commercial acumen, contract management and programme and project management;
 - ensuring appropriate decision making pathways and processes are followed utilising good quality evidence and intelligence;
 - strain on management capacity through change;
 - potential implications for staff health, wellbeing and morale;
 - securing stakeholder engagement for change;
- 4.2 Key risks such as those above are regularly monitored by the Corporate Directors and the Transformation Advisory Group, with risks and associated mitigations featuring in risk registers at corporate, directorate and divisional levels in addition to more specific risks in individual project and programme registers.
- 4.3 From a corporate perspective, much of our transformation activity is in place to mitigate against organisation-wide risks, as continuing public sector austerity and a radical public service reform agenda presents KCC, like all local authorities, with increasing risk and significant challenges as it seeks to maintain quality of services for residents. For example management of adult and children's social care demand requires true transformational activity rather than simply efficiency improvements, and the 'Facing the Challenge' transformation agenda in its totality is being undertaken as a response to the challenging future financial and operating environment for local government as outlined in CRR 17 (see appendix 1).

5. Recommendations

- 5.1 The Governance and Audit Committee is asked to:
- a) NOTE the assurance provided in relation to the development, maintenance and review of the Corporate Risk Register.

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