



Committee report

Committee	AUDIT COMMITTEE
Date	3 DECEMBER 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. 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. As agreed at an informal meeting of the Committee on 4 November, the Head of Contract Management has been provided with a set of questions in order to assist his preparation.
3. At its informal meeting on 4 November, members received detailed reports from the council's risk database giving them an opportunity to see *all* risks across the whole council not just those considered to be strategic. Members agreed that they should consider those risks in detail, ahead of today's meeting, and for the Business Improvement Manager to set out for the committee's understanding, what expectations the Council has around risk management.
4. Each strategic risk has been subject to review by each of the managers responsible for them, and commentaries are provided in the table below. More details, 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>A Budget Review report went to Full Council on 2 September 2015 which updated the Council's overall financial position. This highlighted the position on additional budget pressures and the underachievement of certain budget savings. Without further action it was projected that there could be an overall revenue overspend in 2015/16 of some £4m which would have to be met from available reserves leaving them at dangerously low levels. Full Council agreed a number of measures that should bring 2015/16 back on budget. For 2016/17 the currently projected gap is some £16m against which some £13.5m has been identified. Work is continuing on identifying budget options.</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 as well as the Scrutiny Committee. 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. The autumn statement and comprehensive spending review will be announced by the government on 25 November 2015 and this is likely to have a significant impact on the Council's forward financial position and be 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</p>		

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.

A Budget and Policy Liaison Group has also been created that brings together the Chairs of the key policy based Committees. The Group will help to develop and 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 set out a continuing picture of financial fragility as a result of the continued pressures being placed on local government during a period of severe austerity. There remains 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, although much is being undertaken to explore the potential of the “devolution” offer from central government with regional local government partners.</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 has worked alongside client departments to assist them in the delivery of their budget savings through the provision of project management expertise and delivery of business process improvements in particular at the moment they are assisting Adult Social Care in the delivery of their current change programme. They also continue to work on a number of projects that will see further savings being driven from, corporate contracts such as pool cars, food and fuel purchase, telephony and staff terms and conditions. They have also been supporting the delivery of a number of “star chamber” exercises as a means to challenge and scrutinise budget proposals to ensure that savings options and strategies continue to be as robust as possible and to provide confidence that savings are achievable. As we move into the period for budget setting, the outcomes of the comprehensive spending review are awaited in order to determine what else may be required to deliver a balanced budget going forward. This limited resource however, is also 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.</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 Systems Implementation and Transformation Programme that was commissioned by the Adult Social Care, reviewed current safeguarding processes to ensure they are Care Act compliant. “Making Safeguarding Personal” is one of the 9 Transformational Projects under this programme.</p> <p>As part of this programme, the department has now developed a Safeguarding end to end process that is Care Act compliant. The project is now focussing on developing paperwork that complements the process. There is a new performance and quality framework being developed to support proposed safeguarding processes.</p> <p>The project team is supporting the Safeguarding Adults Board and its key partners in developing a “Making Safeguarding Personal” strategy and ensuring that all associated agencies will consider “Safeguarding Adults” as everyone’s business. This approach will ensure a consistent delivery of personalised and proportionate support to alleged victims by individual partner agencies.</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. IOW will focus on developing a local operating policy to ensure that we deliver a consistent service across the island.</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: Interim 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 66% in 2015. 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 for 2015 is 80%. 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 in comparison to a 0.5% decline in the provisionally reported national figure for this measure. The gap between the national average and the Isle of Wight is narrowing. Some of the Island’s secondary schools</p>		

have still got outstanding appeals against marks given to individual children and those appeals may change the current figure.

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 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: Interim 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. • 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. In addition to the LSCB CSE sub-group METRAC (missing, exploited, trafficked, risk assessment conference) a missing panel has been developed and will meet on a monthly basis. The missing persons protocol has been updated and practitioner workshops held to update staff. • 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. Performance reporting evidences the consistency in threshold applied by MASH with the scrutiny of contacts and referrals.

- 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.
- 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.
- Social Work Caseloads have remained consistently low when measured against caseload activity from October 2013 onward.
- Practitioner workshops have been developed and are now scheduled in 6 weekly covering priority areas of development within children's services.
- Due to initial succession of the social work personal advisors a decision has been made to provide this level of administrative support to the third Children in Need team. 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 complete and new workers commence in post October 2015.
- 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.
- 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.
- Professor Ray Jones is due to visit Isle of Wight Children's Services in October 2015 to assess the distance of travel within the improvement journey.

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. Input from the LGA is helping to define the governance needed in terms of decision making, and how the My Life a</p>		

Full Life Board structure needs be configured to best support the integrated approach for all areas of the health and wellbeing economy.

The development of effective funding and budget arrangements across the partnership to ensure that value for money and best use of resources are effective within the partnership and supports the integrated working options being developed.

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 December.

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: 10 ↓	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 has reviewed its management of the Highways PFI contract and has put in place proposals to manage the new Waste contract which commenced on 1st November 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 has increased resource of its client function by recruiting two additional posts with engineering experience. Both officers have now commenced. 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. Following the close of the waste project additional officer support for the auditing functions within highways is now available.</p> <p>A relatively smooth transition from the previous waste contract has occurred with much work on ensuring dilapidations were completed on three sites. The waste procurement team has commenced management of the new contract reporting to the Head of Contract management. The required weekly performance reports have now been received and monthly project meetings programmed. The new waste contractor has been interviewing to fill several vacant positions.</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 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</p>		

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: 16 ↑	Target score: 5
<p>The revised corporate plan sets out the vision for the island and the Council's priorities in delivering it. The ability to deliver the vision and priorities 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. There is a need to make difficult decisions on resource allocation and driving change which is even more challenging with a 'no overall control' administration and the scale of the financial challenge as a result of government austerity measures. Budget pressures are increasing and the impending autumn statement and comprehensive spending review to be announced on 25 November is likely to make the position worse. The administration is trying to work collaboratively across all groups and has established a budget and policy liaison group and a strategy and communications forum which are both cross party.</p> <p>The Council is also pursuing a Devolution deal with Government as part of a combined authority approach with all Hampshire authorities, the Isle of Wight and the two Local Enterprise Partnerships that cover the area. Depending on the success of the deal the Council should be in a better position to achieve the vision for the Island</p>		

CORPORATE EXPECTATIONS IN RELATION TO RISK MANAGEMENT

5. The council, like most public sector organisations, has had processes in place to manage risk for a considerable time. This reflects the growth and development of risk management which stemmed in part from the corporate scandals of the previous two decades, and the acknowledgement that risk and its management are essential elements within an organisation's corporate governance arrangements. The Audit Committee is expected to play an important role in overseeing the council's risk management arrangements and has received annual reports on them for some time now, as well as of course reviewing the council's governance arrangements annually. The most recent report on risk management arrangements was made to the committee in May 2015: <https://www.iwight.com/Meetings/committees/Audit%20Committee/19-5-15/Paper%20H.pdf>
6. The council has a risk management guide which underpins the expectations. This is shown at Appendix B. The key principles for managing risk are:
 - The leadership of the organisation should acknowledge that risk needs to be managed

- Risk should be seen as an integral part of a manager's responsibilities alongside other issues that need managing
 - The way in which risk is managed should be clearly set out in a policy , strategy and guidance
 - There should be formal processes and forums where risk should be reported and considered
 - Processes should set out how risk is to be identified, measured, monitored and most importantly of all, *managed*
 - Responsibility and accountability for managing risk should be clear and assigned to individuals
 - A key principle of risk management is that it should be related to the organisation's objectives
 - Risk should be considered to be a wide ranging subject which can cover ALL aspects of an organisation's business.
7. There is a significant amount of guidance available to guide organisations in their management of risk. That includes CIPFA's benchmarking evaluation which provides a framework which can be used to review our own arrangements. A summary of these is provided to the committee each year and are reproduced at Appendix C.
8. In terms of the content of service risk registers, there is no prescription concerning what should be recognised as a risk, since this should be the purview of managers within each service. This does of course create the potential for risk registers to be of variable content, size and quality. However, one would expect that the risks identified at service level should reflect the key principles outlined above and in particular:
- Risks must stem from agreed service objectives (as set out in business plans)
 - Emphasis should be on *managing* the risk (through robust action planning)
 - There should be clear ownership of each risk and the actions required to manage it
 - Risk management should be an integral part of routine management , not an add-on
 - There should be appropriate processes in place for the reporting and monitoring of risk within each service
9. Risk in relation to projects is usually managed in a slightly different way (although the fundamental principles are the same). For those who do it well, risk registers are created for each project and identify any threats to achieving the project's objectives. Where project risk is not managed properly, it is likely that the project will not meet its desired outcomes in terms of cost, time and quality (and there are many examples of that both within and outside of the

Council). Clearly, the size and significance of a project will determine the amount of time and resource which should be devoted to managing risk. However, for the most strategic and important projects, its importance cannot be over-stated. Again the quality of the project risk management across the council will be variable.

10. Finally, the Committee is aware of the way in which strategic risk is managed through the regular reports it receives, including this one. They are defined by the fact that they are connected to the council's strategic objectives as set out in the corporate plan.

STRATEGIC CONTEXT

11. 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 next such report will be considered by the Executive on 8 December 2015.

CONSULTATION

12. 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

13. 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

14. 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

15. 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 4 and their controls as set out at Appendix A;
- Option 2 – Members are asked to review the non- strategic, service risks sent to them since the last meeting, and to consider what actions are necessary to change or improve the way in which they are managed.

RISK MANAGEMENT

16. 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 4 and their controls as set out at Appendix A;
- Option 2 – Members are asked to review the non- strategic, service risks sent to them since the last meeting, and to consider what actions are necessary to change or improve the way in which they are managed.

BACKGROUND PAPERS

Audit Committee Report 19 May 2015 – The Council's risk profile and the review of risk management arrangements

APPENDICES

- [Appendix A](#) – Strategic risks status
[Appendix B](#) – The Council's Risk Management Practical Guide
[Appendix C](#) - Cipfa's Guidance on Risk Management

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