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| LONDON BOROUGH OF CAMDEN | WARDS: All |
| REPORT TITLE: Principal Risk Update | |
| REPORT OF: Executive Director Corporate Services | |
| FOR SUBMISSION TO: Audit and Corporate Governance Committee | DATE: 15 June 2023 |
| <p>SUMMARY OF REPORT</p> <p>At Committee's request, this report provides an update on key principal risks following the presentation of a Principal Risk Update in March 2023. The report presents the Council's position as at May 2023.</p> <p>Local Government Act 1972 – Access to Information</p> <p>No documents were used in the preparation of this report which are required to be listed.</p> <p>Contact Officer: Nasreen Khan Head of Internal Audit, Investigations and Risk Management 5 Pancras Square London N1C 4AG Telephone: 020 7974 2211 Email: nasreen.khan@camden.gov.uk</p> | |
| <p>RECOMMENDATIONS</p> <ol style="list-style-type: none"> 1) The Committee is asked to note the report and actions being taken to mitigate principal risks; 2) The Committee is asked to consider an additional area for a risk deep dive for November 2023. | |

Signed: As agreed by the Executive Director Corporate Services

Date: 2nd June 2023

1. Purpose of Report

- 1.1 In accordance with its Terms of Reference, the Audit and Corporate Governance Committee (the Committee) is required to monitor the Council's effective development and operation of risk management.
- 1.2 The Council's last annual Principal Risk Report was presented to the Committee in [November 2022](#), with an update on the highest scoring risks presented in March 2023.
- 1.3 At its meeting in March 2023, Committee requested an additional update on key risks. This report therefore provides a further update on key risks, i.e. risks with a score of 16-20 and those that presented with an increasing forward trend in the November 2022 Principal Risk Report. Risk leads have provided summaries of the latest position at **Appendix 1**.
- 1.4 A deep dive into the Energy Costs principal risk is planned for November 2023. The report also asks the Committee, at section 2, to consider an area for an additional deep dive in November 2023.

2. Principal Risk Deep Dives

- 2.1. Principal risk deep dives are presented to the Committee bi-annually. The purpose of deep dives is to make provision for the Committee to obtain an in-depth understanding of a risk area and acquire an insight into the actions being taken to mitigate risks. Deep dives also present the opportunity for Committee to hear directly from risk leads. Deep dives commenced in 2021-22, and areas previously presented to the Committee are outlined below:

| | Principal Risk | Risk score at the time of the deep dive | Date of deep dive |
|----|---|---|-------------------|
| 1. | Financial Resilience and Strategy | 20 | December 2021 |
| 2. | Cyber and Data Security | 20 | March 2022 |
| 3. | HS2 and Euston | 16 | March 2022 |
| 4. | Housing Revenue Account Financial Resilience | 16 | March 2023 |
| 5. | Emergency preparedness, response and recovery | 9 | March 2023 |
| 6. | Energy costs (planned) | 12 | November 2023 |

- 2.2. At its meeting on 17 November 2022, the Committee agreed 2023 deep dives in the following areas: HRA Financial Resilience, Emergency Preparedness and Response, and Energy Costs. Deep dives on HRA Financial Resilience and Emergency Preparedness and Response were presented to Committee in March 2023. A deep dive into the Energy Cost risk is tabled for November 2023. The Committee is asked to consider whether an additional area for deep dive should be tabled for November 2023. It is recommended that areas of greatest risk (with risk scores above 16 and with an increasing forward trend in the November 2022 report), as listed in **Appendix 1**, be considered.

3. Finance Comments of the Executive Director Corporate Services

3.1. The Executive Director Corporate Services has been consulted and comments are incorporated within the body of the report.

4. Legal Comments of Borough Solicitor

4.1. The Borough Solicitor has been consulted on this report and has no comments.

5. Environmental implications

5.1. There are no known environmental implications arising from this report.

6. Appendices

- **Appendix 1:** Update on key principal risks

Appendix 1

This Appendix provides a summary of key principal risks, defined as risks which scored between 16 and 20 and/or present with an increasing forward trend as at November 2022.

Risks are shown in order of descending risk score, scores are based on our current levels of risk and controls.

L=Likelihood

I=Impact

| Current Score | Target Score | Risk Title | Update by risk leads – May 2023 |
|----------------------------------|---------------------------|--|---|
| L:4 I:5 Score 20 | L:3 I:5 Score 15 | Cyber and Data Security | <p>The Digital and Data Services (DDS) Team has continued to deliver critical work as part of the Council's Cyber Security Programme. Areas of focus have included full external penetration testing, attack surface mapping and a focus on security remediation with targeted activity based on severity, leveraging our vulnerability management platform. The Cyber Team has migrated our Security Information & Event Management (SIEM) platform to a cloud provider. Other focus areas include targeted awareness training, elimination of life-expired infrastructure within Camden schools and a review of information governance arrangements in collaboration with the Borough Solicitor and Chief Data Officer. Over the next six months, our teams will continue to focus on the remediation of outstanding audit findings, removing technical debt and leveraging the Council's investments in modern security tooling. In addition, DDS staff will be conducting a desktop exercise to test the Council's approach to a range of service-impacting incidents and will be testing a failover of all critical systems to our backup environment.</p> <p>The DDS team's work to leverage investments in modern technology, skilled cyber team, and continued focus on processes and procedures are improving overall organisational maturity in information governance. The overall cyber threat landscape remains complex and ever-changing, with increasingly sophisticated tools and attack methods employed against organisations, recently focusing on the education sector.</p> |
| L:4 I:5 Score 20 | L:3 I:5 Score 15 | Financial Resilience and Strategy | <p>In January 2023, the Council agreed a new Medium Term Financial Strategy to deliver the level of savings to help meet the budget gap over the medium term. It is estimated that a further £10m of savings will be required to close the budget gap in 2025/26 and officers are currently working on proposals. In February 2023, the Council agreed a balanced budget for 2023/24, including an assessment of the Council's reserve levels are adequate over the medium term. The February 2023 report to Cabinet and full Council also included a summary of the Council's financial resilience and the risks and challenges facing the Council's continued financial resilience. Over the next six months officers will develop a process for monitoring the delivery of the Medium Term Financial Strategy and develop options for further savings for 2025/26.</p> |

| Current Score | Target Score | Risk Title | Update by risk leads – May 2023 |
|----------------------------------|---------------------------|---|--|
| | | | <p>Officers will report to Cabinet in July 2023 on the Council's finance position, and this will include an update on the risks and issues facing the Council's financial resilience.</p> <p>The trend for the next six months is assessed as stable. The Council has agreed a MTFS but there remains a high level of uncertainty and challenge to our financial resilience.</p> |
| L:4 I:4 Score 16 | L:2 I:4 Score 8 | Safeguarding Adults | <p>Adult Social Care services have continued to experience increasing need, with a high number of people on waiting lists. Temporary additional resource has resulted in waiting list numbers reducing, however sustaining this reduction will be extremely challenging.</p> <p>The service is reviewing how Adult Social Care neighbourhood teams are structured and how well initial interactions with residents are working. This will help ensure that the right capacity is in place and that resources are being used to maximum efficiency in response to the demand in communities. It is anticipated that a new structure will be in place by the end of 2023. Safeguarding arrangements in place with commissioned providers are being reviewed and a new escalation framework will be developed which will contribute to greater assurance around the quality of provision.</p> <p>The new quality assurance framework continues to be embedded across all services with continuous cycles of quality assurance reviews and learning being embedded to improve practice and reduce safeguarding risk. Work is also underway to develop an Adult Social Care Workforce Strategy for Camden which will help to mitigate the recruitment and retention challenges that we are being experiencing across our own and commissioned services. This will focus initially on recruitment to the hardest to fill roles. In May 2023, a team of colleagues from London ADASS (Association of Directors of Adult Social Services) and other London boroughs undertook a Peer Review into Safeguarding and Leadership in Adult Social Care. This process enables us to reflect with critical friends on current arrangements and effectiveness and learning will be fed back into the work being done.</p> <p>The risk exposure for the next six months is expected to remain high but stable. Whilst we are working hard to mitigate safeguarding risks, we know that the current financial, demand and workforce context in which we operate continues to worsen.</p> |
| L:4 I:4 Score 16 | L:3 I:4 Score 12 | Health and Social Care Integration | <p>The Council have continued to engage fully in the North Central London Integrated Care System (NCL ICS) and in the Camden Integrated Care Partnership (ICP). Camden play a leadership role in the ICP and have good representation from Camden leaders in the ICS. This is enabling us to influence and participate in the development of new governance, financial and accountability arrangements thereby mitigating some risk. We are currently working closely with the North Central London Integrated Care Board (ICB) to review our pooled budgets, our Better Care Fund and processes for integrated strategic planning. This will help ensure that we are able to continue to deliver high quality outcomes for Camden residents and ensure that our approach to resourcing and investment is aligned and effective. We are also working closely with partners from primary</p> |

| Current Score | Target Score | Risk Title | Update by risk leads – May 2023 |
|----------------------------------|--------------------------|--|---|
| | | | <p>care, community health and mental health to develop our first integrated health and care neighbourhood team. We anticipate the first team being up and running in Kentish Town during 2023 with teams across the remaining four neighbourhood being established during 2024. This will enable us to deliver on many of the resident expectations set out in our Health and Care Citizens' Assembly about more local, integrated, proactive care embedded in local communities, and will as a result enable us to better meet residents' needs.</p> <p>Risk levels remain high due to the significant demand and financial challenges currently experienced by all partners within the ICS and the level of change needed to achieve full integration between health and social care. We expect the risk score to remain stable over the next six months.</p> |
| L:4 I:4 Score 16 | L:3 I:3 Score 9 | Breakdown in Community Cohesion | <p>The challenges relating to maintaining and further enhancing community cohesion remain varied and complex. The Council has taken action to establish a Community Cohesion Monitoring Group with an emphasis on further establishing the cross-council approach towards mitigating community cohesion related risks. The Community Cohesion Monitoring Group will provide an opportunity for the Council to continuously develop and review procedures designed to mitigate risks and increase the level of engagement between the relevant authorities and communities. The Council is also engaged in discussions with the Metropolitan Police in relation to the proposed creation of an Engagement Working Group as part of the draft Citizens in Policing Engagement Strategy developed via the Metropolitan Police Central/North London Borough Command Unit (CN BCU). It is understood that the Police led Engagement Working Group will support the overarching vision developed by the CN BCU which seeks to harness the views, concerns and sentiments of all communities, partner agencies and stakeholders to shape local policing delivery in Camden and Islington. It is anticipated that the Citizens in Policing Engagement Strategy will align with the final version of the Metropolitan Police Turnaround Plan which is currently the subject of public consultation. The trend over the next six months is expected to remain stable.</p> |
| L:4 I:4 Score 16 | L:3 I:3 Score 9 | High Speed 2 and Euston | <p>HS2 is currently reviewing all works and should have a definitive position on what is stopping/continuing by early summer. In the interim, officers have been working with their teams and the community to identify several opportunities for 'meanwhile use' and opportunities for roads and pavements to be reinstated. Evidence was submitted to the Parliamentary Accounts Committee on 24th April 2023. The government was called i) to use the pause to focus on providing an integrated station, which is critical to the future success and long-term economic gains; ii) for the impact on the pause on communities and businesses to be mitigated with meanwhile uses that benefit local residents and provide real social value. Over the next six months, the Council will continue to lobby on establishing meanwhile uses. We will also continue monitoring HS2 and Network Rail work to consider station design options and ensuring the Council is able to input Camden priorities into the decision-making process through established</p> |

| Current Score | Target Score | Risk Title | Update by risk leads – May 2023 |
|----------------------------------|--------------------------|---|--|
| | | | boards and lobbying where necessary. We will utilise the work to date on the Euston Area Plan and responses received on the recent revised draft (January 2023) to influence design process for station affordability review. The risk trend for the next six months is expected to increase as public confidence has worsened as a result of the government announcement. The Council's reputational risk is being mitigated via public statements and community meetings. |
| L:4 I:4 Score 16 | L:3 I:3 Score 9 | Cost of Living Crisis | A report to Cabinet in July 2023 will provide an update on the Council's overall financial position, including the Council's planning and risk mitigation of any additional pressures created as a result of inflationary increases. Camden has put in place a series of response programmes to support individuals and households including the Cost-of-Living Crisis fund (CoLCR) which was established formally in July 2022. The CoLCR launched in September 2022, midway through the 2022-23 financial year, making it an exceptional year with six months to spend what is normally a 12-month budget. Award volumes have risen from 100-200 per week in November 2022 to January 2023, to over 400 a week in March 2023. Over 5,000 crisis awards have been given over six months by a small team. Case studies show we are supporting many people who would otherwise be at risk. In March 2023 the Council agreed to continue the Crisis Fund in 2023/24. This sits alongside the support offered through the Household Support Fund and Council Tax Support Scheme in which the Council invest over £29m per year. In recognition of the work of the voluntary and community sector in Camden to support resident during the cost-of-living crisis, the Council is continuing to invest £4m per year in grant funding for the sector and has agreed to fund £1m in a Community Impacts Resilience Fund for the sector. The Council is continuing its programmes of responsive cost-of-living emergency support for households in crisis and alongside this is absorbing into business-as-usual delivery our services supporting households experiencing financial precarity or crisis. The cost-of-living crisis remains a risk to the organisation, but this risk is stable and not increasing with particular severity. |
| L:4 I:4 Score 16 | L:2 I:2 Score 4 | Housing Revenue Account (HRA) Financial Resilience | In January 2023, the Council agreed a new Medium Term Financial Strategy (MTFS) for the Housing Revenue Account to deliver £7.51m of savings over the period 23/24 to 25/26. Housing Directors will monitor the delivery of the HRA MTFS through monthly meetings. We continue to closely monitor energy prices paid by the Council and a mid-year review of heating pool charges is planned for summer 2023 to manage the heating pool deficit. There is also a plan to gradually build up HRA reserves to ensure financial resilience and continue to manage HRA borrowing and debt profiles to reduce impact on capital financing. There is a continued increasing risk trend for the next six months. Despite the current and planned actions to mitigate risk, there are external risks to the HRA's financial resilience over which the Council has limited control, such energy prices, external interest rates, cost inflation and the government's rent policy. |

| Current Score | Target Score | Risk Title | Update by risk leads – May 2023 |
|----------------------------------|--------------------------|---|---|
| L:4 I:3 Score 12 | L:3 I:2 Score 6 | Energy Costs | <p>Energy prices are now fixed through to September 2023 and have been accounted for in Council budgeting. LASER (the Council's buying organisation) continues to forward purchase energy for multiple public sector organisations for the next supply period (October 2023-September 2024) to mitigate potential future market volatility. Further to Cabinet approval in November 2022, LASER has been re-appointed as Camden's buying organisation for a new four-year period from October 2024. LASER will continue to purchase energy during this period for the next formal supply period (October 2023-September 2024). Forecasts for the energy prices for the October 2023-September 2024 period will be supplied quarterly to budget holders across the Council.</p> <p>The forward outlook is assessed as stable for the next six months as energy prices are fixed through to September 2023. Forecasts suggest the energy prices for the October 2023-September 2024 supply period will neither worsen nor improve significantly due to a range of global factors beyond the Council's control.</p> |
| L:3 I:4 Score 12 | L:3 I:3 Score 9 | Community Investment Programme (CIP) | <p>The programme operates a sound governance process with key decisions made by executive directors in consultation with relevant cabinet members and directors. For large projects, additional deep-dives are being undertaken to scrutinise the finances, this has helped to secure some discounting in recent contract awards. CIP schemes not yet in contract have been subject to thorough financial scrutiny. CIP teams have been challenging contract costs and negotiating and seeking value engineering solutions to reduce risks. CIP schemes have an Employers Agent who certifies that contracts awarded represent value for money. The Council is also part of the 'Benchmarking Construction for London' group which allow members to benchmark tender returns anonymously to ensure they are in line with the market. CIP has secured significant additional grant from the Greater London Authority (GLA) to mitigate increases in construction costs. Two projects that started on site in March 2023 secured an additional £3.85m GLA grant. There are ongoing discussions with the GLA to increase the grant available in all current GLA Affordable Homes 2021-16 grant programme.</p> <p>The forward trend for the next six months is assessed as stable. It appears that the inflation may have peaked and that we are entering a period of more manageable inflation. The cost pressures will remain, however it is expected that the observed market fluctuations in the market will be less severe. A softening of the economy could lead to more competitive tenders from contractors in order to secure work. This would help mitigate some of the cost increases observed over the last 12-18 months.</p> |
| L:3 I:4 Score 12 | L:2 I:4 Score 8 | Keeping Young People Safe | <p>Overall levels of youth violence remain stable during the last quarter of 2022/23, despite two major incidents that occurred in the borough in January and March 2023. In 2022/23, we saw a further 33% reduction in the number of first-time entrants to the Youth Justice Service when compared to the previous year, and a 59% reduction since 2018/19 when youth violence was at its highest.</p> |

| Current Score | Target Score | Risk Title | Update by risk leads – May 2023 |
|----------------------------------|---------------------------------|------------------------------------|---|
| | | | <p>No young person under 18 received a custodial sentence in 2022/23 indicating the overall reduction in seriousness of offences committed. The Council has launched a new Ministry of Justice funded prevention programme called Turnaround and has secured continuing funding from the Mayor's Office for Policing and Crime (MOPAC) for a number of projects which work with our most vulnerable children and young people. We will be holding our annual Youth Safety Week and a Youth Assembly on Young Women's Safety in June 2023.</p> <p>Given the current trends across the borough and the reduction in tensions, it is assessed the forward trend over the next six months is stable.</p> |
| L:4 I:3 Score 12 | L:2 I:2 Score 4 | Recruitment and Retention | <p>Turnover levels have remained at a similar level over the last 12 months, with overall turnover around 12-12.5% and voluntary turnover around 7.5-8%. Recruitment activity has also remained high. This is a combination of replacement posts and new posts around some growth areas, for example additional resourcing in housing to deal with mould. The Council is continuing to deliver its Recruitment and Retention Strategy and monitoring turnover rates. We have progressed the work around developing our approach to pay across the board that protects our position as an employer who wants to provide an upper quartile pay offer. If approved, this will provide greater progression and a level of discretion to respond to both the recruitment market and individual capability or performance. Further details will be presented to the June 2023 meeting of the Audit and Corporate Governance Committee.</p> <p>The risk is assessed as unchanged over the next six months.</p> |
| L:2 I:2 Score 4 | L:2 I:2 Score 4 | Serious Fraudulent Activity | <p>The 22/23 annual counter fraud report will be presented to the June 2023 meeting of the Audit and Corporate Governance Committee, indicating the level of counter fraud activity that has taken place over the past year. A stable forward trend is predicted for next six months.</p> |

REPORT ENDS