Report to:	**Audit Committee**
Date:	**22 November 2019**
By:	**Chief Operating Officer**
Title of report:	**Strategic Risk Monitoring**
Purpose of report:	**To update the Committee on current strategic risks faced by the Council, their status and risk controls / responses and to describe the current Risk Management process.**

RECOMMENDATION: The Committee is recommended to note the current strategic risks and the risk controls / responses being proposed and implemented by Chief Officers.

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1. Background

1.1 Sound risk management policy and practice should be firmly embedded within the culture of the council, providing a proportionate and effective mechanism for the identification, assessment and, where appropriate, management of risk. This is especially important in the current climate where there remains considerable uncertainty about the future.

1.2 Robust risk management helps to improve internal control and support better decision-making, through a good understanding of individual risks and an overall risk profile that exists at a particular time. To be truly effective, risk management arrangements should be simple and should complement, rather than duplicate, other management activities.

2. Supporting Information

2.1 The Council's Strategic Risk Register, which is attached as Appendix A, is formally reviewed by DMT's and CMT on a quarterly basis. Members should note that this version of the Strategic Risk Register, which relates to Quarter 2 of 2019 / 2020 was reviewed by CMT on 15th November 2019 and will be presented to Cabinet on 10th December 2019.

2.2 The following paragraphs summarise the changes made to the Strategic risk register for the Q2 review and also includes changes made for the Q1 review;

2.2.1 **Risk 1 (Roads), Risk 4 (Health), Risk 5 (Reconciling Policy, Performance and Resource), Risk 6 (Local Economic Growth), Risk 7 (Schools), Risk 8 (Capital Programme), Risk 9 (Workforce), Risk 10 (Recruitment)** and **Risk 15 (Climate)** all have updated risk control measures to reflect the dynamic nature of the council's risk profile.

2.2.2 **Risk 15 (Climate)** was added for the Q1 review. The post mitigation RAG scores for each risk remains unchanged following this review.

2.3 We will continue to explore opportunities to further strengthen the council's risk management arrangements and for mitigating our key strategic risks. It is however, important to recognise that in some cases there is an inherent risk exposure over which the Council has only limited opportunity to mitigate or control.

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Background documents :
None

Strategic Risk Register - Q2 2019/20

Ref	Strategic Risks	Risk Control / Response and Post Mitigation RAG score	RAG
12	**CYBER ATTACK** The National Cyber Security Centre (NCSC) has highlighted the substantial risk to British web infrastructure with elevated levels of Cyber Crime being reported against all areas of government. Cyber-attacks often include multi vector attacks featuring internet based, social engineering and targeted exploits against hardware, software and personnel. The remote nature of the internet makes this an international issue and an inevitable risk. Examples of the impact of a Cyber Attack include: • Financial fraud related to phishing of executives and finance staff; • Loss of Personally Identifiable Information and subsequent fines from Information Commissioner's Office (4% of global revenue under the new General Data Protection Regulations); • Total loss of access to systems that could lead to threat to life. A successful cyber-attack can shut down operations - not just for a few hours, but rather for multiple days and weeks. The collateral damage, such as information leaks and reputational damage can continue for much longer. Added to that, backup systems, applications and data may also be infected and therefore, of little usable value during response and recovery operations - they may need to be cleansed before they can be used for recovery. This takes time and consumes skilled resources reducing capacity available to operate the usual services that keep the Council working.	Most attacks leverage software flaws and gaps in boundary defences. Keeping software up to date with regular patching regimes; continually monitoring evolving threats and re-evaluating the ability of our toolset to provide adequate defence'. Ongoing discussion and communication with the Info Sec industry to find the most suitable tools and systems to secure our infrastructure. Expanding Security Information and Event Management (SIEM) system capabilities to align with SCC and leverage latest standards of automation, detection and prevention. Development of "Security Advocates". Trained staff that can cascade and share cyber security insights and highlight potential issues into the workforce. Promoting a visible approachable business based security team; Enhancing user awareness - Expanding E-Learning and policy delivery mechanisms to cover Cyber threat, educating staff around the techniques and methods used by active threats. With 77% of all malware installed via email, users to be given learning experiences of phishing at point of use in a safe and secure environment; Providing GDPR training and workshops to cascade vital skills and information to those affected by new Data Protection laws; ESCC servers moved to the Orbis Primary Data Centre for resilience – An accredited Tier 3 environment certified to these standards: • ISO 27001 - IT Governance and Information Security Management • ISO 9001 - Quality Standard in Customer Service, Customer Processes, Product Process and Service, Efficiency and Continuous Improvement • ISO 14001 - Environmental Management and Best Practices for Corporate Environmental Responsibility. Disaster Recovery services now to similarly be relocated to a Tier 3 Data Centre environment (Orbis Secondary Data Centre in Guildford).	R
4	**HEALTH** Failure to secure maximum value from partnership working with the NHS. If not achieved, there will be impact on social care, public health and health outcomes and increased social care cost pressures. This would add pressures on the Council's budget and/or risks to other Council objectives.	In addition to ongoing work to develop an East Sussex Plan and contributing to the Sussex Health and Care Partnership Strategy response to the LTP, progress has been made on the following: •Meetings are ongoing between Chief Executives and Senior Executives from East Sussex CCGs, ESCC, ESHT, SCFT and SPFT to develop our Integrated Care Partnership proposal. The proposal covers long term objectives and the elements that will be in place for April 2020, in summary: • A common operating model across community and primary care reflecting NHS LTP commitments and ESCC priorities • A common planning process to align investment with priorities across health and social care resources to deliver outcomes • A single framework for managing resources and agreement on alignment and/or pooling of resources • Agreed accountability and risk sharing for the aligned and pooled resources • Agreed contractual framework including the AIC, supported where appropriate by an MOU/ partnership agreements •A single programme is being constructed and resourced to deliver this across the system, including the identified steps in the overall roadmap •The East Sussex Health and Social Care System Partnership Board has now launched and our system partnership governance structure agreed to include representation from organisations that impact on the wider determinants of health. This will oversee developments of both the East Sussex Plan and ICP proposals •First draft proposal will be ready to be shared more widely across system partners by the end of October to align with East Sussex Long Term Plan implementation •The consultation for the Sussex CCGs operating model has now been launched with implications for East Sussex for joint commissioning, health and care population commissioning and primary and community care. In developing a common operating model there are strong dependencies with PCN development and the Network DES Contract, which needs to sufficiently align with local ICP model development at the optimum scale and scope to achieve shared outcomes and delivery across primary and community care. The need for early engagement on ICP model development with new PCN Clinical Directors is supported and structured on ICP footprints has been flagged with CCG colleagues.	R

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5	**RECONCILING POLICY, PERFORMANCE & RESOURCE** Failure to plan and implement a strategic corporate response to resource reductions, demographic change, and regional economic challenges in order to ensure continued delivery of services to the local community.	We employ a robust Reconciling Policy, Performance and Resources (RPPR) process for business planning. We have adopted a commissioning approach which means evaluating need and considering all methods of service delivery, which includes working with partner organisations to deliver services and manage demand. The Council Plan sets out targets for a 'One Council' approach to deliver our priorities and is monitored quarterly. The plans take account of known risks and pressures, including demographic changes and financial risks, to design mechanisms to deliver the Council's priorities. We will continue to lobby for the need for long term, predictable and sustainable funding for local government and East Sussex, which reflects our residents' real and growing need through the fair funding review and anticipated spending review next year. We will also continue to make realistic and deliverable plans for working within the funding we are likely to have available, reflecting the recent Government announcement as part of its one year spending round.	R
15	**CLIMATE** Failure to limit global warming to 1.5°C, requiring global net human-caused emissions of carbon dioxide (CO2) to fall by about 45 percent from 2010 levels by 2030, reaching 'net zero' around 2050. This increases the risks to East Sussex of hotter, drier summers; changing rainfall patterns, with more intense rainfall episodes and longer periods without rainfall; milder winters; more frequent extremes in weather that are either prolonged or severe; and sea level rise with potential for increased storm surges.	Climate change adaptation: we are following national adaptation advice, including working with partners on flood risk management plans, a heatwave plan and drought plans. Climate change mitigation: we are continuing to reduce the County Council's own carbon footprint, which was cut by 46% between 2008-9 and 2017-18.	R
14	**NO-DEAL BREXIT** The UK withdraws from the EU with no agreed deal, transition or implementation period leading to disruption in the county, failure to deliver Council services and/or increasing existing areas of risk. Key areas at risk of disruption: - Disruption at Newhaven port and across the ESCC road network; - Disruption to waste collection and disposal; - Disruption to fuel supply; - Disruption to service delivery due to staff availability; - Communication with staff, partners and public; and - Procurement and the effect on the supply chain.	Relevant Council teams are actively monitoring Brexit discussions and developments, considering potential implications/ disruption and developing contingency plans. This work takes place as part of business as usual activity to identify how the national and local context impacts on services. Many of the key areas at risk of disruption are already on the Strategic risk register (Workforce, Recruitment) or departmental risk registers and are subject to business as usual risk management. The Communities, Economy and Transport (CET) Department is leading the assessment of a no deal Brexit from an Emergency Planning and Resilience perspective. Chief Officers are involved in regional and national information and developments in relation to Brexit. To ensure a coordinated response, Brexit planning is a regular item at Corporate Management Team (CMT) meetings, and a short life Brexit Task Group has been set up to avoid unnecessary impact on the Council's usual business. The task group will share actions that are being taken; monitor progress on agreed actions; and identify any common ground to avoid duplication. The task group is comprised of a representative from each department and lead officers from HR, Procurement and Emergency Planning.	R
1	**ROADS** Wet winter weather, over recent years has caused significant damage to many of the county's roads, adding to the backlog of maintenance in the County Council's Asset Plan, and increasing the risk to the Council's ability to stem the rate of deterioration and maintain road condition.	The additional capital maintenance funding approved by Cabinet in recent years has enabled us to stabilise the rate of deterioration in the carriageway network and improve the condition of our principle road network. However a large backlog of maintenance still exists and is addressed on a priority basis. The County Council's asset management approach to highway maintenance is maintaining the overall condition of roads, despite recent year's winter weather. However, severe winter weather continues to be a significant risk with the potential to have significant impact on the highway network. The recently approved five year capital programme for carriageways 2018/19 to 2022/23, and the six year additional capital programme for drainage and footways 2017/18 to 2022/23 provide the ability to continue to improve condition and build resilience into the network for future winter events. Additional DfT money from 2018/2019 has supported this approach.	A

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7	**SCHOOLS** Failure to manage the expected significant reduction in resources for school improvement from 2017/18 and the potential impacts of changing government policy on education, leading to reduced outcomes for children, poor Ofsted reports and reputational damage	• In September 2019 the Department published its refreshed Excellence for All strategy. The updated strategy outlines the shared vision, values and ambitions the local authority and our partners have for creating an excellent education system in East Sussex where no child or educational establishment is left behind. There is a sharper focus on the most disadvantaged and on how we will deliver improvement through the partnership structures in the county. • Work closely with schools to build a sustainable system across East Sussex, in order to ensure that the capacity and expertise is available to provide oversight of educational performance and to offer appropriate support and challenge where it is required. • Provide an opportunity for every school to be part of a local Education Improvement Partnership to support their ongoing improvement and for all partnerships to develop to the point where they provide a sustainable network through which all schools and other providers take responsibility for improvement in their local area. • Continue to develop commissioning model of school improvement including reviewing the level of trading by SLES to ascertain what is sustainable within reducing capacity and to identify core services that can be traded. • Continue to build relationships with academies and sponsors, including the Diocese of Chichester, ensure a dialogue about school performance, including data sharing. • Work with academies and maintained schools through the Education Improvement Partnerships to develop system leadership, school to school support and to broker partnerships to reduce pressure on SLES services. • Broker support to academies to address any performance concerns and investigate the feasibility of trading some LA school improvement services with all schools on a full cost recovery basis. • Where academies do not appear to be accessing appropriate support, bring this to the attention of the DfE, who may exercise their intervention powers. • Work with the Regional Schools Commissioner to ensure the work of the RSC and the LA is aligned and that schools have the support they need.	A
8	**CAPITAL PROGRAMME** As a result of current austerity, the capital programme has been produced to support basic need only and as a result of this there is no resource for other investment that may benefit the County e.g. that may generate economic growth. Additionally there is a risk, due to the complexity of formulas and factors that impact upon them, or changes in these, that the estimated Government Grants, which fund part of the programme, are significantly reduced. There is also a risk that the move from S106 contributions to Community Infrastructure Levy will mean that Council has reduced funding from this source as bids have to be made to Districts and Boroughs. Slippage continues to occur within the programme, which has an impact on the effective use of limited resources.	Governance arrangements continue to be reviewed and developed with Property for the delivery of Schools Basic Need and capital property works in support of the robust programme delivery of the basic need programme. The Education Sub Board, which in part focuses on future need for schools places, continues to inform the Capital Strategic Asset Board of key risks and issues within the School Basic Need Programme. Regular scrutiny by the Capital Strategic Asset Board, of programme and project profiles (both in year and across the life of the programme) occurs on a quarterly basis. Financial regulations have been updated to reflect the revised governance arrangements. The Board also proactively supports the seeking and management of all sources of capital funding, including; grants, S106, CIL and, Local Growth Fund monies. A cross department sub board has been set that oversees the process for bidding for CIL and to the use of S106 funds, work continues with Districts and Boroughs to maximise the Council's receipt of these limited resources. As part of 2019/20 budget setting, a risk factor has been introduced to acknowledge and address the continuous level of slippage in the capital programme, its impact on the financing of the capital programme, and therefore on treasury management activity. The Board will monitor the risk adjusted budget alongside the original budget to further scrutinise those projects continuing to slip. During 2019, improving the monitoring and reporting of the capital programme will be a key area of focus.	A

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9	**WORKFORCE** Stress and mental health are currently the top two reasons for sickness absence across the Council, potentially leading to reduced staff wellbeing, reduced service resilience, inability to deliver efficient service and / or reputational issues.	The 2019/20 Q1+2 sickness absence outturn for the whole authority (excluding schools) is 3.73 days lost per FTE, a decrease of 6.0% since the same period last year. Although stress/mental health remains the primary reason for absence, time lost due to stress/mental health during 2019/20 Q1+2 fell by 3.4% compared to 2018/19 Q1+2. Interestingly, during that period whilst days lost due to stress have fallen by 24.6%, Mental Health has increased by 27.9% A range of initiatives to address mental health absences have been implemented, including: • 72 Mental Health First Aiders have been trained across the organisation • ESCC Campaign launched for World Mental Health Awareness Day on 10 October 2019 • Employee and Managers Mental Health Guides have been produced alongside a supporting toolkit and dedicated resource intranet page • A Bereavement guidance document is being produced to provide managers with clearer guidelines and signposting on support available • The Return to Work forms are being developed to include more guidance for managers on mental health conditions such as stress/anxiety, diagnosed mental health condition and bereavement • Stress Risk Assessment form is being reviewed to encourage meaningful conversations and to provide targeted signposting for employees both in and out of work	A
10	**RECRUITMENT** Inability to attract high calibre candidates, leading to limited recruitment choices and therefore lack of the expertise, capacity, leadership and/or innovation required to deliver services and service transformation.	An analysis of our current workforce demographics and recruitment and retention 'hotspots' has been completed and has been considered by CMT. Two workstreams of 'attracting and recruiting the future workforce' and 'leading the workforce' are now being progressed. These will report in January 2020. A new e-Recruitment system went live on 1 April 2019; customer feedback will be sought following 6 months of operation with the aim of identifying any further areas for improvement.	A
6	**LOCAL ECONOMIC GROWTH** Failure to deliver local economic growth, and failure to maximise opportunities afforded by Government proposal to allocate Local Growth Funding to South East Local Enterprise Partnership, creating adverse reputational and financial impacts.	The County Council and its partners have been successful in securing significant amounts of growth funding totalling £115m, via both the South East and Coast 2 Capital Local Enterprise Partnerships, to deliver a wide range of infrastructure projects in East Sussex. We have also secured outgoing EU funding for complementary economic development programmes supporting businesses to grow, including South East Business Boost (SEBB), LoCASE, SECCADS and inward investment services for the county. We continue to bid for further EU funding for the above with bids being prepared for submission in July for a SEBB 2 and separately an inward investment programme looking to commence in April 2020 for a further 3 years. The County Council has worked with Wealden DC and developed an outline business case that has been submitted to the Major Road Network programme in May 2019, to secure funding for approximately £34.3m towards local transport interventions along the A22/A27 Growth Corridor. Government is working on a new Shared Prosperity Fund, which seeks to combine growth funding and outgoing EU funding into one, and as a consequence we are working with partners to develop a pipeline of projects to ensure we are well-placed to capitalise when the fund is released, and calls for projects are issued. Furthermore, there are several new funds currently being released for bidding including Future High Streets, Stronger Towns Fund and European Social Fund and we have been actively working with partners in submitting proposals and await the outcome. Government has also instigated a review of LEPs across the country. We are supporting the two workstreams that have been established to address SELEP board composition, diversity and appointments AND the establishment of a legal personality as a company limited by guarantee. We are now working with SELEP partners to compile the Government's requirement that every LEP has in place a Local Industrial Strategy by March 2020, which will be a key determinant to accessing future Government funding. East Sussex have been successful in securing an additional £2.46m funding from the SELEP for two projects that will create new jobs and workspaces in Bexhill and provide a replacement for Exceat Bridge to improve connectivity and support housing growth.	G