



Purpose: For Decision

## Committee report

Committee	<b>AUDIT COMMITTEE</b>
Date	<b>19 FEBRUARY 2015</b>
Title	<b>STRATEGIC AND SIGNIFICANT CORPORATE RISK</b>
Report of	<b>BUSINESS IMPROVEMENT MANAGER</b>

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### 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 corporate terms. 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, are being flagged as 'red'. In a change from the last meeting and at the request of the Committee, these have been refined to those risks which represent a corporate 'threat'.
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, the results of the Ofsted review of children's safeguarding arrangements confirmed that that the direction of travel is positive. Reports to Executive in January on both safeguarding and educational attainment provide more detail on progress.
5. Each risk has been subject to review 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.

<b>SR0035 Insufficient financial resources</b>		<b>Assigned to: Managing Director</b>
Inherent score: 16	Current score: 16 ←→	Target score: 9
<p>The council faces a significant financial challenge over the next two financial years in particular 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.</p> <p>The budget strategy agreed by Full Council on 26 February 2014 set out how the projected budget gap could 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. 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 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 included other Executive members as well. The chair of Scrutiny sat on the overarching Budget Strategy Group and the one covering delivering statutory duties, value for money and working in partnership. The overarching Budget Strategy Group also considered cross-cutting issues and a future operating model for the council.</p> <p>The groups completed their work and the outcomes from them were considered by a joint Executive and Corporate Management Team workshop on 7 November 2014 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 were held.</p> <p>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.</p> <p>The latest financial position, following the provisional local government finance settlement, is being reported to the Executive on 13 January 2015 and Full Council on 21 January 2015. The report sets out the draft vision and priority outcomes, resource allocation and potential budget savings options that are being worked up.</p> <p>In addition a Health and Social Care Integration Board has been established to progress the Better Care Fund and different models of integrated commissioning and delivery to achieve outcomes for people and make savings by meeting need more cost effectively. A report on the next steps towards integration and a strategic partnership with the Isle of Wight NHS Trust was made to the Executive on 9 December 2014.</p>		

<b>SR0036 Ineffective and inefficient decision making and control processes (governance)</b>		<b>Assigned to: Head of Corporate Governance &amp; Monitoring Officer</b>
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>		

<b>SR0037 Insufficient staffing capacity and skills</b>		<b>Assigned to: Head of HR and Organisational Change</b>
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 and availability of some skills that are required to deliver a significant programme of organisational change in a very short period of time. 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. The team has worked alongside the corporate management team and Executive members through a series of budget options task groups and as a result of this work, there are now a series of budget proposals published for Executive and Full Council to consider together with a revised vision and priorities. In readiness for the budget which will be agreed by Full Council at its February meeting, further consideration is being given to any additional capacity that may be required in the delivery of organisational change projects to ensure savings delivery in a timely and effective manner.</p> <p>The council found itself in a position that there is every likelihood that it will be necessary to reduce staffing levels in some service areas. The statutory notice for advance notification of potential redundancies was issued in early December 2014 and the formal consultation period for the consideration of such staffing reductions closes prior to Full Council budget meeting. Any specific issues raised by staff will be taken into account in the preparation of papers for member consideration of the budget options. In the meantime, vacancy management continues to be in operation and 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 weekly staff electronic newsletter includes a regular feature for organisational change updates as one of the means to keep staff informed. Employment Committee is provided with regular reports on sickness absence data and now an integrated report which reviews a number of organisational health indicators designed to monitor wellbeing and productivity.</p> <p>The introduction of a new job evaluation scheme and associated pay and grading framework which is now entering into the implementation phase still has the potential to destabilise the workforce at a critical time of organisational change although, progress thus far has in the main been productive and positive in the initial stages of notification to staff of their potential outcomes of the review. Reporting continues to be undertaken through the Employment Committee and having taken into account the representations made by the council's recognised trade unions have taken decisions with regards to the proposed pay framework and</p>		

pay protection arrangements; appeals procedure as well as giving further consideration to the living wage and other practical aspects of job evaluation scheme arrangements.

Work is being finalised 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.

<b>SR0038 Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults</b>		<b>Assigned to: Head of Adult Social Care &amp; Community Well-being</b>
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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 which has led to a robust long-term solution being developed with partners and taking into account the revised requirements for social care with in the Care Act.

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. The full safeguarding adults action plan, agreed with the Executive in March 2014 has been reviewed and updated to reflect the requirements of the Care Act and Integration requirements for the council. The key actions within this plan are due to be delivered over a 2 year period, with urgent actions already being completed on target, other longer term responses (which include bedding in a cultural change to safeguarding across partners on the Island) remain on track and being monitored through work plans within service areas. The Safeguarding Adult Board now has a delivery action plan of its own to ensure that these are progressed and monitored through to completion.

Demand led demographic pressures in relation to the increase in referrals and significant impact from the hospital mean that the service remains under significant pressure, despite this excellent progress has been made during the half of the year in reducing the number of outstanding annual reviews of cases. This level of performance becomes increasingly difficult to maintain against the increase in referrals, the resource implications and requirements to enable sustainability are being mapped for onward reporting.

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 this further 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 January 2016.

<b>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.</b>		<b>Assigned to: Director of Childrens Services</b>
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> <p>A full and detailed report on the results at all key stages was presented to the Executive when it met on 13 January see: <a href="#">Educational Attainment</a></p>		

<b>SR0041 Failure of arrangements with Hampshire County Council to manage childrens services via a strategic partnership</b>		<b>Assigned to: Managing Director</b>
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 is 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 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>		

<b>SR0043 Failure to identify and effectively manage situations where vulnerable children are subject to abuse</b>		<b>Assigned to: Director of Childrens Services</b>
Inherent score: 16	Current score: 9 ↔	Target score: 5
<p>Since the last report was considered at Audit Committee in December 2014, progress continues to be made in the ability to effectively manage situations where vulnerable children are subject to abuse.</p> <p>The Ofsted report was published on 18 November 2014 and confirmed that the council is no longer within an inadequate grading. The report was submitted to the Executive on 13 January 2015 see: <a href="#">Childrens Social Care Performance Update</a></p> <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 continue to be recruited to throughout the winter period.</p> <p>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.</p> <p>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.</p> <p>We believe, based on the results of the inspection by Ofsted that Children's services is in a strong position to be 'good' and 'outstanding' within the next two years.</p> <p>The crucial issue is to secure long term an Island based permanent workforce and this is proving difficult and is a problem for all agencies on the Island. Nationally, social work is difficult to recruit to however we remain on track to fill all our vacant posts by April 2015. We do however have agency staff in place to cover the vacancies we have at present.</p>		

<b>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</b>		<b>Assigned to: Managing Director</b>
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</p>		

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.

The objectives of the groups were 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 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 followed up by a further full day workshop on 10 December 2014. In addition a budget survey was launched and a number of stakeholder focus groups and public budget events across the Island were held and the outcomes of these have been summarised in the report to the Executive on 13 January 2015 and Full Council on 21 January 2015 on the medium-term budget strategy and provisional local government settlement 2015/16 and will be part of 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

<b>SR0044 Ineffective response to a major emergency</b>		<b>Assigned to: Chief Fire Officer</b>
Inherent score: 16	Current score: 9 ←→	Target score: 5
<p>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.</p> <p>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 Corporate Management Team and duty senior manager levels. Additionally the Emergency Management Team has recruited a replacement member (as the Resilience Co-ordinator for Business Continuity), bringing the team up to full strength. This new team member is now trained and on the duty rota.</p> <p>With regard to preparedness arrangements for winter 2014 / 2015 the Emergency Management Team facilitated numerous meetings with key areas within the council to ensure that arrangements are in place to meet a response to adverse weather. These key areas included Adult Social Care, Schools, PFI Contract Management Team, Housing Services, Fire Service, Communications, Coastal, Commercial Services, and Island Roads.</p>		

This series of meetings culminated in a table top exercise, followed by a debrief.

As part of the arrangements for winter 2014 / 2015 the Emergency Management Team engaged with the voluntary sector:-

- in respect of 4 x 4 support for Adult Social Care and Children's Services
- 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 Maritime Voluntary Service, Raynet and the Island's 4 x 4 clubs
- 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 John Ambulance and representatives from the faith community

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 is being adapted in line with ongoing organisational change, with a revised strategy to be rolled out from April this year.

The Emergency Management Team continues to promote community resilience, having delivered briefings to elected members and town and 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 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.

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.

## SIGNIFICANT CORPORATE RISKS

6. The committee has asked to receive information concerning other risks which, while not considered strategic, are nonetheless issues of a corporate nature. Accordingly, Appendix B provides a list of those corporate 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 compared to those seen previously by the Committee.



## 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 10 February.

## 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 corporate 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 and to seek any further information

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 corporate risks status

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