



Committee report

Committee	AUDIT COMMITTEE
Date	29 SEPTEMBER 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. At this meeting, as previously requested, the committee will have the opportunity to consider the strategic risk around contract management with the Head of Contract Management.
3. Members have received detailed reports from the council's risk database giving them an opportunity to see those risks across the whole council which, although not considered strategic, are considered to present a medium (amber) or high (red) threat.
4. As previously reported, the content and nature of the council's perceived strategic risks has been reviewed and revised. Subsequently following a further review, two risks which were very closely associated (in relation to insufficient financial resources and delivering the budget strategy) have been combined. There are now nine strategic risks.
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 strategic risks, including a summary of controls, are shown at Appendix A.

SR0051 Lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy		Assigned to: Managing Director
Inherent score: 16	Current score: 16 ←→	Target score: 9
<p>The council faces a significant financial challenge over the current and next 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 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.</p> <p>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.</p> <p>The Council has robust financial management procedures in place and has explored every possible means by which to establish control and monitoring measures. However, the sheer scale of the savings required and the announcements from the July budget indicated that there will be further grant cuts expected within local government. This therefore places a real threat to the future viability of the council. Whilst there is significant ambition and drive about the Island's potential, the council has been innovative in its approach to future service delivery – ie partnership with Hampshire for Children services; partnership for Fire Service, significant health and social care integration programme, a wholesale transformation programme to increase the efficiency and reduce bureaucracy, reduction in senior management and overall layers of management. With a low asset base for any growth, and low reserve levels to invest, new initiatives are becoming far more difficult to identify, especially when there are some very difficult political decisions needed to implement budget decisions already made. To counter these challenges, the council is exploring the potential that devolution might offer and has made representations to establish an Island deal with ministers.</p> <p>In addition, a new Leadership Forum has been created to enable closer working practices, discussion and understanding between parties about the future demands and challenges of the Isle of Wight Council. This forum will enable Forum Members to receive appropriate briefings on relevant upcoming decisions, for the views of those members to be given due weight and credence at Executive, for all members to be able to propose attributed ideas for wider consideration, and to provide cross-party agreement on key issues where possible.</p> <p>A Budget and Policy Liaison Group has also been created that will bring together the Chairs of the key policy based Committees. The Group will help to develop and</p>		

bring forward budget and policy ideas to meet the issues faced by the council collectively

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 budget update report presented to Full Council on 2 September 2015 which sets out a bleak and worrying position with regards to the future viability of the council as a result of the continued pressures being placed on local government. This is as a result of central government's on-going austerity measures and anticipated future proposed grant reductions. There is significant concern regarding capacity to identify and deliver further strategies that will be necessary to deliver additional savings in a very short period of time at a time when it is already apparent that there is an increasing need to speed up the pace of transformation to meet existing budget challenges. Working in an environment where there is no overall political control is also presenting its own challenges for maintaining focus on priorities and delivering agreed existing budget strategies which is further stretching capacity of the workforce and in particular senior officers. However, a number of measures have been taken by the Leader of the Council to establish a forum for cross party working and in which there is the potential to develop and inclusive and co-ordinated approach to budget, policy and communication matters. There is also the potential for there to be a period of uncertainty as the council moves towards the recruitment campaign for a new chief executive in readiness for the current Managing Director to step down as part of his planned retirement.</p> <p>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 continues to provide support to services through programme office and project management in the delivery of their transformation programmes and to the corporate management team and executive in the monitoring and review for the delivery of the current budget strategy but this limited resource is also beginning to be stretched by competing demands and an inability to focus on real priorities as a result of distractions by other requests that emerge.</p> <p>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, and 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. It is clear however, that the Council is operating very much on the goodwill of many staff given the overall reductions in staffing levels. Additionally the reduction is also leading to a greater reliance on a smaller number of individual members of staff with specialist or historic organisational knowledge. The 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. A leadership development programme is due to commence for 30 middle and aspiring managers in October 2015 which is intended to enable staff to further develop skills and knowledge in the delivery of a new business operating model for the council.</p>		

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: 10
<p>This definition of this risk has been changed so that it is realistic in terms of what is controllable and manageable.</p> <p>The new Care Pathways development work which is part of the Transformation agenda for adult social care included the revision and revisiting of the</p> <p>The Safeguarding Adults Board (SAB) is working with all partners in the development of "Making Safeguarding Personal" which will further embed good practice across all agencies and deliver personalised and proportionate support to those vulnerable people who need it.</p> <p>The PAN Hampshire Multi Agency Safeguarding Adults Policy and Procedure has been revised in line with the Care Act and other good practice guidance, and has been adopted across all agencies.</p> <p>The ongoing integration work with our strategic partners at the CCG and the Isle of Wight NHS Trust will see the work of the Safeguarding board strengthened further and the Commissioning team will be working closely together across the CCG; Public Health and with members to enhance the relationship between the Council and providers of social care services across the Island.</p>		

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 2014, one year after they found them to be ineffective. This time Ofsted recognised the significant improvement in those arrangements and its findings were reported in full at the Executive on 9 September 2014.</p> <p>At the current time we only have provisional results available for 2015 and national figures have not yet been produced. There has been an improvement at all key stages, apart from post 16 academic outcomes. In Early Years 72% of children attained the good level of development compared with a national figure of 60% in 2014. At the end of the primary years 78% of children attained Level 4+ in reading, writing and mathematics. That compares with 72% in 2012 when the partnership began. The national average was 79% in 2014. At the end of secondary education the provisional figures are showing a 3% increase to 48% of students attaining 5A*-C including English and mathematics. The gap between the national average and the Isle of Wight is narrowing. Some of the Island's secondary schools have still got outstanding appeals against marks given to individual children and those appeals may change the current figure.</p> <p>Published results for post 16 academic outcomes in 2014 show that the Isle of Wight performed significantly below on all measures other than the overall pass rate which was the same as the national figure of 98%. The proportion of students achieving the equivalent of 3 x academic passes, A*-E, was 68% compared to 78% nationally (state sector). The proportion of A level entries passes at A*-A in 2014</p>		

was 17% compared to 23% nationally. Provisional outcomes reported to the Local Authority for 2015 indicate there has been a further decline in performance on some of these measures including high grade passes. In contrast, vocational outcomes are strong on the Island with 49% of the 2014 cohort achieving the equivalent of 3 x vocational passes, A*-E, compared to 47% nationally (state sector). The performance of young people in FE setting was significantly higher at 64%. Provisional data provided suggest performance against this measure improved significantly further in 2015.

There are a number of other indicators that provide evidence of improvement 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 will be presented to the Executive when it meets in January 2016.

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>Children's Services continues to make good progress against the required improvements as identified by Ofsted: Childrens Social Care Performance Update</p> <ul style="list-style-type: none"> • The 0-19 integrated early help service has been successfully redesigned and is now being managed as a commissioned service by Barnardos. Regular performance, engagement and scrutiny of the new service are undertaken by Children and Families Branch, as well as the LSCB and Children's trust to ensure effective delivery of service. • Three locality hubs have been put in place to improve partnership working and relationships at the local level. • 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. • There have been significant developments with regard to the oversight of children considered at risk of being missing, exploited or trafficked. The LSCB CSE sub-group has an operational element to consider high risk cases METRAC (missing, exploited, trafficked, risk assessment conference) due to the focus of CSE cases there has been a missing panel identified in 		

July 2015. METRAC are also working on their problem profile for identifying CSE and considering disruption activity required.

- NYAS have the contract for completing all return from missing interviews for child looked after and this process has been introduced to all cases open to children's social care and early help. There is an expectation that the SERAF (sexual exploitation risk assessment form) is completed as part of this process. The Missing from Home and Care policy has recently been updated and will be distributed to children's services once ratified.
- MASH continues to offer a safe front door to children's social care. Multi-agency audit through LSCB were undertaken of MASH confirm a consistent and appropriate application of thresholds and ensures that child protection thresholds and thresholds for children in need services are properly applied.
- The Children in Need strategy ensures that all partners contribute to effective and robust Child in Need plans.
- 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.
- 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 and appropriate to do so.
- 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 by their 4 month Review, with care plans now demonstrating plans for permanency to avoid drift in case planning.
- There remains a turnover of staff in social care although this has begun to significantly reduce.
- External recruitment continues and the majority of applications are from newly qualified social workers. This has led to a significant reduction in the use of temporary and agency social workers.
- Newly qualified social workers continue to be protected from the high levels of activity and complex cases that are within the service and all enrol on the ASYE (Assessed and Supported Year in Employment) programme.
- 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. Caseloads are now consistently lower measured against caseload activity from October 2013 onward.
- Frontline managers have attended leadership training and coaching to improve performance training "getting the best from staff".

- There is a new programme being introduced for succession planning, concentrating at all levels within the service to ensure continuity throughout the service.
- A successful bid has been made to the Innovation Fund and recruitment to identified roles has commenced. 9 social work personal advisors have been appointed to enable social workers to concentrate on direct work with families freeing them up from the amount of administrative responsibilities they have. Recruitment to the new Family Intervention Team who will have a focus on the Toxic Trio (substance misuse, domestic abuse and mental health difficulties) is currently underway.
- File audits continue to be routinely undertaken across all teams in children's services and by the LSCB. These including re-auditing, thematic audits, peer audits, workshops and peer inspections.
- 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.
- Team managers are becoming increasingly confident in their use of audit and recognise the benefits that it brings to the practice within their team.
- Internal auditing continues to identify that threshold application for progressing cases to child protection conference is consistent.
- The lessons from audit are routinely disseminated to the Area Director, service managers and team managers. This includes a quarterly high level report that is presented to Children's Services Senior management Team and PQA Sub-Group.

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: 16	Target score: 6
<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, maintaining the adult social care identity and the potential reputational risk that all those pose to the council.</p> <p>A number of mitigations are either in place or are in development to control the risk. These include ensuring that the correct governance arrangements are developed to enable the partnership to work effectively and for decision making to work across the different governing bodies currently in place. This includes the new board structure for My Life a Full Life to support the integrated approach. The development of effective funding and budget arrangements across the partnership to ensure that</p>		

value for money and best use of resources are effective within the partnership and supports the integrated working options being developed.

The development of Intelligent, integrated commissioning activity across organisations to understand the whole system requirements and to commission services accordingly and to meet the health and social care needs of the Island's population.

The Strategic Partnership Agreement which will formally set out the expectations of the partnership between the NHS Trust and the IWC is due to be signed off and presented to Executive in October.

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; recruitment of additional posts with engineering experience is nearing completion with several offers made which should see additional resource available within two months. A review of the governance arrangements for the contract has been undertaken, the role of the Board has been reviewed to ensure it only addresses strategic matters, re-establishing robust auditing and performance management arrangements and strengthening its financial management of the contract is underway and proposals are in place to provide additional officer support for the auditing functions upon the financial close of the new waste contract.</p> <p>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. This matter is also in hand and the current team will continue to manage the contract post financial close reporting to the Head of contract management. The skills of the waste team can be utilised as appropriate to provide more robust support for the Highways contract management team.</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. Many of these are set out in the draft</p>		

[Economic Development Plan](#) which has recently been presented to the Economy and Tourism Select committee. In addition the council is working closely with 14 other local authorities across Hampshire to secure a devolution deal for the area with Government which is based on improving the productivity (hence economy) of the area and has a specific outcome to improve the financial sustainability of the Isle of Wight. The council is also an active member of the Solent Local Enterprise Partnership which with Government backing seeks to improve the economy of south Hampshire and the Isle of Wight.

SR0049 Achieving the Vision for the Island		Assigned to: Managing Director
Inherent score: 16	Current score: 12 ↑	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, lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy. Achieving the vision will require significant and fundamental transformational change, which is being led by the council's Executive and Corporate Management Team, 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. Within a challenging political climate as a result of a 'no overall control' administration, the potential to be distracted from maintaining focus on the key priorities is becoming increasingly apparent. At a time when the fragility of the council's financial situation is becoming very real, a number of initiatives are being put in place with a view to stabilising the political environment. This has included the establishment of the new Leadership Forum to allow for a collective and inclusive approach to key issues. This together with regular group leader meetings and seeking further support from the LGA to develop constructive and productive working relationships are being explored to maintain momentum and delivery of a challenging budget strategy.</p>		

OTHER SIGNIFICANT RISKS

- 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

- 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 4 August 2015.

CONSULTATION

8. The review of each strategic risk has been undertaken by managers according to their particular responsibilities. Members of both the Corporate Management Team (CMT) 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

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 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

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

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

RISK MANAGEMENT

12. 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 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 5 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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