Risk Management Update Report

July – December 2022

Introduction

The purpose of this report is to provide Audit Governance and Standards Committee (AGS) with a regular update on the Strategic Risks the Council is currently managing, risk management activity that has taken place across the council and any emerging risks or other risk related matters that may be of interest to the Committee. This report has been introduced to support the Committee in the discharge of their responsibilities in relation to Risk Management oversight and to provide enhanced knowledge of the strategic risks facing the council and the wider operating environment.

Role of AGS Committee in Risk Management

The ECC Risk Management Strategy and the Committee's terms of Reference require the committee to "consider the Council's arrangement for corporate governance and risk management and advise on any action necessary to ensure compliance with best practice"

CIPFA's Position Statement 2022: Audit committees in local authorities and police[1] states 'maintenance of governance, risk and control arrangements are a core responsibility of the Committee'. In relation to risk this means in practice:

"Consider the effectiveness of the authority's *risk management* arrangements. It should understand the *risk profile* of the organisation and seek assurances that active arrangements are in place on *risk-related issues*, for both the body and its collaborative arrangements"

Risk Management Activity

The ECC Risk Management Team carry out a range of activities to support Senior Leaders and Management in identifying and managing their risks effectively. In addition the Team are supported by Risk Coordinators who work within their Functions to provide practical and day to day risk management support. A range of training, workshops and e-learning is available for staff, management and members as part of the Risk Management Tool-kit.

Senior Management Engagement

In order for ECC to effectively manage its risks it is critical that Senior Leaders are actively engaged with the full risk management lifecycle. To support this the Head of Assurance and/or the Risk Manager regularly attend CLT, FLTs and SMT's to facilitate effective risk identification and mitigation. During this reporting period the following support activities took place.

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[1] https://www.cipfa.org/services/support-for-audit-committees

Date	Activity
25.10.22	CLT received Strategic Risk update with facilitated discussion on new and emerging risks
20.7.22 & 12.10.22	People & Transformation Performance Board received risk update with facilitated discussion on existing risks and mitigations
1.9.22	Corporate Services FLT received risk update with facilitated discussion on existing risks and mitigations
22.9.22	Children's & Families FLT received risk update with facilitated discussion on existing risks and mitigations
26.9.22 & 19.12.22	Climate, Environment & Customer FLT received risk update with facilitated discussion on existing risks and mitigations
11.8.22 & 4.11.22	Finance SMT facilitated risk review
31.8.22	Chief Execs Office SMT facilitated risk review
13.10.22	Customer Services SMT facilitated risk review
9.11.22	Environment & Climate Action SMT facilitated risk review
15.11.22	Highways & Transportation SMT facilitated risk review
4.7.22 & 3.10.22	Sustainable Growth SMT facilitated risk review
8.11.22	Performance, Infrastructure & Delivery SMT facilitated risk review
16.12.22	Transformation Delivery & Support SMT facilitated risk review
16.12.22	Legal & Assurance SMT facilitated risk review
19.12.22	Wellbeing, Public Heath & Communities SMT facilitated risk review
20.12.22	Technology Services SMT facilitated risk review

Business Continuity Validation Exercise and Test - Cyber Attack

As part of the Councils ongoing Business Continuity Programme, designed to support Functions and ECC to manage incidents after risks materialise, an ECC wide exercise was carried out in October 2022 to test our response to a Cyber Attack. This exercise was called Operation Black Hat. The aims of the exercise were to:

- Validate the Council's Corporate Business Continuity Plan
- Provide Essex County Council Staff with an opportunity to practice their skills and knowledge of the business continuity procedures in a simulated and controlled environment.

The exercise was based on a Ransomware attack on the Council's IT infrastructure. The 'attack' scenario meant Technology Services pretending to disable access to ECC-corporate systems whilst they investigated the ransomware and understood what it was directly impacting. The disabling of the ECC-Corporate System meant that staff had to test the scenario that they could no longer login to their laptops or sign into any of the single sign-on services. The exercise was carried out over 2 days and involved all key staff and functions. By carrying out this exercise we have a clear picture of where our response would go well and have identified opportunities for learning should we face a real attack. The full de-brief report is available to members upon request.

Summary of Current Risk Profile

The ECC Risk Management Strategy (reviewed and approved by AGS Committee in March 2022) sets out our approach to managing risks across the council. We manage risks at a Strategic, Function and Operational level. The table below shows the number of risks recorded at each level across the council

In the period from July – December 2022 our strategic risk profile has remained relatively stable after a very uncertain couple of years managing risks related to EU Exit and Covid-19. The highest rated risks, considered to be almost certain to happen and have a critical impact if they do are related to our supply chain (considered an issue), and placement sufficiency for Children In Care.

The full Strategic Risk register can be found at **appendix 1**

We categorise our risks to help assess the nature of the impacts. The table below shows the number of risks we are managing in each category.

Category	Strategic level	Function Level	Service Level	Total risks	Direction of Travel*
Business Continuity/Emergency Planning	0	2	5	7	---
Compliance/Governance	0	8	18	26	---
Contracts / Partnerships /Markets	0	2	9	11	---
Economic	0	2	17	19	---
Environmental	0	4	6	10	---
Financial	0	11	39	50	---
Health & Safety	0	1	11	12	---
Human Resources	0	4	10	14	---
Information Security	0	0	29	29	---
Legal / Regulatory	0	10	18	28	---
People in the community	0	7	0	7	---
Project / Service Delivery	0	5	17	22	---
Reputational	0	4	35	39	---
Strategic	13	0	0	13	---
Technological / Data Quality	0	4	9	13	---
Unassigned	0	0	7	7	---
Total	13	64	230	307	---

*data not available as this is first report – will be supplied from second report onwards.

ECC assesses risk levels using a 4x4 likelihood x impact.

The table below outlines the percentage of our current risks at each level.

Risk Level	% Very High	% High	%Medium	% Green
Strategic	56.25	37.5	6.25	0
Function	50	27.8	14.8	7.4
Service	10.04	28.38	44.54	17.04

Horizon Scanning

It is clear that we are in a further period of uncertainty and as such there are number of risk areas that could emerge and we are keeping a watching brief. These include (but not limited to) Local Government Reform / Devolution, cost of living, Winter Pressures and Risk of Power Outages, which the Government has added to the Community Risk Register.

The Institute of Internal Auditors recently published its annual paper Risk in Focus for 2023, the executive summary is extracted from the full report and attached at **appendix 2** and the full report (48 pages) can be found here Risk In Focus. The 'Looking Ahead' section of the report suggests that the top 3 risks for organisations over the next 3 years could be

- cybersecurity and data security
- human capital, diversity and talent management,
- climate change and environmental sustainability

Risk Maturity

It is considered best practice for organisations to regularly assess their risk maturity against a recognised risk maturity model. ECC has adopted the ALARM model for this purpose. (attached at **appendix 3).** Our first assessment was carried out in 2019 by PWC and we were assessed as 3 – 'working' in some areas and 4 - 'embedded and working in others'.

Our next risk maturity assessment is in currently in progress and being carried out by Internal Audit to provide independence and objectivity. The results will be reported once the review is complete.

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)
		16 4, 4	9 3, 3

SRR0046 *Treat*

Placement sufficiency for Children in Care: There is a shortage of placement choice and increasing costs nationally. This is compounded by; increasing CiC numbers nationally, Ofsted inspection outcomes and the current economic situation. The consequences are two potential risks arise; insufficient placements resulting in a failure to meet our statutory duty to provide lawful placements for children requiring care, and increased pressure on budgets due to rising costs. There may also be increased risk of harm in unregulated placements and reputational damage for the LA.

Owner : Helen Lincoln

- **Residential Care Strategy**
Our Residential Care Strategy is in development; overseeing a range of workstreams established to increase access to local, good quality residential placements. Alongside our strategic partners, Barnardo's.
Status : In Progress

- **Joint Protocol**
To make sure ECC does not pick up care costs inappropriately, discussions are taking place with the Essex housing authorities and London Boroughs at a political level, and via the Local Government Association and Association of Directors for Children's Services at officer level, to develop a Joint Protocol regarding the migration of children and their families from London
Status : In Progress

- **Lobbying**
Lobbying Ofsted, Department of Education, Policy makers and Independent review of Children's social care to provide flexibility in closure of units to prevent short notice actions being taken.
Status : In Progress

- **Monitoring**
The East of England Regional Improvement & Innovation Alliance are monitoring the impact. Comparing the three months December to February 2021 to the same period in 2022, there was:
a 150% increase in unregulated placements, with average costs increasing 68%; and
a 67% increase in residential placements, with average costs increasing 72%.
Status : In Progress

- **Prevention of entry into care and re-unification**
Prevention of entry into care both via the d-bit intervention and supporting the re-unification, particularly of under 10's with their families
Status : Ongoing

- **Transformation board work on fostering**
Transformation board investment in in-house fostering - intended to increase proportion of CiC in fostering, and proportion of fostered children placed in-house. Targets will be re-calibrated in response to increasing numbers of 16/17 year olds, and SMC entering care. Our in-house fostering provision is the most effective, cost-efficient placement-type, for children to attain good outcomes.
Status : Ongoing

- **Children and Young People's Placement Service (CYPPS)**
- All placements are centrally sourced and matched centrally CYPPS, to ensure most efficient and cost effective use of all placements.
- Fortnightly face-to-face liaison with Ofsted providing transparency around use of unregulated.
- Unregulated arrangements - ongoing work to reduce use of unregulated arrangements via residential group care with 3 units, first one will be operational Spring '23.
Status : Ongoing

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)

- **Children and Young People with Disabilities (CYPWD)**
Project board and workstreams is in place – Short Break Hub in place, development of in-house carers for CYPWD ongoing, looking at re-tender process for short breaks offer.
Status : Ongoing

SRR0087 *Treat*
ISSUE- Supply Chains: Due to the impacts of EU Exit and the conflict in Ukraine, there is a risk of supply chain disruption and escalating cost. This could be due to:

- Rising Inflation and particularly concerns over continued and high energy costs, leading to concerns over viability of suppliers with high energy consumption eg residential care and construction.
- Vacancies in key sectors e.g. Haulage, Construction and Care
- Long lead times and escalating costs
- Fuel and air freight disruption
- A raw material shortage caused by the shutdown of industries

This could impact on our ability to fulfil our statutory duties which results in escalating costs to the council and failure to deliver services. Additionally, shortages in supply and labour could result in suppliers sourcing less ethical solutions, e.g. modern slavery.

Owner : Nicole Wood

- **Reviewing additional support required for energy costs**
We are awaiting the outcome of the government review into continued energy support for business from April 2023.
Status : Proposed

- **Additional capacity**
Exploring lots of different solutions to bring in additional capacity e.g. block arrangements, Provider of Last Resort contract, mobilising new Domiciliary Care providers etc.
Status : In Progress

- **Reviewing sourcing strategies**
Reviewing sourcing strategies to see how we can mitigate any potential cost pressures, potentially extending contracts where we can even if at a slightly increased price to avoid going to the market at such a volatile time.
We are also reviewing and updating specifications to allow more flexibility from bidders as, at times, we are too prescriptive and this is causing additional cost and availability challenges
Status : In Progress

- **Business Impact Analysis**
From September 2022, Business Continuity Planning evidence will be a requirement for all medium and high-risk contracts awarded by Essex County Council. Using the Strategic Business Impact Analysis as guidance, medium and high-risk contracts for critical services will be subject to more stringent checks to ensure business continuity planning is of sufficient quality to provide assurance to the Council. Checks are carried out in partnership between Procurement and the Emergency Planning & Resilience Team.

Functions are responsible, as part of the Service-Level Business Impact Analysis, for identifying their critical suppliers and ensuring that business continuity measures are in place for the continuation of service delivery, should a critical supplier's business be disrupted. These arrangements are to be reviewed annually as a part of the Business Continuity Lifecycle.
Status : In Progress

Current Rating: **16** 4, 4
Target Rating: **12** 3, 4

SRR0047 *Treat*
ASC Provider Failure: The fragility of the care market continues and is currently exacerbated by ongoing workforce pressures in the care market. This could result in providers being unable to meet demand due to financial pressures, in particular increase on costs and staff shortages/recruitment.

Owner : Nick Presmeg/ Nicole Wood

- **Intergrated approach with health**
Ensure integrated approach with health maximises productivity and ongoing work with providers is taking place.
Status : In Progress

- **Market shaping**
Robust market shaping is in progress, working closely with providers and partners in the NHS to ensure the short term supply chain is stable and shape the market to meet future needs and support recruitment to care market workforce
Status : In Progress

Current Rating: **12** 3, 4
Target Rating: **6** 2, 3

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)

- **Risk Management**
  Ongoing monitoring of risks for older people in care homes with proactive management of high-risk settings. The report is sent to a range of colleagues within Operations and Commissioning, and proactive conversations take place to understand and assess the plans of highest risk providers in addressing their issues.
  Status : In Progress

- **Monitor and review**
  Annual review of fees payable and pricing matrix on framework re-opening to recognise cost pressures faced- uplift to historic prices this year and change in policy to recognise price pressure. All costs of care models will be refreshed by Sept 2022.
  Development of robust contingency arrangements for critical services
  Regular monitoring of financial information and other risk measures to identify those providers most at risk of failure
  Status : Ongoing

- **Market communications**
  We actively communicate to the market and make known any information, advice and technical guidance we receive that is relevant to providers.
  Status : Ongoing

- **Market relationship**
  ECC are well sighted on issues due to strong relationships with the market. ECC fund a role at the Essex Care association – the Director of Development which strengthens relationships, and have also agreed to fund a workforce role too.
  Status : Ongoing

- **Serious concerns review group (SCRG)**
  These meetings are held regularly to review any providers where there are concerns using a RAG rating system
  Status : Ongoing

SRR0055 *Treat*
ASC Safeguarding: Risk of potential death or serious injury of a child or vulnerable adult as a result of market failure or poor practices. This would have a significant impact on service delivery, officer morale and the reputation of the Council.

Owner : Nick Presmeg

- **Liberty Protection Safeguards**
  We are preparing for the Liberty Protection Safeguards. We are training relevant staff, identifying processes and pathways and ensuring that our colleagues across the council and partners are prepared and ready to implement this new important safeguarding legislation in 2023 via a dedicated network and regular information sharing, should this legislation be commenced
  Status : In Progress

- **Strong relationships**
  Strong relationships with the Local resilience Forum (LRF) and incident and risk management plans in place.
  Status : Ongoing

- **Essex Safeguarding Adults Board (ESAB)**
  The Essex Safeguarding Adults Board (ESAB) published its strategic priorities and business plan in April 2021 which set a clear direction and work programme for the next three years, The ESAB sub-groups have been reviewed and refreshed to ensure they are well placed to deliver the Board's plans.
  Status : Ongoing

Current Rating: **12** / 3, 4
Target Rating: **8** / 2, 4

- **Ongoing relationship with the Care Quality Commission (CQC)**

  Status : Ongoing

- **Quality checks**
  Quality assurance audit system in place which randomly selects cases from each quadrant to check their quality. Every team manager completes 1 of these per month. . The department undertakes a quarterly auditing and review diagnostic process looking at areas of practice, accountability, management and leadership. We are updating our Quality Assurance Framework to ensure a wider scope and breadth of assurance work is undertaken routinely across all aspects of ASC, additionally demonstrating our compliance with regulatory frameworks. We are increasing the number of case file audits to reflect the growing levels of activity on teams and to ensure that we can evidence the impact of learning from reviews, complaints and case law in our practice. We are also working to incorporate an improved inclusion of the voices of adults and their carers in our assurance work.
  Status : Ongoing

- **Serious Concerns Review Group (SCRG)**
  These meetings are held regularly to review any providers where there are concerns using a RAG rating system. Discussions are around safeguards, strategy meetings required, action plans for improvement we have with the provider, Care Quality Commission (CQC) actions, suspension of admissions, breach of contract etc and any next steps required. Key stakeholders attend from Adult Operations, Safeguarding, Quality, Procurement, Legal, and the Service Placement Team.
  Status : Ongoing

- **Robust relationships in place**
  We have robust relationships in place with key colleagues, including Directors of Nursing and Accountable Officers, across the health system, a key part of these relationships is working together to develop system resilience and risk management.
  Status : Ongoing

- **Continuous Professional Development (CPD)**
  Professional development pathway for all Children and Families and Adult Social Care staff which will contribute to more robust practice.
  Status : Ongoing

- **Section 11 Audits**
  Section 11 audits completed biannually (org compliance with safeguarding duties).
  Status : Ongoing

- **Care Sector Hubs**
  Led by ECC Adult Social Care this system wide collaborative approach in each CCG (ICS) area where partners come together to discuss care provider safeguarding and quality risk and mitigation. The Provider Quality Team have a lead role in contacting care homes to discuss issues and challenges and provide advice and support. The Hubs look at active and emerging concerns and consider appropriate resources to support provider improvement.
  Status : Ongoing

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)

SRR0056 *Treat*

C&F Safeguarding: Due to stretched capacity internally and externally; social worker caseloads increasing in complexity and volume; and an increasing number of families living in poverty, there is an increased risk of child abuse, long-term psychological damage, serious injury, or death of a child. This may result in significant negative impact on officer wellbeing and morale, and the reputation of the Council.

Owner : Helen Lincoln

- **Projecting future demand**
  Working with data colleagues to project future demand
  Status : In Progress

- **Prevent and Channel meetings**
  Prevent and Channel meetings are being progressed with Essex Police with regular meetings taking place. Prevent Leads are in place for both Adult Social Care (ASC) and Children & Families (C&F).
  Status : Ongoing

- **Child Sexual Exploitation Strategy (CSE)**
  There is a national focus on child protection including Child Sexual Exploitation (CSE). ECC have developed a CSE strategy; work is ongoing and there is continued scrutiny around that area.
  Status : Ongoing

- **Independent Inquiry into Child Sexual Abuse (IICSA)**
  The Independent Inquiry into Child Sexual Abuse is underway and we keep a close watch on government messages. This inquiry looks at current and historical cases. ECC has not been named but may at sometime be called on to give evidence.
  Status : Ongoing

- **Quality checks**
  Quality assurance audit system in place which randomly selects cases from each quadrant to check their quality. Every team manager completes 1 of these per month.
  Status : Ongoing

- **Serious Case Review**
  These reviews are carried out as and when required in order to establish lessons learned. They are attended by Head of Safeguarding
  Status : Ongoing

- **Online wellbeing service**
  Essex Wellbeing Service (EWS) has developed an online digital directory – people can access advice, link to services with capacity (anxiety, bereavement etc) and complete online learning.
  Status : Ongoing

Current Rating: **12** — 3, 4
Target Rating: **8** — 2, 4

SRR0088 *Treat*

Recruitment and Retention: At the end of December 2022, ECC's voluntary turnover rate is 9.9%, compared to 7.5% in December 21 and has risen from a low of 5% in April 2021. This rising trend of voluntary resignations presents a major risk to delivery of our services. The trend, however, has slowed over recent months therefore we would forecast the turnover rate to not get materially worse.

Levels of interest in ECC jobs has improved since September and is on an upward trend. work on our updated advertising content will ensure we can continue to attract talent. there is particular concern for Grade C staff where only 49% intend to stay for over three years. The impact on our voluntary turnover rate will be financial, productivity loss and our experience mix all being impacted.

Owner : Pam Parkes

- **Robust workforce planning**
  People Business Partners will work with functional leadership teams to ensure robust workforce planning to ensure we are clear which roles and skills we are likely to need to develop pipelines for
  Status : In Progress

- **Talent identification, development and planning pilot**
  The pilot is completed. Framework and approach revised and improved thanks to feedback. Roll out to the remaining of the organisation in progress, aligned with the Workforce Planning activity planned.
  Status : In Progress

- **Report into Function FLT's and PBP's**
  Levels of turnover and talent attraction will continue to be reported to function FLTs and PBPs will work with these leadership teams to put specific actions in place as necessary
  Status : In Progress

Current Rating: **12** — 4, 3
Target Rating: **4** — 2, 2

- **Flexibility in organisation design**
Where specific retention issue are highlighted (e.g. Tech Services) we will seek to employ a flexible approach to org design in order to create motivation to say, such as clear progression structures (e.g. Entry to work, junior roles and senior roles).
Status : In Progress

- **Flexible reward**
Decisions around how the agreed pot for 2023/24 pay review is applied will take account of the current market conditions, hard to recruit roles and the external economic pressures being felt by employees. We are also reviewing our EVP to ensure that we are an attractive employer, taking into account all elements of EVP which are not just focussed on salary.
Status : In Progress

SRR0089 *Treat*

Cyber security: If ECC were not to maintain, implement and test appropriate and adequate security controls to mitigate vulnerabilities and security threats, there is an increased risk of these being exploited by Russia following the advice from GCHQ to gain unauthorised access to, and/or compromise the confidentiality, availability, and integrity of ECC data. This could result in fines being imposed, reputational damage, and the prosecution of the authority.

Owner : Nicole Wood

- **Ensure our network service providers have implemented effective security control**
Existing firewall rules have been review by an independent consultant and will further be reviewed by Networks Team and IT Security.
Penetration testing will also provide assurance that only required ports are open.
Any unexpected or unauthorised firewall ports found to be opened are closed following the RFC process.
A process is in place to ensure these reviews are happening
Status : In Progress

- **Cyber Security Governance - policies and processes**
TS manages and maintains a portfolio of relevant technology policies. These are reviewed and updated as a minimum annually.
Status : Ongoing

- **Cryptography: Ensure it's used correctly and effectively within Technology Services, to protect the CIA of data.**
CIA Confidentiality, Integrity and Availability

a.   Ensure Technology Services policy on the use of cryptographic controls for protection of information, is followed, maintained, and regularly reviewed.
b.   Ensure Technology Services policy on the use , protection, and lifetime of cryptographic keys through their whole lifecycle ,is followed, maintained, and regularly reviewed.

Relevant TS Security Policy Controls:
Cryptography policy
Status : Ongoing

- **Malware protection: Ensure defences against the ingress of malware are in place**
Ensure detection, prevention and recovery controls are in place and effective, that protect against the ingress of malware, and are combined with user awareness, and adhere to the requirements of the TS Security Malware Protection policy. Security HQ are currently being used for 24hour Security Operation Centre (SOC), they identify threats and whether there are enough resources to deal with them. There is also a retainer with Mandiant for in-depth security expertise when needed.
Status : Ongoing

Current Rating (P, I): 12 — 3, 4

Target Rating (P, I): 8 — 2, 4

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)
	- **Technical Vulnerability Management: Ensure the system vulnerabilities are not available for threats to exploit** Ensure that technical vulnerability management is being performed as per that stated in the TS Security Vulnerability Management policy **Status :** Ongoing - **Backup of Information: Ensure regular back ups of information are taken** Ensure backup copies of information, software and system images are taken and tested regularly in accordance with the agreed backup schedule and TS Security Backup policy. **Status :** Ongoing		
SRR0092 *Treat* Inflation: Inflation is at its highest level for 40 years, and may continue at a high level over the medium term, which will create significant pressure on ECC revenue and capital budgets, impacting on the financial sustainability of the organisation and increasing the budget gap. **Owner :** Nicole Wood	- **Monitoring Inflation Pressures** Monthly monitoring of inflation pressures **Status :** In Progress - **General risk reserve** General risk reserve created as part of the Provisional Outturn report to provide a level of one-off support to inflation pressures **Status :** In Progress - **Regular updates on inflation** Regular updates on inflation and its potential impact to CLT and PLT **Status :** In Progress - **Revenue transformation planning** Work has begun on developing a transformation plan to identify the shape of ECC in the medium term- this aims to provide potential mitigations to the increasing medium term budget gap **Status :** In Progress - **Undertaking capital programme prioritisation** Undertaking capital programme prioritisation Capital programme prioritisation exercise has taken place this year to look at identify actions for growing financing pressure on the revenue budget. This will continue on an annual basis. **Status :** In Progress - **Modelling options for major contracts** Modelling options for major contracts for a range of inflation scenarios **Status :** In Progress - **Revising the 2023/24 budget and MTRS for new BoE inflation assumptions** The 2023/24 budget has been set taking in to account current high levels of inflation, and the BoE forecast for the medium term. This should provide greater assurance on the 2023/24 budget. BoE forecasts will continue to reviewed quarterly, and updates made to the MTRS as necessary, although any variations from the forecast inflation in the short term will potentially create in-year budget pressures. **Status :** In Progress	12 4, 3	8 4, 2

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)

SRR0093 *Treat*
Borrowing:
Rising interest rates could make planned levels of borrowing for capital financing and cash flow management purposes unaffordable, meaning that plans for capital investment may have to be scaled back and/or that efficiencies are required to mitigate the impact on the revenue budget.

Owner : Nicole Wood

- **Continual review**
Keeping the affordability, prudence and sustainability of borrowing under continual review.
Status : In Progress

- **Economic forecasts**
Regular monitoring, assessment and reporting of economic forecasts for interest rates.
Status : In Progress

- **Planning new borrowing carefully**
Planning new borrowing carefully, to ensure that new loans are only secured when needed, and that new loans are secured on the most advantageous terms possible
Status : In Progress

- **Cap on Borrowing**
Undertaken Capital Programme review and introduced a Cap on borrowing until 2026.
Status : Ongoing

Current Rating: 12 — 3, 4
Target Rating: 9 — 3, 3

SRR0091 *Treat*
"New" policy burdens:
Due to resource and budget constraints, there is a risk that ECC is unable to deliver "new" policies resulting in reputational damage and not meeting statutory obligations.

Owner : Richard Puleston

- **Additional policy support**
We have provided some additional policy support to help respond to White Papers and legislation.
Status : In Progress

- **Lobbying/engagement plan**
We are reviewing a lobbying/engagement plan to help us influence key White Papers and pieces of legislation
Status : In Progress

Current Rating: 9 — 3, 3
Target Rating: 9 — 3, 3

SRR0094 *Treat*
Increasing demand
Due to economic downturn there is a risk of increased demand on services resulting in ECC's inability to meet that demand effectively.

Owner : Gavin Jones

- **Monitoring service demands**
Directors and Heads of Service, with support from Function Heads of Finance, will monitor service demands, workloads and any subsequent impacts on delivery and budget, flagging any potential or actual risks via the usual routes.
Status : Ongoing

- **Escalation to CLT**
Should high demand on services and/or budget cause significant pressure in the system or lead to potential service failure, this will be escalated to CLT for wider consideration and decision regarding ECC priorities
Status : Ongoing

Current Rating: 9 — 3, 3
Target Rating: 0 — ,

SRR0051 *Treat*
Tech Services: There is a risk of service delivery failure, both of ECC systems and hosting of third party providers services, due to ineffective or untested disaster recovery arrangements. Failure of services or the inability to access them represents a reputational and financial risk to the council, as well as impacts on staff morale.

Owner : Nicole Wood

- **Wireless Connectivity (Wi-Fi)**
The corporate Wi Fi system upgrade implementation remains ongoing – the decommission of Cisco access points and replacement with Aruba is scheduled for Jan 2023.
Status : In Progress

- **Wide Area Network reconfiguration**
Further work on improving the resilience of WAN has been superseded by the migration of applications and platforms to the cloud. As such, resilience is improved, with the SD-WAN programme to provide the strategic end-state.
Status : In Progress

Current Rating: 8 — 2, 4
Target Rating: 2 — 1, 2

- **Business Impact Analysis**
  The Council must formally define Business Continuity and recovery requirements for all critical services. There is a reliance that all areas define BC.
  The Disaster Recovery and Resilience Manager is extracting the latest RTO information from recently completed 2022 annual Function BC Plans review and following up on missing RPO requirements from the services where required.
  Status : In Progress

- **Capabilities**
  Tech Services to implement Disaster Recovery (DR) solutions once the Business Continuity (BC) arrangements are finalised/agreed and the critical services, recovery time objectives and recovery point objectives are agreed.
  Completion of Cloud programme incorporating shared services and infrastructure dependencies is planned for June 2023.
  The core Azure Cloud DR process is in place.
  All critical services are now cloud-based on Azure-hosted or 3rd party cloud platforms.
  Status : In Progress

- **Testing in 2 phases**
  Initial core DR testing as successfully completed as part of the Cloud programme.
  A schedule of DR testing has been produced.
  Test execution has been delayed due to technical issues under remediation as part of the Cloud programme phase 2.
  Status : In Progress

- **Third Party Review**
  Once recovery requirements are defined these will need to be compared to the contracted Disaster Recovery (DR) provision from existing third party providers and amended as required.
  Proof of testing and reconciliation of capabilities with RTO's and RPO's is being gathered from third party suppliers.
  Status : In Progress

- **MS Azure**
  Phase 1 of Office 365 has been implemented and phase 2 is in progress. We are currently on a revised target date for overall MS Azure completion date of June 2023.
  Status : Ongoing

- **Remove limitations of On premise infrastructure by Cloud first strategy**
  All services are now cloud-based, either on core Azure hosting or on 3rd party cloud platforms.
  The remaining network infrastructure dependency is being eliminated as part of the Cloud programme phase 2 target date June 2023.
  Status : Ongoing

Risk Details	Control Measures	Current Rating (P, I)	Target Rating (P, I)
SRR0079 *Treat* System pressures results in failure of care: System pressures resulting in shortages of carers and other care professionals and/or delays in the supply chain for essential goods and services undermines ASC's ability to provide care in the community. This creates gridlock in both the health and social care system, leading to significant delays in the provision of care resulting in delays to hospital discharge and failure to provide support to those in the community whether at home or in residential care. **Owner :** Nick Presmeg	- **Declare Major Incident** Declare Major Incident within the LRF, invoke emergency powers and request support within geographical area **Status :** Proposed - **Ethics committee** Practice Governance Board to function as an ethics committee led by the principle social worker to ensure available resources are prioritised in transparent and ethical manner where it is no longer possible to meet the totality of our care commitments. Resources would be prioritised for adults who are at serious risk if we do not intervene. **Status :** Proposed - **Provider of Last Resort (prioritised for domicillary care)** Arrangements in place with provider of last resort for the provision of staff to ensure continuity of care **Status :** Ongoing	8 2, 4	8 2, 4
SRR0068 *Treat* Tax: There is a risk of a structural adjustment in the funding to Essex as a result of significant loss of tax revenue due to the shift in economic conditions, which represents over 80% of our funding. Latest information predicts real incomes falling by 4% due to the cost of living squeeze. At the same time, CPI is now at 9.9% and currently predicted to be over 10% by the end of 2022, and potentially at a higher level for an extended period of time. Both of these may impact residents ability to pay their council tax. **Owner :** Nicole Wood	- **Council Tax** Essex districts are tracking the actual impact on Council Tax receipts and forecasting future changes as a result of the economic conditions. This is being collated by ECC. **Status :** In Progress - **Monitoring and feedback** Close monitoring of the pan Essex revenues position and feedback to Ministry of Housing, Communities & Local Government (MHCLG) through lobbying approach **Status :** Ongoing - **Hardship fund** Effective use of hardship fund targeted at those most in need **Status :** Ongoing - **Work with Districts** Work with Districts to support innovative collection approaches **Status :** Ongoing - **Collection fund reserve** We have a collection fund risk reserve which currently has a balance of £17m. This will provide coverage for approximately 2% of our annual tax revenues. **Status :** Ongoing - **Cost of living advice and support** There is information and guidance on the ECC website providing a summary of our services which may help residents with the cost-of-living impact. **Status :** Ongoing	6 2, 3	6 2, 3

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EXECUTIVE SUMMARY:
Navigating and auditing in the perfect storm of high-impact interlocking risks

In 2022, organisations were hit by a perfect storm of high-impact, interlocking risks that have thrown businesses into a permanent state of crisis. Following hard on the heels of the pandemic, the war in Ukraine has intensified supply chain failures, caused a spike in energy prices and fuelled inflation.

Now a state of crisis is the new normality. Climate-related natural disasters, looming recession, an accelerating cost of living catastrophe in Europe, food shortages, employee welfare and skills deficits, and a rapidly industrialising cyberattack landscape are overlaid by intensifying geopolitical tensions and the very real threat of financial liquidity and solvency risks for businesses.

This has forced many organisations not just to rewrite their risk registers, but to tear up outdated risk taxonomies that favour old-style siloed thinking. Sudden, systemic organisation-wide risks with contagious, unpredictable ramifications throughout the enterprise are no longer seen as Black Swan events - but as interlocking elements of a continuous storm.

Internal auditors need to get a rapid grip on this situation and support their organisations to navigate more risky, uncertain and volatile times ahead. Instead of thinking about what individual risks might arise over the next year or two, chief audit executives need to be thinking over the coming decade. And be thinking big. How would we survive an overnight, permanent supply chain break with China? How would we cope if inflation hit 25% and stayed there, as it did in the 1970s? Are we prepared for the sudden, permanent increase in temperatures in every area in which we operate? Are we in a position to understand and help our clients and staff with the stresses and strains they face over the coming months and years?
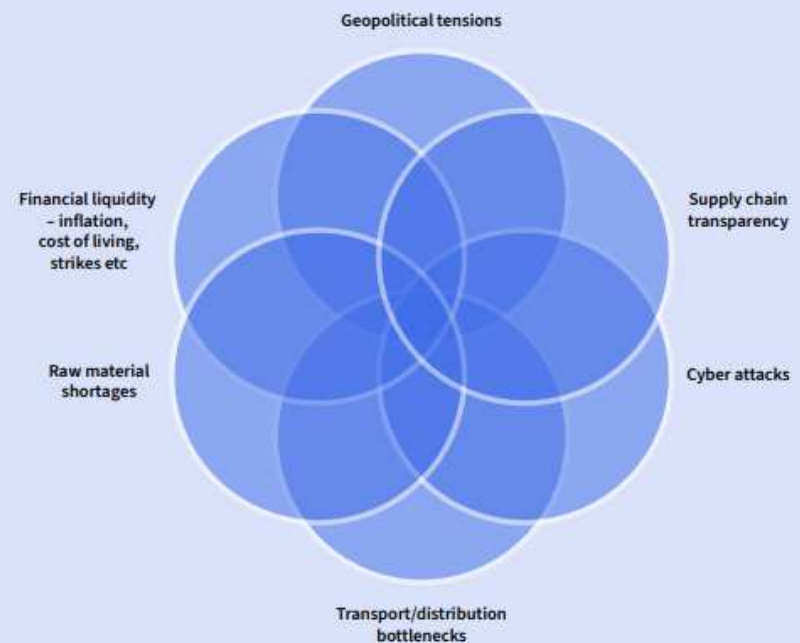
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The chief audit executives that participated in Risk in Focus 2023 are grappling with this reality. This year, the report explores five thematic risks – geopolitical uncertainty, climate change, organisational culture, cyber and data risk, and digitalisation and artificial intelligence. It outlines those challenges in detail and offers practical advice and know how about how to help organisations adjust to this new reality.

There are few obvious, easy answers to these problems. But internal auditors are uniquely placed to play their part in developing long-term solutions that have a real impact on organisations and the communities they serve. They need to secure from the board the resources and remit to tackle the most pressing risks with urgency.

If there was ever a time for the profession to step up and deliver on its full potential, it is now.

Venn Diagram Illustrating the Perfect Storm of High-Impact Interlocking Risks

- Geopolitical tensions
- Financial liquidity – inflation, cost of living, strikes etc
- Supply chain transparency
- Raw material shortages
- Cyber attacks
- Transport/distribution bottlenecks

ALARM
embrace risk

APPENDIX E
ALARM NATIONAL PERFORMANCE MODEL FOR RISK MANAGEMENT IN PUBLIC SERVICES

Existing Scale	Proposed Scale	Leadership and Management	Strategy and Policy	People	"Partnership, Shared Risk & Resources Processes"	Processes	Risk Handling and Assurance	Outcomes and Delivery
Driving	Excellent 5	"Leadership uses consideration of risk to drive excellence through the organisation, with strong support and reward for well managed risk-taking"	Strategy and Policy are closely aligned to risk management and the threat of failing to achieving objectives	"All staff are empowered to be responsible for risk management. The organisation has a good record of innovation and well-managed risk-taking. Absence of a blame culture."	"Clear evidence of improved partnership delivery through risk management and that key risks to the community are being effectively managed"	"Management of risk and uncertainty is well-integrated with all key business processes and shown to be a key driver in business success"	"Clear evidence that risks are being effectively managed throughout the organisation. Considered risk-taking part of the organisational culture."	"Risk management arrangements clearly acting as a driver for change and linked to plans and planning cycles"
Embedded and Working	Good 4	Leadership is supportive of the risk management process, engages actively and ensures it is embedded throughout the organisation	"Risk management principles are reflected in the organisation's strategies and policies. Risk framework is reviewed, developed, refined and communicated"	"A core group of people have the skills and knowledge to manage risk effectively and implement the risk management framework. Staff are aware of key risks and their responsibilities"	"Sound governance arrangements are established. Partners adequately support one another's risk management capability and capacity."	"A framework of risk management processes in place and used to support service delivery. Robust business continuity management system in place."	"Evidence that risk management is being effective and useful for the organisation and producing clear benefits. Evidence of innovative risk-taking."	"Very clear evidence of very significantly improved delivery of all relevant outcomes and showing positive and sustained improvement"
Working	Moderate 3	Leadership take part sporadically in the risk management process and provide some resources.	A basic risk strategy and related policies exist and are partially implemented	An individual with Risk Management responsibilities is in place with the correct skills and experience.	"Risk with partners and suppliers is managed across organisational boundaries but inconsistently."	"Risk management processes used to support key business processes. Early warning indicators and lessons learned are reported. Critical services supported through continuity plans."	"Clear evidence that risk management is being effective in all key areas. Capability assessed within a formal assurance framework and against best practice standards"	"Clear evidence that risk management is supporting delivery of key outcomes in all relevant areas"
Happening	Poor 2	Leadership are aware of risk management process but do not actively participate	"The need for a risk strategy and risk-related policies has been identified and accepted but not implemented"	Risk management is an informal part of a single persons role within the organisation.	"Approaches for addressing risk with partners are being developed and implemented."	"Some stand-alone risk processes have been identified and are being developed. The need for service continuity arrangements has been identified."	"Some evidence that risk management is being effective. Performance monitoring and assurance reporting being developed"	"Limited evidence that risk management is being effective in, at least, the most relevant areas"
Engaging	Not in Place 1	Leadership are not providing guidance with regards to risk management objectives, culture or practices	"The need for a risk strategy and risk-related policies has not been identified. The risk management system is undocumented with few formal processes present"	No risk management roles or associated skills are in place within the organisation and there is little desire to implement this.	No risk management considerations are given to partnerships	"No stand-alone risk processes have been developed."	"No clear evidence that risk management is being effective"	No clear evidence of improved outcomes