Finance
7 Newington Barrow Way
London N7 7EP

Report of:	**Corporate Director of Resources**
Meeting of:	**Audit Committee**
Date:	**29 January 2024**

Subject: Principal Risk Update – January 2024

1. Synopsis

1.1. The annual Principal Risk Report was presented to the Audit Committee in July 2023. This report provides a summary update on progress to mitigate key risks, as well as an update on the development of risk management training for staff.

2. Recommendations

2.1 The Committee is asked to note the report.

3. Update on key risks

3.1 This report provides an update on principal risks with the highest risk scores i.e. risks with a score from 15 to 20, and risks with an increasing forward trend as outlined in the 2023 Principal Risk Report (which can be accessed here). Ten principal risks meet these criteria:

Highest scoring:

- Financial Stability and Resilience
- New Build Programme
- Financial Resilience of Residents
- Cost of Energy
- Cyber and Data Security

Risks with increasing forward trend:

- Failure to Address and Challenge Social Inequalities
- Social Care Market Instability
- Health and Social Care Integration
- School Viability and Place Planning
- Increasing Homelessness Pressures

3.2 The principal risks 'New Build Programme' and 'Social Care Market Instability' have been selected for risk deep-dives at the Audit Committee meeting on 29th January 2024. Therefore, these risks are not included within this update as separate reports are being prepared by the risk leads. Updates on the remaining eight risks have been provided by risk leads and is set out below.

Financial Stability and Resilience

3.3 The general fund's (GF) position is showing a worsening trend since the Principal Risk Report in July 2023. The Quarter 2 (Q2) monitoring report for 2023/24 shows a marked deterioration since Quarter 1 (Q1) with the gross directorate overspend position showing an adverse movement from £13.2m overspent in Q1 to £17.729m overspent in Q2. Within this position, the Environment and Climate Change department position has deteriorated by £4.9m with a now £9.1m overall overspend. The majority of this relates to the parking account. Application of a small corporate underspend of £1.4m and one-off use of specific and general contingencies have reduced the overall Q2 GF overspend to a net £5.8m overall.

3.4 Budget savings proposals for 2024/25 are currently being explored ahead of inclusion in the 2024/25 budget report, including base savings agreed for 2024/25 as part of the 2023/24 budget process. There will be an ongoing impact of the 2023/24 in-year GF position, some of which will impact the financial position ahead of setting the 2024/25 budget. A risk action plan is being drawn up to address the in-year position ahead of 2023/24 closing and 2024/25 final budget setting, with limited time left in the financial year for this to be implemented successfully.

Financial Resilience of Residents

3.5 In October 2023 the Council hosted its second cost of living summit, just over a year since declaring a cost-of-living emergency. This was an opportunity to reflect on progress to date and discuss plans for this coming winter along with longer term priorities. The summit confirmed that the actions the Council has been taking to mitigate the worst impacts for low-income households have been the right approach, and this should continue with a renewed emphasis on tackling the longer term causes of poverty. Proposals for updating the council tax support scheme for 2024/25 are currently going through the decision-making process. If approved, this will take over 8,000 low-income working age households out of paying any council tax.

3.6 The Income Maximisation team are supporting various cost of living activities. Building on the £5.8m of annual benefits entitlement we helped residents claim in 2022/23, we have so far achieved £4.1m (November 2023). The council launched the help for renters that are working scheme in 2023/24, this has so far paid out around £700k of support to around 2,500 households. We have been distributing the household support fund 4 grant during 2023/24, this totals over £4.4m of support which will be distributed by March 2024, this includes an application element that is live. Alongside a focus of encouraging residents to claim benefits that they are entitled to, the council continues to support residents into employment, or better employment, for longer term financial resilience. We continue to monitor the data across a range of indicators informing the COL board with council and VCS representatives working collaboratively to plan strategy and operational efforts to help our residents navigate the COL crisis.

Cost of Energy

3.7 This risk of increasing energy costs and volatility in the energy market stabilised in the second half of 2022, following the Council's decision to join the LASER public buying organisation (PBO) from 1 April 2023. LASER has (at the time of writing) purchased 80% of the Council's energy for 2024/25 with the remaining 20% to be purchased before the end of March 2024. Therefore the 2024/25 purchasing period has no major volatility expected. For future arrangements, it has been agreed to continue to use a PBO for two years from 2025/26 when the LASER contract ends (with the option of a two-year extension), as the market risk is still considered higher than prior to the energy crisis. The procurement strategy for this approach was approved by Executive on 30 November and will involve scoring PBOs based on their trading performance (which determines the prices paid by the Council), as well as considering their business continuity planning.

3.8 The Corporate Energy Savings Programme that started in 2022/23 has now become a business-as-usual workstream within the Climate Action programme. This consists of a mix of ongoing energy efficiency audits that take place between October and April each year, as well as capital investment to reduce consumption. The energy audits look at buildings' energy use and auditors adjust settings during the visit, as well as producing a report with recommended actions to further reduce usage, including installing energy-saving measures. Since July 2023 new and enhanced Building Management Systems have started to be installed at 14 corporate sites, which will enable better understanding of energy usage and allow optimisation that will reduce costs. To date around 60% of the work has been carried out and the project is expected to be complete by the end of February 2024. The council's wider capital investment programme also includes projects that reduce energy consumption and carbon emissions. Solar panel installations have been completed at four sites, which will reduce electricity costs by around £24,000 per annum at 2023/24 prices, while older solar panel arrays are having new monitoring systems installed to allow their performance to be more effectively monitored. The decarbonisation works at the Waste Recycling Centre, which includes a significant expansion of the site's solar panel array and is due to be completed in early 2024, are expected to reduce running costs by around £100,000 per annum.

Cyber and Data Security

3.9 There remains a high level of cyber security threat in our external environment. There is an increased threat from the use of Artificial Intelligence (AI) in cyber-attacks, and the Council have defence mechanisms in place to manage this. The team is maintaining focus on cyber security awareness training for staff with mandatory training modules as well as an ongoing communications campaign to keep data protection front of mind for staff.

3.10 The programme of work to improve data security is progressing well. The Newington Barrow Way datacentre has now been stripped of most IT services with the final elements to be completed when the property has been fully vacated (around February 2024). The move of services from 222 Upper Street into a cloud environment continues at a rate that balances the cost profile, application lifecycle, risk to services, and available resources. The end of December 2024 remains the target for all non-site specific systems migrations.

Failure to Address and Challenge Social Inequalities

3.11 The prolonged cost of living crisis is likely to increase social inequalities in Islington and the forward risk trend continues to increase. Since the launch of the Islington Together 2030 Plan in March 2023, the Council has continued to engage with stakeholders to identify actions to address inequalities. The council has focussed on five priority outcome areas identified through its engagement with the community. Stakeholders have taken part in action learning workshops, taking an inclusive approach to identify actions. Delivery plans are being created and progress against these will be monitored by the Challenging Inequality Programme Board and the Corporate Management Board.

3.12 The Challenging Inequality Programme Board continues to drive progress on the Council's equality plans, and each service has a dedicated equality lead to support delivery. Additional performance indicators related to inequality have been added to the corporate performance framework for the Council's strategic plan to strengthen how progress is monitored. Alongside this, the Public Health Intelligence Team is designing a set of wellbeing indicators to measure progress on improving residents' wellbeing. This new set of indicators is expected to be launched in early 2024.

Health and Social Care Integration

3.13 This principal risk continues to be a challenging area with an increasing forward trend. The Council is responding with additional mitigations, including reviewing service delivery that falls within section 75 joint-funding arrangements to assess effectiveness in making a difference for local residents. The North Central London Integrated Care Board (ICB) has undergone an organisational change process in recent months. This has resulted in them giving notice to the Council on joint Council/ICB funded posts, with funding for these withdrawn from April 2024 onwards.

3.14 The ICB and the Council are working together to design a new aligned commissioning model which will replace the joint commissioning model. Council and Health services have had aligned commissioning for older people services for many years and will apply lessons learnt to inform potential future arrangements. Nationally, Government proposals on further changes to social care funding arrangements continues to be on hold with the shape of future care reforms uncertain.

Schools Viability and Place Planning

3.15 Demand for school places has fallen. In part this drop in demand has been driven by declining birth rates across London. Local evidence indicates that the recent reduction in births in Islington is likely to remain an ongoing trend. In 2019, the GLA identified problems of overestimation in the official ONS migration estimates, this is particularly acute in areas of London with high international flows and had led to inflated numbers of children in the projections that have now been revised.

3.16 Individual school balances have been in decline since 2019 caused by the falling rolls, combined with increasing special education needs and disability (SEND) and increasing cost pressures such as rising energy costs. An increasing number of Islington schools are projected to go into deficit. In response, the Council is providing quality assurance of school deficit recovery plans to eliminate deficits within three years. The School Deficit Management Board provides scrutiny and challenge to schools to ensure they take action to achieve balanced budgets. The Council is continuing to implement its School Organisational Plan which includes making recommendations for school mergers and closures. The projected deficit across all maintained schools for 2025/26 was £15m in Q4 2022/23, reduced to £9.7m in the mid-year re-forecast in October 2023. Without continued robust action in this area, the deficits may result in added pressure on the general fund. Cuts to address deficits for schools may also impact on educational outcomes.

Increasing Homelessness Pressures

3.17 Homelessness in England is at the highest rate since records began, with a 31% increase in homelessness since the beginning of the pandemic. In London, one in 50 households are now homeless. Homelessness in Islington is caused by a number of factors, including domestic abuse, an increase in Section 21 notices, the cost-of-living crisis, and properties being in disrepair. There is an increased risk of homelessness in relation to the Home Office management of determinations and evictions for asylum seekers from hotel accommodation. The Council has made representations to the Home Office who have agreed to suspend evictions when severe weather protocols are in place, and the Council is providing support. There is an action plan in place to reduce the backlog of homeless decisions to ensure residents gets timely and appropriate support. However, the forward trend is worsening as the number of people and costs per night keep increasing month on month. Nationally, there has been a 218% increase in homeless families with children living in bed and breakfast accommodation for longer than the legal limit of six weeks.

3.18 Islington has secured a total of £102m funding from the Greater London Authority and UK Government to buy back ex-Council homes for use as accommodation for the most vulnerable. This will significantly reduce the cost of temporary accommodation going forward. The Council has also secured £1m supplement grant to the existing Homeless Prevention Grant to support the prevention of homelessness. The Council is also considering how to best engage with the private sector as a potential mitigation. However, there has been a 41% reduction in Private Rented Sector accommodation in London in the last 19 months.

4. Developing risk management training

4.1 The risk manager has worked with the learning and development team to develop a risk management training offer for all staff in order to further enhance the Council's risk maturity. The training offer includes two options i) a short bite-sized e-learning resource to raise awareness of the key concepts of risk management and ii) a workshop offering more in-depth learning delivered on a monthly basis. These resources will be launched by early Q4 23-24.

4.2 In addition to the development of a formal training offer for all staff, the Islington Leadership Network received a series of sessions on reducing risk through leadership in Q3 23-24. These sessions were delivered by an external risk management expert.

5. Implications

5.1 Financial Implications

5.1.1 The programme of work has been met from within the existing risk management budget. The financial implications of individual principal risks are met by local budgets.

5.2 Legal Implications

5.2.1 There are no legal implications arising from this report. Legal advice and support will be provided, where necessary, in relation to individual risks.

5.3 Environmental Implications and contribution to achieving a net zero carbon Islington by 2030

5.3.1 There are no environmental implicating arising from the recommendations in this report.

5.4 Equalities Impact Assessment

5.4.1 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The council must have due regard to the need to tackle prejudice and promote understanding.

5.4.2 An Equalities Impact Assessment is not required in relation to this report because the recommendation being sought does not have direct impacts on residents.

Final report clearance:

Authorised by:

Corporate Director of Resources

Date: 21 December 2023

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