



Committee report

Committee	AUDIT COMMITTEE
Date	25 JUNE 2015
Title	THE COUNCIL'S RISK PROFILE
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 be 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. 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.
4. As reported to the committee when it last met, senior management has revised the content and nature of the council's perceived strategic risks. There are now ten strategic risks reflecting a revised corporate plan and priorities
5. The new risks determined by senior management have now been developed by articulating them, assessing their current status and by identifying a number of existing and proposed controls to manage them.
6. 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
<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 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.</p> <p>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.</p> <p>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.</p>		

SR0037 Insufficient staffing capacity and skills		Assigned to: Head of Resources
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, 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</p>		

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.

A Transformation Plan has been developed which sets out how the Organisational Change Team will support the Council in achieving its budget strategy.

SR0045 Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults		Assigned to: Director of Adult Social Services
Inherent score: 16	Current score: 12 ←→	Target score: 6
No update provided.		

SR0042 Educational attainment		Assigned to: Director of Childrens Services
Inherent score: 16	Current score: 9 ←→	Target score: 6
<p>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.</p> <p>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</p>		

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
<p>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</p> <p><u>A further report on the on the performance of childrens' social care</u> was presented to the Executive on 14 May and the following points summarise the actions that continue to deliver the required improvements:</p> <ul style="list-style-type: none"> • 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 review the LAC care plans and Child Protection plans, ensuring that they 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'.

SR0050 Failure to secure the required outcomes from the integration of Adult Social Care and Health		Assigned to: Director of Adult Social Services
Inherent score: 16	Current score:	Target score:
<p>The council's vision, corporate priorities and its budget strategy are dependent on the successful delivery of the health and social care integration initiative. As with all such major projects which involve working with others in partnership, while there are significant benefits available, there are also many risks which have the potential to undermine the project's success or prevent its delivery. These include: a lack of shared vision, a lack of understanding of respective roles, funding being diverted to health priorities, a lack of resource and capacity to deliver the project, anomalies in remuneration (and their impact on morale and recruitment), a downturn in performance and its monitoring during transition, maintain an adult social care identity and the potential reputational risk that all those pose to the council. A number of mitigations are either in place or are in development to control the risk.</p>		

SR0048 The council fails to achieve the required outcomes from its significant contractual relationships and fails to successfully resolve some anomalies in the contract's interpretation (in relation to the 25 year Highways PFI contract)		Assigned to: Head of Contract Management
Inherent score: 16	Current score: 12	Target score: 5
<p>The council's senior management has acknowledged the significant risk that major contracts can present if not managed well post award. The council is in the process of reviewing with a view to strengthening its management of the Highways PFI contract and is preparing to develop its proposals for managing the new Waste contract from October 2015. In addition there is a need to review and strengthen the management of the Pan Development Agreement with Barratt David Wilson (BDW). Taking on board the outcomes from the Atkins review, the council is in the process of re-establishing its client function, reviewing the governance arrangements for the contract, re-establishing robust auditing and performance management arrangements and strengthening its financial management of the contract. Similarly, the proposals for managing the new Waste contract need to follow similar lines and in addition, action needs to be taken to ensure a successful transition from the existing contract.</p>		

SR0046 The risk that the Island's economy falls further behind its mainland comparators and is unable to generate sufficient wealth to sustain the Island and its community		Assigned to: Deputy Managing Director
Inherent score: 12	Current score: 12	Target score: 9
<p>This risk is related directly to the corporate plan priority of: 'Supporting growth in the economy, making the Island a better place and keeping it safe'. Whilst it is acknowledged that the council can only achieve limited results by its interventions, there are a range of actions being taken to facilitate sustainable growth in the Island's economy These are set out the Economic Development Plan which has recently been presented to the Economy and Tourism Select committee.</p>		

SR0049 Achieving the Vision for the Island		Assigned to: Managing Director
Inherent score: 16	Current score: 8	Target score: 5
<p>This risk again arises from the revised corporate plan and its priorities and represents a council-wide threat in achieving the outcomes required of the vision set out in the Plan. These are wide ranging affecting all service areas. The risk is very much inter-related to other risks (staff capacity and skills, delivering the budget strategy, insufficient financial resources). Achieving the vision will require significant and fundamental transformational change, which is being led by the council's Executive and Corporate Management Team and supported by a dedicated, multi—skilled resource drawn from across the council with external support and advice when required. A transformation plan has been developed to coordinate and monitor the progress of projects to deliver change. The council's management structure has been re-aligned to the council's four priorities. Achievement and delivery of the corporate plan and its four priorities continues to be reported on a quarterly basis to Executive and Scrutiny Committee.</p>		

SR0047 The council fails to deliver its approved budget and there are insufficient reserves to meet the deficit		Assigned to: Managing Director
Inherent score: 16	Current score: 16	Target score: 9
<p>The council's approved budget strategy requires that savings of £12.5m are delivered during 2015/16 and a further £10.5m in 2016/17. Savings plans and projects are crucial in achieving a balanced budget, which in turn is vital to the council's ongoing viability. The strategy includes the planned use of £2m of reserves to provide an opportunity to develop savings proposals and plans to implement them. Regular reporting of the council's spending and the progress of projects intended to deliver the required changes will continue to the Council's Corporate Management Team and Executive. These will include appropriate profiling so that monitoring progress is more robust. Quarterly performance reports to Executive will ensure that the council maintains its focus on its priorities. Other control mechanisms such as the Authorisation Panel and Procurement Board will be reviewed to ensure that they are playing an effective role in helping to manage the budget's delivery.</p> <p>A Scrutiny Committee task and finish group has been established to provide challenge and support to the delivery of the budget.</p> <p>Service boards take place at service level, ensuring that monitoring of budgets takes place on a regular and frequent basis.</p>		

OTHER SIGNIFICANT RISKS

7. 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.

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 last report was considered by the Executive on 14 May.

CONSULTATION

9. 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

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 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

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

Option 1 - 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 risks rated as red and amber sent to members since the last meeting

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

Option 1 - 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 risks rated as red and amber sent to members since the last meeting

APPENDICES

[Appendix A](#) – Strategic risks status

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