From: **Mark Dance, Cabinet Member for Economic Development, Mike Hill, Cabinet Member for Community Services and Mike Austerberry, Interim Corporate Director, Growth, Environment & Transport**

To: **Growth, Economic Development & Communities Cabinet Committee – 16 September 2014**

Subject: **Risk Management - Strategic Risks**

Classification: **Unrestricted**

Past Pathway of Paper: None

Future Pathway of Paper: None

Electoral Division: All

Summary:
This paper gives an overview of the strategic risks of relevance to the Growth, Economic Development & Communities Cabinet Committee. The paper also explains the management process for review of key risks.

Recommendation:
Members of the Growth, Economic Development and Communities Cabinet Committee are asked to **CONSIDER** and **COMMENT** on the risks presented.

1. Introduction

1.1 Directorate business plans (known as Strategic Priorities Statements) were reported to Cabinet Committees in March / April as part of the new business planning process introduced for 2014/15. The Strategic Priorities Statement included a high-level section relating to key directorate risks. The risks of relevance to this committee are set out in more detail in this paper.

1.2 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 business planning, performance management and service procedures. Risks outlined in risk registers are taken into account in the development of the Internal Audit programme for the year.

1.3 Strategic risks are reported to Cabinet Committees annually, and contain high-level or cross-cutting risks that potentially affect several functions across each directorate, and often have wider potential interdependencies with other services across the Council and external parties.

1.4 Corporate Directors also lead or coordinate mitigating actions in conjunction with other Directors across the organisation to manage risks featuring on the Corporate Risk Register.

1.5 For information and awareness, the corporate risk profile as at end of August 2014 is outlined below.

	Low = 1-6	Medium = 8-15	High =16-25

Risk No. [1]*	Risk Title	Current Risk Rating	Target Risk Rating
CRR 1	Data and Information Management	9	9
CRR 2	Safeguarding	15	10
CRR 3	Access to resources to aid economic growth and enabling infrastructure	12	8
CRR 4	Civil Contingencies and Resilience	12	8
CRR 7	Governance & Internal Control	12	8
CRR 9	Health & Social Care integration (Better Care Fund)	12	8
CRR 10(a)	Management of Adult Social Care Demand	20	12
CRR 10(b)	Management of Demand – Specialist Children's Services	20	12
CRR 12	Welfare Reform changes	12	9
CRR 13	Delivery of 2014/15 savings	12	4
CRR 14	Procurement	9	6
CRR 17	Future operating environment for local government	20	10
CRR 18	Public Services Network – compliance with Code of Connection security standards	8	4
CRR 19	Implementation of the Care Act 2014	15	6

1.6 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.

1.7 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. Financial Implications

2.1 Many of the strategic risks outlined have financial consequences, which highlight the importance of effective identification, assessment, evaluation and management of risk to ensure optimum value for money.

3. Strategic Priorities and Policy Framework

3.1 Risks highlighted in the risk registers relate to strategic priorities of the *Facing the Challenge* KCC transformation agenda, as well as the delivery of statutory responsibilities.

[1] *Each risk is allocated a unique code, which is retained even if a risk is transferred off the Corporate Register. Therefore there will be some 'gaps' between risk IDs.

3.2 The presentation of risk registers to Cabinet Committees is a requirement of the County Council's Risk Management Policy.

4. Risks relating to the Growth, Economic Development & Communities Committee

4.1 Corporate

The corporate risk CRR 3 relating to access to resources to aid economic growth and enabling infrastructure is of particular relevance to this committee and is attached at appendix 1. Specific actions for Economic Development Unit are:

- Development of proposed Growth Deal via Strategic Economic Plan (SEP) to secure future government funding and
- Maintain coordinated dialogue with developers, Districts and KCC service directorates

4.2 The SEP was submitted to Government on 31 March 2014. This contained a proposed Kent and Medway Growth Deal setting out a request for £1.1m over six years for funding from the Government's Local Growth Fund and other measures to support economic growth. On 7 July, the Government announced a Growth Deal allocation of £442m across Kent, Medway, Essex and East Sussex. In Kent and Medway, £127m has been secured for transport schemes, £6m for a Kent and Medway Growth Hub and across the LEP £22m is committed to a Skills Capital Programme.

4.3 In January 2014, new arrangements for internal KCC collaboration were formalised by the Strategic Planning and Investment Cabinet Sub-Group. The new arrangements will ensure a consolidated approach to working both within KCC and with each District towards a coordinated approach to infrastructure provision to support growth. Regular discussions are taking place with all Districts to develop joint KCC-District Infrastructure Delivery Plans. These plans will inform how development contributions might be allocated to support growth, the potential role of different delivery organisations in bringing forward infrastructure and where there is a need to seek gap funding support to deliver infrastructure.

4.4 Directorate

There are no specific economic development & community services risks listed at directorate level, although several risks on the Growth, Environment & Transport directorate risk register are of direct relevance, particularly the challenges of meeting budget targets and ensuring partner organisations / providers offer required service levels. For information and awareness, the GET directorate-level risks are listed below:

Growth, Environment & Transport directorate summary risk profile

	Low = 1-6	Medium = 8-15	High =16-25	
Risk No.	Risk Title		Current Risk Rating	Target Risk Rating
GET 01	Delivery of budget targets		15	10
GET 02	Health & Safety considerations		10	10
GET 03	Partner organisations/contractors not offering the required service		6	6
GET 04	Ash Dieback		12	9
GET 05	Severe weather		8	8

4.5 **Divisional**

Directorate risk registers are underpinned by divisional or service level registers. Divisional / Service level risks relating to this committee are outlined below. Mitigations are in place for all risks, to either contain them at current level or to reduce them, as signified by the 'target' risk levels.

Economic Development divisional risk profile

Low = 1-6	Medium = 8-15	High =16-25

Risk No.	Risk Title	Current Risk Rating	Target Risk Rating
ESD 01	Failure of key partners to deliver intended intervention activity or performance targets	9	9
ESD 02	Insufficient resources to deliver projects outlined in business plan	12	12
ESD 03	Weak economic outlook impacts on ability to deliver economic growth	12	8
ESD 04	Low number of bids for Big Society Fund	6	4

4.6 These risks are mitigated in a number of ways. Risk ESD 01 (failure of key partners) is being mitigated via partner governance arrangements and regular performance monitoring against targets by KCC senior managers and partners. There is also periodic reviews and market testing of key partnerships and service delivery arrangements. In 2013/14 three external contracts were tendered. The developer contribution negotiations contract, for small sites (up to 500 units), was brought in-house saving 41% for the same level of service. The Visitor economy and Inward Investment contracts were procured under competition. The current service providers were successful in delivering 17% savings on existing contracts and giving KCC greater control over performance targets which are more focused on jobs growth, business support, raising standards and access to finance

4.7 Risk ESD 02 (insufficient resources to deliver projects) is being mitigated through business planning processes to ensure that work activity is focused on areas with the greatest capacity to deliver the objectives in "Unlocking the Potential." Project managers are responsible for monitoring and reviewing their projects. Progress against business plan targets are reported to Divisional SMT and discussed at 121 meetings with line managers. Highest risk projects, for example, BDUK and RGF programmes, are regularly reviewed by Divisional SMT and progress is also regularly reported to the Regeneration Board and this Cabinet Committee.

4.8 The Division utilises a range of information sources to track and monitor economic trends for risk ESD 03 and directs project activity towards supporting Kent businesses through a sector-based approach of engagement and intervention alongside marketing, promotion and lobbying activity with clear objectives /actions set out in the Divisional business plan. The Division also seeks opportunities to explore alternative funding streams to support work activity including the South East LEP Growth Deal. The development of this plan was strengthened by the integration of the International Affairs Group with Economic Development Unit. The jointly prepared European Structural and Investment Fund Strategy for use of the SELEP EU funding allocation has been linked to the outline priorities in Unlocking the Potential thereby maximising the benefits of EU funding to support our economic growth objectives.

4.9 Risk ESD 04 (relating to the Big Society Fund) is being mitigated by monitoring activity and sustained marketing campaigns. The Investment Panel is using its powers to offer business development grants and bespoke loan packages where appropriate as well as developing a bank of case studies from successful applicants about the impact of the fund in growing their enterprise for marketing purposes.

4.10 The Libraries, Registration & Archives service has been involved in phase one of the 'Facing the Challenge' service review and market testing process. Risks and benefits associated with the proposed establishment of a charitable trust to deliver Kent County Council's Libraries, Registration and Archive services are outlined in the agenda item being presented to this Committee on 16th September.

4.11 It is likely that directorate and divisional risk profiles will continue to evolve during the coming months as KCC's transformation agenda progresses.

4.12 Inclusion of risks on risk registers does not necessarily mean there is a problem. On the contrary, it can give reassurance that they have been properly identified and are being managed proactively.

4.13 Monitoring & Review – risk registers should be regarded as 'living' documents to reflect the dynamic nature of risk management. Directorate and Divisional Management Teams formally review their risks, including progress against mitigating actions, on a quarterly basis as a minimum, although individual risks can be identified and added to the register at any time. Key questions to be asked when reviewing risks are:

- Are the key risks still relevant?
- Have some risks become issues?
- Has anything occurred which could impact upon them?
- Have the risk appetite or tolerance levels changed?
- Are any related performance / early warning indicators appropriate?
- Are the controls in place effective?
- Has the current risk level changed and if so is it decreasing or increasing?
- Has the "target" level of risk been achieved?
- If risk profiles are increasing what further actions might be needed?
- If risk profiles are decreasing can controls be relaxed?
- Are there risks that need to be discussed with or communicated to other functions across the Council or with other stakeholders?

5. Recommendation

Recommendation:

Members of the Growth, Economic Development & Communities Cabinet Committee are asked to **CONSIDER** and **COMMENT** on the risks presented.

6. Background Documents

6.1 KCC Risk Management Policy on KNet intranet site.

7. Contact details

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