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Date: 17 November 2021

## Notice of meeting

### Audit Committee

**Date:** Thursday, 25 November 2021

**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. 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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- 1. Apologies and Substitutes**

To receive any apologies for absence and notification of substitutions.
- 2. Minutes** **5 - 12**

To confirm the minutes of the meeting held on 29 July 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. Risk Appetite Framework**

Elizabeth Humphreys, Corporate Governance Consultant, will speak to the Committee explaining the rationale for a Risk Appetite Framework – verbal item.
- 5. Corporate Risk Management** **13 - 46**

To receive and note the report from the Internal Audit Manager.
- 6. Covid-19 Risk Considerations** **47 - 64**

To receive an update on COVID-19 risk considerations from the Internal Audit Manager.
- 7. CIPFA Financial Management Code Self-Assessment** **65 - 140**

To receive an update on:  
(a) progress made with the Peer Review Action Plan  
(b) the updated self-assessment against the principles set out in the CIPFA Financial Management Code.
- 8. Retender of External Audit Contracts** **141 - 154**

To consider a proposal to opt into the national scheme for audit appointments managed by Public Sector Audit Appointments and make a recommendation to Council.
- 9. Confidential Reporting Code (Whistleblowing Policy)** **155 - 162**

To consider a review of the Confidential Reporting Code (Whistleblowing Policy).

- 10. Appointment of Independent Person to Audit Committee**

Head of Corporate Governance to provide a verbal update on the appointment of an independent person to the Audit Committee.
- 11. Internal Audit Interim Report** **163 - 194**

To receive and note an interim report from the Internal Audit Manager.
- 12. External Audit update**

To receive a verbal update from the external auditors on their work for the authority.
- 13. Committee Forward Plan** **195 - 196**

To consider and approve the forward plan for the remainder of the municipal year.
- 14. VFM Working Group update**

To receive an update from the Chief Finance Officer on progress made by the Value for Money Working Group.

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**Minutes of the Audit Committee  
29 July 2021**

**Present:**

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

**Councillors:**

J.T.F. Doran                      L. E. Nichols

**Apologies:**              Councillors H. Harvey and A.J. Mitchell

**In Attendance:**      Councillor C. Bateson

**277/21      Disclosures of Interest**

There were none.

**278/21      Minutes**

The minutes of the meeting held on 18 March 2021 were approved as a correct record.

**279/21      Recruitment of Independent Person**

Victoria Statham, Group Head of Corporate Governance, presented her report setting out the proposed process to recruit an independent person to sit on the Audit Committee. Council had approved the proposal to include an independent member on the Audit Committee at their meeting on 25 March 2021 and the terms of reference for the Committee reflected this. The Chartered Institute of Public Finance and Accounting (CIPFA) advocate the benefits of having an independent member on an Audit Committee.

The Committee welcomed the proposal but questioned whether the allowance was appropriate for the role. The Group Head of Corporate Governance advised that the allowance had been set by the Independent Remuneration Panel as part of their annual review process and adopted as part of that. Research had been conducted into the allowance paid by other councils for a similar role and it had been noted that many do not pay an allowance at all. Another factor to consider was the allowance paid to other independent members who have chair or vice chair responsibilities for committees. It was acknowledged that there may be a need to review the allowance later once the requirements of the role are more established.

The Committee wished to move the recruitment process forward without delay and proposed that approval of the selection panel's recommendation to appoint was delegated to the Group Head of Corporate Governance so that the recommendation could then be considered by full Council on 14 October.

The Committee **resolved** to:

1. Approve the recruitment of an Independent Member of Audit Committee through public advertisement based on the recruitment pack; and
2. Approve a selection panel of three members consisting of Cllrs Boughtflower, Fidler and John Doran with a view to making a recommendation on the appointment of an independent member.
3. Delegate authority to the Group Head of Corporate Governance to approve the recommendation of the selection panel and recommend thereon to Council for consideration at their meeting on 14 October 2021.

### **280/21 Establishment of the Value for Money Working Group**

The Committee considered the re-establishment of a Value for Money (VFM) Task Group as it was necessary for all task groups to be reconstituted following the change to a Committee system form of governance. The work of the group focused on the outstanding issue of the 2017/18 Value for Money Opinion which had not yet been provided by KPMG, the Council's previous external auditors.

The draft Terms of Reference for the VFM Group were circulated to members of the Committee and are attached.

It was proposed that the Chair and Vice Chair of the Audit Committee and two other members of the previous working group be appointed to ensure continuity in the Council's efforts to resolve the outstanding matters relating to the 2017/18 Value for Money Opinion.

The Committee **resolved** to appoint Councillors Boughtflower, Fidler, Nichols and Mitchell members of the Value for Money Working Group and approve the Terms of Reference.

### **281/21 Covid-19 Risk Considerations**

The Internal Audit Manager presented a report to the Committee setting out the most significant risks and opportunities to Spelthorne Borough Council relating to the Covid-19 pandemic. The risk assessment attached as Appendix 1 to the report detailed the risk categories, set out mitigation measures and identified actions considered necessary.

The Committee were advised that this was the fourth update since the start of the pandemic and was a detailed and comprehensive risk assessment to capture relevant significant information and provide a reference point for officers and members. It also aligned with the wider recovery plan.

The economy continued to be a significant risk, and whilst initiatives were underway to support the recovery of businesses through a range of schemes, some factors were beyond the Council's control.

The Committee's attention was drawn to the Council's property investment portfolio which was performing significantly better than the commercial sector, and the income collection rate for 2020/21 was, at the time the report was produced 98.17% subsequently improved to 98.4% by date of the meeting. This was due to a robust approach in monitoring and recovering income due.

Housing had been identified as an emerging risk following the end of the moratorium on residential evictions as this could result in an increased demand on the Council for managing homelessness and housing service provision.

The Committee discussed the risks in some depth and when considering the staff resource, asked if the arrangements for staff returning to work/flexible working arrangements could be communicated to members to give a greater understanding of the arrangements and how they would operate across the services. The pandemic was raised and members given details of the number of staff affected and the impact on services. The route map for return to work in the offices had slowed because of this, however the Reception area opened last Wednesday.

The Committee asked for more information about the ICT security vulnerabilities identified and if all necessary action had been completed in relation to the phishing exercise or when it would be. They also asked if any data was held on trends relating to phishing attempts and other security incidents. They were advised that regular short IT training videos were sent to staff on cyber security issues which were mandatory.

It was confirmed that the Additional Restrictions Grant should be £2.2m and not £1.6m as stated on page 33 of the agenda pack.

The Committee discussed whether the Covid-19 risk assessment should continue in its present format or whether it should be pared down to focus on the high risk Covid-19 specific areas and incorporated into the Corporate Risk Register and linked to the corporate objectives on recovery. It was considered important not to lose sight of the potential risks but agreed that it might be an appropriate time to review the way in which the information was presented. The Internal Audit Manager agreed to review and send revised risk details to members for comment.

The Committee also noted that many risks were influenced by external factors over which the Council had no control, and it would be useful to identify these in some way. The Internal Audit Manager agreed to review and consider if risk factors could be identified as internal or external.

The Committee **resolved** to note the report

## **282/21 Corporate Risk Management**

The Corporate Risk Register identifies strategic risks faced in achieving corporate objectives and how these are managed, monitored and reported.

The Committee were informed that work on the development of risk management continued with training planned for mid-September 2021. There had also recently been member training on the subject. A risk appetite statement was being developed and members would be informed as work progressed.

The Internal Audit Manager advised that risks continued to be influenced by external factors.

There were currently three risk categories with a red rating:

- Economy – it was acknowledged that there were many factors beyond the Council's control and dependent on national policy decisions. There were some initiatives underway to support the local economy and a dedicated Committee had been set up to consider and monitor economic development matters, including the recovery plan. The Committee asked if the risks could be broken down into lower levels that the Council could influence and improve. It was suggested that the Economic Development team was asked to provide key indicators for economic development in a simple, imaginative format.
- Housing – development and targets. As a result of comments made by the Audit Committee previously, the risk categories for Housing had been refined with one area focusing on development and targets, and another on affordable housing specifically.

Development and targets had been rated red due to the pandemic and the adverse impact of the Staines moratorium. There was also perceived to be a significant threat to the Council if development targets and the Local Plan were not delivered on time.

- Sustainability and climate change. Whilst steps were underway to address this subject, it was rated as a red risk as further action was required to establish a co-ordinated strategy for tackling climate change.

The Committee again commented on the external factors that were beyond the Council's control and the need to differentiate between external and internal factors to identify what we can do to mitigate those issues that were within the Council's control. This would help to measure the success of those actions taken.

The Committee noted that there were currently nearly 3,000 on the Housing Register and requested that this was broken into categories so that the success of actions taken could be measured. The Chief Finance Officer advised that the development of the West Wing and Harper House by the

Council would increase the affordable housing supply and demonstrated steps being taken to mitigate risk.

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

### **283/21 Annual Internal Audit Report 2020-21**

The Committee considered the report which summarised the Internal Audit team's findings from their work during the year and set out the Internal Audit Manager's independent opinion on the adequacy of the authority's internal control environment. The opinion supports the Annual Governance Statement.

Appendix 1 set out the work undertaken by internal audit in greater detail and included the recommendations issued and assurance opinion for each audit carried out during the year. Further monitoring will be undertaken in November to coincide with the next progress report to the Audit Committee.

Other work streams, undertaken by the team including some corporate tasks that were undertaken in the year) were also outlined.

The Internal Audit Manager advised it was useful to look at the report in conjunction with key themes and issues some of which were set out 1.8 of the report and highlighted several areas of good practice.

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

### **284/21 Annual Governance Statement 2020-21**

The Chief Finance Officer presented the draft Annual Governance Statement (AGS) for 2020-21-20. The purpose of the AGS was to provide assurance regarding the Council's governance arrangements. The format and wording of the AGS are based upon official guidance.

The statement lists the key elements of the Council's governance framework; those systems and processes which must be effective if there is to be a high standard of governance across the Council. It also identifies any areas of significant weakness in internal controls, areas for improvement, and the actions taken to remedy those.

The draft AGS was published in May as part of the draft Statement of Accounts with input provided by a number of officers. The AGS was now presented to the Audit Committee to give them the opportunity to make further comments and suggestions for inclusion prior to it being published as part of the annual Statement of Accounts. It would then be reviewed by the external auditors to check it appeared consistent with their understanding of our arrangements and then reported back to Audit Committee.

This year there were some additional forms of assurance through the LGA Finance Peer review and work on the CIPFA Management Code Self-

Assessment. The Committee asked that reference to the LGA fFinance Peer review and the action plan arising from that was expanded upon to further demonstrate how we strive to learn and improve.

The Committee **resolved** to approve the Annual Governance Statement subject to the inclusion of information about the LGA Finance Peer Review and the resultant action plan.

### **285/21 Counter Fraud, Bribery & Corruption Strategy**

The Internal Audit Manager presented the report on the annual review of the Counter Fraud, Bribery and Corruption Strategy. The Strategy forms part of the Council's Constitution, is in line with best practice, and continues to underpin the Council's commitment to prevent all forms of fraud, bribery and corruption.

Only minor changes were proposed to the strategy and these were highlighted in blue in the report.

The Internal Audit Manager advised that opportunistic fraud had increased during the pandemic and the Council had regularly alerted members, officers and the community of scams and suspicious communications. Staff awareness of the whistleblowing policy and other relevant policies had been promoted through staff meetings.

The Council also continued to collaborate with the specialist counter fraud unit at Reigate and Banstead Borough Council and positive outcomes had been produced particularly in Housing. The Internal Audit Manager advised that the emphasis continued to be on fraud prevention as the most effective method of tackling the issue. The team continued to seek opportunities to reduce fraud by working with colleagues, partners and registered housing providers and were investigating data matching initiatives with Reigate and Banstead Council and another third party.

The Committee were pleased to note that our policies aligned with other local authorities and that opportunities to mitigate risks were actively sought.

The Audit Committee asked if training on this subject was mandatory and if not, that consideration could be given to making it so. The Group Head of Corporate Governance and Internal Audit Manager agreed to pursue this action.

The Committee **resolved** to:

1. Endorse the Council's Counter Fraud, Bribery and Corruption Strategy
2. Recommend the changes to the Counter Fraud, Bribery and Corruption Strategy to the Council for adoption.

### **286/21 Committee Work Programme 2021-22**

The Committee considered its Work Programme for the remainder of the 2021-22 Municipal year.

**Resolved** that the Committee Work Programme for the remainder of the 2021/22 Municipal year, be approved subject to:

- (a) Removal of the recruitment of independent person to the November programme
- (b) Inclusion of VFM Working Group update
- (c) Possible inclusion of an extraordinary meeting to review LGA Finance Peer Review action plan and CIPFA management self-assessment (subject to discussions between Chair of CPRC and Chair of Audit Committee)

### **287/21 External Audit update**

Barry Pryke, Senior Manager at BDO, advised they were working on the accounts for 2018/19 to the 2020/21 but were unable to progress until the previous auditor had finalised the Value for Money Opinion for 2017/18.

Barry provided an update to the Committee on progress made on the housing benefit assurance procedures and the Council's 2019/20 housing subsidy claim form. It was substantially complete and now going through the internal review process. It was hoped to submit the report and certificated return by mid-August, subject to anything arising from the review. It was understood the Housing team were in touch with the Department of Work and Pensions and keeping them up to date.

In response to a question from the Committee asking if the delay would result in an increase in fees, Barry advised that they were looking at 3 years' worth of audits and Value for Money Opinions, and would be guided by the scale fees. It would be necessary to look at how best the work can be delivered and whether to take each year in turn or deliver similar elements of each year together. It was too early to determine what impact it would have on the fees at this stage or what delivery was likely to look at. However, plans would be brought to the Committee and fees would be part of that.

The Chief Finance Officer was asked if the Council was making accrual positions for the relevant years and advised it was difficult to accrue until there was something to base the figures on but had built provision in the budget for audit fees.

In response to a question about assurance work in relation to Homes England grant funding, it was agreed that the Chief Finance Officer and BDO would discuss this after the meeting.

The Chief Finance Officer provided an update on the work of the previous auditors, KPMG. They had declined to attend the meeting but indicated that they would be willing to meet the VFM Working Group and arrangements

would be made for this. A clear commitment would be sought from them on when they expected to issue the VFM Opinion.

The Chief Finance Officer advised that due to time elapsed since work on statement of accounts for 2017/18 (which was reported in Feb 2019) KPMG were required to ask the Council to comment on post balance sheet events. There had been a number of significant events including Brexit and the Covid-19 pandemic and they will need to ask for assurance information regarding this. Some information had been provided and further questions were awaited around those issues.

There had also been discussion with KPMG about the additional fees required in respect of the delayed 2016/17 VFM Opinion.

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

# Audit Committee

25 November 2021



<b>Title</b>	Corporate Risk management
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES). Community Affordable Housing Recovery from Covid Environment Service Delivery
<b>Recommendations</b>	<b>Committee is asked to:</b>  <b>The Audit Committee is asked to note the report.</b>
<b>Reason for Recommendation</b>	<b>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.</b>

## 1. Key issues

- 1.1 The revised corporate risk register continues to focus on strategic risks in delivering corporate priorities and objectives, considering the refreshed Council priorities (CARES).
- 1.2 Wider development work around risk management continues. During September, Group Head for Corporate Governance and the Internal Audit Manager delivered training to raise awareness of risk management and launch the summarised policy guide. Attendees included Management team, Group Heads and Service Managers. Corporate methodology and approaches have been explained, facilitated with visual aids. The integration of risk management into strategic planning, corporate processes and service functions remains a key message.

- 1.3 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 will guide how much risk the Council is willing to seek and accept to assist and enable consistent, transparent and informed risk-based decisions in delivering corporate priorities and objectives. We continue to work with Elizabeth Humphrey, who provided risk management training to Members of the Audit Committee in July. The rationale and benefits of introducing a RAF were communicated to MAT PLUS in early October. Group Heads and Managers have been encouraged to input on the proposed format and structure and how they envisage a RAF working effectively in supporting their work. Further to consideration of management feedback, a draft version of the RAF is being presented to MAT PLUS on 30 November. During this session we will explain how such a framework can be used and what the different risk appetite levels might look like when applied to the agreed range of impact measures (key council business activity).
- 1.4 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. Application of the risk appetite framework should demonstrate proportionate action that aligns with the risk appetite set in responding to strategic risks and opportunities.
- 1.5 The perusal of actions on the Council's Covid-19 recovery plan and the global economic position have meant several risks on the corporate risk register continue to be influenced by external factors. At the July Audit Committee Members requested those risks are highlighted to distinguish areas where risk mitigation measures may be limited in terms of actual outcomes due to externalities beyond the control of the council. Some of the statutory driven risks also fall under this category and these are set out below, highlighted in blue on the Corporate Risk Register at Appendix 1 to this report.
- (i) Risk category 1ii (Affordable Housing) –the Domestic Abuse Act presents additional pressures and demand on the Housing service
  - (ii) Risk category 2 (Economy) - whilst Council actions aim to support and influence economic recovery, these alone cannot control outcomes due to the macroeconomic environment
  - (iii) Risk category 4 (Financial Resilience and Supporting Communities) - ongoing significant financial pressures faced by the Council arising from the Covid-19 pandemic and further exacerbated by new economic pressures such as rising inflation and interest rates
  - (iv) Risk category 6 (Sustainability and Climate Change) – this represents a significant global threat impacting Spelthorne locally and the future sustainability of Council operations
- 1.6 Significant risk categories are also referred to in the separate Covid-19 pandemic risk considerations report also being reported to the November Audit Committee.

- 1.7 The Council's most significant strategic risks to highlight are the three 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 – whilst remaining a red RAG rating the positioning on the risk scoring matrix has improved since the last review to reflect the improved outlook for national economic growth) and 6 (Sustainability and Climate Change).
- 1.8 The corresponding risk action plan attached at Appendix 2 highlights previously agreed actions completed, as well as 'work in progress'. There is also reference to the officer reviewing the action and when this has taken place. A new action added as part of this review relates to enhanced strategic direction for Knowle Green Estates (KGE) in supporting the effective delivery of the borough's housing needs, at risk category 1a(v) Housing – Development & Targets. The current proposal to procure and manage readymade properties through KGE to support affordable housing provision (risk category 1b Housing - Affordable) is also acknowledged in the action plan.
- 1.9 The key issues and developments to highlight as part of the latest review of the Corporate Risk Register are set out below at 1.9 (a) to 1.9 (d).

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

The pandemic has exacerbated risk of delays in completing property development schemes within anticipated timeframes. Definitive financial costs of delays to property schemes including ongoing monthly revenue and capital costs categorised by scheme, along with financial implications and wider considerations for the Council have been reported to Development sub-committee on 1 November. Going forward the inflationary pressures and potential for rising interest rates will add further impact.

It is however positive to report on the completion of Benwell phase 1 during September, being 100% occupied, and West Wing (ground, first and second floor) at Knowle Green due for completion by the end of October 2021.

The adverse impact of the self-imposed Staines moratorium presents ongoing challenges and increased delays in achieving development targets, the housing delivery programme and provision of housing (affordable and other) across the borough, presenting further service pressures. From a financial perspective this is significant due to increased delivery costs arising from construction inflation and if the moratorium continues capital financing costs of more than £1m are being charged to the Council's Revenue Budget. An Objectives and Options Consultation has taken place for the Staines Development Framework. Viability assessments have been completed for key development schemes within Staines - Upon – Thames and considered by the Development sub-committee in October. Development sub-committee will be formally agreeing a way forward for the Thameside and Oast House developments. During November the Environment and Sustainability committee will also consider the annual housing delivery test action plan setting out ways of increasing delivery. A strategy for the revised Local Plan has been agreed by the Environment and Sustainability Committee in July with a refreshed timetable for adoption into Summer 2023.

A new risk added to this category at 1a(v) refers to inadequate strategic direction for Knowle Green Estates (KGE) in the provision of the Council's Housing delivery programme, with consequences for fulfilling wider housing needs of the borough (both affordable and other). A recommended risk action has been referred to in the risk action plan at Appendix 2. The risk description at 1a (iv) includes reference to the impact of extending the specification of properties on the financial viability of development schemes.

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

Given the adverse impact of the challenges arising from the pandemic and self-imposed Staines moratorium on the provision of housing (outlined above at 1.9A), this risk category is also currently assessed as red (previously amber) to align with risk category 1A. The risks set out in this section on the risk register inevitably lead to increased costs and pressure on the Council's Housing Service in responding to homelessness and growing numbers on the Housing register, impacting effective delivery of affordable housing provision. This has wider negative consequences on the health and wellbeing of individuals and families. A new approach to purchase and manage readymade properties through Knowle Green Estates (KGE) has been approved by Policy and Resources Committee to mitigate this significant risk area, subject to a decision by Full Council in February 2022. An action has been added to the risk action plan at Appendix 2 to reflect this. A review of the Housing allocation policy is also underway with a view to introducing greater process efficiencies.

#### (C)Economy – red risk category 2.

As the Council recovers from the pandemic, many of the risk implications and threats arising from the significant economic downturn continue to have an impact on the Council. This is the case even as we are coming out of the pandemic, whilst acknowledging the level of economic growth nationally exceeds anticipated levels. As the economic position evolves, we are also experiencing new globally driven pressures on supply chains contributing to inflation and price rises, presenting further challenges. The Chancellor's Budget of October 2022 provides further insight and context for local authorities.

There is regular reporting to the Economic Development Committee on relevant matters and actions completed, including the recovery plan and grant expenditure. The Council's discretionary Additional Restrictions Grant (ARG) scheme runs to March 2022 and a task group has been set up to specifically consider how to best spend the remaining monies of £1.9m (as at end October 2021), to ensure businesses benefit the most in terms of recovery and future growth. Members have agreed the ARG funding should be focused on equipment, support, and Training. A policy to apply the remaining fund will be put in place shortly. This ARG scheme will support, facilitate, and influence business activity contributing to the recovery of the local economy.

Economic development elements of the broader council corporate recovery plan include quick wins and longer-term actions to support local businesses, town centres, communities during and beyond the pandemic, with desired outcomes highlighted. There are several initiatives underway to support the local economy (please refer to separate Covid-19 Risk report). A residual risk remains given that the speed and extent of local economic recovery will also be determined by the macroeconomic environment, national policy decisions, post-Brexit implications and other external factors. Therefore, to a considerable degree this risk category relating to the Economy remains outside the Council's control (as previously reported also). At the July Audit Committee Members requested that the Economic Development team provide key local performance indicators for economic recovery. This was with a view to enabling the economic risks being broken down into smaller categories to facilitate greater Council influence over the recovery of the local economy through application of mitigation measures. The Economic Development team will be considering this further in tandem with existing reporting of outcomes on the corporate recovery plan and commencing preparation of a new detailed Economic Strategy and action plan to cover the next five years (2022-2027). The existing strategy already gives reference to goals and objectives.

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

The Environment and Sustainability Committee will continue to explore ways to meet a carbon neutral target by 2050 or earlier. Allocation of the green initiative's fund of £747k remains outstanding and once decided it will provide a clear platform for progressing positive actions. The Council has already invested in a range of infrastructure schemes such as solar photovoltaics (PV) for the West Wing at Knowle Green and the new Leisure Centre project. 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.

This Environment and Sustainability Committee will also move forward addressing climate change as a corporate priority that needs to permeate all Council areas to ensure we reduce our carbon footprint and seek positive opportunities to both mitigate and adapt to climate change. Strengthening of dedicated staffing resource to support delivery has moved forward with the recent appointment of a Climate Change Projects Officer. 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, further action is required in order to establish a coordinated strategy for tackling Climate Change and this remains a work in progress.

## **2. Options analysis and proposal**

- 2.1 To note the contents of the Corporate Risk Register including any new risk categories and risk mitigating actions underway or for perusal. The revised

register at Appendix 1 is an accurate reflection of the high-level risks affecting the Authority, based on our assessment of risk and controls in operation. The risk action plan at Appendix 2 outlines the progress made on actions previously proposed, (preferred option); or

2.2 To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

### **3. Financial implications**

3.1 Resources required (staff time) to implement actions proposed in the Corporate Risk Register should be contained within existing budgets as far as possible. There may however be some areas where additional resource /time/management support is required to implement risk mitigating actions. This will need to be highlighted by the assigned lead officer as appropriate.

### **4. Other considerations**

4.1 There are none separate to those in the Corporate Risk Register. The revised register refers to the committees recently established under the new governance model.

### **5. Equality and Diversity**

5.1 There are no areas to highlight. Equality and diversity considerations form part of service provision.

### **6. Sustainability/Climate Change Implications**

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

### **7. Timetable for implementation**

7.1 The Risk Action Plan at Appendix B shows lead officers responsible for progressing actions, together with target timescales for implementation. The corporate management team have overall accountability for ensuring these strategic corporate risks are effectively managed. The register is reviewed and updated three times a year in consultation with Group Heads and Managers, coordinated and reported by the Internal Audit Manager.

**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
<p>1. (a) Corporate Management Team (MAT)</p>	<p><b>1.(a) HOUSING – DEVELOPMENT &amp; TARGETS</b></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>	<p><b>RED Refer to the Risk Matrix</b></p>	<p>Housing Delivery Programme with Benwell Phase 1 completed and 100% occupied (September 2021), and West Wing (ground, first and second floor) at Knowle Green due for completion by end October 2021.</p> <p>Exploring other development opportunities within the borough. Benwell Phase 2 planning application rejected on 13<sup>th</sup> October.</p> <p>Weekly progress reporting of Property Development projects to officer Development and Improvement Group (DIG).</p> <p>Bi-monthly Development sub-committee meetings are being held, and decisions made.</p> <p>Viability assessments completed for Whitehouse residential and Thameside House. Reports presented to Development Sub-Committee on 18<sup>th</sup> October were deferred. Viability assessment regarding Oast House residential is to be reported.</p> <p>Regular advisory reports to</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 and if the moratorium continues capital financing costs of more than £1m are being charged to the Council's Revenue Budget.</p> <p>(iv)Delays in political decision making have an adverse impact on both</p>			<p>Members/Committees to inform decision making, setting out development options and associated implications for the Council and local communities.</p> <p>Annual Housing Delivery Test Action Plan due to go to E&amp;S committee in November 2021 setting out how the Council is looking to increase housing delivery.</p> <p>Housing Needs Survey.</p> <p>Strategy for the revised Local Plan agreed by the E&amp;S committee in July 2021 plus a revised timetable to adoption of summer 2023.</p>

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	<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>1.(b) Corporate Management Team (MAT)</p>	<p><b>1.(b) HOUSING – AFFORDABLE</b></p> <p>(i)Lack of affordable housing supply increases</p>	<p>Affordable Housing</p> <p>Supporting Communities</p> <p>Service Delivery</p>	<p>RED Refer to the Risk Matrix</p>	<p>Housing Delivery Programme with several housing schemes nearing completion. Affordable Housing provision extends beyond those development schemes</p>

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RISK REFERENCE & OWNERSHIP	RISK DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CURRENT KEY CONTROLS
	<p>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 connection can apply for housing to any Council.</p>			<p>acquired by Spelthorne Borough Council (direct delivery). Collaborative working with Registered Social Landlords and Partners to pursue delivery of affordable housing need; S106 agreements with Developers. Homelessness Reduction Act – proactive measures taken to address risk of homelessness.</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)</p> <p>Government funding to assist vulnerable families in rent arrears and who are at threat of eviction</p> <p>Housing and Homelessness Strategies. Quarterly monitoring of Strategic Action Plan.</p> <p>Regular review by Strategic Housing Group.</p> <p>Surrey reciprocal arrangement to re-house applicants across boroughs where local connection confirmed.</p> <p>Collaborative initiatives with Surrey County Council (e.g., Drug and alcohol</p>

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	<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 on the health and wellbeing of individuals/families.</p>			<p>abuse)</p> <p>Monitoring of Housing Register levels (currently 3000 households on the register).</p> <p>Counter Fraud data matching initiative being pursued with the objective of identifying potential social housing fraud, which may free up social housing for those in genuine need. Awaiting approval of growth bid to cover associated legal costs.</p> <p>Single person homeless facility with 27 beds and 4 move on units delivered in October with first residents moving in. Facility to be managed by Thames Metropolitan Housing. Community Wellbeing approved a revised Tenancy Strategy and recommended to Corporate Policy &amp; Resources Committee for consideration on 15<sup>th</sup> November, moving the affordable rental percentage from 80% to 70%. Approx. £35m proposed via Knowle Green Estates to purchase and manage readymade properties.</p> <p>Review of allocation policy is taking place with a view to adding greater</p>

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				efficiency to the housing register process.
1. Corporate Management Team (MAT)	<p><b>2. ECONOMY</b></p> <p>Evolving national economic position, previous pandemic lockdowns and travel rules continue to have an impact on economic wellbeing locally (proximity to Heathrow airport which represents a key local employer), nationally and globally. The risk implications and threats to the Council are:</p> <ul style="list-style-type: none"> <li>• Residual risk to be accepted - whilst Council actions aim to support and influence sustained economic recovery, these alone cannot control outcomes due to the</li> </ul>	Supporting Communities  Recovery from Covid	Red Refer to the Risk Matrix	<p>Refer also to separate briefing report prepared by the Economic Development team reported to the March Audit Committee. ED strategy is due for a complete refresh by April 2022 (to cover 2022 -2027).</p> <p>Economic Development elements of the Recovery Plan includes quick wins and longer-term actions to support local businesses, town centres, communities during and beyond the pandemic.</p> <p>Regular reporting on actions completed at the Economic Development Committee.</p> <p>COVID-19 overarching Recovery plan takes account of post-Brexit implications.</p> <p>Periodical review and reporting of the Economic Development strategy.</p> <p>Fortnightly monitoring of Business Rates and Council Tax collection rates as part of monitoring impacts of COVID-19.</p> <p>Financial support for businesses through</p>

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	<p>macroeconomic environment.</p> <ul style="list-style-type: none"> <li>• Significant longer term reduction in income (fees and charges, such as Parking and retail letting of the Elmsleigh Centre) arising from decreased footfall in the town centres. This will continue to impact the Council’s finances.</li> <li>• An increased level of business failures impacts economic prosperity of the borough and effects collection rates for business rate income.</li> <li>• Consumer led demand places increased pressure on supply chains,</li> </ul>			<p>Government schemes, with restart grants issued up to July 2021. Additional Restriction Grant (ARG) of available to facilitate and support businesses up to March 2022, with £1.9m remaining. 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 remaining monies to ensure businesses benefit the most in terms of recovery and future growth.</p> <p>Dedicated ED committee to consider Economic Development matters – role includes scrutiny of budgets and grant spend.</p> <p>Funding secured from DWP for a Youth Hub for 18 – 24-year-olds to assist with job employability</p>

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	<p>leading to inflation and rising prices, impacting businesses, Council services and residents.</p>			
<p>3. Corporate Management Team (MAT)</p>	<p><b>3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS</b></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>	<p>Recovery from Covid</p>	<p>Amber Refer to the Risk Matrix</p>	<p>Investment performance is monitored bi-monthly at weekly Development and Investment Group (DIG) 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 99.3% of rental invoiced for 2020-21 collected, and 99.1% of rent for last four quarters collected including the most recent quarter day).</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.</p> <p>Development Sub-Committee approved a methodology for Business Plans for Investment Assets. Detailed business</p>

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				<p>plans are under development for each investment asset.</p> <p>Capital Strategy includes key performance indicators with a particular focus on the investment portfolio. The Asset Management plan (which is reviewed annually) sets out key control measures. Revised Asset Management Plan approved by Corporate Policy and Resources.</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> <p>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>
4. Corporate Management Team (MAT)	<b>4. FINANCIAL RESILIENCE AND SUPPORTING COMMUNITIES</b>	Supporting Communities  Recovery from Covid	Amber Refer to the Risk Matrix	Medium term financial strategy is currently being refreshed as part of the Budget process for 2022-23.

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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, will</p>	Service Delivery		<p>Budget Briefing in early November 2021 to review the financial position and to discuss strategies for closing gap, including looking for savings across services.</p> <p>Balanced budget for 2021/22 including a £1m funding provision for Covid-19. Fully refreshed Reserves Strategy (in line with Peer Review). Quarter 2 Revenue Monitoring for 2021/22 suggesting outturn will be within budget.</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. Update on Peer Review Action Plan and CIPFA Financial Management Self-Assessment on the agenda of the Audit Committee.</p>

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RISK REFERENCE & OWNERSHIP	RISK DESCRIPTION	CORPORATE PRIORITY	RAG & RISK RATING SCORE	CURRENT KEY CONTROLS
	result in the Budget process being the most challenging one for more than half a decade.			
5. Corporate Management Team (MAT)	<p><b>5. TREASURY MANAGEMENT</b></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 2021-22 approved by Members.</p> <p>Application of CIPFA Code of Practice and Prudential Code.</p> <p>Performance measurement and reporting, with mid-year report going to Policy and Resources Committee on 29 November 2021. On track 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> <p>Fixed interest rate on most debt and for investments an interest equalisation reserve is in place.</p> <p>Committee System of governance for</p>

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				<p>decisions. Training delivered for new Financial Management Code.</p>
<p>6. Corporate Management Team (MAT)</p>	<p><b>6. SUSTAINABILITY &amp; CLIMATE CHANGE</b></p> <p>Climate change represents a significant global threat driving social and economic disruption with far ranging consequences for socioeconomic stability. Climate change and extreme weather events impact on food systems, supply chains &amp; procurement, economic productivity, and losses. Due to climate change, there is a specific risk to the Borough of Spelthorne in terms of more extreme heat and increased flooding, besides the more global threats impacting locally. If the Council is not pursuing measures or seeking</p>	<p>Environment and Climate Change</p>	<p>Red Refer to the Risk Matrix</p>	<p>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 has yet to allocate any of the green initiatives' funds. Better neighbourhood grants have been doubled to £2,000 to support grass-root green initiatives.</p> <p>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 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</p>

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	<p>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>Council areas to ensure we reduce our carbon footprint and adapt to climate change.                      Officers are working in the spirit of ethical and social responsibility to reduce the Council's carbon footprint. Sustainability Strategy; Energy &amp; Water Efficiency Policy (2015 - 2020).                      Professional group membership such as Surrey Energy &amp; 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.</p>
<p>7. Corporate Management Team (MAT)</p>	<p><b>7. CORPORATE CAPACITY AND RESOURCES</b></p> <p>Overstretched capacity exacerbated by the</p>	<p>ALL PRIORITIES</p>	<p>Amber Refer to the Risk Matrix</p>	<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</p>

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<b>RISK REFERENCE &amp; OWNERSHIP</b>	<b>RISK DESCRIPTION</b>	<b>CORPORATE PRIORITY</b>	<b>RAG &amp; RISK RATING SCORE</b>	<b>CURRENT KEY CONTROLS</b>
	<p>additional workload and new 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.</p>			<p>Development Fund, supporting Afghan families, delivering Whitehouse Hostel and Harper House, producing viability proposals to address moratorium as just a few examples, workload pressures have been intense. Therefore, residual risks remain in this area.</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 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.</p> <p>Council 2021-22 Budget included small staff pay increase to maintain Council's competitiveness with other local Councils. The Council is aware that national pay award for 2021-22 will be at least 1.75% and is in discussion with Unison about potentially recognising</p>

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				this with an element of uplift in its 2021-22 award already applied. Growth bids for additional resourcing form part of annual budget process. Recruitment underway to address resource needs in certain areas.

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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

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

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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 JUNE 2021)
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 &amp; Growth on 7.10.21</i>	(i)March 2022 (ii) Revised – June 2023	<b>TO BE IMPLEMENTED</b> Environment and Sustainability committee agreed the revised Local Development scheme on 30/6/21.
1a. HOUSING – Development & Targets	1a (ii). Viability assessments for Staines property developments affected by the Moratorium are underway	March 2020	Lead - Property Development Manager (Richard Mortimer)  <i>Action reviewed by Group Head Regeneration and Growth on 7.10.2021</i>	(i)JULY 2021 (ii) Revised - October 2021	<b>IN PROGRESS</b> Assessments considered by the Development Sub Committee in October 2021 for Thameside House and Oast House, and Whitehouse Residential. Viability assessment also produced for Oast House theatre bid.
1a. HOUSING – Development &	1a (iii). Greater strategic direction for Knowle Green	October 2021	Lead - Group Head Regeneration &	(i)January 2022	<b>OUTSTANDING – new action October</b>

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Targets	Estates (KGE) will support progress in delivering Council priorities, development targets and addressing housing needs (affordable and general).		Growth/Management Team  New Action		2021
1b. HOUSING – Affordable	1b (i). 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	<b>COMPLETED</b> 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 (ii). 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	<b>COMPLETED</b>

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1b HOUSING – Affordable	1b (iii). Service Level Agreement to be put in place with registered providers to take forward cases of alleged tenancy fraud	March 2020	Lead - Housing Strategy Manager (Marta Imig)  <i>Action reviewed by Housing Strategy Manager on 3.10.2021</i>	(i)June 2020 (ii)Revised – 2021 (iii)Revised – October 2021 (iv) Revised March 2022	<b>IN PROGRESS</b> To undertake a targeted data matching exercise, requiring collaborative working. Progress will be subject to growth bid funding approval.
1b HOUSING – Affordable	1b (iv)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  New Action	(i)February 2022	<b>OUTSTANDING – new action October 2021</b>
2. ECONOMY	2i. 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</i>	Drafting and agreement of plan and targets. Delivery ongoing and to	<b>COMPLETED</b> Draft recovery plan considered by the Economic Development Committee on 22

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			<i>on 7.10.2021</i>	extend beyond the end of the current 4-year Council cycle.	June 2021 Update on all actions competed to date considered by the ED Committee on 21 September 2021
2. ECONOMY	2ii. 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 <sup>th</sup> June and final payments to be made by end of July	<b>COMPLETED</b>

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	2iii. Development of a policy on Additional Restrictions Grant (ARG) spend – grant amounts to c.£2.2m	June 2021	<i>2iii. Lead – Economic Development Manager. Action reviewed by Group Head Regeneration and Growth on 7.10.2021</i>	2iii. Additional Restrictions Grant (ARG) to be applied up to end of March 2022, with a target for a policy to be in place by September 2021. (Now October 2021)	<b>IN PROGRESS</b> ARG Task Group set up to specifically consider how to best spend the remaining monies (£1.9m currently available) to ensure businesses benefit the most in terms of recovery and future growth. The second meeting of the ARG Task Group took place on 11 October where councillors discussed and agreed the suggested areas where the ARG funding should be focused (Equipment, Support, Training). Application forms and assessment criteria are being

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					finalised for publishing.
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3i. 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) March 2021 (ii) Revised - June 2021	<b>COMPLETED</b> Software in place and tenants in single let investment properties invoiced via system from end June 2021
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3ii. 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	2018	Lead - Group Head Regeneration & Growth (Heather Morgan)  <i>Continuous Action reviewed by Group Head Regeneration and Growth on 7.10.2021 and Deputy Chief Executive - Chief Finance Officer</i>	Continuous action	<b>IMPLEMENTED &amp; ONGOING</b> Detailed individual business plans are under development for each of our investment assets

**APPENDIX 2 DETAILED RISK ACTION PLAN – REVIEWED OCTOBER 2021**  
**COMPLETED ACTIONS ARE SHADED IN GREEN, CONTINUOUS ACTIONS ARE IN BLUE, NEW ACTIONS ARE IN PURPLE**

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 JUNE 2021)
	the modelling from 10 years to 20 years.		15.10.21		
3. FINANCIAL RESILIENCE AND COMMERCIAL ASSETS	3iii. 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</i>	Continuous action	<b>IN PROGRESS</b> Financial Management Code Self-Assessment taken to October 2020 Audit Committee. Action Plan for Finance Peer Review recommendations approved by Cabinet and will be periodically reported to Policy and Resources and Audit Committee, from autumn 2021. A progress update will go to November

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					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>Action reviewed by Group Head Commissioning &amp; Transformation 19.10.21</i>	April 2021  Revised Target Date March 2022	<b>IN PROGRESS</b>
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 &amp; Transformation 19.10.21</i>	June 2021  Revised Target	<b>IN PROGRESS</b>  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

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					the Committee for approval over the coming year.
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 &amp; Transformation 19.10.21</i>	Ongoing	<b>IN PROGRESS</b> Working in partnership with SCC / Boroughs and Districts
7. CORPORATE CAPACITY & RESOURCES	7i. Monitoring impact of departure of experienced officers and managing associated loss of organisational knowledge and talent. Review of staff retention measures to reduce and mitigate the risk of staff departures.	March 2021	ALL / Group Head Commissioning & Transformation (Sandy Muirhead)  <i>Action reviewed by Group Head Commissioning &amp; Transformation 19.10.21 &amp; Deputy Chief Executive 15.10.21</i>	Continuous action	<b>IMPLEMENTED &amp; ONGOING</b> A small pay increase for staff agreed to maintain the Council's competitiveness with other local Councils, agreed as part of the 2021/22 Budget. Negotiations

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					underway with Unison to consider pay claim for 2022-23 and to review 2021-22 claim in light of national pay award.

Updates coordinated by Internal Audit Manager, October 2021

# Audit Committee

25 November 2021



<b>Title</b>	<b>Covid-19 pandemic recovery - Risk Considerations (UPDATE)</b>
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	Recovery from Covid
	The Audit Committee is asked to note the COVID-19 pandemic recovery risk report and Risk Assessment at Appendix 1.
<b>Reason for Recommendation</b>	<b>The Covid-19 Risk Register focusses on pandemic recovery to ensure the Council's risks are identified, prioritised, managed, monitored, and reported.</b>

## 1. Key issues

- 1.1 Covid cases for England remain high with a recent rise in new cases, highlighting the evolving nature of the global pandemic. The vaccination programme continues with a focus on boosters and extended eligibility to the 12–17-year-old cohort for added protection across communities. Seasonal flu viruses will further impact the situation along with several other winter pressures. '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. Progress with the Council's recovery plan is regularly reviewed. Dependant on whether the government may implement 'Plan B' measures at some future stage, the Council's approach may require a combination of response mode and ongoing recovery.
- 1.2 The number of risk categories previously included in the Covid-19 risk register have been reduced (from fourteen to five), focussing now on high level risks for Spelthorne where the impact of the pandemic has been most prevalent. These risk categories include the Economy, Financial sustainability and resilience, Health, Safety and Wellbeing, Seizing Opportunities (failing to seize positive opportunities arising from the pandemic experience represents a risk in itself) and Housing (specifically Homelessness prevention as some of the temporary protection measures are lifted by the government). This

approach also takes on board comments from Members at the July Audit Committee, ensuring the most significant risks arising impacting effective recovery from the pandemic (which may also relate directly to the achievement of the Council's corporate priorities and objectives) continue to be identified, managed, monitored, and reported. The risk categories also align with the Council's wider borough recovery plan and corporate recovery objectives, for example Economic development and Financial sustainability both form a key part of the recovery plan.

- 1.3 The updated risk assessment is 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. Completed and ongoing actions are indicated. It includes a RAG (Red/Amber /Green) risk rating for each category based on an assessment of likelihood (probability) and impact (severity), to ensure risks are prioritised for action and given due focus in accordance with significance and opportunities highlighted. In response to the Audit Committee, 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 at Appendix 1. In contrast those risks that can perhaps be more effectively mitigated and controlled through council actions to influence positive outcomes are not highlighted. At this stage these are proposals only and we therefore welcome an opportunity for further discussion.
- 1.4 The Council's Covid pandemic recovery risks to highlight as part of this review are set out below at 1.4 (a) to 1.4 (e). An outline of corresponding risk management measures being pursued are highlighted, as well as any residual risks to be acknowledged.

(a) Economy – red risk category A.

The Chancellor's budget of 27 October 2021 advised that national economic growth over the last six months (as lockdown restrictions were eased and lifted) has exceeded original forecasts and future growth is expected to continue. Whilst this is positive, timeframes for return to a stable economy are uncertain, hence economic recovery remains somewhat challenging. The longer-term impact of the pandemic on local economic recovery continues to prevail, presenting service pressures. The Economic Development recovery plan forms part of the Council's broader recovery plan for the pandemic and includes key actions, tasks and desired outcomes across five main elements consisting of minimising unemployment, developing skills and getting people back into work, assisting future business growth and adaptation, placemaking, regeneration and developing infrastructure, and attracting visitors back into the borough.

There are several initiatives underway to support the revival of the local economy and help people get back into employment, such as a small business incubator to provide specialist support for new businesses (fully operational), working with Enterprise M3 to promote job opportunities, commissioning a survey to major businesses to ascertain further insight on the impact of the pandemic, successful funding approval for a youth hub and development of town centre action plans for Shepperton, Ashford and Sunbury.

There is regular reporting to the Economic Development Committee who monitor activity and actions completed, including the economic elements of the recovery plan and grant expenditure. The Council's discretionary Additional Restrictions Grant (ARG) scheme runs to March 2022 and a task group has been set up to specifically consider how to best spend the remaining monies of £1.9m (as at end October 2021), to ensure businesses benefit the most in terms of recovery and future growth. Members have agreed the ARG funding should be focused on equipment, support and Training. A policy to apply the remaining fund will be put in place shortly. This ARG scheme will support, facilitate, and influence business activity contributing to the recovery of the local economy. A residual risk remains given that the speed and extent of local economic recovery will also be determined by the macroeconomic environment, national policy decisions, post-Brexit implications and other external factors. Therefore, to some degree this risk relating to recovery of the local economy post pandemic remains outside the Council's control. 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 Economic Development team will be updating the Economic Development Strategy and action plan over the coming months to cover 2022 to 2027. As part of this review there will be an opportunity to refresh the performance data categories including Key Performance Indicator's (KPI'S) to assist measurement of progress in achieving goals, objectives and desired outcomes relating to economic recovery and growth.

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

There are significant financial cost implications on the Council associated with recovery from the financial and economic impacts of COVID-19 including longer term reductions in some income streams such as car parking and retail rental, revenue impacts arising as a result of the Moratorium on high rise developments in Staines-upon-Thames, uncertainty over the Council's tax base income levels, and financial support to the Leisure Centres. In addition, the impact of inflationary pressures and price rises and the threat of interest rate rises present further challenges. This risk has been assigned a red RAG rating, whilst the two other risks in this financial sustainability and resilience category have been assigned an amber rating (please refer to Appendix 1, category B and the risk scoring model).

An outline budget for 2022-23 will be reported to Corporate Policy Resources Committee Budget Briefing in early November. Outline Budget scenarios for the period 2022-23 to 2025-26 are being modelled to identify the potential range of budget gaps. Officers are preparing strategy options, including savings for Corporate Policy Resources Committee to consider.

Fortnightly Asset Portfolio Working meetings are taking place to monitor income with the investment portfolio performing extremely well - so far as at end of October 2021, 99.3% of rental invoiced for 2020-21 has been collected, and 99.1% of rent for the last four quarters collected including the most recent quarter day. Detailed business plans are under development for each investment asset. The Development Sub Committee of Corporate Policy and Resources receive regular monitoring reports for scrutiny on the performance of the Investment portfolio.

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

Continued vaccine and booster take up along with other safety measures will remain pivotal in minimising the level of transmission and severity of infections. Given that natural immunity of the population is expected to be lower than before due to extended lockdowns, this presents greater health risks as we enter winter flu season. The Council continue to promote a precautionary approach in safeguarding its employees and Members. As part of resumption planning, an office capacity assessment and review of ventilation arrangements is currently underway. This will determine maximum numbers that the Council can safely accommodate and assist next steps.

(d) Seizing Positive Opportunities – amber risk category D

Failing to seize positive opportunities arising from the pandemic experience and reverting to old approaches may present new risks. The Council's pandemic recovery plan gives due consideration to how opportunities can be taken forward. Positive lessons from extended remote working have been assessed and examined in moving to a 'new normal' and hybrid model. Human Resources are developing a refreshed training programme for when staff return to the office.

(e)Housing – amber risk category E

The impact of ending the tenant eviction bans as well as temporary uplift in Universal Credit payments represents a risk in terms of managing increased demand on homelessness and housing service provision. There has been further financial support from the government in the form of a Homelessness prevention grant for 2021/22 to assist vulnerable families that are in rent arrears and to minimize and prevent evictions and homelessness.

It is also recognised there are several interdependent factors that impact wider service pressures relating to housing provision, for example increased level of rent arrears exacerbated by the pandemic and an end to temporary benefit uplift measures effects an applicant's acceptance for permanent accommodation and requires Council negotiations with landlords to mitigate or delay risks of eviction.

## **2. Options analysis and proposal**

- 2.1 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:**

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

**3. Financial implications**

3.1 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.

**4. Other considerations**

4.1 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.

4.2 The Risk Assessment gives due consideration to Equality and Diversity implications and any actions arising will continue to be monitored through the risk management process and other action plans.

**5. Sustainability/Climate Change Implications**

5.1 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.

**6. Timetable for implementation**

6.1 The Risk Assessment will continue 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.

**Background papers: There are none.**

**Appendices:**

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

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## APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment

(Reviewed and updated October 2021. Coordinated by Internal Audit Manager, Punita Talwar)

The Covid-19 Risk Assessment focuses on the five most significant risks. Please refer to the bottom of this document for the 'Risk Scoring Matrix' and plotting of these risks to determine relative significance and prioritisation. Risk categories A and B are also included 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. <b>ECONOMY</b></p> <p><b>RED RISK</b>            AT OCTOBER 2021            WHILST RAG RATING            REMAINS RED, SOME            RISKS HAVE MOVED            POSITION ON THE RISK            MATRIX TO TAKE            ACCOUNT OF NATIONAL            ECONOMIC GROWTH &amp;            FORECASTS</p> <p><u>(i)</u>Risk: 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</p>	(i)3	(i)4	<p>Economic Development Recovery Plan forms part of the Council's broader COVID-19 Recovery Plan. Actions will include quick wins and longer-term actions.</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"> <li>1. Surveys conducted with businesses</li> <li>2. A review of recent reports and surveys by relevant organisations to fully understand the adverse impact on employment and the aviation section.</li> <li>3. Council working with Enterprise M3 (Local Enterprise Partnership) to promote 'Job Fuse' as a means of brokering new job opportunities.</li> </ol>	<p><b>ONGOING ACTION:</b> The economic situation and ongoing impact of COVID-19 for the Borough is regularly reviewed and reported.</p> <p>Economic development elements of the draft corporate recovery plan have been considered by the Economic Development Committee on 22 June 2021, to cover:</p> <ul style="list-style-type: none"> <li>• Minimising unemployment</li> <li>• Developing skills and getting people back into work</li> <li>• Assisting future business growth and adaptation</li> <li>• Placemaking, regeneration and developing infrastructure</li> <li>• Attracting visitors back into the borough</li> </ul>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>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> <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 and global drivers.</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</p>	<p>(ii)3</p> <p>(iii)4</p>	<p>(ii)4</p> <p>(iii)3</p>	<p>4. The Council secured £43,000 match funding from EM3 for Bounce Back Streets</p> <p>5. Small business incubator is operational.</p> <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>For each of the above elements, several key actions, tasks and desired outcomes are set out in the corporate recovery plan.</p> <p><b>ONGOING ACTION:</b> Regular reporting on actions and tasks completed / in progress takes place at the Economic Development Committee. A report was issued to this Committee on 21 September 2021 setting out progress against the economic recovery actions on the corporate recovery plan.</p> <p><b>ACTION IN PROGRESS:</b> Options on how best to support local retailers with a digital / app presence are being explored as nearly half of retailers are not geared up with online presence which is limiting their reach. Feedback from other Councils has identified the need for digital business skills training using recognised social media platforms and sessions have commenced from November.</p> <p><b>ACTION</b> - ED strategy is due for a</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
consumer behaviours. This will continue to impact the Council's finances.			<p>Financial support for businesses has been made available through several Government schemes up to July 2021. Additional Restrictions Grant (ARG) of £1.9m (currently available) to be applied up to March 2022. This is a discretionary grant scheme.</p> <p>Economic Development committee remit includes scrutiny of budgets and grant spend. Additional Restrictions Grant (ARG) Task Group set up to specifically establish how to spend the remaining grant monies to ensure businesses benefit the most in terms of recovery and future growth.</p>	<p>complete refresh by April 2022 (to cover 2022 -2027).</p> <p><b>NEW ACTION (OCTOBER 2021)</b> 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. A policy can now be put in place to determine application of the ARG fund up to March 2022.</p> <p><b>Residual risk to be accepted</b> - whilst Council actions aim to support and influence local economic recovery, these alone cannot control outcomes due to the macroeconomic environment.</p>
<b>B. FINANCIAL SUSTAINABILITY AND</b>	(i)4	(i)3	Outline Budget scenarios for period 2022-23 to 2025-26 being modelled to	<b>(NEW ACTION October 2021): Ongoing.</b> Production of outline

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p><b>RESILIENCE</b></p> <p><b>AMBER AND RED RISKS</b></p> <p>(i) <u>Risk</u> - 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 increased living costs, risks of rising interest rates (with wider implications), and risk of revenue impacts arising as a result of the Moratorium on high rise developments in Staines-upon-Thames.</p> <p>(ii) <u>Risk</u> - Recovery is</p>	<p>(ii)3</p>	<p>(ii)3</p>	<p>identify potential range of budget gaps. Officers putting together strategy options, including savings for Corporate Policy Resources Committee to consider.</p> <p>An independent peer led review of the Council's approach to finance was undertaken and formally reported in January 2021.</p> <p>Accountancy liaise with services over financial monitoring. Mechanisms to account for expenditure relating to COVID-19. Delta returns submitted include details of loss of income and additional costs incurred during COVID-19. Various tranches of Government grants have been released.</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-</p>	<p>budget for 2022-23. Corporate Policy Resources Committee Budget Briefing in early November.</p> <p>Chancellor's Budget and Spending Review statements on 27<sup>th</sup> October may help to understand the funding context.</p> <p><b>ONGOING MONITORING:</b> An action plan has been drawn up to progress the recommendations from the LGA Finance Peer Review. These recommended improvements have been accepted by the Council. Any synergies between this and the CIPFA Financial Management Code, Self-Assessment will also be undertaken. Progress update to November Audit Committee.</p> <p><b>ONGOING ACTION:</b> Managers will be continuing to consider the financial impact of recovery from COVID-19 and impacts on services as part of the budget process and financial monitoring.</p> <p><b>RESIDUAL RISK:</b> The rate of</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>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 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>	<p>(iii)3</p>	<p>(iii)3</p>	<p>case assumptions. 10-year scenario modelling of worst case COVID-19 scenarios undertaken.</p> <p>Longer term modelling to assess next 12 months depending on stock market and pensions impact.</p> <p>Sinking funds set aside for commercial investments as a prudent measure. Continued weekly monitoring of commercial asset income due/any shortfalls anticipated. At October 2021, 99.3% of rental invoiced for 2020-21 collected, and 99.1% of rent for last four quarters collected including the most recent quarter day.</p> <p>Despite being acquired for regeneration purposes, the Elmsleigh Centre has performed well.</p> <p>Impact monitoring of Governments, extended moratorium on commercial property evictions. A weekly review of all investment and regeneration assets (including Elmsleigh) is undertaken which covers</p>	<p>economic recovery in the borough may be partially influenced by wider external factors, with business failures effecting collection rates for business rate income.</p> <p><b>ONGOING ACTION:</b> Continued modelling of the effects of COVID-19 on the Council's finances. Expected case scenarios also highlighted.</p> <p><b>ACTION IN PROGRESS (October 2021):</b> Individual business plans for each of the Council's investment assets are under development.</p> <p><b>ONGOING ACTION:</b> 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><b>ONGOING ACTION:</b> Monitoring of Business Rates and Council Tax collection levels - currently Spelthorne are faring better than some other Authorities on Council Tax but due to</p>

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
			<p>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.</p> <p>Support to Leisure centre operators to assist their recovery process. Some provision built into budget for first quarter of 2021-22. Activity levels and financial figures (open book approach being pursued) being monitored. Currently figures and footfall since reopening in April 2021 are improving.</p> <p>Fully refreshed Reserves Strategy (2021). Medium term financial strategy. Budget process brought forward to align with service planning.</p>	<p>Heathrow impact business rates more challenging. Deferral by a year of Fair Funding Review and Business Rates 75% retention anticipated in Spending Review will help.</p> <p><b>ACTION COMPLETED</b> - Courts reconvened income recovery action from the end of July and Customer Services are pursuing recovery from the courts.</p> <p><b>ACTION COMPLETED</b> - Bluebox system is being used for raising, collecting, and monitoring single tenant rents in investment properties from June 2021.</p>
<p><b>C. HEALTH AND WELLBEING / SAFETY</b></p>	<p>(i, ii, iii, iv) 3</p>	<p>(i, ii, iii, iv) 3</p>	<p>Refreshed remote working and DSE assessments required including photos</p>	<p><b>RESIDUAL RISK:</b> A residual risk remains as the possibility of covid</p>

**APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment**

(Reviewed and updated October 2021. Coordinated by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>(Previously section F)</p> <p><b>AMBER RISK</b></p> <p>AT OCTOBER 2021 RAG RATING DOWNGRADED TO AMBER DUE TO EXTENT AND IMPACT OF VACCINATION PROGRAMME</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 as we enter the winter season. Scientists have warned of low natural immunity due to 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,</p>			<p>as proof from staff of their homeworking desk arrangement. This is to satisfy the Council's duty of care in planning for hybrid working. Home Working arrangements continue whilst an assessment is underway to establish the Council's office capacity and confirm safety measures. Hybrid working policy developed.</p> <p>Lateral flow testing twice a week is a requirement for Officers and Members going into the office or workplace.</p> <p>As rollout of the mass vaccination programme continues including booster injections, uptake of vaccinations is being promoted across the borough through various communication channels to target groups as required. Expanded flu vaccination programme and government drive for take up.</p> <p>The Council has a contract in place for the provision of PPE, this has eliminated the need for ad-hoc supplies. The Council currently holds a stable supply in stock.</p>	<p>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><b>RESIDUAL RISK:</b> There remains a residual risk around some individuals declining the covid vaccine/boosters, leaving them unprotected and enhancing risks of continued virus transmission across local and wider communities. Lateral flow testing is being encouraged across staff and the local community.</p> <p><b>ONGOING ACTION:</b> Spelthorne's Health and Safety guidance will continue be reviewed to reflect any developments to national guidance.</p> <p><b>COMPLETED ACTION</b> - Review of PPE stock levels has been undertaken most recently at the end of September.</p> <p><b>ONGOING ACTION:</b> Contact Track and Tracing system to support</p>

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(Reviewed and updated October 2021. Coordinated by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>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 health and safety guidance leading to increased infection rates across the community, or alternatively if Spelthorne staff are not being adequately protected when returning to the office environment and in undertaking high risk activities (potential for claims against the Council)</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</p>			<p>COVID-19 testing is available where staff and Councillors show symptoms / Household risk identified and guidance has been circulated.</p> <p>Health and Safety Risk Assessments undertaken for key areas.</p> <p>Self-isolation guidelines issued. Where staff are required or expected to come into work / carry out visits to sites, residential properties or Community Centres, Health and Safety guidance is in place and communicated. This adheres to national guidance from ‘Public Health England’. Guidelines are also in place for contractors such as at development sites.</p> <p>Environmental Health undertake inspections and compliance checks on business premises. Enforcement action is taken if required.</p> <p>Staff are regularly reminded about mental health support as part of</p>	<p>protection measures. Spelthorne continue to apply a precautionary approach on self-isolation requirements to minimise the risk of covid spread within the workforce and across communities.</p> <p><b>ONGOING ACTION:</b> Monitoring of staff retention measures and reiterating values around respecting and supporting staff.</p> <p><b>NEW ACTION (OCTOBER 2021):</b> As part of resumption planning, an office capacity assessment and review of ventilation arrangements is currently underway. This will determine maximum numbers that the council can safely accommodate and assist next steps.</p>

**APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment**

(Reviewed and updated October 2021. Coordinated by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>services due to winter flu season having greater impact than in previous years</p> <p>(iv) <b>Risk</b> - Pandemic experience presents ongoing physical, mental, and emotional health impact on staff, volunteers, and residents</p>			<p>employee wellbeing. Hardship fund available to assist employees where eligible. Employee assistance scheme 'Care First' launched and promoted.</p> <p>Sickness monitoring by Human Resources including COVID-19 infections to determine level of staff affected.</p> <p>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><b>D. POSITIVE OPPORTUNITIES</b></p> <p><b>AMBER RISK</b></p> <p>(i) Risk – Failing to seize positive opportunities arising from the pandemic experience and reverting to old approaches may</p>	(i)2	(i)3	<p>(i) The Council's pandemic recovery plan gives due consideration to how opportunities can be taken forward across various operations.</p> <p>(ii) Positive lessons from extended remote working have been assessed</p>	<p><b>ACTION IN PROGRESS:</b> 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.</p> <p><b>ONGOING ACTION:</b> The Council has identified and applied positives, around new ways of working, as part</p>

**APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment**

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Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>present new risks</p> <p>(ii) <u>Opportunity</u> - There may be opportunities for increased productivity and efficiencies to be built upon from new flexible patterns of working.</p> <p>(iii) <u>Opportunity</u> - Opportunities for environmental improvements (such as better air quality) have become more achievable arising from reduced traffic (road / rail / air) as people continue to work remotely, thereby positively contributing to sustainability measures</p>	<p>(ii)3</p> <p>(iii)3</p>	<p>(ii)3</p> <p>(iii)3</p>	<p>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.</p> <p>(iii)Climate Emergency declared and Environmental and Sustainability Committee established under new Committee system. Approval of green initiatives fund of £747k. The 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.</p>	<p>of the 'new normal'. This coincides with hybrid working policy development which has been completed and outlined to staff at the October meeting. The written version will be circulated to staff by mid November 2021.</p> <p><b>ONGOING ACTION:</b> Environmental and sustainable measures will be further analysed as part of seeking opportunities, to include scope for the Council representing "Green Jobs" as an employer going forward and into Council projects.</p> <p><b>COMPLETED ACTION</b> - Further strengthening of resources to support delivery of green initiatives and related objectives in seizing positive opportunities. <i>A Climate Change Officer has been recently appointed.</i></p>
<p><b>E. HOUSING</b></p> <p><b>AMBER RISK</b></p>	<p>(i)3</p>	<p>(i)3</p>	<p>Central Government have announced additional funding to Local Authorities, for the sum of £65m, Homeless Prevention Grant for 2021-22 intended</p>	<p><b>ACTION</b> (JUNE 2021) - Eviction bans operating during the earlier phases of Covid came to an end from May 2021. It is estimated around 1million rented</p>

**APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment**

(Reviewed and updated October 2021. Coordinated by Internal Audit Manager, Punita Talwar)

Risk Area	Likelihood	Impact	Control Measures / Mitigation	Risk or Issue Action Plan & Further Considerations (Including Residual Risk)
<p>(i) Risk - Central Government lifting of bans on tenant evictions and ending the weekly uplift in universal credit payments presents new risks for local councils in terms of managing the likely impact on homelessness and housing service provision</p>			<p>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 and allocations from this fund will also be distributed (approx. 1.7 million to Spelthorne).</p>	<p>households may be concerned about the threat of eviction and the Housing Service have encouraged tenants to get in touch to discuss options at the outset and minimize risks of landlord eviction. <b>ACTION STATUS UPDATE OCTOBER 2021: IN PROGRESS.</b> Further mitigation measures are in place to minimise the risks and associated impact relating to eviction threats, such as government funding to assist vulnerable families that are in rent arrears and to prevent homelessness. Further £1.7million 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>

**APPENDIX 1 - COVID-19 pandemic recovery - Risk Assessment**

(Reviewed and updated October 2021. Coordinated 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.

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

# Audit Committee

25<sup>th</sup> November 2021



<b>Title</b>	Update of LGA Corporate Finance Peer Review Action Plan and CIPFA Financial Management Self-Assessment
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Terry Collier, Chief Finance Officer
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	Financial Sustainability
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <p>The Committee is asked to note</p> <ul style="list-style-type: none"> <li>a) Update on progress against the Action Plan for recommendations made by the LGA Corporate Peer Review on Finance</li> <li>b) Updated Self-Assessment against the principles set out in the CIPFA Financial Management Code.</li> </ul>
<b>Reason for Recommendation</b>	Important that the Committee is given the chance to review the progress being made against the Peer Review Action Plan and to view the updated Financial Management Code Self-Assessment as we approach 2022-23 when the Code is now intended to fully take effect.

## 1. Key issues

### A) LGA Corporate Peer Review on Finance- Action Plan

- 1.1 The Council invited the Local Government Association to undertake a Corporate Peer Challenge review focused on the Council's finances. Peer Reviews involve experienced local government officers, including an experienced chief executive, along with an experienced leader, constructively reviewing opportunities for improvement. This was originally scheduled to take place in spring 2020 but was postponed due to the COVID-19 pandemic. The review was rearranged to be undertaken as the first virtual review of a council in November 2020. The draft report was received in the January 2021

and the final report issued in late January 2021. An action plan was presented to and approved by Cabinet in April 2021.

- 1.2 The Peer Review undertook a thorough exercise with the team spending around 300 hours developing its findings and this report. The Review team met a range of officers from across the organisation and at different levels including Chief Finance Officer and Corporate Management Team, Group Heads, Assets Manager, Audit Manager, and a range of councillors including Leader, Finance Portfolio Holder, Deputy Leaders, Cabinet, Chair of Audit Committee, Chair of Overview and Scrutiny.
- 1.3 The Review team whilst recognising the strong response the Council made to the COVID-19 emergency identified a number of opportunities for improvements which are set out in 24 recommendations. Some of the recommendations extend beyond purely financial matters, for example the Peer Review team suggested (recommendation 1) that the Council “pause, reflect, align” to refresh its Corporate Strategy and priorities and to become clearer in what it is wishing to prioritise which in turn will drive future budget prioritisation decisions.
- 1.4 The April 2021 report commented a number of recommendations had already in part been addressed examples being:
  - the Reserves Strategy (part of recommendation 11) was refreshed and considered by both Overview and Scrutiny and Cabinet in January 2021 as part of the 2021-22 Budget process.
  - Additional time was built into the Budget process for scrutiny with two sessions at Overview and Scrutiny (recommendations 10, 12. 22)
  - Additional scenario planning built into the Outline Budget process (recommendations 3 and 10)
  - The Medium Term Financial Strategy was refreshed (recommendation 3 and 12) as part of the 2021-22 Budget process
  - Improving the embedding of risk management (recommendation 16) with a refresh of the Corporate Risk Management Policy and production of an executive summary which will now be rolled out via training across services
  - The reports talks about making clear the Council’s appetite for subsidising social housing, the Administration in January 2021 called an Extraordinary Council to set out its aspiration to deliver at least 50% affordable rental units on all the Council’s residential schemes (recommendation 24)
  - Improving the focus on programme management (recommendation 5) with the establishment of the Assets Programme Board which will be a sub-committee of the new Policy and Resources Committee.
- 1.5 Since then, further progress has been made against the recommendations, see Appendix 1 which is an updated progress summary against the Action Plan. In particular note below position on each recommendation and RAG assessment of progress):
  - Recommendation 1 “Ensure that there is alignment of key strategies and priorities and that they are supported by a clear and sustainable

financial strategy. The Council may need to: pause – reflect – realign” – Corporate Policy and Resources Committee is progressing a new Corporate Plan for 2021-23 which will inform the prioritisation within the 2022-23 Budget Process and the Capital Strategy 2022 - 2025. Increased focus has also been placed on the relationship between the Council’s Housing Strategy and how that should direct the work of Knowle Green Estates Ltd (KGE) **Amber**

- Recommendation 2 “Be clear on your priorities, articulate what non-prioritisation means and how resources are aligned within the finite capacity of the organisation” – MAT have briefed staff at staff briefings on the new draft priorities. Group Heads and Managers have been asked to prioritise any growth bids taking into account the new priorities. As part of the Budgeting process Chairs and Vice Chairs and Committee will be looking at aligning budget proposals with priorities. **Amber**
- Recommendation 3 “Understand and manage risk and its impact on future financial performance and sustainability” – Concise summary of refreshed Corporate Risk Strategy produced and approved by Audit Committee. Training sessions on risk run for managers led by Group Head of Corporate Governance and Audit Manager. A training on risk management has been provided to councillors. **Green**
- Recommendation 4 “Improve capital programme scheme implementation performance and be satisfied that delivery vehicles can successfully realise the scale of ambition” – Development Sub-Committee set up to provide clear asset project initiation and gateway sign off governance. Terms sheets implemented for new projects. A competitive process undertaken to appointed experienced NonExecutive Directors who bring added value to KGE. **Green**
- Recommendation 5 “Ensure that effective programme and project management is embedded across the organisation for both capital and revenue spend reflecting internal controls and proportionate risk management.” – Development Sub-Committee established. A corporate programme manager has been appointed within Transformation and Commissioning and the newly appointing postholder is already reviewing approach to programme and project management. **Green**
- Recommendation 6 “To continue to promote openness and transparency by ensuring decisions are taken at the most appropriate level in accordance with a practical and proportionate scheme of delegation” – Council moved to new Committee governance with political proportionality embedded. New Constitution and scheme of delegation approved. **Green**
- Recommendation 7 “Recognise and articulate the challenges ahead for both capital and revenue in the present day and medium to longer term.” – November 8 Budget Briefing to members of Corporate Policy and Resources Committee (CPRC) highlighted the challenges ahead in medium term for both capital and revenue. KGE Business Plan being refreshed on a 50 year basis. **Green**

- Recommendation 8 “Continue to recognise the importance of the investment and commercial income stream to the revenue budget in reporting.”- detailed budget for 2022-23 will make more transparent the resources underpinning the delivery of investment income. Assets Working Group set up on a formal basis to ensure Chair and Vice Chair of CPRC have sight of and approve actions with respect to investment, commercial and municipal assets **Amber**
- Recommendation 9 “Consider simplifying financial reporting to members to make it clearer what options the council faces. Within this, model different scenarios and openly consider the impacts of these on financial sustainability”. Chair of CPRC has agreed that this is to be actioned once the Finance system is moved to Centros (Spring 2022) and able to apply more powerful reporting functionality. Officers to consider inviting further external perspectives on our financial reporting. Reports will have more visual and clearer highlighting of issues (Half Year Treasury Management Report a small step in this direction). **Amber**
- Recommendation 10 “Extend scenario planning for the refreshed Medium-Term Financial Strategy (MTFS) scenarios beyond the existing worst-case approach which is modelled for the sinking fund reserve” – Budget Briefing 8<sup>th</sup> November 2021 for CPRC considered a number of scenarios (model has been refreshed to make easier to flex and explore different parameters). KGE integrated model (Profit and Loss, Balance Sheet and cashflow) has been refreshed. A considerable number of permutations with respect to developments and heights have been explored on a fifty year basis. **Green**
- Recommendation 11 “Ensure you have clear strategies on the core elements of financial planning and bring them together – Reserves Strategy, (including Sinking Fund), Commercial Strategy, Housing Strategy” – Reserves Strategy to be go to November CPRC for annual refresh **Amber**
- Recommendation 12 “Work collaboratively within a culture of cooperative working between members and officers to continually refresh the Medium Term Financial Strategy (MTFS).” – MTFS discussed with members of CPRC on 8<sup>th</sup> November Budget Briefing and Outline Budget report going to November CPRC meeting **Green**
- Recommendation 13 “Consider bringing an independent voice to the Audit Committee to strengthen overall audit resilience”. Independent lay member of Audit Committee approved as part of the new Council Constitution. Officers liaising with Councillors to ensure short listed candidates are interviewed and recommendation to be made to December Council **Green**
- Recommendation 14 “Ensure outcomes of budget consultations and engagement with stakeholders are clearly reported to members as part of the budget setting process.” – Budget consultation in November 2021 with residents, businesses and staff and the outcome of that

consultation will be reported to members in budget briefings and at Full Council when the budget is agreed **Green**

- Recommendation 15 “Continue to explore further opportunities for Scrutiny Committee to be engaged in strategy development and financial decision-making and review.” – Overview and Scrutiny does not exist under the new Constitution. However, the scrutiny function has been embedded in all of the Committees (for example, capital and revenue monitoring reports go to the individual committees for their review before being considered by CPRC). Chairs and Vice Chairs are actively engaged in budget briefings. **Green**
- Recommendation 16 “Consider how to ensure that co-ordination of risk management activity throughout the organisation is appropriately embedded and resourced with a strong corporate overview” – See recommendation 3 above. **Green**
- Recommendation 17 “Ensure that the council’s compliance with the statutory duty to consult representatives of nondomestic ratepayers – section 65 LGFA 1992 is clearly communicated and the results of this are seen to clearly influence decision-making.” Addressed through annual Spelthorne Business Forum Budget meeting. **Green**
- Recommendation 18 “Continue to keep the capacity and skills of the finance function under review, and ensure it is fit for purpose.” New Chief Accountant undertaking a structure review in parallel with exploring partnership with Mole Valley designed to address resilience. **Amber**
- Recommendation 19 “Continue to regularly review the resourcing of Internal Audit to ensure it is appropriately resourced to reflect the scale of risk the council is managing.” **Victoria to draft response**
- Recommendation 20 “Consider how to better integrate the key functions of the council to deliver financial sustainability and build a strong culture of shared risk management that encompasses assets, property, income, and service delivery.” Culture of risk management being addressed through embedding risk management across the organisation as reported above. Additional focus on programme management with Programme Manager for Digital Transformation appointed and new Development Sub-Committee in place. **Amber**
- Recommendation 21 “Explore how to maximise all opportunities for community and service improvements, such as more effective use of section 106 agreements.” Recovery plan looking to build on creative partnership working undertaken during Pandemic. CIL Task Group regularly making recommendations. **Green**
- Recommendation 22 “Consider how to engage staff and stakeholders in the refresh of the council’s MTFs and promote a wide understanding of the council’s future options” Budget consultation in November 2021. Regular updates on Budget position provided at staff briefings and at councillors briefings. **Green**
- Recommendation 23 “Have an open dialogue about the financial implications of the council’s emerging priorities, including potential

impacts on the council's borrowing" Being addressed as part of the 2022-23 Budget process, at the 8<sup>th</sup> November Budget briefing. Also report on the cost of delays which went to Development Sub-Committee on 1 November highlighted the very significant potential revenue budget impacts of delaying delivery of residential schemes.  
Amber

- Recommendation 24 "Consider what does a diverse mix of housing really mean for the borough? How will the council use both Private Rented Sector and Market Sale to meet local need and to deliver financial returns?" Considered by Councillors at Extraordinary Council Meeting on 25<sup>th</sup> January 2021 which decided to accept strategy of council developments delivering at least 50% affordable rental units. Kept under regular review by Development Sub-Committee. Amber

1.6 It can be seen from above that it is felt progress is being made against all the recommendations, with thirteen of the recommendations considered to have a Green status, nine with an amber status and one recommendation no longer applicable.

### **CIPFA Financial Management Code Self Assessment**

- 1.7 There is a certain amount of overlap between the Peer Review focus and the issues falling within the CIPFA Financial Management Code (FM Code). Hence why a refreshed FM Code Self Assessment is being brought back to the Committee alongside the review of the Peer Review Action Plan. An initial Self Assessment against the Code was reported to the Audit Committee in November 2020.
- 1.8 The Chartered Institute of Public Finance and Accountancy (CIPFA) as part of a number of measures it put in place in response to concerns (even before COVID-19) around financial resilience of Councils introduced a new Financial Management Code (FM Code). Although the FM Code comes into effect from April 2020, in recognition of the pressures facing local authorities, full implementation was delayed until 2022-23. This allows authorities a shadow year to work towards full implementation
- 1.9 On the eve of COVID-19 lockdown in February 2020 officers and Cabinet members invited CIPFA to the Council Officers to do a workshop on the requirements of the new code.
- 1.10 The Code focuses on Value for Money, Governance and financial management styles, financial resilience and financial sustainability. The Code identifies the risks to financial sustainability and introduces an over arching framework of assurance which builds on existing financial management good practice. The Code is a principles based approach, rather than prescriptive setting out six principles
- Leadership
  - Accountability
  - Transparency
  - Standards

- Assurance
- Sustainability

Each of these principles is supported by a set of guidance standards against which Councils should be assessed.

1..11 In turn the Code is structured around 7 areas of focus:

- The Responsibilities of the Chief finance officer and Leadership Team
- Governance and Financial Management Style
- Long to Medium Term Financial Management
- The Annual Budget
- Stakeholder Engagement and Business Plans
- Monitoring Financial Performance
- External Financial Reporting

Each of these areas are supported by standards against which councils should be assessed.

1.11 Appendix 2 is an updated Self Assessment against the principles set out by the Code.

## **2. Options analysis and proposal**

### **Finance Peer Review Action Plan**

- 2.1 The recommended option is for the Committee to note the Action Plan and recommend that progress is regularly reported to the future meetings of the Committee.
- 2.2 Alternatively the Committee may wish that some of the recommendation responses are further refined.

### **CIPFA FM Code Self Assessment**

- 2.3 The recommended option is for the Committee to note the Self-Assessment recommend that progress is regularly reported to the future meetings of the Committee.
- 2.4 Alternatively the Committee may wish that some elements of the Self-Assessment are further refined.

## **3. Financial implications**

- 3.1 The Action Plan and the FM Code Self-Assessment will support the Council's ability to meet the challenges generated by the COVID-19 economic impacts and uncertainties as we move into Recovery and to ensure that we continue to manage our finances effectively

## **4. Other considerations**

- 4.1 In responding to the recommendations around policy clarity and prioritisation the Council will have regard to Equality impacts and where relevant will

undertake Equality Impact Assessments, for example if decisions are made about changing the way services are provided.

**5. Equality and Diversity**

5.1 Detail how the recommended proposals will impact equality and diversity and mitigation measures being taken.

**6. Sustainability/Climate Change Implications**

6.1 In addressing recommendations around policy prioritisation, one of the clear priorities will be tackling Climate Change.

**7. Timetable for implementation**

7.1 The Peer Review Action Plan has a set of target implementation dates

**Background papers: (There are none.**

**Appendices:**

**Appendix A: Updated as at November 2021 Finance Peer Review Action Plan**

**Appendix B : Updated as at November 2021 CIFPA FM Code Self Assessment**

**Spelthorne Finance Peer Review Action Plan – October 2021**  
**26/10/21 2021**

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Recommendation	Action	Owner	Target for implementation	Progress to date including key documents	Measure of Success
1.Ensure that there is alignment of key strategies and priorities and that they are supported by a clear and sustainable financial strategy. The Council may need to: pause – reflect – realign	Cabinet to approve updated Outline Budget Strategy in January 2021. Outline Budget gap projections supported by modelling of a number of scenarios.	Cabinet/MAT/Chief Finance Officer	27/1/21 29/11/21	Outline budget and appendices 2021/22 approved by Council. 22-23 Outline Budget report going to CPRC 29/11/21 following Budget Briefing	Ensure that all sub strategies align to the Council approved corporate plan and are both clear and sustainable
	Prepare/update Council corporate plan coordinating all other strategies & setting out vision and priorities.	Leader	29/11/21 25/5/21	Leader agreed draft Corporate Plan and circulated to Chairs. Going to CPRC 29/11/21 Vision document produced	
	Review all future Council sub strategies, activity and services to ensure they align with the corporate plan.			Capital Strategy approved by Council	

	Carry out a financial review of all the sub strategies.			Risk Management Strategy – refreshed strategy and summary approved	
2. Be clear on your priorities, articulate what non-prioritisation means and how resources are aligned within the finite capacity of the organisation.	<p>Cabinet to put forward new priorities and corporate plan to Council, Corporate Plan to be developed and approved.</p> <p>New Corporate Plan and priorities to inform Outline Budget, Detailed Budget and Capital Strategy process for 2022-23 in autumn</p> <p>Follow up on IESE workshop (Prioritisation exercise)</p> <p>Review all service areas to identify work that does not contribute to the delivery of the goals</p>	Cabinet, Policy and Resources//LO’N	<p>Stage 1 – agree new Corporate Plan</p> <p>Stage 2- new Corporate Plan priorities to feed into Outline Budget, Detailed Budget and Capital Strategy process for 2022-23</p>	<p>Leadership have agreed outline of new plan and new priorities. Proposed new priorities have been published, corporate plan being developed’</p> <p>Managers briefed at MAT plus and staff at staff briefing on new corporate priorities and values</p> <p>Budget Group prioritisation exercise for 22-23</p>	<p>All job descriptions are updated and align with the corporate plan.</p> <p>All staff have been fully briefed by the Leader and CEO on the new corporate plan. Yes</p> <p>Full review of every role to ensure focus is on delivering the corporate plan and</p>

	<p>of the corporate plan. Stop doing this type of task and focus on those that will deliver the results required. <b>Ensure service plans link to and deliver on priorities and strategies.</b></p> <p>All Group Heads and Service Managers to review individual job descriptions and work carried out to realign with the corporate plan.</p> <p>Reassess staff numbers and future requirements in order to deliver the corporate plan.</p> <p>Have we got the infrastructure to deliver the results of the corporate plan?</p>	<p>Group Head Commissioning and Transformation</p>		<p>23-24 Budget application of zero based budgeting</p> <p>Project Management team to assist service delivery in the process to maximise efficiency</p>	<p>those tasks that don't fit are stopped. Service plans align with corporate plan and continue transformation programme to support effective service delivery across the organisation</p> <p>Carry out a staff planning exercise to align FTEs with delivering the goals set out.22-23 Budget to include FTE summary</p> <p>Ensuring that we have the</p>
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					IT infrastructure to deliver the plans.  Council agrees and signs off Corporate Plan
3. Understand and manage risk and its impact on future financial performance and sustainability. (The tools for this will be a new corporate plan that aligns commercial, affordable housing, climate action and financial planning. This should be married with a refreshed MTFS including detailed scenario planning. The peer team recognise that progress on this is already underway.)	Links to 1 and 2 above Outline Budget gap projections supported by modelling of a number of scenarios.  Review and consider the impact of the pandemic and how this will influence financial performance and sustainability & risk management strategy going forward and for future incidents.  Weekly monitoring of rent performance and managing financial risk	Chief Finance Officer, Chief Accountant	Ongoing	Outline Budget approved  Follows on from 2 above.  Risk Management Strategy approved 2020  Risk Management Policy summary produced and approved by Audit Committee  Risk Management Training rolled out across staff.	Risk Management Strategy & COVID-19 Risk Assessment & Recovery Plan (TBC).  Terms of reference for the Rent Collections meeting.- Terms of Reference for Assets Portfolio Working



4. Improve capital programme scheme implementation performance and be satisfied that delivery vehicles can successfully realise the scale of ambition.	Chief Accountant working with Accountancy team to improve level of support and critical challenge provided to service managers. Chief accountant looking have monthly summary reporting for our larger	Chief Accountant	Allow time for new Committee system to bed in October 2021	Initial discussions have taken place on improved monthly summary reports Paul has refined the reports further – Deputy Leader and Leader requested a further external review	Improved Capital Monitoring Reporting from Q1  Lewis + fin model

	<p>projects, say, over £10m in order to keep a closer eye on major projects and manage risk. Will focus on refining phasing of capital budget so we can monitor planned expenditure against actuals. This would be one for Lewis to lead with the accountants.</p> <p>An additional resource has been agreed as a growth bid from 2021/22 onward within the Assets team. The postholder will be responsible for detailed budget monitoring and project management reporting for the development programme.</p> <p>Capital programme multi year reporting</p> <p>50 year projections for</p>		<p>February 2022</p>	<p>Growth bid approved for additional resource in Assets. Report to MAT in April for formal agreement and then out to advert</p> <p>Development Sub-Committee Set up</p> <p>Terms sheets set to ensure clarity at outset of proposals</p>	
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	<p>KGE (Property acquisition or development)</p> <p>KGE &amp; SDS strategic plan, budget and capital monitoring to align with Spelthorne BC timetable.</p> <p>Improve Capital Programme Reporting - Lewis</p>				
<p>5. Ensure that effective programme and project management is embedded across the organisation for both capital and revenue spend reflecting internal controls and proportionate risk management.</p>	<p><b>Asset Projects</b> New Development Sub Committee being set up which will cover Investment and Development projects</p> <p><b>Other projects</b> Other project capital and revenue projects are overseen by the Project Team and will be reported to the Corporate Policy and Resources Committee</p>	<p>Group Head Regeneration</p> <p>Group Head Transformation</p>	<p>Allow time for new Committee system and subcommittee to bed in October 2021</p>	<p>Terms of reference for new Development Sub Committee to be recommended for approval at ECM on 25<sup>th</sup> March 2021</p> <p>Sub Committee up and running considering viability proposals. Term Sheets now being used to make clearer at outset the deliverables for</p>	<p>Programme Board</p>

	Revised Project Management system to be implemented and followed – refreshed across the council (Route 1 or 2), with finance involved from Day 1		Start October 21 but need to develop into electronic version to maximise simplicity of use whilst capturing relevant information end March 22	development projects Revised Project Framework being developed which will ensure finance and procurement are involved on day 1 [Sandy to update]	PID process
6. To continue to promote openness and transparency by ensuring decisions are taken at the most appropriate level in accordance with a practical and proportionate scheme of delegation	Will be achieved with a move to the Committee system  Update Scheme of Delegations and implement it	MAT	End May 2021 (assuming committee system is agreed)	Move to Committee system and updated Constitution to be recommended for approval at ECM on 25 <sup>th</sup> March 2021 New Constitution and scheme of delegation approved  Detailed Budget for 22-23 to make clear	Internal Audit reports  CIP (Root and Branch)  External audit  New Constitution

				resources supporting assets and KGE	
7. Recognise and articulate the challenges ahead for both capital and revenue in the present day and medium to longer term.	Address in Outline Budget, Capital Strategy, Revenue Budget and Capital Programme reports. Chief Accountant working to start the Budget process earlier which will help provide clarity earlier (with MAT+ for consideration).  Need to consider ongoing impact of COVID-19 on next few years.	CFO, Chief Accountant	This will need to feed into next Budget process which Chief Accountant is already working on (with a view to bringing forward earlier most of the process and integrating better with service plan. February 2022	Outline Budget, Reserves Policy and Capital Programme and Capital Strategy approved for 2021-22  Detailed Budget, Capital Strategy being developed for 2022-23	
8. Continue to recognise the importance of the investment and commercial income stream to the revenue	Officers in liaison with councillors' feedback to continue to refine the Revenue Monitoring reports. Officers to work with Financial Reporting	CFO, Chief Accountant	October 2021	Leader agreed to defer in order to align with move to new Centros platform in April/May 2022	

<p>budget in reporting.</p>	<p>Task Group</p> <p>Finance and CIP to develop a programme of support to help managers increase frequency of spend and customer numbers.</p> <p>What do we need to continue doing, stop doing or start doing in respect of our discretionary spends?</p> <p>Carry out a consultation about what we want to deliver. (put in item 1 and 2 above)</p> <p>To align investments and actions on commercial incomes in line with financial, social/ethical and environmental principles. Ethical investments?</p>			<p>2022-23 Detailed Budget will make more transparent the resources underpinning the delivery of investment income</p> <p>Use transformation programme to draw together work strands within programmes to ensure meet corporate priorities Programme provides detailed analysis of what we need to continue doing, stop doing or start doing</p> <p>[Paul/Sandy] any update?</p> <p>Zero based budgeting to be undertaken for 2023-24</p>	
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				Budget consultation with residents and businesses being undertaken in November 2021	
9. Consider simplifying financial reporting to members to make it clearer what options the council faces. Within this, model different scenarios and openly consider the impacts of these on financial sustainability.	Links to 5 - 8 above. Chief Accountant to focus on draw out key issues in executive summary at front of reports. Outline Budget to model more scenarios. Budget process to have more sessions involving councillors	CFO, Chief Accountant	October 2021	Initial meeting of Financial Reporting Task Group taken place Leader agreed to deferred to April 2022 to align with Centros  Leader and Deputy requested external perspective to review	PT to populate
10. Extend scenario planning for the refreshed Medium-Term Financial Strategy (MTFS) scenarios beyond the existing worst-case approach which is modelled for the sinking fund reserve	Links to 3 above.  Outline Budget scenario modelling	CFO, Chief Accountant	Will feed into next Budget process – February 2022	Outline Budget for 21-22 included 7 different scenarios which were discussed with Opposition Groups, O&S as well as Cabinet.  Outline Budget scenario model	KGE 50 years model  New budget model  Uploaders

				refreshed for 22-23 to make easier to model multiple scenarios  Extensive modelling of a number of different permutations on developments with respect to number of storeys to explore impact on viability	
11. Ensure you have clear strategies on the core elements of financial planning and bring them together – Reserves Strategy, (including Sinking Fund), Commercial Strategy, Housing Strategy	Reserves Strategy being refreshed and brought to Cabinet January 2021 Sinking Funds reserves methodology has been reviewed by O&S and encompassed in Capital Strategy Housing Strategy approved by Council February 2020 and being updated with increased targets for affordable housing rental units	Chief Accountant, Chief Finance Officer, Group Head Regeneration, Joint Group Heads Community Wellbeing	27/1/21	Reserves Strategy approved, Housing Strategy approved but to be refreshed and updated	Reserves Strategy  Fin Man Code Self Assessment.

	Include a Movement in Reserves Statement (MiRS)				
12. Work collaboratively within a culture of cooperative working between members and officers to continually refresh the MTFS.	<p>LGA Top Team work will focus on this. Support Cabinet members with appropriate briefings and training for example Treasury Management training</p> <p>Do Councillors understand the impact of their decision making</p> <p>Budget setting process understanding</p> <p>New titles for the reports under the sub committees - refresh</p>	Leader, Cabinet, MAT	December 2021	<p>Refreshed MTFS (Outline Budget approved) following sessions with Cabinet and O&amp;S Budget Briefing Session November 2021</p> <p>Treasury Management training session for councillors run on 18<sup>th</sup> March- highlighted councillors responsibilities as well as officers'</p> <p>Weekly review with the administration specific on finance and cash flow and general day to day</p>	MTFS
13. Consider bringing an independent voice to the Audit	To be considered as part of Governance Review	Monitoring Officer	June 2021	Lay member being recruited November 2021 – Audit	

Committee to strengthen overall audit resilience				Committee will have an independent lay member, officers have started to explore approach to recruiting	
14. Ensure outcomes of budget consultations and engagement with stakeholders are clearly reported to members as part of the budget setting process.	Will raise option of undertaking structured budget consultation to feed into 2022-23 Budget process  In hand and expand here	Chief Finance Officer, Chief Accountant	February 2022	To address as part of Budget Plan for 2022-23  November 21 Budget Consultation to feed into the Budget process	
15. Continue to explore further opportunities for Scrutiny Committee to be engaged in strategy development and financial decision-making and review.	The proposed new committee system will have the Overview and Scrutiny function built into to each committee.	Monitoring Officer, Chief Finance Officer, MAT	End May 2021	Move to Committee system approved on 25 <sup>th</sup> March 2021 - part of each committee's responsibility now  This recommendation no longer applicable	
16. Consider how to ensure that co-ordination of risk	Executive summary of new Corporate Risk Management Strategy	Monitoring Officer, Chief Finance Officer, Chief Accountant	Ongoing Date for training in here?	Executive Risk Strategy approved at Audit Committee on 18 <sup>th</sup> March 2021	

management activity throughout the organisation is appropriately embedded and resourced with a strong corporate overview.	to be produced Risk Management training to be provided to officers and councillors			Visual rather than narrative- Councillors happy with more visual document	
17. Ensure that the council's compliance with the statutory duty to consult representatives of nondomestic ratepayers – section 65 LGFA 1992 is clearly communicated and the results of this are seen to clearly influence decision-making.	Addressed through session with Spelthorne Business Forum (SBF) in February	Chief Finance Officer	Ongoing	SBF Budget consultation took place on 15 <sup>th</sup> February 2021 (and is done annually)	
18. Continue to keep the capacity and skills of the finance function under review, and ensure it is fit for purpose.	Chief Finance Officer and Chief Accountant reviewing training requirements. New technical Accountant post commenced November 2020	Chief Accountant, Chief Finance Officer	Ongoing	Chief Accountant reviewing team structure and resources- S151 and Chief Accountant bringing forward partnership proposal with Mole Valley to address resilience and ensure right skills	Internal Audi

				in the team	
19. Continue to regularly review the resourcing of Internal Audit to ensure it is appropriately resourced to reflect the scale of risk the council is managing.	Some additional budget being provided to enable additional buying in of flexible resource	Monitoring Officer, Audit Manager		Monitoring Officer undertaking a review  [Victorial what was the outcome?]	Audit Committee
20. Consider how to better integrate the key functions of the council to deliver financial sustainability and build a strong culture of shared risk management that encompasses assets, property, income, and service delivery.		MAT, Policy and Resources, Audit Committee		Corporate Risk Management Policy updated and approved by Audit Committee October 2020	
22. Explore how to maximise all opportunities for community and service improvements, such as more effective use of section 106 agreements.	Recovery Plan will include how the borough will deliver community improvements in light of the changed circumstances brought about by COVID-19.  Review s106	MAT, Group Head Regeneration, Group Head Transformation	October 2021 for S106  March 2022 for IDP (linked to Local Plan timetable)	Recovery Plan being approved and being regularly reported on with respect to progress  CIL Task Group regularly making recommendations for	

	<p>agreements and their use for any opportunities for community.</p> <p>Infrastructure Delivery Plan (part of the revised Local Plan) sets out strategic requirements which will inform future Community Infrastructure Levy (CIL) spend</p>			application of CIL fund	
<p>22. Consider how to engage staff and stakeholders in the refresh of the council's MTFs and promote a wide understanding of the council's future options</p>	<p>Session for Group Leaders and Group finance leads in December 2020. Outline Budget going to O&amp;S in January 2021</p> <p>Regular updates provided at staff meetings and at Council meetings</p> <p>Consider options for wider stakeholder engagement including</p>	<p>Chief Finance Officer, Chief Accountant</p>	<p>December 2022</p>	<p>Revised outline Budget report approved for 2021 after taking through Overview and Scrutiny in January 2021</p> <p>Budget consultation with residents. Officers engagement with new committee chairs</p>	

	with residents on priorities for spend				
23. Have an open dialogue about the financial implications of the council's emerging priorities, including potential impacts on the council's borrowing.	<p>Part of the discussion at the ECM on 21 January 2021 and through the Capital Strategy</p> <p>Ongoing series of briefing/training sessions for the new committees once they are up and running and the corporate priorities have been agreed.</p> <p>Quarterly liaison meetings with Arlingclose.</p> <p>Incorporate Movement in Reserves Statement (MiRS) within budget monitoring and Capital Financing Requirement (CFR) requirement</p>	Chief Finance Officer. MAT, Policy and Resources Committee	Ongoing	<p>Capital Strategy approved for 2021-22</p> <p>Mini TM report around CFR and impact on Councils funding.</p> <p>TM reporting being made concise and visual</p> <p>Leader attending quarterly monitoring with ArlingClose</p> <p>Being addressed as part of the 2022-23 Budget process, highlighting the impact on revenue budget of development delays</p>	

				[Paul we have yet to do this]	
24. Consider what does a diverse mix of housing really mean for the borough? How will the council use both Private Rented Sector and Market Sale to meet local need and to deliver financial returns?	<p>March 2021 Cabinet and KGE Board in parallel discussed viability of housing delivery and potential need for element of private sales as part of the delivery mix highlight.</p> <p>KGE Integrated Business Plan has been refreshed.</p> <p>Focus on key risks including blended interest rate between Social Housing &amp; Keyworker v private rental.</p> <p>Select balance to fit with Council's Corporate plan in 1 above whilst minimising financial impact on the council</p>	Strategic Housing Group and KGE Board	June 2021	<p>Highlighted as an issue in the Benwell House transfer reports which went to Cabinet and KGE Board in March 2021</p> <p>Discussed at Extraordinary Overview and Scutiny Committee 7<sup>th</sup> April</p> <p>Revised steer from January 21 ECM with developments to have at least 50% affordable housing.</p>	Agreed strategy document with full costings and scenario planning

	<p>Monitor voids on a weekly basis and report monthly with remedial action taken.</p> <p>Recommendations from O&amp;S 7<sup>th</sup> April accepted by Cabinet also address</p>				
<p>25. Clarify how the council is going to deal with viability issues for both individual housing schemes and the performance of your housing company.</p>	<p>KGE Business Plan being refreshed over 50 year time frame Cabinet has provided a steer on valuation basis to be used for transferring developments from Council to KGE. New NEDs will provide additional expertise and challenge on KGE Board</p> <p>As 23 above KGE 5 Year integrated business plan refreshed</p> <p>Align KGE with budget monitoring and financial reporting time line for</p>	<p>Chief Accountant, Chief Finance Officer</p>	<p>June 2021</p>	<p>Budget and 5 year business plan for KGE Being refreshed.</p> <p>50 year KGE viability model covering P&amp;L, Balance Sheet and Cashflow produced</p> <p>2022-23 KGE Budget being produced in parallel to SBC</p>	<p>Set out in strategy document in 23.</p> <p>Quarterly revenue and budget monitoring</p> <p>Annual budget and planning setting.</p> <p>Monthly Board meetings to agree and evaluate information.</p>

	the Council.			budget and KGE elements highlighted within SBC detailed budget	Raise any issues with Spelthorne BC within 7 days of Board meeting.
26. Consider what delivery models will be most appropriate and allow the Council to deliver agreed ambitions, and whether existing models are fit for this purpose?	<p>Council in context of the unitary discussion having exploratory discussions with neighbouring Surrey councils about potential for collaborative service delivery</p> <p>Consider transactional services in particular, i.e., Council Tax, NNDR, Benefits, Income, Payments,</p> <p>Are there opportunities for Spelthorne Council to be the main contractor for refuse services in other Districts</p>	MAT, Policy and Resources Committee	February 2022	<p>Spelthorne Direct Services set up and making good progress.</p> <p>To be reviewed as part of a) Options for closing Outline Budget 22-23 and b) as Working Group on Delivery Options</p>	Review completed and programme developed

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**Spelthorne Finance Peer Review Action Plan – October 2021**  
26/10/21 ~~6<sup>th</sup> April~~ 2021

Recommendation	Action	Owner	Target for implementation	Progress to date including key documents	Measure of Success
1.Ensure that there is alignment of key strategies and priorities and that they are supported by a clear and sustainable financial strategy. The Council may need to: pause – reflect – realign	<p>Cabinet to approve updated Outline Budget Strategy in January 2021. Outline Budget gap projections supported by modelling of a number of scenarios.</p> <p>Prepare/update Council corporate plan coordinating all other strategies &amp; setting out vision and priorities.</p> <p>Review all future Council sub strategies, activity and services to ensure they align with the corporate plan.</p>	<p>Cabinet/MAT/Chief Finance Officer</p> <p><u>Leader</u></p>	<p>27/1/21 <u>29/11/21</u></p> <p><u>29/11/21</u></p> <p>25/5/21</p>	<p>Outline budget and appendices 2021/22 approved by Council. <u>22-23 Outline Budget report going to CPRC 29/11/21 following Budget Briefing</u></p> <p><u>Leader agreed draft Corporate Plan and circulated to Chairs. Going to CPRC 29/11/21 Vision document produced</u></p> <p>Capital Strategy approved by Council</p>	Ensure that all sub strategies align to the Council approved corporate plan and are both clear and sustainable

	Carry out a financial review of all the sub strategies.			Risk Management Strategy – refreshed strategy and summary approved	
2. Be clear on your priorities, articulate what non-prioritisation means and how resources are aligned within the finite capacity of the organisation.	<p>Cabinet to put forward new priorities and corporate plan to Council, Corporate Plan to be developed and approved.</p> <p>New Corporate Plan and priorities to inform Outline Budget, Detailed Budget and Capital Strategy process for 2022-23 in autumn</p> <p>Follow up on IESE workshop (Prioritisation exercise)</p> <p>Review all service areas to identify work that does not contribute</p>	Cabinet, Policy and Resources//LO'N	<p>Stage 1 – agree new Corporate Plan</p> <p>Stage 2- new Corporate Plan priorities to feed into Outline Budget, Detailed Budget and Capital Strategy process for 2022-23</p>	<p>Leadership have agreed outline of new plan and new priorities. Proposed new priorities have been published, corporate plan being developed'</p> <p><a href="#">Managers briefed at MAT plus and staff at staff briefing on new corporate priorities and values</a></p>	<p>All job descriptions are updated and align with the corporate plan.</p> <p>All staff have been fully briefed by the Leader and CEO on the new corporate plan.<a href="#">Yes</a></p> <p>Full review of every role to ensure focus is on delivering the corporate plan and</p>

	<p>to the delivery of the goals of the corporate plan. Stop doing this type of task and focus on those that will deliver the results required.  <b>Ensure service plans link to and deliver on priorities and strategies.</b></p> <p>All Group Heads and Service Managers to review individual job descriptions and work carried out to realign with the corporate plan.</p> <p>Reassess staff numbers and future requirements in order to deliver the corporate plan.</p> <p>Have we got the infrastructure to deliver the results of the corporate plan?</p>	<p><u>Group Head Commissioning and Transformation</u></p>		<p><u>Budget Group prioritisation exercise for 22-23</u>  <u>23-24 Budget application of zero based budgeting</u></p> <p><u>Project Management team to assist service delivery in the process to maximise efficiency</u></p>	<p>those tasks that don't fit are stopped.  <u>Service plans align with corporate plan and continue transformation programme to support effective service delivery across the organisation</u></p> <p>Carry out a staff planning exercise to align FTEs with delivering the goals set out.<u>22-23 Budget to include FTE summary</u></p> <p>Ensuring that we have the</p>
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					IT infrastructure to deliver the plans.  Council agrees and signs off Corporate Plan
3. Understand and manage risk and its impact on future financial performance and sustainability. (The tools for this will be a new corporate plan that aligns commercial, affordable housing, climate action and financial planning. This should be married with a refreshed MTFS including detailed scenario planning. The peer team recognise that progress on this is already underway.)	Links to 1 and 2 above Outline Budget gap projections supported by modelling of a number of scenarios.  Review and consider the impact of the pandemic and how this will influence financial performance and sustainability & risk management strategy going forward and for future incidents.  Weekly monitoring of rent performance and managing financial risk	Chief Finance Officer, Chief Accountant	Ongoing	Outline Budget approved  Follows on from 2 above.  Risk Management Strategy approved 2020  <a href="#">Risk Management Policy summary produced and approved by Audit Committee</a>  <a href="#">Risk Management Training rolled out across staff.</a>	Risk Management Strategy & COVID-19 Risk Assessment & Recovery Plan (TBC).  Terms of reference for the Rent Collections meeting.- <a href="#">Terms of Reference for Assets Portfolio Working</a>

	<p>through a 10 year review of the sinking funds, with the administration and Officers.</p> <p>Develop financial models to provide improved risk management and scenario planning at a variety of levels.</p> <p>Where appropriate utilise Integra (Financial system) to produce dash boards to reflect the above for relevant officers and work with officers to produce automated monthly reports to monitor progress against plan, to avoid data dumping into excel for further manipulation.</p>		<p>Ongoing</p> <p><del>Autumn 2021</del> Spring</p>	<p><u>Undertaken by Group Head Corporate Governance and Audit Manager</u></p> <p><u>Weekly Rent Collection Meeting transitioned into fortnightly Assets Portfolio Working Group</u></p> <p><u>Paul Taylor refreshed rental viability models being used to support proposals going to Sub-Committee</u></p> <p><u>To be aligned with move to Centros and potentially the partnership with Mole Valley</u></p>	<p><u>Group approved</u></p>
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4. Improve capital programme scheme implementation performance and be satisfied that delivery vehicles can successfully realise the scale of ambition.	Chief Accountant working with Accountancy team to improve level of support and critical challenge provided to service managers. Chief accountant looking have monthly summary	Chief Accountant	Allow time for new Committee system to bed in October 2021	Initial discussions have taken place on improved monthly summary reports <a href="#">Paul has refined the reports further – Deputy Leader and Leader requested a</a>	Improved Capital Monitoring Reporting from Q1  Lewis + fin model

	<p>reporting for our larger projects, say, over £10m in order to keep a closer eye on major projects and manage risk. Will focus on refining phasing of capital budget so we can monitor planned expenditure against actuals. This would be one for Lewis to lead with the accountants.</p> <p>An additional resource has been agreed as a growth bid from 2021/22 onward within the Assets team. The postholder will be responsible for detailed budget monitoring and project management reporting for the development programme.</p> <p>Capital programme multi year reporting</p>		<p>February 2022</p>	<p><a href="#">further external review</a></p> <p>Growth bid approved for additional resource in Assets. Report to MAT in April for formal agreement and then out to advert</p> <p><a href="#">Development Sub-Committee Set up</a></p> <p><a href="#">Terms sheets set to ensure clarity at outset of proposals</a></p>	
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	<p>50 year projections for KGE (Property acquisition or development)</p> <p>KGE &amp; SDS strategic plan, budget and capital monitoring to align with Spelthorne BC timetable.</p> <p>Improve Capital Programme Reporting - Lewis</p>				
<p>5. Ensure that effective programme and project management is embedded across the organisation for both capital and revenue spend reflecting internal controls and proportionate risk management.</p>	<p><b>Asset Projects</b> New Development Sub Committee being set up which will cover Investment and Development projects</p> <p><b>Other projects</b> Other project capital and revenue projects are overseen by the Project Team and will be reported to the</p>	<p>Group Head Regeneration</p> <p>Group Head Transformation</p>	<p>Allow time for new Committee system and subcommittee to bed in October 2021</p>	<p>Terms of reference for new Development Sub Committee to be recommended for approval at ECM on 25<sup>th</sup> March 2021</p> <p><a href="#"><u>Sub Committee up and running considering viability proposals. Term Sheets now being used to make clearer at outset the</u></a></p>	<p>Programme Board</p>

	<p>Corporate Policy and Resources Committee</p> <p><del>PID</del> Revised Project Management system to be implemented and followed – refreshed across the council (Route 1 or 2), with finance involved from Day 1</p>		<p>Start October 21 but need to develop into electronic version to maximise simplicity of use whilst capturing relevant information end March 22</p>	<p><u>deliverables for development projects</u></p> <p>Revised Project Framework being developed which will ensure finance and procurement are involved on day 1 [Sandy to update]</p>	<p>PID process</p>
<p>6. To continue to promote openness and transparency by ensuring decisions are taken at the most appropriate level in accordance with a practical and proportionate scheme of delegation</p>	<p>Will be achieved with a move to the Committee system</p> <p>Update Scheme of Delegations and implement it</p>	<p>MAT</p>	<p>End May 2021 (assuming committee system is agreed)</p>	<p>Move to Committee system and updated Constitution to be recommended for approval at ECM on 25<sup>th</sup> March 2021</p> <p><u>New Constitution and scheme of delegation approved</u></p>	<p>Internal Audit reports</p> <p>CIP (Root and Branch)</p> <p>External audit</p> <p>New Constitution</p>

				<a href="#">Detailed Budget for 22-23 to make clear resources supporting assets and KGE</a>	
7. Recognise and articulate the challenges ahead for both capital and revenue in the present day and medium to longer term.	Address in Outline Budget, Capital Strategy, Revenue Budget and Capital Programme reports. Chief Accountant working to start the Budget process earlier which will help provide clarity earlier (with MAT+ for consideration).  Need to consider ongoing impact of COVID-19 on next few years.	CFO, Chief Accountant	This will need to feed into next Budget process which Chief Accountant is already working on (with a view to bringing forward earlier most of the process and integrating better with service plan. February 2022	Outline Budget, Reserves Policy and Capital Programme and Capital Strategy approved for 2021-22  <a href="#">Detailed Budget, Capital Strategy being developed for 2022-23</a>	
8. Continue to recognise the importance of the investment and	Officers in liaison with councillors' feedback to continue to refine the Revenue Monitoring	CFO, Chief Accountant	October 2021	<a href="#">Leader agreed to defer in order to align with move to new</a>	

<p>commercial income stream to the revenue budget in reporting.</p>	<p>reports. Officers to work with Financial Reporting Task Group</p> <p>Finance and CIP to develop a programme of support to help managers increase frequency of spend and customer numbers.</p> <p>What do we need to continue doing, stop doing or start doing in respect of our discretionary spends?</p> <p>Carry out a consultation about what we want to deliver. (put in item 1 and 2 above)</p> <p><u>To align investments and actions on commercial incomes in line with financial, social/ethical and environmental principles.</u> Ethical investments?</p>			<p><u>Centros platform in April/May 2022</u></p> <p><u>2022-23 Detailed Budget will make more transparent the resources underpinning the delivery of investment income</u></p> <p><u>Use transformation programme to draw together work strands within programmes to ensure meet corporate priorities</u>  <u>Programme provides detailed analysis of what we need to continue doing, stop doing or start doing</u></p> <p><u>[Paul/Sandy] any update?</u></p>	
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**Commented [MS1]:** Isn't this part of budget consultation so move down??

				<a href="#">Zero based budgeting to be undertaken for 2023-24</a>  <a href="#">Budget consultation with residents and businesses being undertaken in November 2021</a>	
9. Consider simplifying financial reporting to members to make it clearer what options the council faces. Within this, model different scenarios and openly consider the impacts of these on financial sustainability.	Links to 5 - 8 above. Chief Accountant to focus on draw out key issues in executive summary at front of reports. Outline Budget to model more scenarios. Budget process to have more sessions involving councillors	CFO, Chief Accountant	October 2021	Initial meeting of Financial Reporting Task Group taken place <a href="#">Leader agreed to deferred to April 2022 to align with Centros</a>  <a href="#">Leader and Deputy requested external perspective to review</a>	PT to populate
. 10. Extend scenario planning for the refreshed Medium-Term Financial	Links to 3 above. Outline Budget scenario modelling	CFO, Chief Accountant	Will feed into next Budget process – February 2022	Outline Budget for 21-22 included 7 different scenarios which were	KGE 50 years model

<p>Strategy (MTFS) scenarios beyond the existing worst-case approach which is modelled for the sinking fund reserve</p>				<p>discussed with Opposition Groups, O&amp;S as well as Cabinet.</p> <p><a href="#"><u>Outline Budget scenario model refreshed for 22-23 to make easier to model multiple scenarios</u></a></p> <p><a href="#"><u>Extensive modelling of a number of different permutations on developments with respect to number of storeys to explore impact on viability</u></a></p>	<p>New budget model</p> <p>Uploaders</p>
<p>11. Ensure you have clear strategies on the core elements of financial planning and bring them together – Reserves Strategy, (including Sinking Fund), Commercial</p>	<p>Reserves Strategy being refreshed and brought to Cabinet January 2021 Sinking Funds reserves methodology has been reviewed by O&amp;S and encompassed in Capital Strategy</p>	<p>Chief Accountant, Chief Finance Officer, Group Head Regeneration, Joint Group Heads Community Wellbeing</p>	<p>27/1/21</p>	<p>Reserves Strategy approved, Housing Strategy approved but to be refreshed and updated</p>	<p>Reserves Strategy</p> <p>Fin Man Code Self Assessment.</p>

<p>Strategy, Housing Strategy</p>	<p>Housing Strategy approved by Council February 2020 and being updated with increased targets for affordable housing rental units</p> <p>Include a Movement in Reserves Statement (MiRS)</p>				
<p>12. Work collaboratively within a culture of cooperative working between members and officers to continually refresh the MTFS.</p>	<p>LGA Top Team work will focus on this. Support Cabinet members with appropriate briefings and training for example Treasury Management training</p> <p>Do Councillors understand the impact of their decision making</p> <p>Budget setting process understanding</p>	<p>Leader, Cabinet, MAT</p>	<p>December 2021</p>	<p>Refreshed MTFS (Outline Budget approved) following sessions with Cabinet and O&amp;S <a href="#">Budget Briefing Session November 2021</a></p> <p>Treasury Management training session for councillors run on 18<sup>th</sup> March-highlighted councillors responsibilities as well as officers'</p>	<p>MTFS</p>

	New titles for the reports under the sub committees - refresh			Weekly review with the administration specific on finance and cash flow and general day to day	
13. Consider bringing an independent voice to the Audit Committee to strengthen overall audit resilience	To be considered as part of Governance Review	Monitoring Officer	June 2021	<a href="#">Lay member being recruited November 2021</a> <del>To be</del> addressed as part of new Committee's governance – Audit Committee will have an independent lay member, officers have started to explore approach to recruiting	
14. Ensure outcomes of budget consultations and engagement with stakeholders are clearly reported to members as part of the budget setting process.	Will raise option of undertaking structured budget consultation to feed into 2022-23 Budget process  In hand and expand here	Chief Finance Officer, Chief Accountant	February 2022	To address as part of Budget Plan for 2022-23  <a href="#">November 21 Budget Consultation to feed into the Budget process</a>	
15. Continue to explore further opportunities for	The proposed new committee system will	Monitoring Officer, Chief Finance Officer, MAT	End May 2021	Move to Committee system <del>to be</del>	

Scrutiny Committee to be engaged in strategy development and financial decision-making and review.	have the Overview and Scrutiny function built into to each committee.			<u>recommended for approval at ECM approved</u> on 25 <sup>th</sup> March 2021 - part of each committee's responsibility now  <u>This recommendation no longer applicable</u>	
16. Consider how to ensure that co-ordination of risk management activity throughout the organisation is appropriately embedded and resourced with a strong corporate overview.	Executive summary of new Corporate Risk Management Strategy to be produced Risk Management training to be provided to officers and councillors	Monitoring Officer, Chief Finance Officer, Chief Accountant	Ongoing Date for training in here?	<u>Draft Executive Risk Strategy considered approved</u> at Audit Committee on 18 <sup>th</sup> March <u>2021</u>  Visual rather than narrative- <u>Councillors happy with more visual document</u>	
17. Ensure that the council's compliance with the statutory duty to consult representatives of nondomestic ratepayers – section 65	Addressed through session with Spelthorne Business Forum (SBF) in February	Chief Finance Officer	Ongoing	SBF Budget consultation took place on 15 <sup>th</sup> February 2021 (and is done annually)	

LGFA 1992 is clearly communicated and the results of this are seen to clearly influence decision-making.					
18. Continue to keep the capacity and skills of the finance function under review, and ensure it is fit for purpose.	Chief Finance Officer and Chief Accountant reviewing training requirements. New technical Accountant post commenced November 2020	Chief Accountant, Chief Finance Officer	Ongoing	Chief Accountant reviewing team structure and resources- <a href="#">S151 and Chief Accountant bringing forward partnership proposal with Mole Valley to address resilience and ensure right skills in the team</a>	Internal Audi
19. Continue to regularly review the resourcing of Internal Audit to ensure it is appropriately resourced to reflect the scale of risk the council is managing.	Some additional budget being provided to enable additional buying in of flexible resource	Monitoring Officer, Audit Manager		Monitoring Officer undertaking a review  <a href="#">[Victorial what was the outcome?]</a>	Audit Committee
20. Consider how to better integrate the key functions of the council to deliver financial sustainability and build		MAT, Policy and Resources, Audit Committee		Corporate Risk Management Policy updated and approved by Audit	

<p>a strong culture of shared risk management that encompasses assets, property, income, and service delivery.</p>				<p>Committee <del>last year</del> <u>October 2020</u></p>	
<p>22. Explore how to maximise all opportunities for community and service improvements, such as more effective use of section 106 agreements.</p>	<p>Recovery Plan will include how the borough will deliver community improvements in light of the changed circumstances brought about by COVID-19.</p> <p>Review s106 agreements and their use for any opportunities for community.</p> <p>Infrastructure Delivery Plan (part of the revised Local Plan) sets out strategic requirements which will inform future Community Infrastructure Levy (CIL) spend</p>	<p>MAT, Group Head Regeneration, Group Head Transformation</p>	<p>October 2021 for S106</p> <p>March 2022 for IDP (linked to Local Plan timetable)</p>	<p>Recovery Plan being <u>approved and being regularly reported on with respect to progress</u><del>drafted</del></p> <p><u>CIL Task Group regularly making recommendations for application of CIL fund</u></p>	

<p>22. Consider how to engage staff and stakeholders in the refresh of the council's MTFs and promote a wide understanding of the council's future options</p>	<p>Session for Group Leaders and Group finance leads in December 2020. Outline Budget going to O&amp;S in January 2021</p> <p>Regular updates provided at staff meetings and at Council meetings</p> <p>Consider options for wider stakeholder engagement including with residents on priorities for spend</p> <p>Af</p>	<p>Chief Finance Officer, Chief Accountant</p>	<p>December 2022</p>	<p>Revised outline Budget report approved for 2021 after taking through Overview and Scrutiny in January 2021</p> <p><a href="#">Budget consultation with residents.</a> <a href="#">Officers engagement with new committee chairs</a></p>	
<p>23. Have an open dialogue about the financial implications of the council's emerging priorities, including potential impacts on the council's borrowing.</p>	<p>Part of the discussion at the ECM on 21 January 2021 and through the Capital Strategy</p> <p>Ongoing series of briefing/training sessions for the new</p>	<p>Chief Finance Officer. MAT, Policy and Resources Committee</p>	<p>Ongoing</p>	<p>Capital Strategy approved for 2021-22</p> <p>Mini TM report around CFR and impact on Councils funding.</p>	

	<p>committees once they are up and running and the corporate priorities have been agreed.</p> <p>Quarterly liaison meetings with Arlingclose.</p> <p>Incorporate Movement in Reserves Statement (MiRS) within budget monitoring and Capital Financing Requirement (CFR) requirement</p>			<p><u>TM reporting being made concise and visual</u></p> <p><u>Leader attending quarterly monitoring with ArlingClose</u></p> <p><u>Being addressed as part of the 2022-23 Budget process, highlighting the impact on revenue budget of development delays</u></p> <p><u>[Paul we have yet to do this]</u></p>	
<p>24. Consider what does a diverse mix of housing really mean for the borough? How will the council use both Private Rented Sector and Market Sale to meet local need and to deliver financial returns?</p>	<p>March 2021 Cabinet and KGE Board in parallel discussed viability of housing delivery and potential need for element of private sales as part of the delivery mix highlight.</p>	<p>Strategic Housing Group and KGE Board</p>	<p>June 2021</p>	<p>Highlighted as an issue in the Benwell House transfer reports which went to Cabinet and KGE Board in March 2021</p> <p>Discussed at Extraordinary Overview and</p>	<p>Agreed strategy document with full costings and scenario planning</p>

	<p>KGE Integrated Business Plan has been refreshed.</p> <p>Focus on key risks including blended interest rate between Social Housing &amp; Keyworker v private rental.</p> <p>Select balance to fit with Council's Corporate plan in 1 above whilst minimising financial impact on the council</p> <p>Monitor voids on a weekly basis and report monthly with remedial action taken.</p> <p>Recommendations form O&amp;S 7<sup>th</sup> April accepted by Cabinet also address</p>			<p>Scutiny Committee 7<sup>th</sup> April</p> <p><a href="#"><u>Revised steer from January 21 ECM with developments to have at least 50% affordable housing.</u></a></p>	
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<p>25. Clarify how the council is going to deal with viability issues for both individual housing schemes and the performance of your housing company.</p>	<p>KGE Business Plan being refreshed over 50 year time frame Cabinet has provided a steer on valuation basis to be used for transferring developments from Council to KGE. New NEDs will provide additional expertise and challenge on KGE Board</p> <p>As 23 above KGE 5 Year integrated business plan refreshed</p> <p>Align KGE with budget monitoring and financial reporting time line for the Council.</p>	<p>Chief Accountant, Chief Finance Officer</p>	<p>June 2021</p>	<p>Budget and 5 year business plan for KGE Being refreshed.</p> <p><a href="#"><u>50 year KGE viability model covering P&amp;L, Balance Sheet and Cashflow produced</u></a></p> <p><a href="#"><u>2022-23 KGE Budget being produced in parallel to SBC budget and KGE elements highlighted within SBC detailed budget</u></a></p>	<p>Set out in strategy document in 23.</p> <p>Quarterly revenue and budget monitoring</p> <p>Annual budget and planning setting.</p> <p>Monthly Board meetings to agree and evaluate information.</p> <p>Raise any issues with Spelthorne BC within 7 days of Board meeting.</p>
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<p>26. Consider what delivery models will be most appropriate and allow the Council to deliver agreed ambitions, and whether existing models are fit for this purpose?</p>	<p>Council in context of the unitary discussion having exploratory discussions with neighbouring Surrey councils about potential for collaborative service delivery</p> <p>Consider transactional services in particular, i.e., Council Tax, NNDR, Benefits, Income, Payments,</p> <p>Are there opportunities for Spelthorne Council to be the main contractor for refuse services in other Districts</p>	<p>MAT, Policy and Resources Committee</p>	<p>February 2022</p>	<p>Spelthorne Direct Services set up and making good progress.</p> <p><a href="#"><u>To be reviewed as part of a) Options for closing Outline Budget 22-23 and b) as Working Group on Delivery Options</u></a></p>	<p>Review completed and programme developed</p>
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## **Spelthorne Self-Assessment Against FM Code- Review as at October 2021**

### **Financial Management Standard A**

The leadership team is able to demonstrate that the services provided by the authority provide value for money.

The Council has invested in a Root and Branch team to work with services to improve the efficiency and effectiveness of services, and particularly to look at how the customer experience can be improved. We have also looked for external support and challenge from IESE to ensure that what we are doing can maximise the effective delivery of services. In February 2020, our Root and Branch team received a national award from IESE.

Just prior to COVID-19 restrictions, the Council was about to commence a transformation programme using digital technologies to create new — or modify existing — business processes, culture, and customer experiences to meet changing business requirements. As part of this programme, and despite the continuing pressures of dealing with COVID-19, the Council invested in a new telephony system for Customer Services which went live in May 2021 and will enable better management of calls and queries. A programme of developments to build on the functionality of the new telephony platform has been defined and a Transformation Programme Manager has been appointed to drive a programme of improvement

In order to ensure that the Council is maximising value for money from its use of assets, the Council, with some independent support and input, has completed a major refresh of its Asset Management Plan which has been approved by Corporate Policy and Resources Committee

Spelthorne has delivered below inflation council tax increases for 4 years; the increase for 2020-21 was 1.29%, the lowest in Surrey, whilst there was a nil increase for 2021-22. This has been achieved while at the same time continuing to invest in service resilience and protecting front line services. Taking into account that some districts and boroughs have parishes, Spelthorne at the borough/parish level has the ninth lowest council tax level in Surrey. Move forward however, the Council will need to protect its council taxbase.

### **Financial Management Standard B**

The authority complies with the CIPFA *Statement on the Role of the Chief Financial Officer in Local Government*.

The S151 officer is a member of the Corporate Management Team, which includes the Chief Executive, Deputy CEs, and Group Heads of services. The post of s151 officer as a member of the senior management team as set out in the Council's Constitution, has access to members and has active involvement in strategic decision-making.

## **Financial Management Standard C**

The leadership team demonstrates in its actions and behaviours responsibility for governance and internal control.

Both Corporate Management Team (MAT) and Corporate Policy Resources Committee receive regular monitoring reports (monthly salaries, income and treasury management for MAT; quarterly revenue and capital monitoring for MAT and Cabinet), and on issues relating to the Corporate Risk Register. These are reviewed by MAT and reported to Corporate Policy and Resources three times per year, and are used to help target resources. Additionally each service committee receives at each meeting a revenue and capital monitoring report for the services within that committee's remit. A Corporate Debt Group meets regularly to review debt collection performance. and has recently refreshed the Corporate Debt Policy which was approved by Corporate Policy and Resources Committee. MAT and members of Corporate Policy and Resources Committee participate in 3 Budget Briefings per year at which budget issues and strategy are discussed. MAT supports the role of Internal Audit, which was strengthened by being moved to Corporate Governance, providing the team with more support from the Group Head. MAT critically reviews monitoring reports, seeking clarification from and challenging services (via managers and the finance team), and pursuing actions to mitigate performance issues that arise. MAT seeks to ensure that any new initiatives clearly identify any associated financial implications.

The leadership team seeks to continuously improve the usefulness and effectiveness of financial reporting and monitoring. The Corporate Risk Register has been regularly refined in response to feedback from Audit Committee. We brought in external support specifically to update the Register, with particular focus on those risks with greatest impact on the delivery of corporate objectives, and to help refresh the Corporate Risk Policy..It has been agreed with the Leader that when Finance upgrades from Integra to Centros we will make use of the improved reporting functionality to improve reporting including provision of dashboard report. In parallel, officers, the Chairman of Overview and Scrutiny and the Finance Portfolio holder discussed how we can improve the usefulness of reports going to Overview and Scrutiny Committee. The November 2020 Capital Monitoring reports were expanded to report on multi year schemes cumulative spend and variance, as well as the spend and variance in year. Since Paul Taylors arrival as Chief Accountant he has refreshed the approach to monitoring and ensured that on capital we are capturing multi-year projects full cumulative costs

The Council invested considerable time in producing a clear, well-defined report to an Extraordinary Council Meeting on 21 May 2020, setting out how COVID-19 had impacted the borough and its residents, and how the Council had responded, particularly to support its most vulnerable residents and businesses. The report included 20 pages setting out the financial impacts on the Council and the measures the Council had in place to mitigate financial risks to the Council arising from the impacts of the pandemic. The Council felt it was important to be accountable to residents on how it was responding to

the crisis. The report has been highlighted by the LGA as an example of good practice reporting on COVID-19.

During the COVID-19 crisis, MAT and senior officers have provided weekly virtual meetings to all councillors on the impacts, including financial matters, of COVID-19, and on how the Council has been responding. MAT has also communicated key issues to management and all staff through regular interactive meetings and briefings during this time.

#### **Financial Management Standard D**

The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).

As part of the annual process of producing the Annual Governance Statement, officers review our compliance with the Framework, together with the Local Code of Corporate Governance, the role of Audit Committee; and compliance with regulations. The Internal Audit role and function is covered in the AGS. Significant issues are set out in the AGS and monitored.

#### **Financial Management Standard E**

The financial management style of the authority supports financial sustainability.

The Council provided regular training for members of the Overview and Scrutiny Committee and Audit Committee to assist them in scrutinising the Council's financial arrangements. The Council actively engaged with the Overview and Scrutiny Committee in the process of producing the first Capital Strategy. The Council has put 50 FAQs with respect to its commercial acquisitions on its website these have recently been updated. These explain further the Council's strategy to ensure financial sustainability.

The Council provides regular revenue and budget monitoring reports to Cabinet, Overview and Scrutiny and Management Team. The Council invited in Peter Robinson, as a Finance lead from the LGA in to review its monitoring reports and make improvement suggestions which were taken on board, for example expanding information about financial impacts of commercial assets. We are looking to do a further exercise to bring in an external perspective to review the usefulness of our monitoring reports.

We are asking service managers to take more responsibility for their budgets to ensure greater ownership. This includes monthly review meetings between service managers and accountancy, regular review of income, variances and better forecasting by the services

The budget setting process involves members at every stage. SBC has a balanced budget for the year and continues to monitor income and expenditure against it. Moving from a Cabinet and Strong Leader model to a Committee Governance model has required a major rethink of the Budget process. Paul Taylor has brought forward the Budget production process to ensure sufficient time is available for service committees to consider impact of

growth and savings relating to their areas. Officers will be working with Committee Chairs as members of Corporate Policy and Resources to have a corporate perspective focusing on how we balance the overall budget as well as supporting the services under their individual committees.

There are currently challenges around helping councillors understand the potential impact on the Council's financial sustainability arising from councillors decisions on progressing residential development schemes potentially increasing pressures on the Council's Revenue Budget.

The unanticipated COVID-19 impact has had major impacts on the Council's financial position and is necessitating a change of approach to balancing the budget as a result of the reduction in sales, fees and charges income and increased inflationary pressures. MAT are working with the political leadership to ensure a clear focus on robustly prioritising and justifying any growth bids and to focus on identifying saving bids. Officers are looking to engage with councillors on strategic steers for the options to be pursued to close the Budget gaps over the Outline Budget period.

Managers are encouraged to take ownership of their budget and to be innovative in looking at how they can ensure the financial sustainability of their services. The Group Head for Assets was effectively asked to go back to the beginning and build up a zero based budget for 20/21 looking at what we needed to deliver the service as it looked at that point in time. The objective was to be able to "wash its own face", and this was duly delivered. As part of the process of closing the budget gaps over the medium term we are looking to undertake a zero based budgeting exercise across all services as part of the 2023-24 Budget process.

The Independent Living team is exploring the use of smart technology and working with health sector partners to lever in additional funding.

The increase in income generation from investment assets supported service delivery and staffing provision rather than the service cuts experienced in previous years and by other councils. However as a result of the impacts of the pandemic we again need to have a strong focus on how we can do things more efficiently and make savings. Additional resource, funded from a slice of the commercial income, had been invested in support services, including the finance team, to ensure that the right skills and aptitudes are in place to help support the organisation in focusing on and delivering financial sustainability and resilience. The finance function was strengthened with new posts in the accountancy and operations teams, along with a new treasury management system. In the Assets service, a property system which deals with rent accounting was implemented and a property accounts manager appointed.

The Finance team recognises the need to improve further the usefulness of the financial monitoring reports provided to Committees and the interim Chief Accountant is doing some useful work looking to improve monitoring reports.

As the Council has looked through its housing delivery company to provide more affordable and key worker housing for its residents increased focus has been applied on ensuring robust viability analysis of both KGE as a whole and of individual residential developments, with the 50 year viability model covering profit and loss, balance sheet and cashflow being revamped. At the October 2021 Corporate Policy and Resources Committee as a result additional short term cash flow support for KGE was agreed.

#### **Financial Management Standard F**

The authority has carried out a credible and transparent financial resilience assessment.

The Council invited the LGA to undertake an independent Corporate Finance Peer Review.

Across a number of service areas managers have been asked effectively to zero-base budget. For 2023-24 budget zero based budgeting will be applied across the board

As highlighted above a very considerable amount of additional work has been done to improve the viability analysis of KGE and individual residential schemes with a clear focus now on the rental viability. This is to ensure that KGE does not get into a similar position as happened with the Croydon housing delivery company.

We have periodically invited Deloitte to undertake critical reviews of our approach to managing risk with respect to our commercial assets. Since COVID-19 outbreak began senior officers, the Leader, Deputy Leader and Finance Portfolio Holder have met regularly to review collection performance for rental for commercial and retail assets and to review the 10 year worst and expected case scenarios for our sinking funds to ensure that our sinking funds (current balance £27m) are more than sufficient to insulate the Revenue Budget and council taxpayers from any drops in income. Currently we have collected more than 99,3% of the investment assets rent due for 2020-21 with nearly all of the remainder covered by deferral agreements with tenants.

For the COVID-19 report which went to the May 2021 ECM, the Council undertook a financial assessment of the potential financial impact of COVID-19 on the Council's revenue budget and setting out a range of scenario figures from best case to worst case. This informed the debate at the ECM which resulted in the approval of a supplementary estimate of up to two million pounds to be funded from revenue reserves if necessary.

#### **Financial Management Standard G**

The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

The Council produces a 4 Year Outline Budget or Medium Term Financial Strategy which is reported to Cabinet every year. For the 2020-21 Budget process, in the context of the risks of funding reductions in 2021-22, with

negative grant, Fair Funding, Business Rates retention/rebasing etc, the Council has sought to take a medium term approach in balancing its budget and in February 2020 (prior to COVID-19) not only balanced the 2020-21 Budget without the use of reserves, but on an indicative basis balanced the 2021-22 and 2022-23 Budgets. The Council is aware that as a result of the broader impacts of the COVID-19 pandemic it, like other councils is facing a much more challenging budget position and that it needs to put in place a range of both short and medium term measures to close the gaps and ensure financial sustainability/n

For its commercial asset acquisitions, the Council models at least 50 years into the future (the recent Elmsleigh acquisition modelled on 70 years) in order to identify future needs in capital expenditure to periodically refurbish the assets and to bear the risk of rent free and void periods. The Council's sinking funds methodology is designed to build up funds to cover future liabilities. As at the end of 2020-21, the balance in sinking funds was approximately £27m. The total cash backed reserves as at end of 2020-21 were £84m (although this is partially distorted by COVID-19 grant monies).

#### **Financial Management Standard H**

The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*.

The Council works closely with its Treasury Management advisers Arlingclose to ensure that it complies. At key stages in past the Council has obtained Counsel's Advice on interpretation. The Council has all the strategies/policies in place as required. Regular reporting to members on capital expenditure takes place.

Considerable time was invested by the Council in producing a detailed and easy to follow Capital Strategy supplemented by an Executive Summary. The Council reports on performance against its prudential indicators in both the half year and outturn treasury management reports.

The Council last made a debt for yield acquisition in 2018 and is now focused on managing effectively its existing investment asset portfolio in line with the Prudential Code and investing in housing delivery, service delivery (particularly the new leisure centre) and regeneration across the Borough

#### **Financial Management Standard I**

The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

See response to Standard G above. There is a close link between the Corporate Plan and the Medium Term Financial Strategy.

#### **Financial Management Standard J**

The authority complies with its statutory obligations in respect of the budget setting process.

The Council sets a balanced budget. The S151 officer has expanded his s25 and s26 sections in the Budget report. The Council consults representatives of the business community on its budget proposals. The Council sets a council tax increase within the council tax referendum limits and a properly recorded vote takes place at Council meetings.

#### **Financial Management Standard K**

The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

See Standard J above. This part of the Budget report was significantly expanded for the 2020-21 Budget process. In the context of COVID-19 was expanded further for 2021-22. The Council continues to monitor very carefully the adequacy of its sinking fund reserves. Benchmarking suggested Spelthorne had the highest ratio of unallocated revenue reserves to net Budget of any district or borough council in the country. This has arisen as a result of the strategy of building up our sinking fund reserves (currently £27m)

#### **Financial Management Standard L**

The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

Officers engage with and work closely with Cabinet members on the long term financial strategy, plan and budget. Under the Cabinet and Strong Leader model Officers briefed the Overview and Scrutiny Committee on plans and brief opposition parties on the budget proposals. Officers have brought forward proposals in the past for budget consultation with residents. Under the new Committee governance model officers work with the Chairs (who are appointed on a party proportional basis) to ensure all groups and all committees understand the financial position.

For the 2022-24 Budget process, additional time is being built into the budget, to allow for the individual service committees to scrutinise their growth and savings proposals

The Council is undertaking in November 2021 a budget consultation exercise with residents, businesses and staff. This will feed into the Budget process.

#### **Financial Management Standard M**

The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

The Council has a developed project management methodology designed to ensure that projects achieve deliverables on time and within budget. The Council has a thorough evaluation methodology for evaluation of asset acquisitions and this includes evaluation of financial robustness of tenants. The methodology for asset development projects has been strengthened by the creation of the Development Sub-Committee which reviews and signs off

gateway stages. Asset projects now commence with a term sheet to make clear the key assumptions and anticipated deliverables.

The Council receives regular benchmarking information on its investment performance from its Treasury Management advisers.

The Council refreshed its Procurement Strategy. It has identified that in terms of spend the biggest area of spending is now its ambitious housing delivery and regeneration programme. In order to ensure that it maximises value for money in this area of spend it has developed and implemented framework contracts for professional construction related services and construction services.

Similarly robust business cases are prepared with appropriate professional advice for new ventures such as KGE or trade waste. This was the case for the new Leisure Centre proposals.

#### **Financial Management Standard N**

The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

As commented above MAT and the Corporate Policy and Resources Committee receive regular revenue, capital monitoring reports and Treasury management reports which flag emerging variances. Individual services also receive their own revenue and capital monitoring reports. There is also the monthly monitoring with Group Heads. Variances are probed and concerns are followed up and tracked using actions tracking. Budget monitoring has been expanded to focus particularly on the impacts of COVID-19.

As commented above since the outbreak of COVID-19, MAT, the Leader, Deputy Leader, Finance Portfolio holder and senior managers have been reviewing weekly the impact of COVID-19 on its commercial, retail and municipal income streams. The meetings focus on identifying issues with specific tenants and discussing actions for addressing those concerns, which may then lead onto reports going to the Property Investment Committee or to Cabinet.

The MAT and senior officers meet weekly for a Development and Investment Group (DIG) to review performance in its commercial and residential assets and the progress of its residential development and regeneration schemes. The focus is on reporting by exception and identifying issues to be addressed and agreeing actions to be taken to address risks.

#### **Financial Management Standard O**

The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

We are focused on some aspects such as value of assets, level of borrowing and level of reserves. A number of new KPIs have been introduced as part of the refreshed AMP which will help. The Corporate Debt Group is put in place improved monitoring of debtors. Officer also monitor other things that could be on the horizon eg changes in legislation, climate change, new burdens grants for anything. New sources of income are also considered.

The Council has updated its Corporate Debt Policy and has a corporate Debt Group which meets regularly to ensure a holistic and joined up approach is taken to debt recovery. The Council makes good use of additional resource and expertise that Reigate and Banstead Council has in counterfraud, This has been particularly beneficial with respect to housing.

#### **Financial Management Standard P**

The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom*.

The s151 officer assumes these responsibilities in accordance with the Constitution, the scheme of delegation, and has responsibility for audit and internal control.

#### **Financial Management Standard Q**

The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

See above comments.

The monthly monitoring by finance, MAT and the Corporate Policy and Resources Committee ensure continuous monitoring before the final outturn figures are produced. In addition to the formal reports, the combined Leadership team (ie MAT and Corporate Policy and Resources consisting of the service committee Chairs and Vice Chairs) meet informally at least three times a year in Budget Briefing to discuss budget implications of outturns, and issues relating to the budget process.

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## **Spelthorne Self-Assessment Against FM Code- Review as at October 2021**

### **Financial Management Standard A**

The leadership team is able to demonstrate that the services provided by the authority provide value for money.

The Council has invested in a Root and Branch team to work with services to improve the efficiency and effectiveness of services, and particularly to look at how the customer experience can be improved. We have also looked for external support and challenge from IESE to ensure that what we are doing can maximise the effective delivery of services. In February 2020, our Root and Branch team received a national award from IESE.

Just prior to COVID-19 restrictions, the Council was about to commence [a](#) transformation programme using digital technologies to create new — or modify existing — business processes, culture, and customer experiences to meet changing business requirements. As part of this programme, and despite the continuing pressures of dealing with COVID-19, the Council invested in a new telephony system for Customer Services which went live in May 2021 and will enable better management of calls and queries. A programme of developments to build on the functionality of the new telephony platform has been defined and a Transformation Programme Manager has been appointed to drive a programme of improvement

In order to ensure that the Council is maximising value for money from its use of assets, the Council, with some independent support and input, has completed a major refresh of its Asset Management Plan which has been approved by Corporate Policy and Resources Committee -

Spelthorne has delivered below inflation council tax increases for 4 years; the increase for 2020-21 was 1.29%, the lowest in Surrey, whilst there was a nil increase for 2021-22. This has been achieved while at the same time continuing to invest in service resilience and protecting front line services. Taking into account that some districts and boroughs have parishes, Spelthorne at the borough/parish level has the ninth lowest council tax level in Surrey. Move forward however, the Council will need to protect its council taxbase.

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The leadership team seeks to continuously improve the usefulness and effectiveness of financial reporting and monitoring. The Corporate Risk Register has been regularly refined in response to feedback from Audit Committee.

We ~~recently~~ brought in external support specifically to update the Register, with particular focus on those risks with greatest impact on the delivery of corporate objectives, and to help refresh the Corporate Risk Policy. ~~The monitoring reports are continuously reviewed and the Leader has set up a Task Group to look at further developing Financial Reporting. It has been agreed with the Leader that when Finance upgrades from Integra to Centros we will make use of the improved reporting functionality to improve reporting including provision of dashboard report.~~ In parallel, officers, the Chairman of Overview and Scrutiny and the Finance Portfolio holder ~~have~~ discussed how we can improve the usefulness of reports going to Overview and Scrutiny Committee. The November 2020 Capital Monitoring reports ~~will be~~ expanded to report on multi year scheme's cumulative spend and variance, as well as the spend and variance in year. Since Paul Taylors arrival as Chief Accountant he has refreshed the approach to monitoring and ensured that on capital we are capturing multi-year projects full cumulative costs

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important to be accountable to residents on how it was responding to the crisis. The report has been highlighted by the LGA as an example of good practice reporting on COVID-19.

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#### **Financial Management Standard D**

The authority applies the CIPFA/SOLACE *Delivering Good Governance in Local Government: Framework* (2016).

As part of the annual process of producing the Annual Governance Statement, officers review our compliance with the Framework, together with the Local Code of Corporate Governance, the role of Audit Committee; and compliance with regulations. The Internal Audit role and function is covered in the AGS. Significant issues are set out in the AGS and monitored.

**Commented [CT1]:** It would be timely for us to review now against the significant issues raised in 20-21 AGS

#### **Financial Management Standard E**

The financial management style of the authority supports financial sustainability.

The Council provides regular training for members of the Overview and Scrutiny Committee and Audit Committee to assist them in scrutinising the Council's financial arrangements. The Council actively engaged with the Overview and Scrutiny Committee in the process of producing the first Capital Strategy. The Council has put 50 FAQs with respect to its commercial acquisitions on its website [these have recently been updated](#). These explain further the Council's strategy to ensure financial sustainability.

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We are asking service managers to take more responsibility for their budgets to ensure greater ownership. This includes monthly review meetings between service managers and accountancy, regular review of income, variances and better forecasting by the services

The budget setting process involves members at every stage. SBC has a balanced budget for the year [2020/24](#) and continues to monitor income and expenditure against it. [Moving from a Cabinet and Strong Leader model to a Committee Governance model has required a major rethink of the Budget process. Paul Taylor has brought forward the Budget production process to](#)

ensure sufficient time is available for service committees to consider impact of growth and savings relating to their areas. Officers will be working with Committee Chairs as members of Corporate Policy and Resources to have a corporate perspective focusing on how we balance the overall budget as well as supporting the services under their individual committees.

There are currently challenges around helping councillors understand the potential impact on the Council's financial sustainability arising from councillors decisions on progressing residential development schemes potentially increasing pressures on the Council's Revenue Budget.

The unanticipated COVID-19 impact has had major impacts on the Council's financial position and is necessitating a change of approach to balancing the budget as a result of the reduction in sales, fees and charges income and increased inflationary pressures. MAT are working with the political leadership to ensure a clear focus on robustly prioritising and justifying any growth bids and to focus on identifying saving bids. Officers are looking to engage with councillors on strategic steers for the options to be pursued to close the Budget gaps over the Outline Budget period.

Managers are encouraged to take ownership of their budget and to be innovative in looking at how they can ensure the financial sustainability of their services. The Group Head for Assets was effectively asked to go back to the beginning and build up a zero based budget for 20/21 looking at what we needed to deliver the service as it looked at that point in time. The objective was to be able to "wash its own face", and this was duly delivered. As part of the process of closing the budget gaps over the medium term we are looking to undertake a zero based budgeting exercise across all services as part of the 2023-24 Budget process.

The Independent Living team is exploring the use of smart technology and working with health sector partners to lever in additional funding.

The increase in income generation from investment assets has supported service delivery and staffing provision rather than the service cuts experienced in previous years and by other councils. However as a result of the impacts of the pandemic we again need to have a strong focus on how we can do things more efficiently and make savings. Additional resource, funded from a slice of the commercial income, has been invested in support services, including the finance team, to ensure that the right skills and aptitudes are in place to help support the organisation in focusing on and delivering financial sustainability and resilience. The finance function was has and is being strengthened with new posts in the accountancy and operations teams, along with a new treasury management system. In the Assets service, a property system which deals with rent accounting was has been implemented and a property accounts manager appointed.

The Finance team recognises the need to improve further the usefulness of the financial monitoring reports provided to Cabinet and Overview and Scrutiny

Committees and the interim Chief Accountant is doing some useful work looking to improve monitoring reports.

As the Council has looked through its housing delivery company to provide more affordable and key worker housing for its residents increased focus has been applied on ensuring robust viability analysis of both KGE as a whole and of individual residential developments, with the 50 year viability model covering profit and loss, balance sheet and cashflow being revamped. At the October 2021 Corporate Policy and Resources Committee as a result additional short term cash flow support for KGE was agreed.

#### **Financial Management Standard F**

The authority has carried out a credible and transparent financial resilience assessment.

The Council invited the LGA to undertake an independent Corporate Finance Peer Review.

Across a number of service areas managers have been asked effectively to zero-base budget. For 2023-24 budget zero based budgeting will be applied across the board

As highlighted above a very considerable amount of additional work has been done to improve the viability analysis of KGE and individual residential schemes with a clear focus now on the rental viability. This is to ensure that KGE does not get into a similar position as happened with the Croydon housing delivery company.

We have periodically invited Deloitte to undertake critical reviews of our approach to managing risk with respect to our commercial assets. Since COVID-19 outbreak began senior officers, the Leader, Deputy Leader and Finance Portfolio Holder have met ~~regularly~~ weekly to review collection performance for rental for commercial and retail assets and to review the 10 year worst and expected case scenarios for our sinking funds to ensure that our sinking funds (current balance £279m) are more than sufficient to insulate the Revenue Budget and council taxpayers from any drops in income. Currently we have collected more than 99.36% of ~~the investment assets~~ the commercial rent due for ~~first 6 months of~~ 2020-21 with nearly all of the remainder covered by deferral agreements with tenants.

For the COVID-19 report which went to the May 2021 ECM, the Council undertook a financial assessment of the potential financial impact of COVID-19 on the Council's revenue budget and setting out a range of scenario figures from best case to worst case. This informed the debate at the ECM which resulted in the approval of a supplementary estimate of up to two million pounds to be funded from revenue reserves if necessary.

~~Since the start of COVID-19, the Council has been running weekly Rent Collection Review meetings with the Leader, Deputy Leader and Finance Portfolio Holder and relevant officers to review performance of commercial rent~~

~~and retail rent. Due to the pro-active actions of officers in consultation with key councillors, the Council has maintained good collection rates.~~

#### **Financial Management Standard G**

The authority understands its prospects for financial sustainability in the longer term and has reported this clearly to members.

The Council produces a 4 Year Outline Budget or Medium Term Financial Strategy which is reported to Cabinet every year. For the 2020-21 Budget process, in the context of the risks of funding reductions in 2021-22, with negative grant, Fair Funding, Business Rates retention/rebasing etc, the Council has sought to take a medium term approach in balancing its budget and in February 2020 (prior to COVID-19) not only balanced the 2020-21 Budget without the use of reserves, but on an indicative basis balanced the 2021-22 and 2022-23 Budgets. The Council is aware ~~it faces a budget gap of approx. £1.8m for 2023-24 but it focused on that as a result of the broader impacts of the COVID-19 pandemic it, like other councils is facing a much more challenging budget position and that it needs to put in place a range of both short and medium term measures to close the gaps and ensure financial sustainability/n measures to close that gap over the next three years. Measures which will help close this gap include setting up in April 2020 a wholly owned trade waste and environmental services company~~

For its commercial asset acquisitions, the Council models at least 50 years into the future (the recent Elmsleigh acquisition modelled on 70 years) in order to identify future needs in capital expenditure to periodically refurbish the assets and to bear the risk of rent free and void periods. The Council's sinking funds methodology is designed to build up funds to cover future liabilities. As at the end of 2020-21, the balance in sinking funds was approximately £27.9m. ~~The total cash backed reserves as at end of 2020-21 were £8442.5m (although this is partially distorted by COVID-19 grant monies).~~

#### **Financial Management Standard H**

The authority complies with the CIPFA *Prudential Code for Capital Finance in Local Authorities*.

The Council works closely with its Treasury Management advisers to ensure that it complies. At key stages in the past the Council has obtained Counsel's Advice on interpretation. The Council has all the strategies/policies in place as required. Regular reporting to members on capital expenditure takes place.

Considerable time was invested by the Council in producing a detailed and easy to follow Capital Strategy supplemented by an Executive Summary. The Council reports on performance against its prudential indicators in both the half year and outturn treasury management reports.

The Council last made a debt for yield acquisition in 2018 and is now focused on managing effectively its existing investment asset portfolio in line with the Prudential Code and investing in housing delivery, service delivery (particularly the new leisure centre) and regeneration across the Borough

**Financial Management Standard I**

The authority has a rolling multi-year medium-term financial plan consistent with sustainable service plans.

See response to Standard G above. There is a close link between the Corporate Plan and the Medium Term Financial Strategy.

**Financial Management Standard J**

The authority complies with its statutory obligations in respect of the budget setting process.

The Council sets a balanced budget. The S151 officer has expanded his s25 and s26 sections in the Budget report. The Council consults representatives of the business community on its budget proposals. The Council sets a council tax increase within the council tax referendum limits and a properly recorded vote takes place at Council meetings.

**Financial Management Standard K**

The budget report includes a statement by the chief finance officer on the robustness of the estimates and a statement on the adequacy of the proposed financial reserves.

See Standard J above. This part of the Budget report was significantly expanded for the 2020-21 Budget process. It is anticipated, in the context of COVID-19, that this will be expanded further for 2021-22. The Council continues to monitor very carefully the adequacy of its sinking fund reserves. Benchmarking suggested Spelthorne had the highest ratio of unallocated revenue reserves to net Budget of any district or borough council in the country. This has arisen as a result of the strategy of building up our sinking fund reserves (currently £27m)

**Financial Management Standard L**

The authority has engaged where appropriate with key stakeholders in developing its long-term financial strategy, medium-term financial plan and annual budget.

Officers engage with and work closely with Cabinet members on the long term financial strategy, plan and budget. Under the Cabinet and Strong Leader model Officers briefed the Overview and Scrutiny Committee on plans and brief opposition parties on the budget proposals. Officers have brought forward proposals in the past for budget consultation with residents. Under the new Committee governance model officers work with the Chairs (who are appointed on a party proportional basis) to ensure all groups and all committees understand the financial position.

For the 2024-242 Budget process, additional time is being built into the budget, to allow for an additional Overview and Scrutiny session on the draft Budget, the individual service committees to scrutinise their growth and savings proposals

~~The Council has set up a Residents Forum (with representatives invited from all the local residents associations) this will provide an opportunity in future to discuss budget proposals with residents' representatives.~~  
The Council is undertaking in November 2021 a budget consultation exercise with residents, businesses and staff. This will feed into the Budget process.

#### **Financial Management Standard M**

The authority uses an appropriate documented option appraisal methodology to demonstrate the value for money of its decisions.

The Council has a developed project management methodology designed to ensure that projects achieve deliverables on time and within budget. The Council has a thorough evaluation methodology for evaluation of asset acquisitions and this includes evaluation of financial robustness of tenants. The methodology for asset development projects has been strengthened by the creation of the Development Sub-Committee which reviews and signs off gateway stages. Asset projects now commence with a term sheet to make clear the key assumptions and anticipated deliverables.

The Council receives regular benchmarking information on its investment performance from its Treasury Management advisers.

The Council ~~has recently~~—refreshed its Procurement Strategy. It has identified that in terms of spend the biggest area of spending is now its ambitious housing delivery and regeneration programme. In order to ensure that it maximises value for money in this area of spend it has developed and ~~is implementing~~ framework contracts~~s~~ for professional construction related services and construction services.

Similarly robust business cases are prepared with appropriate professional advice for new ventures such as KGE or trade waste. ~~This will also be was the case for~~ Similarly for the new Leisure Centre proposals.

#### **Financial Management Standard N**

The leadership team takes action using reports enabling it to identify and correct emerging risks to its budget strategy and financial sustainability.

As commented above MAT ~~and~~ the Corporate Policy and Resources Committee~~Cabinet~~ receive regular revenue, capital monitoring reports and Treasury management reports which flag emerging variances. Individual services also receive their own revenue and capital monitoring reports. There ~~is also the~~ Plus monthly monitoring with Group Heads ~~etc~~. Variances are probed and concerns are followed up and tracked using actions tracking. Budget monitoring has been expanded to focus particularly on the impacts of COVID-19.

As commented above since the outbreak of COVID-19, MAT, the Leader, Deputy Leader, Finance Portfolio holder and senior managers have been reviewing weekly the impact of COVID-19 on its commercial, retail and municipal income streams. The meetings focus on identifying issues with specific tenants and discussing actions for addressing those concerns, which may then lead onto reports going to the Property Investment Committee or to Cabinet.

The MAT and senior officers meet weekly for a Development and Investment Group (DIG) to review performance in its commercial and residential assets and the progress of its residential development and regeneration schemes. The focus is on reporting by exception and identifying issues to be addressed and agreeing actions to be taken to address risks.

#### **Financial Management Standard O**

The leadership team monitors the elements of its balance sheet which pose a significant risk to its financial sustainability.

We are focused on some aspects such as value of assets, level of borrowing and level of reserves. A number of new KPIs ~~have been~~ ~~are being~~ introduced as part of the refreshed AMP which will help. The Corporate Debt Group is ~~putting~~ in place improved monitoring of debtors. Officer also monitor other things that could be on the horizon eg changes in legislation, climate change, new burdens grants for anything. New sources of income are also considered.

The Council has updated its Corporate Debt Policy and has a corporate Debt Group which meets regularly to ensure a holistic and joined up approach is taken to debt recovery. The Council makes good use of additional resource and expertise that Reigate and Banstead Council has in counterfraud, This has been particularly beneficial with respect to housing.

#### **Financial Management Standard P**

The chief finance officer has personal and statutory responsibility for ensuring that the statement of accounts produced by the local authority complies with the reporting requirements of the *Code of Practice on Local Authority Accounting in the United Kingdom*.

The s151 officer assumes these responsibilities in accordance with the Constitution, the scheme of delegation, and has responsibility for audit and internal control.

#### **Financial Management Standard Q**

The presentation of the final outturn figures and variations from budget allows the leadership team to make strategic financial decisions.

See above comments.

The monthly monitoring by finance, MAT and the Corporate Policy and Resources Committee ~~Cabinet~~ ensure continuous monitoring before the final outturn figures are produced. In addition to the formal reports, the combined Leadership team (ie MAT and ~~Cabinet~~Corporate Policy and Resources

| consisting of the service committee Chairs and Vice Chairs) meet informally at least three times a year in Budget Briefing to discuss budget implications of outturns, and issues relating to the budget process.

# Audit Committee

25<sup>th</sup> November 2021



<b>Title</b>	<b>Decision to opt into the national scheme for audit appointments managed by Public Sector Audit Appointments as the “Appointing Person”</b>
<b>Purpose of the report</b>	To make a recommendation to Council
<b>Report Author</b>	<i>Terry Collier, Chief Finance Officer</i>
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	Financial Sustainability
<b>Recommendations</b>	<b>Committee is asked to:</b> To approve making a recommendation to Council to opt into the national scheme managed by Public Sector Auditor Appointments as the “Appointing Person”
<b>Reason for Recommendation</b>	This report sets out proposals for appointing the external auditor to the Council/Authority for the accounts for the five-year period from 2023/24.

## 1. Key issues

- 1.1 The current auditor appointment arrangements cover the period up to and including the audit of the 2022/23 accounts. The Council opted into the ‘appointing person’ national auditor appointment arrangements established by Public Sector Audit Appointments (PSAA) for the period covering the accounts for 2018/19 to 2022/23. See letter of invitation to Spelthorne, appendix A.
- 1.2 PSAA is now undertaking a procurement for the next appointing period, covering audits for 2023/24 to 2027/28. During Autumn 2021 all local government bodies need to make important decisions about their external audit arrangements from 2023/24. They have options to arrange their own procurement and make the appointment themselves or in conjunction with

other bodies, or they can join and take advantage of the national collective scheme administered by PSAA.

- 1.3 The report concludes that the sector-wide procurement conducted by PSAA will produce better outcomes and will be less burdensome for the Council than a procurement undertaken locally because:

collective procurement reduces costs for the sector and for individual authorities compared to a multiplicity of smaller local procurements;

if it does not use the national appointment arrangements, the Council will need to establish its own auditor panel with an independent chair and independent members to oversee a local auditor procurement and ongoing management of an audit contract;

it is the best opportunity to secure the appointment of a qualified, registered auditor - there are only nine accredited local audit firms, and a local procurement would be drawing from the same limited supply of auditor resources as PSAA's national procurement; and

supporting the sector-led body offers the best way of ensuring there is a continuing and sustainable public audit market into the medium and long term.

- 1.4 If the Council wishes to take advantage of the national auditor appointment arrangements, it is required under the local audit regulations to make the decision at full Council. The opt-in period starts on 22 September 2021 and closes on 11 March 2022, therefore it is proposed that a recommendation goes to February Council. To opt into the national scheme from 2023/24, the Council/Authority needs to return completed opt-in documents to PSAA by 11 March 2022.

## 2. Options analysis and proposal

- 2.1 There are three options available, either opt in to the national arrangement managed by PSAA or procure ourselves either by setting up our own arrangements in partnership with other councils.

- 2.2 **Option 1:** Paragraph 1.3 above sets out the benefits of opting in, last time round 98% of councils in the country opted in. It should be commented that both this council and others have not always been comfortable with the regime set up by the PSAA which does not seem to have been very effective in constraining firms from seeking to increase their fees above the base fees agreed. We will continue to work through the Society of District Council Treasurers to engage with PSAA to influence them to set a more predictable fee regime in the future. What has not helped in recent years has been the additional requirements of the Financial Reporting Council increasing the amount of work audit firms have to undertake particularly around assets and pensions.

- 2.3 PSAA is specified as the 'appointing person' for principal local government under the provisions of the Act and the Local Audit (Appointing Person) Regulations 2015. PSAA let five-year audit services contracts in 2017 for the first appointing period, covering audits of the accounts from 2018/19 to 2022/23. It is now undertaking the work needed to invite eligible bodies to opt in for the next appointing period, from the 2023/24 audit onwards, and to complete a procurement for audit services. PSAA is a not-for-profit

organisation whose costs are around 4% of the scheme with any surplus distributed back to scheme members.

2.4 In summary the national opt-in scheme provides the following:

the appointment of a suitably qualified audit firm to conduct audits for each of the five financial years commencing 1 April 2023;

appointing the same auditor to other opted-in bodies that are involved in formal collaboration or joint working initiatives to the extent this is possible with other constraints;

managing the procurement process to ensure both quality and price criteria are satisfied. PSAA has sought views from the sector to help inform its detailed procurement strategy;

ensuring suitable independence of the auditors from the bodies they audit and managing any potential conflicts as they arise during the appointment period;

minimising the scheme management costs and returning any surpluses to scheme members;

consulting with authorities on auditor appointments, giving the Council the an opportunity to seek to influence which auditor is appointed;

consulting with authorities on the scale of audit fees and ensuring these reflect scale, complexity, and audit risk; and

ongoing contract and performance management of the contracts once these have been let.

2.5 Much has changed in the local audit market since audit contracts were last awarded in 2017. At that time the audit market was relatively stable, there had been few changes in audit requirements, and local audit fees had been reducing over a long period. 98% of those bodies eligible opted into the national scheme and attracted very competitive bids from audit firms. The resulting audit contracts took effect from 1 April 2018.

2.6 During 2018 a series of financial crises and failures in the private sector year led to questioning about the role of auditors and the focus and value of their work. Four independent reviews were commissioned by Government: Sir John Kingman's review of the Financial Reporting Council (FRC), the audit regulator; the Competition and Markets Authority review of the audit market; Sir Donald Brydon's review of the quality and effectiveness of audit; and Sir Tony Redmond's review of local authority financial reporting and external audit. The recommendations are now under consideration by Government, with the clear implication that significant reforms will follow. A new audit regulator (ARGA) is to be established, and arrangements for system leadership in local audit are to be introduced. Further change will follow as other recommendations are implemented.

2.7 The Kingman review has led to an urgent drive for the FRC to deliver rapid, measurable improvements in audit quality. This has created a major pressure for audit firms to ensure full compliance with regulatory requirements and expectations in every audit they undertake. By the time firms were conducting 2018/19 local audits during 2019, the measures they were putting in place to respond to a more focused regulator were clearly visible. To deliver the necessary improvements in audit quality, firms were requiring their audit

teams to undertake additional work to gain deeper levels of assurance. However, additional work requires more time, posing a threat to the firms' ability to complete all their audits by the target date for publication of audited accounts. Delayed opinions are not the only consequence of the FRC's drive to improve audit quality. Additional audit work must also be paid for. As a result, many more fee variation claims have been needed than in prior years.

2.8 This situation has been accentuated by growing auditor recruitment and retention challenges, the complexity of local government financial statements and increasing levels of technical challenges as bodies explore innovative ways of developing new or enhanced income streams to help fund services for local people. These challenges have increased in subsequent audit years, with Covid-19 creating further significant pressure for finance and audit teams.

2.9 None of these problems is unique to local government audit. Similar challenges have played out in other sectors, where increased fees and disappointing responses to tender invitations have been experienced during the past two years.

2.10 It should be commented that both this council and others have not always been comfortable with the regime set up by the PSAA which does not seem to have been very effective in constraining firms from seeking to increase their fees above the base fees agreed or ensure audits are delivered on a timely basis (nationally 9% of audit opinions for the 2020-21 accounts met the national target date). However we acknowledge the factors set out above which have made the audit sector more challenging. We will continue to work through the Society of District Council Treasurers to engage with PSAA to influence them to set a more predictable fee regime in the future. What has not helped in recent years has been the additional requirements of the Financial Reporting Council increasing the amount of work audit firms have to undertake particularly around assets and pensions.

2.11 **Option 2:** To procure ourselves would require setting up a panel ourselves or jointly. The Council may elect to appoint its own external auditor under the Act, which would require the council to;

Establish an independent auditor panel to make a stand-alone appointment. The auditor panel would need to be set up by the Council itself, and the members of the panel must be wholly or a majority of independent members as defined by the Act. Independent members for this purpose are independent appointees, excluding current and former elected members (or officers) and their close families and friends. This means that elected members will not have a majority input to assessing bids and choosing to which audit firm to award a contract for the Council external audit.

Manage the contract for its duration, overseen by the Auditor Panel

2.12 Whilst PSAA has struggled to constrain costs and ensure timely delivery of audits, if the Council were to procure ourselves we would have very limited market influence and audit firms would be aware of the complexities associated with our investment assets portfolio, which may lead to lack of interest in bidding.

- 2.13 **Option 3:** Alternatively, the Act enables the Council to join with other authorities to establish a joint auditor panel. Again, this will need to be constituted of wholly or a majority of independent appointees. Further legal advice would be required on the exact constitution of such a panel having regard to the obligations of each Council under the Act and the Council would need to liaise with other local authorities to assess the appetite for such an arrangement. We have enquired of other councils across Surrey to see if any interest in a joint panel but none appear to be open to considering. Through the Society of District Council Treasurers we are not aware of any other county area considering opting out and making their own arrangement, Given the intense pressures officers are already working under we do not believe opting out is a realistic option.
- 2.14 Options 2 and 3 would be more resource-intensive processes to implement for the council, and without the bulk buying power of the sector-led procurement would be likely to result in a more costly service. It would also be more difficult to manage quality and independence requirements through a local appointment process. The council is unable to influence the scope of the audit and the regulatory regime inhibits the council's ability to affect quality.
- 2.15 The Council and its auditor panel would need to maintain ongoing oversight of the contract. Local contract management cannot, however, influence the scope or delivery of an audit.
- 2.16 The national offer provides the appointment of an independent auditor with limited administrative cost to the council. By joining the scheme, the Council would be acting with other councils to optimise the opportunity to influence the market that a national procurement provides.
- 2.17 The recommended approach is therefore to opt into the national auditor appointment scheme. (Option 1)

### **3. Financial implications**

- 3.1 The auditor appointed at the end of the procurement process will undertake the statutory audit of accounts and Best Value assessment of the Council in each financial year, in accordance with all relevant codes of practice and guidance. The appointed auditor is also responsible for investigating questions raised by electors and has powers and responsibilities in relation to Public Interest Reports and statutory recommendations.
- 3.2 The auditor must act independently of the Council and the main purpose of the procurement legislation is to ensure that the appointed auditor is sufficiently qualified and independent.
- 3.3 The auditor must be registered to undertake local audits by the Financial Reporting Council (FRC) employ authorised Key Audit Partners to oversee the work. As the report below sets out there is a currently a shortage of registered firms and Key Audit Partners.
- 3.4 Auditors are regulated by the FRC, which will be replaced by a new body with wider powers, the Audit, Reporting and Governance Authority (ARGA) during the course of the next audit contract.
- 3.5 Councils therefore have very limited influence over the nature of the audit services they are procuring, the nature and quality of which are determined or overseen by third parties.

- 3.6 The prices submitted by bidders through the procurement will be the key determinant of the value of audit fees paid by opted-in bodies. PSAA will:
- seek to encourage realistic fee levels and to benefit from the economies of scale associated with procuring on behalf of a significant number of bodies;
  - continue to pool scheme costs and charge fees to opted-in bodies in accordance with the published fee scale as amended following consultations with scheme members and other interested parties (pooling means that everyone within the scheme will benefit from the prices secured via a competitive procurement process – a key tenet of the national collective scheme);
  - continue to minimise its own costs, around 4% of scheme costs, and as a not-for-profit company will return any surplus funds to scheme members. In 2019 it returned a total £3.5million to relevant bodies and in 2021 a further £5.6million was returned.
- 3.7 PSAA will seek to encourage market sustainability in its procurement. Firms will be able to bid for a variety of differently sized contracts so that they can match their available resources and risk appetite to the contract for which they bid. They will be required to meet appropriate quality standards and to reflect realistic market prices in their tenders, informed by the scale fees and the supporting information provided about each audit. Where regulatory changes are in train which affect the amount of audit work suppliers must undertake, firms will be informed as to which developments should be priced into their bids.
- 3.8 The scope of a local audit is fixed. It is determined by the Code of Audit Practice (currently published by the National Audit Office) , the format of the financial statements (specified by CIPFA/LASAAC) and the application of auditing standards regulated by the FRC. These factors apply to all local audits irrespective of whether an eligible body decides to opt into PSAA's national scheme or chooses to make its own separate arrangements. The requirements are mandatory; they shape the work auditors undertake and have a bearing on the actual fees required.
- 3.9 There are currently nine audit providers eligible to audit local authorities and other relevant bodies under local audit legislation. This means that a local procurement exercise would seek tenders from the same firms as the national procurement exercise, subject to the need to manage any local independence issues. Local firms cannot be invited to bid. Local procurements must deliver the same audit scope and requirements as a national procurement, reflecting the auditor's statutory responsibilities.
- 3.10 There is a risk that current external audit fee levels could increase when the current contracts end. It is clear that the scope of audit has increased, requiring more audit work. There are also concerns about capacity and sustainability in the local audit market.
- 3.11 Opting into a national scheme provides maximum opportunity to ensure fees are as realistic as possible, while ensuring the quality of audit is maintained, by entering into a large scale collective procurement arrangement.
- 3.12 If the national scheme is not used some additional resource may be needed to establish an auditor panel and conduct a local procurement. Until a

procurement exercise is completed it is not possible to state what, if any, additional resource may be required for audit fees from 2023/24.

#### **4. Other considerations**

4.1 Under the Local Government Audit & Accountability Act 2014 (“the Act”), the council is required to appoint an auditor to audit its accounts for each financial year. The council has three options;

- To appoint its own auditor, which requires it to follow the procedure set out in the Act.
- To act jointly with other authorities to procure an auditor following the procedures in the Act.
- To opt in to the national auditor appointment scheme administered by a body designated by the Secretary of State as the ‘appointing person’. The body currently designated for this role is Public Sector Audit Appointments Limited (PSAA).

In order to opt in to the national scheme, a council must make a decision at a meeting of the Full Council.

4.2 **Risks:** The principal risks are that the Council/Authority:

- fails to appoint an auditor in accordance with the requirements and timing specified in local audit legislation; or
- does not achieve value for money in the appointment process.

These risks are considered best mitigated by opting into the sector-led approach through PSAA.

4.3 **Legal Issues:** Section 7 of the Local Audit and Accountability Act 2014 requires a relevant Council/Authority to appoint a local auditor to audit its accounts for a financial year not later than 31 December in the preceding year.

4.4 Section 8 governs the procedure for appointment including that the Council/Authority must consult and take account of the advice of its auditor panel on the selection and appointment of a local auditor. Section 8 provides that where a relevant Council/Authority is a local Council/Authority operating executive arrangements, the function of appointing a local auditor to audit its accounts is not the responsibility of an executive of the Council/Authority under those arrangements.

4.5 Section 12 makes provision for the failure to appoint a local auditor. The Council/Authority must immediately inform the Secretary of State, who may direct the Council/Authority to appoint the auditor named in the direction or appoint a local auditor on behalf of the Council/Authority.

4.6 Section 17 gives the Secretary of State the power to make regulations in relation to an ‘appointing person’ specified by the Secretary of State. This power has been exercised in the Local Audit (Appointing Person) Regulations 2015 (SI 192) and this gives the Secretary of State the ability to enable a sector-led body to become the appointing person. In July 2016 the Secretary of State specified PSAA as the appointing person.

## **5. Equality and Diversity**

5.1 The PSAA will address equality and diversity issues in its contract specification

## **5. Sustainability/Climate Change Implications**

5.1 PSAA current contract includes a clause in relation to 'Co-operation with PSAA on environmental issues'. This states that "Throughout the Contract the Supplier shall co-operate with PSAA in seeking reasonable and practical ways to improve the sustainability of the delivery of the Services", so PSAA do require its contracted firms to consider environmental issues. Whilst PSAA have yet to finalise the contract terms to be used in its 2022 procurement, PSAA intends to retain this contractual provision.

5.2 In addition to the above general contractual provision, PSAA will determine 5% of the bidders' tender evaluation score by the additional social value that they will deliver from the contract. In direct response to PSAA June consultation on the draft scheme prospectus PSAA have broadened the scope of social value that a bidder could provide in its response. The scope now includes sustainability and environmental concerns, and equality, diversity and inclusion, alongside apprenticeships and long term development opportunities.

5.3 PSAA intend to ask bidders to describe how their delivery of social value will be measured and evidenced to PSAA so that it will form part of their contract management arrangements.

5.4 It is also worth mentioning that when PSAA develops its auditor appointment proposals following contract award to successful firms, one of the factors that PSAA consider is the location of the audit in relation to the locations of the contracted firms' local audit resources. There is the possibility that one of the outcomes from the remote working enforced by C19 is that auditors will travel less to clients, taking advantage of the significant improvements in video conferencing, but it will be some time before that can be assessed with any clarity.

## **6. Timetable for implementation**

6.1 Regulation 19 of the Local Audit (Appointing Person) Regulations 2015 requires that a decision to opt in must be made by a meeting of the Council (meeting as a whole), except where the authority is a corporation sole. As highlighted above it is proposed to take this to the February Council meeting

6.2 The Council then needs to respond formally to PSAA's invitation in the form specified by PSAA by the close of the opt-in period (11 March 2022).

6.3 PSAA will commence the formal procurement process in early February 2022. It expects to award contracts in August 2022 and will then consult with authorities on the appointment of auditors so that it can make appointments by the statutory deadline of 31 December 2022.

6.4 PSAA has until November 2022 to set the fees for audits for 2023-24.

**Background papers: There are none.**

**Appendices: Appendix A - Letter of Invitation**

22 September 2021

To: Mr Mouawad, Chief Executive  
Spelthorne Borough Council

Copied to: Mr Collier, S151 Officer  
Mr Nichols, Chair of Audit Committee or equivalent

Dear Mr Mouawad,

### **Invitation to opt into the national scheme for auditor appointments from April 2023**

I want to ensure that you are aware the external auditor for the audit of your accounts for 2023/24 has to be appointed before the end of December 2022. That may seem a long way away but, as your organisation has a choice about how to make that appointment, your decision-making process needs to begin soon.

We are pleased that the Secretary of State has confirmed PSAA in the role of the appointing person for eligible principal bodies for the period commencing April 2023. Joining PSAA's national scheme for auditor appointments is one of the choices available to your organisation.

In June 2021 we issued a draft prospectus and invited your views and comments on our early thinking on the development of the national scheme for the next period. Feedback from the sector has been extremely helpful and has enabled us to refine our proposals which are now set out in the [scheme prospectus](#) and our [procurement strategy](#). Both documents can be downloaded from our website which also contains a range of useful information that you may find helpful.

The national scheme timetable for appointing auditors from 2023/24 means we now need to issue a formal invitation to you to opt into these arrangements. In order to meet the requirements of the relevant regulations, we also attach a form of acceptance of our invitation which you must use if your organisation decides to join the national scheme. We have specified the five consecutive financial years beginning 1 April 2023 as the compulsory appointing period for the purposes of the regulations which govern the national scheme.

Given the very challenging local audit market, we believe that eligible bodies will be best served by opting to join the scheme and have attached a short summary of why we believe that is the best solution both for individual bodies and the sector as a whole.

I would like to highlight three matters to you:

1. if you opt to join the national scheme, we need to receive your formal acceptance of this invitation by Friday 11 March 2022;

2. the relevant regulations require that, except for a body that is a corporation sole (e.g. a police and crime commissioner), the decision to accept our invitation and to opt in must be made by the members of the authority meeting as a whole e.g. Full Council or equivalent. We appreciate this will need to be built into your decision-making timetable. We have deliberately set a generous timescale for bodies to make opt in decisions (24 weeks compared to the statutory minimum of 8 weeks) to ensure that all eligible bodies have sufficient time to comply with this requirement; and
3. if you decide not to accept the invitation to opt in by the closing date, you may subsequently make a request to opt in, but only after 1 April 2023. We are required to consider such requests and agree to them unless there are reasonable grounds for their refusal. PSAA must consider a request as the appointing person in accordance with the Regulations. The Regulations allow us to recover our reasonable costs for making arrangements to appoint a local auditor in these circumstances, for example if we need to embark on a further procurement or enter into further discussions with our contracted firms.

If you have any other questions not covered by our information, do not hesitate to contact us by email at [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk). We also publish answers to [frequently asked questions](#) on our website.

If you would like to discuss a particular issue with us, please send an email also to [ap2@psaa.co.uk](mailto:ap2@psaa.co.uk), and we will respond to you.

Yours sincerely

Tony Crawley  
Chief Executive

Encl: Summary of the national scheme

## Why accepting the national scheme opt-in invitation is the best solution

### Public Sector Audit Appointments Limited (PSAA)

We are a not-for-profit, independent company limited by guarantee incorporated by the Local Government Association in August 2014.

We have the support of the LGA, which in 2014 worked to secure the option for principal local government and police bodies to appoint auditors through a dedicated sector-led national body.

We have the support of Government; MHCLG's Spring statement confirmed our appointment because of our "strong technical expertise and the proactive work they have done to help to identify improvements that can be made to the process".

We are an active member of the new Local Audit Liaison Committee, chaired by MHCLG and attended by key local audit stakeholders, enabling us to feed in body and audit perspectives to decisions about changes to the local audit framework, and the need to address timeliness through actions across the system.

We conduct research to raise awareness of local audit issues, and work with MHCLG and other stakeholders to enable changes arising from Sir Tony Redmond's review, such as more flexible fee setting and a timelier basis to set scale fees.

We have established an advisory panel, which meets three times per year. Its membership is drawn from relevant representative groups of local government and police bodies, to act as a sounding board for our scheme and to enable us to hear your views on the design and operation of the scheme.

### The national scheme for appointing local auditors

In July 2016, the Secretary of State specified PSAA as an appointing person for principal local government and police bodies for audits from 2018/19, under the provisions of the Local Audit and Accountability Act 2014 and the Local Audit (Appointing Person) Regulations 2015. Acting in accordance with this role PSAA is responsible for appointing an auditor and setting scales of fees for relevant principal authorities that have chosen to opt into its national scheme. 98% of eligible bodies made the choice to opt-in for the five-year period commencing in April 2018.

We will appoint an auditor for all opted-in bodies for each of the five financial years beginning from 1 April 2023.

We aim for all opted-in bodies to receive an audit service of the required quality at a realistic market price and to support the drive towards a long term competitive and more sustainable market for local audit. The focus of our quality assessment will include resourcing capacity and capability including sector knowledge, and client relationship management and communication.

### What the appointing person scheme from 2023 will offer

We believe that a sector-led, collaborative, national scheme stands out as the best option for all eligible bodies, offering the best value for money and assuring the independence of the auditor appointment.

The national scheme from 2023 will build on the range of benefits already available for members:

- transparent and independent auditor appointment via a third party;
- the best opportunity to secure the appointment of a qualified, registered auditor;
- appointment, if possible, of the same auditors to bodies involved in significant collaboration/joint working initiatives, if the parties believe that it will enhance efficiency;
- on-going management of any independence issues which may arise;
- access to a specialist PSAA team with significant experience of working within the context of the relevant regulations to appoint auditors, managing contracts with audit firms, and setting and determining audit fees;
- a value for money offer based on minimising PSAA costs and distribution of any surpluses to scheme members - in 2019 we returned a total £3.5million to relevant bodies and more recently we announced a further distribution of £5.6m in August 2021;
- collective efficiency savings for the sector through undertaking one major procurement as opposed to a multiplicity of smaller procurements;
- avoids the necessity for local bodies to establish an auditor panel and undertake an auditor procurement, enabling time and resources to be deployed on other pressing priorities;
- updates from PSAA to Section 151 officers and Audit Committee Chairs on a range of local audit related matters to inform and support effective auditor-audited body relationships; and
- concerted efforts to work with other stakeholders to develop a more sustainable local audit market.

We are committed to keep developing our scheme, taking into account feedback from scheme members, suppliers and other stakeholders, and learning from the collective post-2018 experience. This work is ongoing, and we have taken a number of initiatives to improve the operation of the scheme for the benefit of all parties.

Importantly we have listened to your feedback to our recent consultation, and our response is reflected in [the scheme prospectus](#).

## **Opting in**

The closing date for opting in is 11 March 2022. We have allowed more than the minimum eight-week notice period required, because the formal approval process for most eligible bodies is a decision made by the members of the authority meeting as a whole [Full Council or equivalent], except police and crime commissioners who are able to make their own decision.

We will confirm receipt of all opt-in notices. A full list of eligible bodies that opt in will be published on our website. Once we have received an opt-in notice, we will write to you to request information on any joint working arrangements relevant to your auditor appointment, and any potential independence matters which may need to be taken into consideration when appointing your auditor.

## **Local Government Reorganisation**

We are aware that reorganisations in the local government areas of Cumbria, Somerset, and North Yorkshire were announced in July 2021. Subject to parliamentary approval shadow elections will take place in May 2022 for the new Councils to become established from 1 April 2023. Newly established local government bodies have the right to opt into PSAA's scheme under Regulation 10 of the Appointing Person Regulations 2015. These Regulations also set out that a local government body that ceases to exist is automatically removed from the scheme.

If for any reason there is any uncertainty that reorganisations will take place or meet the current timetable, we would suggest that the current eligible bodies confirm their acceptance to opt in to avoid the requirement to have to make local arrangements should the reorganisation be delayed.

## **Next Steps**

We expect to formally commence the procurement of audit services in early February 2022. At that time our procurement documentation will be available for opted-in bodies to view through our e-tendering platform.

Our recent webinars to support our consultation proved to be popular, and we will be running a series of webinars covering specific areas of our work and our progress to prepare for the second appointing period. Details can be found on [our website](#) and in [the scheme prospectus](#).

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# Audit Committee

25 November 2021



<b>Title</b>	Review of the Confidential Reporting Code (Whistleblowing policy)
<b>Purpose of the report</b>	To make a decision
<b>Report Author</b>	Victoria Statham, Group Head Corporate Governance
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	This item is not in the current list of Corporate Priorities but still requires a Committee decision
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <p><b>Note that the review of the Confidential Reporting Code by the Monitoring Officer has taken place and agree to retain the current policy.</b></p>
<b>Reason for Recommendation</b>	The current code is fit for purpose and covers all relevant matters.

## 1. Key issues

- 1.1 The Confidential Reporting Code forms part of the Council's Constitution and sets out how to raise serious concerns about any aspect of the Council's work. It also sets out legal protection against reprisals under the Public Interest Disclosure Act.
- 1.2 There is a requirement for the Confidential Reporting Code to be reviewed annually by the Council's Monitoring Officer and this is then reported to the Audit Committee.
- 1.3 The Code details:
  - (a) The nature of concerns which may be reported. (Section 2)
  - (b) Other policies such as the Grievance Procedure which exist to deal with employment issues including bullying or harassment. (Section 2)
  - (c) Safeguards against harassment or victimisation as a result of raising a concern. (Section 3)

- (d) Processes for raising and dealing with concerns including the various officers and organisations who could be contacted. (Sections 7 to 10)
- 1.4 In November 2020 a review of the Code was reported to the Audit Committee with a number of amendments following a benchmarking exercise. The amendments to the code were agreed and have been in place since adoption by the full Council.
- 1.5 The conclusion of the review by the Monitoring Officer is that the policy adopted in 2020 is still fit for purpose and does not require amendment at this stage. The current Confidential Reporting Code is at Appendix A.
- 1.6 The current code refers to the Members' Code of Conduct Committee. Under the adopted committee system, this committee is now the Standard's Committee. Under delegation the Monitoring Officer will make the amendment to the name of the committee.
- 2. Options analysis and proposal**
- 2.1 The Audit Committee can agree to continue with the current code or can recommend suggested amendments. If there are suggested amendments these will need to be recommended to the Council for consideration.
- 3. Financial implications**
- 3.1 Not applicable.
- 4. Other considerations**
- 4.1 There are none.
- 5. Equality and Diversity**
- 5.1 The code is accessible for all.
- 6. Sustainability/Climate Change Implications**
- 6.1 There are none.
- 7. Timetable for implementation**
- 7.1 If the Audit Committee agree that no changes are required, the policy will continue to apply. If amendments are recommended, these could not come into effect until adopted by full Council.

**Background papers: There are none.**

**Appendices:**

**Appendix A – Confidential Reporting Code**

## **CONFIDENTIAL REPORTING CODE (Whistleblowing)**

### **1. INTRODUCTION**

- 1.2 The Council is committed to the highest possible standards of openness, probity and accountability. In line with that commitment it expects staff and others that it deals with who have serious concerns about any aspect of the Council's work to come forward and voice those concerns.
- 1.3 Staff are often the first to realise that there may be something seriously wrong within the Council. However, they may not raise their concerns because they feel that speaking up would be disloyal to their colleagues or to the Council. They may also fear harassment or victimisation. In these circumstances it may be easier to ignore the concern instead of reporting what may just be a suspicion of malpractice.
- 1.4 The adoption of this confidential reporting Code by the Council is intended to encourage and enable all staff to raise any serious concerns they have within the Council, rather than overlooking a problem or 'blowing the whistle' outside. The Code makes it clear that you can raise concerns on a confidential basis, without fear of victimisation, subsequent discrimination or disadvantage. It is based on the Public Interest Disclosure Act 1998, which gives staff raising concerns under its rules legal protection against reprisals.
- 1.5 The Code applies to all staff and contractors working for the Council on Council premises, including agency staff. It also covers suppliers and those providing services under a contract with the Council.
- 1.6 The procedures in this Code are in addition to the Council's existing Complaints Procedure.
- 1.7 This Code has been discussed with UNISON and the Transport and General Workers Union and has their support.

### **2. AIMS AND SCOPE OF THIS CODE**

- 2.1 This Code aims to:
  - encourage you to feel confident about raising serious concerns
  - encourage you to question practice and act upon any concern
  - provide clear channels for you to raise those concerns
  - ensure that you receive a response to concerns you raise and that you are clear about how to pursue them if you are not satisfied
  - reassure you that you will be protected from possible reprisals or victimisation if you raise a concern in good faith reasonably believing something is wrong.
- 2.2 The Council has a Grievance Procedure to enable you to lodge a grievance relating to your own employment and a Harassment and Bullying Policy to enable you to raise any concerns about this area, which should be directed to Human Resources. This Confidential Reporting Code is intended to cover

major concerns you might have that fall outside the scope of other procedures. Such concerns might include:

- conduct which is an offence or a breach of law
- disclosures related to miscarriages of justice
- health and safety risks, including risks to the public as well as other staff
- damage to the environment
- the unauthorised use of public funds
- possible fraud and corruption
- serious and organised crime
- sexual or physical abuse of clients, or
- other unethical conduct.

If safeguarding concerns are highlighted then the Safeguarding Policy and procedures must be adhered to.

2.3 Any serious concerns that you have about any aspect of service provision or the conduct of staff or councillors of the Council or others acting on behalf of the Council can be reported under the Confidential Reporting Code. This could be about something that:

- makes you feel uncomfortable in terms of your past experience or what you know about standards set by the Council; or
- is against the Council's Standing Orders and policies; or
- falls below established standards of practice; or
- amounts to improper conduct.

2.4 This Code does not replace the corporate complaints procedure.

### **3. SAFEGUARDS**

#### **Harassment or Victimisation**

3.1 The Council is committed to good practice and high standards and wants to be supportive of staff.

3.2 The Council recognises that making the decision to report a concern can be difficult. If what you are saying is true, you should have nothing to fear because you will be doing your duty to the Council and those for whom you are providing a service.

3.3 The Council will not tolerate any harassment or victimisation (including informal pressures) of someone raising something of concern to them and if proven will take appropriate action, including disciplinary procedures to protect you against this when you raise a concern in good faith. If you consider that you are the subject to harassment or victimisation (including informal pressures) due to the raising of your concern you should inform the person dealing with your whistleblowing matter or any other officer named in this policy.

Reviewed December 2020

3.4 Any investigation into allegations of potential malpractice will not influence or be influenced by any disciplinary or redundancy procedures that already affect you.

#### **4. CONFIDENTIALITY**

4.1 If someone asks for a matter to be treated in confidence, then we will do our utmost to respect that request. However, it is not possible to guarantee confidentiality. If we are in a position where we cannot maintain confidentiality and so have to make disclosures, we will discuss the matter with you first. We will give you feedback on any investigation and be sensitive to any concerns you may have as a result of any steps taken under this procedure.

4.2 In some circumstances the Council may decide that we have to reveal your identity in order to assist in the investigation into the matter. You will be advised beforehand if this is to be the case. Your prior consent will be obtained before such disclosure, unless we have to disclose your identity by law (e.g. safeguarding concerns, money laundering or other criminal offences).

#### **5. ANONYMOUS ALLEGATIONS**

5.1 This Code encourages you to put your name to your allegation whenever possible. Remember, if you do not tell us who you are it will be much more difficult for us to investigate the matter fully, to ask follow-up questions, to protect your position or to give you feedback.

5.2 Concerns expressed anonymously are much less powerful but will be considered at the discretion of the Council.

5.3 In deciding whether to consider anonymous concerns the following are some of the factors which will be taken into account :

- the seriousness of the issues raised
- the credibility of the concern; and
- the likelihood of confirming the allegation from attributable sources

#### **6 UNTRUE ALLEGATIONS**

6.1 If you make an allegation in good faith, but it is not confirmed by the investigation, no action will be taken against you. If, however, you make an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against you in accordance with the Council's disciplinary procedures.

#### **7 HOW TO RAISE A CONCERN**

7.1 As a first step, you should normally raise concerns with your immediate manager or their manager. This depends, however, on the seriousness and sensitivity of the issues involved and who is suspected of the malpractice. For example, if you believe that your management is involved, you should approach the Chief Executive, Chief Finance Officer, Monitoring Officer, or Audit Services.

7.2 Concerns may be raised verbally or in writing. If you wish to make a written report it is best to use the following format:

Reviewed December 2020

- the background and history of your concern (giving relevant dates);
- the reason why you are particularly concerned about the situation.

7.3 The earlier you express your concern the easier it is to take action.

7.4 Although you are not expected to prove beyond doubt the truth of an allegation you make, you will need to demonstrate to the person you contact that there are reasonable grounds for your concern.

7.5 You can obtain advice/guidance on how to pursue matters of concern from:

Chief Executive	Daniel Mouawad	(01784 446250)
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Chief Finance Officer	Terry Collier	(01784 446296)
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Deputy Chief Executive	Lee O'Neil	(01784 446377)
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Monitoring Officer	Victoria Statham	(01784 446241)
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Internal Audit Manager	Punita Talwar	(01784 446454)
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Principal Solicitor	Karen Limmer	(01784 446248)
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Human Resources Manager (where specifically relates to a Human Resources matter)	Debbie O'Sullivan	(01784 446289)
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7.6 In addition you could contact any of the following:-

The Chairman or Vice Chairman of the Members' Code of Conduct Committee: the Council has a Members' Code of Conduct Committee, the purpose of which is to help the Council operate to the highest ethical standards. Both the Chairman and Vice-Chairman are non-councillors and can be approached for advice. Their details can be obtained from Committee Services on 01784 446240/444243 or found on the Council's web site; or

Public Concern at Work - This is a registered charity which seeks to ensure that concerns about serious malpractice are properly raised and addressed in the workplace and they can be contacted on 020 7404 6609; or

Your trade union or professional body.

7.7 You may wish to consider discussing your concern with a colleague first and you may find it easier to raise the matter if there are two (or more) of you who have had the same experience or concerns.

7.8 You may invite your trade union, professional association representative or a friend to be present during any meetings or interviews in connection with the concerns you have raised.

## **8. HOW THE COUNCIL WILL RESPOND**

8.1 The Council will always respond to your concerns. Do not forget that testing out your concerns is not the same as either accepting or rejecting them.

Reviewed December 2020

- 8.2 If you raise a concern with your manager which they feel is beyond the scope of their authority or of a serious nature they will refer it to the Monitoring Officer rather than dealing with it personally.
- 8.3 Where appropriate, the matters you raise may:
- be investigated by managers, audit services, or through the disciplinary process
  - be referred to the police
  - be referred to the external auditor
  - form the subject of an independent inquiry.
- 8.4 In order to protect individuals and those accused of misdeeds or possible malpractice, initial enquiries will be made to decide whether an investigation is appropriate and, if so, what form it should take. The overriding principle for the Council is the public interest. Concerns or allegations which fall within the scope of specific procedures (for example grievance or sexual harassment) will normally be referred for consideration under those procedures.
- 8.5 Some concerns may be resolved by agreed action without the need for investigation. If urgent action is required this will be taken before any investigation is conducted.
- 8.6 Within ten working days of a concern being raised, the manager with whom you raise your concern or the Monitoring Officer will write to you:
- acknowledging that your concern has been received
  - indicating how the Council propose to deal with the matter
  - giving an estimate of how long it will take to provide a final response
  - telling you whether any initial enquiries have been made
  - supplying you with information on staff support mechanisms, and
  - telling you whether further investigations will take place and if not, why not.
- 8.7 The amount of contact between the officers considering the issues and you will depend on the nature of the matters raised, the potential difficulties involved and the clarity of the information provided. If necessary, the Council will seek further information from you.
- 8.8 Where any meeting is arranged, which can be away from the offices or your place of work if you so wish, you can be accompanied by a union or professional association representative or a friend.
- 8.9 The Council will take steps to minimise any difficulties which you may experience as a result of raising a concern. For instance, if you are required to give evidence in criminal or disciplinary proceedings the Council will arrange for you to receive advice about the procedure.
- 8.10 The Council accepts that you need to be assured that the matter has been properly addressed and so, subject to legal constraints, will inform you of the outcome of any investigation.

Reviewed December 2020

## **9. THE RESPONSIBLE OFFICER**

- 9.1 The Council's Monitoring Officer has overall responsibility for the maintenance and operation of this Code. That officer will maintain a record of concerns raised and the outcomes (but in a form which does not endanger your confidentiality) and will report as necessary to the Council.

## **10. HOW THE MATTER CAN BE TAKEN FURTHER**

- 10.1 This Code is intended to provide you with clear channels within the Council to raise concerns and the Council hopes you will be satisfied with any action taken. If you are not, and if you feel it is right to take the matter outside the Council, the following are possible contact points:

- Public Concern at Work
- the Council's external auditor
- your trade union
- your local Citizens Advice
- relevant professional bodies or regulatory organisations
- the police.

- 10.2 If you do take the matter outside the Council, you should ensure that you do not disclose confidential information. Check with the contact point about that.

## **11. POLICY REVIEW**

- 11.2 This policy will be reviewed annually by the Council's Monitoring Officer to ensure the effectiveness of the policy and the findings will be reported to the Audit Committee.

# Audit Committee

25 November 2021



<b>Title</b>	<b>Interim Internal Audit Report</b>
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Punita Talwar, Internal Audit Manager
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	Not Applicable
<b>Corporate Priority</b>	All
<b>Recommendations</b>	Committee is asked to: (1) Note the Interim Internal Audit report
<b>Reason for Recommendation</b>	Not applicable

## 1. Key issues

- 1.1 Internal Audit is defined as “An *independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*” (Public Sector Internal Audit Standards)
- 1.2 This report summarises work undertaken by the Internal Audit team for the period April to October 2021, with details set out at Appendix 1.
- 1.3 Appendix 1 includes recommendations arising from Internal Audit reviews aimed at reducing risks and strengthening internal controls, highlighting assurance opinions where appropriate. Progress on implementation of audit recommendations (status) is provided where appropriate and in other areas confirmation of recommendations agreed for implementation by corporate management team, Group Heads and managers has been recorded.
- 1.4 The team supported with externally commissioned audit resource continue to provide assurance across a diverse workplan and have reported on several areas of good practice operating with some examples as follows:
  - (i) ICT General Controls Health check audit - Barracuda Web Security Gateway software is used to provide proactive web security including the identification and blocking of potential known spyware/ virus threats; real time capacity reporting is used to identify any bandwidth/ performance issues; the configuration of internal and external firewalls provides

increased resilience as is it provides a redundant/ failover facility in the event that one fails; Active directory passwords are configured to require a good standard of complexity; a backup routine is in place to ensure regular backups of systems and data are taken and stored offsite for increased resilience.

- (ii) ICT Network Infrastructure Audit - An annual penetration test is undertaken to identify any network issues/ vulnerabilities to be addressed; Internal vulnerability scanning of the network is undertaken on a weekly basis; Network security roles and responsibilities are defined as part of the Information Security Policy framework.
- (iii) Commercial Asset Income -Robust monitoring arrangements for commercial asset income with an impressive collection rate of 99.3% for 2020/21 despite the pandemic challenges; well established system in place to ensure that loan repayments are generated in a timely manner, accurate and appropriately authorised; management information and performance monitoring is clear, comprehensive and timely, further improved during the pandemic as the risks of tenant failure and lost revenue was high.
- (iv) Property Development - Despite the pandemic challenges, it is acknowledged that the Assets team have continued to prioritise delivery of development schemes where possible. Strengthening of governance arrangements with a dedicated Corporate Policy and Resources Committee and Development Sub Committee in operation for development projects.
- (v) Climate Change and Workplace Culture audits - Corporate Commitment to pursue Climate Change measures and develop an Organisational values and behavioural framework.
- (vi) Debtors - Management oversight and approval of key debtor processes; timely raising of invoices; prompt completion of financial reconciliations; quarterly revenue monitoring reports highlighting variances; Corporate Debt officer working group oversight.
- (vii) Community Infrastructure Levy (CIL) – A significant proportion of CIL income transactions had been paid (86%) over a period of six years from 2015/16; evidence of compliance with key statutory requirements for CIL; Corporate Debt officer working group oversight.
- (viii) Business Support Grants – Prompt administration and processing of grants relating to multiple government schemes to support local businesses at a critical time; application of Spotlight, a tool to complement pre-award due diligence checks and highlight areas of risk to inform grant-making decisions.

1.5 In addition to planned audit reviews, there are several other workstreams undertaken by the team (including corporate roles and tasks), set out at Appendix 1. Some examples of how Internal Audit supports the organisation in achieving its objectives and adds value are summarised below:

- (a) Statutory Reporting to the Audit Committee – Several reports are produced and presented in accordance with the Committee work programme. This ensures adherence to Public Sector Internal Audit Standards (PSIAS) and supports corporate governance arrangements.

- (b) **Advisory Role** - Reactive and pro-active advice provided to services and corporate groups on various risk and control issues, including new systems and processes.
- (c) **Unplanned reviews** – Where the level of associated risk is deemed to be reasonably high, unplanned reviews or analysis work may be prioritised in the provision of assurance to the authority.
- (d) **Counter Fraud Oversight** - Coordination and reporting of counter fraud outcomes and progressing initiatives for tackling high risk public fraud through continued collaborative working with partners. Further to continuous efforts to target social housing fraud working alongside Housing and registered providers, we are able to initiate a data matching exercise which is anticipated to produce significant returns (subject to funding approval).
- (e) **Corporate Risk Management** – Coordination and reporting on the Council's Corporate Risk Register representing the Council's most significant strategic risks. Training has been delivered in September to raise awareness of corporate approaches to risk management and launch the summarised policy guide. Developing a Risk Appetite Framework (RAF) for Spelthorne is a work in progress and represents an important step in the Council's risk maturity.

## 2. Options analysis and proposal

- 2.1 There are no options.
- 2.2 Implementation of audit recommendations will reduce risks for the authority and enhance the robustness of the control environment which is acknowledged by the Councils Management Team and the Audit Committee.
- 2.3 Failure to undertake internal audit work to the required professional standards would lessen the reliability of assurance provision to the Council that effective control systems and governance arrangements are in place and could result in an increase in the Council's annual external audit fee.

## 3. Financial implications

3.1 Corporate fraud returns collated by Internal Audit demonstrate quantifiable financial returns in the form of fraud losses prevented/savings achieved for Spelthorne. From January 2015 to June 2021, cumulative notional savings to the public purse exceed £2.72m (based on Cabinet Office notional savings to the public purse) of which £555k represents quantifiable cashable savings for Spelthorne. A breakdown analysis of cumulative fraud returns across high-risk public fraud categories since the commencement of the Surrey Counter Fraud Initiative (January 2015 to June 2021) are shown below:

<b>Fraud Category</b>	<b>2015 to 2021 Notional Savings £</b>	<b>Percentage of cumulative total 2.72m</b>
Housing register and homelessness applications	1,163,380 1.16m (rounded)	42.63 43% (rounded)
Social Housing	162,000	5.93 6% rounded

Business rates	1,089,060 1.09m (rounded)	39.9 40% (rounded)
Council Tax Discount	242,694	8.89% 9% (rounded)
Council Tax Support	71,296	2.61 2% (rounded)
<b>TOTALS</b>	<b>£2.72 m</b> <b>£2,728,430</b>	<b>100%</b>

3.3 A further breakdown of quantified fraud returns (positive outcomes) reported over the last four financial years is set out in the table below.

<u>YEAR</u>	<i>Housing Register &amp; Homelessness Applications (2 categories)</i>	<i>Social Housing Fraud</i>	<i>Business Rates</i>	<i>CTAX Discount</i>	<i>CTAX Support</i>	<u>NOTIONAL £</u>	<u>CASHABLE £</u>
<b>2017/18</b>	180,000 + 198,000 = 378,000	54,000	226,963	0	18,342	677,305	92,603
<b>2018/2019</b>	306,000 + 54,000 = 360,000	0	281,050	241,904	6,620	889,574	154,000
<b>2019/2020</b>	47,380 +69,840 =117,220	0	0	0	19,165	136,385	11,000
<b>2020/21</b>	48,600 +51,840 = 100,440	0	0	790	5,852	107,082	62,300
<b>Totals Rounded</b>	<b>955,660</b>	<b>54,000</b>	<b>508,013</b>	<b>242,694</b>	<b>49,979</b>	<b>1,810,346</b> <b>1.81m</b>	<b>319,903</b> <b>320,000</b>

3.4 From April 2019 Cabinet office notional savings to the public purse applicable for each Housing register and homelessness application withdrawn were significantly reduced. This largely accounts for the decrease in notional savings reported from that period as indicated in the table at 3.3. On the contrary the value of estimated fraud losses for all forms of social housing fraud were significantly increased by the Cabinet Office and are therefore being actively targeted but the cooperation of registered providers will be essential to promote positive progress and outcomes in this area (as referred to earlier at paragraph 1.5 (d)). Continued referrals of suspected fraud and pursuit of proactive and collaborative counter fraud initiatives across all high-risk fraud categories will contribute to maximising financial returns.

#### 4. Other considerations

4.1 There are none.

#### 5. Equality and Diversity

5.1 Appendix 1 gives reference to an audit review of Workplace Culture where the importance of embedding a values and behavioural framework across key Council policies, processes and practices has been recommended.

**6. Sustainability/Climate Change Implications**

6.1 Appendix 1 gives reference to an audit review of Climate Change and there is also inclusion on the Council's Corporate Risk Register, given that it represents a significant risk category of a global nature.

**7. Timetable for implementation**

7.1 Implementation of audit recommendations within target timescales proposed and audit status (open or closed) will continue to be monitored as part of the follow up process, to coincide with Audit Committee reporting timescales throughout the year (November, March and July).

**Background papers:**

**Internal audit reports**

**Corporate Risk Register**

**Counter Fraud Returns**

**Appendices**

**Appendix 1 – Summary of workstreams undertaken by the Internal Audit team for the period April to October 2021**

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The role of **Internal Audit** is to provide independent **assurance** that an organisation's risk management, governance and **internal** control processes are operating effectively. An assurance opinion (key) is attached to Internal Audit reports and recommendations are made based on the traffic light system (Red, Amber, Green).

**\*ASSURANCE KEY (Column 2 of table):**

<b>Effective</b> - Controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Some Improvement Needed</b> - A few specific control weaknesses were noted; generally, however, controls evaluated are adequate, appropriate, and effective to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Major Improvement Needed</b> - Numerous specific control weaknesses were noted. Controls evaluated are unlikely to provide reasonable assurance that risks are being managed and objectives should be met.
<b>Unsatisfactory</b> - Controls evaluated are not adequate, appropriate, or effective to provide reasonable assurance that risks are being managed and objectives should be met.

~ RECOMMEND	
<b>High</b> 	Urgent action
<b>Medium</b> 	Action required to
<b>Low</b> 	Desirable action

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**# Internal Audit Recommendations Status Key (Column 6 of table): # Reporting on the status of whether internal audit recommendations have been implemented or remain outstanding is based on confirmation from Group Heads/ Managers i.e., Internal Audit have not verified this. MAT & Members should note the comments recorded under the Progress column when considering the direction of travel.**

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
1. Commercial Assets and Investments	<b>Effective</b>	Group Head Regeneration & Growth	There are no recommendations arising from audit work undertaken.	There are no recommendations arising from audit work undertaken.	Closed

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
June 2021 (Final)					
2. Property Development  September 2021 (Final)	<b>Some Improvement Needed</b>	Group Head Regeneration & Growth	1. The significant risk and issues associated with the self-imposed Moratorium continue to be reported to Members and monitored.	2. The wider organisational implications arising from the delay in completion of the Harper House project should be reported and reviewed by the relevant Committee to ensure appropriate transparency. This approach should also be followed for other development schemes where delays are encountered.  3. There needs to be greater coordination across the Council when analysing and reporting on risks and wider implications of project delays relating to property development schemes. This will ensure that all relevant costs and impact are captured as part of reporting with the	Open  1. Completed and Ongoing, with reference on the Corporate Risk Register.  2. Target for implementation January 2022. A report on lessons learnt on Harper House will go to the development sub-committee (including impact of project delays). The matter will also be reflected in the development update slides for all schemes.  3. Target for implementation October 2021. There will be closer liaison between assets and housing to ensure that all the impacts of delays are captured. In addition, considerable amount of work has been undertaken with

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				possibility of the Housing Team specifically reporting to the Development Investment Group on accommodation costs incurred as a result of development scheme delays such as Bed and Breakfast paid out per week.	the aim of attaining greater transparency over finance costs so that these matters will be reported on and discussed at DIG as required.
3.Treasury	<b>Some</b>	Chief	All recommendations for		Open

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
Management May 2021 (Final)	<b>Improvement Needed</b>	Accountant	<p>Treasury Management were previously reported in the annual audit report of July 2021. The following recommendation is being followed up to confirm implementation.</p> <p>1. In view of the ongoing and increased Treasury Management activity, it seems prudent that the Chief Accountant (or other independent officer) carry out periodical management spot checks to incorporate high value transactions. (This is a re-recommendation from 2018/19 &amp; 2019/20).</p>		<p>1. Agreed to implement. Target – end of June 2021. Please confirm status.</p>
4.Creditors June 2021 (Final)	<b>Some Improvement Needed</b>	Chief Accountant & Creditors Manager	<p>All recommendations for Creditors were previously reported in the annual audit report of July 2021. The following recommendations are being followed up to confirm implementation.</p> <p>1. The number of credit card holders should be reviewed</p>		<p>Open</p> <p>1. Completed and further review scheduled August 2021.</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
			<p>based upon their usage. In particular, a review of the credit card holder that has not used their credit card since inception should be revoked.</p> <p>2.The authorisation process of credit card transactions should be reviewed and strengthened whilst aligning with the need for operational flexibility. Line managers should either authorise and / or spot check credit card transactions for reasonableness incurred by their staff. This area should be reviewed in tandem with any existing checks undertaken by the Finance Team.</p> <p>3.The Section 151 Officer – CFO / Deputy Chief Executive should consider reviewing the £20k temporary authorisation limit of the Mayoral and Civic Events Officer’s credit card.</p>		<p>2.Agreed and in progress. Target 31 July 2021.</p> <p>3. Completed with further review of limits operating scheduled for August 2021.</p> <p>4. Agreed for full</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
			4.The Creditors Control Account should be reconciled to the General Ledger on a monthly or quarterly basis. Evidence should be readily available to show that reconciliations have been undertaken and should also be subject to a periodic management review to ensure that the reconciliations are completed in a timely manner.		implementation by 31 July 2021.
5. Covid related workstream - Business Support Grants  November 2021	<b>Some Improvement Needed</b>	Chief Finance Officer and Deputy Group Head Customer Relations		1.Going forward for future grants, an exception report should be produced to ensure all potential duplicates are identified and validated in advance of the	Closed – no further action proposed.  1.The Service Manager considers the controls now in

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(Final)				<p>actual grant payments being generated. Adequate authorisation controls should also be consistently in place particularly as this was reported as a contributing factor for the numerous duplicate payments being generated in the first instance.</p> <p>2.Regular reconciliation processes will provide an opportunity to review whether the spreadsheet showing duplicate payments refunded by businesses aligns with what has been received and posted on the Council's financial system (Integra).</p> <p>3.A template supplied by BEIS provided the mechanism whereby Local Authorities can refer their uncollectable debt either through error, non-compliance or fraud.</p>	<p>place to be sufficient to minimise any loss of public funds. All apart from one Duplicate payment was either returned to the Council or offset from future grant payments. A single spreadsheet contains all the grant payments, and no further payments are allowed to be processed where the FS unique number has been used previously – unless expressly granted by the Deputy Group Head of Customer Relations only.</p> <p>2.Not agreed. Because of offsetting and the fact that returned money could be actioned in more than one way this reconciliation will be very difficult. A spreadsheet is retained of the actions regarding all duplicated payments.</p> <p>3.Fraud cases and other future anomalies discovered</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				4.Plans by Customer Services to produce a post-event assurance plan and complete a financial reconciliation once all grant payments have been issued are acknowledged.	would always be reported to BEIS / Communities where recovery has not proved successful or successful but where underlying fraud is suspected.  4.This is an acknowledgement by Internal Audit and not a recommendation.
6.Debtors  October 2021 (Final)	<b>Some Improvement Needed</b>	Customer Services and Revenues Manager		1.The Chief Finance Officer should review and update the paragraph of the Council’s Financial Regulations Part 4 Section (d) – (Write Off Section D20) to ensure	Open All audit recommendations have been agreed for implementation, with some actioned. It is too early to follow up full implementation.

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				<p>that the write off limits and delegated authority is brought in line with the current Write Off Policy (part of the Corporate Debt Policy)</p> <p>2. All Write Offs should be performed in a timely manner within the financial year and in accordance with the Corporate Write Off Policy.</p> <p>3.The Corporate Debt Group should seek management assurance that Write Off activity for sundry debts is taking place on a regular basis. This action should be included as a standing item on the Corporate Debt Group (CDG) agenda and a requirement for a management information report to be shared with the Corporate Debt Group to evidence write off</p>	<ol style="list-style-type: none"> <li>1. Agreed for implementation, target March 2022, as it will coincide with the next update of the Council's Constitution.</li> <li>2. Implemented. Quarterly review and submission of write offs to Corporate Policy and Resources Committee built into Forward Plan.</li> <li>3. Agreed and included as standing item on the agenda of CDG. Full implementation of actions in the recommendation by September 2022.</li> </ol>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				<p>monitoring is underway.</p> <p>4.A Sales Ledger Write Off Proforma for all debts due to be written off should be completed and approved prior to any Write Off taking place. The completed proforma will highlight the action taken in pursuing the debt and confirm whether all feasible options have been explored.</p> <p>5.The Customer Services and Revenues Manager should produce a useful management report of all outstanding debts and present it to the Corporate Debt Group.</p> <p>This practical managerial tool to be used for:</p> <ul style="list-style-type: none"> <li>Enhancing the quality of management</li> </ul>	<p>4. Agreed for implementation, target 30/09/22.</p> <p>5. Agreed for implementation, target 30/09/22.</p> <p>6. Agreed and implemented.</p> <p>7. Agreed and implemented.</p> <p>8. Agreed for implementation, target 30/11/21.</p> <p>9. Agreed for</p>

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				<p>information relating to the extent of aged debt, thereby providing greater oversight of debt monitoring and analysis purposes</p> <ul style="list-style-type: none"> <li>Informing the Corporate Debt Group on aged debt, thereby promoting visibility of collection rates and arrears outstanding</li> <li>Establishing the cost effectiveness of chasing longstanding debts which the Authority is unlikely to recover</li> </ul> <p>6.Services across the Authority should ensure a regular review of the age and status of debts to ensure that the appropriate recovery action or write off action is promptly initiated</p>	<p>implementation, target 30/11/21.</p> <p>10. Agreed for implementation, target 30/11/21.</p> <p>11. Agreed and implemented.</p>

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				<p>in accordance with the agreed Corporate Debt Policy and the expected timeframes set by Customer Services.</p> <p>7.Where Services fail to respond to Customer Services regarding outstanding debts within a four-week timeframe, Customer Services should take ownership and exercise their professional judgement in pursuing relevant recovery action. This ensures consistency with the Corporate Debt Policy.</p> <p>8.Regular Unmatched Credit reports should be produced and reviewed in a timely manner.</p> <p>9.The Customer Services and Revenues Manager</p>	

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				<p>should undertake a regular review of unallocated credits to ensure that the Debtor is either promptly refunded or query with the Service whether further invoices are required to offset the credits.</p> <p>10.The Customer Services and Revenues Manager should ensure compliance with HMRC requirements in relation to payments, in particular the VAT element.</p> <p>11.The long-standing entries held in the Sales Ledger Suspense Account should be reviewed to ensure appropriate action has been taken to match outstanding items. Where there is little likelihood that items will be allocated, these should be written back.</p>	

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7. Community infrastructure Levy  November 2021 (Final report)	<b>Some Improvement Needed</b>	Group Head Corporate Governance / Deputy Group Head Customer Services	-	The Group Head of Corporate Governance and the Deputy Group Head of Customer Services should discuss and review the option of transferring the CIL income recovery process (at an appropriate point of the recovery stage) from the Customer Services Team to the Legal Team. Any proposed decision based on benefits envisaged for the authority should also be raised with the Chief Finance Officer for approval.	Open  Discussions are to be held between relevant Group Heads to agree a way forward.
8.Climate Change  July 2021 (Final)	<b>Some Improvement Needed</b>	Group Head Commissioning and Transformation (Corporate lead)		1.As part of drafting the new Climate Change strategy / action plan, expected items highlighted by audit should be incorporated as far as possible.	Open 1.Agreed for implementation supported by new resource, target March 2022.  2.Agreed for implementation, target

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				<p>2.Template project documentation (for example business cases) to be reviewed and updated to ensure that Climate Change risks/implications are considered as part of decision making.</p> <p>3.Governance arrangements should be incorporated into the new Climate Change Strategy / Action Plan to ensure that roles and responsibilities are clearly defined.</p> <p>4.Training to be arranged for Officers and Members to enhance understanding of managing Climate Change and the responsibilities of individuals across the</p>	<p>September 2021.</p> <p>3.Agreed for implementation supported by new resource, target November 2022.</p> <p>4.Agreed for implementation, target November 2022.</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				<p>organisation to address climate related risks. This will assist effective scrutiny and decision making to ensure appropriate actions are taken to maximise carbon reduction.</p> <p>6. Periodic monitoring and reporting arrangements to the relevant governing body should be incorporated into the new Climate Change Strategy / Action Plan to ensure transparency and enable appropriate scrutiny of actions taken.</p>	<p>5. Agreed for implementation supported by new resource, target December 2021.</p>
<p>9. Workplace Culture and Ethics</p> <p>September 2021 (Final)</p>	<p><b>Some Improvement Needed</b></p>	<p>Corporate Management Team</p>	<p>-</p>	<p>1. Prior to formal adoption of a set of associated behaviours, consideration should be given to obtaining employee feedback to ensure that staff understand the values and are aligned</p>	<p>Open</p> <p>1. This recommendation relies on the corporate plan being implemented first. Work is currently in progress around the revised CARES priorities and the proposed</p>

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				<p>with the proposed behaviours.</p> <p>2.The Council should establish an action plan to outline its overall approach, timeframes, and desired outcomes for embedding values and behaviours into the organisation’s working culture. This should include consideration of the extent to which values and behaviours should be incorporated into key policies and practices, including the areas as outlined in the detailed finding.</p>	<p>PROVIDE values. These were introduced to staff at the staff meeting on 18 August 2021. From those values a set of behaviours can be derived, and it is currently proposed that staff will be consulted on those through winter 2021, subject to agreement on the corporate plan.</p> <p>2.The parameters are accepted but COVID-19 and changes to the systems of governance and political administration have led to an immediate focus on the life and wellbeing of staff, Councillors and residents. Target for action plan October 2021. Target for formal adoption of the corporate plan from the end of the year further to approval by full Council in December 2021 .</p>

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					Target to work with staff to build on behaviours over the following 6 months.
10.ICT Audit (Health check and general IT Controls)  September 2021 (Final)	<b>Some Improvement Needed</b>	Group Head Commissioning and Transformation	-	1.ICT to develop and maintain updated IT Strategy and Service Plan documents for 2021/22.  2.ICT management to document key ICT risks and mitigating controls as part of a risk register. Managers are encouraged to undertake this as part of the service planning process.  3.ICT management to review and update the Patch Management Policy to reflect any recent changes to processes and procedures.  4.ICT management to introduce a documented regular review of firewall rulesets and ensure this is	Open 1. Agreed for implementation, target June 2022. In the interim ICT will produce a service plan (target date 31/10/2021).  2. Agreed for implementation, target 31/12/21.  3.Agreed for implementation, target 31/10/21.  4.Agreed for implementation, target November 21 and recurring annual basis.  5.Agreed for implementation, target 31/10/21.

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
				<p>performed on an at least annual basis.</p> <p>5.ICT management to review and update the Network Password Policy document to reflect current password requirements and controls.</p> <p>6.ICT management to review options for renaming/ disabling the Active Directory 'Administrator' account.</p> <p>7.ICT management should ensure the 'Information Back Ups Policy' and 'Appendix' documents are updated to reflect current backup requirements and controls. These should include documentation of processes and requirements around the backup of key services, roles and responsibilities and required</p>	<p>6.Agreed to disable the account by 31/10/21.</p> <p>7.Agreed for implementation, target 31/10/21.</p> <p>8.Action completed. A Disaster Recovery test was undertaken in September and a full report of the outcomes followed.</p>

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				backup schedules.  8. Disaster recovery arrangements should be tested following completion of the updated DR plan, and this should be completed on an annual basis. Test results should be documented as part of a formal test report which details test objectives, outcomes, and lessons learned. This can then be used in updating and improving the DR plan and supporting documents.	
11. ICT Audit (Network Infrastructure)  September 2021 (Draft)  Final report to be issued on receiving completed management	<p style="text-align: center;"><b>Some Improvement Needed</b></p>	Group Head Commissioning and Transformation	-	1. ICT management to review and update Information Security framework policies and procedures.  2. ICT management to document infrastructure device and firmware patching requirements and controls as part of the	Open Management responses will be provided.

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
responses				Patching Policy.  3.ICT management to update the Change Control Policy to include the criteria to be used when assigning Impact and Risk ratings.  4.ICT management to implement dedicated administrator accounts in addition to standard user accounts for IT administrators.  5.ICT management to introduce a documented annual IT training needs assessment process.  6.ICT management to ensure all required data is migrated from Sharepoint 2010 prior to its decommissioning.	
12.Finalisation of 2020/2021 Audits	<b>Various</b>	Various	Some recommendations relating to the 2020/21 Audit	-	The status of audit recommendations relating to

Audit Review & issue date of draft / final report	Assurance Level granted at time of audit * (see assurance key page 1)	Accountable Officer	~Audit Recommendations Red (Column 4) / Amber or Green (Column 5)		#Current Status and Progress Please Record whether recommendations are implemented
Completed			workplan are referred to above whilst other recommendations have been previously reported to the Audit Committee in July 2021.		the 2020/21 Audit workplan have been previously reported to the Audit Committee in July 2021 whilst further updates are provided above.

**WORK IN PROGRESS**

Audit assignments in progress are set out below. Any recommendations or key findings arising from this work will be reported to a future Audit Committee:

- Payroll and Human Resources incorporating recruitment processes and review of HR policies - the draft findings and recommendations are being discussed.
- Pandemic recovery Workstream - Council Revenue Streams (excludes commercial asset income).
- Review of Spelthorne Leisure Centre Accounts for April to July 2021 including identification, collation and review of key source data and supporting documentation (Unplanned assurance work to support the authority).

Planning is underway for the following audit assignments scheduled for quarter 3:

- Creditors
- Main Accounting Systems (Financial Ledger)
- Council Tax
- New Committee system

**ALL OTHER WORKSTREAMS AND TASKS INCLUDING CORPORATE ROLES**

<p><b><u>Statutory requirements &amp; Reporting</u></b></p> <p>Audit Committee</p>	<ul style="list-style-type: none"> <li>❖ Reporting to Audit Committee three times a year (approx. 12 reports per year) includes Internal Audit activity, risk management reporting and requirements for Public Sector Internal Audit Standards (PSIAS)</li> <li>❖ Meetings with the Audit Committee Chair, Vice -Chair, Chief Finance Officer and Group Head Corporate Governance</li> <li>❖ Following up and responding to actions/ questions raised by Audit Committee members</li> <li>❖ Appointment of Independent Member of Audit Committee – ongoing</li> <li>❖ Input to Audit Committee Member Training provided by external trainer in July 2021</li> <li>❖ Annual Audit Opinion &amp; input to Annual Governance Statement for 2020/21</li> <li>❖ Quarterly liaison meetings with the s.151 Officer on audit matters as part of ‘dotted reporting line’</li> <li>❖ Audit Plan monitoring</li> <li>❖ Audit Planning including timings, allocations, scoping and prioritisation review</li> <li>❖ Preparation of audit briefs, terms of reference and work programmes</li> <li>❖ Supervision and guidance including quality assurance review process for every audit review undertaken</li> <li>❖ Exit Meetings with managers and finalising audit reports</li> <li>❖ Responding to Senior Management requests to defer planned audit assignments</li> <li>❖ Escalation where necessary to enable finalisation of work</li> </ul>
<p><b><u>Corporate Risk management</u></b></p>	<ul style="list-style-type: none"> <li>• Coordination of the Council’s Corporate Risk Register and regular reporting to Audit Committee took place. The register focuses on significant strategic risks impacting effective delivery of corporate priorities. It also aligns to methodology set out in the fully refreshed Corporate Risk Management Policy.</li> <li>• As part of ongoing development work, a summarised policy guide has been prepared to assist colleagues in managing risk. The Group Head of Corporate Governance and Internal Audit Manager delivered training to officers in September to raise awareness of corporate approaches and relevant training material was prepared.</li> <li>• 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 will guide how much risk the Council is willing to seek and accept to assist and enable consistent, transparent, and informed risk-based decisions in delivering corporate priorities and objectives. We continue to work with Elizabeth Humphrey and have communicated the rationale and benefits of introducing a RAF to the corporate management team, Group Heads, and senior managers. Further detail is provided in the corporate risk management cover report also being reported to the November Audit Committee.</li> </ul>
<p><b><u>Corporate Counter Fraud</u></b></p>	<ul style="list-style-type: none"> <li>• Refreshing the Counter Fraud, Bribery and Corruption Strategy</li> <li>• Rolling out Counter Fraud, Bribery and Corruption online training for officers and seeking management team endorsement to make this mandatory</li> <li>• Input to training material aimed at teams administering high risk public fraud activities. Reigate Counter fraud team delivered these sessions.</li> </ul>

	<ul style="list-style-type: none"> <li>• Collate and monitor Spelthorne’s quarterly fraud returns for submission to Surrey County Council. Savings (fraud losses prevented or stopped) are continuing to be achieved from the counter fraud work and Spelthorne’s cumulative fraud returns from the start of the Surrey Counter Fraud Partnership in January 2015 up to June 2021 exceed £2.71m (represent financial savings to the public purse based on Cabinet Office estimated figures) of which quantifiable cashable savings for Spelthorne equate to £555k. An analysis of the levels of fraud returns achieved across six high-risk public fraud categories and over recent years has been undertaken and the information is presented in the cover report.</li> <li>• Several meetings have taken place with Housing colleagues, Reigate Counter fraud team and registered providers to encourage greater focus on social housing fraud and to specifically target this area through exploration of a data matching initiative. Input to paper presented by Housing to the Strategic Housing Group. Reigate are also investigating referrals for Council Tax support, benefit investigations and more recently Business Rates including Business Support Grants. Pro-active fraud initiatives relating to Business Rates (such as the Destin Solutions hub for small business rate relief) are accessible as well as a County wide Single Person Discount (Council Tax) exercise (funded by County) in the fight against fraud.</li> <li>• Internal Audit, Finance, Communications, and other teams circulate details of frauds and scams identified nationally or locally to make staff aware of risks and asses their impact as necessary.</li> <li>• All audit reviews and advisory work consider fraud risks as necessary. However, it remains the responsibility of Service managers as the first line of defence in the overall assurance framework to ensure they have adequate systems of control in place to minimise risks of fraudulent activity and robust detection mechanisms in operation.</li> </ul>
<p><b><u>Audit Contractor Resource Management</u></b></p>	<p>Liaison with the service provider TIIA has provided access to both generalist and specialist skills such as ICT auditing. Where Auditors have conducted similar reviews at other local authorities or other organisations any best practice can be shared.</p>
<p><b><u>Audit Support</u></b></p> <p>Audit advice to management &amp; Liaison (responsive and pro-active work)</p>	<ul style="list-style-type: none"> <li>❖ COVID-19 Pandemic - Monitoring the Council’s ongoing response and recovery from the pandemic, identification and assessment of emerging and evolving risks and periodical reporting to Audit Committee. Highlighting risk mitigation actions underway as well as those areas that are impacted heavily by externalities.</li> <li>❖ Attendance at working groups to offer advice where appropriate on risk and control implications, (Corporate Risk Management Group, Corporate Debt Group, ICT SIG).</li> <li>❖ Confidential advice to some service areas</li> <li>❖ Various MAT and Committee reports – governance, risk, and control issues</li> <li>❖ Planned Advisory areas including Housing/Building Control/Environmental Health/Neighbourhood Services</li> <li>❖ Service requests</li> <li>❖ Knowle Green Estates (KGE) – initial steer and advice to the officer lead in preparation of a risk assessment</li> <li>❖ New and emerging processes in response to supporting communities from the impacts of the pandemic</li> </ul>

	<ul style="list-style-type: none"> <li>❖ Assurance Statement for Annual Governance Statement</li> <li>❖ Test and Trace payments- review of supporting documentation to support grant sign off</li> <li>❖ Compliance and Enforcement surge funding – review of supporting documentation to support grant sign off</li> <li>❖ Input to authority’s feedback to BEIS regarding Business Support Grants</li> <li>❖ Procurement and supplier risks</li> <li>❖ Gifts and Hospitality</li> <li>❖ Housing - Electronic signatures</li> <li>❖ Finance and Customer Services - Duplicate Payments</li> <li>❖ Finance and Parking Services – arrangements for secure collection and banking of monies</li> <li>❖ Finance and Independent Living –banking of monies</li> <li>❖ Customer Services – counter fraud approach</li> <li>❖ Exploring a forensic software system that uses data analytics to detect and prevent the occurrence of financial errors in an accounts payable (Creditors) function, including discussions with external representatives and internal stakeholders</li> </ul> <p>There are various other examples of audit support – the above is not a complete list.</p>
<p><b><u>Miscellaneous</u></b></p>	<p>Various as summarised below:</p> <ul style="list-style-type: none"> <li>❖ Attendance at Corporate training sessions</li> <li>❖ Continuous Professional Development and keeping abreast of audit technical developments/emerging best practice/Professional internal audit forums/participation in surveys led by professional auditing bodies such as CIPFA</li> <li>❖ Service Planning</li> <li>❖ Performance Management / 1-1’s</li> <li>❖ Team management (staff support/ admin/GDPR Compliance Plans and Information Asset Registers/ Document retention policy/Health and Safety/ Budget monitoring and various budgetary processes such as growth bid/Legal Liaison on contractual agreements/ resumption planning/IT technical support/planning for migration to SharePoint)</li> <li>❖ Team meetings</li> <li>❖ Corporate staff meetings</li> <li>❖ V-BEC Managers Briefings</li> </ul>

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**FORWARD PLAN 2021/22  
AUDIT COMMITTEE – 25 NOVEMBER 2021**

**Resolution Required**

**1. Forward Plan**

- 1.1 This report covers the Forward Plan for the remainder of the municipal year 2021/22.
- 1.2 The Committee's terms of reference are set out at the front of the agenda.

**2. Future Meetings**

- 2.1 Meetings of this Committee have been scheduled in the Council's Diary on the following dates:

- **24 March 2022**

- 2.2 Details of the Forward Plan are as follows:

<b>March 2022</b>	Officer	
2021-22 Statement of Accounts – review any updates to 2020-21 accounting policies for SBC and its subsidiaries, prior to commencing the audit	Chief Accountant	Report
Corporate Risk Management	Internal Audit Manager	Report
Corporate Risk Register	Head of Service - as appropriate	Updates on target dates missed
Report on The Effectiveness of the System of Internal Audit	Internal Audit Manager	Report
Internal Audit Annual Plan 2022/23	Internal Audit Manager	Report
External Audit update	External Auditors	Verbal item
VFM Working Group update	Chief Finance Officer	Verbal item
Committee's Forward Plan for 2022/23	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 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
Value for Money Statement 2021/22	External Auditors
Annual Audit Letter 2021/22	External Auditors
External report of Audit and Statement of Accounts 2021/22	External Auditors