

6. STRATEGIC RISKS 2018/19

REPORT OF: Head of Corporate Resources
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Wards Affected: All
Key Decision: No
Report to: Cabinet
19 March 2018

Purpose of Report

1. The purpose of this report is to consider the Council's key strategic risks for 2018/19 and the plans that have been developed for the mitigation and management of those risks.

Summary

2. Officers have identified three significant strategic risks for the Council in 2018/19. The risks have been assessed using the Council's Strategic Risk Management Policy which considers the likelihood of occurrence, and the level of impact on the organisation and/or the district should they occur. The small number of identified risks reflects the successful and careful management of risk that has taken place over recent years.
3. It is good practice that the Council's Strategic Risk Management Policy is reviewed on an annual basis. A copy of the current policy can be found at Appendix C.

Recommendations

4. **That Cabinet:**
 - (i) **Agrees the strategic risks for 2018/19 and management plans set out at appendices A and B; and**
 - (ii) **Agrees the existing Strategic Risk Management Policy, as set out at Appendix C with the only amendment being Officer and Member titles.**
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Background

5. Council approved the Corporate Plan and Budget for 2018/19 on 28 February 2018. This Plan is the outcome of a robust service and financial planning process. However, like all plans, it is based on best known assumptions at the time. If these assumptions prove inaccurate because circumstances change during the year, there could be a potential impact on the Council's ability to fully deliver its plans during the year or to be able to do so within budget. It is therefore prudent that the Council identifies what significant factors or events might occur and to ensure it has in place appropriate arrangements for mitigating 'strategic risks'.

2018/19 Strategic Risk Profile

6. Consideration has been given to possible risks across the full range of matters including, financial, legal, reputational, partnership and other risks. Three key strategic risks have been assessed as sufficiently significant that Cabinet may want to record them on the risk profile. These represent similar risks to those identified in 2017/18, with the exception of “Acceptable outcome of Planning Inspectorate Examination in Public of the District Plan” which has been recommended for removal in 2018/19. Subject to Cabinet’s views, these strategic risks will require specific arrangements to manage them. Suggested management plans for each of these are the focus of this report. The proposed Strategic Risk Profile for 2018/19 together with that for 2017/18 is set out as Appendix A.
7. The three proposed strategic risks for 2018/19 are:
 - Risk 1 - Changes to ICT Infrastructure
 - Risk 2 - Capacity of West Sussex County Council to support Mid Sussex District Council’s ambitions
 - Risk 3 - Partnership Projects
8. Fuller descriptions of each risk, together with the mitigating actions that are being undertaken to address them, and the relevant contingency plans should those risks materialise, are set out at Appendix B.

Risk Management through 2018/19

9. In order to ensure the on-going management of risks through the year, all committee reports contain a risk management section which highlights any associated strategic risks with the subject under examination in that report, and how these risks are being managed. Where reports are dealing with identified key strategic risk areas, the report will provide an update on the management of that risk and note any significant changes in likelihood or impact which may warrant a re-rating of the risk.
10. The individual risk assessments set out at Appendix B indicate what the main reporting mechanisms are for each of the risks over the coming year. It is the responsibility of the relevant Cabinet Portfolio Holder and Head of Service to regularly monitor each strategic risk throughout the year.

Strategic Risk Management Policy

11. In December 2006, Cabinet adopted a Strategic Risk Management Policy. This is reviewed on an annual basis to ensure it remains fit for purpose. The Policy is set out at Appendix C for Cabinet’s consideration.

Policy Context

12. The Council has a robust and effective approach to strategic risk management. Strategic Risk Management is an important aspect of every organisation’s service and budget processes and the achievement of its corporate priorities. Its application cannot fully insulate the Council from the impact of unexpected external events but it will ensure the Council is best placed to respond if such events occur

Financial Implications

13. There are no financial implications directly arising from this report.

Risk Management Implications

14. There are no other strategic risk implications aside from those set out in the report. However it should be noted that *operational* risk matters, such as specific business continuity issues, are handled separately through the Council's Corporate Safety and Risk Management Group.

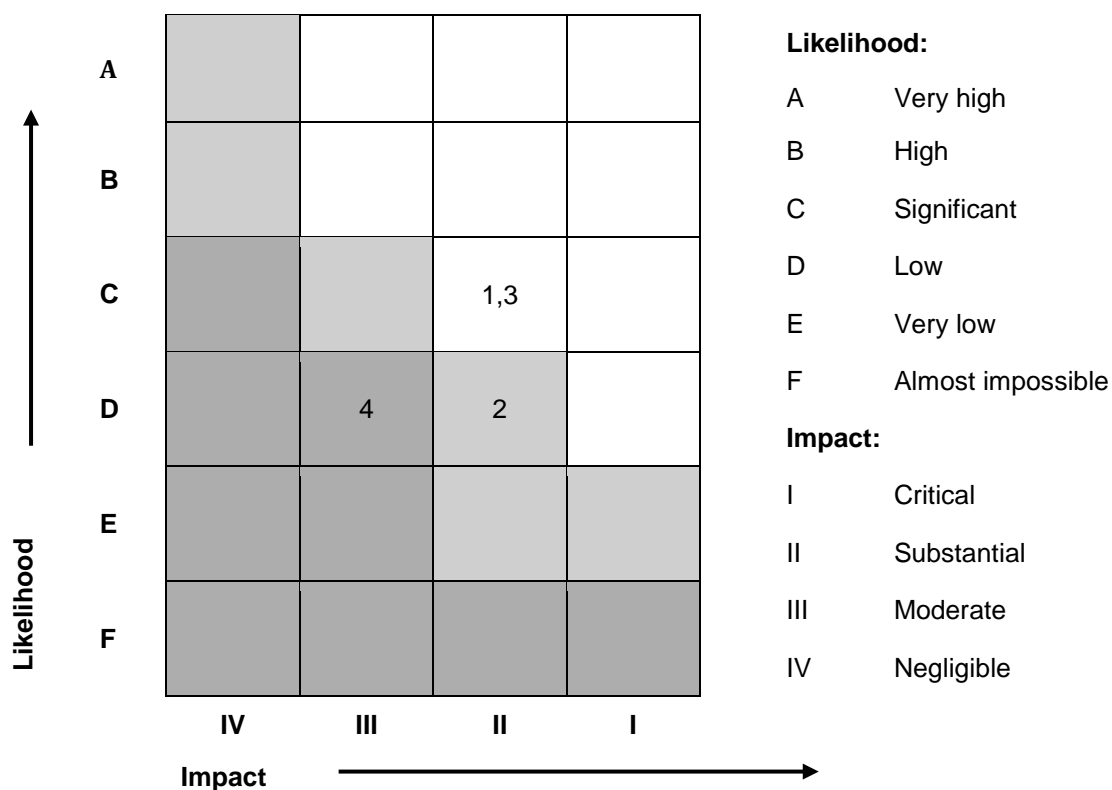
Equalities Implications

15. Effective management of risks is essential to protect those who are more vulnerable. Where appropriate, Equality Impact Assessments are undertaken where service or policy changes are taking place.

Background Papers

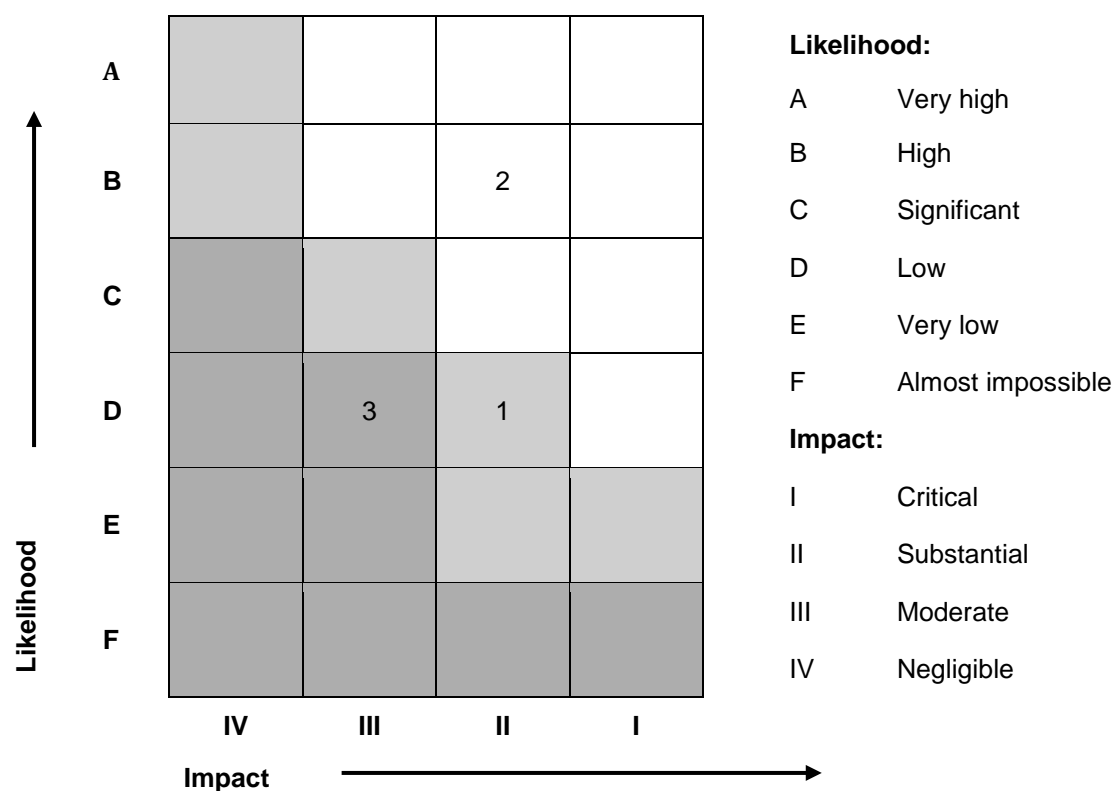
None.

MSDC STRATEGIC RISK PROFILE

Current Risk Matrix 2017/18

Risk No.	Description of the Potential Strategic Risk / Vulnerability	Responsible Portfolio holder and Officer
1.	Acceptable outcome of Planning Inspectorate Examination in Public of the District Plan	Cllr Andrew MacNaughton Judy Holmes
2.	Changes to ICT Infrastructure	Cllr Mandy Thomas Atkin Simon Hughes
3.	Capacity of West Sussex County Council to support Mid Sussex District Council's ambitions	Cllrs Jonathan Ash Edwards and Andrew MacNaughton Judy Holmes
4.	Partnership Projects	Cllr Jonathan Ash Edwards Peter Stuart

Suggested Risk Matrix 2018/19



Risk No.	Description of the Potential Strategic Risk / Vulnerability	Responsible Portfolio holder and Officer
1.	Changes to ICT Infrastructure	Cllr Mandy Thomas Atkin Simon Hughes
2.	Capacity of West Sussex County Council to support Mid Sussex District Council's ambitions	Cllrs Jonathan Ash Edwards and Andrew MacNaughton Judy Holmes
3.	Partnership Projects	Cllr Jonathan Ash Edwards Peter Stuart

MID SUSSEX STRATEGIC RISK MANAGEMENT PLANS 2018/19

Risk 1 – Changes to ICT Infrastructure**Description of Risk:**

The Council has been part of the CenSus ICT partnership for 8 years and while some hardware and services are shared across all four partners, many more are still used only by the individual authorities and continue to be maintained locally. Assessing the risk of disruption is more complex without defining the system(s) potentially affected. Some risks are therefore shared and mitigated through the work of the CenSus ICT partnership and some are Mid Sussex specific.

This situation is changing as Mid Sussex develops and implements its Digital Strategy. The strategy focusses, in part, on simplifying the hardware and software estate and by adopting more flexible technologies, for example cloud hosting and low-code software. These are replacing some existing legacy software. To date this has been achieved in a measured and careful manner with no disruption to services. For example, the implementation of the new Customer Services system and Waste systems caused no service interruptions, and indeed the resilience and data quality of these services has significantly improved. It is possible that some implementation issues may be encountered during the transition as architecture information and documentation of existing legacy systems is poor and there are potentially data quality issues. While these should not be significant or lead to disruption, it is considered that the overall level of risk is heightened for that period.

In addition, with this gradual move to offsite infrastructure, internet connectivity assumes paramount importance. There is no history of this service failing, although recently our partners connectivity has been subject to a Distributed Denial of Service (DDOS) attack and slowed considerably. Fail safes are in place but again this reliance adds an element of risk albeit one that would be outweighed by the retention of legacy hardware with the consequent age-related failures. We have also invested in a separate connection to allow a fail over and also increased bandwidth to business-critical applications.

We also recognise that our ICT partners are both engaged in wholesale change; culturally and operationally which will impact upon the deployment of ICT resource. Balancing the application of finite resources across all clients does have the potential to lead to a shortfall to partners which may in turn threaten service delivery.

Assessment of Risk:

Likelihood: Low (D)

Impact: Substantial (II)

Consequences if Risk Occurs:

a) In 2018/19;

- Loss of key systems or connectivity would lead to service interruption, perhaps for extended times. All services could be affected to varying degrees.
- Service interruption could mean the inability to recover sums due, pay customers and benefit recipients or communicate adequately or conduct Council business including the

Planning function, depending upon the length of time for which disruption occurred.

b) In future years;

- It is unlikely that system disruption would flow across years but the inevitable resource drain in dealing with system recovery would threaten the 'Business as Usual' workload of staff and thereby create a knock on effect for other system work. Likewise, there could be an ongoing threat to the reputation of the Council.

ACTION PLAN

PREVENTION	MITIGATION
<p>What we currently do to reduce likelihood of risk occurring during 2018/19:</p> <p>Microsoft Office is being migrated to O365 which is cloud hosted. This means should internet connectivity fail at any site, emails and productivity applications can still be accessed using 3 and 4 G connections. Phase 2 will then move 'live' documents and data to be cloud hosted ensuring these are accessible at all times.</p> <p>An additional 100MB connection has been installed to provide additional bandwidth and a fail over facility should other Wide Area Network connections fail or slow due to increased traffic of malicious attack.</p> <p>Other key systems are shared across partners (for example, the IDOX planning system) and are held on servers in Horsham thus distributing the risk across multiple sites.</p> <p>Single points of failure are being identified not only within the technical stack but also in expertise to support systems.</p> <p>The ICT and Digital Programme monitors the progress of existing projects and the need to engage in new projects with the aim of rationalising the ICT estate. Principles have been established for agreeing projects that minimise the risks associated with 'on premise' applications.</p>	<p>What we currently do to reduce the negative consequences if the risk does occur during 2018/19:</p> <p>Backup processes consolidated to 1 system with cloud DR capabilities which will be established corporately as part of the Cloud project.</p> <p>A recent audit of the backup arrangements has tested the current procedures.</p> <p>The Wide Area Network should give us multiple paths to reach the internet to enable connectivity to be maintained.</p> <p>As systems migrate to the cloud access will also be enabled through mobile devices and 3 and 4 G connections. This means should the LAN fail or be subject to a DDOS attack other routes can be used for most cloud based systems.</p>

<p>What else are we going to do in 2018/19?</p> <p>Server migration is underway which will allow the system to be hosted in Private/Public Cloud to improve resilience and eliminate the risk of hardware failure. In turn this also reduces the reliance on ICT to manage a wide range of business systems. While some systems management will be required for cloud services these are typically guaranteed at 99.95% availability</p>	<p>What else are we going to do in 2018/19?</p> <p>We are proposing to work with external experts to build capabilities that will allow us to substantially replace the Waste management, HR, and Financial Management systems and to develop a roadmap for the Digital Strategy at Mid Sussex.</p> <p>We have also established an ICT Reserve to finance the implementation of Cloud-based platforms and managed withdrawal of local solutions.</p> <p>Further moves to software as a service (SaaS) reduce the risks associated with network infrastructure.</p>
<p>How and when will the risk be reviewed during 2018/19:</p> <p>This will be reviewed via the Management Team at Mid Sussex, at the ICT/Digital Team meetings. Responsibility for ensuring that the overall arrangements improve and the risks are properly managed lies with MSDC.</p>	
<p>Responsibility for the risk:</p> <p>Cabinet Member: Councillor Mandy Thomas Atkin Management Team Member: Simon Hughes</p>	
<p>Date of Assessment: 9th February 2018</p>	

Risk 2 - Capacity of West Sussex County Council to support MSDC's ambitions

Description of Risk:

West Sussex County Council (WSCC) is a key partner in progressing the Council's growth ambitions at Burgess Hill. In particular this Council is reliant on West Sussex County Council specialist advice and delivery of infrastructure requirements.

Whilst a new senior management team is in place and new working relationships are developing there remains capacity shortfalls in some of the key specialist teams, in particular highways and economic development.

The Council has successfully secured £39.5m funding from the LEP to support Burgess Hill growth area. This Council is reliant on West Sussex County Council to utilise this funding to deliver the supporting infrastructure.

Burgess Hill Growth Area, comprises

- Northern Arc
- Town Centre redevelopment
- The Brow redevelopment
- Science and Technology Park
- The Hub
- Sustainable Transport Package

There are a number of difficult risks associated with the Growth Area.

Northern Arc:

- Provision of 3,500 homes and associated infrastructure is not only crucial to the vitality of the area but is a key component of the Council's District Plan.
- Failure to deliver the housing would put pressure on other areas of Mid Sussex to make up the housing shortfall.
- Delivery of the housing without the necessary infrastructure at the right time would result in an unsustainable development, pressure on the local infrastructure, particularly the road network, and significant damage to the reputation of the Council and the appetite of the community to accept future growth plans.
- Failure to deliver the associated infrastructure such as the schools and road improvements will place unsustainable pressure on existing infrastructure.

Town centre redevelopment

- Failure to deliver the redevelopment will result in the loss of £65m of private investment into the town centre and would be a missed opportunity to significantly improve the shopping and recreational experience of users and night time economy of the town centre. Delivery of the town centre without improvements in transport infrastructure will jeopardise the levels of footfall required to make it successful.

The Brow

- Failure to deliver public sector partners aspirations will result in a lost opportunity to provide a community hub which would include provision for health, police and ambulance services and make better use of a strategic location.

Science Park

- Failure to deliver this would present a lost opportunity to create a unique and innovative park which could attract high value knowledge based industries such as bio

data, life sciences, bio tech etc. The location of such a park within Mid Sussex would attract other similar businesses to the surrounding area and ultimately result in a closer match between the highly skilled workforce in Mid Sussex and the workplace opportunities, leading to a decrease in out-commuting.

The Hub

- Failure to attract sufficient tenants of the type that will enhance the local economy will mean that the opportunity is lost to deliver sustainable and attractive jobs.

Assessment of Risk:

Likelihood: Significant (B)

Impact: Substantial (II)

Consequences if Risk Occurs:

- a) In 2018/19;
- If not well managed the capacity challenges facing WSCC could have implications for this Council's growth ambitions.
 - Reputational risk with external funders resulting in a loss of confidence, putting future funding in jeopardy.
 - Timely good quality advice on planning applications, negotiations with developers for infrastructure such as schools, highways and sustainable transport.
 - Existing strong relationships may be significantly and negatively affected.
 - Future and new joint working may be under threat which may stifle innovative joint working for example; projects may be delayed or not progressed.
 - Sustained growth will not be delivered resulting in the growth at Burgess Hill being unsupported by infrastructure, undermining political and local support and ultimately as loss of much needed housing and supporting infrastructure.
- b) In future years;
- Opportunities for this Council to work in partnership with the County Council to provide sustainable planned growth.
 - Loss of housing or housing in less sustainable locations.
 - Loss of high value employment opportunities.
 - Loss of community provision.

ACTION PLAN

PREVENTION	MITIGATION
<p>What we currently do to reduce likelihood of risk occurring during 2018/19:</p> <ul style="list-style-type: none"> • Established close working relationships with the CC team and developers. • Established robust governance arrangements – set up an Officers Group, Development Board and Town and Parish Advisory group. • Developed close working relationships with the HCA. • Commissioned support from a number of 	<p>What we currently do to reduce the negative consequences if the risk does occur during 2018/19:</p> <ul style="list-style-type: none"> • During 2017/18 we strengthened the governance arrangements supporting key growth work. • Earlier identification of issues through governance and management arrangements. • Keep relationships, partnerships and arrangements under constant review.

<p>specialist external advisors to support both Councils to assist in negotiations with the developers and assist with delivering the required work.</p> <ul style="list-style-type: none"> • Invest Council resources in employing a team of specialists to assist in the delivery of the developments. • Monitor the County Council's financial position. • Build, utilise and strengthen existing good working relationships with County Council colleagues at all levels including with the Chief Executive and Senior Management Team. This Council's Chief Executive meets regularly with WSCC Chief Executive. • Continue to support and promote partnership working with the County Council to protect existing and new projects and initiatives. • Continue to ensure strong political relationships between senior members at the County and District Councils. 	<ul style="list-style-type: none"> • Be vigilant and alert to all risks and share intelligence. • Hold regular meetings with stakeholders to ensure a detailed understanding of positions and any fall back options they may have. • An agreed "District Deal" with WSCC confirming both Councils' commitment to the planned growth. • Be alert to the risks at all levels of the Council and share intelligence with Management Team. • The senior management teams from both the Councils will start to meet regularly to build and nurture working relationships. • Use established contacts at the County Council to deal with issues early. • Use of West Sussex Chief Executive's group to raise issues of concern.
<p>What else are we going to do in 2018/19?</p> <p>Continue to secure funding from external bodies Local Growth Fund and Housing Infrastructure Fund to forward fund critical infrastructure to unblock development where appropriate.</p> <p>Highlight difficulties as soon as they arise.</p> <p>Implement a coherent comms strategy to ensure all partners are fully engaged.</p> <p>Identify learnings from other complex projects delivered by local authorities through partnership working.</p> <p>We will keep an open dialogue and secure assurance from senior County Council colleagues.</p> <p>Use all our intelligence and contacts to keep information flowing.</p> <p>Use political networks to flag difficulties should they arise.</p>	<p>What else are we going to do in 2018/19?</p> <p>Use the governance arrangements and project management process to highlight risks and identify mitigations.</p> <p>Use our regular meetings with the CE at the County Council and relevant Councillors to discuss the risks and identify mitigations.</p> <p>Seek to influence the change to ensure WSCC supports delivery of the planned growth working is maintained.</p> <p>Where necessary, directly commission work to support the Council's growth ambitions.</p>

How and when will the risk be reviewed during 2018/19?

- Continually develop good working relationships with new members of the Senior Management Team.
- Encourage sharing intelligence at all levels of the Council with Management Team.
- Maintain regular meetings with senior colleagues (including Councillors) at the County Council.

Responsibility for the risk

Cabinet Members: Councillors Ash Edwards and MacNaughton
Management Team Member: Judy Holmes

Date of Assessment: February 2018

Risk 3: Partnership Projects

Description of Risk:

A great deal of the Council's work involves working in partnership with other bodies such as other Councils, Government and private developers. Partnership working can be resource intensive and presents a range of potential risks and opportunities. Some can be high risk due to outside influences which the Council has less control over than internal matters. However they can also be very productive, enabling the Council to access different skills and resources and achieve better results for Mid Sussex than the Council working alone.

Partnerships can also change form over their lifetime and some may end as individual service factors change for each of the partner authorities; i.e. the coincidence of needs may no longer be aligned.

In 2017/18 one partnership changed form. Census, the partnership between Adur DC, Worthing BC, Horsham DC and us, covering both ICT and Revenues and Benefits started to be dissolved, with the withdrawal of Adur DC in October 2017 from the Revs/Bens side.

The ICT partnership is being dismantled as the transition towards Cloud gathers pace. The staff originally TUPE transferred to Horsham DC will return to their previous authority and Census will consist only of a service administering those legacy systems that are shared. This is covered in another risk within the register.

From April 2018 Horsham DC will leave and join another shared service (LGSS) and from that date the Census Joint Committee and the Revenues and Benefits Partnership will cease to exist. Mid Sussex will operate its own service but due to the need to train staff in both service disciplines we are having to provide some staff resource to the LGSS benefits service and they are providing some revenues resource to us. This tailing-off or 'soft split' is expected to last a maximum of 6 months and will be a period of mutual cooperation in order to perform a smooth transition.

This change brings risks to the service over and above those inherent in a 'business as usual' environment. The main ramifications are that service levels are adversely affected.

Assessment of Risk:

Likelihood: Low (D)

Impact: Moderate (III)

Consequences if Risk Occurs:

a) In 2018/19;

Revenues and Benefits

- The main risk here is that the transition from two partners to a single service does not go smoothly and there is some service interruption for users. There is the potential for our service to be affected although careful system migration should mitigate that. Any 'turbulence' may disturb the award of Housing Benefit and the collection of Revenues.
- Housing Benefit awards some £33m to qualifying households each year to strict performance standards for new claims and changes of circumstance. Any significant variation in these standards brings the risk of hardship and, possibly, eviction for vulnerable people.

<ul style="list-style-type: none"> Mid Sussex collects over £150m each year in council tax and business rates combined and it is imperative that this proceeds smoothly since payments to preceptors are fixed for the year and our cashflow would unduly suffer. 	
<u>ACTION PLAN</u>	
PREVENTION	MITIGATION
What we currently do to reduce likelihood of risk occurring during 2018/19: <ul style="list-style-type: none"> Established a Revs/Bens Officer Project Group to oversee the work streams relating to ICT, HR and Staffing and Finance. Drawn up project plans to guide the transition. Taken quality HR advice on dealing with staff transfers. Engaged with software suppliers to commission disaggregation of joint systems. Chosen to work together with the new provider to Horsham to ensure a smooth disaggregation process. Keeping staff engaged in the process. 	What we currently do to reduce the negative consequences if the risk does occur during 2018/19: <p>The withdrawal date for Horsham DC leaving is formally set at 1st April 2018 but both parties acknowledge the need to work cooperatively together after that.</p> <p>Ultimately, mitigation is available through the withdrawal being put off or deferred although this will become difficult if prolonged.</p>
PREVENTION	MITIGATION
What else are we going to do in 2018/19? <p>The Mid Sussex structure for the service has been consulted on with a view to staff resources being in place by 1st April 2018. A degree of temporary resource is being retained in order that service levels are maintained for council tax and business rates collection where some training needs exist. Similarly, we will be providing some benefits administration to LGSS as they undergo a similar process for their staff.</p>	What else are we going to do in 2018/19? <p>In the event that service levels vary from those agreed, we have the option to add more temporary resource to get back on track. Experience has shown that this needs careful monitoring and quick action to have the greatest impact before any backlog starts to generate enquiry work from impacted customers.</p>
How and when will the risk be reviewed during 2018/19: <p>Regular reports to Management Team</p>	
Responsibility for the risk <p>Cabinet Member: Councillor Jonathan Ash Edwards</p> <p>Management Team Member: Peter Stuart</p>	
Date of Assessment: February 2018	

Strategic Risk Management Policy - Mid Sussex District Council

1. Purpose

This is the Mid Sussex District Council Strategic Risk Management Policy approved by Cabinet in December 2006. It sets out the Council's approach to Strategic Risk Management.

2. Definition

Strategic risk management is the way that the Council responds to uncertainty in the external environment. It allows the Council to:

- Identify key strategic risks in the context of the Corporate Plan's objectives.
- Assess risks to determine the potential likelihood and impact of each risk.
- Determine the response that should be made to each risk.
- Develop the necessary actions, controls and processes to implement the chosen response to each risk.
- Communicate its approach to risk management and the results of risk management activity.
- Deal with each risk – either avoid, reduce, share or accept it.

Please Note: In addition to its *strategic* risk management, the Council has a well established approach to *operational* risk management and the principles and tools used to manage this are set out in a more detailed operational risk management strategy.

3. Risk Culture

A strong business wide risk culture is an important aspect of strong corporate governance. Risk Culture is the shared values, attitudes and practices that characterise how the Council considers risk on a day to day basis. The Risk Culture has developed at the Council over recent years so that as an organisation it is less risk averse. Our experience since 2004 has been that this improved risk culture has been influenced by the following factors:

- Awareness of risks faced by the Council
- Understanding of the business and the relevance of risk
- Clear ownership of risks
- Clearly defined responsibilities for risk management activity
- Effective monitoring and reporting of the effectiveness of risk

Whilst the Council is not risk averse, the principles contained within this policy ensure that the Council strikes the right balance in its approach to strategic risk management.

4. Responsibility

Cabinet

Cabinet is the body responsible for the Council's strategic risk management. Cabinet will approve the Council's strategic risks on an annual basis. Cabinet members will work with

Heads of Service regarding the progress in managing risks that fall within their portfolio. In addition Cabinet will:

- Provide overall direction on strategic risk management.
- Promote a positive risk culture throughout the organisation including promoting its importance to other Members.
- Hold an annual workshop to agree the strategic risks for the following 12 months.
- Approve an annual Strategic Risk Profile.

The Cabinet Member for Finance and Service Delivery is recognised as the Member Risk Champion and works with the Officer Risk Champion to embed risk management into the organisation.

Management Team

Management Team is responsible for ensuring the Council's strategic risks are actively managed through the year. It will use its weekly meetings to monitor progress across all the risks and where it is found a risk has raised up the risk profile, a report will be submitted to Cabinet. In addition, Management Team has the following responsibilities:

- Implementing the strategic risk management policy.
- Reviewing the management of strategic risk.
- Monitoring the effectiveness of the controls developed to implement the chosen risk response.
- Integrating risk management into the service and budget planning process.
- Promoting a robust and proactive risk culture throughout the organisation.
- Ensuring that appropriate training is put in place for appropriate officers and that it is reflected in the Member Development programme.

The Assistant Chief Executive is recognised as the Officer Risk Champion and works with the Member Risk Champion to embed risk management into the organisation.

5. Reporting Framework

Report	Frequency	Responsible	Considered By
Risk Profile	Annual	Cabinet/Management Team	Cabinet
Management of Strategic Risks	Monthly	Management Team	Management Team
Review of Individual Risk Management	As required	Designated Lead Head of Service for each risk	Designated Committee

6. Review

This Policy will be reviewed on an annual basis by Cabinet.