

**To:**  
**All members of the**  
**Cabinet**

*Please reply to:*

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Date: 1 December 2020

Supplementary Agenda

**Cabinet - Thursday, 3 December 2020**

Dear Councillor,

I enclose the following item which was marked 'to follow' on the agenda for the Cabinet meeting to be held on Thursday, 3 December 2020:

**5. Recommendation from the Audit Committee**

**3 - 8**

To consider the recommendation from the Audit Committee on Corporate Risk Management.

Yours sincerely

Gillian Scott  
Committee Services

To the members of the Cabinet

Councillors:

J.R. Boughtflower  
J. McIlroy  
M.M. Attewell

R.O. Barratt  
S. Buttar  
R. Chandler

A.J. Mitchell  
R.J. Noble

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## **RECOMMENDATION FROM THE AUDIT COMMITTEE CORPORATE RISK MANAGEMENT**

**Cabinet: 3 December 2020**

- 1.1 The Audit Committee is responsible for considering the effectiveness of the authority's risk management arrangements, and receives regular reports on risk issues.
- 1.2 The Audit Committee reviewed the revised Corporate Risk Register (attached as Appendix 1) at its meeting on 26 November 2020 and noted and accepted the contents. The revised register is considered to be an accurate reflection of the high level risks affecting the Authority, as well as the progress made on actions previously proposed, based on our assessment of risk and controls in operation.
- 1.3 The Committee noted that the previously requested revisions to the format of the Register to produce a clear, concise, easy to read document, had not yet been implemented but that this would be provided to its March 2021 meeting. The Chief Finance Officer would be working closely with the Internal Audit Manager on this.

### **Audit Committee Recommendation**

The Audit Committee recommends that Cabinet approves the Corporate Risk Register, as submitted.

**Cabinet member: Councillor Sati Buttar**

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		APPENDIX 1					CORPORATE RISK REGISTER							
This register summarises the Council's most significant risks which align to one or more Corporate Priority. It sets out controls in place and identifies any further action needed to mitigate risks .														
Actions are assigned to appropriate officers with target dates for implementation. The relevant Portfolio Holder for each risk category is also highlighted.														
		Level of risk: Likelihood vs. Impact on a scale of 1 (lowest) to 4 (highest)					Content reviewed November 2020							
PREVIOUS RAG	CURRENT RAG	RISK / IMPACT (WITH REFERENCE TO CORPORATE PRIORITY)	LIKELIHOOD OF RISK	IMPACT OF RISK	LEVEL OF RISK	CURRENT CONTROLS (RISK MITIGATION)	ACTIONS	RISK OWNERSHIP (ACCOUNTABILITY)	LEAD OFFICER	TARGET DATE	PROGRESS /REASONS WHERE RISK ACTIONS NOT IMPLEMENTED			
		<b>1. Housing</b> • Lack of affordable housing (to rent) increases homelessness • Housing provision does not meet local resident needs	2	3	3	Local Plan; Local Development scheme; Annual monitoring reports outline number of affordable dwellings granted; Housing Delivery test resulted in production of Housing Delivery Action Plan; Housing Delivery Programme; Knowle Green Estates - business plan approved by Cabinet; Housing Strategy 2020 – 2025; Homelessness Strategy 2020 – 2025; Action plans arising from the Housing and Homelessness strategy encompass defined priorities for Housing; Quarterly monitoring of strategic action plans by designated Officers, reporting red and amber actions to the Strategic Housing Group; Strategic Housing Group meets monthly with clearly defined Terms of Reference (monitoring mechanism); Close working with Partners to support achievement of Housing aims; Progress of property development projects reported weekly to Development and Improvement Group (DIG); Financial monitoring and management; Embedding of legislative requirements of the Homelessness Reduction Act 2017; Collaborative arrangements in place to support proactive and reactive counter fraud work, with quarterly reporting of fraud returns generated (cost savings/future losses prevented).	1i. Set up a homelessness strategy working group to support achievement of aims 1ii. Establish and approve clearly defined Terms of Reference for the Homelessness Strategy working group to support achievement of aims 1iii.Service Level Agreement to be put in place with registered providers to take forward cases of alleged tenancy fraud. 1iv. Preparation and adoption of New Local Plan to meet future need and strengthen affordable housing policy	MAT Member & Joint Group Heads CW * Cllr Attewell	HSPM / SPM *	1i. August 2020 1ii. December 2020 1iii. June 2020 1iv. March 2022	The homelessness strategy working group set has been delayed due to COVID work pressures. Considerable efforts by the Housing Team secured temporary accomodation for the homeless during the response to the pandemic. During the pandemic measures put in place to ensure development works continue on site to keep affordable housing provision on track. It is an emerging priority of the administration to ensure greater provision of affordable housing.			
		<b>2. Economy/ Funding</b> Technological and other factors may create uncertainty over economic growth and supplier failure, which could impact on: • Delivery of contracts and service provision • Business Rate income collected/retained , thereby affecting the Council's overall finances. (Corporate Priority areas- Economic Development & Financial Sustainability)	4	3	3	Financial Services monitor the financial media in relation to larger companies and critical commercial partners. Enhanced Monitoring arrangements implemented as key suppliers now added to the S&P Watch list . Aim to maximise Business Rate collection/minimise losses for the Council. Additional quarterly monitoring of collection and projected outturn retention implemented. Additional counter fraud resource is available to identify and investigate potential tax avoidance and evasion cases, which can be translated into cashable savings for the authority.	Impact of Business Rate arrangements on Council finances is under ongoing review. On-going review of economic picture of the country.	DCX (TC) Buttar * Cllr	Deputy Group Head CR *	Ongoing Monitoring	<b>2. Implemented and ongoing.</b> Business rates and council tax collection rates are being monitored on a fortnightly basis and regularly reported to MHCLG as part of arrangements for monitoring impacts of COVID-19. Officers have confirmed there are no further updates to report. RAG rating moved to red due to current global economic position due to COVID.			
Page 5		<b>3. Economic Development</b> Absence of a robust Economic Development Strategy or ineffective plans to deliver, thereby impacting on levels of growth and development of the borough (including local employment , inward investments) with consequential effects on prosperity and economic wellbeing . (Corporate Priority area- Economic Development)	2	3	3	Regular reporting to Members. A 5 year economic assessment & development strategy for 2017 - 2022. Periodical review and refreshing of the Economic Development strategy, enabling targets that have been achieved to be commented upon and removed; new targets that have emerged over the previous period are then included. Support to local businesses through key account management. Supporting the development of the Staines-upon-Thames Business Improvement District. Review of Local Plan. Regeneration plans for Staines-upon-Thames.Prioritisation of projects to benefit from the business rates retention has been completed. Economic Development Recovery Plan.	3i. Economic development is a Council priority and growth will impact on business rate income - this is under ongoing review. 3ii. Regarding governance, through the EDEG 5 areas have been identified as the most important areas of delivery within the strategy and will be reported on every 6 months to the group to strengthen performance monitoring. The refreshed strategy needs to be approved by the EDEG. 3iii Economic Development Recovery Plan to be implemented at appropriate time.	EDM Mitchell *Cllr	EDM*	Completed/ Ongoing Monitoring	3i. Opportunities for economic development are sought to promote rejuvenation and wider benefits across the borough (various examples such as new Leisure centre and Knowle Green Estates developments). 3ii. The latest refresh of the economic strategy was reported to the Economic Development Engagement Group. This is the final refresh before a replacement strategy and economic assessment is prepared for 2022 onwards. 3iii As part of the broader COVID-19 Recovery Plan a COVID-19 Economic Recovery Plan which will be funded from set aside retained business rates, is being put into effect. The COVID-19 Recovery Plan will help direct what actions should be taken in the ensuring period. RAG rating moved to red due to the economic impact on the borough including a 412% increase in unemployment in the borough and the impact on the aviation industry.			
		<b>4. Financial Resilience - Income Generation(Property)</b> _In light of ongoing reduction in Central Government funding, if opportunities for significant income generation and investments are missed, then this will impact on the Council's ability to close the budget gap and deliver vital services. If weak governance arrangements prevail, this may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income and poor investment returns, with associated reputational damage. (Corporate Priority area- Financial Sustainability)	3	4	4	Long term strategic/financial plan. Member engagement. The Council created new revenue streams through significant commercial asset acquisitions and investments. Ongoing annual net income has contributed to a significantly improved income position especially with COVID-19 financial pressures. Advice is sought from Arlingclose as necessary. Due diligence in respect of acquisitions and leases addresses strength of covenant of tenants, using S&P to evaluate financial strength. Development and Investment group to monitor performance and since March 2020 due to COVID-19 economic impacts weekly Rent Review Meetings; Treasury Management strategy approved by Council; weekly monitoring by MAT.	4i. Continued monitoring of investment acquisition performance during this period.	GH R & G McIlroy * Cllr	GH R&G DCX(TC)	4i. Ongoing Monitoring	<b>4i. Ongoing .</b> Performance is monitored regularly at weekly Development and Investment Group (DIG) and a quarterly performance report is produced for the Investment Portfolio. Due to the current economic climate due to COVID-19 weekly rent review meetings are taking place to monitor income. Meetings are scheduled for the Property and Investment Committee (PIC). In addition, it will set out a suite of Key Performance Indicators against which the Portfolio will be evaluated. Council has approved Capital Strategy for 2020-21 which includes a set of Key Performance Indicators- these will be reported on as part of outturn reports. Sinking Funds firmly in place. Refreshed Asset Management Plan approved. Officers had a very positive workshop session with Chartered Institute of Public Finance and Accountancy on the CIPFA new Financial Management Code (which was reported on at Audit Committee 12th November meeting) on the Council's approach to financial resilience and long term scenario planning. As discussed at the 12th November Committee meeting the Committee will receive regular updates on the Council's CIPFA FM Code self assessment. The Council underwent a LGA Finance Peer Review and whilst it has received constructive initial informal feedback it is awaiting the formal Peer Review report. RAG moved to amber due to current economic climate.			

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		Risk Category 4 Continued (See above)				<b>Further control measures relating to risk category 4 (Property Acquisitions)</b> . Formalised reporting of KPI's once the new Property Management System is operational; Council approved Capital Strategy. Commercial asset acquisitions and investments will be subject to periodical audit review. Monitoring arrangements relating to property development work arising from asset acquisitions. Due Diligence measures for tenant management: the Council has subscribed to Standard & Poor's credit rating database and set up watch lists for its tenants to alert it to any deterioration in the health of its tenants. Where there is any deterioration the potential impact of this is reviewed by the internal team. Sensitivity analysis is undertaken with respect to variables such as rental growth. Weekly Rent Review meetings to review portfolio in current economic position.	4ii. Robust and effective systems need to be in place to record and recover significant rental income due to SBC from it's increased property portfolio. 4iii. Effective implementation of Property Management Software 4iv. Application of CIPFA'S new Financial Management Code aimed at improving financial resilience across Councils (responsibility of whole organisation) *N	4ii & iii GH R & G <b>* Cllr McIlroy</b> DCX/MAT/ ALL GROUP HEADS <b>* All Portfolio Holders</b>	GH R&G DCX(TC)	4.ii & 4iii. 30 April 2020 *R Requires monitoring 4iv. NEW ACTION ADDED FEB 2020 (Target - 31 March 2021) * O	4ii & iii. <b>Progress underway-</b> Work is underway to deliver a new Property Management System to effectively manage Spelthorne's £1 billion property portfolio (investment, community, commercial and residential properties).The property and tenancy data for the investment and residential portfolio has been uploaded on the new system. The System went 'live' for rent collection and the payment of invoices for the residential portfolio in November 2020. It is anticipated that the software will be used for billing tenants on the investment properties by March 2021 and for municipal properties thereafter. This is delayed due to banking requirements and resources being diverted to the response to Covid. The Council uses expert external advisors (where required) for its investment portfolio to manage matters such as service charges. DIG receives timely updates on rental income collected on the Council's commercial investment assets. Despite the most extreme economic shock to the economy for more than 300 years, the Council for the first 9 months since the first lockdown has achieved a collection rate of more than 96% on its commercial rent and nearly all of the balance is covered by short term rental agreements. The Leader, Deputy (Assets) and Finance Portfolio Holder meet weekly with officers to review collection performance, and the updated ten year worst and base case sinking fund scenario projections are reviewed on a weekly basis, these are indicating that the Council's sinking funds are more than sufficient to protect the Council's Revenue Budget and council tax payers from any temporary drops in commercial rental income over the next ten years-.			
		<b>5. Treasury Management</b> If the Council receives a poor return on long term investments and/or investments become insecure in the current/future climate, then this will have an adverse impact on the Council's financial position. <b>(Corporate Priority Area - Financial Sustainability)</b>	2	3	3	Treasury Management Strategy approved annually by Members. Approved Capital Strategy (see risk category 4). Reporting of Treasury Management performance to Members. Aim to select counter parties of the highest credit quality; credit ratings monitored closely and apply criteria recommended by Arlingclose. Council's investments managed internally in consultation with Arlingclose. The team continues to explore options for diversifying the portfolio. Fixed interest rate on most debt and for investments an interest equalisation reserve is in place. Roles and responsibilities assigned within Accountancy. Periodical Internal Audit Review. Deputy Chief Executive and Portfolio Holder are involved in key decisions. Regular monitoring ,reporting of investment portfolio and returns achieved. CIPFA Code of Practice and Prudential Code being applied with new recommended indicators for measuring investment performance. Training delivered for new Financial Managment Code. Council commissioned an options paper from Arlingclose on financing being considered in the context of the recent uplift by 100 basis points in Public Works Loan Board (PWLb).	There are no actions to report.	DCX (TC) <b>Buttar</b> <b>* Cllr</b>	CA/DCA *	N/A	The COVID-19 lockdown in March resulted in a drop in the capital value of a number of the Council's financial treasury management investments, whilst a significant proportion of the reduction in value has since recovered the capital values are still below where they were at beginning of March 2020. The Council's Treasury Management advisers have also highlighted a short term drop in rates of return, currently it is unclear how long it will be before rates will take to recover. This will make the challenge of balancing the 2021-22 Budget even harder. The Council responded to the consultation on the Public Works Loan Board new terms and is awaiting the outcome of the consultation.			
Page 6		<b>6. Economic Uncertainty/Political Landscape</b> Brexit and transitional arrangements represent many potential uncertainties of a financial, economic, recruitment, regulatory and supply chain management nature arising from currency devaluation/volatility, trade barriers and tariffs, investments, relocation of Partners/Suppliers, changing access to EU funds, level of compliance with EU regulations , workers rights. Surrey County Council proposals for unitary status. <b>ALL PRIORITIES</b>	3	4	3	The Group Head for Commissioning and Transformation is the Corporate lead for Brexit. Previously participated in regular County wide Brexit Planning meetings and briefed MAT, Group Heads and Members and will participate once more when such meetings are resurrected. A weekly report on preparedness for Brexit was undertaken by the Local resilience Forum for much of 2019 and fed through to Central Government. Weekly tactical and fortnightly strategic teleconferences with the Local Resilience Forum to ensure contingencies were undertaken occurred in 2019. With Government focus being on COVID-19 response there has been less engagement on this. Services were addressing potential implications including staffing, environmental health and data protection. Guidance for Councils on Brexit secondary legislation has been circulated to Managers and relevant transitional information as well. Council report on Unitary proposals were approved. Work continues on the motions agreed.	Management Team to regularly consider potential Brexit uncertainties for Spelthorne and have a plan in place to address when the implications of a trade deal or no deal become evident. Spelthorne will continue to work with the Local Resilience Forum on the implications when known. Management Team to regularly discuss emerging unitary propositions and communications.	GH C & T (Lead) <b>All Portfolio Holders</b>	GH C & T (Lead)	On-going * R Requires Monitoring	Previously participated in regular County wide Brexit Planning meetings and briefed MAT, Group Heads and Members. This will continue when such meetings are resurrected. (The action at 6i has been revised given the UK has now entered into a transition period with the EU which lasts until 31 December 2020. A new trading relationship between the UK and EU is due to be agreed by the end of the transition period, but if no agreement is achieved a 'no deal' scenario will apply). The COVID-19 Recovery Strategy is taking account of possible impact of Brexit and the end of the transition period. Dispite COVID-19 work pressures Surrey County Council's unitary proposals are being considered and appropriate action is being taken in line with the Council motion.			
N/A		<b>7. Council resources</b> There is considerable strain on the staff resources at the authority due to responding so efficiently to the COVID-19 pandemic (in both the response for residents and ensuring services continue to run smoothly). This is coupled with increasing demands on resources due to unitary proposals, working remotely (including Council meetings), number of task groups, workloads generated from increased motions and council questions and additional council meetings. <b>ALL PRIORITIES</b>	4	4	4	Management consideration of workloads. Staff welfare information and resources on Intranet. Monitoring of sickness absense.	Prioritisation of COVID-19 responses and other Corporate Objectives to the prioritised.	CEX <b>Cllr Boughtflower</b>	CEX	On-going	Continual monitoring of staff welfare. This is a new risk added to the register due to COVID-19. The previous risk around Heathrow Expansion has been removed as this is not seen as a risk at present due to this not moving forward at the present time.			
		<b>8. Climate Change</b> Environmental breakdown 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 food systems, supply chains & procurement, economic productivity and losses. If the Council is not seen to be taking action it could result in criticism/bad press/public demonstration <b>(CLEAN, SAFE AND SUSTAINABLE ENVIRONMENT)</b>	3	4	4	Consideration of Government targets for reducing carbon emissions/greenhouse gases to tackle climate change. A Leader's Climate change Working Group has been set up and will explore ways to meet a carbon neutral target by 2050 or earlier if possible. Officers are working in the spirit of ethical and social responsibility to address climate change concerns, reducing the Council's carbon footprint and meeting Government targets. Sustainability Strategy Energy & Water Efficiency policy (2015 - 2020) Active members of Surrey Energy & Sustainability Partnership (SESP) and Association of Lead Energy Officers (ALEO). Consideration as part of project implementation as follows: New developments - minimum renewable energy requirement Fuel Poverty - through administering energy grants and promoting energy efficiency measures. Increased renewables capacity with solar PV installations on 2 Day Centres and further plans to do so on other sites. Implementing energy efficiency measures in Council owned buildings. Increasing renewables capacity, including with solar PV installations EV charging provision. Proposal for Passivhaus Leisure Centre.	Actions 8i to 8iii added October 2019 : 8i. The Sustainability Strategy and the Energy & Water Efficiency Policy are being reviewed. 8ii.A new Sustainability Strategy is to be developed in 2020. 8iii. A new Biodiversity Action Plan is being developed for 2020. 8iv. A Climate Change strategy is to be developed.	GH C&T GH NS <b>Cllr Noble</b>	SO - MR	Requires Monitoring	8i & 8ii - There are no progress updates to report on these actions. 8iii. The Biodiversity Action plan is progressing and due for implementation in 2020. <b>General Progress Underway</b> - A cross party working group has been set up on Climate Change. A Climate Action Plan is being developed as part of the Climate Change Working Group. A Climate Change Emergency was declared by the Council in October 2020 8iv. Surrey County Council are developing a Climate Change Strategy and Strategic Framework (which will set out the joint ambition across the 12 authorities to address carbon emissions for eight major sectors).			

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		Actions Overdue & Outstanding				Partially Actioned	Completed/Ongoing Monitoring							
		Note that previous RAG ratings are included to illustrate the Direction of Travel for recommended actions. The future format for the Corporate Risk Register is currently under review.												
		*KEY TO TARGET DATES	* N = New Action			*R = Revised target date for assigned action	*O = Original target date for assigned action							
		*KEY TO OFFICERS												
		MAT - Management Team												
		CX, - Chief Executive, Daniel Mouawad												
		HGC - Group Head of Corporate Governance -Victoria Statham					GH R & G - Group Head - Regeneration and Growth, Heather Morgan							
		DHIT - Deputy Head of ICT – Alistair Corkish					DPO - Data Protection Officer, Clare Williams							
		Deputy Chief Executive (Chief Finance Officer)- DCX (TC) – Terry Collier					HRM – Human Resources Manager, Debbie O'Sullivan							
		HSIRM - Health and Safety, Insurance and Risk Manager – Stuart Mann					CM- Contract Managers							
		GH C & T - Group Head - Commissioning and Transformation, Sandy Muirhead					JGCW – Joint Group Heads for Community Wellbeing, Deborah Ashman and Karen Sinclair							
		GH - NS - Group Head - Neighbourhood Services- Jackie Taylor					LSM - Leisure Services Manager, Lisa Stonehouse							
		Deputy Chief Executive - DCX (LO) – Lee O'Neil					RRO – Risk and Resilience Officer, Nick Moon							
		SEHM - Senior Environmental Health Manager, Tracey Wilmott-French					EDM – Economic Development Manager, Keith McGroary							
		IPS - Interim Principal Solicitor - Karen Limmer					IAM - Internal Audit Manager, Punita Talwar							
		DGH CR - Deputy Group Head for Customer Relations, Roy Tilbury					SO- Sustainability Officer, Mark Rachwal							
		CS & RM - Customer Services and Revenue Manager, Martyn Forward					HSPM - Housing Strategy and Policy Manager , David Birley							
		PORTFOLIO HOLDERS - recorded under risk ownership column					SPM - Stratgic Planning Manager, Ann Biggs							

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