



Purpose: For Decision

Committee report

Committee **AUDIT COMMITTEE**
Date **THURSDAY, 11 DECEMBER 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, children's safeguarding, adult social care and 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. Review by all risk owners is continuing.
4. The nine strategic risks have been reviewed by managers responsible for them and their commentaries are set out below. While, changes to risk scores are minimal, there has been very welcome (and independent) confirmation from Ofsted that the direction of travel on the two risks related to children is positive. This in turn impacts on the risk related to the effectiveness of the strategic partnership with Hampshire County Council. It is also important to highlight that the update for the risk of 'staff capacity and skills' now makes reference to the need to issue a statutory notice for advance notification of potential redundancies, given the scale of the council's financial challenges. Whilst every endeavour is being made to reduce spend without affecting staff, there is every likelihood that it will be necessary to reduce staffing levels in some areas.
5. 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 was led by the relevant Executive member and included other executive members as well. The Chair of Scrutiny Committee sat on the overarching Budget Strategy Group and the one covering delivering statutory duties, value for money and working in partnership.</p> <p>The objectives of the groups were to produce by 30 September 2014:</p> <ul style="list-style-type: none"> • Updated outcomes for the Corporate Plan set out in priority order • Budget option choices against resource allocation targets <p>To do this each group has considered 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.</p>		

The overarching Budget Strategy Group considered cross-cutting issues, a future operating model for the Council.

The groups have now completed their work and the outcomes from them were considered by a joint Executive and Corporate Management Team workshop on 7 November 2014, to be followed up by a further full day workshop on 10 December 2014. In addition a budget survey has been launched and a number of stakeholder focus groups and public budget events across the Island are being held and the outcomes of these will be input into the overall budget consideration.

The overall outcome will be a new corporate plan and budget strategy that is affordable enables the Council to deliver its statutory duties and is relevant to the Isle of Wight community's needs.

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. A report on the overall integration programme will be made to the Executive in December.

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: 8
<p>The score remains at 12 (red) since the last reporting quarter. Within the context of the ongoing challenging financial climate and required budget reductions there continues to be concern regarding staffing capacity which is already stretched and the availability of some skills in-house that are required to deliver a significant programme of organisational change, made worse by the very short timescale which exists for the delivery of savings. This was also an item of concern raised within the corporate peer review undertaken by the Local Government Association (LGA), together with the need to have a realistic and focussed set of priorities. The organisational change team was brought together in order to assist with the planning and co-ordination of organisational re-design and the council's future business operating model together with the project activities required for service transformation. Other sources of internal and external capacity (such as support from the LGA, and Improvement and Efficiency Social Enterprise, iESE) continue to be commissioned as required to assist with specific aspects of organisational review and any</p>		

specialist advice that is required to inform budget options. The organisational change team has provided support to members in the delivery of the budget options working groups, led by Executive members and which will form the basis of considerations around a refreshed corporate plan, the council's priority outcomes and allocation of available resources to them that will inform the budget strategy for 2015/16. An action plan in response to the corporate peer review was approved by Full Council in October 2014.

As the council moves towards the consideration of the budget strategy for 2015/16, whilst the council will still continue to invest in priority services against our priorities and areas of greatest need, it will be necessary to continue reducing spend on non-essential services if we are to meet the £28m budgetary shortfall over the 3 year period. Whilst every endeavour is being made to reduce spend without affecting staff, there is every likelihood that it will be necessary to reduce staffing levels in some areas. It has been necessary therefore for the council to issue a statutory notice for advance notification of potential redundancies. This commences a formal consultation period with staff over the proposed staffing reductions and to seek ways in which redundancies could be avoided. Voluntary redundancy, flexible working, reduction in hours, job sharing etc are all methods by which staff will continue to be encouraged to consider as part of this process.

The introduction of a new job evaluation scheme and associated pay and grading framework which is now nearing implementation phase also has the potential to destabilise the workforce at a critical time of organisational change but is nevertheless an essential project that is required to be delivered in order for the council to continue meeting its statutory obligations under the Equality Act as well as to ensure that there is a flexible pay and reward system that is both affordable and sustainable for the future needs of the organisation. 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. Reporting has been undertaken through the Employment Committee and at which the council's recognised trade unions have had the opportunity to formally engage with elected members on issues of importance to them and a collaborative approach continues to be taken in order to seek resolution to them if possible.

Work has commenced on the development of a workforce development plan which takes account of the need to establish future performance expectations that come with a new business operating model; the necessary learning and development that is required to support staff through a period of change as well as to identify critical staff within service areas and others with potential in order to retain and develop the skills, expertise and knowledge that is required in the future.

SR0038 Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults	Assigned to: Head of Adult Social Care & Community Well-being
Inherent score: 16	Current score: 12 ↔
Target score: 6	
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 which has led to a robust long-term solution which is due to go live by the end of November. 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, together with all remaining social care functions, now operate out of Enterprise House on the St Cross Business Park. A full safeguarding adults action plan was agreed with the Executive in March and progress against the action plan is monitored on a monthly basis by a project team and, on a broader basis, by the Executive on a quarterly basis. The key actions within this plan are due to be delivered over a 2 year period, with urgent actions already being completed on target, whilst others, although already started, are longer term responses which include 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 remains difficult to maintain this high level of performance as the 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 end 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 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 children's 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 Department for Education are also undertaking six monthly reviews on both education and children's safeguarding. An annual review of the partnership by both Councils was undertaken in June 2014 where progress and action plans were reviewed.</p> <p>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> <p>As reported below, on 16 September 2014 Ofsted began its inspection of services for children in need of help and protection; children looked after and care leavers on the Isle of Wight. Ofsted also inspected the Isle of Wight Local Safeguarding Children's Board. The results were be published on 18 November 2014 and confirmed that the council is no longer within an inadequate grading, thus providing further evidence that the partnership has been very 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 September 2014, progress continues to be made in the ability to effectively manage situations where vulnerable children are subject to abuse.</p> <p>On 16 September 2014 Ofsted began its inspection of services for children in need of help and protection; children looked after and care leavers on the Isle of Wight. Ofsted also inspected the Isle of Wight Local Safeguarding Children's Board.</p> <p>The report was published on 18 November 2014 and confirmed that the Council is no longer within an inadequate grading. The report will be submitted to the Executive in January 2015.</p>		

As set out in the previous report we have increased social work capacity to meet the demand of child protection work on the Island. These additional posts are being recruited to throughout the autumn period.

The revised data set is now embedded and is reported to the Children's Improvement Board. This dataset continues to evidence how we are now meeting our statutory requirements for children in need, children in need of protection, children in care and care leavers.

The thresholds for statutory intervention are now clear and understood by all partners and these thresholds continue to be scrutinised between ourselves and our partners in various multi-agency forums and overseen by the Local Safeguarding Children's Board.

We believe, based on the results of the inspection by Ofsted that the Isle of Wight Children's services is in a strong position to be a good and outstanding authority within the next two years.

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 covered the seven priorities within the Corporate Plan as well as an overarching Budget Strategy Group. Each Group was led by the relevant Executive member and includes other executive members as well. The Chair of Scrutiny Committee sat on the overarching Budget Strategy Group and the one covering delivering statutory duties, value for money and working in partnership.</p> <p>The objectives of the groups were to produce by 30 September 2014:</p> <ul style="list-style-type: none"> • Updated outcomes for the Corporate Plan set out in priority order • Budget option choices against resource allocation targets <p>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</p>		

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 groups have now completed their work and the outcomes from them were considered by a joint Executive and Corporate Management Team (CMT) workshop on 7 November 2014 and this is being followed up by a further full day workshop on 10 December 2014. In addition a budget survey has been launched and a number of stakeholder focus groups and public budget events across the Island are being held and the outcomes of these will be input into the overall budget consideration.

The overall outcome will be a new corporate plan and budget strategy that is affordable enables the Council to deliver its statutory duties and is relevant to the Isle of Wight community's needs

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

With regard to preparedness arrangements for winter 2014 / 2015 the Emergency Management Team has the following role that:

(For the Isle of Wight Council)

- To ensure Council wide engagement and preparedness, the facilitation of a series of meetings involving key service areas including Adult Social Care, Schools, PFI CMT, Housing Services, Fire Service, Communications, Coastal, Commercial Services, and Island Roads, culminating in a table top exercise, followed by a debrief

- To ensure an appropriate level of response over Christmas and New Year, the establishment of key Council contacts and on call staff for that period
- To support a protracted response, the recruitment and training of a further seven Emergency Response Volunteers, as control room assistants and liaison officers
- To enable the continuation of critical services, in particular WightCare, Adult Social Care, Childrens Services and Beaulieu House, the development of 4 x 4 Arrangements – utilising Council, Isle of Wight Fire & Rescue Service and Voluntary Sector 4 x 4 assets
- To ensure 24 / 7 capability in respect of identifying areas likely to flood or affected by flooding, the development of flood spotting arrangements utilising the Voluntary Sector
- To ensure greater integration with and efficient use of the Voluntary Sector, the delivery of a table top exercise based around flooding and snow scenarios involving representatives from the Island's 4x4 Clubs, Raynet, Maritime Voluntary Service, Age UK, Red Cross, St Johns Ambulance and representatives from the faith community
- As part of the ongoing review of arrangements, the review and updating of the Council's Emergency Response Plan in line with organisational change and capabilities

The Emergency Management Team continues to work with Island multi agency partners to ensure a co-ordinated and effective response to an emergency on the Island and at a regional level through the Hampshire and Isle of Wight Local Resilience Forum.

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. 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.

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. Since delivering the briefings engagement has taken place with Ryde and East Cowes Town Councils and the Cowes Business Association.

The ongoing dispute between the Fire Brigades Union and Government over pension reform is ongoing with industrial action now entering its 14th month. The latest period of industrial action is the longest continuous action thus far (four days) which has significantly tested our plans. We strengthened our contingency with resources from Hampshire Fire and Rescue Service for the duration of the strike to support our own local crews. The situation has escalated nationally with the Government now laying pension reform plans before Parliament and the intelligence we have suggests there may be an appetite for

further industrial action possibly over a longer duration. This may lead to the need to re-visit our contingency approach.

Action short of strike is planned to continue which is affecting our delivery of community safety activities and we are working on a longer term alternative delivery approach to minimise this issue. Communication with local FBU remains positive.

For public health issues, 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.

Local plans will be reviewed and updated, and the service will continue to work with colleagues in the Emergency Management Team.

SIGNIFICANT SERVICE RISKS

6. 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 5 which in part stems from the Committee's review in June.

STRATEGIC CONTEXT

7. 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 last report was considered by the Executive on 11 November.

CONSULTATION

8. 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

9. 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

10. 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

11. 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

12. Option1 - Members are asked to review the strategic risks of the council as set out at paragraph 5 and their controls as set out at Appendix A;

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

RISK MANAGEMENT

13. 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

14. Option1 - Members are asked to review the strategic risks of the council as set out at paragraph 5 and their controls as set out at Appendix A

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

APPENDICES

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

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