

To:
All members of the
Audit Committee

Please reply to:
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Date: 23 March 2023

Supplementary Agenda

Audit Committee - Thursday, 23 March 2023

Dear Councillor

I enclose the following items which were marked 'to follow' on the agenda for the Audit Committee meeting to be held on Thursday, 23 March 2023:

7. Corporate Risk Management

3 - 30

To consider and present to Corporate Policy and Resources Committee the significant strategic risks and issues highlighted in the report from the Internal Audit Manager.

Yours sincerely

Fiona Connelly
Corporate Governance

To the members of the Audit Committee

Councillors:

H. Harvey (Chairman)
J. Button (Vice-Chairman)
S. Buttar

T. Fidler
I.T.E. Harvey
K. Howkins

L. E. Nichols
P. Briggs

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APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Scoring Matrix (Plotted **March 2023** for current RAG rating and current risk score in consultation with Officers)

This is the matrix that forms part of the risk management policy. We currently assess the level of each risk category by plotting them on this matrix to provide a traffic light RAG rating. We also determine a numerical risk score by multiplying likelihood and impact scores. Please also refer to the next page for further detail on the approach and criteria applied.

When assessing the Council's risks in terms of likelihood and impact, we take into account the national and global picture for wider externalities such as the macroeconomic environment and geopolitical factors. Spelthorne's operations remain influenced by these external challenges and pressures, as is the case for other Councils. Due to these externalities, there are many activities that the Council cannot directly control/mitigate, or influence and continued recognition is important.

Red risks require prompt, planned management action **Amber** risks require planned management action **Green** risks are accepted risks. RC = Risk category on the detailed register e.g., RC2 = Risk Category 2 – Economy.

| | | | | | |
|---------------|-----------------------------|-------------------|---------------------|-------------------------------|---------------------------|
| IMPACT | 4 (Catastrophic) | | | | |
| | 3 (Major) | | | RC2 RC3 RC5 RC6 RC8 RC9 | RC1a RC1b RC4 RC7 |
| | 2 (Medium) | | | | |
| | 1 (Trivial) | | | | |
| | | 1 (Rare) | 2 (Unlikely) | 3 (Likely) | 4 (Almost certain) |
| | | Likelihood | | | |

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How risks are scored:

We assess and score risks, with their current controls and current mitigations in place, for likelihood and impact as shown below:

| Score | Impact | Likelihood (over 4 years or timescale deemed appropriate) |
|-------|--------------|-----------------------------------------------------------|
| 1 | Trivial | Rare (once) |
| 2 | Medium | Unlikely (a few times / less than annual) |
| 3 | Major | Likely (several times / more than annual) |
| 4 | Catastrophic | Almost certain (many times a year) |

Impact can be measured in many ways and will be specific to what you are assessing, but the most common are on objectives, finance, and reputation. We then plot the risk on the risk matrix model shown on the prior page to provide a RAG rating, to determine and prioritise the most significant risks for action. The risk action plan (refer to separate document) sets out how the authority is working towards further addressing and mitigating the risks.

KEY TO TERMINOLOGY (SEE RISK REGISTER BELOW)

- Risk is the chance of something happening or not happening that will affect the achievement of corporate priorities and business objectives.
- Controls and Mitigation - Any action taken to manage risk and increase the likelihood that established objectives will be achieved.
- *Control Actions - These are specific actions to reduce the likelihood of a risk event or occurrence.
- **Mitigating Actions - These are specific actions to reduce the impact of a risk event should it occur.

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 1a - Housing – Development and Targets

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 1a |
|------------------------------------------------------------------|-----------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Supporting Communities Affordable Housing Service Delivery | Management Team CPRC - Development Sub-Committee ESC (for Local Plan) | Group Head Assets (in the interim Deputy CX, Lee O'Neil) Group Head Place, Protection and Prosperity (Heather Morgan) Deputy Chief Executive (Terry Collier) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | | 12 | 12 |

Risk Descriptions

- 1a (i) The delays in decisions, which occurred due to a number of factors, appear to have been a key contributory cause in schemes not taking off/progressing, leading to rising overall costs, and risk of adverse financial position of the Council. **The risk of adverse impact from past delay and any further delay has now increased in the context of rising interest rates and significant construction inflation.**
- 1a (ii) **Significantly increased interest rates from the Public Works Loan Board (PWLB) and rising inflationary pressures continue to significantly affect the financial viability of each project going forward, which could further impact delivery of housing schemes and development targets (both affordable and general housing).**
- 1a (iii) **Market volatility including exchange rate fluctuations are further exacerbating frequent uplift of scheme prices and costs (such as materials / fuel / transportation / labour) leading to delays in finalising contracts and necessitating new approaches to contract management such as open booking accounting. This may provide greater uncertainty in terms of longer-term contract costs and budgetary impact but will enable fair value to be demonstrated.**
- 1a (iv) If overall direction for Knowle Green Estates (KGE) were to become unclear in the provision of the Council's Housing delivery programme this would present risks of failing to meet wider housing needs within the borough (beyond affordable housing), impacting effective delivery of housing development targets and increased payments to 3rd party landlords.
- 1a (v) Any delays in the examination and adoption of the Local Plan is likely to continue to impact on the ability to bring forward the appropriate quantum of housing development.

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| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Approved timetable for adoption of Local Plan | Annual Housing Delivery Test Action Plan |
| Viability assessments for development schemes required to take account of accelerating costs to determine ongoing financial viability | Annual Planning Performance report |
| Exploring alternative options and funding opportunities in supporting delivery of development schemes (such as Grant funding) | Financial monitoring and reporting; quantifying the impact of delayed property schemes on the Council's budgetary position as well as outlining mitigating actions moving forward |
| Weekly progress reporting of Property Development projects to officer Development Investment Group (DIG) | <p>Exploring and reviewing options for reducing amount of borrowing required to fund the Housing Delivery programme. Options being explored set out below:</p> <ul style="list-style-type: none"> i) Exploring grant funding options to fund part of the residential developments – a positive initial meeting with Homes England on 07 October 2022. Also exploring with One Public Estate future potential of Brownfield Release grant funding and BEIS green energy grants. ii) Changing the tenure mix of residential schemes to include element of sales of units (reducing the amount of long-term borrowing required) iii) Reviewing with Treasury Management advisors borrowing strategy iv) Bringing forward to November 2022 capitalisation proposals for KGE along with blended mix of the above as to how the Council can facilitate transfer of completed residential schemes at a cost which is financially viable for KGE. <p>Above covered at Extraordinary Council Meeting on 02 February 2023.</p> |
| Bi-monthly Assets Portfolio Working Group (with Chair and Vice of both CPRC and Development Sub-Committee) | |
| Regular advisory reports to relevant Committee regarding status of schemes, to inform decision making | CPRC agreed an Appropriation policy for treating any long-term surpluses generated by KGE |
| CPRC policy steer regarding options for repatriating surplus funds from KGE over the long term; KGE annual report to CPRC; established policies and framework. | On 28 November 2022 CPRC received the KGE annual report. |

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| | ECM on 02 February 2023 agreed a new strategic approach to put the Council's residential delivery programme on a financially sustainable basis and to protect the viability of KGE. |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the indicative/additional indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (At March 2023) | Direction of Travel After considering further mitigation set out in the Risk Action Plan? (Either) <ul style="list-style-type: none"> - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status |
| 9 | Reduced score and RAG status. |

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

Risk Category 1b - Housing – Affordable

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 1b |
|------------------------------------------------------------------|--------------------------------------------------|-------------------------------------------------|
| Supporting Communities Affordable Housing Service Delivery | Management Team Community Wellbeing & Housing | Group Head Community Wellbeing (Karen Sinclair) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | | 12 | 12 |

Risk Descriptions

1b (i) Lack of affordable housing supply increases homelessness
 1b (ii) Housing provision (types of units) does not meet local resident needs or address client special needs for accommodation.
 1b (iii) The Domestic Abuse Act presents additional pressures and demand as there is a requirement for victims of domestic abuse to be prioritised and rehoused in secure accommodation (parameters of what constitutes domestic abuse expanded under latest legislation)
 1b (iv) The ongoing conflict in Ukraine and refugee situation presents additional pressures in ensuring that fundamental needs are met in supporting new communities.
 1b (v) There is also pressure from neighbouring and London authorities placing households in the borough, often without our knowledge, however the Council has no powers to prevent this. It further reduces supply.
 1b (vi) Managing demand for social housing is extremely challenging given that anyone with a local connection can apply for housing to any Council.
 1b (vii) Cost of Living crisis and rising interest rates are adding increased pressure to (a) homeowners and landlords in repayment of mortgages as variable rates spiral. This may lead to landlords increasing rental charges presenting more homelessness cases (if rents cannot be afforded) with increased demand for social housing.

The above risks lead to increased costs and pressure on the Council's Housing Service in responding to homelessness and growing numbers on the Housing register, impacting delivery of affordable housing provision across the borough. If fundamental housing needs are not met / maintained this may have a negative impact on the health and wellbeing of individuals / families.

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| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
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| As part of the Housing Delivery Programme, Affordable Housing provision extends beyond those development schemes acquired by Spelthorne Borough Council (direct delivery) | Government funding to assist vulnerable families in rent arrears and who are at threat of eviction. |
| Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need; S106 agreements with Developers | Collaborative initiatives with Surrey County Council (e.g., Drug and alcohol abuse) |
| In complying with Homelessness Reduction Act, proactive measures taken to address risk of homelessness | Monitoring of Housing Register levels (currently approx. 3,500 households on the register). Re-registration process will take place this winter in accordance with the new terms of the revised Allocation Policy. |
| Measures to support Rough Sleepers, Afghan and Ukrainian refugee families under the government funded relocation and assistance scheme, including dedicated support workers. Applying Home Office funding to provide additional support to refugees. | Revised Allocation Policy approved in June 2022, with a view to adding greater efficiency to the housing register process and assigning social housing. Council applying for maximum grant funding for both Afghan and Ukrainian schemes and looking to put in place wrap around housing support to mitigate as much as possible housing accommodation risk pressures. |
| Housing and Homelessness Strategies. Quarterly monitoring of Strategic Action Plan. Regular review by officer Strategic Housing Group. Member approved tenancy strategy | Counter Fraud bulk data matching initiative being pursued with A2D (subject to finalization of contractual agreement), with the objective of identifying potential social housing fraud occurrences, to free up social housing for those in genuine need |
| Surrey reciprocal arrangement to re-house applicants across boroughs where local connection confirmed | The Housing Team have written to other Councils reminding them of legal obligation to notify where placing households in the borough |
| £35m property acquisition scheme via KGE – Knowle Green Estates to purchase and manage readymade properties approved by Full Council in February 2022, forming part of the capital programme. A process flowchart has been prepared, incorporating due diligence at key stages | |
| Approval of new Property Acquisition Project Manager with a view to them supporting the scheme through relevant skillset. This programme has also been impacted by increased borrowing costs | Council discussing with Homes England potential for some grant support for the Street Acquisition Programme |
| Review the s106 agreement process to increase robustness and delivery | Strengthening s106 agreements to ensure there is a review at the construction and completion stage to capture any potential additional affordable housing as a result of an uplift in value |

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| | February 2023 CPRC approved Council engaging with the new Local Authority Housing Allocation Fund to receive capital grant in purchase of 8 properties for Ukrainian and Afghan families. |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (At March 2023) | Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status |
| 12 | Maintained risk score and RAG status. |

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Risk Category 2 – Economy

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 2 |
|-----------------------------------------------|---------------------------------------------------|-----------------------------------------------------------------|
| Supporting Communities Recovery from COVID | Management Team Economic Development Committee | Group Head Place, Protection and Prosperity (Heather Morgan) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
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| Risk Descriptions |
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| <p>Evolving national economic strategy and policy and ongoing recovery from previous pandemic lockdowns continue to have an impact on economic wellbeing locally, nationally and globally. This is now being compounded by impact of the Cost-of-Living crisis. The risk implications and threats to the Council are:</p> <ul style="list-style-type: none"> Residual risk to be accepted – whilst Council actions aim to support businesses and the local economy, these actions alone can only have a limited impact due to the overarching effects and long-term uncertainty of the macroeconomic environment, market volatility and geopolitical factors over which the Council has incredibly little influence. Challenges around the full recovery of the aviation sector remains significant for Spelthorne’s local economy and communities due to its proximity to Heathrow as a major employer in the area. Significant longer-term reduction in income (fees and charges, such as parking and retail lettings of the Elmsleigh Centre) with decreased footfall in the town centres and uncertainty around future consumer activity patterns. This will continue to impact the Council’s finances. The potential for increased level of business failures as a result of wider economic instability (inflationary pressures and increase in borrowing) and the need to pass on increased costs to the consumer. This impacts economic prosperity of the borough and affects collections rates for business rate income, with reduced levels impacting finances and services available. The current economic environment may increase occurrences of anti-social behaviour, theft and fraud |

| *Current Control Actions (See Key. These are specific actions to reduce the likelihood of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the impact of a risk event should it occur). |
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| An Economic Prosperity Strategy has been developed (2023 – 2028) which addresses the key actions which face the borough. It incorporates a detailed strategy | Government assisted Energy Bills Support Scheme (EBSS) to support increased energy costs / bills. |

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| <p>action plan detailing performance management measures in anticipating outcomes. This was agreed by the Economic Development Committee on 12 January 2023.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46623/App%20A%202023-28%20Economic%20Strategyv4.pdf</p> | <p>On 12 January 2023, the Economic Development Committee agreed a Town Centres Strategy for 2023 which sets out a series of key actions for our smaller shopping areas and parades. These will provide targeted support and interventions, with timescales and measures of success clearly identified.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46628/TCM%20Strategy%20FINAL.pdf</p> |
| <p>Shared Prosperity Fund Investment Plan was submitted to government in August 2022 highlighting local priorities and projects to assist with economic regeneration (£1m to spend over three years but with 88% backloaded to 2024/25). DLUHC confirmed in December 2022 that our Investment Plan has been approved and the first tranche of monies is awaited.</p> <p>https://democracy.spelthorne.gov.uk/documents/s44963/CPR%20Ctee%2011.7.22%20SPF%20report%20v2.pdf</p> | <p>On 10 October 2022, Corporate Policy and Resources Committee approved frontloading of Shared Prosperity Fund schemes from the retained business rates retention reserve. This is to ensure that projects can be delivered in the immediate future (when they are needed) rather than waiting for government funding to come forward in 2024/25.</p> <p>https://democracy.spelthorne.gov.uk/documents/s46672/CPRC%2010.10.22%20-%20SPF%20and%20BBR.pdf</p> <p>A separate report went to ED committee in January 2023. A separate report to Audit Committee on the Council's risk exposure to wider externalities provides further examples of local mitigating measures taken by the Economic Development team (to influence areas where a degree of local control can be applied). These include measures to strengthen the resilience of local businesses in the face of future challenges enabling access to new equipment, free professional coaching and training on social media, free cost reduction clinics, free websites etc.</p> <p>Business incubator to support entrepreneurs. Provision of a Youth Hub to provide support into employment / training / education for 16 – 24-year-olds funded by DWP. In Spring 2023 this will become an Employment & Skills Hub focusing on both younger and older age groups.</p> |

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| Fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring the effect of current pressures such as the Cost-of-Living crisis on the collection fund. Regular reporting on collection rates to Corporate Debt Group and as part of KPI's to Councillors. | |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (At March 2023) | Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced risk score with no change to RAG status - Reduced risk score and RAG status |
| 9 | Maintained risk score and RAG status |

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Risk Category 3 – Financial Resilience and Commercial Assets

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 3 |
|--------------------------|----------------------------------------------------|--------------------------------------------------------------------|
| Recovery from COVID | Management Team CPRC /Development Sub-Committee | Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
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Risk Descriptions

Evolving externalities arising since the aftermath of the pandemic now compounded by the Cost-of-Living crisis and inflation continue to increase the Council's exposure to financial risk, with possible implications for the investment portfolio, including loss of anticipated rental income from commercial assets and poor investment returns. This may impact on the financial position, leading in the worst-case scenario to the Council becoming financially unsustainable with associated reputational damage.

| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
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| <p>Investment performance is monitored bi-monthly at weekly Councillor Assets Portfolio Working Group, and a quarterly performance report is produced for the Investment Portfolio.</p> <p>Fortnightly Asset Portfolio Working meetings are taking place to monitor income. (Investment portfolio – 99.98% collection rate last year (2021-22) despite the impacts of the pandemic).</p> <p>91% of overall Investment Portfolio let.</p> | <p>The Council is continuing to increase its sinking funds which increased from £26m to £34m at the end of 2021-22 and is expected to be approximately £36m at the end of 2022-23.</p> <p>Ten-year worst and expected case sinking fund scenario projections are reviewed on a fortnightly basis and will be shortly extended to a 20-year time frame.</p> <p>February CPRC 2023 approved refreshed Sinking Fund Policy and Strategy. A full review and refresh of the sinking funds modelling will be undertaken in 2023-24.</p> |
| <p>Due Diligence measures continue for tenant management.</p> | <p>Periodical reviews of financial health of tenants undertaken.</p> |

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| Development Sub-Committee approved a methodology for Business Plans for Investment Assets. Most of the investment assets have now had their Business Plans approved by the Development Sub-Committee. | Ongoing management of voids with a view to reducing the portfolio void rate. |
| Capital Strategy (updated Strategy approved by CPRC February 2023) includes key performance indicators with a particular focus on the investment portfolio. The Asset Management plan (reviewed annually) sets out key control measures. Development Sub Committee of Corporate Policy and Resources receives regular monitoring reports for scrutiny. Annual Performance Report. CIPFA FM Code self-assessment and Member reporting. | Assets team proactively working to fill voids quickly. |
| All Councillor Budget Briefing setting out financial risks in context of budgetary position, informing budgetary process. | |
| External review on arrangements | SBC participating in a review of capital risk mitigation with DLUHC and Chartered Institute of Public Finance and Accountancy (CIPFA) and will take on board any improvement suggestions. |

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023) | Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained score with no change to RAG status - Reduced score with no change to RAG status - Reduced score and RAG status |
| 9 | Maintained score with no change to RAG status |

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Risk Category 4 – Financial Resilience and Supporting Communities

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 4 |
|-------------------------------------------------------------------|-------------------------------------------------|-----------------------------------------------------------------------|
| Supporting Communities Recovery from COVID Service Delivery | Management Team CPRC and Community Wellbeing | Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | | 12 | 12 |

| Risk Descriptions |
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| <p>4(i) Increased financial pressures faced by the Council arising from the continued inflationary pressures on fuel, gas and electricity, staff pay pressures, slowing down of the housing delivery programme, significantly increased PWLB loan rates and other external factors are collectively causing a significant increase in revenue costs and capital expenditure. This will have a significant impact on the Council's balanced budget for 2022/23 and the planned budget deficits from 2023/24 to 2025/26.</p> <p>4(ii) Combined with reduced fee income and collection rates for Business Rates and Council Tax (exacerbated further by the Cost-of-Living crisis) this could have an impact on the Council's ability to deliver services as well as creating greater demands on community services, leading to a negative impact on the Borough's residents and communities (economic, social, physical and mental wellbeing). Ongoing financial pressures could lead to the Council becoming financially unsustainable.</p> |

| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
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| Fully refreshed Reserves Strategy approved by February 2023 CPRC | Governance reporting including financial impact of current pressures on the Council's budget. |
| Financial impact assessment modelling | Inflationary pressure contingency reserve to assist with the predicted budget deficit. |
| Cashable savings working group set up to target efficiencies and savings. This Group is making process in identifying savings. | Proposals put forward for making efficiency savings over the next 4 years to further safeguard the authority in addressing the budget deficit. |

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| All Councillor Budget Briefings, undertaken 3 times a year setting out financial risks in context of budgetary position, informing budgetary process. | |
| Procurement Projects Board set up to ensure focus on delivering value for money from procurement. | Outline Budget report approved by January 2023 CPRC provided updated medium term budget projections and set out options for refreshed medium term financial strategy. This was considered alongside the refreshed Reserves Strategy. |

Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the indicative/additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023) | Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG Status - Reduced score with no change to RAG status - Reduced score and RAG status |
| 12 | Maintained risk score and RAG Status |

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Risk Category 5 – Treasury Management

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 5 |
|--------------------------------------|-------------------------------------|------------------------------------------------------------------------------------------------------|
| Recovery from COVID Service Delivery | Management Team CPRC | Section 151 Officer / Deputy Chief Executive / CFO (Terry Collier) Chief Accountant (Paul Taylor) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
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| Risk Descriptions |
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| 5(i) If the Council receives a reduced return on long term investments and/or investments become insecure in the current / future economic climate, then this will have an adverse impact on the Council's financial position, weakening financial resilience. |
| 5(ii) Stock market volatility due to uncertainty may lead to adverse investment returns. |
| 5(iii) Significant rises to interest rates and increased cost of borrowing / loans influence the Council's treasury activities. |

| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
|------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Treasury Management Strategy for 2023-24 approved by Members at February Council. | Fixed interest rate on most debt and for investments an interest equalisation reserve is in place. Refer also to mitigating actions under section 4 above. |
| Application of updated CIPFA Code of Practice and Prudential and Treasury Management Codes | Reviewing with Treasury Management advisors the Council's borrowing strategy in the context of interest rates rises and volatility – considering options such as greater internal borrowing, more short-term borrowing, generation of capital receipts to fund portion of Capital Programme. |
| Performance measurement and reporting | |
| Aim to select counter parties of the highest credit quality | |
| Credit ratings monitored | |
| Council's investments managed internally in consultation with specialist advisors Arlingclose. Explore options for diversifying the portfolio. | |

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| Treasury Management training provided for all Councillors in September 2022 | |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023) | Direction of Travel after Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained score - Reduced score with no change to RAG status - Reduced score and RAG status |
| 9 | Maintained risk score and RAG status. |

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Risk Category 6 – Sustainability & Climate Change

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 6 |
|--------------------------------|-------------------------------------------------------------|---------------------------------------------------------------|
| Environment and Climate Change | Management Team Environment and Sustainability Committee | Group Head Commissioning & Transformation (Sandy Muirhead) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | | 9 | 9 |

| Risk Descriptions |
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| <p>Climate change represents a significant global threat driving social and economic disruption with far ranging consequences for socioeconomic stability. Climate change and extreme weather events impact on health and safety, food systems, supply chains & procurement, economic productivity, and losses. Due to climate change, there is a specific risk to the Borough of Spelthorne in terms of more extreme heat and increased flooding, besides the more global threats such as severe storms (threat to loss of life and limb) impacting locally. If the Council is not pursuing measures or seeking positive opportunities to mitigate and adapt to climate change, it could result in criticism / bad press / public demonstration and additional organisational pressures may result in a loss of focus around climate change and green initiatives. A lack of preparedness for the impacts of climate change may lead to Council Services no longer being sustainable or in a suitable position to operate in the future.</p> |

| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
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| <p>In view of Government targets for reducing carbon emissions / greenhouse gases to tackle climate change, the Environment and Sustainability Committee will continue to explore ways to meet a carbon neutral target by 2050 or earlier (Developed an action plan to move the Council towards net zero carbon emissions, agreed at Environment and Sustainability Committee September 2022) and to make recommendations on: (i) How to apply the £747k fund (ii) Promote climate change as an issue that needs to permeate all Council areas to ensure we reduce our carbon footprint and adapt to climate change.</p> | <p>Recently installed solar panels at the Nursery as a renewable source of energy. Exploring options for improving energy efficiency of Nursery (including more solar panels) and Council offices.</p> <p>Officers attended Carbon Literacy training day and have committed to a range of carbon saving pledges. Training days have been put in place for other officers. Training will be provided for Councillors as part of the 2023 Induction Programme.</p> |

APPENDIX A Corporate Risk Register - Spelthorne Borough Council

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| <p>There are numerous examples of measures taken so far: Sustainability Strategy / Energy & Water Efficiency Policy / Currently developing climate change strategy and actions / Professional group membership to share best practice and knowledge / Implementing energy efficient measures in Council owned buildings / Increasing renewables capacity / Implementing sustainability principles within new builds undertaken by KGE.</p> <p>Officers working with relevant committees and Treasury Management advisors on how we can transition investment portfolio to a more sustainable basis.</p> <p>Surrey County Council have developed a strategy on Climate Change referred to as Greener Futures Delivery Plan which the Environment and Sustainability Committee have supported.</p> | <p>Development of list of projects to bring forward over the next 6 months for Green Initiatives Funding including ones on biodiversity.</p> <p>The Council is engaged with Talking Tree and the Open University in a net zero project aimed at involving the community in climate change opportunities and activities.</p> |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| <p>What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023)</p> | <p>Direction of Travel after Considering further mitigation set out in the Risk Action Plan? (Either)</p> <ul style="list-style-type: none"> - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status |
| <p>9</p> | <p>Maintained risk score and RAG status.</p> |

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Risk Category 7 – Corporate Capacity, Resources, Recruitment and Retention

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 7 |
|--------------------------|-------------------------------------------|---------------------------------------------------------------|
| All Priorities | Management Team CPRC & Admin Committee | Group Head Commissioning & Transformation (Sandy Muirhead) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | | 12 | 12 |

| Risk Descriptions |
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| <p>7(i) Overstretched capacity exacerbated by the additional workload, new Committee system of governance and demands arising from new schemes / initiatives in supporting communities (as well as the departure of several experienced staff) could lead to increased staff fatigue / burnout / sickness levels arising. This may impact further on employee stress levels and mental / physical wellbeing, which may also lead to reductions in expected service delivery.</p> <p>7(ii) Residual risk refers to the risk that remains after control processes and measures to eliminate some or all the inherent risks have been made. It could be deemed that due to the nature of the risk set out at 7(i) above and 7(iii) below with reference to causes and consequences, as well as the continuation of intense work pressures, some residual risk may continue. In acknowledging this, the Council may wish to either: do nothing on the basis that the controls have proven effective enough to reduce the risk to an acceptable level, OR increase or modify controls to reduce the risk to a level that is regarded acceptable OR evaluate the cost of revised control and mitigation measures vs benefits and whether this is deemed necessary to bring the risk to an acceptable level.</p> <p style="background-color: #00ffff;">7(iii) Unsuccessful recruitment and ongoing unfilled vacancies in a challenging and competitive labour market lead to reduced level of technical skills and relevant expertise operating across Services. Staff shortages further exacerbate workload pressures across teams. The consequences of this risk are set out earlier at 7(i).</p> <p>7(iv) Ineffective or inappropriate recruitment exacerbated by the skill shortages within the local government market could result in appointments that fail to effectively meet business need leading to reduced service quality.</p> |

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| <p>*Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence)</p> | <p>**Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur).</p> |
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| Capacity management – Management to address workload issues across teams, with continued prioritisation of tasks | Staff can access welfare information on Intranet. Support is available for mental and emotional wellbeing including mental health first aiders and Care First. This scheme has been promoted through regular staff communications. |
| Responsibility to remain alert to stress related risks of demanding workload. | Monitoring of sickness absence providing corporate view of stress issues. |
| The need to treat colleagues respectfully has been recognized and communicated. | |
| Corporate values under the acronym 'PROVIDE' form part of the Corporate Plan. Over time it is the intention for the Council's values to become further embedded into behaviours, policy, and processes (including recruitment). | |
| Annual staff and Member survey commissioned Spring / Summer 2022 designed to ascertain employee and member views on several themes including workplace culture, values, recruitment and retention. Feedback from the survey has been analysed with a view to making any necessary improvements and changes. Both survey summaries are being reported to Councillors. | |
| Growth bids for additional resourcing form part of annual budget process (moratorium restrictions being implemented going forward), with 17 FTE's previously approved for 2022/23. | No net increase in FTE's approved as part of the 2023-24 Budget approved by February Council. Managers and Committees responded positively to the moratorium on new FTE growth bids implemented by CPRC. |
| Several recruitment and retention measures have been underway for some time with examples below: i) Recruitment and Retention Policy and Market Supplement Scheme to offer financial enhancements for hard to fill posts which are agreed by MAT. Anticipated £200k of the £250k corporate provision will be utilised in 2022/23 ii) An apprenticeship training programme to upskill existing staff and offer development opportunities to new hirers. As part of the Finance restructure (being funded within existing budget), two apprentice posts are being created. iii) An Employee Assistance Programme scheme and Mental First Aider scheme to assist with staff wellbeing. iv) Implementation of hybrid working in response to staff feedback and ensuring that staff are fully equipped to work from home. | February Council approved pay uplift for 2023-24 – a fixed £1,925 per FTE equivalent to an average increase of 3.5% |

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| <p>v) Flexi time working arrangements.</p> <p>vi) An exit interview scheme routinely offered / undertaken that encourages leavers to engage, providing an opportunity for SBC to learn, improve and apply where appropriate for the future.</p> <p>vii) A 2.5% pay increase for 5 lowest grades approved for 2022/23 and 2% increase for all other staff (moratorium on staff establishment resource for 2023/24)</p> <p>viii) Members of South East Employers newly formed Reward and Recognition Network to share best practice and to learn from any initiatives taking place elsewhere (this is a work in progress). This highlights that all local authorities are experiencing recruitment issues.</p> <p>ix) Collaborative working and Partnerships being explored with a view to enhancing organisational and service resilience, promoting career opportunities and staff retention measures. Working group in place.</p> | |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| <p>What is the additional risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023)</p> | <p>Direction of Travel (Either) after considering further mitigation set out in the Risk Action Plan?</p> <ul style="list-style-type: none"> - Maintained risk score and RAG (Red/Amber or Green) - Reduced score with no change to RAG status - Reduced score and RAG status |
| <p>9</p> | <p>Reduced score and RAG status</p> |

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| Risk Category 8 – Equality, Diversity, and Inclusivity | | |
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| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 8 |
| All Priorities | Management Team Admin Committee | Management Team Group Head Commissioning & Transformation (Sandy Muirhead) |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
|--------------------------------|---------------------------------|--------------------------------|---------------------------------|
| | | 9 | 9 |

| Risk Descriptions |
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| If there is a failure to effectively adhere to the Equality Act (2010), this could lead to workplace practices and delivery of services that fail to incorporate necessary principles, standards and requirements in promoting equal opportunities, diversity and inclusivity. This may increase risks of discriminatory practices and consequentially, the Council could be subject to complaints or even claims resulting in reputational damage. |

| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
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| Training mechanisms to raise awareness and understanding such as use of Workrite and external trainer provided remote staff training during 2020/21. | Equality Impact Assessments are completed as a requirement on initiation of new projects and strategies. |
| Some examples of how the Council demonstrates its commitment to E, D & I principles include: (i) Recognising and celebrating diversity through communications and engagement amongst staff and local communities such as Black History Month and GBLT Pride month. (ii) Champions (Staff reps) introduced at staff meeting to explore further positive approaches relating to E, D & I. Inclusivity Working Group in place. (iii) Corporate Values – (PROVIDE) are incorporated into the Council's equality and diversity objectives (to be published next week) together with an internal equality and diversity policy. (iv) An Equality, Diversity and Inclusivity 'Statement of Intent' document has been recently reported. | |

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| (v) Internal and external websites have been updated. | |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the additional /indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (Once these are fully implemented) (At March 2023) | Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) <ul style="list-style-type: none"> - Maintained risk score and RAG - Reduced risk score with no change to RAG status - Reduced risk score and RAG status |
| 6 | Reduced risk score with no change to RAG status |

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Risk Category 9 – Working arrangements across local government tiers

| Corporate Priority Areas | Ownership & Accountability for Risk | Lead Officer (s) Risk Category 9 |
|--------------------------|--------------------------------------------------------------------|----------------------------------|
| All Priorities | Management Team Corporate Policy and Resources Committee (CPRC) | Management Team |

| Previous RAG Status (Nov 2022) | Current RAG Status (March 2023) | Previous Risk Score (Nov 2022) | Current Risk Score (March 2023) |
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| Risk Descriptions |
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| <p>9 (i) The County Deal presents potential implications for collaborative and partnership working approaches across Surrey Districts and Boroughs in serving local communities.</p> <p>9 (ii) In the context of wider financial / funding challenges being experienced across local government, there is a greater risk that pressures faced at County Council level may be diverted to districts and boroughs. This could lead to increased workload for smaller authorities like Spelthorne as well as extended complexity and risk in delivering high profile services / operations for which skills and expertise may not be held. (One example relates to Family Support where the volume of County referrals for high need cases have increased significantly, as well as the caseload category exceeding 'level 3').</p> <p>9 (iii) As Surrey County Council draw to an end a number of services and agency agreements (formerly undertaken by Spelthorne), this could lead to reduced service quality in areas such as on-site parking and verge maintenance, impacting local communities and residents.</p> |

| *Current Control Actions (See Key. These are specific actions to reduce the <u>likelihood</u> of a risk event or occurrence) | **Current Mitigating Actions (See Key. These are specific actions to reduce the <u>impact</u> of a risk event should it occur). |
|------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Service Level Agreements to clarify roles and responsibilities of respective parties | Spelthorne is committed to working in partnership with a significant number of such arrangements already in place, with a view to promoting greater alignment of strategic responsibilities and resources to achieve greater effectiveness and optimising best value. |
| Strategic boards such as Surrey Delivery Board established in making broader decisions | |

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| Liaison at senior executive level across tiers to discuss future management of high levels and changing complexity of referrals/ caseload. | |
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Please now refer to the Risk Action Plan at Appendix B. This sets out how the authority is working towards further addressing and mitigating the risks.

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| What is the additional/indicative risk score after considering further mitigation measures set out in the Risk Action Plan? (Once fully implemented) (At March 2023) | Direction of Travel After Considering further mitigation set out in the Risk Action Plan? (Either) - Maintained risk score and RAG status - Reduced score with no change to RAG status - Reduced score and RAG status |
| 9 | Maintained risk score and RAG status |

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