

FAREHAM

BOROUGH COUNCIL

Report to Audit and Governance Committee

Date: 11 March 2024

Report of: Assistant Director (Finance and ICT)

Subject: RISK MANAGEMENT MONITORING REPORT

SUMMARY

This is the latest six-monthly risk monitoring report highlighting some of the risks arising from the latest rounds of discussions with managers.

A slight change to the content of the report is going to be trialled to strengthen the oversight of the higher risks going forward.

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 Committee approved the latest Risk Management Policy based around a set of principles rather than a 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 September 2023. This report summarises the evidence gathered from the discussions which took place in December 2023 and January 2024.
3. Risks in relation to the Solent Airport and the Daedalus site are not covered in this report. A working group has been established to carry out a detailed risk analysis of the options going forward. This work is in its early stages.

MANAGERS COVERED BY THIS REPORT

4. 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 Environmental Health (IR) Interim Consultant Housing and Benefits (SP) Interim Planning Strategy Lead (KC) Economic Development Officer (JH) Head of Asset Management (SF) Coastal Partnership Business Development Manager (JR) Legal Partnership Managers Assistant Director (Democracy) (LU) Head of Legal Partnerships (SR) ICT Managers Technical Infrastructure Manager (AS) Development and Systems Support (KW) Corporate Services Managers – part two	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 (EB) Property Manager (IC) Corporate Services Managers – part one Web and Social Media Manager (MP)

Policy, Research and Engagement Manager (RB) Communications Manager (JL)	Human Resources Officers HR Business Partner (TH)
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STRUCTURE OF THE EVIDENCE GATHERED


5. 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

6. The sections below provide evidence of effective risk management for the following services:
- Corporate Services (second part)
 - Environmental Health
 - Housing and Benefits
 - Planning Strategy and Economic Development
 - Coastal Management
 - Legal Services
 - IT Services
 - Asset Management


Corporate Services (second part)

7. A discussion was held with the Policy, Research and Engagement Manager (RB); Financial Services Procurement Manager (RG); and the Acting Senior Audit and Fraud Analyst (CR) and appropriate examples of risk management activity were covered. These included the following risks:


	<p>Carbon Footprint: (Update) Risk of failure to deliver the 2030 Carbon neutrality commitment.</p> <p>Success relies on significant additional capital and revenue financing and may also require offsetting. Future technological developments, however, may also help to achieve this commitment.</p> <p>Particular projects in progress are: Application has been made to Phase 2 of the Swimming Pool fund for monies to support energy generation and reduction at the two leisure centres. Preparation for potential future bids to support energy reduction in operational buildings. A Business Case is also being developed for a solar farm which could help offset emissions and generate revenue.</p>	<p>Actions in Progress</p>
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	<p>Consultation and engagement: (Update) Risk that we do not reach interested groups during consultation.</p> <p>A new Communications and Engagement Strategy will be published in Spring 2024 and include actions related to engaging offline groups.</p>	<p>Actions in Progress</p>
	<p>Opportunity plan: (Update) Risk of failure of Opportunity Plan work to close the funding gap.</p> <p>New opportunities will be more difficult to identify as the easier projects have been delivered. A new Opportunities Plan for 2023/24 was approved in September 2023 which contained 85 projects. Progress has been made on a number of projects such that additional income and savings have been included in the revised budgets and have helped close the budget gap for 2023/24. There is still work to do to close the budget gap in future years as highlighted in the latest Medium-Term Finance Strategy.</p>	<p>Actions in Progress</p>
	<p>New Statutory Joint Complaint Handling Code: Risk of non-compliance and increased costs to meet the requirements of the new code from the Housing Ombudsman, Local Government and Social Care Ombudsman.</p> <p>The new Complaints Code is due to be introduced in April 2024. As part of this change the different ombudsmen will be merging. Additional resources may be needed to meet the quick response times required for complaints. There will also be additional reporting and analysis requirements.</p> <p>The final guidance is due Mid-February but preparation work on revised policy and procedures has been completed. Officer training is planned for April.</p>	<p>Actions in Progress</p>

8. The following significant risk was added by the Senior Leadership Team:

	<p>The Office for Local Government (OFLOG): Risk of inability to demonstrate best value to the new government office overseeing the performance of local councils.</p> <p>OFLOG was launched in July 2023 with a vision to provide authoritative and accessible data and analysis about local government performance and support its improvement. One of the strategic objectives is to increase local and central government understanding of local authority performance, and complete local government reviews.</p> <p>The Council will therefore need to expand the metrics and data collection to demonstrate best value in the delivery of its services, but the nature of this requirement is not yet fully known. Performance measure workshops are currently being rolled out across the council and a new approach to corporate performance will be presented to members shortly.</p>	<p>Actions in Progress</p>
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




9. Another discussion was held with the Communications Manager (JL) and the Financial Services Procurement Manager (RG), and appropriate examples of risk management activity were covered. These included the following risks:

	<p>Newspaper Licencing Agency (NLA) Licence: Risk of breaching licencing rules in relation to copying and sharing segments from news articles.</p> <p>Although the Council has low requirements in relation to the use of news articles, there would be a risk if this was done without an appropriate licence being in place. The Council has a licence in place to remove the risk.</p>	<p>Appropriate Actions Taken</p>
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	<p>Adverse Publicity: Risk to the Council’s reputation as a result of adverse publicity across the media landscape.</p> <p>The Communications team monitors media coverage including social media and devises appropriate responses as necessary. In particular a new process of “fact checks” has been introduced in which the Council will respond to fake news about the Council by posting a response clarifying the facts of the issue.</p>	<p>Appropriate Actions Taken</p>
	<p>Service Resilience: Risk that important tasks could be delayed due to unexpected absences in the team.</p> <p>The Communications team is small so if one is absent unexpectedly this could cause a delay in their work. Resilience is being developed through overlapping roles/awareness with another team within the Council.</p>	<p>Actions in Progress</p>




Environmental Health



10. A discussion was held with the Head of Environmental Health (IR); Finance Business Partners (LJ); and Acting Senior Audit and Fraud Analyst (CR) appropriate examples of risk management activity were covered. These included the following risks:

 	<p>Disabled Facilities Grant Funding: There is a risk that required adaption work will be delayed due to the grant funding needing to be replenished. Delays to the works could result in potential Health and Safety issues and complaints</p> <p>The grant for disabled adaptations comes from the Government’s Better Care Fund which is carried forward between years and drawn down as needed. However, the costs of applications have been increasing with the rise in the cost-of-living rise such that the budget has been exceeded by December. Further draw down from the funding balances has therefore been needed.</p>	<p>Appropriate Actions Taken</p>
	<p>Health & Safety investigations: There is a risk that other Environmental Health operations, such as food safety inspections, may be impacted due to the need to divert resources to investigations.</p> <p>Two high profile and serious Health and Safety investigations are ongoing which are resource intensive.</p> <p>Actions being taken by the team to keep on top of the workload as best they can; they are well practiced at identifying the most critical business as usual work which needs to be prioritised.</p>	<p>Actions in Progress</p>
	<p>Out of hours service supplier dependency: An external supplier provides the service call handling. There are no other companies available at the moment to provide the service. Therefore, there is a risk that, should the contract be unexpectedly terminated, council staff would need to undertake extra work outside their normal working hours impacting their daily jobs.</p> <p>There are some concerns over the robustness of the supplier, but the contract is due to expire in 2025, so alternatives are actively being sought now.</p>	<p>Appropriate Actions taken but risk remains</p>
	<p>Health & Safety Risk Assessments: (Update) Risk that legal obligations are not being met in relation to completing risk assessments.</p> <p>A new electronic system has been developed and is being used to manage risk assessments across the Organisation going forward. Work is still in progress to fully populate the system from the paper-based copies.</p>	<p>Actions in Progress</p> <p>Previously red</p>


Housing and Benefits

11. A discussion was held with the Interim Consultant Housing and Benefits (SP); Finance Business Partner (KB); and Head of Finance and Audit (EH). Appropriate examples of risk management activity were covered. These included the following risks:

	<p>Housing Benefits Subsidy Challenge: Risk of poor audit opinion and impact on subsidy payment.</p> <p>An issue was raised during the annual external audit of the Housing Benefit subsidy claim. This was that the enforcement of the document retention policy meant that key evidence was not available to support some payments of benefit. If the validity of the payments was challenged, then this might mean that the Government would not reimburse the Council for payments made.</p> <p>Officers obtained replacement evidence to confirm the validity of payments in the sample. Advice was sought from the government department as to the need to obtain further evidence for further claims outside of the sample. The document retention policy has been revised to address this risk going forward.</p>	<p>Appropriate Actions Taken</p>
	<p>Housing Revenue Account (HRA) Capital Spend: Risk of deficit in the current and future financial years.</p> <p>A Stock Condition Survey has been commissioned which will look at all of our stock over a 5-year period (20% each financial year) and inform maintenance priorities over the coming years. Due to the aging profile of the housing stock and inflationary impact on costs, the current level of spend on capital improvements and maintenance in the HRA is not sustainable and there needs to be strong financial management to verify the priorities and sources of funding.</p> <p>Action are being taking to increase financial monitoring of the HRA and corporate visibility. Funding is being prioritised for the essential works. Housing restructure in progress to strengthen management of planned maintenance work. Projects have been included in the Opportunities Plan to reduce costs and increase income.</p>	<p>Appropriate Actions Taken</p>
	<p>New Consumer Standards & Inspection regime from the Regulator of Social Housing (RoSH): New risk of non-compliance with the RoSH specific expectations (new standards) which come into force on 01/04/24, and associated risk arising from RoSH inspections of the housing service every four years.</p> <p>Only a draft version of the new national standards for social housing providers is currently available, which includes 61 'specific expectations' relating to various matters on condition of stock, tenant engagement/participation, tenancies, neighbourhood management, governance, and more. An initial self-assessment against the draft standards has been undertaken by Officers, this will enable an Action Plan to be developed to work toward compliance. Some actions will take several years to complete.</p>	<p>Actions in Progress</p>


	<p>DLUHC Peer Review or Intervention: Risk of some homelessness funding being returned to the government if they considered that the housing options service was not performing adequately.</p> <p>A risk was identified that some performance measures for the housing options service in housing could trigger an intervention and loss of Homeless Prevention Grant funding. The Council therefore built up a proactive working relationship with the Department for Levelling Up Housing and Communities (DLUHC) and took up their offer to undertake a peer review at Fareham.</p> <p>DLUHC endorsed the actions already taken and planned in the Housing Development Plan. Other actions recommended from the peer review are in the process of being implemented.</p>	<p>Actions in Progress</p>
	<p>Vulnerability of Housing Team (Update): Increased risk of physical aggression from the public in the reception area.</p> <p>Culture changes with the team implemented on how customer relationships in reception are approached. Appropriate training and reception layout improvements have taken place along with more robust recording of incidents and monitoring of trends has been implemented. Awareness is high of potential issues, and although no further or heightened risk is identified, ongoing monitoring of incidence will need to take place.</p>	<p>Actions in Progress</p> <p>Previously red</p>



12. The following significant risk was added by the Senior Leadership Team:

	<p>Increasing Cost of Bed and Breakfast Provision for the Homeless: Risk that funds are not available to support the Council's homelessness responsibilities.</p> <p>In 2017 the Homelessness Reduction Act was introduced increasing the duties of Councils to help homeless people and trying to prevent people becoming homeless in the first place. The cost of providing emergency accommodation has increased to nearly £2million as the numbers presenting as homeless has risen, together with the average cost per night increasing and there are difficulties moving customers on to further accommodation (resulting in longer stays).</p> <p>The government funding received to help fund the policy change will be exhausted in 2023/4 putting pressure on the budget in future years.</p>	<p>Further Action needed</p>
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

Planning Strategy and Economic Development

13. A discussion was held with the Interim Planning and Regeneration Consultant (KC); Finance Business Partner (GC); and Head of Finance and Audit (EH). Appropriate examples of risk management activity were covered. These included the following risks:

	<p>Housing Supply Penalties (Update): Previous risk of failure to meet housing delivery targets which will result in the Council facing penalties.</p> <p>New Government directive confirmed that as the Council has a newly adopted Local Plan, the need to constantly demonstrate a 5-year Housing land supply is no longer required.</p>	<p>Appropriate Actions Taken</p>
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	<p>Housing Supply and Delivery: Risk of failure to identify sufficient land for new housing development or to meet housing delivery requirements, which result in the Council's planning policies being weakened.</p> <p>There was the potential that the current delivery test was likely to be removed or restructured which meant the Council could demonstrate the provision of supply by granting enough planning permissions. However, to date the Government's method of measuring housing delivery has not been changed and the number of houses delivered in the Borough have not met requirements. Therefore, the risk remains, and current actions being taken to address the risk are:</p> <p>A) Ensuring that planning applications at Welborne and other allocated sites in the Borough are approved at the earliest opportunity thereby enabling them to move to delivery.</p> <p>B) Reviewing and updating the Council's Housing Delivery Test Action Plan.</p>	<p>Actions in Progress</p>
	<p>Next Local Plan: The requirements for the next local plan process are currently unclear giving a risk of non-compliance.</p> <p>The Council has a newly adopted Local Plan. The Government is proposing that there should be a new plan every 5 years with a change in process to make it quicker to do. If this is the case will not have much respite before the Council needs to start on its next plan. There is uncertainty surrounding the new local plan making process and therefore a long-term risk on the horizon.</p> <p>The potential changes are being monitored, and any emerging new rules will be addressed.</p>	<p>Actions in Progress</p>

14. A further discussion was held with the Economic Development Officer (JH) and Head of Finance and Audit (EH). Appropriate examples of risk management activity were covered. These included the following risks:

 	<p>Continuity Cover for Business Events: Risk that as the service is provided by a single person, they may become unexpectedly unavailable on the day of a significant business event /expo that we would not want to have to cancel.</p> <p>Officer now keeps the Leisure events team fully informed about all events being organised, so someone from the team can step in quickly to let the event continue if needed.</p>	<p>Appropriate Actions Taken</p>
	<p>UKSPF Funding: Risk that the spend of business support funding from the UK Shared Prosperity Fund does not comply with the government's grant conditions or the Council's procurement rules. This includes what the money can be spent on and the timescales in which it should be spent.</p> <p>The business support part of the fund is being used for Decarbonisation support for local businesses.</p> <p>Regular advice taken from the Procurement Manager and project lead officers on approach being followed and progress timetable that has to be delivered. Agreement with the successful partner requires them to provide the details needed for the returns. Weekly contract management meetings in place from the start of the arrangement.</p>	<p>Actions in Progress</p>





Coastal Management

15. A discussion was held with a member of the Eastern Solent Coastal Partnership Business Development Manager (JR); Finance Business Partner (KG); and Senior Audit and Fraud Analyst (SD) and appropriate examples of risk management activity were covered. These included the following risks:

	<p>Salt Marsh Creation (Update): Opportunity to create salt marsh habitat to offset losses with sea defence works elsewhere in the County.</p> <p>Funding has been obtained from the Environment Agency to look at salt marsh habitat creation at Hook Lake which could offset sea defences pressures on other areas of the Solent. There is a risk that salt marshes will turn into mud flats because of climate change. Loss of coastal grazing marsh means this has to be recreated elsewhere.</p> <p>Update – The project is on hold until the changes from new legislation issued November 2023 on habitat creation & restoration programme (HCRP), is understood. There will be an impact on project proposals as part of Biodiversity Net Gain. There is a risk that there could be a funding gap likely to impact on service delivery. A report on this is scheduled to go to the Executive in 2024/25.</p>	<p>Actions in Progress</p>
	<p>Increase in Costs (Update): Risk that budgets are insufficient due to the significant cost increase in construction materials arising from the crisis in Ukraine and the inflation increase.</p> <p>Some prices have levelled but are not returning to prior values and there is still volatility in the market. The Service have built in provisions for increases as well as mitigating future pressures by having contractors purchase materials upfront in advance, with the ownership of inventory risk being with the contractors rather than Fareham.</p> <p>The Environment Agency is allowing some rebasing of grants on projects already started.</p>	<p>Actions in Progress</p>
	<p>Loss of funding (Update): Risk of reduced availability of both EU funding for projects, as well as changing focus for Grant in Aid (GIA) funds from DEFRA (the service currently has an 85% reliance on GIA funding).</p> <p>There have been successes with funding bids in conjunction with universities, as well as local providers. There has also been increased interest from other local authorities considering joining the partnership.</p> <p>A partnership risk budget is available to cover potential shortfalls.</p>	<p>Actions in Progress</p>
	<p>Ageing flood and coastal defence assets: Risk that older defences fail.</p> <p>Older assets are at a higher risk of damage and failure during storm events. These assets may not be due for capital replacement for many years and need to be maintained.</p> <p>The risk is managed through routine asset inspections to detect signs of deterioration. However, conditions may deteriorate quickly increasing repair costs, service demand and reputational impacts, as well as health and safety implications if repairs are not delivered promptly.</p> <p>Discussions are ongoing with Hampshire County Council regarding how future works will be funded and what the priorities are based on potential risks for additional funding bids.</p>	<p>Actions in Progress</p>

Legal Services



16. A discussion was held with the Assistant Director (Democracy) (LU); Head of Legal partnerships for Southampton City Council (SR); Finance Business Partner (LJ); and Senior Audit and Fraud Analyst (SD) and appropriate examples of risk management activity were covered. These included the following risks:

	<p>Covid Inquiry (Update): Risk of poor audit trail to respond to the Government's requests.</p> <p>Local Authorities are required to retain documentation relating to corporate decisions made during the pandemic. The Local Government Association is leading on what documents need to be collated and submitted.</p> <p>The Legal Partnership utilise a case management system, which mean that they can pull off information quickly.</p> <p>The Council has been able to respond quickly to the requests for information that have been received so far.</p> <p>However, the covid inquiry is likely to last a few more years yet so there is an ongoing risk that we need to retain the documentation to prevent legal challenge.</p>	<p>Appropriate Actions Taken</p> <p>Previously amber</p>
	<p>Extended Partnership (Update): Risk that the partnership is not able to maintain the current level of service.</p> <p>Havant Borough Council is now part of the Legal Partnership. Further solicitors have been recruited, and there has been no impact on the legal resources available to the Council. However, this is a shifting picture as other pressures on the service continue.</p>	<p>Actions in Progress</p>
	<p>Section 114 Notice: Risk of Southampton City Council (SCC) issuing a S114 notice reporting that they are in financial difficulty impacting on the partnership.</p> <p>SCC have a contractual obligation to provide services to FBC which should be honoured if the Council falls into special measures.</p> <p>Appropriate wording has already been drafted as to the continuity of the service to reassure the Council of this should this the notice be issued.</p> <p>However, there is a risk that the management cut back all spend not considered essential. There is also a risk that this will affect the future retention and recruitment of staff. A national Local Government Authority work stream has been set up to help mitigate general problems in recruitment of commercial property solicitors.</p>	<p>Appropriate Actions taken but Risk remains</p>
	<p>Authority to Appear in Court: Risk that Council employees are challenged in respect of their authority to appear in court.</p> <p>In a recent case, revenue officers were challenged on their authority to appear in court to pursue the collection of debts. Legal advice received was that "implied" authority based on a person's post is not strong enough.</p> <p>Officers who attend court on the Councils behalf, will be provided with a letter of authority signed by the Chief Executive Officer, noting that the officers have the authority to represent the Council in court.</p>	<p>Actions in Progress</p>

	Furthermore, a scheme of delegation is being drafted by each directorate to ensure officers have sufficient authorisation to represent the Council in court.	
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IT Services

17. A discussion was held with the Development and Systems Support Manager (KW); Technical Infrastructure Manager (AS); Finance Business Partner (HT); and Head of Finance and Audit (EH) and appropriate examples of risk management activity were covered. These included the following risks:

	<p>Physical space limitation (Update): Risk to physical safety of employees when building new PCs.</p> <p>A new designated space has been sourced, which provides an appropriate amount of space, which is free from the risk of trip hazards.</p>	<p>Appropriate Actions Taken</p> <p>Previously amber</p>
	<p>Home Working Assessments: Risk that issues raised by employees about their working from home arrangements are not adequately followed up by managers.</p> <p>Assurance work now completed by internal audit and Human Resources teams and no evidence was found that this risk is still a problem.</p>	<p>Appropriate Actions Taken</p> <p>Previously red</p>

Asset Management

18. A discussion was held with the Head of Asset Management (SF); Finance Business Partner (KG); and Senior Audit and Fraud Analyst (SD) and appropriate examples of risk management activity were covered. These included the following risks:

	<p>Fareham Shopping Centre (Update): Risk that purchase of shopping centre becomes a financial burden.</p> <p>Appropriate asset & strategic management teams have been contracted to support successful operations of the shopping centre. Responsibilities include ensuring vacant units are filled, operational costs (e.g., repairing the premises) remain low and net operating income sustainably increases.</p>	<p>Actions in progress</p> <p>Previously red</p>
	<p>Energy Performance Certificate (EPC) Compliance: Risk of the Fareham Shopping Centre being non-compliant with EPC legislation.</p> <p>Some due diligence carried out on this during the purchase. Internal resources are being utilised to monitor each milestone the Fareham Shopping Centre needs to achieve in order to be compliant with necessary EPC legislation by April 2027.</p>	<p>Actions in progress</p>

FUTURE RISK MANAGEMENT COVERAGE

19. The current risk management discussion regime has been in place for a few years now and there have been some significant changes to the senior management structure. A new approach to the Officers have therefore been considered and will be trailed for the next risk management cycle. Changes to the approach include:
- Each of the 6 monthly reports will cover all managers of two directorates, rather than spreading them across the 2 reports.
 - Directors will be included in the process and will be interviewed every 6 months. If their directorate is the subject of that report then the interview will be conducted at the end of the process so they can comment on the risks arising, particularly the level of the risk and risks that are missing from their perspective.
 - All the significant risks will be grouped together and updated in each report. This includes any cross-cutting issues which relate to the workforce plan.

APPENDICES

Appendix A: Key to the Icons used in the Risk Tables

Background Papers: None

Reference Papers:

Report to Audit and Governance Committee on 13 March 2017 on the Revised Risk Management Policy

CIPFA / SOLACE - Delivering Good Governance in Local Government Framework
April 2016 Edition

Enquiries:

For further information on this report please contact Elaine Hammell. (Tel: 01329 824344)

Appendix A

Key to the Risk Category 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

Risk Classifications in Use

Appropriate Actions Taken
Risk Occurred - Appropriate Actions Taken
Actions in Progress
Appropriate Actions taken but Risk remains
Appropriate Actions being taken but High Risk remains
Further Action may be needed