

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: 4 April 2024
<p>SUMMARY OF REPORT</p> <p>This report provides an update on the action being taken to mitigate key principal risks and presents the Council's position as at March 2024. In line with Committee's Terms of Reference, the purpose of the report is to enable the Committee to monitor the effective development and operation of risk management in the Council.</p> <p>Local Government Act 1972 – Access to Information 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> <p>The Committee is asked to:</p> <ol style="list-style-type: none"> 1) Note the report; 2) Agree areas for risk deep dives in November 2024. 	

Signed: As agreed by the Executive Director Corporate Services

Date: 18th March 2024

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 This report provides an update on key risks i.e. risks with a score of 15-20 and those that presented with an increasing forward trend in the November 2023 [Principal Risk Report](#).
- 1.3 The report also asks the Committee to agree areas for risk deep dives in November 2024.

2. Update on key principal risks

- 2.1. This report covers principal risks with the highest risk scores and those with an increasing risk trend as outlined in the 2023 Principal Risk Report as follows:

Risk score 15-20

- i. Housing Revenue Account (HRA) Financial Resilience
- ii. Financial Resilience and Strategy (General Funds)
- iii. Cost of Living Crisis
- iv. Delivering Net Zero Carbon and Improving Climate Resilience
- v. High Speed 2 and Euston
- vi. Safeguarding Adults
- vii. Cyber and Data Security

Increasing risk trend

- viii. Recruitment and Retention
- ix. Landlord Duty of Care
- x. Safeguarding Children
- xi. Breakdown in Community Cohesion

- 2.2. As agreed at the November 2023 Committee meeting, the Safeguarding Children risk has been selected for a deep dive. Therefore, the Safeguarding Children risk is not included within this update and is included as a separate report elsewhere on the agenda. The deep-dive report will be presented by the risk lead. An update for the remaining ten risks has been provided by the risk leads as outlined below.

HRA Financial Resilience

- 2.3. The events of the past few years have created a very challenging context for the HRA and risk exposure remains high. The period from 2016-2020 saw enforced annual rent reductions of 1% resulting in the loss of c.£105m in rental income. Government policies are estimated to have resulted in a cumulative loss in rental income by 2023/24 of £135m and the Council's annual rental income is now £30m lower than it would have been had the government not imposed these measures. In January 2024, the Council updated its Medium-Term Financial Strategy (MTFS) for the Housing Revenue Account to include another £3.9m of savings in 2024/25, in addition to the £7.5m of savings over the period 2023/24 to 2025/26 agreed in January 2023. Housing Directors will monitor the delivery of the HRA MTFS through monthly meetings.

- 2.4. 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. A further update to the MTFS is planned for later in 2024. Energy prices have started to fall so present less of a risk to budgets although arrears on rent as well as service and energy charges remain high. Major risks at Q3 2023/24 were overspends on repairs driven principally by damp and mould and legal disrepair cases (£3.5m forecast overspend in total) and on interest payments driven by increases in interest rates (£2.4m forecast overspend). 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 as energy prices, external interest rates, cost inflation and the government's rent policy. In the longer term there are growing concerns about whether the Council can meet all of its maintenance obligations for its ageing stock within available resources. The Council is reviewing its Housing Property Transformation Programme, including improved delivery arrangements and improved governance of savings and transformation with regular reporting to Executive Directors.

Financial Resilience and Strategy (General Funds)

- 2.5. The Council is working to deliver its Medium-Term Financial Strategy, which was agreed in January 2023, to achieve 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 2024, the Council agreed a balanced budget for 2024/25, including an assessment of the Council's reserve levels are adequate over the medium term. The February 2024 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 as part of the section 151 officers 'Section 25' assessment of the Council's financial position.
- 2.6. Officers are doing further work to assess key financial metrics to help assess the Council's financial resilience and stability. The delivery of MTFS projects is now being monitored as part of the Council's 'business as usual' financial governance arrangements. The progress of MTFS projects is reported to the relevant Directorate Teams and to the Camden Management Team (CMT) quarterly and includes a review of progress on the MTFS to date and an update on the Council's overall medium-term position.
- 2.7. 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. The Council has set a balanced budget for 2024/25. Early forecasts are for an overspend of £1.2m in the GF in 2023/24, however officers are working to reduce this in year and the Council has set aside a reserve to support any final overspends.

Cost of Living Crisis

- 2.8. Nationally, financial hardship increased from winter 2022 to winter 2023 according to data from the Citizens Advice Bureau. People are less able to make ends meet and falling into greater debt as a result. Locally there has been an increase in money advice referrals from households citing having someone with a disability as the main reason for hardship. The government announced a six-months extension to the Household Support Fund (HSF) in the budget statement on 6 March. The Council had planned for the HSF

to end and in response committed £1m for school holiday food vouchers to support vulnerable families. Teams are currently considering options for the unexpected extension of the HSF which will be agreed in March 2024. The Council is continuing to focus its efforts to support the most vulnerable, with £2m committed to the Cost-of-Living Crisis Fund for 2024-25.

- 2.9. The HSF has part-funded Camden's income maximisation advice service (IMAS), which helps people with sustainable, longer term financial support and to claim benefits they are entitled to. The council is currently exploring future options for this service. Nationally, there is a high level of uncertainty over the next 12 months around Government decisions on cost-of-living support policy and funding, with potentially more changes following the general election. Risk levels therefore remains high with an increasing risk trend.

Delivering Net Zero Carbon and Improving Climate Resilience

- 2.10. The Council published the third annual review of its Climate Action Plan in November 2023. This reported that 98% of actions within the plan are either progressing well or completed. It also reported that borough-wide carbon dioxide emissions have reduced by 45% since 2005 with emissions from our own estate and operations now 59% below 2010 levels (the baseline year for our own estate and operations). The Council retrofit programme that improves the energy efficiency of our own estate has delivered emissions reductions at key sites such as Swiss Cottage Library, Acland Burghley School and various Council homes. Approximately £10m of Government funding has been secured to support the retrofit programme and a number of new projects are now on site, including a national Social Housing Decarbonisation Fund supporting retrofit of 283 of our most energy inefficient street properties (as opposed to Council estates). The cost of achieving net zero across our estate and the borough as a whole remains significant, with a funding gap of around £160m for our corporate and schools estate alone.
- 2.11. Our climate resilience programme has been strengthened with agreement to fund a permanent Climate Resilience Officer in February 2024 after the publication of the Council's new Climate Adaptation and Resilience Plan in November 2023. The Plan sets out the broad range of Council service collaboration and funding required. The Climate Resilience Plan and Flood Risk Management Strategy operate together to build community and infrastructure resilience to climate hazards such as increased summer heat risk and flood risk by mainstreaming interventions into other Council programmes such as the Camden Transport Strategy. Extreme weather warnings continue to be cascaded to relevant Council services by the Emergency Management team to help prepare services. The next six months will see the continued delivery of the Climate Action Plan alongside key retrofit projects such as those at Highgate Library, Hampstead School and Brookfield Primary. The Climate Resilience programme will see the completion of the South Hampstead sustainable drainage schemes alongside a new climate resilient schools project focused in Somers Town funded through the Mayor of London's Future Neighbourhood programme. Despite the progress made on mitigations, the risk level remains high due to the scale of change needed and the current funding gap to achieve it.

High Speed 2 and Euston

- 2.12. Following the Government's announcements in 2023 on changes to the HS2/Euston development, the Council commissioned an Economic Impact Assessment (EIA) and strategic narrative for Euston. The EIA has now been completed and highlights the economic potential at Euston and opportunities for both local and national economy. A new Euston Housing Delivery Group is in the process of being established by the Department for Levelling Up, Housing and Communities. The Council is working to influence the development of this along with any new Delivery Organisation, such as a Development Corporation for Euston. If the Government decides a Development Corporation is needed for Euston, then Camden stands ready to lead a regeneration that delivers for our community and the country. This means the Council leading alongside our key partners in London and our local community in Euston, having not just seats at the table but the power to lead and make our vision for Euston. Funding for Euston is still very uncertain. The station re-set work is progressing in exploring station design options for a smaller station. Officers are pressing for station design options which meet Camden's objectives with the re-development whilst being mindful of the need to minimise cost.
- 2.13. Officers have been pressing HS2 on their commitments on 'meanwhile uses' while construction work is paused. Whilst there is a pipeline of 'meanwhile use' projects, progress has been slow as plots have not been released as quickly as the Council had hoped and therefore are proving challenging to deliver. This risk continues to present with an increasing forward trend due to the high level of uncertainty around funding. The upcoming general election is adding further uncertainty in the event there is a change in government and potential decisions of a new administration.

Safeguarding Adults

- 2.14. Overall, the risk exposure is expected to remain high. Whilst teams are working hard to mitigate safeguarding risks, the current financial, demand and workforce context in which the Council operates continues to be very challenging. Concern about the number of people waiting for assessments and reviews remains, however our action plan is starting to deliver an overall reduction in these numbers. Adult Social Care services have continued to experience both increased demand and increased complexity of need; for example, we are seeing growing numbers of people at risk of, or experiencing, homelessness with care and support needs. We have reviewed how our neighbourhood teams are structured and how well initial interactions with residents are working. From June 2024 a new neighbourhood arrangement for adult social care teams will be in place. This will help to ensure that resources are being used most effectively to respond to the demand we are seeing from our communities. In the meantime, we continue to prioritise safeguarding referrals, triage and risk assess waiting lists to ensure that those with the most urgent need are waiting for the least time.
- 2.15. We have strong oversight of our social care providers through regular monitoring, quality assurance, unannounced visits and escalation to the Provider Oversight Board where required. Weekly provider insight is shared between safeguarding and commissioning colleagues to inform additional targeted monitoring activity and improvement planning. We have recently improved the commissioning quality inbox which enables people to quickly and easily share detailed information about the quality of our services. We have also been working on a new provider oversight framework. This pulls together all of our

documents, policies and procedures into a new single document which we are in the process of signing off.

- 2.16. Work to launch an Adult Social Care Workforce Strategy for Camden is near completion and this will help to mitigate the recruitment and retention challenges across Council and commissioned services. This will focus initially on recruitment to the hardest to fill roles. We recently commissioned a review of the current Section 75 arrangements with Camden and Islington Mental Health Trust whereby we second our Social Workers into the trust to undertake our statutory responsibilities as part of an integrated health and care team. This review is near completion and has highlighted some risks that relate to our safeguarding processes and practice in mental health services. We have taken short term actions to address these risks and are working with the trust to design a new model of Mental Health Social Work.

Cyber and Data Security

- 2.17. 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. Digital and Data Services (DDS) officers have continued to deliver critical work as part of the Council's Cyber Security Programme, with the focus expanding to consider specific threats of foreign interference in our democracy highlighted by the UK Government Defending Democracy Taskforce. Areas of focus over the past six months have included Public Service Network re-certification and continued focus on security remediation with targeted activity based on severity, leveraging our vulnerability management platform. Other focus areas include extending our awareness training to members, a risk assessment of cyber security in Camden schools and the implementation of new information governance arrangements led the Borough Solicitor, Chief Data Officer and Head of Technology.
- 2.18. Camden Management Team and DDS staff participated in an externally facilitated desktop exercise to test the Council's approach to a range of service-impacting incidents and a further exercise is planned for April 2024. Furthermore, DDS is working with the Corporate Resilience and Assurance Group to review all service Business Continuity Plans across the Council. DDS continues to focus on leveraging investments in modern technology. The Council's skilled cyber team, and continuing focus on processes and procedures as part of our Information Security Management System (ISMS), are improving overall organisational maturity in information governance.

Recruitment and Retention

- 2.19. While the overall risk exposure in this area has not improved, the trend has stabilised and is no longer increasing. Recruitment activity remains high but not particularly increasing. There remain areas of increased pressure and hard to recruit roles (e.g. IT, social workers) and we continue to address these according to market conditions and specific recruitment and retention initiatives. Annual turnover data show a decreasing trend, down from 10.8% in 2022 to 9.3% in 2023. Exit interview data is limited but where available we have seen an increase in the number of people citing 'Higher pay' as a reason for leaving. This is not necessarily surprising given the cost-of-living crisis and related trend across the labour market for pay to become increasingly important to people. Camden has responded to increased recruitment and retention challenges through the review of Camden Pay Schemes with changes agreed and implemented

during 2023 and further developments in train to ensure that Camden remains a competitive employer in terms of pay and benefits.

- 2.20. In terms of particular activities within our recruitment approach, the Council has been working on its social media strategy to expand its use, and continue to work successfully with Camden Talent Pool, targeting opportunities to local people and supporting transition into more permanent employment. The team is also looking at how we can improve the experience for neurodiverse people in collaboration with the Disability Job Hub. For current staff, the council is launching a new mentoring scheme to support career development and progression. The Leadership Development Programme is continuing to be rolled out to ensure our leaders are in the best place to lead their staff and services. The Council is also providing ongoing advice and support for staff around cost-of-living pressures.

Landlord Duty of Care

- 2.21. The risk level remains the same but with a stabilised forward trend given the progress made and work plans in place. The transitional period for implementation of Building Safety Act will conclude in April 2024 with regulatory guidance continuing to be issued by the Building Safety Regulator and the Government. The Council has allocated £4.5m per annum to implement the new safety regulations, and in terms of capital resources it has allocated over £208m in its own resources and secured £100m in grant since 2017 for fire and building safety. Building Safety Case reports are a new requirement for high-rise residential buildings under the Building Safety Act. Camden is due to submit its first tranche of reports for 39 high-rise buildings in April 2024, subject to confirmation by the Building Safety Regulator of the building list and the call-in process it is adopting for submissions.
- 2.22. The Council was issued with a Regulatory Notice in July 2023 in relation to fire risk assessment (FRA) actions and the installation of smoke and CO detectors. An action plan has been agreed with the Regulator of Social Housing and the Council has been in strong and supportive dialogue with them. On FRA actions, the Council has closed circa 10,500 in the rolling 12 months to February 2024. As new actions are added all the time as FRAs are completed, the net reduction in overdue and pending actions is 1,769 over the same period. Overdue high-risk actions have fallen from 400 at the time of the notice in July 2023 to just 9 by the end of February 2024 – all of which require further action to gain access. On smoke and CO detectors, of 13,180 homes requiring an CO alarm only 11 remain at the end of February 2024. These homes are ‘no access’ cases that are being progressed via legal services or an appointment is being arranged for a CO alarm to be installed. The Council has 23,159 tenanted homes requiring smoke detection to be installed, of which 20,395 (88%) are now compliant. Of the remaining 2,764, 53% are within a programme to complete by March 2024 and 47% are within our ‘no access’ process. Progress continues to be made on compliance in the areas of electrical testing and water hygiene, where access to properties has also been an issue and we are working Council-wide to address.

Breakdown in Community Cohesion

- 2.23. In response to the tragic events in Gaza/Israel, the Council has implemented several initiatives to address any impact of these events on community cohesion, emphasising the ongoing importance placed on promoting and strengthening community cohesion.

The Camden Inter-Faith Network serves as an important platform for promoting interfaith dialogue, facilitating community engagement, and strengthening community cohesion. In the aftermath of the Hamas attacks in October 2023, network members convened weekly and fortnightly to discuss the impact on Camden communities and explore ways to support people to feel safe. The Council has hosted a number of events, including the Camden Interfaith Network reception, bringing together faith and community representatives to promote and sustain cohesion.

- 2.24. The Council-led Community Tension Monitoring Group has also played an important role in informing the response to local community concerns. The weekly forum, delivered in partnership with the Metropolitan Police, has proved to be extremely effective in collating information from a wide range of community organisations and residents in order to inform the partnership response to localised issues. Hate crime dip-sampling sessions continue to be delivered in partnership with the Metropolitan Police. The dip sampling initiative aims to identify trends in hate crimes, assess existing prevention measures, and inform policy development. By enhancing data accuracy and raising awareness, the initiative contributes to a safer and more inclusive community for all residents.

3. Watchlist items

- 3.1. Watchlist items are areas of significant risk which might be escalated to principal risk status over coming months. These risks are being managed and monitored closely at directorate level.

Increasing homelessness

- 3.2. Camden has a duty to secure temporary and emergency accommodation for certain homeless households in priority need under the Housing Act 1996. The pressure on homelessness services has increased across London boroughs in recent years. In Camden, the number of households in temporary accommodation has increased by 33% in the last three years. This trend continues with a 9% rise in Q3 2023/24. As at the end of December 2023, the Council was providing temporary accommodation to 707 households of which 440 were families. Temporary accommodation continues to be a financial challenge for the Council. The current overspend for the year is forecasted at around £5 million and the council is working towards finding new, more financially stable options to meet this statutory duty.
- 3.3. Rough sleeping is also increasing in Camden. In Q3 2023/24, 330 individuals were seen rough sleeping in Camden. This is a 20% increase on the same period in 2022. Over Q2 2023-24 there was a 7% increase compared to the same period 2022-23. This trend is seen London-wide and is caused by various factors including a reduction in affordable housing, delay in move-on from emergency accommodation leading to fewer vacancies, and an increase in refugees leaving Home Office accommodation homeless and becoming destitute. Camden is responding to this rise by ensuring that all people who rough sleep in the borough are provided with a service offer that means they no longer needs to bed down on the streets. The Council has been awarded over £4m via the Single Homelessness Accommodation Programme to increase short and long-term accommodation for people who have slept rough. Additionally, Camden has enhanced its street outreach team to meet the needs of people who are rough sleeping by hiring a nurse and psychologist.

Complaints relating to housing repairs

- 3.4. There has been an increase in the number of complaints received by the Council, particularly relating to housing. Between 1 April 2022 and 31 March 2023, there was a 100% increase in Stage 1 complaints (total 2,431 complaints) and the increase has continued during 2023/24. This trend is primarily driven by a significant increase in repair complaints, for issues such as damp and mould, which have been seen across all housing providers. Camden's proactive outreach has resulted in significantly increased reporting, including responding to 6,000 reports of damp and mould since December 2022 alone. A new approach to complaints handling across housing and property services was introduced in 2023 to ensure customer focussed processes. In 2024 there will be changes to case management processes to ensure effective collaboration between teams to resolve complaints. There has also been an increase in the number of cases referred to the Housing Ombudsman (HO). HO has started to increase the severity of their findings on cases escalated to them for review. At the end of October 2023, HO communicated their decision to start an investigation into the Council's handling of leaks, damp and mould, complaints, and repairs. This is in line with their overall increased focus on local authorities. Nationally, there has been a 323% increase in serious findings against social housing landlords regarding poor-quality services. The Central Complaints team is working closely with service areas to ensure ongoing improvements in complaints handling and will be part of the group that leads the response to the Housing Ombudsman.
- 3.5. The number of legal disrepairs claims against the Council has increased almost ten-fold since 2017/18, putting pressure on the legal service and significant financial pressure on the Housing Revenue Account. Plans to introduce a fixed costs regime for these claims were due to be implemented in October 2023, however the Ministry of Justice confirmed that the implementation of the fixed costs regime will not include housing disrepair cases and that these proposals will be delayed for two years. A review of the legal service is currently being drafted which will set out options for addressing these challenges.

4. Principal Risk Deep Dives

- 4.1. 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. 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	12	November 2023
7.	HS2 and Euston	16	November 2023
8.	Safeguarding Children	10	April 2024
9.	Pressures in the Health System	12	April 2024

- 4.2. At its meeting in November 2024, the Committee agreed deep dives in the following areas: i) Safeguarding Children and ii) Pressures in the Health System. The Committee is asked to consider one or more deep dive area for November 2024. It is recommended that a risk area presented in this report is considered i.e. risks with the highest scores or with an increasing risk trend. However, the Committee can consider all principal risks as included in the [Principal Risk Report 2023](#).

5. Finance Comments of the Executive Director Corporate Services

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

6. Legal Comments of Borough Solicitor

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

7. Environmental implications

- 7.1. There are no known environmental implications arising from this report.

End