



Purpose: For Decision

## Committee report

Committee	<b>AUDIT COMMITTEE</b>
Date	<b>19 FEBRUARY 2018</b>
Title	<b>THE COUNCIL'S RISK PROFILE</b>
Report of	<b>HEAD OF RESOURCES</b>

### EXECUTIVE SUMMARY

1. The purpose of this report is to give the committee an opportunity to review the current position with regards to the council's strategic risks. The committee's terms of reference include the provision for consideration of "the effectiveness of the council's risk management arrangements".

### BACKGROUND

2. This is the fourth update of the Strategic Risk Register within the 2017-18 reporting period. The risks were included within the Isle of Wight Council's revised Corporate Plan that was approved by Full Council in October 2017
3. Each strategic risk has been subject to review by each of the senior managers responsible for them, and commentaries that set out the current position are provided in the tables below.

<b>Lack of financial resource and the ability to deliver the council's in-year and medium term budget strategy</b>		<b>Assigned to:</b>  <b>Director of finance and section151 officer</b>
Inherent score: 16 <b>RED</b>	Current score: 13 ↔ <b>RED</b>	Target score: 10 <b>AMBER</b>
<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. The ability to increase or extend local fees and charges is also constrained by current economic conditions. Although the council continues to meet these challenges enthusiastically and innovatively the risk rating remains the same to reflect the huge impact on services were we not able to deliver against our financial plan.</p> <p>In October 2016, the council approved a revised medium term financial strategy (MTFS) which also amended the council's savings requirements downwards to more achievable</p>		

levels in the short to medium term. In approving the strategy, the council also resolved to take a "debt repayment holiday" for five years which has:

- reduced and "smoothed out" the council's savings requirements over the next three years;
- increased the capacity of the organisation to be able to effect change by funding a regeneration team;
- created a £2 million transformation reserve to provide up front funding for spend to save schemes;
- stabilised the budget by removing unachievable savings;
- improved the overall financial resilience of the council by increasing general reserves with a plan to gently increase reserves over time;
- maximised the available capital resources and the flexibility of their use to enable them to be directed towards improving the Island economy and the financial position of the council.

The 2017/18 budget and capital programme has been prepared in accordance with the approved MTFS. The process for producing the 2018/19 budget is well under way.

At the end of the third quarter the council is forecasting an overall underspend of £1,367,000. Whilst forecasting an underspend overall, the main pressure area is the Floating Bridge which is forecast to overspend by £868,000 caused by the operational problems incurred.

At this stage in the financial year the forecast still remains susceptible to risk, the most significant of which relates to demand pressures in Children's Social Care and the delivery of savings targets in Adult Social Care, however, at this stage in the year Adult Social Care is forecast to be on budget which is a significant achievement.

Insufficient staffing capacity and skills		Assigned to:
		Head of resources
Inherent score: 16 <b>RED</b>	Current score: 9 ↔ <b>AMBER</b>	Target score: 8 <b>AMBER</b>
<p>The score for staffing capacity and skills continues to remain at amber for the present time. This judgement is made on the basis that while the council has an agreed corporate plan setting out the longer term vision for the Island and many of its key strategies to secure agreed outcomes are well underway, there is much to do and capacity needs require continual monitoring and oversight.</p> <p>Key aspects of workforce data collected as indicators used to inform considerations of workforce capacity includes the monitoring of the total number of full time equivalent staff, sickness absence levels and voluntary turnover. Over the period of this quarter, the outturn data shows that the number of full time equivalent staff in post remains broadly static as do voluntary turnover rates at circa 10%. This in line with benchmarking undertaken against other local authorities through the CIPFA benchmarking group. Strategies for recruitment and retention in hard to recruit occupations are being reviewed together with the establishment of a project that will review the council's approach to recruitment and retention. Recruitment in some adult social care roles continues to be problematic.</p> <p>Sickness absence remains within tolerance of targets set and is showing signs of a slight downward trend in the levels of sickness absence over the previous four month reporting period. A specific focus on promoting positive wellbeing and reducing the number of</p>		

mental ill health related absences as a common problem apparent for all employers continues.

Failure to Improve educational attainment		Assigned to: Director of Children's Services
Inherent score: 16 <b>RED</b>	Current score: 9 ↔ <b>AMBER</b>	Target score: 6 <b>GREEN</b>
<p>This risk remains at the same level as in the previous quarter. The improvement in the number of schools being rated as "Good" or better by Ofsted shows that excellent foundations are being put in place to drive continual improvement in attainment.</p> <p>A new Strategic Plan for School Improvement was presented to Cabinet on 14 September 2017. The plan sets out the key focus areas and associated actions to further improve the quality of education in Isle of Wight schools in line with the Department for Education's (DfE) letter of direction. The areas are as follows:</p> <ol style="list-style-type: none"> <li>1. Ensuring that all schools are good or better. (Ofsted ratings)</li> <li>2. Building on improvements in standards.</li> <li>3. Ensuring schools are good for all children.</li> <li>4. Leading a cohesive system for children based on effective partnership working.</li> </ol> <p>The results attained at the end of the early years are considered to be strong, with the Isle of Wight outcomes now better than the national average on the good level of development measure. The latest data shows that the percentage of children achieving a good level of development is 71 per cent compared to the national figure of 69 per cent.</p> <p>The final data sets for the end of primary education (Key Stage 2) are now available. Attainment in reading on the Island has increased from 64 per cent to 71 per cent which is now in line with the national average. Following work with schools on writing moderation 72% of Isle of Wight pupils met the national standard compared with 76% nationally. Mathematics remains the focus of attention. Although the proportion of pupils attaining the national standard in mathematics increased from 63% to 69% on the Island that is still well below the national average of 75%. The IW Council has recently received approval from the DfE's Strategic School Improvement Fund for £153,000 to work with schools to address this issue.</p> <p>Significant changes have been made to GCSEs this year with marks for English and mathematics moving from the traditional A to G scale to a 1 to 9 scale with 9 being the absolute highest score available. Comparisons with previous grades in these subjects should not be made.</p> <p>The national data sets have just become available and a report is being written for the Policy and Scrutiny Committee for Children's Services in March so that members can scrutinise the outcomes. The direction of travel shows an improvement compared to national comparisons but fundamentally standards still require much improvement. For example, in The Basics a measure of students attaining a good GCSE in both English and mathematics the proportion of students attaining this standard has improved from 52% to 55% whereas nationally the improvement has been from 63% to 64%. The Isle of Wight students are closing the gap towards national averages but the pace of improvement needs to be quickened. A bid is being developed with colleagues from within a Teaching School and the Regional Schools' Commissioner to address this issue and will be submitted in April 2018.</p> <p>In Post 16 the provisional outcomes show that Island students continue to outperform national averages in technical and vocational subjects. Outcomes at A level continue to</p>		

be below national averages, particularly at the higher grades needed to access the Russell Group of Universities. A report is being prepared for the Policy and Scrutiny Committee for Children's Services in March with the final data so that members can scrutinise the outcomes.

In addition to the above data the proportion of schools graded as a good or better by Ofsted continues to rise. From the inception of the partnership, this proportion has grown from 52 per cent in July 2014 to 80 per cent in December 2017. The proportion of inadequate schools has reduced from 18 per cent to two per cent over the same period.

<b>Failure to identify and effectively manage situations where vulnerable children are subject to abuse</b>		<b>Assigned to: Director of Children's Services</b>
Inherent score: 16 <b>RED</b>	Current score: 9 ↔ <b>AMBER</b>	Target score: 5 <b>GREEN</b>
<p>This risk remains at the same level as in the previous quarter. Further embedding of the improvements that have been recognised by Ofsted will see this risk rating reduce</p> <p>Children's Services continues to make good progress against the required improvements as reported to <a href="#">Cabinet on 9 November</a>. This has also been supported by an Ofsted pilot focused visit in the summer the outcome of which was strong which was also included in the report to Cabinet.</p> <p>Early help assessments are undertaken by multi-agency professionals, who contact the Children's Reception Team (CRT)/multi agency safeguarding hub (MASH) in the first instance to confirm thresholds are appropriate. The early help co-ordinators continue to support the development of assessments and plans. They scrutinise the thresholds around early help intervention and undertake monthly quality assurance audits-as well as participating in local safeguarding children's board (LSCB) multi-agency auditing.</p> <p>Robust arrangements are in place to manage the step up and step down of cases between children's social care and early help. This ensures smooth transitions and continuity for children and families. There are effective processes in place to minimise the re-escalation of cases into social care.</p> <p>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. All social care teams have embedded the use of a risk assessment tool in relation to child sexual exploitation. This identifies high medium and low risk cases. Agencies meet once a month to review the plans in relation to these children and ensure information is shared and interventions co-ordinated, including action against perpetrators.</p> <p>In addition to the missing, exploited and trafficked operational group, a missing children panel has been established to further improve information sharing and planning between agencies including police and health services. The missing person protocol is now embedded within teams and with foster carers. Improvements have been made in relation to data performance in this area, allowing more accurate reporting and the ability to identify trends and patterns of behaviour.</p> <p>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. Peer inspections of CRT/MASH together with LSCB audits have confirmed the quality of threshold application.</p> <p>Senior managers apply a consistent threshold for making the decision to</p>		

accommodate a child and no child or young person will be discharged from care unless it is safe and appropriate to do so. Robust management oversight is in place.

Social work average caseloads are manageable and this is scrutinised monthly through performance management meetings. Use of agency staff also remains low as a result of an ongoing and active recruitment process. Professional development opportunities are created within the service including secondments to assistant team manager positions, and from other directorates which is supporting interagency/partnership working.

There is a Children's Services recruitment and retention strategy in place. The service now has a full cohort of permanent team managers and service managers in place. Use of agency staff has remained low throughout 2016 and 2017 and vacancy rates have been between four and six social workers. The use of market supplements targeted at social workers and team manager positions will need to be maintained.

Performance in relation to children in need planning demonstrates that 95 per cent of all children eligible for a plan have one recorded on the system. There has been an incremental decrease in the number of children subject to child protection planning since 2014. All plans that are in place are monitored, with consideration for legal planning if required. The number of children subject to child protection planning continues to decrease but remains higher than statistical neighbours. Nonetheless these comparably high numbers of children subject to child protection plans creates pressure on the wider safeguarding system.

File audits continue to be routinely undertaken across all teams in children's services and by the LCSB. These include re-auditing, thematic audits, peer audits, workshops and peer inspections. Deep dive audits into child protection rates, self-harm in adolescents and sexual consent have been undertaken in partnership with the LSCB this year resulting in specific actions to improve services.

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 and Quality Assurance Sub-group.

The Department for Education reviewed the progress made in Children's Services in July 2017 and that good progress had been noted. There was a strong sense of a supporting culture growing within the council that meant staff felt valued, supported by peers and managers and adequately challenged.

Regular safeguarding leads meetings with partner agencies are embedded. These meetings address any barriers to effective practice. Following these meeting cases which would benefit from multi-agency reflective practice sessions are identified and workshops take place on a regular basis with lessons being fed back through to services via service managers.

The Corporate Parenting Board is well attended with good representation from both councillors and looked after children from our Hearing Young People's Experiences (HYPE) Group. This group scrutinises performance in relation to looked after children and identifies where further improvements can be made.

The Isle of Wight children's social care took part in a pilot for the new Ofsted inspection framework in July 2017. The inspectors noted many positive areas of strength and acknowledged the areas for improvement that we had identified.

<b>Failure to provide acceptable quality of professional practice across Adult Social Care</b>		<b>Assigned to:</b>  <b>Director of Adult Social Care</b>
Inherent score: 14 <b>RED</b>	Current score: 12↔ <b>RED</b>	Target score: 6 <b>GREEN</b>
<p>Person Centred Care and Support: Whilst 2017 revealed key progress in internal assessments, review and management authorisation processes, we remain aware quality of professional practice is not as person centric as it needs to be. This is evidenced by the poor inspection outcomes of Overbrook residential care home; evidence from Safeguarding Adults Reviews (SAR's) (including those being considered by the coroner); relatively low proportion of people in receipt of Direct Payments; the absence of the users voice being a frequent observation in independent audits commissioned throughout 2017; a large number of people in receipt of services in accordance with Section 117 of the Mental Health Act where this care has not been reviewed sometimes for several years; and the high number of outstanding Deprivation of Liberty Assessments (DoLS) (776 were awaiting assessment at the end of December 2017)</p> <p>Finally in February 2018, we expect to receive the result of the independent review of Mental Health social work practice. Very preliminary feedback indicates that we will need to develop a detailed improvement plan.</p> <p>During 2018 therefore the Learning and Development, Quality Assurance and Performance Management focus of the department will be on the improved quality of professional practice – be that social work assessments and review processes, recording practices in our in-house provision and QA methods.</p>		

<b>Failure to identify and effectively manage situations where vulnerable adults are subject to abuse</b>		<b>Assigned to:</b>  <b>Director of Adult Social Care</b>
Inherent score: 16 <b>RED</b>	Current score: 9↓ <b>AMBER</b>	Target score: 6 <b>GREEN</b>
<p>Since the last strategic risk review the safeguarding action plan has been implemented in several key areas. This includes: the introduction of daily Multi Agency Safeguarding Hub (MASH) meetings involving ASC and the Police; an independent review of repeat safeguarding referrals revealing that no risks were missed; transfer of meds errors alerts from the safeguarding team to the meds management team in the CCG (thereby helping to reduce the numbers of inappropriate referrals to the safeguarding team); the appointment of a new permanent manager to safeguarding team; and work around the implementation of making safeguarding personal.</p> <p>The most recent performance in safeguarding (December 2017) is as follows: 95.9% of Safeguarding meetings were held within 7 days of receiving the referral and 78% of Safeguarding Enquiry Conferences (or Enquiry conclusion, if no conference held) was held within 28 days of its referral. Finally, here it should be noted that the coroner is investigating three cases known to ASC where safeguarding were involved. Serious Adult Reviews (SAR's) have been undertaken and the safeguarding action plan has ensured that all recommendations have been actioned.</p>		

<b>Failure to secure the required outcomes from the integration of adult social care and health</b>		<b>Assigned to:</b>  <b>Director of Adult Social Care</b>
Inherent score: 16 <b>RED</b>	Current score: 10 ↓ <b>AMBER</b>	Target score: 6 <b>GREEN</b>
<p>This risk continues to see reduction. The Local Care Board is now providing senior level oversight and direction pertaining to how well Health and ASC work together to the benefit of those we serve.</p> <p>There are effective systems and processes in place around the management and continued depression of Delayed Transfers of Care with ASC exceeding its target every week since introduction by NHS England. Looking forward, the key risks pertain to the ability to roll out integrated locality working at scale. The majority of this risk however pertains to the IW Trust needing to identify and ring-fence it's community health resources.</p> <p>Finally here, it should be noted that the Hospital has experienced extreme pressure throughout most of December and all of January meaning that ASC has needed to redeploy internal resources to supporting effective patient flow through the Hospital. This has resulted in small, but noticeable, deterioration in performance pertaining to reviews and admissions into residential care. In fact in December 135 reviews were completed compared with 247 in November and 268 in October.</p>		

<b>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:</b>  <b>Head of contract management</b>
Inherent score: 16 <b>RED</b>	Current score: 9 ↔ <b>AMBER</b>	Target score: 5 <b>GREEN</b>
<p>This risk has retained the same level as it had at the end of the previous quarter.</p> <p>The significant risk that major contracts can present, if not managed well post award, has been acknowledged by the council. Following extensive discussions, a position has been reached whereby there is now a common understanding on a number of the more significant contract interpretation matters and we are working through dealing with these. The agreed systems to audit performance through a monthly service meeting and payments meeting continue to be reviewed and undertaken.</p> <p>A number of detailed work programmes are now in place with Island Roads which include a review of that part of the contract relating to the costs of accruing new development to the project network in order to reduce the cost to the council. This will require the approval of a new process for the adoption process which is currently being developed for further discussion with the cabinet member.</p> <p>To mirror the process in place for the waste contract a PFI member review board has been set up. Officers hold weekly traffic meetings to discuss programmed works and separate monthly project and payments meetings.</p> <p>The officer waste project board and member review board continues to meet to monitor the project and day to day performance continues to be reviewed robustly via the monthly</p>		

payments meeting. The community waste forum continues to meet on a regular basis and provides the opportunity for the council and Amey to keep interested community representatives appraised on how the contract is performing and to consider potential innovations.

The council agreed in partnership with our service provider a replacement technology supplier (Michalis Environmental Technology) for the Energy Recovery Facility (ERF) at the rear of the Forest road waste management site, following the news that Energos had gone into administration. The new EFR technology is being built in Germany and will be sent to the site in Spring 2018, the Environment Agency issued a revised permit for this technology in November and preparatory ground works and construction of the building that will house the technology are well underway in preparation for the arrival of the EFR plant.

The Mechanical Recovery Facility that will operate at the front of the Forest Road site is at an advanced stage of construction of the building that will house the sorting machines. These machines will use state of the art technology to sort and grade recycling for the onward market and pull dirty recyclables from the black bag waste before converting the non-recyclables to fuel for the energy recovery facility. The machinery that is sorting the recyclables and non-recyclables is being built by Stadler in Germany and will start to arrive on site in Spring 2018.

The Pan development continues to have a fully operating Pan Manco which includes directors from Barratt, David Wilson (BDW), the council and Sovereign Living. The Manco continues to use ERM consulting as a support service/management agent. The Manco has recently held a resident open day and met with the newly formed residents' association. Performance of the heating system on the site has remained good and a stock of spare equipment has been secured on site. The new biomass plant is substantially completed and the initial commissioning phase is due to be completed shortly the Manco is undertaking due diligence prior to agreeing transfer. Considerable progress has been made recently on dealing with snagging works on parts of the carriageways in the earlier phases to enable adoption to take place. Following adoption responsibility for the roads will move from BDW to Island Roads.

<b>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:</b>  <b>Head of economic development</b>
Inherent score: 12 <b>RED</b>	Current score: 10 ↓ <b>RED</b>	Target score: 9 <b>AMBER</b>
<p>This risk has been reduced from the previous quarter given some significant inward investment to the Island, both delivered and committed, and the continued progress on some key regeneration projects. In addition, the visitor economy maintained its performance whilst other resort areas have shown a decline. It is hoped that this risk will be further improved as confidence in the councils promotion commitment and support (including funding) to deliver housing and employment growth continues.</p> <p>Following the launch of the council's Regeneration Strategy in July, work has continued to bring forward key sites for development in particular those at Newport Harbour and Nicholson Road, Ryde. The council has also delivered on the commitment at that launch to engage with the community and businesses through workshops held in the 5 key area areas set out in the regeneration strategy as part of the "Wight that we Want" conversation. In addition the council has also been working with Newport Parish Council on the "Shaping Newport" project with the additional engagement of local businesses.</p>		



In the last quarter the council landed a significant inward investment to the Island with the arrival of Ascencos, a major call centre company, who have currently created around 500 new jobs in Cowes. This was delivered by the council nurturing a long term relationship with the company and then taking a proactive role as landlord of part of the BAe complex to control and deliver the refurbishment of the premises for their occupation. The council is now actively engaged with a range of agencies in further employment opportunities at the site including proposals for an enterprise hub to nurture small business starts ups on the Island.

The council has also refreshed the Economic Development Board (EDB) which brings together representatives from key agencies including the Chamber of Commerce, Federation of Small Businesses and the IW College to lead on improving the economic performance of the Island. The work of the EDB is linked to the recently established Business Reference Group and both will help inform the development of the new Economic Development plan with some early key outcomes being a new Island business survey, to better understand the needs of local employers and a support programme to help businesses identify and tackle obstacles to their growth and future success.

Bids to the Governments Accelerated Growth Fund have been made seeking financial to unlock new housing development and the council continues to work with the Solent Local Enterprise Partnership, to promote the agenda for regeneration and economic development and ensure that the Island is making the best case it can for funding linked to its key objectives.

<b>SR0049 Achieving the vision for the Island</b>		<b>Assigned to:</b>
		<b>Chief executive</b>
Inherent score: 14 <b>RED</b>	Current score: 12 ↔ <b>RED</b>	Target score: 6 <b>GREEN</b>
<p>The impact of this risk materialising will always be high, therefore the council through its actions, is really only able to affect the likelihood of the risk occurring. The current red score of 12 reflects a view that the risk is still likely to materialise. Given the council's new corporate plan (October 2017) and medium term financial strategy, however, this likelihood is reducing but not yet unlikely (amber score of 9).</p> <p>The results of, and the council's response to, the outcomes of the recent corporate peer challenge (due to be considered in March) and setting a legal and balanced budget for 2018/19, will further contribute towards making this risk less likely to materialise. These factors will add to the council's improving performance in children's services, adult social care and regeneration activities as reported in the quarterly performance reports, and which all contribute to achieving the vision of making the Isle of Wight, "an inspiring place in which to grow up, work, live and visit".</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 Cabinet in that they are linked to the corporate priorities of the council in the quarterly performance report. A quarter 1 report was presented to Cabinet on 14 September

2017 and the quarter 2 report (the first based on the new Corporate Plan) was presented on 11 January 2018.

## CONSULTATION

5. The review of each strategic risk has been undertaken by senior managers according to their particular responsibilities. Members of the corporate management team have reviewed the strategic risk register. Cabinet members are also 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 - Audit Committee approves the strategic risks of the council as set out at paragraph 3.
- Option 2 - Audit Committee does not approve the strategic risks of the council as set out in paragraph 3.

## 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 - Audit Committee approves the strategic risks of the council as set out at paragraph 3

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