

# 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**