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Date: 16 March 2022

Notice of meeting

Audit Committee

Date: Thursday, 24 March 2022

Time: 7.00 pm

Place: Council Chamber, Council Offices, Knowle Green, Staines-upon-Thames TW18 1XB

To the members of the Audit Committee

Councillors:

J.R. Boughtflower (Chairman)	J.T.F. Doran	L. E. Nichols
T. Fidler (Vice-Chairman)	H. Harvey	S. Sehmi
S. Buttar	A.J. Mitchell	

Substitute Members: Councillors C. Bateson, A. Brar, S.M. Doran and B.B. Spoor

Councillors are reminded that the Gifts and Hospitality Declaration book will be available outside the meeting room for you to record any gifts or hospitality offered to you since the last Committee meeting.

Spelthorne Borough Council, Council Offices, Knowle Green

Staines-upon-Thames TW18 1XB

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Agenda

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Terms of Reference

The Committee's Terms of Reference are attached for ease of reference.

1. **Apologies and Substitutes**
To receive apologies for absence and notification of any substitutions.
2. **Minutes** 7 - 14
To confirm the minutes of the meeting held on 25 November 2021 as an accurate record.
3. **Disclosures of Interest**
To receive any disclosures of interest from Councillors in accordance with the Council's Code of Conduct for members.
4. **External Audit update**
To receive an update on the work of the External Auditors.
5. **Risk Appetite Framework** 15 - 30
To receive an update of progress made on the proposed Risk Appetite Framework.
6. **Homes England Compliance Audit** 31 - 36
To receive a report of the outcome of a Compliance Audit by Homes England in relation to grant funding received by the Council for the White House Hostel.
7. **Corporate Risk Management** 37 - 74
To consider the report by the Internal Audit Manager and make a recommendation to the Corporate Policy and Resources Committee.
8. **Covid-19 Risk Considerations** 75 - 96
To receive and note an update on Covid-19 risk considerations from the Internal Audit Manager.
9. **Changes to 2022/2023 Accounting Policies for SBC and Group** 97 - 98
To note changes to the methodology for dealing with high value, multi-component property assets.
10. **Money Laundering Policy** 99 - 106
To consider adoption of the revised Money Laundering Policy and make a recommendation to Council.
11. **Internal Audit Annual Plan 2022/23** 107 - 122
To receive a report from the Internal Audit Manager.

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|------------|---|------------------|
| 12. | Committee's Forward Plan for 2022/23
To consider the Committee's forward plan for the forthcoming municipal year. | 123 - 126 |
| 13. | VFM Task Group update
To receive an update on progress made by the Value For Money Task Group. | |

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AUDIT COMMITTEE – TERMS OF REFERENCE

(7 councillors reflecting political balance and one independent member)

1. To provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process:

- To approve (but not direct) the internal audit's strategy plan and performance.
- To review summary internal audit reports and the main issues arising and to seek assurance that action has been taken where necessary.
- To consider the reports of external audit and inspection agencies.
- To consider the effectiveness of the authority's risk management arrangements, the control environment and associated anti-fraud, bribery and anti-corruption arrangements.
- Seek assurances that action is being taken on risk related issues identified by auditors and inspectors.
- To be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and to take actions required to improve it.
- To ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
- To review the financial statements, external auditors' opinion and reports to councillors, and monitor management action in response to the issues raised by external audit.

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**Minutes of the Audit Committee
25 November 2021**

Present:

Councillor J.R. Boughtflower (Chairman)
Councillor T. Fidler (Vice-Chairman)

Councillors:

S. Buttar J.T.F. Doran

Substitutions: Councillor C. Bateson

Apologies: Councillor A.J. Mitchell

In Attendance: Councillors H Harvey and M. Beecher

Councillor Helen Harvey (a member of Audit Committee) attended the meeting virtually and was therefore unable to vote.

590/21 Minutes

The minutes of the meeting held on 29 July 2021 were approved as a correct record.

591/21 Disclosures of Interest

There were none.

592/21 Risk Appetite Framework

Elizabeth Humphrey, a local governance consultant, informed the Committee that she had had some initial discussions with officers on a Risk Appetite Framework for the Council and how to progress this. Following streamlining of the Council's risk management arrangements, it was thought an appropriate time to consider and progress this.

Elizabeth explained that risk appetite varied according to circumstances, time and from person to person. Within an organisation it became more complex and there was a need to consider the nature and level of risk Spelthorne Council was prepared to take, tolerate and accept to attain objectives and priorities, but in a consistent and rational way.

Elizabeth advised that work had begun on developing an initial framework to create a uniform approach. This would help members to make more informed, transparent and consistent decisions based on the risk levels and provide clarity to officers on what decisions members were prepared to take based on acceptable tolerance levels established as part of setting Spelthorne's risk appetite. It was intended to determine risk appetite over a number of areas (impact measures), and this would be discussed and agreed by councillors and officers. It was hoped that an initial draft of the framework would be available in early 2022 for members to comment upon and this would help to explain what was quite an abstract concept.

Councillors were supportive of the idea and noted that it fitted in with the Local Government Association (LGA) Corporate Finance Peer Review and should help streamline decision making. One member asked that core and discretionary aspects of the Council's work be included in the document. It was agreed that an informal discussion with both members and officers participating would be useful prior to the next formal meeting of the Audit Committee on 24 March 2022.

One member asked if other local authorities were adopting the same approach and if it was considered best practice. Elizabeth advised that she was receiving more requests for assistance with this than in the past as authorities considered ways of improving decision making, possibly as a result of the pandemic.

In response to a question asking if the framework would be regularly reviewed, Elizabeth advised that it would be necessary to review and tweak it after approximately 6 months to ensure it was suitable for Spelthorne's circumstances, and in the current climate it would be sensible to regard it as a living framework and review it regularly.

The Chair thanked Elizabeth for summarising the matter so clearly.

593/21 Corporate Risk Management

The Internal Audit Manager presented her report outlining work undertaken around risk management. The Committee were advised that training had been delivered to managers to raise awareness, explain the corporate approach and need to integrate risk management into all service functions and corporate processes.

The Corporate Risk Register, attached at Appendix 1 to the report, outlined strategic risks which may impact the delivery of corporate priorities and objectives. Members of the Committee had requested at their last meeting that the register was updated to distinguish external factors where risk mitigation measures may be limited or beyond the control of the Council and these had been highlighted in blue in the register.

Key issues highlighted included housing developments and targets, the provision of affordable housing, the economy, and sustainability and climate

change. The most significant risks had been assigned a red RAG rating. A new risk added to the category related to the inadequate strategic direction provided by the Council for Knowle Green Estates (KGE) and Appendix 2 to the report contained a recommended risk action in relation to this.

One member asked for clarification on the housing register numbers as 1,500 of the 3,000 on the list were classed as low housing need. It was agreed that it was important to fully understand the housing need locally and that a breakdown of each category should be provided. Officers undertook to provide a response to members informed by the Housing team.

The Committee **resolved** to note the report.

594/21 Covid-19 Risk Considerations

The Internal Audit Manager presented her report on the Covid-19 Risk Assessment. The Risk Assessment had been reduced to focus specifically on the high level risks for Spelthorne and some of the risk categories aligned with the Council's recovery plan and objectives. As requested by the Committee, the document had been amended to highlight those risk categories significantly impacted by externalities and therefore distinguish areas where the Council had little or no control. The document also included those risk categories where the Council is in a position to apply greater local control and mitigation measures.

As requested by the Committee at the July meeting, the position on establishing key performance indicators (KPIs) for economic recovery was provided and referred to in the cover report.

The Internal Audit Manager highlighted key issues and actions being taken to mitigate those risks.

In response to a question asking if the increased number of Covid-19 cases and the possibility of a further lockdown was perceived as a risk, members were advised that it was not thought that we were at that stage at the moment. Weekly Borough Emergency Committee meetings were being held, trends checked and action taken to inform and update residents. There were differing views among medical experts and it was difficult to anticipate what would happen during the winter months. The Chief Finance Officer also advised that as a result of government funding, a Household Support Fund went live on 29 November to assist those residents struggling to meet rising food and energy costs.

It was noted that an incorrect version of the report had been added to the agenda and the final version including reference to the Chancellor's Budget announcement would be published with the minutes of the meeting.

The Committee **resolved** to note the report.

**595/21 Chartered Institute of Public Finance and Accountancy (CIPFA)
Financial Management Code Self-Assessment**

The Chief Finance Officer advised that incorrect documents had been added to the agenda, consequently there was one change to the report that was not in the published version. The final version of each document will be included with the minutes of the meeting.

The Committee were advised that both the LGA Action Plan and CIPFA self-assessment were regarded as living documents which will be regularly reviewed and updated. He highlighted key points and the action taken.

The Chief Finance Officer advised that the coming Budget would be challenging following the impact of Covid-19 and so the LGA Peer Review had been timely as had the revised corporate priorities and values. There was some overlap between the LGA Peer Review and the CIPFA Management Code which comes fully into effect in the next financial year but had been put into practice at an early stage by the Council.

A member expressed concern that with the Council's new Committee structure there was no longer an Overview and Scrutiny Committee and asked what steps were being taken to ensure that effective scrutiny took place. It was acknowledged that it was a difficult area as Committees were expected to scrutinise their own decisions. The Committee System Working Group was to meet in January 2022 and effective scrutiny was one of the matters they would be considering.

The Monitoring Officer advised that there were two areas that were legally required to be scrutinised, one of which was crime and disorder, and this had been considered by Neighbourhood Services Committee during their September meeting.

The Committee **resolved** to note the report subject to the final versions of the documents being included with the minutes.

596/21 Retender of External Audit Contracts

The Chief Finance Officer presented his report regarding the re-tender of external audit contracts for the five year period from 2023/24.

The process by which external auditors are appointed is set out in local audit regulations. There were three options available to Spelthorne:

- (a) Opt into the scheme whereby the Public Sector Audit Appointments (PSAA) entity manages the process of inviting bids, evaluation them and deciding which firm audits which council.

- (b) Spelthorne could conduct their own appointment process; this would necessitate creating a special panel, following detailed regulations and a special resource process
- (c) Identify and join with a number of other councils making their own arrangements and create a joint panel with those.

Feedback from other Surrey councils was that they intended to opt into the PSAA option. It was considered this would give the best outcomes as the alternatives were likely to be more costly, involve a considerable amount of time and resource and it may prove difficult to appoint a qualified auditor.

It was recognised that there were challenges in the external audit sector for local government in terms of the work required and the fee level set.

The Committee asked if there would be clarity on what extra charges could be expected particularly in view of our investment portfolio. The Chief Finance Officer explained that whilst all fees would be increased, it was difficult to know to what extent until the bids had been received and evaluated and this would not be known at the time of opting into the scheme. The audit firms did not know which councils they would be allocated at the time of submission of bids and some authorities had higher levels of commercial activity than others.

David Eagles, Senior Partner BDO, advised that whilst he was not advocating any particular option, he was aware of some NHS Trusts who had tried and failed to appoint an external auditor through their own process. There was a genuine risk of capacity issues in terms of the public sector market and so a potential benefit of PSAA was you did guarantee getting an external auditor.

The Committee **resolved** to make a recommendation to Council to opt into the national scheme managed by Public Sector Auditor Appointments as the "Appointing Person".

597/21 Confidential Reporting Code (Whistleblowing Policy)

The Group Head of Corporate Governance advised the Committee that she had conducted a review of the Confidential Reporting Code. The Code sets out how to raise serious concerns about any aspect of the Council's work, who to raise them with and how they should be dealt with. It had been comprehensively reviewed the previous year and was considered still fit for purpose. The only change required was the change of name from Members' Code of Conduct to Standards Committee as a result of the change to a Committee system form of governance.

A member asked if the Confidential Reporting Code was being used, as that was one method of checking its suitability and was advised that it had been operated.

Another member asked if it had been checked with Unison. The Head of Corporate Governance advised that it had been as part of last year's review,

but not on this occasion as it had not been changed however she was happy to do so if required.

It was **resolved** to note that the review of the Confidential Reporting Code by the Monitoring Officer had taken place and agreed to retain the current policy.

598/21 Appointment of Independent Person to Audit Committee

The Group Head of Corporate Governance advised the Committee that she could only provide limited information as the recruitment process was still ongoing.

The standard of applications received was good. One applicant had been interviewed by the panel and an interview with another applicant was in the process of being arranged. The applicant interviewed was of a high calibre, had interviewed well and was considered suitable.

A report would be prepared with a recommendation to Council once a response had been received from the second candidate. It was hoped that this would be in time for the full Council meeting in December.

Members agreed it would be useful to meet the successful applicant before the next formal Committee meeting.

The Committee **resolved** to note the update.

599/21 Internal Audit Interim Report

The Internal Audit Manager presented her report which summarised the work undertaken by the Internal Audit team for the period April to October 2022.

In addition to the planned audit reviews there were other workstreams carried out by the team adding value and in support of the Council's priorities and objectives. The Internal Audit Manager highlighted the counter-fraud initiatives undertaken through collaborative working with partners and the consequent significant savings to the Council. A targeted data matching initiative in conjunction with Housing and registered providers was being developed and if funding was approved it was anticipated this could result in positive outcomes in respect of social housing fraud.

The latest version of the report had not been included in the agenda documents. The final version of the report, included with the minutes, provided an additional table with the total potential savings and financial losses prevented should the data matching exercise proceed. These potential savings were based on professional guidance in terms of the percentage of social housing tenancies estimated to be fraudulently occupied. Furthermore, they were based on an assumption that where fraudulent occupancy was proven all properties were subsequently recovered with keys returned, although the actual number of properties recovered/keys returned were likely

to be less. It was difficult to predict or forecast the actual number of properties recovered as a bulk data matching exercise of a social housing portfolio had not been undertaken previously for Spelthorne.

Assurance was sought that the new Bluebox system would be reviewed by the Internal Audit team to ensure that it was fully functional. Officers advised that it was not an accounting system but a property management system with a bolt-on accounting suite. The Chief Accountant was working with the finance team to ensure that it was working as expected and once they were happy with the controls in place it would then interface straight into the Council's accounting system. The Internal Audit team had included a review and evaluation of the system within their work plan.

The Committee **resolved** to note the report.

600/21 External Audit update

David Eagles, Senior Partner BDO, advised that they were still awaiting the conclusion of KPMG's audit of the previous year's accounts and Value for Money opinion for 2017-18 before commencing their own work. They had had useful early discussions with officers about emerging matters in connection with the accounts and financial issues arising which had been very helpful.

BDO had also been working on housing grants and a Homes England return linked to the funding received for the White House Hostel project. It was hoped that a report would be available on all grants work for the next Audit Committee meeting.

The Chief Finance Officer advised that an independent external audit of Knowle Green Estates (KGE) which was wholly owned by the Council, and fed into the consolidated group accounts, had taken place. The external auditor had completed their audit of KGE for the last financial year and confirmed in writing that they did not have any issues but were yet to deliver their formal opinion letter. The draft KGE Annual Report and Statement of Accounts was to be presented to the Corporate Policy and Resources Committee at their meeting on Monday 29 November 2021.

The Committee **resolved** to note the update.

601/21 Committee Forward Plan

The Committee considered the Forward Plan for the remainder of the 2021/22 Municipal year.

It was **resolved** that the Forward Plan be approved subject to the addition of the Risk Appetite Framework for the next Committee meeting in March 2022.

602/21 VFM Working Group update

The Chief Finance Officer advised that KPMG had been invited to attend tonight's meeting but had declined to attend. They had indicated however that they would be willing to meet the Value for Money Working Group and were available the week commencing 6 December. A date was to be arranged and it was anticipated that at that meeting KPMG would share their draft conclusions on a confidential basis initially, to allow a response, before making those public.

It was viewed as encouraging that KPMG had asked for the draft Statement of Accounts and any post balance sheet events so they could update the narrative of significant events (such as Covid-19 and Brexit) that may be relevant to those figures.

The Committee **resolved** to note the update.

Audit Committee

24 March 2022



Title	Risk Appetite Framework
Purpose of the report	To make a decision
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	All Corporate Priorities. Community Affordable housing Recovery Environment Service delivery
Recommendations	<p>Committee is asked to:</p> <p>1.Note the work in progress in developing a risk appetite framework for the Council.</p> <p>2.Consider the next steps in progressing the effective implementation of a risk appetite framework for the Council.</p>
Reason for Recommendation	<p>Establishing and agreeing a risk appetite for key areas of Council operations can be applied to decision making and other areas of activity in delivering corporate priorities and objectives.</p> <p>Application of a risk appetite framework provides the following benefits:</p> <ul style="list-style-type: none"> - More effective decision making enabling greater transparency,accountability and consistency - Demonstrates proportionate action that aligns with the risk appetite set in responding to risks and opportunities. - Closer alignment between strategic direction and operational delivery

1. Summary of the report

- 1.1 This report seeks to inform the Audit Committee on progress in developing a risk appetite framework (RAF) for the Council and work undertaken so far. Next steps have also been reinforced for consideration.

- 1.2 Establishing and agreeing a risk appetite for key areas of Council operations to be applied to decision making and other activities including corporate and management processes supports the Council's Risk Management Policy, approved by the Audit Committee in 2020. It contributes to the longer-term vision of embedding a risk management culture and will further enhance organisational risk maturity. Having a RAF also meets modern best practice for risk management.

2. Key issues

- 2.1 At the Audit Committee meeting of 25 November 2021, Elizabeth Humphrey, an experienced Governance Consultant, presented to Members the rationale and benefits of implementing a Risk Appetite framework and talked through the concept with examples of how it could be applied with reference to decision making. Members of the Audit Committee were receptive to the concept and supportive of introducing a RAF for Spelthorne. It was agreed that progress be reported to the next meeting of the Audit Committee (March 2022).
- 2.2 Developing a Risk Appetite Framework (RAF) for Spelthorne is a work in progress and represents an important step in the Council's risk maturity. Essentially it is a tool that will guide how much risk (and opportunity) the Council is willing to seek and accept to enable consistent, transparent, and informed risk-based decisions in delivering corporate priorities and objectives. We have worked with Elizabeth Humphrey to explore and progress how this can be achieved.
- 2.3 The rationale and benefits of introducing a RAF were discussed with the executive management team (MAT) in September 2021 and raised with MAT PLUS (MAT and Group Heads) at a meeting early October. Group Heads and Managers were encouraged to input on the initial proposed format and structure and provide feedback on how they envisage a RAF working effectively in supporting their work.
- 2.4 The Deputy Chief Executive (Chief Finance and S151 Officer), Group Head Corporate Governance and Internal Audit Manager have undertaken an initial assessment to ascertain where Spelthorne's risk appetite currently sits against each of the impact measures ('as is' position) and the direction in which Spelthorne's risk appetite is envisaged to be moving over time ('to be' position). A refreshed version of the RAF with proposed appetites for Spelthorne was subsequently presented to MAT PLUS on 30 November (Appendix B to this report). We outlined how the different risk appetite levels (minimal/cautious/seeking/exploratory) might be articulated when applied to the proposed range of impact measures. During this session we also explained how such a framework can be applied with reference to a risk appetite pack (examples included decision making within Committee reports and Service Planning). The discussion document, proposed appetites for Spelthorne and risk appetite pack taken to MAT PLUS on 30 November are attached at Appendices A to D of this report.
- 2.5 Whilst Group Heads at MAT PLUS were supportive in principle to a RAF, their concerns were around overstretched corporate capacity and how applying a RAF might create additional work adding to existing pressures. The level of

additional value that might be gained from implementing a RAF has also been highlighted in the context of current workload demands. We have taken these comments on board and on reflection considered that a 'soft' implementation would be more appropriate. MAT have reinforced their support for a RAF but also welcome a soft implementation approach given the competing priorities, wider challenges and workload pressures being faced across the organisation. On this basis we have not accelerated implementation of a RAF as it is felt that familiarity of the concept on a more informal basis may be more appropriate in the first instance.

2.6 At some future point, once it has been determined where Spelthorne currently sees its' risk appetite relating to each of the impact measures i.e., the level of risk that Members have decided is acceptable for the Council, these can be formally set and approved. It was previously agreed at the Audit Committee meeting of 25 November that a collaborative approach (Officer and Member) in agreeing Spelthorne's risk appetite would be beneficial. As a starting point and to aid these discussions we have analysed where Spelthorne's risk appetite might currently sit versus the direction it may be moving towards over time (see earlier reference at para 2.4 and Appendix B to this report). Setting a risk appetite should not be viewed as rigid as there is flexibility to review and change it at reasonable intervals. This was highly recommended by Elizabeth Humphrey on the basis that as an organisation we will continue to evolve in facing new challenges and hence our risk appetite is likely to change over time.

2.7 Subsequent application of the risk appetite framework should help to demonstrate proportionate action that aligns with the risk appetite set in responding to strategic risks and opportunities. Other benefits of a RAF are referred to on the cover page of this report, as well as at Appendix 1. There are also wider benefits that can be gained from application of a RAF that have become apparent during the work undertaken so far such as using it to stimulate group thinking and as a capacity management tool.

3. Options analysis and proposal

3.1 Option 1 (Proposed) – Continue with a 'soft implementation' approach in progressing a RAF for Spelthorne. Continued familiarity with the concept and framework on a more informal basis (both Members and Officers) will maintain momentum and ensure we continue to build on the work already undertaken. The RAF could be trialled and applied to a corporate process to gain practical familiarity of the concept. One example is the service planning process with plans due for completion over the next two months.

3.2 Option 2 – In view of the overstretched corporate capacity and ongoing intense work pressures, do nothing at the current time to progress the formal adoption of a Risk Appetite Framework (RAF) for Spelthorne. The envisaged benefits from a RAF (once effectively implemented) highlighted on the cover page and elsewhere in this report (para's 1.2, 2.2, 2.7) could not be demonstrated or achieved if this option were taken.

4. Financial implications

4.1 There could be significant adverse financial consequences if Council decisions do not align with the Council's risk appetite for the 'financial' impact

measure. This may also apply where decisions are delayed with consequences for effectively delivering corporate priorities and objectives.

5. Other considerations

- 5.1 Whilst resources required to implement this will need to be contained within existing budgets, it should be recognised that this may impact other work priorities within the Internal Audit team. A soft and gradual implementation is envisaged to reduce the impact on Services.

6. Equality and Diversity

- 6.1 In progressing the implementation of a risk appetite framework and applying it over time across corporate processes, the Council should define what it sees as its risk appetite level when considering equality and diversity. This will help to determine and demonstrate proportionate action that aligns with the risk appetite set in responding to risks and opportunities.

7. Sustainability/Climate Change Implications

- 7.1 In the proposed RAF format 'delivery of corporate priorities' represents one of the defined impact measures against which risk appetites levels are articulated. This will help to determine and demonstrate proportionate action for Climate Change as a corporate priority area that aligns with the risk appetite set in responding to risks and opportunities.

8. Timetable for implementation

- 8.1 The timeframes for progressing implementation should be driven by the management team (MAT) and Audit Committee in the first instance, based on what is regarded to be the most opportune time. This should consider the challenges raised at para 2.5 around overstretched corporate capacity.

9. Contact

- 9.1 Punita Talwar, Internal Audit Manager
P.Talwar@spelthorne.gov.uk
01784 446454

Background papers: Please refer to Appendices below.

Appendices: Appendix A - Risk Appetite Framework Development – discussion document as reported to MAT + 30 November 2021

Appendix B – Risk Appetite Framework with proposed risk appetites – as reported to MAT + 30 November 2021 – (Annex 1 to Appendix A)

Appendix C – A template to consider risk appetite as part of service plans – as reported to MAT + 30 November 2021 (Annex 2 to Appendix A)

Appendix D - A template to include risk appetite in decision making reports – as reported to MAT + 30 November 2021 (Annex 3 to Appendix A)

Appendix A - Risk Appetite Framework Development – MAT + 30 November 2021

Introduction

At the MAT plus meeting on 5 October 2021, we presented our initial thoughts around developing a risk appetite framework for Spelthorne and we received some useful comments and feedback at the time. Since then, we have developed:

- The Risk Appetite Framework (RAF) to flesh out the different appetite levels for each aspect (impact measure) and indicate where we think the Council's current risk appetite is and where it should be to achieve the Council's priorities and objectives (annex 1)
- A template to consider risk appetite as part of service plans (annex 2)
- A template to include risk appetite in decision making reports to help Members make more transparent, consistent and informed decisions (annex 3). We envisage this would be a minimum apply to reports going to service Committees.

We have also spoken to the Audit Committee (25 November 2021) about the principles and rationale of the RAF and obtained its outline approval.

Request for comment and feedback

For the RAF (annex 1) we would like you to:

1. Consider the descriptions used for each category and level of risk appetite. Do these make sense? Are they too far apart or too close together? Are there any wording changes that would improve them?
2. Consider the initial assessment of Spelthorne's risk appetite. Do you agree?
3. Consider the initial assessment of where Spelthorne's risk appetite should be to achieve its priorities and objectives. Do you agree and would you be comfortable working to this risk appetite in your service? Remember, you can work to a lower risk appetite, but you should not work to a higher one, so would this risk appetite constrain you?
4. Make any further comments to improve the RAF and make it practical to implement.

For the service plan risk appetite (annex 2) we would like you to consider the version completed for Regeneration and Growth based on recent discussion with Group Head R & G. We want the RAF to challenge and support you to help you and the Council as a whole make risk-informed and consistent decisions.

1. How practical will it be for you to apply this approach within your own service plans?
2. Are there any changes that you think would make this easier to use?
3. Is it sensible to concentrate just on the 'service provision' aspect in establishing risk appetite or should risk appetites for the other defined impact measures such as 'Financial', 'Corporate Priorities', 'Reputation', 'Challenge and Acceptability' also be included?
4. Will this addition to the service plan help you to make more risk-informed decisions about the direction of your service, ensuring that you can respond to risks and opportunities in a proportionate way, putting in place appropriate mitigation and control measures that align with your service risk appetite?

For the decision report risk appetite (annex 3) we will, of course, discuss this with members to make sure that this meets their needs but, do you think that:

1. This will be straight-forward to complete?
2. It is complete enough to give members helpful information without being over complex?
3. Is the wording clear?

Next steps

1. Refine the documents in the risk appetite pack (referred to above) to reflect your feedback
2. Informal meeting of the Audit Committee, other senior members and MAT in early 2022 to discuss the RAF and the way that it is reported and used to develop a final draft of the framework (date for this meeting is to be scheduled) .
3. Formal presentation of the framework to the Audit Committee at its meeting on 24 March 2022.
4. Formal presentation of the framework to Corporate Policy & Resources for ratification in XXX 2022 (date to be confirmed).

Elizabeth Humphrey (Corporate Governance Consultant) and Punita Talwar (Internal Audit Manager)

26.11.21

APPENDIX B – RISK APPETITE FRAMEWORK WITH PROPOSED RISK APPETITES

Annex 1 (TO Appendix A)

RISK APPETITE FRAMEWORK - Spelthorne Borough Council's risk appetite across the five impact measures (DRAFT)

The table contains a description of what each level of appetite will look like for that aspect (impact measure). Spelthorne's current risk appetite across the impact measures is marked with a **X** and shaded in blue. In terms of where Spelthorne sees itself positioned on the risk appetite spectrum over time, this is marked with a **Y** and shaded in green. For impact measure 4 (reputation), the current risk appetite may already align with Spelthorne's preferred positioning (i.e., no change).

Proposed appetites for Spelthorne are based on initial discussions between the Internal Audit Manager, Group Head of Corporate Governance and Deputy Chief Executive (Chief Finance and S151 Officer). As part of our initial assessment, we have been mindful of increased financial pressures, externalities and significant challenges facing the Council in the current and evolving environment. These factors will continue to shape the Council's direction, for example there is a greater need to review how we are delivering priorities and objectives including new and innovative approaches to service provision. Overall Spelthorne appear to have a cautious risk appetite (currently) across most of the impact measures with a strong possibility of moving into the exploratory risk appetite category, recognising the need to seize positive opportunities to support future delivery and ongoing improvements. It is recognised that appetite perceptions (current and future) may differ between Officers and Members, and this will form part of the next steps in establishing and agreeing the appetites.

We hope this will stimulate further discussion at MAT PLUS and with Members in establishing Spelthorne's risk appetite. Members are ultimately responsible for formally setting and approving the Council's risk appetite.

Risk Appetite Category	Minimal	Cautious	Exploratory	Seeking
Appetite description	Areas where Spelthorne will apply a strong control environment to reduce or minimise the likelihood that a risk will occur and/or reduce the impact of any risk	Areas where Spelthorne seeks low-risk delivery options and will pilot innovation only in a controlled environment	Areas where Spelthorne strikes a balance between the potential upside benefits and downside risks of a decision and explores new solutions and options for delivery	Areas where Spelthorne takes risks by working with new ideas and approaches, looking for innovation and recognizing that failures are an opportunity for learning and improving.
Impact Measure: 1.Financial	Prepared to lose up to 2% of the value of project or activity in pursuit of objectives	X Prepared to lose up to 5% of the value of	Y Prepared to lose up to 10% of the value of project or activity in pursuit of objectives	Prepared to lose up to 20% of the value of project or activity in pursuit of objectives

Risk Appetite Category	Minimal	Cautious	Exploratory	Seeking
		project or activity in pursuit of objectives		
Impact measure: 2. Corporate priorities	All priorities delivered as planned because they are undemanding	X Majority of priorities delivered, with some flexibility around contributing objectives	Y Re-examination of a number of priorities to deliver in new and innovative ways	Rethink of many priorities, looking for new ways to deliver that have not been used elsewhere in the public sector
Impact Measure: 3. Service provision	Services delivered as planned with mandated developments only	X Tried and tested changes made. Use of limited pilots to develop new approaches	Y Open to new ways of doing things and taking a balanced and pragmatic (capacity-driven) approach to making changes	Continuous re-evaluation of services and how they are delivered to explore new ideas, learn from failures to invest in ever-improving delivery
Impact Measure: 4. Reputation	Minimal local media attention Minimal social media interest No effect on staff morale	Local media interest Technical social media interest Minimal effect on staff morale	X & Y National media interest General public social media interest Noticeable effect on staff morale (eg increase/decrease in turnover or job applicants)	Remembered for years International social media interest Major effect on staff morale (eg turnover outside desirable parameters)
Impact Measure: 5. Challenge and acceptability	No exposure to external challenge other than mandatory requirements	X Open to peer reviews to learn from others with similar approaches and attitudes	Open to external reviews from other public sector bodies to learn and develop	Y Invites external review and challenge as an opportunity to learn, develop and enrich, find innovative ways of doing things and trying out new ideas. Learning from own failures and those of others, including those outside the public sector

PT

17.11.21 (DRAFT)

**Appendix C – A template to consider risk appetite as part of service plans – as reported to MAT + 30 November 2021
(Annex 2 to Appendix A)**

SERVICE PLAN TEMPLATE – PROPOSED ADDITIONAL TEXT TO ADD TO EXISTING TEMPLATE INCORPORATING THE RISK APPETITE FOR YOUR SERVICE

There are numerous Services operating across the Council, possibly with varying risk appetites. Being clear on your Service risk appetite will assist you as Managers in making transparent and informed risk-based decisions as part of service provision and delivery of objectives, as well as ensuring the application of proportionate actions and risk mitigation measures (as far as practical and possible) that align with your appetite.

The risk appetite of the Regeneration and Growth Service sits most appropriately within the following appetite (**Positioning of risk appetites discussed with Group Head Regeneration and Growth on 17.11.2021**):

Appetite Category	Minimal	Cautious	Exploratory	Seeking
Appetite Description	Areas where Spelthorne will apply a strong control environment to reduce or minimise the likelihood that a risk will occur and/or reduce the impact of any risk	Areas where Spelthorne seeks low-risk delivery options and will pilot innovation only in a controlled environment	Areas where Spelthorne strikes a balance between the potential upside benefits and downside risks of a decision and explores new solutions and options for delivery	Areas where Spelthorne takes risks by working with new ideas and approaches, looking for innovation and recognizing that failures are an opportunity for learning and improving.
How are each of these appetites articulated when applied across the	Services delivered as planned with mandated developments only	Tried and tested changes made. Use of limited pilots to develop new approaches	Open to new ways of doing things and taking a balanced and pragmatic (capacity-driven) approach to making changes	Continuous re-evaluation of services and how they are delivered to explore new ideas, learn from failures to invest in ever-improving delivery

RAF impact measure for 'Service Provision '				
What is the Council's overall risk appetite for 'Service provision' (CURRENT)?		X		
Use the information above, review the content within your Service Plan and reflect on your Service approaches to establish where your specific Service risk appetite is currently positioned. Add X				
Appetite Category	Minimal	Cautious	Exploratory	Seeking
1.Planning – Development & Management	X			
2.Strategic Planning		X		
3. Assets			X	
4.Economic Development			X	
5. Land Charges	X			
Why does your service risk appetite(s) sit against this category? Provide one or two examples of practices and approaches within your Service to support your assessment. For example, if you define your Service(s) to have a minimal or cautious risk appetite is this influenced by a strong regulatory working environment presenting wider implications or repercussions if this appetite category was not adhered to.				

<p>1. <u>Planning – Development and Management (Minimal)</u>– A highly regulated environment requiring the application of a strong control framework in effectively delivering the Service to meet objectives. Failure to adhere to Planning regulations and legislative requirements presents significant implications for the authority including reputational, legal, financial, health and safety. Exercising due professional care and providing sound judgement is intrinsic to this service area.</p>
<p>2. <u>Strategic Planning (Cautious)</u> – Sits within Council’s overall appetite for Service provision. Working with Members on development proposals and consider innovative approaches where appropriate to deliver plans in a structured environment.</p>
<p>3. <u>Assets (Exploratory)</u> - In supporting the Council’s financial sustainability the Council manages an ambitious and significant property investment portfolio (£1bn). Implemented robust measures to minimise risks relating to its commercial assets and maximise rental income streams. The housing delivery programme including direct delivery through KGE prevails with several property development schemes planned, underway or completed.</p>
<p>4. <u>Economic Development (Exploratory)</u> – Whilst there is flexibility in exploring and facilitating new and innovative approaches to strengthen local economic activity and support ongoing recovery (with many examples of collaborating with local partner groups), the wider externalities operating (macroeconomic environment and national policy decisions) will continue to impact the extent to which economic risks can be effectively managed and mitigated.</p>
<p>5. <u>Land Charges</u> - A regulated environment requiring the application of a strong control framework in effectively delivering the Service to meet objectives. Limited scope to apply new or innovative approaches.</p>
<p>If your Service risk appetite does not align with the <u>Council’s overall risk appetite</u> relating to ‘Service Provision ’, has this been communicated and discussed with MAT/Members to confirm this seems acceptable and appropriate ?</p>
<p>YES/NO</p>

When periodically monitoring progress in implementing Service Plans, consider how you have applied the risk appetite set and whether proportionate action (including risk mitigation measures and implementation of controls) has been taken that aligns with

your appetite. Alternatively have there been frequent instances where the actions pursued fall significantly outside appetite set? There will be opportunities to review your risk appetite as part of the annual service planning process.

18 November 2021

Appendix D - A template to include risk appetite in decision making reports – as reported to MAT + 30 November 2021 (Annex 3 to Appendix A)

ANNEX 3 COMMITTEE REPORT

Committee report – incorporating reference to risk appetite where a Committee is asked to make a decision and a recommendation is put forward

The following section currently forms part of all committee report templates.

Title	
Purpose of the report	To make a recommendation to eg Corporate Policy and Resources Committee
Report Author	
Ward(s) Affected	
Exempt	Yes/No
Exemption Reason	
Corporate Priority	
Recommendations	<p>Committee is asked to: Recommend to eg Corporate Policy and Resources Committee that</p> <p><i>(New additional text proposed to ensure transparent and informed risk-based decisions can be demonstrated)</i></p> <p>Note that the proposed/recommended option falls within the Council's approved Risk Appetite, or</p> <p>Note that the proposed/recommended option does not fall within the Council's approved Risk Appetite</p>
<p>Reason for Recommendation</p> <p><i>(New additional text proposed)</i></p>	Where the proposed/recommended option does not fall within the Council's approved Risk Appetite the reasons are set out in the report.

2. Options analysis and proposal

2.1 We have looked at the various options available, and these include:-

- 1) **Option 1:-** Do nothing. This would mean that
- 2) **Option 2:-**
- 3) **Option 3:-**

2.2 Option 2 is proposed/recommended, i.e. that Committee approves

3. Risk Appetite implications *(New section proposed to provide a framework within which officers can make proposals. This ensures transparent and informed risk-based decisions can be demonstrated in delivering corporate priorities and objectives)*

Either:

(a) The Option being proposed is consistent with the Council's established risk appetite, approved by Members. *(Scope to include guidance narrative for report authors & audience. Some suggested text - Council decisions have implications for the Council's finances, delivery of corporate priorities, service provision, reputation, and exposure to external challenge. There are likely to be other implications arising from Council decisions, but these areas represent key impact measures).*

Provide an explanation and relevant example of how the proposed/recommended option supports the approved risk appetite across each of the following five impact measures (Council approved appetite is marked with an X below).

Risk Appetite Category	Minimal	Cautious	Exploratory	Seeking
Appetite description	Areas where Spelthorne will apply a strong control environment to reduce or minimise the likelihood that a risk will occur and/or reduce the impact of any risk	Areas where Spelthorne seeks low-risk delivery options and will pilot innovation only in a controlled environment	Areas where Spelthorne strikes a balance between the potential upside benefits and downside risks of a decision and explores new solutions and options for delivery	Areas where Spelthorne takes risks by working with new ideas and approaches, looking for innovation and recognizing that failures are an opportunity for learning and improving.
Impact Measure: 1.Financial	Prepared to lose up to 2% of the value of project or activity in pursuit of objectives	X Prepared to lose up to 5% of the value of project or activity in pursuit of objectives	Prepared to lose up to 10% of the value of project or activity in pursuit of objectives	Prepared to lose up to 20% of the value of project or activity in pursuit of objectives
Impact measure: 2.Corporate priorities	All priorities delivered as planned because they are undemanding	X Majority of priorities delivered, with some flexibility	Re-examination of a number of priorities to deliver in new and innovative ways	Rethink of many priorities, looking for new ways to deliver that have not been used

		around contributing objectives		elsewhere in the public sector
Impact Measure: 3.Service provision	Services delivered as planned with mandated developments only	X Tried and tested changes made. Use of limited pilots to develop new approaches	Open to new ways of doing things and taking a balanced and pragmatic (capacity-driven) approach to making changes	Continuous re-evaluation of services and how they are delivered to explore new ideas, learn from failures to invest in ever-improving delivery
Impact Measure: 4.Reputation	Minimal local media attention Minimal social media interest No effect on staff morale	Local media interest Technical social media interest Minimal effect on staff morale	X National media interest General public social media interest Noticeable effect on staff morale (eg increase/decrease in turnover or job applicants)	Remembered for years International social media interest Major effect on staff morale (eg turnover outside desirable parameters)
Impact Measure: 5.Challenge and acceptability	No exposure to external challenge other than mandatory requirements	X Open to peer reviews to learn from others with similar approaches and attitudes	Open to external reviews from other public sector bodies to learn and develop	Invites external review and challenge as an opportunity to learn, develop and enrich, find innovative ways of doing things and trying out new ideas. Learning from own failures and those of others, including those outside the public sector

OR: The Option being proposed/recommended does not fall within the Council's established and approved risk appetite for one or more measures. The proposed/recommended option sits under the following risk appetite(s) for each of the impact measures, marked with an 'A'.

Risk Appetite Category (See definitions above)	Minimal	Cautious	Exploratory	Seeking
Impact Measure			A	
Financial				
Impact Measure				A

Corporate Priorities				
Impact Measure	A			
Service Provision				
Impact Measure				A
Reputation				
Impact Measure			A	
Challenge and Acceptability				

The implications of proposing/recommending an option that falls outside of the Council's approved risk appetite are.....

It is necessary to propose/recommend this option as it is envisaged that it will provide additional benefits highlighted earlier and in other sections of this report.

PT

Drafted 17.11.21

AUDIT COMMITTEE

24 March 2022



Title	Homes England Compliance Audit
Purpose of the report	To note
Report Author	Marta Imig, Strategic Lead, Housing
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/a
Corporate Priority	Affordable Housing
Recommendations	To note the outcome of the Compliance Audit
Reason for Recommendation	Homes England requires the outcome of the Compliance Audit to be brought to the attention of the relevant committee within 3 months of the audit result release.

1. Key issues

- 1.1 Spelthorne Borough Council (the Council) was selected to have the White House scheme audited in the 2021/22 Homes England Compliance Audit programme. The Council has passed the Compliance Audit.
- 1.2 The purpose of the Compliance Audit exercise is to carry out a comprehensive review of a sample of Homes England funded schemes to confirm that grant recipients have met all of Homes England's funding conditions and contractual requirements and have properly exercised their responsibilities as set out in the Capital Funding Guide Options analysis and proposal.
- 1.3 As the grant recipient, the Council is responsible for using the grant funds for the purposes stated in the grant agreement, maintaining proper records which comply with Homes England's terms and conditions of grant and providing relevant information to Homes England in accordance with the requirements of the grant conditions.
- 1.4 Homes England use the Compliance Audit findings (which are confidential between Homes England and the grant recipient) to inform their future investment decisions and to reassure the Homes England Chief Accounting Officer that public funds have been properly used.
- 1.5 The outcome of the 2021/22 Compliance Audit for the Council has now been agreed by Homes England's Strategic Investment Board and the final Compliance Audit report is enclosed in Appendix A. The Council has passed the Compliance Audit.
- 1.6 The Compliance Audit lead for the Council, (Marta Imig, Strategic Lead, Housing), is required to bring the outcome of the Compliance Audit, any breaches, and recommendations to the committee's attention at the earliest

opportunity. Once the report has been brought to the attention of the committee, the Compliance Audit lead will need to confirm the committee's acknowledgement of the report and the committee's acknowledgement of any actions being undertaken to address the breaches and recommendations. This must be completed within three calendar months of receipt of the report.

2. Financial implications

- 2.1 There are currently no financial implications in noting the Compliance Audit outcome. The Council has passed the Compliance Audit and sufficiently documented that the funds have been appropriately spent, conditions met and records correctly maintained.

3. Other considerations

- 4.1 N/A

4. Equality and Diversity

- 4.1 N/A

5. Sustainability/Climate Change Implications

- 5.1 The Compliance Audit process has been completed electronically and does not have an impact on the sustainability or climate change.

6. Timetable for implementation

- 6.1 Once the outcome of the Compliance Audit is noted, the Compliance Audit Lead will log this with Homes England to complete the process.

Background papers: There are none.

Appendices:

Appendix A: Compliance Audit Report

Audit Committee

24 March 2022



Title	Corporate Risk management
Purpose of the report	To make a recommendation to Corporate Policy and Resources Committee
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	<p>The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES).</p> <p>Community Affordable Housing Recovery from Covid Environment Service Delivery</p>
Recommendations	<p>The Audit Committee is asked to:</p> <p>1. Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, with a view to Corporate Policy and Resources deciding on an appropriate course of action.</p> <p>2. Pursue with Corporate Policy and Resources scope for wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.</p>
Reason for Recommendation	<p>The Corporate Risk Register continues to ensure that the Council's most significant risks in relation to achievement of corporate priorities and objectives are identified, managed, monitored, and reported.</p> <p>Increased visibility and ownership of the risks and issues raised in this report is recommended across the Council due to the significant and wide-reaching implications. This will support improved coordination in addressing risks and implementing mitigating actions.</p>

1. Summary of the report

- 1.1 This report seeks to highlight significant strategic risks in delivering the Council priorities (CARES) and objectives, and key mitigation measures underway. The Council's most significant risks to highlight are the five risk categories assigned a red RAG rating, as follows:

- Housing – Development & targets
- Housing – Affordable
- Economy
- Sustainability and Climate Change
- Corporate Capacity/Resources/Recruitment and Retention

2. Key issues

- 2.1 The revised corporate risk register is set out at Appendix 1 and the Risk Action Plan at Appendix 2.
- 2.2 The perusal of actions on the Council's Covid-19 recovery plan, the evolving economic position globally and the geopolitical uncertainty arising from the Ukraine crisis have meant several risks on the corporate risk register continue to be influenced by external factors. Those risks are highlighted in blue to distinguish areas where risk mitigation measures may be limited in terms of actual outcomes due to externalities beyond the control of the council. These were also reported previously to the November 2021 Audit Committee.
- 2.3 The Council's most significant strategic risks to highlight are the four risk categories that continue to be assigned a red RAG rating (see Appendix 1), and a further risk category that has moved from an amber RAG rating to a red RAG rating based on risk assessment and application of the risk scoring model. This includes risk categories 1(a) (Housing – Development & Targets), 1b (Housing – affordable), 2 (Economy), 6 (Sustainability and Climate Change) and 7 (Corporate Capacity/Resources/ Recruitment and Retention).
- 2.4 The corresponding risk action plan attached at Appendix 2 highlights actions completed, as well as 'work in progress' and 'continuous actions'. Two new actions have been added as part of this review under section 7. Firstly to keep overstretched capacity under regular review and secondly to continue to explore new and innovative recruitment and retention strategies in a competitive market.
- 2.5 The key issues and developments to highlight as part of the latest review of the Corporate Risk Register are set out below at 2.5 (a) to 2.5 (e).

(A)Housing – Development and targets – red risk category 1a.

Viability assessments for a range of options have been completed for Whitehouse residential and Thameside House. Development Sub-Committee are further considering the viability options following referral to Full Council. Corporate Policy and Resources Committee agreed in January 2022 that the Staines Moratorium was no longer in effect. The one-year delay has cost £105k per month equating to £1.26m over the period the Moratorium has

been in place. Definitive financial costs of delays to property schemes including ongoing monthly revenue and capital costs continue to be measured and reported. Continued delays equate to significant cost rises for the Council, and as these costs cannot be capitalised going forward this has an adverse impact on the revenue budget, threatening the Council's financial position. The inflationary pressures and rising interest rates add further to the overall financial impact.

As well as the significant financial implications to the Council arising from delayed property schemes, this inevitably effects the achievement of development targets, the housing delivery programme and provision of housing (affordable and other) across the borough. During November the Environment and Sustainability committee considered the annual housing delivery test action plan setting out ways of increasing delivery.

An Annual Planning Performance report is due to go to the Environment and Sustainability in March 2022 highlighting the risk around the number of overturns of major planning applications which are then allowed on appeal. If the 10% figure is breached, then the Council would exceed the government 'designation' threshold. Where applications are granted on appeal this presents further financial risk implications arising from potential developer claims to the Council.

(B) Housing – Affordable – red risk category 1b.

Given the adverse impact of the challenges arising from pandemic recovery and self-imposed Staines moratorium on the provision of housing, (outlined above at paragraph 2.5 A), this risk category continues to be assessed as red. As reported previously, the risks set out under 1B of the risk register inevitably lead to increased costs and pressure on the Council's Housing Service. Substantial numbers remain on the Housing register (currently approx. 3,000 with cases categorised by priority banding), impacting efficient delivery of social housing provision. The wider negative consequences on the health and wellbeing of individuals and families remains a risk consideration. It is noted that the housing allocation policy is under review with a view to refreshing the current approach.

The Community Wellbeing Committee approved a revised Tenancy Strategy and recommended to Corporate Policy & Resources Committee for consideration on 15th November, moving the affordable rental percentage from 80% to 70%. After consideration Corporate Policy & Resources Committee on grounds of viability decided to retain affordable rental percentage at 80%. Another risk mitigation measure in progressing delivery of housing need is the proposed purchase and management of readymade properties through Knowle Green Estates (KGE) approved by Policy and Resources Committee and included in the draft Capital programme. Under the ARAP scheme Spelthorne have provided support to Afghan Families.

(C) Economy – red risk category 2

The economic risks including the macroeconomic environment reported previously to the Audit Committee in November 2021 remain relevant and

continue to have an impact on Council operations, consumer activity, revenue streams and finances as it recovers from the pandemic. The rise in living costs including the energy and fuel crisis as well as the implications arising from the geopolitical situation and Ukraine crisis are further risk factors and present wider consequences.

The Economic Strategy and action plan to cover the next five years (2022 - 2027) is under review and scheduled for completion by June. We have previously reported that as part of this review it would be timely to establish key local performance indicators to support the measurement of economic recovery and assist application of risk mitigation measures at a local level. This has been highlighted by the Economic Development Committee and Audit Committee.

The Council's discretionary Additional Restrictions Grant (ARG) scheme runs to March 2022 and will support, facilitate, and influence business activity contributing to the recovery of the local economy. The ARG task group have advised on direction of the last tranche of funding with a view to maximising businesses recovery and growth. The Economic Development Manager has advised that recent footfall within Staines town centre is looking more positive.

Funding has been secured (£100,000) from DWP for a Youth Hub for 18 – 24year-olds to assist with job employability. The Hub began operating from Sunbury Business Incubator in January 2022 and is being launched in March.

(D)Sustainability and Climate Change – red risk category 6.

The Environment and Sustainability Committee of January 2022 agreed a framework for prioritising bids to the Green Initiatives provision (fund of £747k). As previously reported, the Council has invested in several infrastructure schemes and where the Council has greater localized control to contribute to outcomes, such as flooding as an example, it is in a stronger position to pursue associated environmental measures. The Council are working closely with its Treasury Management advisors to consider sustainable investment and a plan is envisaged by autumn 2022 with timescales as to how to transition Spelthorne's portfolio to a more sustainable basis. The Council's pandemic recovery plan also provides a mechanism for periodically monitoring progress on green actions.

Whilst Climate Change factors have been incorporated into some policies and the Sustainability Strategy 2016-21, as previously reported establishing a coordinated strategy for tackling Climate Change remains a work in progress.

(E)Corporate Capacity/Resources/Recruitment and Retention – red risk category 7 (previously amber risk category)

Considering the commentary below and on the risk register, this risk category has moved from an amber risk to a red risk. The risk description column under risk category 7ii of the register suggests the corporate management team

review options and next steps with a view to being comfortable that the risk is at an acceptable level.

An ongoing risk prevails around corporate capacity remaining severely stretched with additional significant work pressures being reported (see risk register). Added to this the implementation of a new Committee system from May 2021 presents a governance structure with greater demands on resource and time. The failure to effectively recruit to technical roles is also proving challenging with implications for gaps in skills/expertise/knowledge and service quality delivery, as well as additional consultancy costs. All these factors have further exacerbated the apparent pressures being felt across the Council. There are several consequences associated with overstretched corporate capacity including workforce fatigue and stress, negative impact on physical and mental wellbeing, increased sickness absence and turnover, loss of key personnel, and losing sight of priority focus areas impacting service delivery.

It is already acknowledged that if the Council as a whole become more effective at prioritisation, this is one of many factors that could contribute to mitigating the overstretched corporate capacity risk. It is envisaged that the planned LGA Corporate Peer review (incorporating the most significant risks and issues facing the Council) could provide greater direction and insight in supporting the Council to address this significant issue and risk area. As part of the approved budget for 2022/23 an extra 17 FTE posts were approved with a view to alleviating some of the current pressures.

A 2% pay increase has been approved for 22/23 by Full Council (24.2.22) plus an extra 0.5% for staff on Grades 1 to 5. Given that talented staff represent the greatest asset for any organisation, continuing to explore new and innovative recruitment and retention strategies in a competitive market has been included on the Risk Action Plan.

Collaborative working and Partnerships are being explored with a view to enhancing organisational and service resilience and promoting career opportunities, contributing to staff retention measures. A Working group is in place.

3. Options analysis and proposal

- 3.1 The revised register at Appendix 1 is an accurate reflection of the high-level significant risks affecting the Authority, based on our assessment of risk and controls in operation. To consider the contents of the Corporate Risk Register including any new or expanded risk categories, residual risks highlighted and risk mitigating actions underway or for perusal. To take necessary actions going forward in response to the significant issues raised in this report and as detailed in the register. The risk action plan at Appendix 2 outlines the progress made on actions previously proposed and includes new actions which should be addressed as they impact delivery of corporate priorities and objectives, (preferred option); or
- 3.2 To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

4. Financial implications

- 4.1 There are major financial implications arising from the red RAG corporate risk categories discussed under section 2.5 above. Unless the Council addresses these issues, the Council will not be able to meet its statutory obligations given the significant adverse costs being generated, and neither will it be able to effectively deliver corporate priorities.

5. Other considerations

- 5.1 It is envisaged that as part of the forthcoming LGA Corporate Peer review planned for Autumn 2022, this process could provide continued direction and insight in supporting the Council to address the significant issues and risks highlighted in this report.

6. Equality and Diversity

- 6.1 There are no areas to highlight. Equality and diversity considerations form part of service provision and should stem from relevant strategies and policies.

7. Sustainability/Climate Change Implications

- 7.1 There are none separate to those in the Corporate Risk Register.

8. Timetable for implementation

- 8.1 The corporate management team and lead Committee are referenced on the risk register at Appendix 1 as holding collective ownership and accountability for ensuring these strategic corporate risks are effectively managed. The Risk Action Plan at Appendix 2 shows lead officers responsible for progressing actions, together with target timescales for implementation. The register is reviewed and updated three times a year in consultation with Group Heads and Managers, coordinated, analysed and reported by the Internal Audit Manager.

9. Contact

- 9.1 Internal Audit Manager, Punita Talwar. P.talwar@spelthorne.gov.uk
01784 446454

Background papers: There are none.

Appendices:

Appendix 1 – Corporate Risk Register (including risk scoring matrix)

Appendix 2 – Risk Action Plan

APPENDIX 1 - CORPORATE RISK REGISTER

RISK REFERENCE & OWNERSHIP	RISK DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CURRENT KEY CONTROLS
1. (a) Corporate Management Team (MAT) and Lead Committee	<p>1.(a) HOUSING – DEVELOPMENT & TARGETS</p> <p>(i) Failing to deliver housing development targets could lead to a loss of Spelthorne's overall control as the Local Planning Authority, resulting in key decision making undertaken by other organisations.</p> <p>(ii) The Council is not able to deliver the Local Plan by the required timeframes, increasing the risk of unsuitable planning applications being submitted. Where planning applications have been refused but subsequently approved on appeal, this also has financial implications arising from developer claims to the Council.</p>	<p>Supporting Communities</p> <p>Affordable Housing</p> <p>Service Delivery</p>	RED Refer to the Risk Matrix	<p>Housing Delivery Programme with Benwell Phase 1 completed and 100% occupied (September 2021), and West Wing Occupied (Jan 22). Exploring other development opportunities within the borough. Benwell Phase 2 planning application rejected on 13th October.</p> <p>Annual Housing Delivery Test Action Plan went to E&S committee on 9 November 2021 setting out how the Council is looking to increase housing delivery. It was also considered by Planning Committee on 5 January 2022.</p> <p>Strategy for the revised Local Plan agreed by the E&S committee on 13 July 2021 plus a revised timetable to adoption of summer 2023. This programme is still on track. An Annual Planning Performance report is going to E & S committee in March 2022 – highlighting the risk around the number of overturns of major applications which are then allowed on appeal. If the 10% figure is breached,</p>

APPENDIX 1 - CORPORATE RISK REGISTER

RISK REFERENCE & OWNERSHIP	RISK DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CURRENT KEY CONTROLS
	<p>(iii)Delays in completing property development schemes, in particular the adverse impact of the self-imposed Staines moratorium, with significant repercussions for delivery of housing schemes and targets (both affordable housing and general housing). Key development schemes within Staines-upon-Thames have been held up by the Moratorium, presenting increased delivery costs because of construction inflation. Non-development costs (approx. 1.2m over last year) have resulted in significant adverse financial impact for the Council.</p> <p>(iv)Delays in political decision making have an adverse impact on both</p>			<p>then the Council would exceed the government 'designation' threshold. The Inland Homes application for several hundred units was allowed on appeal on 17 January 2022. The appellant did not go for an award of costs.</p> <p>Weekly progress reporting of Property Development projects to officer Development Investment Group (DIG). Bi-monthly Assets Portfolio Working Group (with Chair and Vice of both CPRC and Development Sub-Committee) meetings are being held.</p> <p>A Moratorium was originally imposed (by Cabinet) on Council schemes within Staines town centre on 21 January 2021. A further report was considered by the CPR committee on 19 January 2022 where it agreed that the Moratorium was no longer in effect (as the three requirements had been fulfilled). The one-year delay has cost £105k per month so £1.2m over the period the Moratorium has been in place.</p>

APPENDIX 1 - CORPORATE RISK REGISTER

RISK REFERENCE & OWNERSHIP	RISK DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CURRENT KEY CONTROLS
	<p>timeliness and direction of Development schemes. Expanding the specification of properties generates more costs to Development schemes and consequently impacts the financial viability of schemes.</p> <p>(v) Inadequate strategic direction for Knowle Green Estates (KGE) in the provision of the Council's Housing delivery programme presents risks of failing to meet wider housing needs within the borough (beyond affordable housing), impacting effective delivery of housing development targets.</p>			<p>Viability assessments for a range of options completed for Whitehouse residential and Thameside House, Sub-Committee further considering the viability options following referral to Council.</p> <p>Regular advisory reports to Members/Committees to inform decision making, setting out development options and associated implications for the Council and local communities.</p> <p>Paper to go to March 2022 CPRC setting out options for repatriating surplus funds from KGE over the long term.</p>
1.(b) Corporate Management Team (MAT) and Lead Committee	1.(b) HOUSING – AFFORDABLE	<p>Affordable Housing</p> <p>Supporting Communities</p>	RED Refer to the Risk Matrix	<p>Housing Delivery Programme. Affordable Housing provision extends beyond those development schemes acquired by Spelthorne Borough Council</p>

APPENDIX 1 - CORPORATE RISK REGISTER

RISK REFERENCE & OWNERSHIP	RISK DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CURRENT KEY CONTROLS
	<p>(i)Lack of affordable housing supply increases homelessness</p> <p>(ii)Housing provision (types of units) does not meet local resident needs or address client special needs for accommodation</p> <p>(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)</p> <p>(iv) Managing demand for social housing is extremely challenging given that anyone with a local</p>	Service Delivery		<p>(direct delivery). Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need; S106 agreements with Developers.</p> <p>Homelessness Reduction Act – proactive measures taken to address risk of homelessness. Single person homeless facility with 27 beds and 4 move on units delivered in October with residents moved in January 2022. Facility managed by Thames Metropolitan Housing.</p> <p>Measures to support Rough Sleepers and Afghan refugee families under the relocation and assistance scheme (Home Office Funding of temporary accommodation for refugees) Under the ARAP scheme two Afghan families have been found accommodation (private sector landlords) on a medium-term basis and receiving support. Government funding to assist vulnerable families in rent</p>

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	<p>connection can apply for housing to any Council.</p> <p>(v) Government lifting of the temporary eviction ban and removal of the temporary uplift to Universal credit payments may lead to more homelessness cases and increased demand for social housing</p> <p>The above risks and evolving individual circumstances 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</p>			<p>arrears and who are at threat of eviction.</p> <p>Housing and Homelessness Strategies. Quarterly monitoring of Strategic Action Plan. Regular review by officer Strategic Housing Group.</p> <p>Surrey reciprocal arrangement to re-house applicants across boroughs where local connection confirmed. Collaborative initiatives with Surrey County Council (e.g., Drug and alcohol abuse)</p> <p>Monitoring of Housing Register levels (currently approx. 3,000 households on the register). Review of allocation policy is taking place with a view to adding greater efficiency to the housing register process.</p> <p>Counter Fraud data matching initiative being pursued with the objective of identifying potential social housing fraud, to free up social housing for those in genuine need.</p>

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	on the health and wellbeing of individuals/families.			Community Wellbeing approved a revised Tenancy Strategy and recommended to Corporate Policy & Resources Committee for consideration on 15 th November, moving the affordable rental percentage from 80% to 70%. After consideration CPRC on grounds of viability decided to retain affordable rental percentage at 80%. Approx. £35m proposed via Knowle Green Estates to purchase and manage readymade properties included as part of the revised draft Capital Programme.
2. Corporate Management Team (MAT) and Lead Committee	2. ECONOMY Evolving national economic position, previous pandemic lockdowns and changes to travel rules (across global destinations as well as inbound) continue to have an impact on economic wellbeing locally (proximity to Heathrow airport which represents a key local	Supporting Communities Recovery from Covid	Red Refer to the Risk Matrix	Refer also to separate briefing report prepared by the Economic Development team reported to the March 2021 Audit Committee. Periodical review and reporting of the Economic Development strategy. ED strategy is due for a complete refresh by June 2022 (to cover 2022 - 2027). Economic Development elements of the Recovery Plan includes quick wins and

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	<p>employer), nationally and globally. 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 and influence sustained economic recovery, these alone cannot control outcomes due to the macroeconomic environment. Significant longer term reduction in income (fees and charges, such as Parking and retail letting of the Elmsleigh Centre) with decreased footfall in the town centres and uncertainty around future consumer 			<p>longer-term actions to support local businesses, town centres, communities during and beyond the pandemic. Regular reporting on actions completed at each Economic Development Committee.</p> <p>COVID-19 overarching Recovery plan takes account of post-Brexit implications.</p> <p>Fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring impacts of COVID-19.</p> <p>Government assisted scheme to support increased fuel and energy bills.</p> <p>Financial support for businesses through Government schemes, with restart grants issued up to July 2021.</p> <p>Additional Restriction Grant (ARG) available to facilitate and support businesses up to end of March 2022, with £770k remaining at 16.3.22. This will directly influence business activity and contribute positively to the recovery of the local economy. ARG Task Group set up to specifically consider how to best spend the</p>

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	<p>activity patterns. This will continue to impact the Council's finances.</p> <ul style="list-style-type: none"> • An increased level of business failures impacts economic prosperity of the borough and effects collection rates for business rate income. • Consumer led demand places increased pressure on supply chains, leading to inflation, rising prices and increased living costs (energy and fuel crisis is particularly significant) impacting businesses, Council services and residents. 			<p>remaining monies to ensure businesses benefit the most in terms of recovery and future growth. Councillors have provided some very valuable input on where the monies should be spent.</p> <p>Dedicated ED committee to consider Economic Development matters – role includes scrutiny of budgets and grant spend.</p> <p>Funding secured (£100,000) from DWP for a Youth Hub for 18 – 24-year-olds to assist with job employability. Hub began operating from Sunbury Business Incubator in January 2022. Officially launched 4 March 2022.</p>

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3. Corporate Management Team (MAT) and Lead Committee	<p>3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS</p> <p>The pandemic has increased 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 to the Council becoming financially unsustainable with associated reputational damage.</p>	Recovery from Covid	Amber Refer to the Risk Matrix	<p>Investment performance is monitored bi-monthly at weekly Assets Portfolio Working Group), and a quarterly performance report is produced for the Investment Portfolio. Fortnightly Asset Portfolio Working meetings are taking place to monitor income (investment portfolio doing very well - so far 99.6% of rental invoiced for 2020-21 collected, and 99.8% of rent for last four quarters collected including the most recent quarter day). 95% of overall investment portfolio let.</p> <p>Due Diligence measures continue for tenant management.</p> <p>Ten year worst and best case sinking fund scenario projections are reviewed on a weekly basis and will be shortly extended to a 20-year time frame. Development Sub-Committee approved a methodology for Business Plans for Investment Assets. Detailed business plans are under development for each investment asset.</p>

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				<p>Capital Strategy includes key performance indicators with a particular focus on the investment portfolio. Refreshed Capital Strategy considered at 7 February CPR Committee.</p> <p>The Asset Management plan (which is reviewed annually) sets out key control measures. Revised Asset Management Plan approved by Corporate Policy and Resources. Development Sub Committee of Corporate Policy and Resources receives regular monitoring reports for scrutiny. Annual Performance Report considered at Development Sub on 9 August 2021.</p> <p>CIPFA FM Code self-assessment and Member reporting.</p> <p>LGA Finance Peer Review undertaken in late 2020 with action plan put in place to address recommendations. Associated monitoring and review.</p>
4. Corporate Management Team (MAT) and Lead Committee	4. FINANCIAL RESILIENCE AND SUPPORTING COMMUNITIES	<p>Supporting Communities</p> <p>Recovery from Covid</p>	Amber Refer to the Risk Matrix	Medium term financial strategy refreshed as part of the Budget process for 2022-23. Outline Budget report approved by December CPRC meeting.

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	<p>(i) Increased financial pressures faced by the Council arising from the impact of the Covid-19 pandemic (reduced fee income and tax base) and increased costs including financial support to the Leisure Centres) could impact service delivery, 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> <p>(ii) The risks referred to in section 4(i) above combined with impact of the Moratorium and slowing down of housing delivery programme, plus rising inflationary pressures, have</p>	Service Delivery		<p>CPRC put forward proposals for a balanced budget for 22-23 (and years 23-24 to 25-26 also balanced). Full Council approved budget on 24.2.22 . Fully refreshed Reserves Strategy (in line with Peer Review) approved by 7th February CPRC.</p> <p>Delta returns submitted to capture and reclaim costs of COVID-19 across the Authority.</p> <p>Financial impact assessment modelling. Independent peer led review of the Council's approach to finance undertaken in 2020/21. Update on Peer Review Action Plan and CIPFA Financial Management Self-Assessment is periodically reported to the Audit Committee.</p>

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	resulted in the Budget process being the most challenging one for more than half a decade.			
5. Corporate Management Team (MAT) and Lead Committee	<p>5. TREASURY MANAGEMENT</p> <p>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</p>	<p>Recovery from Covid</p> <p>Service Delivery</p>	Amber Refer to the Risk Matrix	<p>Treasury Management Strategy for 2022-23 approved by Members.</p> <p>Application of updated CIPFA Code of Practice and Prudential and Treasury Management Codes.</p> <p>Performance measurement and reporting, with mid-year report to Corporate Policy and Resources Committee on 29 November 2021. On track (at March 2022) with meeting Prudential indicators and fair favourably on investments compared to other Council's.</p> <p>Aim to select counter parties of the highest credit quality.</p> <p>Credit ratings monitored.</p> <p>Council's investments managed internally in consultation with advisors Arlingclose. Explore options for diversifying the portfolio.</p>

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				Fixed interest rate on most debt and for investments an interest equalisation reserve is in place. Committee System of governance for decisions. Training delivered for new Financial Management Code.
6. Corporate Management Team (MAT) and Lead Committee	6. SUSTAINABILITY & CLIMATE CHANGE 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	Environment and Climate Change	Red Refer to the Risk Matrix	Council declared Climate Change Emergency in October 2020. Council's 2020-21 Budget includes £747k specifically ring-fenced for Green Initiatives. Environment and Sustainability Committee of January 2022 agreed framework for prioritising bids to the Green Initiatives provision. Better neighbourhood grants have been doubled for 21-22 to £2,000 to support grass-root green initiatives. Government targets for reducing carbon emissions / greenhouse gases to tackle climate change. It is expected the Environment and Sustainability Committee under the new governance model will continue to explore ways to meet a carbon neutral

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	<p>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>			<p>target by 2050 or earlier and to make recommendations on how to apply the £747k fund and see 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>Officers are working in the spirit of ethical and social responsibility to reduce the Council's carbon footprint. Sustainability Strategy; Energy & Water Efficiency Policy (2015 - 2020). Professional group membership such as Surrey Energy & Sustainability Partnership (SESP) and Association of Lead Energy Officers (ALEO). Implementing energy efficiency measures in Council owned buildings. Increasing renewables capacity. Officers working with relevant Committees and Treasury Management advisers on how we can align the Council's cash investments, so they focus on a more environmentally and socially sustainable basis. We have asked our advisers to bring forward by autumn 2022 a plan with timescales as</p>

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				to how we transition our portfolio to a more sustainable basis.
7. Corporate Management Team (MAT) and Lead Committee	7. CORPORATE CAPACITY, RESOURCES , RECRUITMENT AND RETENTION (i)Overstretched capacity exacerbated by the additional workload, new Committee system of governance and demands arising from the pandemic and recovery (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.	ALL PRIORITIES	Amber Refer to the Risk Matrix	<p>Management to address workload issues and need to remain alert to stress related risks. With additional projects with tight deadlines such as Staines Health and Wellbeing Centre, Cultural Development Fund, supporting Afghan families, delivering Whitehouse Hostel and Harper House, producing viability proposals, implementing under tight timescales scheme to pay out Household Support Fund grants, applying the Budget process to the Committee system, undertaking work in connection with around 60 Motions agreed by Council, work to address the moratorium as just a few examples, workload pressures have been intense.</p> <p>Monitoring of sickness absence providing corporate view of stress issues.</p> <p>To assist staff can access welfare information on Intranet. Support is available for mental and emotional</p>

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	<p>(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 7i above 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:</p> <p>-Do nothing on the basis that the controls have proven effective enough to reduce the risk to an acceptable level, OR</p> <p>-Increase or modify controls to reduce the risk to a level that is regarded acceptable, OR</p> <p>-Evaluate the cost of revised control and</p>			<p>wellbeing including mental health first aiders and Care First. This scheme has been promoted through regular staff communications. The need to treat colleagues respectfully and look after each other has been recognised and communicated. New corporate values under the acronym PROVIDE form part of the refreshed Corporate Plan. Council 2021-22 Budget included small staff pay increase to maintain Council's competitiveness with other local Councils. A 2% pay increase approved for 22/23 (24.2.22) plus an extra 0.5% for staff on Grades 1 to 5. Growth bids for additional resourcing form part of annual budget process, with 17 FTE approved for 2022/23. Whilst recruitment is underway to address resource needs in certain areas, it is becoming more difficult to recruit into technical roles. For several posts recently advertised there are few or no suitable candidates applying. This could impact on resourcing and further stretch staff already under considerable workload pressures.</p>

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	<p>mitigation measures vs benefits and whether this is deemed necessary to bring the risk to an acceptable level</p> <p>(iii) Unsuccessful recruitment and unfilled vacancies lead to a 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 7i.</p> <p>(iv) Ineffective or inappropriate recruitment could result in appointments that fail to effectively meet business need leading to reduced service quality.</p>			<p>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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Risk Scoring Matrix

This is the matrix that is used across the Council

Red risks require prompt, planned management action

Amber risks require planned management action

Green risks are accepted risks

Impact	4 (Catastrophic)			2, 6	
	3 (Major)			3; 4; 5	1 (a); 1 (b); 7
	2 (Medium)				
	1 (Trivial)				
		1 (Rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
		Likelihood			

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How risks are scored:

We score risks, with their current controls 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.

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RISK CATEGORY REFERENCE (AS IN THE CRR)	ACTIONS (SMART)	DATE ACTIONS ADDED	LEAD OFFICER DATE ACTIONS REVIEWED & WHOM BY	TIMELINE FOR DELIVERY (MONTH AND YEAR) (INCLUDES ALL REVISED TARGET DATES)	STATUS (IMPLEMENTED / IN PROGRESS OR OUTSTANDING) (REPORTED STATUS AT MARCH 2022)
1a. HOUSING – Development & Targets	1a (i). Preparation and adoption of New Local Plan to meet future need and strengthen affordable Housing Policy	March 2020	Lead - Strategic Planning Manager (Ann Biggs) <i>Action reviewed by Group Head Regeneration & Growth on 7.10.21</i> <i>Action reviewed by Group Head Regeneration & Growth on 09.02.22</i>	(i) March 2022 (ii) Revised – June 2023	BEING IMPLEMENTED/IN PROGRESS Environment and Sustainability committee agreed the revised Local Development scheme on 13 July 2021
1a. HOUSING – Development & Targets	1a (ii). Greater strategic direction for Knowle Green Estates (KGE) will support progress in delivering Council priorities, development targets and addressing housing needs (affordable and general).	October 2021	Lead - Management Team. <i>Progress on action to be provided.</i>	(i) March 2022	IN PROGRESS Paper to March 2022 CPRC setting out options for repatriating surplus funds from KGE over the long term.
1b HOUSING – Affordable	1b (i). Service Level Agreement to be put in place with registered providers to	March 2020	Lead - Housing Strategy Manager (Marta Imig)	(i) June 2020 (ii) Revised – 2021	IN PROGRESS To undertake a targeted data matching exercise,

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	take forward cases of alleged tenancy fraud		<i>Action reviewed by Housing Strategy Manager on 3.10.2021 & 28.1.22</i>	(iii) Revised – October 2021 (iv) Revised March 2022 (v) Revised July 2022	requiring collaborative working. Discussions underway with Registered Provider.
1b HOUSING – Affordable	1b (ii) Policy to procure readymade properties approved by Corporate Policy and Resources Committee and will go to Full Council for a decision.	November 2021	Lead – Group Heads Community Wellbeing <i>Action reviewed by Housing Strategy Manager on 28.1.22</i>	(i) February 2022	Full Council decision 24.2.22
2. ECONOMY	2(i) Development of a policy on Additional Restrictions Grant (ARG) spend – grant amounts to c.£2.2m	June 2021	2iii. Lead – Economic Development Manager. <i>Action reviewed by Group Head Regeneration and Growth on 7.10.2021 & 09.02.22</i>	2i. Additional Restrictions Grant (ARG) to be applied up to end of March 2022. Target for a policy to be in place by September	IN PROGRESS ARG Task Group set up to specifically consider how to best spend the remaining monies (£770K remaining at 16.3.22) to ensure businesses benefit the most in terms of recovery and future growth.

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				2021. (Revised at prior review to October 2021)	At the ARG meeting of 12 January 2022 agreement was reached on the areas for the last tranche on monies to be spent. An update was provided at the January meeting regarding the £198k top up grant.
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3i. Continued monitoring and recovery of significant rental income due from the Council's property portfolio. Worst case scenario modelling of next 10 years for sinking funds adequacy refreshed and reviewed on a weekly basis by Rent Collection Review meeting. We will be extending the modelling from 10 years to 20 years.	2018	<i>Continuous Action reviewed by Group Head Regeneration and Growth on 7.10.2021 and Deputy Chief Executive - Chief Finance Officer 15.10.21</i> <i>Current Operational Lead for Assets – Property and Development Manager,</i>	Continuous action	IMPLEMENTED & ONGOING Detailed individual business plans are under development for each of our investment assets

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			<i>Nick Cummings and Deputy Chief Executive, Lee O'Neil</i>		
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3ii. Continued application of CIPFA'S Financial Management Code (responsibility of whole organisation) in close alignment with the LGA Financial Peer Review recommendations	March 2021	Lead Officer - Deputy Chief Executive (Terry Collier) <i>Action reviewed by Deputy Chief Executive 15.10.21 & February 2022</i>	Continuous action	IN PROGRESS Financial Management Code Self-Assessment taken to November 2021 Audit Committee. Action Plan for Finance Peer Review recommendations periodically reported to Corporate Policy and Resources and Audit Committee.
6. SUSTAINABILITY & CLIMATE CHANGE	6i. Identification and perusal of prioritised 'Green recovery' actions in the Council's broader recovery plan for Covid-19	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead)	(i)April 2021 (ii)Revised March 2022 (iii)Revised June 2022	IN PROGRESS

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			<i>Action reviewed by Group Head Commissioning & Transformation 19.10.21 & 10.2.22</i>		
6. SUSTAINABILITY & CLIMATE CHANGE	6ii Following approval of the £747k Green Initiatives Fund as part of the Council's 2021/22 Budget, the Climate Change Task Group to make recommendations as to how to apply that fund	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead) <i>Action reviewed by Group Head Commissioning & Transformation 10.2.22</i>	June 2021 Revised Target	IN PROGRESS The final detail will depend on decisions of the Environment and Sustainability Committee and whether they also decide on having a task group. Fund allocations remain outstanding. Projects will be submitted to the Committee for approval over the coming year subject to resource being available. Environment and

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					Sustainability Committee of January 2022 agreed framework for prioritising bids to the Green Initiatives provision.
6. SUSTAINABILITY & CLIMATE CHANGE	6iii. County are leading on developing a strategy on climate change across the Surrey authorities	March 2021	Lead Officer - Group Head Commissioning & Transformation (Sandy Muirhead) <i>Action reviewed by Group Head Commissioning & Transformation 10.2.22</i>	Ongoing	IN PROGRESS Working in partnership with SCC / Boroughs and Districts
7. CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7i. Monitoring impact of departure of experienced officers and managing associated loss of organisational knowledge and talent. Review of staff retention measures to reduce	March 2021	ALL / Group Head Commissioning & Transformation (Sandy Muirhead)	Continuous action	IMPLEMENTED & ONGOING 2% pay increase approved for 22/23 (24.2.22) plus an extra 0.5% for staff on Grades 1 to 5

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	and mitigate the risk of staff departures.		<i>Action reviewed by Group Head Commissioning & Transformation 10.2.22</i>		
7. CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7ii. The continuation of excessive workload pressures exacerbated further by the Committee system of Governance needs to be kept under regular review in view of the significant risk implications (as set out on the Corporate Risk Register at Appendix 1).	February 2022	Management Team	Continuous action	NEW ACTION
7.CORPORATE CAPACITY, RESOURCES, RECRUITMENT AND RETENTION	7iii. Continue to explore new and innovative recruitment and retention strategies in a competitive market.	February 2022	Group Head Commissioning & Transformation (Sandy Muirhead) and HR Managers	June 2022	NEW ACTION

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COMPLETED ACTIONS IN GREEN

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1a. HOUSING – Development & Targets	1a Viability assessments for Staines property developments affected by the Moratorium are underway	March 2020	<i>Action reviewed by Group Head Regeneration and Growth on 7.10.2021</i> <i>Current operational Lead for Assets – Property and Development Manager (Nick Cummings) and Deputy Chief Executive (Lee O’Neil).</i>	(i) JULY 2021 (ii) Revised - October 2021	COMPLETED Viability assessments for a range of options completed for Whitehouse residential and Thameside House. Development Sub- Committee further considering the viability options following referral to Council. CPR committee agreed on 19 January 2022 that the Moratorium was no longer in effect.

APPENDIX 2 DETAILED RISK ACTION PLAN – REVIEWED FEBRUARY 2022
COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PURPLE

1b. HOUSING – Affordable	1b Set up a Homelessness Strategy working group to support achievement of aims	March 2020	Lead - Housing Strategy Manager (Marta Imig) <i>Action reviewed by Housing Strategy Manager on 3.10.2021 .</i>	(i)August 2020 (ii)Revised – May 2021 (iii)Revised – July 2021	COMPLETED A working group has been set up and Homelessness Forum established with quarterly meetings. Representatives from multiple agencies. Partners are finding the meetings very useful.
1b. HOUSING – Affordable	1b Establish and approve clearly defined Terms of Reference for the Homelessness Strategy working group to support achievement of aims	March 2020	Lead - Housing Strategy Manager (Marta Imig) <i>Action reviewed by Housing Strategy Manager on 14.6.2021</i>	(i)December 2020 (ii)Revised – May 2021	COMPLETED
2.ECONOMY	2. Identification and delivery of prioritised actions in the Economic Development Recovery Plan	March 2021	Lead - Economic Development Manager (Keith McGroary) <i>Reviewed by Group Head Regeneration and Growth on 7.10.2021</i>	Drafting and agreement of plan and targets. Delivery ongoing and to extend beyond the end of the current 4-year Council cycle.	COMPLETED Draft recovery plan considered by the Economic Development Committee on 22 June 2021 Update on all actions completed to date considered by the ED Committee on 21 September 2021

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2.ECONOMY	2. Continued assessment of grant applications as part of the government's pandemic grant assistance schemes (both response and recovery)	March 2021	2ii. Economic Development and Customer Services teams with support from Payments team Lead - Roy Tilbury - lead officer for Rateable Value related grants; Keith McGroary - lead officer for discretionary grants not linked to Rateable Value	2ii.New batch of grants announced on 3rd March Budget to be applied in April & May 2021. Restart Grants deadline for applications 30 th June and final payments to be made by end of July	COMPLETED
		June 2021			
3.FINANCIAL RESILIENCE & COMMERCIAL ASSETS	3. Property Management Software to be applied for billing tenants on the investment properties (previously indicated by the end of 20/21) and for municipal properties thereafter	November 2020	Lead - Group Head Regeneration & Growth (Heather Morgan) <i>Action reviewed by Group Head Regeneration and Growth on 11.6.2021</i> <i>Current operational Lead for Assets – Property and Development Manager (Nick Cummings)</i>	(i)March 2021 (ii) Revised - June 2021	COMPLETED Software in place and tenants in single let investment properties invoiced via system from end June 2021

Updates coordinated by Internal Audit Manager, March 2022

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Audit Committee

24 March 2022



Title	Covid-19 pandemic recovery - Risk Considerations (UPDATE)
Purpose of the report	To note
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	Recovery from Covid
Recommendations	<p>The Audit Committee is asked to:</p> <p>(i) Note the COVID-19 pandemic recovery risk report and Risk Assessment at Appendix 1.</p> <p>(ii) For future risk reporting, support redefining the focus from the pandemic to wider externalities impacting the Council and its communities, including the macroeconomic environment and geopolitical uncertainty .</p>
Reason for Recommendation	The Covid-19 Risk Register focusses on pandemic recovery to ensure the Council's risks are identified, prioritised, managed, monitored, and reported.

1. Summary of the report

1.1 This report seeks to highlight significant risks for Spelthorne where the impact of the pandemic on recovery has been most prevalent and key mitigation measures underway. The Council's pandemic recovery risks relate to the following broad risk categories:

- Economic recovery
- The Council's financial position
- Health and Safety
- Failing to seize positive opportunities from the pandemic experience
- Homelessness and Housing

2. Key issues

- 2.1 'Recovery from COVID-19' represents a corporate priority for Spelthorne and an internal and broader recovery plan continues to support residents, businesses, and local communities.
- 2.2 Since the previous risk considerations paper reported to Audit Committee in November 2021, the government implemented 'Plan B' measures in December as the new Omicron variant surged and cases rose significantly. The Council's approach required a combination of response mode and ongoing recovery. With many restrictions eased from 25 February and all remaining restrictions to be fully lifted by 1 April 2022, we have entered a phase of 'Living with Covid' as a 'new normal' set out in the government roadmap. This will no doubt provide many positive opportunities, as well as challenges and emerging risks arising from the 'new normal'.
- 2.3 The revised Covid-19 Risk assessment is set out at Appendix 1 which sets out mitigation measures in place to manage identified risks, as well as any further actions underway or for perusal, including some new actions. Risks are prioritised for action and given due focus in accordance with significance and relevant opportunities highlighted. As previously reported, those risks that are likely to be influenced significantly by externalities therefore representing areas where the Council has little, or no direct control are highlighted in blue on the risk assessment. In contrast those risks that can perhaps be more effectively mitigated and controlled through local council actions to influence positive outcomes are not highlighted.
- 2.4 The Council's Covid pandemic recovery risks to highlight as part of this review are set out below at 2.4 (a) to 2.4 (e). An outline of corresponding risk management measures being pursued are highlighted, as well as any residual risks to be acknowledged. There are overlaps and synergies with the significant risks highlighted in the separate Corporate Risk Register report, particularly around the Economy and Finances. These risks will continue to impact delivery of corporate priorities. It is acknowledged that the Council is commissioning an LGA Peer review later in the year with a view to ascertaining how we can further improve addressing key organisational challenges.

(a) Economy – red risk category A.

In the context of the economy the impact of wider externalities are hugely significant, comprising geopolitical uncertainty and the Ukraine crisis, volatility of the global economy, and post-brexite environment. All these factors combined with the rising rate of inflation are putting increased pressure on businesses, households, and the Council's budget. UK inflation is reported to be at its highest level since March 1992. As inflation is overtaking wage growth, this cost-of-living crisis is a major risk factor impacting consumers, economic prosperity, and recovery. Despite this it is positive to note that footfall in the Elmsleigh shopping Centre (Staines- Upon- Thames) has increased recently as visitor numbers in the first week of February were 86,212, up 32.6% on the previous week.

The Economic Development team will be advising in due course on more specific economic related risks that may fall directly under the Council's control, differentiating from those that are significantly impacted by

externalities and that the Council may have no control or influence over. This will address the matter raised by the Audit Committee and help to understand where the Council can effectively manage risks in delivering objectives and anticipated outcomes. The review of the Economic Development Strategy for 2022 to 2027 is underway and provides an ideal opportunity to identify local risks and establish key performance indicators to assist measurement of economic recovery, as well as consider further the broader economic challenges.

A report was issued to the Economic Development Committee on 25 January 2022 setting out progress against the economic recovery actions on the corporate recovery plan. Thirty local businesses have now received training on digital media skills with some attributing additional turnover directly to the training. The Economic Development Committee Task Group advised on policy direction for allocating remaining Additional restrictions Grants (ARG). At February 2022 it was reported that approx. £750k in ARG had been spent on new equipment for local businesses (there were 90 applications at that time) and the Economic Development team have reassured that this has strengthened the position. A further update received from the Economic Development Manager on 16.3.22 refers to approx. £770k remaining in the ARG fund.

(b) Financial sustainability and resilience – red and amber risk category B.

Definitive financial costs of delays to property schemes including ongoing monthly revenue and capital costs of non-development continue to be measured and reported to Members. These major costs have an adverse impact for the Council's revenue budget representing a significant financial threat. The delay in delivery of affordable housing units to individuals and families also hinders generation of residential rental income. The inflationary pressures and rising interest rates add further to the overall financial position, for example the significant cost increases in shipping, distribution, materials, labour and supplies have had an adverse impact on development scheme costs.

Financial constraints largely arising from the pandemic impact (reduced revenue streams and increased costs including ongoing financial support to the Leisure Centre operator) as well as wider externalities referred to earlier, created a very challenging budget cycle. Full Council approved the budget for 2022/23 on 24 February 2022 and the following three years budget is also indicatively balanced. As the Local Government Funding Settlement only provided details for one year, there is no medium-term funding certainty for councils. Government grant funding to Councils regarding support for Covid-19 impact ceased from June 2021.

A revised Reserves Strategy has been approved on 7 February by Corporate Policy and Resources Committee. Sinking fund reserves continue to be set aside for commercial investment assets. Currently 95% of the commercial investment asset portfolio is occupied and measures are underway to address one property with significant unlet space.

(c) Health and wellbeing/safety –amber risk category C.

As the situation on Covid-19 moves to a 'new normal' the Council will continue to undertake a precautionary approach to safeguard the interests of the workforce and local communities. From Spring 2022 as more staff come back to the office under the hybrid working model, the authority's expectations regarding a safe workplace environment are being communicated (masks/hand washing hygiene/ventilation/social distancing). Staff are advised to test if they feel unwell and self-isolate. Where testing positive, staff are currently advised to refrain from coming into the office and work from home. A strategy is also being developed to support future approaches including testing arrangements. A key consideration is that legal requirements to self-isolate if testing positive were removed by the government from 22 February and the government plans to lift all remaining pandemic restrictions by 1 April. Whilst current governments guidance is for individuals to take personal responsibility for appropriate behaviour where testing positive, Spelthorne's position and policy on various strands (including self-isolation) will require regular communication to ensure clear protocols are applied across the workforce.

A new risk has been added to the risk assessment highlighting the shift to a hybrid model of working after a long and continuous period of remote working for many employees of the Council may present new challenges in managing expectations. It is recognised that continued measures should be taken to make staff feel safe but also to ease them back into a different way of working. Planning is underway across teams in readiness for the transition, considering business need of individual Services and adherence with the Hybrid working policy.

Being mindful of the unpredictability of the virus such as emerging variants and virus mutations will continue to be an important consideration as is the need to remain flexible.

The issue regarding corporate capacity remaining severely stretched (pandemic related work pressures are one of the many contributory factors) and the impact on staff health and wellbeing has already been highlighted in the separate Corporate Risk Register report.

(d) Seizing Positive Opportunities – amber risk category D

The Council's pandemic recovery plan gives due consideration to how opportunities can be taken forward. In moving to a 'new normal' a hybrid working model is being invoked in line with the policy, with a combination of office based and home working. This is envisaged to achieve greater social interaction (in person across teams) and more effective communications whilst ensuring benefits identified from remote working over the last two years continue. Driven by business need the leadership team regard a balanced approach (hybrid working) to represent the best model for Spelthorne, achieving the best outcomes for both the Council and individuals. It is in line with many other organisations and reflects staff survey feedback. Human

Resources are developing a refreshed training programme for staff return to the office.

(e) Housing and Homelessness – amber risk category E

The wider global externalities are presenting additional significant considerations for the Council and the communities it serves. In the context of housing and homelessness, the Council will have a pivotal role in supporting refugees from Ukraine and overseeing associated schemes. The international political situation (Ukraine crises) is also impacting food chain supplies/availability with rising prices to the consumer. The impact of this on the most financially vulnerable households is significant.

Several government schemes continue to financially assist households and vulnerable families that are in rent arrears with a view to preventing or minimising risks of evictions and homelessness. Other relief schemes operating include the Household Support Fund and wider measures to support vulnerable households experiencing adverse financial strains brought about by the pandemic. Spelthorne's approximate allocation is 1.7 million from government funding granted to Surrey County Council.

3. Options analysis and proposal

- 3.1 To note and accept the contents of the updated COVID-19 Risk Assessment including any risk mitigating actions underway or for perusal. The Risk Assessment at Appendix 1 is an accurate reflection of the significant risk categories affecting the Authority as part of pandemic recovery, as well as mitigation measures. It includes the application of the corporate risk scoring model and RAG rating based on our assessment of risk and controls in operation. (Preferred option)

Or:

- 3.2 To recommend amendments to the COVID-19 Risk Assessment for consideration by the Corporate Risk Management Group.

4. Financial implications

- 4.1 Resources required (staff time) to implement actions proposed in the COVID-19 Risk Assessment should be contained within existing budgets as far as possible. There may however be areas where additional resource /time/management support is required to implement risk mitigating actions. This will need to be highlighted by the assigned accountable or lead officer in liaison with Accountancy when considering the impact of COVID-19 recovery measures on Service budgets/Corporate spend.

5. Other considerations

- 5.1 The attached COVID-19 Risk Assessment covers risks and opportunities (a total of five broad risk categories), some of these relating directly to achievement of corporate priorities and objectives. The most significant (red) risk categories to highlight as part of this review include Economic impact and recovery and the Council's Financial Sustainability.

6. Equality and Diversity

- 6.1 There are no areas to highlight. Equality and diversity considerations form part of service delivery and should stem from relevant Council strategies, policies and equality impact assessments.

7. Sustainability/Climate Change Implications

- 7.1 The Risk Assessment gives due consideration to Sustainability and Climate Change risk implications and opportunities and any actions arising will continue to be monitored through the risk management process and other action plans.

8. Timetable for implementation

- 8.1 The Risk Assessment has continued to be reviewed and updated periodically as part of the Audit Committee work programme for 2021/22, to align with recovery phases of the pandemic and beyond. It is acknowledged that the Committee work programme for 2022/23 is being developed.

9. Contact

- 9.1 Internal Audit Manager, Punita Talwar. P.talwar@spelthorne.gov.uk
01784 446454

Background papers: There are none

Appendices:

Appendix 1 – Appendix 1 - Covid-19 Pandemic Recovery Risk Assessment including risk scoring model

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

The Covid-19 Risk Assessment focuses on the five most significant risks where the impact of the pandemic has been most prevalent. Please refer to the bottom of this document for the 'Risk Scoring Matrix' and plotting of these risks to determine relative significance and prioritisation. Elements of risk categories A, B and C are also referred to in the Council's Corporate (strategic) risk register.

The extent to which these some risks can be reduced and mitigated continue to be significantly impacted by externalities. These are highlighted in blue.

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>A. ECONOMY</p> <p>RED RISK</p> <p><u>(i)Risk:</u> Challenges from the longer-term impact of the pandemic on local economic recovery continues to place demands on a range of Council Services; significant economic impact on local area due to proximity to Heathrow airport with aviation industry being severely affected during the pandemic and regular changes to travel rules creating ongoing uncertainty.</p>	(i)3	(i)4	<p>Economic Development Recovery Plan forms part of the Council's broader COVID-19 Recovery Plan. Actions include quick wins and longer-term actions.</p> <p>Economic development elements of the corporate recovery plan have been considered by the Economic Development Committee on 22 June 2021, to cover:</p> <ul style="list-style-type: none"> • Minimising unemployment • Developing skills and getting people back into work • Assisting future business growth and adaptation • Placemaking, regeneration and developing infrastructure • Attracting visitors back into the borough 	<p>ONGOING ACTION: The economic situation and ongoing impact of COVID-19 for the Borough in terms of recovery is regularly reviewed and reported.</p> <p>ONGOING ACTION: Regular reporting on actions and tasks completed / in progress takes place at the Economic Development Committee. A report was issued to this Committee on 25 January 2022 setting out progress against the economic recovery actions on the corporate recovery plan. Footfall in the Elmsleigh Centre is positive with visitor numbers in the first week of February 2022 at 86,212, up 32.6% on the previous week.</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p><u>(ii)Residual risk</u> to be accepted - whilst Council actions aim to support and influence sustained economic recovery and growth, these alone cannot control outcomes due to the macroeconomic environment, global drivers, geopolitical uncertainty - conflicts in Ukraine and political sanctions. These factors present uncertainty for the global economy and worldwide inflation.</p>	(ii)3	(ii)4	<p>For each of the above elements, several key actions, tasks and desired outcomes are set out in the corporate recovery plan. A further update was reported to the Economic Development Committee in January 2022.</p> <p>Several initiatives are underway to gain greater insight into the wider economic impact of the pandemic and pursue necessary recovery actions, as follows:</p> <ol style="list-style-type: none"> 1. Surveys conducted with businesses 2. A review of recent reports and surveys by relevant organisations to fully understand the adverse impact on employment and the aviation section. 3. Council working with Enterprise M3 (Local Enterprise Partnership) to promote 'Job Fuse' as a means of brokering new job opportunities. 4. The Council secured £43,000 match funding from EM3 for Bounce Back Streets 5. Small business incubator is operational. 	<p>ACTION COMPLETED (Reviewed March 2022) 30 businesses have now received training on digital media skills with outstanding feedback, some attributing additional turnover directly to the training.</p> <p>ACTION IN PROGRESS (Reviewed March 2022) – The Economic Development strategy is due for a complete refresh (to cover 2022 - 2027). The review has been put back to May/June due to the processing of ARG Grants, as these need to be finalised by 31.3.22</p> <p>ACTION IN PROGRESS (Reviewed March 2022) The Additional Restrictions Grant (ARG) task group have agreed direction for spending the remaining ARG fund monies in supporting businesses, focussing on equipment, support and training. Policy has allowed for applications to purchase new equipment, replace shopfronts as well as access for</p>
<p><u>(iii)Risk</u> –Loss of Council income streams arising from reduced footfall in town centres such as Parking and retail letting of the Elmsleigh Centre, with these areas also likely to be influenced by evolving consumer behaviours. This will continue to impact the Council's finances.</p>	(iii)4	(iii)3		

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
iv. Risk: Uncertainty and volatility for global economy. Rising rate of inflation is putting increased pressure on businesses, households, and the Council's budget. The cost-of-living crisis impacts economic prosperity and recovery.	(iv)4	(iv)3	<p>6. Multi-Agency Group set up and led by the Council to focus on supporting the 18–25-year-olds into employment.</p> <p>7. Youth Hub will increase the accessibility to job, training, and employment opportunities for NEETs, and offers wellbeing support.</p> <p>8. Appointment of a Town Centres Manager who is developing individual action plans for Ashford, Shepperton and Sunbury.</p> <p>9. Initiatives to improve broadband speed and availability across Spelthorne.</p> <p>10. Dashboard information on unemployment rates in the borough.</p> <p>11. Working with the 'Jobs and Recovery' task group to promote synergy in approaches.</p> <p>12. Various other initiatives of a collaborative nature.</p> <p>Financial support for businesses has been made available through several Government schemes up to July 2021. Additional Restrictions Grant (ARG) with remaining amount of 770k</p>	<p>business support. The policy was agreed with the help and support of the Economic Development Committee Task Group</p> <p>Final round of ARG grants has taken place. During February 2022 the Economic Development Manager reported that around £750k in ARG grants had so far been spent on new equipment for our businesses (there were 90 applications at that time) which has made them stronger and more competitive. A further update was provided by the Economic Development Manager on 16.3.22 advising that £770k remains unspent in the ARG fund. The processing of applications needs to be finalised by 31.3.22.</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
			<p>available as at 16.3.22, to be applied up to 31 March 2022. This is a discretionary grant scheme.</p> <p>Economic Development committee remit includes scrutiny of budgets and grant spend.</p>	
<p>B. FINANCIAL SUSTAINABILITY AND RESILIENCE</p> <p>AMBER AND RED RISKS</p> <p>(i) Risk - Significant financial cost implication on the Council associated with recovery from the financial economic impacts of COVID-19 including longer term reductions in some income streams such as car parking and retail rental, risks to the Council's taxbase income, need to provide financial support for leisure centres, impact of rising inflationary pressures such as energy, fuel and</p>	(i)4	(i)3	<p>An independent peer led review of the Council's approach to finance was undertaken and formally reported in January 2021.</p> <p>Various tranches of Government grants were released. However, Government grant support for Councils with respect to impact of COVID19 ceased from the end of June 2021.</p> <p>Surrey Treasurers liaise on fortnightly basis to monitor tax base and collection fund deficits and impacts on the current/future budgets.</p> <p>Financial impact assessment /scenario modelling is undertaken regularly, including worst, mid-range, and best-case assumptions. 10-year scenario modelling of worst case COVID-19</p>	<p>ACTION COMPLETED (Reviewed March 2022): Full Council approved budget for 2022/23. Importantly the following three years (2023-24 to 2025-26) are also indicatively balanced.</p> <p>ONGOING MONITORING (Reviewed March 2022): The Local Government Provisional Funding Settlement in December 2021 has provided the detail of funding arrangements at an individual council level. However subsequent Local Government Funding Settlement only provided details for one year, so no medium-term funding certainty for councils.</p> <p>ONGOING MONITORING (Reviewed March 2022): Periodical progress</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>household costs, rising base rate interest rates (with wider implications), financial impact of geopolitical situation, and significant revenue impacts arising as a result of the Moratorium on high rise developments in Staines-upon-Thames, slowing down delivery of affordable housing units for residents and delaying the generation of residential rental income, as well as wider non-development costs .</p> <p>(ii) <u>Risk</u> - Recovery is adversely impacted because local agencies (public and voluntary / communities) do not have access to sufficient funding to respond to additional demand / invest in recovery / lose organisational</p>	(ii)3	(ii)3	<p>scenarios undertaken and extending this time horizon to 20 years.</p> <p>Longer term modelling to assess next 12 months depending on stock market and pensions impact. Triennial Surrey pensions fund valuation undertaken by actuaries as at 31 March 2022- currently Surrey Pension has recovered well and achieving full funding levels.</p> <p>Sinking funds reserves set aside for commercial investments as a prudent measure and anticipate by end of March there will be £32m in these reserves. Continued weekly monitoring of commercial asset income due/any shortfalls anticipated. At end of January 2022, 99.6% of rental invoiced for 2020-21 collected, and 99.8% of rent for last four quarters collected including the most recent quarter day. Currently 95% of the investment asset portfolio occupied. Focus is ensuring that one property with significant unlet space (30%) moves as quickly as possible to be fully let.</p>	<p>updates are reported to Audit Committee regarding the action plan arising from the LGA Finance Peer Review recommendations. Any synergies between this and the CIPFA Financial Management Code, Self-Assessment are also undertaken.</p> <p>COMPLETED ACTION (Reviewed March 2022): Managers continued to consider the financial impact of recovery from COVID-19 on services as part of the 22/23 budget process and financial monitoring.</p> <p>RESIDUAL RISK: The rate of economic recovery in the borough is partially influenced by wider external factors, with business failures effecting collection rates for business rate income. Rising inflationary costs represent a significant risk for households, businesses, and the Council.</p> <p>ONGOING ACTION (Reviewed March 2022): Continued modelling of</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>capacity because of shortfalls in income streams</p> <p>(iii) <u>Risk</u> - Significant negative impact on residents if Services are unable to meet need because of financial constraints</p>	(iii)3	(iii)3	<p>Bluebox software system is being used for raising, collecting, and monitoring single tenant rents in investment properties from June 2021.</p> <p>A weekly review of all investment and regeneration assets (including Elmsleigh) is undertaken which covers rent collection, lease negotiations, arrears and sinking fund expected and worse case scenarios.</p> <p>Liquidity and cash flow forecasting and monitoring / Treasury Management (TM) to assist planning for increased levels of expenditure and monitoring of market activity. Review of strategies with reference to external TM advisors in the context of COVID-19. Capital value of medium-term pooled funds have more than fully recovered from initial impact of the downturn caused by the pandemic.</p> <p>Support to Leisure centre operators to assist their recovery process. Activity levels in early 2022 have improved significantly halving the projected deficit</p>	<p>the effects of COVID-19 on the Council's finances. Expected case scenarios also highlighted.</p> <p>ACTION IN PROGRESS (March 2022): Individual business plans for each of the Council's investment assets are under development. A template for plans agreed by Development Sub-Committee.</p> <p>ONGOING ACTION (Reviewed March 2022): Development Sub Committee of Corporate Policy and Resources receives regular monitoring reports for scrutiny on the performance of the Investment portfolio. (Annual performance report considered in August 2021)</p> <p>ONGOING ACTION (Reviewed March 2022): Monitoring of Business Rates and Council Tax collection levels - currently Spelthorne are faring better than some other Authorities on Council Tax but due to Heathrow impact business rates more challenging. Deferral by a year of Fair</p>

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			<p>for the two leisure centres in 2022-23. The Budget for 2022-23 includes provision for £150k support towards the 2022-23 deficit.</p> <p>Medium term financial strategy. Budget process continues to be reviewed and brought forward to provide timely opportunities to review.</p> <p>The significant financial impact and costs of non-development delays continue to be analysed, quantified and reported to councillors.</p>	<p>Funding Review and Business Rates 75% retention has been delayed at least a further year. Fair funding review and business rates reset may happen in 2023-24.</p> <p>COMPLETED ACTION: (March 2022) A further review of the Reserves Strategy has taken place with refreshed version approved by 7th February Corporate Policy and Resources Committee.</p>
<p>C. HEALTH AND WELLBEING / SAFETY</p> <p>AMBER RISK</p> <p>(i) <u>Risk</u> - Staff, contractors and communities are at increased risk of being infected by COVID-19 and/or the flu virus during the winter season. Scientists have warned of low natural immunity due to</p>	<p>(i, ii, iii, iv,v) 3</p>	<p>(i, ii, iii, iv,v) 3</p>	<p>Refreshed remote working and DSE assessments. Planning underway for hybrid working model to take effect imminently driven by business need. Hybrid working policy developed outlining requirement for staff to be 2-3 days office based and pro-rata for part time workers.</p> <p>Regular communications regarding ongoing safety measures and the Council maintains a precautionary</p>	<p>RESIDUAL RISK: (Reviewed March 2022) A residual risk remains as the possibility of covid virus transmission cannot be eliminated. This may be further accelerated as new and emerging variants arise. Vaccine efficacy may be further impacted with new variants.</p> <p>RESIDUAL RISK: (Reviewed March 2022) There remains a residual risk around some individuals declining the covid vaccine/boosters, leaving them</p>

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

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<p>extended lockdowns, leading to poor physical and mental health, hospitalisation, and even fatalities from the flu virus (exacerbated if both flu and covid are contracted at the same time). Impacts on council service demands, service provision and resource availability.</p> <p>(ii) <u>Risk</u> - There are associated reputational risks if Council staff were found not to be complying with evolving health and safety guidance leading to increased infection rates across the community. If Spelthorne staff are not adequately protected as they return to the office environment and in undertaking high risk activities, there is the potential for claims against the Council. Returning to</p>			<p>approach in the interest of Members/staff/residents. Lateral flow testing (LFT) twice a week is currently a requirement for Officers and Members going into the office or workplace, and arrangements beyond 1 April 2022 are under review (LFT will no longer be free of charge). The Council has a contract in place for the provision of PPE. Masks are still advised in communal areas. COVID-19 testing is available where staff and Councillors show symptoms / Household risk identified. New guidance may apply as restrictions are lifted from 1 April 2022 (under review). Self-isolation guidelines previously issued, but these are being reviewed further as mandatory restrictions are lifted from April 2022. SBC advice/policy is currently to remain at home where testing positive.</p> <p>Health and Safety Risk Assessments undertaken for key areas.</p> <p>Environmental Health inspections and compliance checks on business</p>	<p>unprotected and enhancing risks of continued virus transmission across local and wider communities. Added protection from the booster programme should however reduce both the occurrence and impact of ongoing virus transmission. Lateral flow testing is currently encouraged across staff and the local community with arrangements beyond 1 April 2022 under review.</p> <p>ONGOING ACTION (Reviewed March 2022): Government will have lifted all restrictions by 1 April 2022 (current roadmap plan). The Council are developing a revised strategy going forward especially around testing. As part of this it is recognised that there is a need to maintain awareness of any changes in the virus and its potential to mutate and infect the population further. In addition, any emerging variants will need close monitoring.</p>

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(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>the office could also lead to increased staff absences arising from virus transmission with subsequent impact on service delivery. This is further complicated by self-isolation no longer being a legal requirement (SBC advice/policy is currently to remain at home where testing positive).</p> <p>(iii) <u>Risk</u> – Further waves and / or local outbreak of the virus arises because of inadequate mitigation measures and/or relaxation of former rules. In addition, increased pressures on hospitals and local health services due to winter flu season having greater impact than in previous years</p> <p>(iv) <u>Risk</u> – Impact of pandemic experience</p>			<p>premises may evolve as mandatory restrictions are lifted from April 2022. Enforcement action is taken if required.</p> <p>Staff are regularly reminded about mental health support as part of employee wellbeing. Hardship fund available to assist employees where eligible. Employee assistance scheme 'Care First' regularly promoted.</p> <p>Sickness monitoring by Human Resources including COVID-19 infections to determine level of staff affected. Human Resources are aware of 'long covid' amongst the workforce with the impact being monitored. It is expected that the NHS monitor 'long Covid' in the wider population and identify with local councils the role they can then play in supporting residents.</p>	<p>ONGOING ACTION (Reviewed March 2022): Contact Track and Tracing system to support protection measures.</p> <p>ONGOING ACTION (Reviewed March 2022): Monitoring of staff retention measures and reiterating values around respecting and supporting staff. This links to employee wellbeing.</p> <p>COMPLETED ACTION (Reviewed March 2022): As part of resumption planning for the 'new normal', an office capacity assessment and review of ventilation arrangements has been completed. Ventilation is the most effective form of prevention in virus transmission. In addition, CO monitors are being explored.</p> <p>NEW ACTION (Added March 2022): All Services are required to commence planning and preparation for hybrid working as part of the 'new</p>

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>presents ongoing physical, mental, and emotional health impact on staff, volunteers, and residents</p> <p>(v) Risk – The shift to a hybrid model of working after a long and continuous period of remote working for many employees of the Council may present new challenges in managing expectations.</p>				<p>normal', to take effect from Spring 2022. Managers need to define their business needs for individual service areas in terms of effectively operating hybrid working in line with the policy. From April there will be consideration of hotdesking approaches (dependant on whether there are any emerging variants).</p> <p>NEW ACTION (Added March 2022): Given the extensive period that many staff have been working remotely (two years) it is recognised that continued measures should be taken to make staff feel safe but also to ease them back into a different way of working (hybrid model) and a 'new normal'</p> <p>NEW AND ONGOING ACTION (Added March 2022) Spelthorne continue to apply a precautionary approach on self-isolation requirements to minimise the risk of covid spread within the workforce and across communities. Given the government's lifting of mandatory self-isolation, it is important that</p>

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
				Spelthorne's policy position on self-isolation requirements (workforce) continues to be clearly communicated at regular intervals.
D. POSITIVE OPPORTUNITIES AMBER RISK (i) Risk – Failing to seize positive opportunities arising from the pandemic experience and reverting to old approaches may present new risks (ii) <u>Opportunity</u> - There may be opportunities for increased productivity and efficiencies to be built upon from new flexible patterns of working. (iii) <u>Opportunity</u> - Opportunities for environmental improvements (such as	 (i)2 (ii)3 (iii)3	 (i)3 (ii)3 (iii)3	(i)The Council's pandemic recovery plan gives due consideration to how opportunities can be taken forward across various operations. (ii) Positive lessons from extended remote working have been assessed and examined in moving to a 'new normal' and hybrid model. Managers have been offered training on effective remote team management and Human Resources are developing a refreshed training programme for return to the office. (iii) Environmental and Sustainability Committee established under new Committee system. Approval of green initiatives fund of £747k to support measures in addressing net zero carbon emission targets. The	ACTION IN PROGRESS (Reviewed March 2022): Human Resources developing new performance monitoring requirements for staff in line with the hybrid working policy and training for managers will be delivered in due course. COMPLETED ACTION (Reviewed March 2022): The Council has identified and applied positives, around new ways of working, as part of the 'new normal'. This coincides with launch of the approved hybrid working policy with implementation underway. ONGOING ACTION (Reviewed March 2022): Environmental and sustainable measures will be further analysed as part of seeking opportunities, to include scope for the Council representing "Green Jobs" as

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
better air quality) have become more achievable arising from reduced traffic (road / rail / air) as people continue to work remotely as part of the new hybrid model, thereby positively contributing to sustainability measures			Environment and Sustainability Committee will determine how to prioritise this Budget provision. Hybrid models (for Spelthorne and other local employers) will support reduced traffic (air emissions from traffic is one of the biggest contributors to Climate Change) and contribute to sustainability measures. Strengthening of resources to support delivery of green initiatives and related objectives in seizing positive opportunities.	an employer going forward and into Council projects. Recruitment underway for sustainability resource (vacant) to progress and support green actions.
E. HOUSING AMBER RISK (i) Risk: Increased levels of homelessness. Some of the causes include greater threat of eviction due to financial pressures felt by households, ending the weekly uplift in universal credit payments, ending of the Test and Trace Support payment scheme from February. This is further exacerbated by delays in	(i)3	(i)3	Housing Service discuss options with tenants at the outset to minimize risks of landlord eviction. Government funding to assist vulnerable families that are in rent arrears and to prevent homelessness. Additional government funding to Local Authorities, for the sum of £65m, Homeless Prevention Grant for 2021-22 intended to prevent or minimise evictions and homelessness caused by loss of a tenancy for vulnerable households. Spelthorne are due to receive £120, 000. In addition, Surrey County Council have received 5.6 million government funding	There are no new actions arising from this review, but a two new risk categories have been added (externalities). Please also refer to the Corporate Risk Register (risk category 1B- Housing – Affordable).

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>delivery of the Council's Housing Delivery Programme impacting the achievement of affordable housing provision, as well as meeting wider housing needs.</p> <p>(ii) Impact of geopolitical situation and Ukraine crises on food supply chains with possibility of reduced availability for some staple food items, leading to consumer price increases impacting all communities and particularly affecting the most financially vulnerable households.</p> <p>ii) Geopolitical situation (Ukraine conflict) has led to humanitarian crises. In supporting refugees from Ukraine the Council along with partners will have a pivotal role in responding to and coordinating essential</p>			<p>and - approx. 1.7 million allocation to Spelthorne will be used to pay for school meals over the holiday period, as well as enabling the Citizens Advice Bureau to support vulnerable households with their tenancy issues.</p> <p>.</p>	

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
needs including safe and secure housing provision.				

APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(March 2022. Coordinated and analysed by Internal Audit Manager, Punita Talwar)

Evaluating risks and Risk Matrix (In accordance with the Risk Management Policy)

The Council evaluates its risks on a four-point scale on the likelihood of the risk occurring and the impact caused should the risk occur. Risks are evaluated with their controls in place. Risks are plotted on a risk matrix (see below) and prompt action is taken on those risks that fall into the red zone. Action is considered for “amber” risks while “green” risks are regarded as acceptable. The above risks associated with COVID-19 (reference A to E) have been plotted on the graph below.

Impact	4 (Catastrophic)			A (i)(ii)	
	3 (Major)		D (i)	B(ii & iii) C D (ii, iii) E	A (iii) ; A (iv); B (i)
	2 (Medium)				
	1 (Trivial)				
		1 (Rare)	2 (Unlikely)	3 (Likely)	4 (Almost certain)
		Likelihood			

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Audit Committee

24 March 2022



Title	Componentisation of fixed assets- briefing note
Purpose of the report	To note the updated methodology for dealing with high value, multi component property assets.
Report Author	Paul Taylor Chief Accountant
Ward(s) Affected	All Wards
Exempt	No
Corporate Priority	Financial Sustainability
Recommendations	Committee is asked to note the changes to the methodology for our property, plant and equipment, including municipal buildings, but excluding investment properties, as these will continue to be valued at 'fair value', in accordance with the Chartered Institute of Public Finance & Accountancy (CIPFA) Code.
Reason for Recommendation	To reflect the multi component make up of our high value properties within the Council portfolio.

1. Key issues

- 1.1 As the Council develops its property portfolio, particularly the housing assets that are transferred from Spelthorne Borough Council (SBC) to its wholly owned subsidiary Knowle Green Estates Ltd (KGE) a standard approach of applying 2% depreciation for land and buildings does not reflect the reality of the makeup of the Council's land and building portfolio. Therefore, officers have begun the process of developing a new approach to reflect a more considered approach for dealing with this issue and to ensure consistency across the consolidated Spelthorne Group Accounts.
- 1.2 Our new methodology applies initially to all buildings over £5m in value.
- 1.3 The land and buildings will be split between its component parts, which could include:
 - (a) Land costs
 - (b) Roof costs
 - i) Flat
 - ii) Pitched
 - (c) Heating control systems
 - (d) Lifts

- (e) Windows
- (f) Kitchens
- (g) Bathroom
- (h) Other

This list is not exhaustive, and the significant items only will be componentised.

- 1.4 From the list above, a flat roof would have a life expectancy of say, 10 years and therefore, a 10% straight line depreciation methodology would be applied, whereas we would expect a pitched roof to have an estimate useful life of approximate 40 years, so applying a depreciation rate of 2.5% per annum, would be appropriate.
- 1.5 Windows and bathrooms would need replacing, as part of a considered and measure capital replacement programme every
- 1.6 By applying this methodology our depreciation charge would be more realistic and reflect the estimate useful lives of each component.

2. Other options

- 2.1 The current process does not account for the individual components of land and buildings over £5m.
- 2.2 The Council is required to provide evidence to our external auditors that we have considered this matter, and what action, if any, was taken.

3. Financial implications

- 3.1 There will be no financial impact on the residents or council taxpayer of the borough, as, in accordance with Government regulations, depreciation is not a factor when calculating the Council Tax charge.
- 3.2 There will be a small increase in the valuers fees, as they provide a more detailed assessment of the Council's larger non-investment properties.

4. Other considerations

- 4.1 A parallel report will go to the KGE Board.

5. Equality and Diversity

- 5.1 No impact.

6. Sustainability/Climate Change Implications

- 6.1 None.

7. Timetable for implementation

- 7.1 Implemented for the accounting period beginning 1 April 2021

Background papers: None

Appendices - None

Audit Committee

24 March 2022



Title	Updates to the Money Laundering Policy
Purpose of the report	To make a recommendation Council
Report Author	Victoria Statham, Group Head of Corporate Governance
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	This item is not in the current list of Corporate Priorities but still requires a Committee/Council decision.
Recommendations	Committee is asked to: Recommend to Council the adoption of the revised Money Laundering Policy as set out in Appendix A.
Reason for Recommendation	Although fit for purpose the Money Laundering Policy has not been reviewed since 2016.

1. Summary of the report

- 1.1 On the 28 April 2016 the Council adopted the current Money Laundering Policy to reflect changes to legislation which had come into effect.
- 1.2 The Money Laundering Policy applies to all Councillors (and co-opted members) and all officers. The aim of the policy is to maintain high standards of conduct by preventing criminal activity through money laundering. The policy sets out the procedures that need to be followed.
- 1.3 The Money Laundering Policy has not been amended since April 2016. This has been reviewed to ensure that it reflects current good practice.

2. Key issues

- 2.1 The Money Laundering Policy forms part of the Council's constitution and therefore needs to be approved by the Council.
- 2.2 Attached at Appendix A is the recommended revised policy, with the suggested amendments highlighted. The procedures within the policy are still relevant and do not require amendment. The amendments made are to

ensure that there is reference to wider governance issues that link into this policy.

2.3 Who undertakes the role of the Money Laundering Reporting Officer (MLRO) has been amended to be the generic roles rather than named individuals.

2.4 No further amendments are suggested as the policy remains robust and fit for purpose.

3. Options analysis and proposal

3.1 Recommend the amendments to the Council for adoption to ensure that the policy is up to date. This is the recommendation.

3.2 The committee could propose further amendments to the policy, these would need to be inline with the Council's duties and responsibilities under the relevant legislation.

3.3 The committee could consider that the policy does not require amendment. If this option is progressed under delegations the named MLRO can be amended.

4. Financial implications

4.1 There are none.

5. Other considerations

5.1 There are none.

6. Equality and Diversity

6.1 There are none in relation to the revised policy.

7. Sustainability/Climate Change Implications

7.1 There are none

8. Timetable for implementation

8.1 If there is a recommendation from Audit Committee to Council to adopt the revised policy, this will be on the agenda for the 28 April 2022 meeting. Once Council makes their decision the revised policy will come into effect.

9. Contact

9.1 Victoria Statham, Group Head of Corporate Governance

Background papers: There are none.

Appendices:

Appendix A – revised Money Laundering Policy with amendments highlighted.

Spelthorne Borough Council

PROCEEDS OF CRIME & ANTI-MONEY LAUNDERING POLICY & PROCEDURES

1. Introduction

1.1 There have been significant changes to legislation concerning money laundering that have broadened the definition of money laundering and increased the range of activities caught by the statutory framework. The relevant legislation includes the Terrorism Act 2000, the Proceeds of Crime Act 2002 and Money Laundering Regulations 2007 as amended. The obligations impact on certain areas of local authority business and require local authorities to set up internal procedures to prevent the use of their services for money laundering.

1.2 Chartered Institute of Public Finance and Accountancy (CIPFA) has a code of practice 'Managing the risk of fraud and corruption' which has five key principles. These are:

- Acknowledge the responsibility of the governing body for countering fraud and corruption.
- Identify the fraud and corruption risks.
- Develop an appropriate counter fraud and corruption strategy.
- Provide resources to implement the strategy.
- Take action in response to fraud and corruption.

2. Scope of the Policy

2.1 This policy applies to all members and employees of the Council and aims to maintain high standards of conduct by preventing criminal activity through money laundering. The policy sets out the procedures that must be followed, such as reporting any suspicions of money laundering activity.

2.2 Further information is available from either Legal or Audit Services. This policy and procedures is intended to work with the Council's Confidential Reporting Code and Anti-Fraud, Bribery and Corruption Strategy to strengthen our arrangements for corporate governance.

2.3 Failure to comply with the procedures set out in this policy may result in disciplinary action and criminal prosecution, the penalties for which are serious fines and / or imprisonment.

3. What is Money Laundering?

3.1 Money laundering means:

- 3.1.1 Concealing, disguising, converting, transferring criminal property or removing it from the UK
 - 3.1.2 Entering into or becoming concerned in an arrangement **you know or suspect** facilitates the acquisition, retention, use or control of criminal property by or on behalf of another person
 - 3.1.3 Acquiring, using or possessing criminal property
 - 3.1.4 **Becoming concerned in an arrangement facilitating concealment**, removal from jurisdiction, transfer to nominees or any other retention or control of terrorist property.
- 3.2 Potentially any member of staff could be caught by money laundering provisions **if they suspect money laundering and either become involved with it in some way and / or do nothing about it**. Practical examples might be receipt of a large cash payment for any sum due such as for business rates or council tax, and large or repeated overpayments to the authority that require significant refunds. An assessment of risks to Spelthorne indicates low likelihood of this happening, but if it did the impact on the authority and individuals involved could be significant.
- 3.3 This policy meets statutory duties and protects both the authority and individual staff members from risks associated with money laundering. Procedures set out how any concerns should be raised.

4. Roles and Responsibilities

Audit Committee: The Council has an Audit Committee to review the assessment of fraud risks and potential harm to the council from fraud and corruption.

Councillors: Councillors are expected to act in a manner which sets an example to the community whom they represent and to the employees of the council who deliver services. Councillors will comply with the Code of Conduct for Councillors.

Chief Finance Officer: has the statutory responsibility to ensure the proper arrangements of the council's financial affairs.

Monitoring Officer: will act as the MLRO

Internal Audit: will carry out reviews of the adequacy of the council's control environment and report on any weaknesses found. Investigation of any matters of irregularity.

Employees: employees are expected to be aware of the possibility that fraud, corruption and theft may exist in the workplace and share their concerns in accordance with this policy.

Contractors and suppliers: those organisations employed to work on behalf of the council are expected to maintain strong anti-fraud principles.

5. Actions to be Taken

- 5.1 To meet its statutory duties, the Council must:

- 5.1.1 Approve an appropriate policy and set of procedures for identifying and reporting money laundering
- 5.1.2 Nominate a Money Laundering Reporting Officer (MLRO) to receive reports from colleagues and make reports as necessary to the National Crime Agency (NCA)
- 5.1.3 Provide appropriate training to staff and
- 5.1.4 Maintain required record keeping procedures

6. The Money Laundering Reporting Officer (MLRO)

- 6.1 The staff member nominated to receive reports about any known or suspected money laundering activity within the Council is the **Group Head of Corporate Governance/Monitoring Officer**. In the absence of the MLRO, the Deputy Monitoring Officer is authorised to deputise for him/her.

PROCEDURES

7. Reporting to the MLRO

- 7.1 As soon as any money laundering activity becomes known or suspected, it must be reported to the MLRO. This should be within “hours” of the activity being identified, not days or weeks later. Failure to act in this way could lead to prosecution.
- 7.2 The report **must be written and include as much detail as possible**, such as:
 - Full details of all people involved, including yourself if relevant, eg name, date of birth, address, company names, directorships, contact details etc
 - Full details of their / your involvement
 - The types of money laundering activity involved (as set out in para. 3 above)
 - The dates of such activities, including whether the transaction have happened, are ongoing or imminent, where they took place, how they took place, the likely amount of money or assets involved and exactly why you are suspicious.

You should also copy any relevant supporting documentation. The NCA will require as much detail as possible, as will the MLRO in making a decision on whether to report to NCA.

- 7.3 Further guidance on reporting is available from both Legal and Audit Services. Please do not hesitate to seek advice from your manager, Legal and / or Audit Services as soon as any activity is suspected. **Do not take any action such as stopping a suspect transaction.** It may be that NCA want to proceed with a transaction as part of their investigation. Our duty is **to report only**.

- 7.4 Once reported to the MLRO, **you must not make any further enquiries into the matter yourself. Any necessary investigation will be done by NCA.** All staff will be required to co-operate with the MLRO and authorities during any subsequent investigation.
- 7.5 **Also, at no time and under no circumstances should any indication of suspicion be made to the person(s) suspected of money laundering.** This must be observed even if NCA has given consent to a particular transaction proceeding. Otherwise, staff may commit a criminal offence of “tipping off” those suspected. So be careful not to make any reference on a client file to MLRO reporting. If the client sees their file, such a reference could tip them off and make staff liable to prosecution. The MLRO will keep appropriate confidential records.

8. Action by the MLRO

- 8.1 On receipt of a disclosure report, the MLRO must record the date or receipt, acknowledge receipt and set a deadline for reply to the reporting officer.
- 8.2 The MLRO should consider the report and any further internal information required, such as data on other transaction patterns and volumes, the length of any business relationship involved, the number of any one-off transactions and linked one-off transactions and any identification evidence held.

The MLRO should also make any other appropriate enquiries to ensure all available information is considered in deciding whether a report to NCA is required (without tipping off those involved).

- 8.3 Once the disclosure report and any other relevant information is evaluated, the MLRO must make a timely determination as to whether there is actual or suspected money laundering taking place, or there are reasonable grounds to know or suspect that is the case, and whether consent should be sought from NCA for a particular transaction to proceed.
- 8.4 Where the MLRO does so conclude, the matter must be disclosed to NCA as soon as possible on their standard report form and in the prescribed manner **unless** there is a reasonable excuse for non-disclosure to NCA. For example, a lawyer may wish to claim legal professional privilege for not disclosing the information. Up to date forms can be downloaded from the NCA website at www.nationalcrimeagency.gov.uk
- 8.5 Where the MLRO suspects money laundering but has a reasonable excuse for non-disclosure, then the report must be noted

accordingly. The MLRO may then immediately give consent for any ongoing or imminent transactions to proceed. **Full legal advice must be obtained before this course of action is taken.**

- 8.6 Where consent is required from NCA for a transaction to proceed, no further action should be taken until specific consent is obtained or consent is deemed through expiry of relevant time limits without objection from NCA.
- 8.7 Where the MLRO decides there are no reasonable grounds to suspect money laundering, the report must be marked accordingly and the MLRO must give consent for any transactions to proceed.
- 8.8 All reports received by the MLRO and reports made to NCA must be kept by the MLRO in a confidential file for a minimum of five years.
- 8.9 **The MLRO commits a criminal offence if he knows or suspects, or has reasonable grounds to do so through a disclosure made to him/her, that another person is engaged in money laundering and he/she does not disclose this as soon as practicable to NCA.**

9. Client Identification Procedure

Please note this procedure is restricted to finance, accountancy, audit and certain legal services.

- 9.1 Where these services form an ongoing business relationship with a client, undertake a one-off transaction involving payment by or to the client of €15,000 or the current equivalent in Sterling or more, undertake a series of linked one-off transactions involving total payment by or to the client of €15,000 or the current equivalent in Sterling or more, or it is known or suspected that such transactions involve money laundering, then the following client identification procedure must be observed before any business is undertaken for that client.
- 9.2 In these circumstances, staff in the relevant service must obtain satisfactory evidence of the identity of the prospective client as soon as practicable after instructions are received (unless such evidence has already been obtained).
- 9.3 Evidence of identity should be obtained as follows:
 - 9.3.1 For internal clients, appropriate evidence of identity of Council departments will be signed, written instructions on Council headed notepaper or an internal email. Such instructions should be appropriately filed and clearly identified as such evidence.

- 9.3.2 For external clients, the MLRO will maintain a central file of general client identification evidence regarding the external organisations to whom financial, accountancy, audit and legal services provide professional services (such as housing associations). Staff in these services should check with the MLRO that such external clients are recorded in the central file and check relevant details. If the organisation is not included in the central file, the MLRO should be informed. Appropriate evidence of identity for external clients will be written instructions on the organisation's official letterhead or an email from the organisations e-communication system.
- 9.3.3 All such evidence should be kept for at least five years from the end of the business relationship or transactions.

10. Record Keeping Procedures

- 10.1 Records of client identification and all relevant business transactions carried out for clients must be kept for at least five years, so they may be used as evidence in any subsequent investigation by the authorities into money laundering. As external audit requires retention of key accounting documents for six years, this should not involve any changes to current procedures.
- 10.2 The exact form of records is not prescribed by law, but must be capable of providing an audit trail during any subsequent investigation. Again, this is usual practice for council services and should not involve any changes to current procedures.

Audit Committee

24 March 2022



Title	Internal Audit Plan 2022/23
Purpose of the report	To note
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	Not Applicable
Corporate Priority	Community Affordable housing Recovery Environment Service delivery
Recommendations	Committee is asked to: Note and approve the Internal Audit Plan for 2022/23.
Reason for Recommendation	Not applicable

1. Summary of the report

- 1.1 This report seeks to inform the Audit Committee of the risk-based Internal Audit Plan for 2022/23 to fulfil statutory and professional requirements. We are proposing to review higher risk areas that align with Spelthorne's corporate priorities and objectives, whilst also ensuring due focus is given to emerging and evolving risks, new projects, systems and processes, and key legislative changes.
- 1.2 The wider implications arising from the geopolitical and macroeconomic environment will continue to be a key consideration in the Council's risk exposure with impact across Council Services and local communities. It remains important therefore as part of our work to ascertain how the Council is adapting to these external pressures and managing associated risks.

2. Key issues

- 2.1 A copy of the Internal Audit Annual Plan (2022/23) based on the 'prioritised audit need' is attached at Appendix 1. This includes key categories relating to:
 - audit assurance assignments

- audit support and advisory work
- Audit Committee - statutory requirements/ processes to meet Public Sector Internal Audit Standards (PSIAS) and reporting
- audit follow up (recommendations)
- continuous improvement for Internal Audit
- corporate roles and responsibilities (corporate risk management and corporate counter fraud)

There are other additional tasks that support the delivery of a professional audit service and some of these are likely to be unforeseen/reactive by nature, whilst adding value.

- 2.2 Independent assurance provided by Internal Audit (representing the third line of defence in the overall assurance framework) will continue to focus on the effectiveness of the control environment in managing risk at all levels, supported by appropriate verification processes. Audit findings during 2022/23 will be raised with senior management, and recommendations aimed at enhancing control processes and reducing risk will be reported to the Audit Committee.
- 2.3 Internal Audit findings will form the basis of the annual audit opinion for 2022/2023 on the adequacy of the authority's control environment which feeds into and underpins the Annual Governance Statement. To enable the Internal Audit Manager to provide an independent evidence based annual audit opinion, ***there needs to be a sufficient quantity and breadth of audits undertaken to ensure reasonable coverage of auditable areas on which to form an effective opinion.*** This is therefore an important factor for consideration in the Audit Planning process.
- 2.4 There is an overall net gain in terms of additional audit resource from 2022/23. This is elaborated on as follows. Firstly, an Audit Apprenticeship Officer post has been approved from July 2022 to support the team and provide an opportunity to grow and apply talent, as well as build service resilience. There will inevitably be a commitment of resource time for training and supporting the new individual in the short to medium term (subject to successful recruitment) with a view to achieving greater benefit over the longer term. Secondly, a contribution to Council savings has reduced the Audit Contractor budget by 10k (the budget from 2022/23 is £12,500). This equates to a reduction of around 23 audit days, with a revised lesser allocation of approx.30 contractor days included for 2022/23. In supporting workplan delivery, Audit contractor resource is deployed primarily to seek specialist knowledge and subject matter expertise in providing insight, differing perspectives, and added value. The mandatory Public Sector Internal Audit Standards (PSIAS) around proficiency state: "The internal audit activity collectively must possess or obtain the knowledge, skills and other competencies needed to perform its responsibilities".
- 2.5 It is envisaged that the proposed workstreams as detailed in the Annual Audit Plan at Appendix 1 can be undertaken based on estimated resource levels for 2022/23 operating at 2.3 FTE (current 1.75 + 0.6) plus 30 contractor days. It is appropriate to highlight that this is an estimate at this stage, dependant on successful recruitment of an Apprenticeship Officer and when an appointed resource may be available to commence.

- 2.6 It is acknowledged that there is 20 days of work planned to complete this year's Audit Plan in the first quarter of 2022/23. This carry over of work has materialised due to auditee requests to defer audits to commence in the latter part of Quarter 4 as well as additional time required on other work areas. The ongoing impact of pandemic recovery and other intense work pressures being reported by officers have required resources being prioritised.
- 2.7 A priority rating (A or B) for undertaking proposed assurance assignments, advisory support, and other work categories has been recommended in the plan at Appendix 1. There is also reference to key risk considerations and outline objectives for each assignment.
- 2.8 The pandemic has highlighted the rapid pace of change and uncertainty which is likely to continue to define the years ahead. In considering this the audit plan is intended to be flexible and agile to consider changing priorities according to perceived risks.
- 2.9 Should the readers of this report require further background regarding the audit planning process, this is set out below:
- (a) All auditable areas are identified (known as the 'Audit Universe', consisting of around 85 discrete areas). These broad categories include:
 - Significant risks included in the Corporate Risk Register
 - Corporate systems and processes
 - Financial and fraud risks
 - Fundamental financial systems
 - Functions operating within service areas
 - Information governance and security
 - Assets and Investments
 - Key Council projects
 - Preparedness for significant legislative changes/government led initiatives
 - (b) The Internal Audit Manager has consulted Group Heads and Managers during the audit planning process (January and February 2022) with several meetings having taken place to ascertain and discuss emerging risks across services as well as at a corporate level and consider review areas for inclusion in the plan.
 - (c) An audit needs assessment is undertaken, and audit work is prioritised which is related to factors such as high-level risk evaluations, budgetary implications, value/volume of transactions, known system weaknesses and vulnerabilities, fraud risk or previous irregularities, changes in personnel, time elapsed since last audit, alternative sources of assurance, management requests for Internal Audit input and audit resource available.
 - (d) Best practice guidance from professional auditing bodies regarding topical organisational risk areas for 2022 (based on extensive research) has also been reviewed, ensuring the inclusion of recruitment and retention linked with talent management are included in Spelthorne's audit plan. Cybersecurity risks are still viewed across all sectors as being very high (in top five risks) and an audit of this area has just commenced as part of the 2021/22 plan.

- (e) Some areas identified during the audit plan consultation process have not been incorporated within the 2022/23 audit plan. These will be subject to consideration in future years and form part of the longer-term audit plan/strategy.

3. Options analysis and proposal

- 3.1 Audit Committee are requested to note and approve the risk based Internal Audit Plan for 2022/23. This ensures a structured approach (in line with PSIAS) to support the provision of independent assurance to the authority on the adequacy of internal control, governance and risk management arrangements.

4. Financial implications

- 4.1 The Internal Audit Annual Plan includes reviews of functions and systems that are financially material and therefore represent greater risk to the authority. Issues presenting adverse financial consequences or threats to the Council's financial position apply to a range of workstreams on the plan.
- 4.2 Externally commissioned resource to support delivery of the 2022/23 audit plan is approx. 30 Days and will be funded from the audit contractor budget of £12,500.
- 4.3 To support special investigations (relating to suspected internal fraud or irregularity) there may be a requirement to bring in subject matter experts and Investigators. There is insufficient capacity within the Internal Audit team to undertake these investigations, given that they are often by their nature very resource intensive. Where deemed appropriate, in the first instance support will be sought from Reigate and Banstead Council's team of Investigators. This may however need to be supplemented with subject matter counter fraud expertise depending upon the nature of the suspected fraud or irregularity, at additional cost (unforeseen works).

5. Other considerations

- 5.1 The Internal Audit Annual Plan has focussed on the areas of higher priority that align with corporate priorities and objectives and given due consideration to current and emerging risk (and opportunities) facing the Council during 2022/23.

6. Equality and Diversity

- 6.1 There are no implications to report. A cross cutting review of Equality and Diversity is not part of the proposed audit plan for 2022/23 but will be considered at some future point.

7. Sustainability/Climate Change Implications

- 7.1 Climate Change risks and mitigation measures are periodically monitored by the Internal Audit Manager as part of reporting on the Corporate Risk Register.

8. Timetable for implementation

- 8.1 The Internal Audit Annual Plan sets out work to be undertaken by the Internal Audit team during the 2022/23 financial year. Proposed timings at Appendix 1

incorporate early indication of preferences from colleagues. These will be confirmed shortly.

9. Contact

9.1 Punita Talwar, Internal Audit Manager. P.Talwar@spelthorne.gov.uk

Background papers: There are none.

Appendices: Appendix 1 Annual Internal Audit Plan 2022/23

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<div> <div>APPENDIX 1</div> <div>Internal Audit Annual Plan 2022/23 - Prepared by the Internal Audit Manager</div> </div>							
Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
1. COVID-19 Pandemic Recovery workstream : (PRIORITY A) (i) Business Support Grants - Additional Restrictions Grant <i>Corporate Priority Area - 'Recovery'</i>	7	Economic Development & Customer Services	New processes have emerged as part of the authority's ongoing COVID-19 recovery effort. Independent assurance is recommended for higher risk areas to confirm activities have given due regard to adequate control processes and risk mitigation measures in safeguarding public funds. The Additional Restrictions Grant fund represents a significant amount and the timeframes require the scheme to be administered in full by 31.3.22.	Governance arrangements are not maintained; unspent funds; grants administered do not adhere to government guidance and/or local discretionary grant policy; inadequate due diligence checks; criteria for applying discretionary funds are vague which may result in processing grants that fail to add value to business recovery or growth; Fraud and Error leading to financial losses/reputational damage;	Given that two prior audits have been carried out on Business Support Grants, this audit will focus specifically on testing of key controls operating (sample testing of Additional Restrictions Grants - ARG only) to ensure eligibility, validity, reasonableness of decisions to award and approve grant applications, transparency of decisions and accuracy of Additional Restriction Grant payments processed.	In-House	Quarter 2
2. Whistleblowing (Confidential Reporting Code) PRIORITY A <i>Corporate Priority area - All. Good governance underpins effective delivery of all corporate priorities and objectives</i>	10	Corporate Governance (Monitoring Officer)	An audit review is overdue. Given that some time has elapsed since the self assessment toolkit was undertaken, this is deemed to be a timely review.	If Members and Staff are not periodically reminded of the Whistleblowing policy, this could lead to inappropriate or illegal activity not being identified, reported or addressed. It could also lead to the use of incorrect channels to report concerns leading to adverse media interest and reputational damage. If the scale and nature of Whistleblowing concerns are not captured or monitored, opportunities for focussed actions may be missed (where there are patterns in the type of confidential concerns raised).	Confirm awareness raising of policy by Monitoring Officer to promote understanding, encourage individuals to come forward and convey key messages (links to organisational culture). Consider whether core processes are operating effectively and in line with the Whistleblowing policy. Ascertain how concerns raised are followed through and addressed with reference to a sample check. Consider scope to maintain a strictly confidential register of concerns reported under the policy. As well as improving coordination, this would provide a mechanism for quantifying the level, scale and nature of concerns raised - assisting future focussed actions.	In-House	Quarter 2

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
3. Significant externalities (macroeconomic and geopolitical environment) and their impact for the Council - PRIORITY A Corporate Priority Area - All priorities	10	Internal Audit	Articulating and analysing the risks (and opportunities) emerging and evolving to assist prioritised action.	The volatility of the global economy and rising rate of inflation is putting increased pressure on businesses, households, and the Council's budget. Cost-of-living crisis is a major risk factor impacting consumers, economic prosperity, and pandemic recovery. Additional challenges arising from Geopolitical landscape such as refugees/pressures on food supply chain and inflating costs of fuel.	To analyse and report on the impact of macroeconomic and geopolitical externalities on the Council's position/services/communities. Ascertain mitigation/control measures to manage identified risks and highlight residual risks. The most significant risks (and opportunities) arising based on the risk scoring model require prioritisation for action.	In-House	Coincides with Audit Committee work programme, reporting 3 times a year .
4.Succession Planning PRIORITY B Corporate Priority area - 'Service Delivery'	7	Commissioning & Transformation	An audit is overdue.	Loss of knowledge and experience from long serving skilled employees who have departed or retired. Lack of succession planning reduces organisational and service resilience, impacting service quality and delivery.	Undertake a light touch review of management arrangements in place for succession planning, considering corporate and strategic direction across the authority. Establish measures for 'Key person identification'.	In-House	Quarter 2
5. Recruitment and Retention PRIORITY A Corporate Priority area - All. Underpins effective delivery of all corporate priorities and objectives	11	Commissioning & Transformation	Corporate Risk Register - risk category 7.	Rising resignations, high vacancy rates and unsuccessful recruitment lead to a reduced level of technical skills and expertise operating across Services. Staff shortages further exacerbate workload pressures, employee stress and fatigue. As the pandemic experience has widened acceptance of more flexible working approaches across most sectors, this may weaken the unique selling point (USP) long associated with Local Councils. Failing to attract and retain talent has consequences for delivering business need leading to reduced service quality.	To review the strategic approaches underway or planned in managing the significant risks and current issues around recruitment and retention . Consider the extent of new and innovative approaches being explored in an increasingly competitive market, to attract and retain talent. Review arrangements in place to test the effectiveness of any new measures applied .	In-House	Quarter 1

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
6. IT Audit (Application Systems) PRIORITY A Corporate Priority - 'Service Delivery ' and 'Supporting Communities'	12	Commissioning and Transformation	A high level review of the Council's Application Systems is overdue.	Core application systems are not adequately supported/maintained impacting service delivery. Unauthorised access to application systems, sensitive and personal data. Where access permissions do not reflect user need, this increases risks of data security breaches, fraud, data theft, and even deletion of data files.	A high level audit review of the Council's application systems. To ensure the Council has robust control processes operating across key application systems (to include Centros upgrade). Ascertain how systems are supported and maintained including software and security updates. Consider logical access controls in setting up new users and applying appropriate permissions. Confirm processes for prompt removal of leavers and where access requirements change. Ascertain oversight arrangements in place for System Administrator functions who hold superuser privileges.	Audit Contractor	Quarter 4
7. Collaborative working with the Continuous Improvement Team PRIORITY B Corporate Priority area - All. Underpins effective delivery of all corporate priorities and objectives	5	Commissioning and Transformation	Collaborative work area to add organisational value.	The Continuous Improvement process drives positive change and greater organisational efficiencies in service delivery. If internal control implications are overlooked this may result in new processes that operate less robust or weaker controls. Subsequent impact on assurance provision.	To work with the Continuous Improvement team in reviewing 'TO BE' Process Maps produced for significant activity areas, with a view to advising on any risk and control implications including compromised controls, and assessing the significance.	In-House	Throughout the year as required.

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
8. Commercial Assets & Investments (Income Generation) - PRIORITY A Corporate Priority Areas - 'Recovery', 'Service Delivery'	14	Regeneration & Growth	Annual Cycle. Significant financial value re commercial property portfolio and associated risks . Corporate Risk Register - risk category 3.	Weak governance arrangements may contribute to poor investment outcomes and increase exposure to financial risk including loss of anticipated rental income. Inadequate processes to identify/raise/recover/monitor commercial rental income due resulting in delays or losses. Rental waivers and shortfall in achieving overall income target. Late repayment of loans for committed investments results in financial penalties.	To ensure robust control processes and effective governance arrangements are operating regarding the Councils commercial property assets and investments. Review adequacy of systems in place to identify, collect, record and monitor rental income due. Confirm continued performance monitoring arrangements/reporting and ongoing assessment of sinking fund. Review policy arrangements for applying rental waivers and managing rental voids to minimise financial losses.	In-House	Quarter 4
9. Cross cutting audit review of Planning processes linked to Property Development (Housing Delivery Programme) PRIORITY A Corporate Priority Area - Affordable Housing	12	Regeneration & Growth - Assets & Planning	Annual Cycle. Significant financial value and adverse financial impact from non-development costs. Corporate Risk Register - risk category 1A	Insufficient segregation of duties between the Council's planning and Assets function could weaken governance and lead to poor decisions. Where approaches are not coordinated this may impact broader outcomes. Delays in completing property development schemes, with significant repercussions for delivery of housing and targets. Non-development costs (approx.1.2m over last year) have resulted in significant adverse financial impact for the Council. Supply chain and distribution challenges led to higher costs of materials inflating scheme expenditure.	Carry out a cross cutting review to identify and assess core planning processes linked to property development,considering mechanisms for planning decisions, through to onward commencement and delivery of schemes by Assets. In reviewing governance arrangements, consider adequacy of segregation of duties operating between the Planning and Assets functions in adhering to professional requirements, as well as within the overall decision making process. To review progress with the housing delivery programme, taking account adverse financial impact of the significant delays encountered to date .	Contractor	Quarter 3 or 4

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
10. Blue Box Software - Housing Rental Income PRIORITY A <i>Corporate Priority Area - 'Recovery'</i>	11	Regeneration & Growth - Assets	The Council have acquired a new software system – “Blue Box” – to manage rental income across its property portfolio. This property management software supports the accounting system for Knowle Green Estates Ltd (KGE).	The delays in completing property development schemes are already impacting housing rental income, adding to significant financial pressures already facing the Council. Inadequate processes to identify/raise/recover/monitor housing rental income due resulting in delayed or loss of anticipated rental income. Weak integration of new software with the Council’s main financial system, leading to inaccurate and unreliable accounting records. Fraud and error risks.	The review will focus on the systems and processes for administering Housing rental income. To assess how the Blue Box. software is being used to raise/record/receive/monitor and recover housing rents due in a timely manner. To consider how effectively this rental strand/module of Blue Box interfaces and integrates with the Council’s main financial system to promote system integrity and accurate financial reporting/management information.	Contractor	To agree most opportune time noting that some audit work on Blue Box is already underway. The timing may also depend on any issues arising from that review.
11. Responsive and Planned Maintenance PRIORITY A <i>Corporate Priority - Communities, Housing and Service Delivery</i>	12	Regeneration & Growth	Audit review is due and sufficient time elapsed since the operation was brought back in house.	Absence of strategic direction for the Council's assets/maintenance increases costs and deterioration of assets . Contracted maintenance works fail to deliver value for money. Where obligations for undertaking maintenance are not adhered to by Service providers , this may result in additional unexpected costs . Maintenance undertaken may not adhere to quality standards and/or health and safety requirements breached, impacting communities. Financial losses due to fraud and error.	To identify and review key control processes operating relating to the planned and responsive maintenance in-house operation. To consider how effectively contractual obligations for maintenance (where responsibility transferred to 3rd party) are enforced. To review how professional standards and relevant skills are being applied across the function. Undertake sample testing of expenditure and variation orders to confirm validity, reasonableness, accuracy, approval.	In-House	Quarter 3

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
				<p>Core Financial Systems - Financial losses and reputational damage due to fraud, collusion, money laundering, theft, error, data manipulation or inefficient processes. Discrepancies between feeder systems and the main accounting system/general ledger (major software upgrade to Centros) are not identified/resolved promptly - . System integrity issues may result in unsatisfactory customer experience and loss of confidence.</p>	<p>Key expected controls will be reviewed and tested for core financial system audits of Creditors and Business Rates . Light touch review of Treasury Management . Across these audits consider risk and control implications including increased levels of spend, reduced revenue and impact of business failures and insolvency on collection rates; cash flow challenges; volatility of the global economy impacted further by the international political situation on stability of investments and returns; financial losses.</p>		<p>Quarter 2 for Business Rates (September) . Quarter 3 for Creditors . Quarter 4 for Treasury Management</p>
12. Core Financial System - Creditors (FINANCIAL) PRIORITY A Corporate Priority - Service Delivery	13	Accountancy	Annual Cycle (Significant value/volume of transactions)			In-House	
13. Core Financial System - Treasury Management (FINANCIAL) PRIORITY B Corporate Priority - Service Delivery and Recovery	6	Accountancy	Annual Cycle (Significant value/volume of transactions). Light touch review to facilitate identification of any emerging risks and control measures (assurance template).			In-House	
14. Core Financial System - Business Rates to incorporate Business Improvement District income (FINANCIAL) PRIORITY A Corporate Priority - Service Delivery	13	Customer Services	Audit scheduled every 2 to 3 years. (Significant value of transactions)			In-House	
15. Air Quality PRIORITY B Corporate Priority - Communities , Environment	10	Environmental health	Audit due to be carried out.			In-House	Quarter 3

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
16. Safeguarding PRIORITY A <i>Corporate Priority - Communities</i>	8	Community Wellbeing	Audit due to be carried out. Note that Section 11 Audit by County carried out every two years.	If there was failure to comply with statutory duty / adhere to Safeguarding Policy, (including failure by County to address Spelthorne referrals), this could lead to death or injury to a child or vulnerable adult, resulting in legal action and reputational damage.	Review core processes to ensure adequate mechanisms are in place for recording and making prompt referrals and relevant follow up. Consider arrangements for collaborative partnerships /multi-agency working, training and awareness raising .	In-House	Quarter 1
17. Communications PRIORITY B <i>All corporate priorities</i>	6	Communications	Audit due to be carried out.	Reputational damage arising from adverse media attention and negative press/publicity. Accessibility and inclusivity including individuals and communities that are not digitally connected. Mis-information to the public or delayed communications.	A light touch audit review to consider further the risks identified and mitigation measures in place.	In-House	Quarter 2
18. Completion, finalisation and oversight of prioritised audit assignments from 2021/22 PRIORITY A	20	Various Service Areas				In-House	Quarter 1
19. Audit Support - Advisory PRIORITY A & B - dependant on advisory area) Corporate initiatives, major projects, government initiatives, Service Areas	40	Various Service Areas	(A)Consider progress with key Corporate Initiatives including LGA peer review provisionally planned for 2022. (B) Proposed advisory areas as follows: (i) Major Projects - consider Digital Transformation project (new) and Leisure Centre ; (ii) Building Control - customer experience in making fee payments; (iii) Neighbourhood Services - Government Waste Strategy and potential changes to waste delivery (iv) Residential Management (v) Knowle Green Estates	As the risks considerations are vast (some examples ar financial/regulatory/service provision and project delivery/meeting need of communities and residents) , specific risks will be identified further as part of advisory and monitoring work undertaken.	(a)Consideration of significant corporate initiatives, advising as appropriate on risk and control implications. (b)Provide insight with a view to highlighting any matters deemed relevant.	In-House	Quarter 1 to 4

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
20. Statutory Reporting - Audit Committee PRIORITY A	43	Internal Audit	Mandatory Public Sector Internal Audit Standards (PSIAS).	If Internal Audit do not report periodically to the Audit Committee, this will reduce the effectiveness of the Authority's governance arrangements, reduce visibility of the Council's risks and outcomes from Internal Audit's independent assurance work	In accordance with the Audit Committee work programme including Plan preparation, Charter review, progress reports, annual effectiveness review, annual audit report and opinion, governance reporting etc and associated meetings.	In-House	To coincide with Audit Committee work programme and cycle of meetings . Currently July, November and March
21. Audit Follow Up PRIORITY A	10	Internal Audit with Service leads	Periodical follow up of audit recommendations forms part of audit standards and key monitoring processes (PSIAS). It contributes to demonstrating value added in mitigating / managing Council risks.	If medium to high-risk audit recommendations are not implemented this will impact the robustness of internal control systems, risk management and governance arrangements.	To ensure that where audit recommendations have been agreed by Management, they are being implemented. Reporting to the Corporate Management Team and Audit Committee on the status of audit recommendations.	In-House	To coincide with Audit Committee cycle
22.Continuous Improvement Initiatives for Internal Audit PRIORITY A & B	35	Internal Audit	Adherence to Professional Internal Auditing Standards (PSIAS), best practice and emerging methodologies. .	If opportunities to enhance the service are not considered this could lessen continuous improvement . Adherence to Professional Internal Auditing Standards (PSIAS).	(i) External Quality Assessment (EQA) (ii) Explore use of Data Analytics, trialling and applying across higher risk datasets to provide extended assurance (iii) Consider other measures time permitting	In-House	Quarter 3 & 4
Total Audit Days - Assignments, Audit Support & planned advisory areas , Statutory Reporting, PSIAS & Continuous Improvement work	315						
Corporate Roles: (i)Corporate Counter Fraud (ii)Corporate Risk Management	50						
All other work across the team to support the authority and delivery of the Internal Audit Service (See section below)	175						

Audit Area (Identified as part of Audit Needs Assessment)	Time Budget (Days)	Service Lead Area	Comments	Key Risk Considerations	Key Objectives (An evaluation of risks and controls will form part of the audit process)	Allocation	Planned Timing (TBC)
Contingency/ unforeseen work (Confidential Investigations; ad hoc advice to Management on emerging risks and issues/ new and developing processes); staff briefings/ Working groups / External Audit liaison/ /Plan monitoring and reprioritisation/ Team & Service Management/ Commissioning contractor resource and monitoring/Legal matters/ corporate tasks / CPD training/ training new starters joining team/ miscellaneous tasks							
Total Audit plan Days	540						
Resource available in Days 2022/23 (ESTIMATED)	540						
Shortfall in days	0						
FTE & Days Available After Deduction for Annual Leave & Bank Holidays & small provision for Sickness Absence (Estimate)		Internal Audit In-House Resource/Team					
PT - Part Time 0.75 FTE	161	PT - Punita Talwar, Internal Audit Manager					
PP - Full Time 1 FTE	218	PP - Pam Phillips, Senior Auditor					
AO 0.8 FTE . WEF July 2022	131	AO - Apprenticeship Officer					
Contractor - budget days	30						
Total Days Available	540						

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FORWARD PLAN 2022/23

AUDIT COMMITTEE – 24 MARCH 2022

Resolution Required

1. Forward Plan

- 1.1 This report covers the Forward Plan for the municipal year 2022/23.
- 1.2 The Committee's terms of reference are attached to the agenda.

2. Future Meetings

- 2.1 Future meetings of this Committee are proposed in the following months:
- July 2022
 - November 2022
 - March 2023
- 2.2 Details of the Forward Plan for future meetings are as follows:

July 2022	Officer	
Corporate Risk Management report	Internal Audit Manager	Report/Recommend to CPRC
Covid-19 Risk Considerations	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
External Audit update	External Auditors	
Internal Audit Annual Report 2021/22	Internal Audit Manager	Report
Report on The Effectiveness of the System of Internal Audit	Internal Audit Manager	Report
Annual Governance Statement 2021/22	Chief Finance Officer/Head of Corporate Governance	Report for approval
Counter-Fraud, Bribery and Corruption Strategy	Internal Audit Manager	Review/ recommend to Council
VFM Task Group update	Chief Finance Officer	Verbal update
Committee's Forward Plan for 2022/23	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report

November 2022	Officer	
Corporate Risk Management	Internal Audit Manager	Report/Recommend to CPRC
Covid-19 Risk Considerations	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
External Audit Plan update	External Audit	Report
Internal Audit Interim Report	Internal Audit Manager	Report
Confidential Reporting Code	Group Head of Corporate Governance	Review/Recommend to Council
VFM Task Group update	Chief Finance Officer	Verbal update
Committee's Forward Plan for 2022/23	Internal Audit Manager / Chief Finance Officer/Audit Committee	Report

March 2023	Officer	
Corporate Risk Management	Internal Audit Manager	Report/Recommend to CPRC
Covid-19 Risk Considerations	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Internal Audit Annual Plan 2023/24	Internal Audit Manager	Report
External Audit update	External Auditors	
Committee's Work programme for 2023/24	Internal Audit Manager/Chief Finance Officer/Audit Committee	Work Programme

- 2.3 Any topics identified during consideration of the business at this meeting will need to be included in the above Forward Plan.
- 2.4 Other issues Members wish to raise for consideration at the next or any future meeting and agreed by the Committee, may be included in the Forward Plan.
- 2.5 External audit may have one or two reports that arise from time to time which are not possible to predict in advance but will be incorporated into the Forward Plan or appear on the agenda as appropriate. In the event of the Council receiving external auditor reports between scheduled meetings of the Committee it may be necessary to call additional meetings of the Committee.
- 2.6 Managers may be required to attend the Committee, similarly to that resolved in Minute No. 227/06, to explain why they have not implemented the recommendations of Internal Audit. It is not possible to predict these circumstances, but they will be dealt with as and when they arise either by incorporating into the Forward Plan or appearing on the agenda as appropriate.

3. Resolution

The Committee is asked to consider and approve the Forward Plan as submitted and/or amended at the meeting.

Contact: Punita Talwar, Internal Audit Manager (01784) 446454

Report Author: Chris Curtis, Committee Manager (01784) 446240

Outstanding items to be added at appropriate time:

Value for Money Statement 2017/18	External Auditors
Annual Audit Letter 2017/18	External Auditors
External report of Audit and Statement of Accounts 2017/18 (draft received in March 2019)	External Auditors
Value for Money Statement 2018/19	External Auditors
Annual Audit Letter 2018/19	External Auditors
External report of Audit and Statement of Accounts 2018/19	External Auditors
Value for Money Statement 2019/20	External Auditors
Annual Audit Letter 2019/20	External Auditors
External report of Audit and Statement of Accounts 2019/20	External Auditors
Value for Money Statement 2020/21	External Auditors
Annual Audit Letter 2020/21	External Auditors
External report of Audit and Statement of Accounts 2020/21	External Auditors