



Report to Audit and Governance Committee

Date: 25 September 2023
Report of: Head of Finance and Audit
Subject: RISK MANAGEMENT MONITORING REPORT

SUMMARY

In March 2017, the Audit and Governance Committee approved a new Risk Management Policy based around a set of principles rather than a formal framework of registers. The policy requires evidence of risk management to be compiled every six months as proof that the policy is effective. This is the latest six-monthly report under the policy.

RECOMMENDATION

It is RECOMMENDED that the Audit and Governance Committee review the report as a source of evidence that the current Risk Management Policy is operating in practice.

INTRODUCTION

1. In March 2017, the Audit and Governance Committee approved the latest Risk Management Policy based around a set of principles rather than a formal framework of registers. Under this process, discussions are held with managers to gather evidence that the policy is operating in practice. In particular the policy would be considered to be effective if managers are able to discuss:
 - a) what their top risks are and any new or changes in risks and opportunities that have occurred;
 - b) actions that have been taken in the year to mitigate risks;
 - c) incidents that have occurred and actions taken to manage the incident and prevent a repeat;
 - d) risks and solutions shared with other services in the Council or discussed with Council experts in that subject.
2. The last progress report was compiled in March 2023. This report summarises the evidence gathered from the discussions which took place in June and July 2023.

RISKS - MANAGERS COVERED BY THIS REPORT

3. Discussions are held in two rounds of interviews, so that each manager is interviewed once in the annual cycle. The Managers covered in the 2 sets of interviews this year are listed in the table below, which highlights those services covered by this report and therefore which risk topics feature.

Managers Interviewed for this report	Managers Interviewed for the last report
Head of Building Control Partnership (JS) Assistant Director (Democracy) (LU) Head of Development Management (LS) Head of Finance and Audit (EH) Director of Housing Delivery (RL) Head of Streetscene (MB) Head of Strategic Sites (SW) Leisure and Community Manager (EW) Property Manager (IC) Corporate Services Managers – part one Web and Social Media Manager (MP) Human Resources Officers HR Business Partner (TH)	Head of Environmental Health (IR) Head of Housing and Benefits (CN) Head of Planning Strategy & Economic Development (GW) Head of Asset Management (SF) Solent Airport Head of Strategic Sites (SW) Strategic Sites Development Officer (RH) Coastal Partnership Managers Head of Coastal Partnership (LC) Business Development Manager (JR) Legal Partnership Managers Assistant Director (Democracy) (LU) Service Director (Solicitor to the Council) (RI) Service Lead (Legal Partnership) (SR) ICT Managers ICT User Support Manager (DM) Business Systems Manager (DS) Corporate Services Managers – part two Policy, Research and Engagement Manager (RB) Communications Manager (JL)

STRUCTURE OF THE EVIDENCE GATHERED




4. Detailed notes were taken of each discussion and saved as evidence. The sections below give examples of the risks discussed during the interview and records an opinion as to whether:
 - a) the manager was able to demonstrate examples of risk management; and
 - b) whether there were any problems where corporate assistance might be needed.



RESULTS OF THE RISK MANAGEMENT DISCUSSIONS

5. The sections below provide evidence of effective risk management for the following services:
 - Building Control
 - Property Services
 - Streetscene
 - Finance
 - Human Resources
 - Leisure Services
 - Welborne
 - Housing Delivery
 - Development Management
 - Democratic Services
 - Corporate Services (first part)

Building Control

6. A discussion was held with the Head of Building Control Partnership, the Finance Business Partner (HT) and the Finance Apprentice (Audit) and appropriate examples of risk management activity were covered. These included the following 5 risks:






	Building Safety Bill (Update): Risk of non-compliance with the Bill. The introduction of the Bill is continuing to progress, and surveyors are undertaking the relevant training to demonstrate competency but there are still elements of the bill that remain unclear. A peer review has been commissioned from Local Authority Building Control (LABC) to help ensure that the Partnership is suitably well prepared for the forthcoming extensive changes to the building control system.	Actions in Progress
	Recruitment – Surveyors (Update): Steps have been taken to reduce high agency costs, but surveyor recruitment remains a risk as once surveyors gain their additional qualification, they will become more valuable to the private sector and could put further strain on recruitment. The external peer review will also advise on our approach to recruitment, retention, employment package together with career grading, apprenticeships and mentoring.	Actions in Progress
	ICT System: Risk of unsupported IT system. The service has been notified that the current ICT system will become unsupported in 3 years. Steps are being taken to identify if actions can be undertaken to continue using the system or if an alternative system will need to be sourced.	Actions in Progress

	Non-Fee Earning Work: The level of statutory non-fee earning work is increasing year on year. There is a risk that this may begin to put a strain on resources and has the potential to increase the overall cost of the service. Further work may be required to investigate the cause of the rise.	Further Action may be needed
	Developers Levy: There is a new Building Safety Levy due to be imposed from April 2024. The levy will be on new building structures and is expected to be collected via building control. The true impact on the service is currently unknown but additional resources may be required.	Further Action may be needed

7. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Property Services




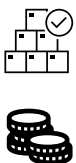

8. A discussion was held with the Property Manager, Assistant Finance Business Partner (Assets) (KJ) and Head of Finance and Audit and appropriate examples of risk management activity were covered. These included the following 5 risks:

	High Risk and High Profile Projects: There is currently a peak in major projects in the capital programme including Fareham Live, demolition of Osborn Road Multi-Storey Car Park, housing developments and schemes at Daedalus. With a small Property Team, there is a risk of failure to deliver the schemes on time particularly if officers need to divert their time to reactive issues.	Actions in Progress
	Dealing with Reactive work: There is a risk of being unable to respond to new property related issues as they occur. A flood occurred at the new Sir Randal Cremer House site a few weeks before residents were due to move in. This was due to a pressure build up, due to non-use, on a defective fitting and affected 2 of the 16 units. There was a quick response from the Responsive Repairs Team and their contractors to stop the leak and start rectifying the properties affected before the new tenants moved in.	Risk Occurred - Appropriate Actions Taken
	Reinforced Autoclaved Aerated Concrete (RAAC): The failure of RAAC components has been identified as a risk in some public buildings constructed between the 1950s and 1980s. Following an internal review, the Council are not aware of any Council owned buildings which include the RAAC system. The Council will maintain a watching brief and, should any concerns arise with regard to the possibility of RAAC presence, these will be immediately investigated and, where necessary, appropriate advice obtained to identify any associated risks or remedial measures required.	Actions in Progress
	Safety in Empty Properties: Risk of liability for accidents that happen when members of the public enter buildings the Council owns, even if they are empty and they enter without the Council's permission. There are good procedures in place for securing empty housing properties. Similar procedures are being developed for non-housing properties.	Actions in Progress
	Loss of Key Staff Knowledge: Risk of loss of key staff affecting service delivery. The Property Team are likely to be losing some long-standing members of the team in the next 18 months to 3 years as they reach an age when they want to move onto different things. Work on succession planning is taking place to allow them to transfer across the knowledge that they hold.	Actions in Progress being taken but High Risk remains

9. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Streetscene




A discussion was held with the Head of Streetscene, Assistant Finance Business Partner (Assets) (KJ) and Acting Senior Audit and Fraud Analyst. Appropriate examples of risk management activity were covered. These included the following 5 risks:

	<p>Adoption of Open Space: Work is being carried out on current sites to obtain biodiversity credits as well as the purchase of additional spaces. There is a risk that standards and maintenance of work on open spaces could be impacted as there are pressures on the current establishment for upkeep plus the potential additional workload; particularly with elections drawing nearer. Current focus is on what we currently maintain rather than investigating additional purchases.</p>	<p>Actions in Progress</p>
	<p>Recruitment: Risk of staff shortage. Recruitment is challenging in the current climate particularly obtaining drivers from staff agencies to cover staff shortages or sickness. The service is trialling going over establishment to ensure adequate cover. However, it is difficult to recruit drivers with the required experience and skills.</p>	<p>Actions in Progress</p>
	<p>Vehicle Repairs (Update): Risk of failure to deliver Council services due to long lead times for vehicle parts, increasing cost of spares and competition for used vehicles in the market. The Transport Repair Unit is further impacted due to lack of fully qualified technicians to manage the new technology in the vehicles. A vehicle replacement programme has now been agreed but it will take time to get to full capacity. Key Performance Indicators have been introduced but these are also hard to achieve with the resources available.</p>	<p>Actions in Progress being taken but High Risk remains</p>
	<p>Waste Strategy (Update): Risk of non-compliance with the Waste Strategy. Uncertainty on what the future Government policy for waste collection will be, and what funding will be provided to deliver any mandatory changes, such as weekly food collection, is impacting on the ability to plan the service and to deliver the strategy at short notice. This includes vehicle choices, building location, personnel needs and round balancing.</p> <p>There are likely to be further delays going forward, as well as revisions to original proposals which will therefore affect the levels of Government funding support, as well as increasing oncosts as part of Hampshire County Council revisions listed below.</p>	<p>Appropriate Actions being taken but High Risk remains</p>
	<p>HCC Waste Disposal (Update): Uncertainty around proposals on waste disposal (including twin streaming) and the status and content of the HCC preferred Inter Authority Agreement continue. If implemented, this would incorporate residual waste and contamination targets (with financial penalties for failure).</p> <p>Despite delays to the Environment Bill, Hampshire County Council are still keen to pursue the implementation of Inter Authority Agreements, potentially resulting in a loss of income and increased expenditure. Discussions between the Waste Collection Authorities and HCC are ongoing, to seek a mutually agreeable solution.</p>	<p>Appropriate Actions being taken but High Risk remains</p>

10. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Finance

11. A discussion was held with the Head of Finance and Audit, Finance Business Partner (HT) and Senior Audit and Fraud Analyst. Appropriate examples of risk management activity were covered. These included the following 3 risks:




	External Audit Opinion (Update): There is a potential risk of not meeting the draft publishing deadlines for the Narrative Report, Annual Governance Statement, and the Statement of Accounts as the timelines have reverted to the end of May. Currently there are no financial penalties for missing the publishing deadlines. The timetable for completing both the end of year accounts and annual governance statement have been brought forward to meet the end of May deadline.	Actions in Progress
	Telephone Payment Cut off time: The telephone payment system used by the Council had a banking cut-off point of 4pm but the Council offered customers to pay by this method up until 5pm. The difference in cut-off times was impacting the end of day cash reconciliations and causing some delays to the year-end accounts. Consultations took place with services across the Council and the end of day process has been amended, resolving the issue.	Risk Occurred - Appropriate Actions Taken
	Budget Gap: Potential risk of a £2.4 million budget gap in the Medium-Term Finance Strategy. On-going Opportunities Plan discussions are being held with different services ensuring that there are sufficient resources available to deliver the agreed plan.	Actions in Progress



12. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Human Resources

13. A discussion was held with the Human Resources Business Partner (TH), Finance Business Partner (LJ) and the Acting Senior Audit and Fraud Analyst. Appropriate examples of risk management activity were covered. These included the following 5 risks:

14.




	Apprenticeship Roles: The Council have a couple of apprenticeship roles available. However, there is no requirement for the individual to repay their college/training fees if they were to leave the Council within two years of qualifying. This means there is a risk that the Council will not benefit from the skills obtained.	Risk Occurred - appropriate actions being taken
	Workforce Wellbeing (Update): Risk of mental health issues amongst the workforce. The cost-of-living crisis causing most anxiety. Some customer-facing staff are still experiencing abuse from customers. Health & Safety actions have been put in place, including conflict management advice to front line staff.	Actions in Progress
	Peak in Sickness (Update): There is a risk that a new Covid strain may emerge as we head towards the winter season, this will continue to be monitored. Mental Health issues (stress and depression) have been the biggest factors in sickness in the first quarter of this year, however, sickness levels are now starting to drop. The Human Resources Team manages absences well, signposting to counselling services and arranging phased returns where appropriate.	Actions in Progress

	Succession Planning: An ageing workforce is an issue in some services, and with no upper age limit to retirement, it is hard to predict retirement dates. We are looking at ways to mitigate this risk and ensure strong succession arrangements are put in place, including utilising the skills of existing staff to help in other departments and talent management.	Actions in Progress
	The Way We Work: The new hybrid/homeworking policy helps staff wellbeing and work life balance. There is a risk that it is difficult to manage output in some roles, as flexibility is needed. There is comprehensive staff guidance available, and a home working assessment is being undertaken by the Internal Audit Team as part of the 2023/24 Audit plan.	Actions in progress

15. There were no aspects arising from the discussion that indicates corporate involvement is needed to resolve the residual risks and actions arising.

Leisure Services


16. A discussion was held with the Leisure and Community Manager, Financial Services Procurement Manager and Finance Apprentice (Audit) and appropriate examples of risk management activity were covered. These included the following 3 risks:



	Community Contract: The external contract that provided voluntary and community support in the Borough, focusing on volunteering, governance, and funding, was not renewed by the contractor. The services provided were reviewed and the Council determined that they could be delivered through other methods at a reduced cost.	Appropriate Actions Being Taken
	Fareham Live (Update): Negotiations on a revised management fee with the new management team for the Fareham Live Operator proved unsuccessful. However, a management team has now been confirmed. There is a risk there may still be some delay in the opening of the new entertainment venue which could result in a negative financial impact. This should be minimal as work continued despite the setback.	Risk Occurred – Appropriate Actions Being Taken
	Leisure Centre Energy Costs (Update): There is a risk that if energy costs are more than those allowed for in the Leisure Centre contract, the Council will be responsible for funding the excess charges. Work continues to establish these as the yearly amount is still unknown and was not initially planned for. Procurement is currently working on a benchmarking arrangement.	Actions in Progress being taken but High Risk remains

17. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Welborne

18. A discussion was held with the Head of Strategic Sites and Finance Business Partner (GC) and appropriate examples of risk management activity were covered. These included the following 3 risks:





	Health and Wellbeing Hub (Update): There is still a risk that the health care provision for the Welborne development, as determined by the Integrated Care Board, does not meet the public's expectations and the Council's reputation is affected. This has not been resolved as part of the Section 106 negotiations	Actions in Progress
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	Junction 10 Delivery (Update): The changes to the M27 Junction 10 are needed to facilitate the delivery of 6,000 homes, together with employment and other uses, that can be built in the Garden Village development. The Junction 10 scheme is to be funded by developer funding and government grant, but there is still a risk of a funding gap. The outcome will not be known until early 2024 when the scheme costs are finalised and the position of Hampshire County Council as scheme promoter is clear. Only 1,160 homes can be built and occupied at Welborne in advance of the completion of the Junction 10 scheme.	Appropriate Actions being taken but High Risk remains
	Loss of affordable homes built (Update): There is still a risk of affordable housing provision dropping from 10% if the motorway junction costs rise and the developer's contingency contribution needs to be used.	Appropriate Actions being taken but High Risk remains

19. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Housing Delivery






20. A discussion was held with the Director of Housing, Finance Business Partner (KB) and Senior Audit and Fraud Analyst and appropriate examples of risk management activity were covered. These included the following 4 risks:

	Condition of housing stock and non-dwelling assets (Update): The ageing profile of our housing stock, combined with reduced planned maintenance works over the past few years, other than responsive repairs capital works, means there is a risk from reduced asset values and increased repair works. A condition survey will be undertaken to help the Housing Delivery Team understand the current issues with the housing stock.	Actions in Progress
	Housing Development Scheme Viability: There is a risk that the rising costs of borrowing and market volatility has a detrimental impact on the financial viability of housing development schemes. This is compounded by potential restrictions on rent setting.	Appropriate Actions being taken but High Risk remains
	Void Works and Processes: There is a risk that the void process and turnaround is having a detrimental impact on the availability of housing stock to individuals and families, either on our waiting list or eligible for Temporary Accommodation under the Homelessness Reduction Act.	Appropriate Actions being taken but High Risk remains
	Tenant Satisfaction Measures: Tenant Satisfaction Measures will impact across all housing service areas. It is a new Regulator of Social Housing initiative, and this is the first reporting year. The Council must report against certain measures and tenant satisfaction. Results will be published nationally and benchmarked against other providers. There is a risk of how we perform when benchmarked with others and having the appropriate staffing in place.	Appropriate Actions being taken but High Risk remains

21. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Development Management





22. A discussion was held with the Head of Development Management, Finance Business Partner (GC) and Finance Apprentice (Audit) and appropriate examples of risk management activity were covered. These included the following 5 risks:

	Tree Contract Renewal (Update): The tender for the Council's externally provided tree services was renewed in May 2023. There are now 8 contractors making up the framework. There was a risk that the costs would have increased due to inflation and there is a continued risk that any of the contractors could pull out on an annual basis if the Council is unable to provide their requested rates. However, this is a low risk due to the range of contractors available through the framework that can be used should one supplier need to withdraw.	Appropriate Actions Taken
	Migration of Tree Works Database System: Risk of ineffective tree database. The IT database system that holds information relating to tree works across the Council has been successfully migrated to the Cloud and adapted for the Tree Team, mitigating system outage, availability, and security risks.	Appropriate Actions Taken
	New Biodiversity Legislation: A new legislation is being introduced in November 2023 and April/May 2024 where all new development sites will be scored on their biodiversity value by Hampshire County Council. Developers will need to make a 10% improvement on the score through their proposed development. Should they be unable to achieve this, the 10% improvement will need to be mitigated through other means such as using another site. There is the risk that planning applications may not be able to be approved if there is not sufficient mitigation in place. The Development Management Team will be monitoring the solutions for this requirement that are put in place across the Council and will work with Hampshire County Council to accommodate the new legislation.	Actions in Progress
	Planning Appeals (Update): There is a risk of unknown large costs for the Council as there is no way to predict the number of appeals that will be received. The Council has now implemented a new Local Plan which sets out sites within the Borough that are intended to be used for development. This should result in a reduction of appeals and current figures show this to be true. However, the unpredictable nature of appeals means this continues to be a risk.	Appropriate Actions being taken but High Risk remains
	Nutrient Neutrality: The government has recently announced that the Levelling Up and Regeneration Bill will be amended to remove specific obligations on developers to provide nutrient neutrality mitigation measures for their schemes through the development process. As effective mitigation measures have been in place and working effectively within Fareham and the wider PFSH area, the proposed changes are likely to cause uncertainty in the development industry, and potentially extensive legal challenges, which in turn could reduce housing delivery levels.	Actions in Progress

23. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Democratic Services

24. A discussion was held with the Assistant Director (Democracy), Finance Business Partner (LJ) and Acting Senior Audit and Fraud Analyst and appropriate examples of risk management activity were covered. These included the following 4 risks:



	Changes to Data Protection legislation (Update): The government has been consulting on their paper: Data: A New Direction, which sets out proposals for UK data protection laws following Brexit. This is currently on hold; however, the risk remains that the Council's information governance arrangements will not comply with the legislative changes if and when they come in.	Actions in Progress
	Elections Act 2022: There is a risk that we do not meet the changes to the election procedure required by the new legislation. This includes the introduction of voter photo ID. A small amount of funding has been received but it is unclear if there are any additional funding opportunities.	Actions in Progress
	<p>Elections 2024: There are a number of risks associated with the delivery of the election in 2024 which could impact on the Council's reputation and voter satisfaction. These arise from:</p> <ul style="list-style-type: none"> a) Changes to local wards following the Boundary review b) The need for a 100% election of councillor seats involving 2 votes per voting paper c) Potential for a parliamentary election to be called at the same time as the local election increasing voter turnout and staff resources required d) Changes to parliamentary wards following the Boundary review e) Election of a high-ranking MP in our Borough requiring increased security arrangements and media coverage <p>Training plans and briefings are already in progress to ensure that election staff and candidates have a thorough understanding of any new processes being implemented.</p>	Actions in Progress
	Committee Reports: The Local Government Act 1972 sets out how committee reports should be compiled. There is a risk that committee reports do not adequately consider alternative options. The quality of committee reports resulting in formal decision making, needs to be assessed.	Further action may be needed


25. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Corporate Services

26. A discussion was held with the Web and Social Media Manager, Financial Services Procurement Manager (RG) and Senior Audit and Fraud Analyst. Appropriate examples of risk management activity were covered. These included the following 3 risks:

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	Facebook Chat Bot: Potential risk of the Fareham Borough Council chat bot on Facebook providing incorrect information to members of the public. The chat bot is being monitored internally by the Web and Social Media Team and a full audit of the software has been completed by the Cybersecurity Team. For any complex queries, the chat bot will suggest speaking to an advisor to ensure the member of public is receiving the correct information.	Actions in progress
	Fareham Borough Council Website: Potential risk the website is not kept up to date and that limited sections of the website not being accessible by members of the public, as they are hosted on local servers and have not yet been migrated to the Cloud. This could lead to additional calls or emails from customers who are unable to complete online forms. Discussions are ongoing to understand if the server data can be migrated to the Cloud.	Further Action may be needed

	Performance Management: Potential risk on the way we measure performance. Following the approval of the updated Corporate Strategy there is an exercise to update the Local Service Agreements to ensure we meet the requirements of the Office for Local Government standards.	Further Action may be needed
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28. There were no aspects arising from the discussion that indicates additional corporate involvement is needed to resolve the residual risks and actions arising.

Key to the Icons Used in the Tables

	Contractors, suppliers or goods risk
	Environmental impact risk
	Financial Risk
	Health and Safety risk
	Legal and regulations risk
	Reputation and customer satisfaction risk
	Service Delivery risk
	Technological risk
	Workforce resources risk