



Report of: Corporate Director Finance and Resources

Meeting of:	Date	Agenda item	Ward(s)
Audit Committee	24 January 2017		

SUBJECT: Principal Risks Report Update

1. Introduction

- 1.1. This report presents an update on the principal risks facing Islington for 2016/17. It has been prepared for the Audit Committee, and is an update to the Principal Risk Report considered in June 2016.
- 1.2. Since the last report the risk management framework has been reviewed and, in consultation with DMTs and CMB, refined to emphasise materiality and accountability. An updated risk map is presented on page 3.
- 1.3. Section 4 presents an executive summary of the report and section 5 presents the risk map. Thereafter the principal risk report provides an update for each risk as to recent developments and key mitigating actions underway.
- 1.4. For each risk detailed in the report there are a number of control mitigations in place. This report provides an update on key actions underway, but does not detail all of the controls (mitigations) already in place.

2. Recommendations

- 2.1. The Audit Committee are asked to note and review the principal risks and be satisfied with the proposed action.

3. Implications

3.1 Financial Implications

The programme of work has been met from within the existing Internal Audit revenue budget.

3.2 Legal Implications

None specific to this report.

3.3 Environmental Implications

There are no environmental implications

3.4 Resident Impact Assessments

There are no direct equality implications arising from the recommendation in this report.

Background papers:

None.

Final Report Clearance























Received by

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Date

Report Author: Michael Bradley
Tel: 0797 983 4012
Email: Michael.Bradley@islington.gov.uk

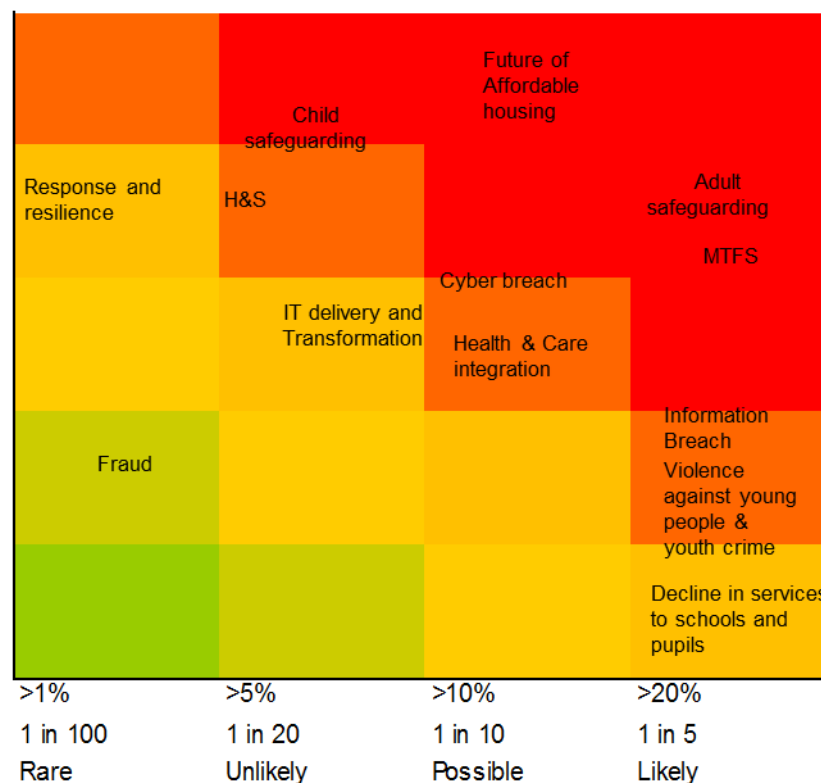
4. Executive summary of the principal risks

		CMB Sponsor	Trend June 16	Trend Dec 16	Comment on change in trend
Financial	Financial strategy	M Curtis			
Strategic	IT delivery and transformation	M Curtis			Rise in risk reflects internal audit findings and shared service timeframe
Service delivery	Safeguarding adults	S McLaughlin			Rising risk represents recent concerns over a small number of providers
	Safeguarding children	C Littleton			
	Decline in services to schools and pupils (NEW)	C Littleton	-	NEW	
	Violence against young people and youth crime	C Littleton	NEW		
	Future of affordable housing	S McLaughlin	NEW		
	Health and social care integration	S McLaughlin	NEW		
Compliance and Governance	Serious information breach	M Curtis			
	Serious fraudulent activity	M Curtis			
	Cyber breach	M Curtis	NEW		Concerns over applications, and PCI compliance
Operational	Health and safety	M Curtis			
	Response and resilience	K O'Leary			June trend was downwards as a result of an increase in controls following an Internal Audit


5. Principal Risk Map 2016-18




	Financial	Service delivery	Health and well being	Reputation
5	Financial loss above £10m.	Major disruption to a number of critical services.	Multiple death(s) or serious/ life-changing non-recoverable injury(s) / extreme safeguarding alerts likely. The council fails to fulfil its statutory obligation to protect a child/vulnerable adult from significant harm / a fatality.	Long term damage – eg adverse national or local publicity, highly damaging, severe loss of public confidence. Widespread and high level criticism. Impacts on staff and recruitment.
4	Financial loss above £8m.	Major disruption on an critical service.	Multiple casualties with recoverable injuries. Major safeguarding concerns potentially affecting multiple people. Evidence of known sustained neglect or abuse without intervention.	Medium to long term damage – eg adverse local, regional or national publicity, major loss of confidence, a matter that is frequently referenced in relation to the council.
3	Financial loss above £6m.	Major disruption on an important service. Moderate disruption to a critical service	Noticeable safeguarding risks - known evidence of neglect or abuse without intervention	Medium term damage – eg adverse publicity, local, regional and national coverage, with significant follow-up stories
2	Financial loss above £4m	Moderate disruption on an important service.	Single casualties with recoverable injuries. Noticeable safeguarding risks - evidence of neglect	Short term damage – eg adverse publicity, national follow-up stories on same issue
c	Financial loss above £1m.	Brief disruption on an important service. Repeated disruption on a core service.	Medical treatment required, semi-permanent harm up to 1 year. Safeguarding concerns of neglect	Short term damage – eg adverse publicity, regional follow-up stories on same issue



Impact






6. Principal risk report



Risk	Trend since May	Recent developments, progress & concerns	Actions
<p>Financial Strategy</p> <p>The Council fails to balance the Council's budget over the medium term – including making the cash savings</p>		<p>Current budget expectations are that the Council will have to save £210m by 2020 from 2010. To date £150m has been built into the budget. A further £60m will need to be found between 2016 to 2020.</p> <p>The General Fund balance was reduced from 5% to 4% as part of 2016/17 budget</p> <p>Frontline service overspends increased in 2015/16 and some savings delivery delayed. That trend has continued into 2016/17. During the summer 2016 replacement savings have had to be found for the 2017/18 budget after the identification of slippage and expected non delivery. A sufficient package of savings has been identified to balance 2017/18. However significant savings will need to be identified for 2018/19 and 2019/20 in the coming years.</p> <p>Adult Social Care (over a third of the General Fund net expenditure) faces very demanding challenges, and delivery of budget is contingent on a number of factors such as demographic changes.</p> <p>Children services face an increasing volume of highly complex adolescent cases creating budget pressures. A review of support for homeless young people aged 16-17 has commenced to consider whether some young people would have their needs better met by intensive work with their families rather than being looked after</p> <p>Income targets from commercial activity for 17/18 look unachievable and some have been revised. Care needs to be taken for future years when setting future targets.</p> <p>EU referendum – It is too early to say with any confidence what the result of the referendum will mean for Council funding and wider policy making processes. If the predictions of an economic slowdown prove correct, local income targets may be impacted in environment and regeneration, and the central government could choose to increase borrowing, raise taxes, or reduce public spending over that already planned. The government target of eliminating the fiscal deficit by 2019/20 has already been abandoned, potentially meaning extended period of austerity. A concern is the devaluation of sterling which could lead some suppliers to raise prices. As yet this hasn't occurred.</p>	<p>Frontline spending and demand management actions include:</p> <ul style="list-style-type: none"> • Redesign of the provision of all early childhood services from pregnancy to 5 to ensure all children, particularly the 35% of children who currently do not achieve the “good level of development” by the end of their reception year, are healthy and ready for school. C. Littleton • Tailor the amount of care offered to people who are eligible for social services support, while maintaining adult social care for people with moderate needs. April 2018, S McLaughlin • The review of Adults and Children demography pressure conducted in summer 2016 needs to be developed into recommendations. S McLaughlin & C Littleton • Complex adolescent cases: Commissioning strategy is currently under review with a new strategy to be in place in January, which will include consideration of commissioning residential placements to reduce the number of secure placements. C Littleton • E&R are developing more robust financial reporting systems to monitor financial savings/expenditure February 2017. K O' Leary


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<p>IT delivery and transformation</p> <p>There is a risk we do not deliver IT projects which will enable/optimize business transformation across the Council</p>		<p>Following an internal audit, many actions have been addressed such as ownership and creation of a new Portfolio Management function which carries out Independent desktop reviews of existing projects underway to assess delivery and provide assurance on delivery. This will be extended to the three boroughs.</p> <p>The demand management process approved in November improves the way we interact with the business, capture requirements and plan delivery. However, several actions are still to be closed.</p> <p>Developing foundational technology to support digital delivery to simplify developments and on-going maintenance and support.</p> <p>For the IT shared service programme, the Shared Service Board and programme manager is in place. Work streams underway include: Data Centre, IT contracts, and IT architecture. New highly experienced Programme Director appointed July 2016 provides greater assurance over programme delivery. Head of the ICT Shared Service successfully appointed in July 2016 and began in November 2016.</p>	<p>A senior officer workshop for digital strategy is planned for early January with a view to submitting an updated strategy to CMB in February.</p> <p>We are creating a sustainable development and operations team to reduce dependency on contractors. Paul Savage, March 2017.</p> <p>Desktop review to deliver recommendations in Paul Savage/Vince Huntley June 2017</p> <p>Recruitment of additional Business Relationship Manager & Business Analyst's to help shape the demand management model. Andrew Fitzgerald, January 2016</p> <p>Shared service: Agree Target Operating Model, and complete a skills and finance assessment, to generate a transition plan. E Garcez. May 2017. Transition plan to be agreed July 2017 (at Joint Committee).</p>
<p>Safeguarding adults at risk of abuse</p> <p>The council fails to fulfil its statutory obligation to identify or respond to preventable harm to adults at risk of abuse either directly or via third party establishments</p>		<p>There have been two Safeguarding Adult Reviews, since 2014 in which a number of prior practice issues emerged. Implementation of the action plans from the Safeguarding Adult Review are in progress, monitored by HASS management and Islington Safeguarding Adults.</p> <p>There are a small number of local provider services which show an increase in the number of safeguarding concerns. Concerns processes have been initiated</p> <p>Joint commissioning and Safeguarding teams respectively monitor and act on safeguarding & quality concerns in contracted providers.</p> <p>Regular meetings with Care Quality Commission to identify any wider concerns about a provider, so that any proposed actions can be appropriately co-ordinated.</p>	<p>Principal Social Worker to develop best practice hub for adult social care by October 2017 to improve support for safeguarding practice. J Nawrockyi</p>
<p>Safeguarding children</p> <p>Risk of safeguarding procedures not followed which would contribute to ineffective protection of children and parents causing significant harm to a child</p>		<p>External reviews of Children's Services Contact Team and Early Help Services were carried out in 2016 and children were found to be safe and action plans from these reviews are in place to further develop practice.</p> <p>Regular case auditing has been carried out and shows policies and procedures are adhered to.</p>	<p>Introduce a practice week in February 2017 where the Targeted and Specialist Families Service Management team observe, assess and discuss practice. F Culbert</p>

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<p>Decline in schools funding</p> <p>There is a risk of a decline in funding beyond expectation and a consequent unmanaged decrease in services due to decline in school, high needs and Early Years funding</p>	<p>NEW</p>	<p>Funding consultations have been responded to comprehensively and scenarios have been modelled to understand potential impact and inform a long term strategy. Work has been commissioned to develop a business plan to support the growth of the business in other markets to mitigate loss of income and ensure service viability.</p> <p>The risk is evolving due to changes in national policy. Autumn statement has announced funding will now be available for local authorities for schools improvement savings, but details to follow.</p>	<p>Implement the business plan effectively and expand the service offer to underpin core delivery.</p> <p>Funding consultation on School and High Needs funding was due in December 2016. When issued, this will be responded to carefully and the implications for funding services in 2018-19 will be assessed</p>
<p>Violence against young people and youth Crime</p> <p>There is a risk that the council fails to respond adequately to and prevent rising crime involving young people despite additional funding and well publicised plans</p>		<p>The additional investment in Youth Violence Prevention funding has significantly increased resources to work with gang affected young people including key working and mentoring and this has also included St Giles providing their SOS project in Islington schools.</p> <p>The Integrated Gang Team has been operational since Jan 2016 and is seeing early signs of success including supporting 17 gang involved young people to secure Education and Employment training during Q 2. Gang Safeguarding Training this autumn was attended by 214 practitioners.</p> <p>The Youth Crime strategy is being refreshed with a new action plan to be published in the Spring to build on the good work that has started and develop an approach that focuses more on early intervention to tackle the root causes.</p>	<p>The Youth Crime Strategy is being refreshed with a new implementation plan that will provide an increased emphasis on vulnerability and exploitation. February 2017. Catherine Briody / Lisa Arthey</p> <p>The new Islington Violence Against Women and Girls strategy will be launched in February 2017 and will have increased alignment with the Youth Crime Strategy regarding prevention and early intervention. Catherine Briody / Lisa Arthey</p>
<p>Future of affordable housing</p> <p>There is a significant risk that the reduction in social housing supply will reduce the council's ability to meet its longer term objectives for the provision of decent homes, social care and a fairer Islington</p>		<p>Recent announcements have pushed back the time scale for the implementation of High Value Voids levy and scrapped the "pay to stay", however uncertainty still remains over the exact value of the high value levy. In order to finance the payment of the levy the Council will have to sell assets including some housing stock which will result in loss of rental income. The Council has set up a programme to address reforms once more details of the Housing and Planning Act are published and is exploring options.</p> <p>Expected changes will eventually place further pressure on moving households out of temporary accommodation as we will see voids drop. A new procurement framework to attract new supply of temporary accommodation is in place.</p> <p>Turnover in our existing stock remains very low – most likely as a result of high house prices – making it difficult to meet new demand</p>	<p>Negotiate with CLG on formula for sales – M Holdsworth/ L Hajimichael</p> <p>HRA Business Plan to be reviewed to reflect new resource constraints – M Holdsworth/S Kwong</p> <p>HRA savings plans built into budget setting process for 2017/18 S McLaughlin</p> <p>Review of recharges to deliver £2.8m annual savings (£800k from 2018/19 & £2m from 2019/2020) by March 2017 M Sajid</p>

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<p>Health and social care integration</p> <p>There is a risk that new models of health and social care are financially unsustainable or do not provide adequate quality of care from the Council's point of view.</p>		<p>Health partners, in particular in the acute sector, face increasingly severe financial challenges which may become risks to the whole health and care system, including the council. Increased patient numbers and complexity are causing system capacity pressures.</p> <p>A&E Delivery Boards will be on-going, rather than seasonal in an effort to sustain our positive relationships with NHS and other partners so that local residents get the best possible outcomes.</p> <p>Haringey and Islington's Well Being Partnership, which oversees the development of a new model of care in Haringey and Islington through its Sponsor Board and Delivery Board, is supporting a programme of initiatives to ensure efficient, effective and joined up service provision which also will identify and help address the resource pressures (finances and staffing) faced by individual partners. Risk share/ financial posting will be subject to similar controls as those used at present in Section 75 agreements with NHS organisations.</p> <p>The North Central London (NCL) Sustainability and Transformation Plan (STP) was submitted in October. NHS investment to support transformation from 17/18 onwards remains uncertain, but should be clearer by the end of the 2016/17 financial year.</p>	<p>NCL workshop for the 5 LAs on January 2017.</p> <p>Awaiting NHS England assurance and feedback to STP footprints on their submissions. February 2017 (expected).</p> <p>The STP for NCL will be reviewed to consider implications, opportunities and risks to Social Care and how councils will decide their responses. April 2017. S McLaughlin</p>

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<p>Serious Information Breach</p> <p>The Council does not keep sensitive and/or personally identifiable information secure resulting in a major breach of Data Protection legislation</p>		<p>General Data Protection Regulation (GDPR) became law in May 2016 and becomes enforceable in May 2018. This regulation will stay in UK Law despite Brexit unless it is overturned or replaced with further legislation. The IG team briefed CMB, DMTs and Corporate Governance Group (CGG) and Data Security Working Group, and had initial meetings with legal to go through the changes</p> <p>The Information Commission Office (ICO) has not yet issued guidance on some aspects of the new regulation, so the full impact of some aspects is not completely clear.</p> <p>Staffing: There is still a concern around staffing capacity as the demand on business as usual services is increasing, new technology services requiring IG input and preparing the organisation for the GDPR. The Data Protection Manager who was recruited fell through, so further recruitment required. In addition changes in structures and new staff mean there are new Information Asset Owners (IAOs) who may not be aware of their responsibilities. As a result, an advanced data protection course was held in November and will continue quarterly.</p> <p>Cloud technologies: There are a number of concerns around new cloud technologies such as box, office 365 and mobiles apps. Whilst there has been some early engagement with the information governance team, the concern is whether the risks highlighted will be given the appropriate consideration.</p> <p>Digital Services: have completed a diagnostic based on CESG guidance on handling of bulk data which indicates we have a long way to go to meet good practice in many areas of cyber-security and information governance. The tension between preventing a cyber breach and providing ready access to information continues. Information Security & Governance role for shared service delivery programme appointed.</p> <p>Organisational change: The separation of technical cyber security and information governance into separate reporting lines and onwards into the shared service requires new protocols for continued joint-working. Furthermore a clear understanding of information risk appetite across the 3 councils is required for the delivery of O365 and the shared digital service</p>	<p>Internal audit/PWC will be conducting a 'readiness assessment' for GDPR – Jan 2017. E Brooks.</p> <p>Internal Audit into Data held by third parties had two high priority findings. These will need to be addressed by council in preparation for GDPR. S Nicolson / P Horlock Sept 2017</p> <p>Further Information Asset Owner Training for new IAOs being developed – Feb 2017. S Nicolson</p> <p>Office 365 shared service programme contains an IG/IS workstream although this is not yet active – expect this to become clearer when the business case is signed off 2016/17 Q4 Ed Garcez</p> <p>Internal Audit to review the strategic approach to information risk management in light of increased shared solutions and a single Shared Digital service across the three councils M Bradley 2017/18 Q4.</p>
<p>Serious fraudulent activity</p> <p>There is a risk that the Council is not aware of the range of fraud risks facing it and thereby fails to design and implement effective preventive and detective controls. This could result in financial loss, disruption to service delivery and reputational damage</p>		<p>The Anti – Fraud Strategy is currently being readied to be uploaded to the Council's website and on to IZZI. Changes to the format are being made to give the strategy a Corporate Identity. The response and risk plan is complete and is with Communications.</p> <p>A publicity campaign is currently being designed by Communications. Draft posters have been constructed with key themes.</p> <ul style="list-style-type: none"> - Fraud takes money/services away from people in need, and it has to be taken seriously - We all have a role to play in preventing fraud from being possible - We all have a role to play in being alert to fraud attempts - We all have a duty to report suspected fraud <p>As part of the fraud training awareness programme a presentation has been written and presented to some high risk Service areas in Finance and E&R. Training has commenced within the Finance Department.</p>	<p>Conflicts of interest/hospitality registers are on the Audit plan for 2016/17, C Lobb</p> <p>Participation of the London Counter Fraud Hub Pilot to assist in the development of proof of concept validation, to be confirmed by 2016/17 Q4. M Bradley.</p>

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<p>Cyber breach</p> <p>Process Control Networks and/or Critical Information Assets may be compromised by computer-based unauthorized access or malicious modification of code</p>		<p>Ransomware will continue to be the biggest threat in 2017: LBI was successfully hit by a ransomware attack in 2015 but damage was controlled to one day's lost work for a single user. We have not had a successful attack due, in large part, to having defence in depth on the initial vector [email].</p> <p>Good computing hygiene [appropriate patching levels, reasonable hardening of new build servers, etc.] is not happening apace to the changes in the environment. This poses a risk for cyber security, Public Sector Network and Payment Card Industry compliance.</p> <p>Ongoing conversations have been started with the development group to address the potential lack of secure development principles in our home grown development of applications.</p> <p>While our cybersecurity approaches improved, 2016 has seen an increase in exploits of simple security breaches such as password reuse between online systems and elaborate technical attacks involving zero day exploits. 2016 has also seen unprecedented number of data breaches exposing users and [potentially LBI's] passwords. We are in the process of implementing log retention and enhanced network monitoring to identify attacks not picked up by other methods. This is implemented, managed and monitored by an expert external vendor. As part of the on boarding this service has highlighted serious configuration issues needing to be addressed and one potential brute force attack against our infrastructure.</p> <p>Digital Services have completed a diagnostic based on National Cyber Security Centre [NCSC] guidance on handling of bulk data which has identified next steps. The tension between preventing a cyber breach and providing ready access to information continues. We are working with the NCSC to identify inbound attack vectors and provide advice on best security practices.</p> <p>With planned separation of technical cyber security and information governance into separate reporting lines and onwards into the shared service we need to establish protocols for continued joint-working.</p> <p>Further risks will arise and need to be addressed as we move towards full implementation / use of cloud and look into introducing Fusion / considering taking part in Camden's project.</p>	<p>We are in the process of implementing firewall management systems. This is implemented by a vendor but managed internally. Proceeding to full implementation. Adrian Gorst – January 2017</p> <p>We are in the process of completing an application landscape – a database of all applications currently in use to help us manage vulnerability testing and updating. Paul McHale – on-going</p> <p>Proceeding to full implementation of log retention and enhanced network monitoring. Adrian Gorst – January 2017</p> <p>Creation of an NCSC action plan from the recent diagnostic. This will combine cyber security and information governance. Initial meeting with PwC December 2016. Adrian Gorst</p> <p>New CDIO is arranging discussions with all three SIRO's to agree risk approaches. Internal Audit review commissioned M Bradley 2017/18 Q4</p> <p>A decision on Fusion will be made early 2017.</p>
<p>Significant H&S incident</p> <p>There is a risk of a significant H&S incident (life changing/fatality) compromising the safety and wellbeing of service users, public or the workforce</p>		<p>Audits of schools are continuing within both secondary and primary schools to assure the council of continual improvements in health and safety standards. An advisor has been recruited to support school H&S audits.</p> <p>Training of employees continues with 496 employees undertaking classroom courses in April 2016 to September 2016. The following numbers of staff have been trained via the online courses in April 2016 to September 2016: Fire Safety Plus(421) (416 in the previous 6 months)); Managing Stress for Managers (24) (34); Safe Driving Plus (25) (39) ; Workstation Safety (637) (428); Health and Safety Induction (190) (196), Legionella Management (56).</p> <p>A contractor has been appointed to carry out monthly Legionella checks at all council sites.</p> <p>A recent audit of Control of Substances hazardous to health management was carried out across the council with no major non compliances highlighted.</p>	<p>Council wide Fire safety audit to commence in January, and report back by March 2017. D Lewis</p> <p>Embarking on a 2 year cycle of primary school audits, to complete by March 2017. D Lewis</p> <p>Introducing a council wide asbestos database – to be in place by April 2017. D Lewis</p> <p>There are currently 14 low risks non-compliance issues to be addressed by Dec 2016 . D Lewis</p> <p>Three minor non conformities were identified which will be closed out by Dec 2016 D Lewis.</p>

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<p>Responsiveness and resilience</p> <p>There is a risk we are not able to recover critical internal processes or respond effectively to an emergency following a disruptive event within a suitable timeframe</p>		<p>Staff awareness briefings on counter terrorism now mainstreamed – 2 Emergency planning officers that are police approved Project Griffin trainers.</p> <p>Islington Borough Resilience Forum emergency exercise on 26/9/16 tested command, control, communications and business engagement.</p> <p>New collaborative working arrangements established between Emergency Planning and Prevent Lead.</p> <p>Reviewed and restocked emergency equipment and supplies. Low level incidents tested response and communication capacity.</p> <p>Business Impact Assessments updated following audit response (requiring enhanced focus on contracted and outsourced services and assessing remote working demands). Lock down procedures introduced and tested</p>	<p>Implement proposals to improve response to out of hours incidents involving LBI tenants. Interim/temporary arrangements to be implemented February 2017 (pending review by HASS).</p> <p>Complete programme of updating business impact assessments and business continuity Plans. On hold due to resignation of Business Continuity Manager and review of Emergency Planning-current cycle of BIA and BCP review to be completed within 3 months of new staff joining EPU.</p> <p>Integrate Emergency Planning and Business Continuity Management activities to provide service that focuses on organisational resilience. In progress – job description being evaluation, change report in draft format, recruitment Feb 2017, implement April 2017.</p>