

# Audit Committee

24 March 2022



<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
<b>Recommendations</b>	<b>The Audit Committee is asked to:</b> <b>(i) Note the COVID-19 pandemic recovery risk report and Risk Assessment at Appendix 1.</b> <b>(ii) For future risk reporting, support redefining the focus from the pandemic to wider externalities impacting the Council and its communities, including the macroeconomic environment and geopolitical uncertainty .</b>
<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. Summary of the report

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

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

## 2. Key issues

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

### (a) Economy – red risk category A.

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Seizing Positive Opportunities – amber risk category D

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

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

#### (e) Housing and Homelessness – amber risk category E

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

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

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

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

**Or:**

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

### **4. Financial implications**

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

### **5. Other considerations**

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

## **6. Equality and Diversity**

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

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

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

## **8. Timetable for implementation**

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

## **9. Contact**

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**Background papers: There are none**

### **Appendices:**

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