

# Audit Committee

24 March 2022



<b>Title</b>	Corporate Risk management
<b>Purpose of the report</b>	To make a recommendation to Corporate Policy and Resources Committee
<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>The Audit Committee is asked to:</b> <b>1. Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, with a view to Corporate Policy and Resources deciding on an appropriate course of action.</b> <b>2. Pursue with Corporate Policy and Resources scope for wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.</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> <b>Increased visibility and ownership of the risks and issues raised in this report is recommended across the Council due to the significant and wide-reaching implications. This will support improved coordination in addressing risks and implementing mitigating actions.</b>

## 1. Summary of the report

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

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

## 2. Key issues

2.1 The revised corporate risk register is set out at Appendix 1 and the Risk Action Plan at Appendix 2.

2.2 The perusal of actions on the Council's Covid-19 recovery plan, the evolving economic position globally and the geopolitical uncertainty arising from the Ukraine crisis have meant several risks on the corporate risk register continue to be influenced by external factors. Those risks are highlighted in blue to distinguish areas where risk mitigation measures may be limited in terms of actual outcomes due to externalities beyond the control of the council. These were also reported previously to the November 2021 Audit Committee.

2.3 The Council's most significant strategic risks to highlight are the four risk categories that continue to be assigned a red RAG rating (see Appendix 1), and a further risk category that has moved from an amber RAG rating to a red RAG rating based on risk assessment and application of the risk scoring model. This includes risk categories 1(a) (Housing – Development & Targets), 1b (Housing – affordable), 2 (Economy), 6 (Sustainability and Climate Change) and 7 (Corporate Capacity/Resources/ Recruitment and Retention).

2.4 The corresponding risk action plan attached at Appendix 2 highlights actions completed, as well as 'work in progress' and 'continuous actions'. Two new actions have been added as part of this review under section 7. Firstly to keep overstretched capacity under regular review and secondly to continue to explore new and innovative recruitment and retention strategies in a competitive market.

2.5 The key issues and developments to highlight as part of the latest review of the Corporate Risk Register are set out below at 2.5 (a) to 2.5 (e).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

### **3. Options analysis and proposal**

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

#### **4. Financial implications**

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

#### **5. Other considerations**

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

#### **6. Equality and Diversity**

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

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

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

#### **8. Timetable for implementation**

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

#### **9. Contact**

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**Background papers: There are none.**

#### **Appendices:**

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

**Appendix 2 – Risk Action Plan**