Committee report

Committee	**AUDIT COMMITTEE**
Date	**19 MAY 2015**
Title	**THE COUNCIL'S RISK PROFILE AND REVIEW OF RISK MANAGEMENT ARRANGEMENTS**
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 risks. 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 asking to given more information about risks which although not necessarily strategic, do nonetheless have the potential to cause significant damage if they were to materialise and which may be emerging or perhaps beginning to escalate in terms of either their likelihood or impact.

4. Since the committee last met, there has been a briefing session held on the subject of risk and its management. In addition committee members have received detailed reports from the council's risk database intended to give them an opportunity to see those risks across the whole council which are considered to present a medium (amber) or high (red) threat.

5. Also since the committee last met, senior management has reviewed the content and nature of the council's perceived strategic risks. Members will be aware that there have been nine strategic risks for some time now. However, with the approval by full council of a revised corporate plan and revised

priorities, it is necessary to look again at the risks deemed 'strategic'. The council has four priorities:

a) Supporting growth in the economy, making the Island a better place and keeping it safe
b) Keeping children safe and improving their education
c) Protecting the most vulnerable with health and social care, investing in support, prevention and continuing care
d) Ensuring that all the resources available to the Island are used in the most effective way in achieving the Island's priorities

6. After review by senior management the proposal is that five new strategic risks should be identified as follows in relation to:

- growing the economy
- health and social care integration
- delivering the council's budget strategy
- managing the council's significant contracts
- achieving the council's revised vision

And that accordingly, three risks should be 'stepped down', as follows:

- SR0036 Ineffective and inefficient decision making and control processes (governance) – (previously assigned to: Head of Corporate Governance and Monitoring Officer). This is considered to be 'business as usual' and there are comprehensive controls in place to manage this risk. The council's internal auditors have issued a report which has found that the council's governance framework is in line with good practice' and that the 'review did not identify any significant gaps in arrangements'.
- SR0041 Failure of arrangements with Hampshire County Council to manage children's services via a strategic partnership (assigned to: Managing Director). This risk is considered as managed due to the improving performance of children's services since the partnership began
- SR0044 Ineffective response to a major emergency (formerly assigned to the Chief Fire Officer and now Head of Economy). This risk is also considered to be business as usual for the services which manage it. There are comprehensive controls in place.

7. The new risks determined by senior management are now under development in terms of their definition and controls designed to manage them. That will include documenting controls and actions that already exist. These will be reported to the committee when it next meets in June. Updates have been provided for those strategic risks which are to continue in the table below.

8. 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 strategic risks, including a summary of controls, are shown at Appendix A.

SR0035 Insufficient financial resources and viability of the council	Assigned to: Managing Director
Inherent score: 16 Current score: 16 ←→	Target score: 9

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.

The budget strategy agreed by Full Council on 25 February 2015 set out how the projected revenue budget gap of £23 million could be met over the financial years 2015/16 to 2016/17.This included utilising an additional £2 million of general fund balances in 2015/16 to enable savings plans to be further developed. Some of the savings targets are particularly challenging and need detailed work to implement. A further allocation of reserves and balances of £2.070 million has also been set aside as a contingency.

The projected revenue gap for 2016/17 is based on projected grant losses. Following the general election there will be a new spending review that is likely to be announced in June/July 2015 and cover public spending for 2016/17 and future years. It is likely that the grant reductions in 2016/17 will be higher than projected and further grant reductions are likely for 2017/18 and beyond. In these circumstances, unless there is some radical improvement in the resources the council receives , then the viability of the council and its ability to meet statutory duties will be under threat. There are likely to be changes to the Business Rates Retention Scheme and potentially to Adult Social Care funding but at this stage it looks unlikely that the council's resources position will improve.

The new corporate plan was agreed at Full Council on 1 April 2015 and sets out the overall vision and priorities for the council up to 2017. This includes a radically different operating model and a move to becoming a more facilitating council rather than a direct provider of services. The allocation of the resources that will be available has to be made to the agreed priorities and in particular to meet statutory duties.

SR0037 Insufficient staffing capacity and skills	Assigned to: Head of HR and Organisational Change
Inherent score: 16 Current score: 12 ←→	Target score: 8

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, the budget strategy was approved by Full Council on 26 February 2015 as well as the Corporate Plan and revised senior management structure to align available resources to underpin its delivery on 1 April 2015. The team is now focussing its efforts on supporting the delivery of the budget savings contained within the strategy through the application of appropriate project management methodology and organisational development activities. The resource

plan for the delivery of the approved budget savings are being developed and will take into account the additional capacity that will be required in the delivery of projects to ensure savings delivery in a timely and effective manner.

Vacancy management controls continue to be in operation together with other options for the avoidance of compulsory redundancies where possible through the consideration of voluntary redundancy, flexible working, reduction in hours, job sharing requests. 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 receives an integrated report which reviews a number of organisational health indicators designed to monitor wellbeing and productivity.   Employment Committee also approved a workforce plan for the council at its meeting of 23 February 2015 and a working group has been established, consisting of officers, trade union and member representatives to assist with the development and monitoring of activities that will underpin its successful delivery including the embedding of a new behaviour framework that aligns positive behaviour with our learning and development programmes. A leadership development programme is currently under development as an initial project that will underpin the delivery of a new business operating model for the council as well as a programme of support for staff who may be facing the possibility of redundancy as a result of the delivery of the council's budget strategy.

The introduction of a new job evaluation scheme and associated pay and grading framework is now ready for implementation with effect from 1 July 2015. As a result of the productive and positive collaborative work with our trades unions, it has been possible to secure a collective agreement for its implementation which will avoid the need for any formal dismissal and re-engagement process to be undertaken with staff, thus avoiding any major disruption or potential breakdown in employee relations.

SR0038 Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults		Assigned to: Head of Adult Social Care and 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 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 (SAB) now has a delivery action plan of its own to ensure that these are progressed and monitored through to completion. The SAB is working with all partners in the development of "Making Safeguarding Personal" which will further embed good practice across all agencies.

The PAN Hampshire Multi Agency Safeguarding Adults Policy and Procedure is currently being revised in line with the Care Act and other good practice guidance, and will be adopted across all agencies when finalised.

The introduction of new processes and new assessment forms, in order to meet the requirements of the Care Act, has slightly reduced the level of assessments undertaken during this lead in period. This has been closely monitored and additional interim support to key areas has been brought in to support the workforce whilst it embeds the new processes into daily working.

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.

The PARIS project which will deliver the new integrated Adult Social Care Information technology system, the NHS will provide a hosting service to the council for the PARIS system. The project plan is on track to deliver the new system by the end of January 2016.

SR0042 Educational attainment		Assigned to: Director of Childrens Services
Inherent score: 16	Current score: 9 ↓	Target score: 6

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 2014.
School results have been variable. There has been significant improvements in early years outcomes, modest improvements at Key Stage 2, with level 4+ in reading, writing and mathematics which match the national average for 2013. Results at level 5 did 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 a long term one, but the report from Ofsted in particular tells us that we are moving in the right direction.
There are a number of other factors and indicators including:
- progress at other key stages;
- progress from Ofsted schools ratings;
- the fact that we no longer have a secondary school in any form of category; and
- the very strong evidence from last summer's Ofsted evaluation of the role of the local authority.

A full and detailed report on the results at all key stages was presented to the Executive when it met on 13 January see: Educational Attainment

A recent review by the Department for Education has commented positively about the progress being made, but acknowledged that there is 'still a long way to go until KS2 and KS4 results are on a par with national averages'.

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

The Ofsted report was published in 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: Childrens Social Care Performance Update

A further report on the on the performance of childrens' social care was presented to the Executive on 14 May and the following points summarise the actions that continue to deliver the required improvements:

- Following implementation of the early help strategy in February 2014, the children's centre provision has been redesigned alongside other services to create a single early help offer for the 0-19 years.
- The Children's Trust signed off a protocol in September between children's services and housing services regarding homeless 16 and 17 year olds. The protocol is intended to provide a consistent approach to providing support and accommodation to young people threatened with homelessness or in need of accommodation on the island.
- Robust arrangements are in place to identify and safely manage all children and young people who are deemed to be at risk of child sexual exploitation, including those young people who are in residential care off Island.
- File audits continue to be routinely undertaken across all teams in children's services and by the LSCB.
- Team managers are becoming increasingly confident in their use of audit and recognise the benefits that it brings to the practice within their team.
- The lessons from audit are routinely disseminated to the Area Director, service managers and team managers. This includes a monthly high level report regarding the service as a whole through to individual cases.
- Additionally, a number of thematic audits are being introduced during 2015 in order that not only can assurance be given that children are safe and good planning in place, but that we can also evidence the quality of practice throughout the service and demonstrate progress.
- The team of independent reviewing officers are ensuring that all aspects of children's plans are robust and appropriate to meet their needs.
- Permanency planning is routinely considered for all children in care with care plans now demonstrating plans for permanency to avoid drift in case planning.
- Three locality hubs have been put in place to improve partnership working and relationships at the local level.
- Internal auditing continues to identify that threshold application for progressing cases to child protection conference is consistent.
- Senior managers apply a consistent threshold for making the decision to accommodate a child and no child or young person will be discharged from care unless it is safe to do so. A strong front door service continues to be in place to ensure children are not brought into the care system inappropriately.

- Children are securing the right service at the right time and all of those assessed as children in need are receiving a service from social care.
- There remains a turnover of staff in social care although this has begun to reduce as the workforce has become more settled.
- External recruitment continues and the majority of applications are from newly qualified social workers. These inexperienced workers continue to be protected from the high levels of activity and complex cases that are within the service.
- Social worker caseloads have continued to reduce as greater management scrutiny and oversight is brought to bear. This has had a positive impact on staff and morale is improving throughout the service

In addition, following a review by the Department for Education, the Secretaries of State for Children, Families and Education have written to the Leader of the council to say that whilst the statutory direction should remain in place, 'the quality of the service the strength of the partnership and the performance of the LSCB are clearly at a different level than when the original Statutory Direction was issued. For that reason we would like to reduce the oversight arrangements and stand down the Improvement Board'. It also said that they found a 'significantly stronger and more confident service than at the time of the original Ofsted inspection. Reduced caseloads have enabled social workers to feel in more control and to have more time to focus on the quality of practice. Increased management oversight is also continuing to drive up the quality of practice'.

OTHER SIGNIFICANT RISKS

9.   The committee has asked to receive information concerning other risks which, while not considered strategic, are nonetheless issues which present significant risk and have the potential to escalate. Complete details of red and amber risks have been sent to committee members for their consideration.

REVIEW OF THE COUNCIL'S RISK MANGEMENT ARRANGEMENTS

10.   The committee has a responsibility to provide independent assurance that the council's risk management arrangements are adequate /robust. The committee receives regular reports on the council's strategic risks and increasingly those that are serious threats if not necessarily strategic. A recent briefing session has been held with committee members to explain the council's processes for managing risk.

11.   The council has for many years recognised the importance of managing risk and has a comprehensive and mature risk management framework in place. The processes for identifying assessing, monitoring and reporting of risk continue to be the same as reported in previous years.

12.   The council's risk arrangements are assessed annually using a questionnaire developed by the Chartered Institute of Public Finance and Accountancy (CIPFA) and the Association of Local Authority Risk Managers (ALARM). The results of the latest assessment are show below in Table 1

Table 1 – Results of CIPFA/ ALARM benchmarking on risk management practice 2015

	Key element	Isle of Wight Council 2013 Score (Nat aver) %	Isle of Wight Council 2015 self-assessment	Evaluation and relative direction of travel
1	**Leadership and Management** Do Senior Management and the Executive Board support and promote risk management?	81(76)	66	Working ↓
2	**Policy and Strategy** Are there clear strategies and policies for risk?	75 (78)	90	Driving ↑
3	**People** Are people equipped and supported to manage risk well?	68 (76)	76	Embedded and integrated ↑
4	**Partnership and Resources** Are there effective arrangements for managing risks with partners?	50 (70)	62	Working ←→
5	**Processes** Does the organisation have effective risk management processes to support the business?	89 (78)	78	Embedded and integrated ↓
6	**Risk Handling and Assurance** Are risks handled well and does the organisation have assurance that risk management is delivering successful outcomes and supporting creative risk taking?	78 (71)	74	Embedded & Integrated ←→
7	**Outcomes and Delivery** Does risk management contribute to achieving outcomes?	45 (68)	70	Embedded & Integrated ↑
	Overall Average	69 (74)	74	Embedded & Integrated ↑

13. The committee's own responsibilities regarding risk, taken from both best practice guidance and from its own terms of reference, are:

Requirement	Complies?
Does the Audit Committee consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements?	Yes
Does the Audit Committee review the authority's strategic risk register at least annually?	Yes, quarterly
Does the audit committee monitor how the authority assesses its risk?	Yes
Do the Audit Committee's terms of reference include oversight of the risk management process?	Yes

STRATEGIC CONTEXT

14. 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 14 May.

CONSULTATION

15. The review of each strategic risk has been undertaken by managers according to their particular responsibilities. Members of both the Corporate Management Team (CMT) and the Senior Management Team (SMT) have reviewed the strategic risk register. Executive members are given the opportunity to review risks as part of the quarterly performance report.

FINANCIAL / BUDGET IMPLICATIONS

16. 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

17. The Accounts and Audit Regulations 2015 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

18.   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

19.   Option 1 -   Endorse the changes to the council's strategic risks

        Option 2 -   Members are asked to review the strategic risks of the council as set out at paragraph 7 and their controls as set out at Appendix A;

        Option 3 -   Members are asked to review the risks rated as red and amber sent to members since the last meeting

        Option 4 -   Members are asked to note the annual review of risk management arrangements and to make recommendations for changes if considered necessary.

RISK MANAGEMENT

20.   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

    Option1 –   Endorse the changes to the council's strategic risks

    Option 2 -   Members are asked to review the strategic risks of the council as set out at paragraph 7 and their controls as set out at Appendix A;

    Option3 –   Members are asked to review the risks rated as red and amber sent to members since the last meeting

    Option 4 –   Members are asked to note the annual review of risk management arrangements and to make recommendations for changes if considered necessary.

APPENDICES

21.   <u>Appendix A</u> – Strategic risks status

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