



# Committee report

Committee **AUDIT COMMITTEE**  
 Date **18 FEBRUARY 2016**  
 Title **THE COUNCIL'S RISK PROFILE**  
 Report of **TECHNICAL FINANCE 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.
3. 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.

<b>SR0051 Lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy</b>		<b>Assigned to: Chief Finance &amp; Section151 Officer</b>
Inherent score: 16	Current score: 16 ↔	Target score: 9
<p>The council continues to face a significant financial challenge 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 council's approved budget strategy for 2015-16, approved in February 2015, required 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</p>		

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.

The Comprehensive Spending Review was announced on 25 November 2015 and this set out the overall position on public finances over the next four financial years. This was followed up by the Provisional Local Government Finance Settlement that was announced on 17 December 2015. This set out an offer of a four year settlement and government grant figures were set out for the Council for 2016/17 to 2019/20.

The Provisional Settlement includes a very significant cut in Revenue Support Grant by some 89% (£23.182 million) by 2019/20. Taking into account inflation, increased need and assumed increases in council tax of 3.99 per cent each year (including a 2 per cent increase allowed for adult social care) the currently projected gap over the four financial years is a further £31.455 million.

This is a significant gap and the savings required will be very challenging particularly on top of £50 million of savings already implemented over the last five years. The ability of the council to make such savings and meet its statutory duties is in doubt and a dialogue with government as well as participation in the development of a Hampshire and Isle of Wight devolution deal is ongoing in seeking additional resources and solutions to achieving a sustainable future.

An overall budget report setting out the council's financial position and savings options for 2016/17 in meeting the budget gap in that year went to the Full Council on 20 January 2016. [Full Council Budget Report](#)

<b>SR0037 Insufficient staffing capacity and skills</b>		<b>Assigned to: Head of Resources</b>
Inherent score: 16	Current score: 12 ↔	Target score: 8
<p>The score remains at 12 (red) since the last reporting quarter. Within the context of the budget strategy being presented to full council in January 2016 which sets out the further financial challenge posed to local government in light of the grant settlement from central government, it highlights the severity of the situation if the council is to set a balanced budget for 16/17 and beyond. The budget options presented for consideration by members highlights that there will need to be further reductions in service resulting in less staff. This reinforces the necessity for radical transformation and refocussing of service delivery in order to continue to meet statutory duties as a minimum as opposed to seeking ways in which to do more with less.</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>		

<b>SR0045 Failure to provide effective arrangements to prevent incidents of abuse of vulnerable adults</b>		<b>Assigned to: Director of Adult Social Services</b>
Inherent score: 16	Current score: 9 ↔	Target score: 6
<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 Adult Social Care, reviewed current safeguarding processes to ensure they are Care Act compliant. “Making Safeguarding Personal” (MSP) 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 focusing 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. The Isle of Wight 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 Clinical Commissioning Group (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> <p>Making Safeguarding Personal training had been commissioned to train both internal and external resources on the MSP processes and procedures. This will create awareness and ensure that all our partners are able to develop systems that are MSP compliant.</p>		

<b>SR0042 Educational attainment</b>		<b>Assigned to: Interim Director of Childrens Services</b>
Inherent score: 16	Current score: 9 ↔	Target score: 6
<p>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 current time, only provisional results are available for GCSE and Post-16. At the end of secondary education the provisional figures are showing a 2% increase to 47% 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 are still awaiting the outcome of outstanding appeals against marks given to individual children and those appeals may change the</p>		

current figure.

Provisional 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 a further education 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;
- no secondary schools are now rated as Inadequate by Ofsted;
- 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 in January 2016. [Educational Attainment 2015](#)

<b>SR0043 Failure to identify and effectively manage situations where vulnerable children are subject to abuse</b>		<b>Assigned to: Interim Director of Childrens Services</b>
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: <a href="#">Childrens Social Care Performance Update</a></p> <ul style="list-style-type: none"> <li>• Common Assessment Framework (CAF) coordinators continue to scrutinise the threshold around early help intervention by way of auditing the TAF meetings and quality of assessments and plans.</li> <li>• 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.</li> <li>• There continue to be developments with regard to the oversight of children considered at risk of being missing, exploited or trafficked. The missing persons protocol has been rolled out to foster carers in order they are fully aware of responsibilities within the protocol.</li> <li>• 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 continues to evidence the consistency in threshold applied by MASH with the scrutiny of contacts and referrals.</li> <li>• 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.</li> <li>• Social Work Caseloads have remain consistently low and this is scrutinised</li> </ul>		

- monthly through performance management meetings. Use of agency staff also remains low as a result of rolling recruitment process.
- Children subject to child protection plans has started to reduce over the last quarter
  - File audits continue to be routinely undertaken across all teams in children's services and by the Local Safeguarding Childrens Board (LCSB). 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 Performance & Quality Assurance Sub-Group.
  - Professor Ray Jones visited Isle of Wight Children's Services in October 2015 and undertook rigorous scrutiny to assess the distance of travel within the improvement journey. Initial informal feedback from this visit is positive and that there is evidence of continued improved performance.
  - LSCB annual conference was held October 2015 – there is already positive outcomes being demonstrated regarding raising the awareness of neglect, evidenced within referrals and through decision making at child protection conferences.
  - The first multi-agency reflective practice workshop was held as a result of a case being escalated through the safeguarding leads meeting. This was a positive activity that enabled exploration of case issues that will feed in to lessons learned events.
  - A recent independent peer inspection undertaken by a large team from Hampshire County Council note the significant improvements in all areas of the Children & Families service. This is a strong endorsement of the continuing progress being made.

<b>SR0050 Failure to secure the required outcomes from the integration of Adult Social Care and Health</b>		<b>Assigned to: Director of Adult Social Services</b>
Inherent score: 16	Current score: 12 ←→	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 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 statutory duties and identify with 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 Full Life Board structure needs be configured to best support the integrated approach for all areas of the health and wellbeing economy.</p> <p>The development of effective funding and budget arrangements across the partnership to ensure that value for money and best use of resources are effective</p>		

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 January.

<b>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)</b>		<b>Assigned to: Head of Contract Management</b>
Inherent score: 16	Current score: 9 ↓	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 a structure to manage the new Waste contract which commenced on 1st November 2015. 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. The council commenced formal dispute processes with island roads on interpretation of elements of the contract, this process is ongoing but until resolved is reflected in the current risk score.</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. Weekly performance reports have been received and monthly project meetings held. The submitted reports monitor performance including any performance failures against contract requirements although performance failures fall within a grace period until the end of March 2016. An officer Project Board and Member Review Board has met.</p> <p>The Pan development now has a fully operating Pan Manco which includes Directors from BDW, the Council and Spectrum housing. The Manco has taken on the services of ERMC as a support service/ management agent. It should be noted however that there have continued to be breakdowns of the heating system on the site. A programme to ensure a more robust and quicker response to breakdowns has been put in place although there remain concerns as to the frailty of the current (interim) system.</p>		

<b>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</b>		<b>Assigned to: Head of Economic Development</b>
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'. While 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 <a href="#">Economic Development Plan</a>. In addition the council is working closely with 14 other local authorities across Hampshire to secure a devolution deal for the area with</p>		

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.

<b>SR0049 Achieving the Vision for the Island</b>		<b>Assigned to: Chief Executive</b>
Inherent score: 16	Current score: 12 ←→	Target score: 5
<p>The 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.</p> <p>In terms of the delivery for 2015/16 this is nearing completion and while not all the originally proposed projects have been delivered, or have provided the level of savings envisaged, the direction of travel as within the Corporate Plan has been maintained and other in year savings have been identified and delivered to hopefully achieve our budget targets for 2015/16.</p> <p>The position for 2016/17 is even more challenging and there is a need to make difficult decisions on resource allocation. This will be particularly difficult for the council and this process is well underway with budget reports being considered at the January meeting of Full Council as well as the formal budget setting in February. 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>		

## STRATEGIC CONTEXT

4. 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 10 March 2016.

## CONSULTATION

5. The review of each strategic risk has been undertaken by managers according to their particular responsibilities. Members of 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

6. 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

7. 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

8. 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 3 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

9. 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 3 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.

## APPENDICES

[Appendix A](#) – Strategic risks status

Contact Point: Jo Thistlewood, Technical Finance Manager ☎ 821000  
e-mail [jo.thistlewood@iow.gov.uk](mailto:jo.thistlewood@iow.gov.uk)

DAVE BURBAGE  
*Chief Finance Officer and  
Section 151 Officer*

CLLR JONATHAN BACON  
*Leader and Executive Member for Resources,  
Organisational Change and Children's Services*