



Purpose: For Decision

Committee report

Committee	AUDIT COMMITTEE
Date	THURSDAY, 25 SEPTEMBER 2014
Title	STRATEGIC AND SIGNIFICANT SERVICE RISK
Report of	BUSINESS IMPROVEMENT MANAGER

EXECUTIVE SUMMARY

1. The purpose of this report is to give the committee an opportunity to review the Council's strategic risks and to gain an oversight of those risks which are significant in service areas. The committee's terms of reference include the consideration of 'the effectiveness of the council's risk management'.

BACKGROUND

2. The committee has routinely and consistently reviewed the council's strategic risks each time that it has met over the recent past. It has also received presentations by senior officers to enable it to understand and examine the background to specific risks. So far those have included emergency planning, educational attainment, childrens safeguarding and adult social care. At this meeting the Committee will receive a detailed presentation on the risk around staff capacity and skills.
3. The Committee has also been seeking to gain more understanding of risks which although not deemed strategic, do represent significant risk in service areas. The committee saw a summary of those risks when it met in June. It was apparent at that time that risk registers were in need of review in that:
 - Many 'risks' were in fact just issues that needed managing;
 - Risk controls and their associated actions were in need of review and updating.
4. Since then, a review by all risk owners has been initiated and a certain amount of cleansing has taken place. While some of this has yet to be completed, we are confident that the resultant risk registers will be both appropriately populated and also managed in a more timely and robust manner.
5. These issues were raised in the internal audit report which is also under consideration elsewhere on today's agenda. Its key findings are:

- A need to make expectations for risk management both realistic and sustainable
- A need to ensure that managers and members have an understanding of what those expectations are and that they are being complied with (this includes making sure that the review and escalation expectations actually happen in practice)
- The council risk management system (JCAD) to be cleansed with actions being up to date etc and that JCAD actually reflects the summaries being reported to members
- A need for a better understanding of what defines a strategic risk
- A specific part of the review which focussed on members involvement in risk management

Again, while there is still some work to be done, these are actions are being addressed as part of the cleansing referred to at para 4 above.

6. The nine strategic risks have been reviewed by managers responsible for them and their commentaries are set out below. There has been little change to the risk scores since the last report, although one risk – around the partnership with Hampshire CC - has reduced. However, each risk has been subject to very detailed consideration by each of the managers responsible for them, and all actions which are recorded on the council's risk management system have been reviewed and updated. More details about the nine strategic risks, including a summary of controls, are shown at Appendix A.

SR0035 Insufficient Financial Resources		Assigned to: Managing Director
Inherent score: 16	Current score: 16 ↔	Target score: 9
<p>This risk is currently assessed as high because of the significant financial challenge facing the Council over the next three financial years through major reductions in government grant, increased costs and the constraints on other resources such as council tax increases and business rates by the government. The ability to increase or extend local fees and charges is also constrained by current economic conditions. The previous projection set out in the Budget Review report to Cabinet and Full Council in September 2013 and again in January 2014, which showed a potential overall revenue budget gap of some £28 million over the life of the council, was confirmed by the 2014/15 Final Local Government Finance Settlement announced in January 2014 .</p> <p>The budget strategy agreed by Full Council on 26 February 2014 set out how the projected budget gap would be met over the financial years 2014/15 to 2016/17. This included utilising general fund balances to enable savings plans to be implemented. Some of the savings targets need detailed work to ensure that they are achievable and there is a risk particularly for 2015/16 that sufficient savings options will not be developed and implemented in time.</p> <p>The Service and Budget Review Steering Group meets regularly to monitor the achievement of agreed budget savings and the development of budget savings options for 2015/16. A task and finish group on the budget led by the chairman of Scrutiny Committee met to consider the size and need for reserves and balances going forward and their potential use in meeting the council's financial challenges on a temporary basis. Its recommendations were endorsed by the Executive.</p> <p>To meet the budget challenges will require significant change in what the Council is able to deliver and how it delivers it. Budget options target groups were set up by the Service and Budget Review Steering Group in May 2014 . These cover the seven priorities within the Corporate Plan as well as an overarching Budget Strategy Group. Each Group is led by the relevant Executive member and includes other executive members as well. The Chair of Scrutiny sits on the overarching Budget Strategy Group and the one covering delivering statutory duties, value for money and working in partnership.</p>		

The objectives of the groups are to produce by 30 September 2014:

- Updated outcomes for the Corporate Plan set out in priority order
- Budget option choices against resource allocation targets

To do this each group is considering current policies and strategies, relevant financial and service data, benchmarking and outputs from root and branch reviews. In arriving at what the updated outcomes for the Corporate Plan and the budget choices should be particular attention is being focused on statutory duties, where the Council can best add value to the outcomes for the Island, innovation and opportunities for change and different delivery models.

The overarching Budget Strategy Group will be considering cross-cutting issues, developing the future operating model for the Council and overseeing the organisational change programme.

A joint workshop between the Executive and Corporate Management Team will be facilitated by the LGA on 7 November 2014 to consider the outcome from the groups and developing the overall vision and priorities and budget and resource allocation options. An Organisational Change capacity has been established to progress much of this work. In addition a Health and Social Care Integration Board has been established to progress the Better Care Fund and different models of delivery to achieve outcomes for people and make savings by meeting need more cost effectively.

SR0036 Ineffective and inefficient decision making and control processes (governance)		Assigned to: Head of Corporate Governance & Monitoring Officer
Inherent score: 16	Current score: 8 ↔	Target score: 5
<p>The constitution which sets out the Council's decision making processes is kept under regular review and regularly updated to reflect legislative and other changes. There are a range of control measures in place through the monitoring officer ,section 151 officer and Head of Paid Service that are robust and effective . However, the Council's revenue budget gap of approximately £28 million means the council will have to make difficult choices and decisions about the future level of services. It is therefore particularly important that councillors are organised and business like in their approach to making decisions on conflicting budget priorities to ensure that the Council meets its legal obligation to agree a balanced budget for 2015/16.</p>		

SR0037 Insufficient staffing capacity and skills		Assigned to: Head of HR and Organisational Change
Inherent score: 16	Current score: 12 ↔	Target score: 5
<p>This score was increased from 9 (amber) to 12 (red) in the last reporting quarter. This is due to the recognition that whilst the Council has agreed the corporate plan for 2014-2017 as well as the overall medium term budget strategy, it is being delivered within the context of a significant projected budget gap of some £28m over the next three years. The staffing capacity and skills required to deliver the corporate plan are already stretched, are not all available in-house and are also under threat from having to make significant savings in a very short timescale. The recent LGA Corporate Peer Review has also highlighted this lack of capacity as a concern, together with the need to have a realistic and focussed set of priorities. An organisational change team has been brought together in order to properly plan and co-ordinate organisational re-design and council business operating model together with the project activities required for service transformation. Other sources of internal and external capacity (such as support from the Local Government Association, LGA, and Improvement and Efficiency Social Enterprise, iESE) are also being commissioned to assist with this work and to increase the capacity to deliver a substantial programme of organisational change.</p>		

There is additional concern that during a period of uncertainty around job security that valuable skills and expertise are being lost as a result of employees seeking alternative employment. To this end, work commenced in early September to assist managers in identifying critical staff within service areas and those with future potential in order to provide appropriate engagement in activities that seek to retain and develop skills, expertise and knowledge that will be required in the future.

The introduction of a new job evaluation scheme and associated pay and grading framework will also be a key contributor to the development of the council's future workforce requirements. The introduction of the scheme however continues to bring with it a number of risks, not least a threat of industrial relations dispute should a collective agreement with our recognised trade unions not be possible and it becomes necessary to initiate a terminate and re-engage process to initiate the new terms and conditions. To mitigate this risk, great emphasis continues to be placed on regular dialogue with trade unions and other employee representatives and their inclusion and participation in the project's delivery. As a result of this constructive dialogue and in response to concerns raised by our recognised trade unions in respect of the period for formal consultation, assessment of impact and balloting of their members, elected members have agreed that these concerns should be taken on board and which will see the current delivery plan be revised so that the new scheme will not be implemented until April 2015.

SR0038 Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults		Assigned to: Head of Adult Social Care & Community Well-being
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Inherent score: 16	Current score: 12 ↔	Target score: 6
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This definition of this risk has been changed so that it is realistic in terms of what is controllable and manageable.

A Local Government Association peer review of our adult safeguarding arrangements took place in November 2013, which provided some valuable feedback on many aspects of the adult safeguarding agenda on the Island. Following the review, urgent action has strengthened the safeguarding telephone response to the public and other agencies. The review also strongly recommended that the Social Work teams operating out of the old "barracks" building in Sandown should be urgently relocated to more appropriate offices. Thanks to a combine effort between the adult social care and transformation team this move was successfully completed by the end of March 2014. The Adult Social Care teams, including the Safeguarding team now operate out of Enterprise House on the St Cross Business Park and plans are in hand to move all social care functions in to the same building during May and June of this year. A full safeguarding adults action plan was agreed with the Executive in March and it is intended that progress against the action plan will be monitored by the Executive on a quarterly basis. While some actions have already been completed, others involve bedding in a cultural change to safeguarding across partners on the Island.

Demand led demographic pressures mean that the service remains under significant pressure but despite this excellent progress has been made during the first quarter of the year in reducing the number of outstanding annual reviews of cases. It will however be increasingly difficult to maintain this high level of performance if demand for services continues to grow. The appointment of an independent chair of the Adult Safeguarding Board and the continued high profile of adult safeguarding has already improved the risk rating and it is anticipated that it will be possible to reduce it to green by the end of 2014/15. The ongoing integration work with our strategic partners at the CCG and the Isle of Wight NHS Trust should see the work of the Safeguarding board strengthened further and the Commissioning team will be working closely with members to enhance the relationship between the Council and providers of social care services across the Island especially with those who deliver Homecare and Residential and Nursing Care areas. Additionally agreement has been reached to enter into a strategic partnership with The Trust for them to deliver a new integrated Adult Social Care Information

technology system. A project board has been established and the project plan envisages the new, shared system being up and running by the autumn of 2015.

SR0042 Failure to identify at an early stage schools that are not delivering good enough performance and to discharge the council's responsibilities in relation to school improvement.		Assigned to: Director of Childrens Services
Inherent score: 16	Current score: 12 ↔	Target score: 6
<p>Actions as set out in a report to the Executive in January 2014 continue to be implemented in this key priority for the council. The Council's school improvement arrangements were inspected again by Ofsted in June, one year after they found them to be ineffective. This time Ofsted has recognised the significant improvement in those arrangements and its findings were reported in full at the Executive Committee on 9 September.</p> <p>School results have been variable. There has been improvement at Key Stage 2, level 4 which match the national average for 2013. Results at level 5 do not show such improvement. GCSE results vary between schools with some doing very well and others disappointing. This illustrates that the journey to match (and ultimately exceed) the performance of other parts of the country is long term, but the report from Ofsted in particular tells us that we are moving in the right direction.</p>		

SR0041 Failure of arrangements with Hampshire CC to manage childrens services via a strategic partnership		Assigned to: Managing Director
Inherent score: 16	Current score: 6 ↓	Target score: 5
<p>A strategic partnership with Hampshire County Council took effect from 1 July 2013 for the leadership, management and operation of Isle of Wight Council children's services. This encompasses children's safeguarding and education. The partnership covers a substantial area of service activity with an overall budget of £28 million. Good progress has been made in moving through the transitional and interim stages towards business as usual. There are a number of controls in place and developments underway to manage the risks associated with the partnership. They include a clear partnership agreement which sets out respective responsibilities, a managed process of moving from interim arrangements through transition into business as usual, the establishment of a management and accountability structure through to director and member levels and the development of robust performance management processes. The Childrens Improvement Board meets on a monthly basis to consider children's safeguarding and oversee the improvement agenda, providing the council with independent assurance that progress is being made. The DFE are also undertaking six monthly reviews on both education and children's safeguarding. The latest reviews have outlined significant progress on the improvement journey and clear foundations have been put in place to ensure that this will be maintained.</p> <p>An annual review of the partnership by both Councils was undertaken in June 2014 where progress and action plans were reviewed. A further inspection of school improvement arrangements has been undertaken by Ofsted and the outcome was reported to the Executive on 9 September. The judgements were overwhelmingly positive and Ofsted describe the arrangements as effective.</p>		

SR0043 Failure to identify and effectively manage situations where vulnerable children are subject to abuse		Assigned to: Director of Childrens Services
Inherent score: 16	Current score: 9 ↔	Target score: 5
<p>Since the last report was considered at Audit Committee in June 2014, progress continues to be made in the ability to effectively manage situations where vulnerable children are subject to</p>		

abuse.

The 'front door' to our child protection services remain safe and we are confident that all children referred to the service are assessed and action taken to mitigate against any risk factors.

The number of families referred to the service for an assessment is high and this had an impact on social worker caseloads. As this risk was understood, immediate action was taken to increase social work capacity and an additional seven posts were secured to enable a third children in need team to be implemented on 1 September 2014. This demonstrates effective management overview and scrutiny of a safe child protection system.

The quality of work produced by social workers is good and poor performance is challenged robustly. Additional management capacity has been secured from Hampshire to assist our team managers in embedding updated policy and procedures that enable the service to be statutory compliant.

The Isle of Wight Children's Services is now in a position to respond to emerging key issues. For example we are working with Hampshire Constabulary to ensure there are no historic child sexual exploitation issues on the Island that we need to understand.

A dataset is now available that ensures we can manage performance and this is reported to members and the Local Safeguarding Children's Board on a regular basis. We have seen a huge increase in the number of children subject to child protection plans on the Island and we are working with our partner agencies to understand the reasons behind this, although we are aware that this is a national trend also.

To further enable our improvement journey we now benchmark our data alongside other local authorities nationally to understand our performance in the context of national trends.

SR0039 Failure to commission and secure services which are relevant to the Isle of Wight community's needs and which meet the council's statutory duties		Assigned to: Managing Director
Inherent score: 12	Current score: 12 ←→	Target score: 9
<p>The Joint Strategic Needs Assessment sets out the overall needs of the Island and this is used in determining the priorities within the budget strategy. Clearly the council's financial position and prospects for this and future financial years will significantly restrict the council's ability to deliver services beyond those which it has a statutory duty to provide.</p> <p>The council at its meeting on 19 March 2014 agreed the new corporate plan and seven priorities. The corporate plan sets out the outcomes that need to be achieved by May 2017 together with the relevant milestones and targets. The priorities reflect the key services that are aimed at meeting the relevant needs of the Isle of Wight. Resources that are available will be directed to meeting these needs. There will be regular monitoring and reporting to enable effective management of the delivery of the plan. The plan will also be reviewed and be flexible to reflect changing needs.</p> <p>Budget options target groups were set up by the Service and Budget Review Steering Group in May 2014. These cover the seven priorities within the Corporate Plan as well as an overarching Budget Strategy Group. Each Group is led by the relevant Executive member and includes other executive members as well. The Chair of Scrutiny sits on the overarching Budget Strategy Group and the one covering delivering statutory duties, value for money and working in partnership.</p>		

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SR0040 Ineffective response to a major emergency		Assigned to: Chief Fire Officer
Inherent score: 16	Current score: 9 ↔	Target score: 5

Currently assessed as score of 9; while the council continues to have a comprehensive strategy and plans for dealing with major emergencies, which are subject to regular reviews, testing and exercising, there remains the potential for a high impact in the event of a major emergency. This continues to be compounded by changes in key personnel who would be involved in a response to an emergency, in particular to a prolonged emergency such as the adverse weather event of late December 2013 / early January 2014.

This risk is being addressed through the revised duty rota arrangements put in place from April 2014. These arrangements have increased the membership of the rota at both duty CMT and duty senior manager levels. Additionally the Emergency Management Team has recruited a replacement member, bringing the team up to full strength. For the previous and new members of the duty rota and the replacement member of the Emergency Management Team there will be a period of training throughout 2014. Some of that will be based on the revision of the council's emergency response arrangements and lessons learnt from the response to the adverse weather of 2013 / 2014 and the Undercliff evacuation.

The revision of the council's emergency response arrangements will include detailed information on the role of individual service areas during a response and a process for keeping pace with organisational change.

With regards to the wider resilience and business continuity arrangements of the council, an internal audit review concluded that the arrangements present a 'medium' risk; the significant contributing factor to this being the difficulties in maintaining the currency of these arrangements at a time of significant staff turnover and organisational change.

With the new member of the Emergency Management Team in post the Business Continuity management Strategy within the council will be adapted in line with the timescales for the job evaluation programme and ongoing organisational change.

Following a national day of industrial action on 10 July 2014 by public service unions, including UNISON and the NUT it is likely that a further day of action will be held on 14 October 2014. The Emergency Management Team are working with HR with regards to business continuity arrangements for such action.

The Emergency Management Team continue to promote Community Resilience, having delivered briefings to Elected Members and Town & Parish Councils and facilitating table top exercises with Island organisations.

The industrial action by fire personnel which has already taken place is now considered protracted. The business continuity plan to mitigate the worst aspects of this risk continues to be reviewed in the light of experience so far and is now the subject of a specific fire service risk, managed at operational level.

The action has included both Christmas and New Year with the last occasions being over the early spring bank holiday weekend. On one occasion the Chief Fire Officer initiated a section 13 agreement (mutual assistance) with Hampshire Fire and Rescue Service to supplement the local contingency crews due to a high risk of reduced resources available locally. This was in line with the business continuity plan. The dispute between the Fire Brigades' Union (FBU) and government is still unresolved and a further ballot has been successful to include action short of strike by members of the FBU which is unclear at this time as to any local impact. Communication with the FBU at a local level is positive.

Public Health responsibilities transferred to the council in April 2013. The responsibility for large scale emergencies sits with Public Health England (PHE) not the local authority and we have a Wessex wide plan and on call system for senior local authority and PHE leadership and coordination. This has been tested on the mainland, so we do have some resilience in place.

SIGNIFICANT SERVICE RISKS

7. The committee has asked to receive information concerning other risks which, while not considered strategic, are nonetheless causing concern in service terms. Accordingly, Appendix B provides a list of those service risks which are currently scoring 'red'. The committee may wish to seek further information or clarification on the issues highlighted from those officers identified as the 'owner' of each risk. This is now a much more focused list of risks following the cleansing referred to in paragraph 4 which in part stems from the Committee's review in June.

STRATEGIC CONTEXT

8. Strategic risks are those that have the potential to prevent the council from achieving its strategic priorities. Senior managers 'own' strategic risks according to their particular responsibilities. Strategic risks are brought to the attention of Executive in that they are linked to the corporate priorities of the council in the quarterly performance report. The next report is due to be considered by the Executive on 11 November.

CONSULTATION

9. The review of each strategic risk has been undertaken by managers according to their particular responsibilities. The Corporate Management Team has collectively reviewed the strategic risk register. Executive members are given the opportunity to review risks as part of the quarterly performance report.

FINANCIAL / BUDGET IMPLICATIONS

10. There are no direct financial implications of this report, although many of the controls employed to manage strategic risk do have significant financial and resource implications.

LEGAL IMPLICATIONS

11. The Accounts and Audit (England) Regulations 2011 require that the council reviews its system of internal control including its risk management arrangements. This report is therefore concerned in part with improving the way the council manages risk and also in giving the committee the opportunity to play its part in overseeing risk management arrangements. These are important features in the council's governance arrangements.

EQUALITY AND DIVERSITY

12. The council has a legal duty under the Equality Act 2010 to seek to eliminate discrimination, victimisation and harassment in relation to age, disability, gender re-assignment, pregnancy and maternity, race, religion, sex, sexual orientation and marriage and civil partnership. It is considered that there are no direct equality and diversity implications of this report for any of the protected groups.

OPTIONS

13. Option1 - Members are asked to review the strategic risks of the council as set out at paragraph 6 and their controls as set out at Appendix A;

Option 2 – Members are asked to review the service risks currently assessed s ‘red’ as set out at Appendix B and to seek any further information;

RISK MANAGEMENT

14. While this report is concerned with the subject of strategic risk itself, the key risk is that the council fails to recognise the importance of identifying, assessing and managing strategic risk. The result would mean that risks are either more likely to occur or that the council will fail to plan for their impact.

RECOMMENDATION

15. Option1 - Members are asked to review the strategic risks of the council as set out at paragraph 6 and their controls as set out at Appendix A

Option 2 – Members are asked to review the service risks currently assessed s ‘red’ as set out at Appendix B and to seek any further information;

APPENDICES

16. [Appendix A](#) – Strategic Risks Status
17. [Appendix B](#) – Significant Service Risks Status

BACKGROUND PAPERS

18. [The risk management practical guide.](#)

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