

Finance
7 Newington Barrow Way
London N7 7EP

Report of: Corporate Director of Resources

Meeting of: Audit Committee

Date: 30 January 2023

Wards: All

Subject: Principal Risk Update – January 2023

1. Synopsis

- 1.1. The annual Principal Risk Report was presented to the Audit Committee in June 2022. In line with a previous request from Committee, this report provides a summary update on progress to mitigate key risks.

2. Recommendation

- 2.1 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 16 to 20, or a risk with an increasing forward trend as outlined in the 2022 Principal Risk Report (which can be accessed [here](#)). Seven principal risks meet these criteria as follows:

Principal Risk	Risk Score	Forward Trend
Highest scoring risks		
Financial stability and resilience	20	

Principal Risk	Risk Score	Forward Trend
Volatility in the energy market	20	
Declining Financial Resilience of Residents	16	
Risks with an increasing forward trend		
Cyber and Data Security	15	
Failure to address and challenge social inequalities	12	
Social care market instability	12	
Health and social care integration	12	

3.2 The Health and Social Care Integration and Social Care Market Instability principal risks have been selected for a risk deep-dive at the Audit Committee meeting of 30th January 2023. Therefore, these two risks are not included within this update report as a separate report is being presented by the risk lead. Progress on action to mitigate the remaining five risks is included below.

Financial Stability and Resilience

3.3 High inflation and demand for Council services are having a significant impact on the Council's budget in the current financial year. The latest 2022/23 forecast for the General Fund, as at the end of September 2022, is a net overspend of £2.7m after applying corporate budget contingencies. Looking ahead, the budget setting process for the 2023-24 financial year has been particularly challenging amidst great economic and political uncertainty. The Autumn Statement has provided some clarity for 2023-24. However significant uncertainty remains and will continue until the provisional local government finance settlement (expected on 21st December 2022). Specific challenges have included:

- A significant 3-year General Fund budget gap that started at £61m;
- A real-terms cut to our funding settlement in 2023/24. This is still expected to be the case, despite a headline increase in social care funding in the Autumn Statement and additional Council tax flexibility;
- Continued significant expenditure pressures on pay, contracts and energy.

3.4 Any additional funding in the settlement, compared to existing assumptions, is expected to be offset entirely by these additional budgetary pressures and risks. This is primarily a result of inflation remaining high for longer and social care pressures growing faster than previously anticipated. Following an extensive savings identification and appraisal process, the draft 2023-24 budget proposals to balance the budget will be published early January 2023 for consideration by the Executive and public consultation/scrutiny. This will be followed by the final budget proposals for consideration by Full Council in March 2023. The potential local government funding reforms noted in the previous update now look to have been pushed back until at least 2025-26.

Volatility in the Energy Market

3.5 When energy prices increased rapidly in mid-2022, the Council took a proactive approach to seek out options to reduce cost. The existing energy contracts were terminated early through negotiations with the supplier, and new contracts have been agreed through the public buying

organisation LASER. LASER had already purchased most of its energy for 2023/24 at significantly better rates than the market prices at the time. These contracts will take effect from 1 April 2023. At the time the Executive took the decision to make this change, the estimated saving for 2023/24 was £13m compared to buying on the open market, significantly reducing the Council's exposure to market volatility. The Council is also progressing action on reducing energy consumption, including providing advice and making recommendations to schools. In Q1 and Q2 2022, officers supported schools to make reductions of 33% in gas consumption and 6% in electricity. The Corporate Energy Savings Programme is overseen by a monthly Energy Board chaired by the Chief Executive. The programme includes short, medium and long-term action to reduce energy consumption in our corporate estate, with short term activities to be implemented by the end of March 2023.

Declining Financial Resilience of Residents

- 3.6 The Council continues to deliver a range of actions to support the financial resilience of residents. The third version of the Government's Household Support Fund has been used to add £100k to the Council's Resident Support Scheme, adding up to a total of £1.3m for 2022/23 financial year. This scheme is targeted at residents experiencing a financial crisis due to exceptional circumstances with no other support available to them. The first two Household Support Funds have distributed £4.4m from September 2021 to September 2022 to help residents with cost-of-living issues. In total, around 20,000 households have received support from each round of the Household Support Fund, including payments during school holidays for families eligible for free school meals and supporting our least financially resilient households.
- 3.7 Following the success of the pension credit take-up campaigns, which has resulted in additional annual take-up to the value of around £1.47m so far, the Income Maximisation team is planning more pro-active work to support residents to claim benefits they are entitled to. The team has helped residents claim £3.5m of annual benefit entitlement in 2022-23 so far. This is expected to increase to over £5m worth of annual benefits by the end of 2022-23. The Council has also distributed £13m through the Council Tax Rebate to those most in need. The Government's announcement that support to vulnerable households will continue in 2023-24, and the increase of benefits and the benefit cap in line with inflation, will support residents' financial resilience through next year. 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. The support put in place around financial resilience has helped position the Council to make effective interventions in supporting the community with the cost-of-living crisis.

Cyber and Data Security

- 3.8 Several key activities have been completed to enhance resilience against cyber-attacks. More systems have been migrated to a cloud environment and are now sitting outside our data centres which reduces the likelihood and impact of an attack. The new Security Incident and Event Monitoring Service (SIEM) is now in place with the benefit of continuous monitoring of our infrastructure to log and respond to unexpected cyber events quickly. Controls such as two-factor authentication and geo-fencing are reducing the likelihood of phishing and hacking. Digital Services conducted a full power-down of the data centre in August 2022 to test resilience which confirmed that the Council can keep basic resident services and staff access operational in the event of an incident. The ongoing staff programme of cyber education is yielding results with more staff flagging suspicious phishing emails. Digital Services is regularly testing cyber awareness by sending false phishing emails to monitor staff reactions and ability to identify suspicious emails. With the progress made in 2022, the impact of this risk is assessed as reduced.

Failure to Address and Challenge Social Inequalities

- 3.9 The Challenging Inequalities Programme is a key mitigation for this risk and is progressing well. Our workforce has been upskilled on equality, diversity and inclusion through increased training opportunities, our equality events, and greater involvement in equalities conversations across all levels of the organisation. Overall, staff have a greater understanding of the impact of inequality and who is most affected. This has led to better signposting of services and support for residents. Over 6000 residents engaged with the Council's community engagement programme, Let's Talk Islington, and the findings were published in November 2022. Informed by the findings, a strategic plan is being developed which will be finalised in February 2023. In 2023, stakeholders will take part in action learning workshops for an inclusive approach to identify actions in support of delivering the outcomes that residents have said are important to them. This collaborative approach is designed to develop creative and innovative solutions to issues affecting Islington residents. The current social context with the cost-of-living crisis is likely to increase inequalities in society and the Council's efforts is focused on rebuilding systems and addressing systemic inequalities to achieve sustained change for the future.

4. Implications

4.1 Financial Implications

- 4.1.1 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.

4.2 Legal Implications

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

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

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

4.4 Equalities Impact Assessment

- 4.4.1 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.
- 4.4.2 An Equalities Impact Assessment is not required in relation to this report because the recommendation being sought does not have direct impacts on residents.

5. Conclusion and reasons for recommendations

- 5.1 Sound risk management arrangements is a key component of the Council's governance framework. The Committee is asked to note the Principal Risk Update.

Final report clearance:

Signed by:

Corporate Director of Resources

Date:

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