

Corporate Policy & Resources Committee

17 April 2023



Title	Corporate Risk Register (Corporate Risk Management)
Purpose of the report	To note
Report Author	Punita Talwar, Internal Audit Manager
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES). Community Affordable housing Recovery Environment Service delivery
Recommendations	1. The Committee is asked to consider and note the significant strategic risks and issues highlighted in this report, ensuring continued wider reporting of the Corporate Risk Register and Risk Action Plan across other Committees.
Reason for Recommendation	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. Continued 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.

1. Summary of the report

- 1.1 This report seeks to highlight significant strategic risks in delivering the Council priorities (CARES) and objectives, current actions to manage risks (these are defined as current control actions and current mitigating actions) as well as any further mitigation measures underway set out in the separate Risk Action Plan.

- 1.2 The Corporate Risk Management Officer Group (officer led) meets three to four times a year, chaired by the Deputy Chief Executive (Chief Finance Officer). This forum provides an opportunity for officers to consider the risk register and identify any further corporate risks emerging or evolving.
- 1.3 As part of ongoing development work, the format and presentation of the Corporate Risk Register was refreshed at the last review in November 2022 to make the content more visually appealing as well as highlighting the direction of travel in terms of RAG status and risk score. Both the Audit Committee and Corporate Policy and Resources Committee (CPRC) welcomed the changes at that time. In addition, CPRC were keen for exploration of software that may further enhance the visual presentation of risk management reporting as well as facilitate the analysis, collation and reporting of information. Some initial discussions have taken place with a recommended company to gain further insight and we are also exploring alternative options as to what may be possible to achieve in-house. This is discussed further under key issues.

2. Key issues

- 2.1 Risks continue to be assessed as before taking account of current controls and current mitigations in place as this approach reflects the Council's risk management policy requirements and good practice.
- 2.2 The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed, and designated lead officers are also recorded.
- 2.3 The revised corporate risk register is set out at Appendix A and the Risk Action Plan at Appendix B. The direction of travel is highlighted against each broad risk category at Appendix A regarding any movement of either the RAG rating, risk score or indicative risk score since the previous review of November 2022. Risk owners should ultimately be comfortable with the proposed positioning/ranking of the risks in the matrix on page 1 of Appendix A (subject to discussion as necessary).
- 2.4 Several risks on the corporate risk register continue to be significantly influenced by external factors, due to the economic crisis and macroeconomic environment (elevated inflationary pressures, increased rates of borrowing, continued Cost-of-Living strain, potentially looming recession) as well as the ongoing geopolitical uncertainty. 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. Given all of this, it is important to recognise there are no simple fixes or solutions to many of the complex risks identified on the Council's Corporate Risk Register. A separate report on the impact and implications of wider externalities for the Council and its communities is also on the Audit Committee agenda, and we welcome a discussion around reducing duplication of themes, risks and issues being reported. This streamlined approach would seem timely in coinciding with the 2023/24 Audit work programme, subject to views at the March meeting.
- 2.5 The nature of all risks on the Corporate Risk Register are significant due to their strategic impact on corporate priorities and therefore continued visibility and recognition remains important, including current controls and mitigations to alleviate and manage identified risks. The corresponding risk action plan

attached at Appendix B highlights completed actions (green section), as well as 'work in progress' (white section), 'continuous actions' (blue section) and three new proposed actions (pink) under risk categories 3 - Financial Resilience and Commercial Assets and 4 – Finance and Communities.

A summary of key risks, issues and developments to highlight and draw to your attention are set out below at 2.5 a to e:

- (a) Wider externalities and other factors continue to present increased financial risk to the Council considering the significance of increased borrowing costs in delivering a range of strategies and schemes (which may lead to a detrimental impact on the communities it serves). This is a strategic theme carrying high impact across several categories on the register. Ongoing financial challenges and pressures continue to have a significant impact on the Council's budgetary position and financial sustainability. The Outline Budget report of January 2023 to CPRC for 2023/24 to 2026/27 provides updated medium term budget projections, anticipated budget deficits and sets out options for refreshed medium term financial strategy. (***Links in particular with 1A & B Housing – Development and Targets/Affordable Housing, 2 – Economic Prosperity, 3 – Financial resilience and Commercial Assets, 4 - Financial resilience and Supporting Communities, 5 – Treasury Management***)
- (b) **Risk category 1A Housing – Development and targets.**

Quantifying the impact of delayed property development schemes and accelerated construction inflation on the Council's budgetary position remains pivotal, as well as outlining mitigating actions moving forward in delivering the Council's core priorities and housing programme. ECM agreed a new strategic approach on 2nd February to ensure the housing delivery pipeline remains viable for the Council and Knowle Green Estates, placing the residential housing delivery programme on a more financially sustainable footing. This includes maximizing Homes England grant support for affordable and keyworker units, a capital injection into KGE, retaining Thameside and Benwell on Spelthorne's balance sheet for private rental and bringing forward Tothill regeneration scheme. Taking this update into account, the indicative RAG status and risk score could possibly move in a more favorable direction over time against risk category 1A. (Red to Amber)

Formal examination of the Local Plan is due to be undertaken by the Planning Inspectorate. A new risk has been added to this category at 1A highlighting that any delays in the examination and adoption of the Local Plan is likely to continue to impact on the ability to bring forward the appropriate quantum of housing development.

- (c) **Risk Category 2 - Economic Prosperity**

A separate report to Audit Committee on the Council's risk exposure to wider externalities provides further examples of local mitigating measures taken by the Economic Development team, to influence areas where a degree of local control can be applied. More specific reporting around this continues to the Economic Development Committee.

(d) **Risk category 3 – Financial resilience and Commercial Assets.**

In continuing to manage the Council's risk exposure relating to commercial investment assets, a review of sinking fund policy has been undertaken, approved by Corporate Policy and Resources Committee on 28 November 2022. Sinking fund modelling will be transferred to the Finance team from mid-March 2023. Outline and detailed budget modelling highlight a significant dip in investment asset income in 2023-24 which will be offset by use of £6m of sinking funds reserves. Whilst the sinking fund has been drawn upon, the Council are pursuing opportunities for managing rental voids and securing new tenants. A new action proposed in the Risk Action Plan is a strategy for the longer-term relationship management of existing tenants occupying commercial properties with a view to reducing associated risks of tenant departures.

Spelthorne are participating in a review of capital risk mitigation with CIPFA and DLUHC and will pursue any recommendations that may arise (new action for Risk Action Plan).

A further discussion has been held with the Corporate Management Team regarding the RAG rating for this category, and the collective consensus is for the RAG rating to remain at Amber as part of this review. It is considered that the rationale provides justification for this assessment in terms of continued control actions, governance arrangements and mitigation measures in addressing the risks in this category (as set out in the detailed register). In particular, the Council's ongoing management of voids is pivotal with proposals being put forward to a future CPRC in addressing the largest single void with a view to reducing the vacancy rate. The two new actions for this risk category have already been highlighted above which will further support additional risk mitigation measures.

(e) **Risk category 7 Corporate Capacity, Resources, Recruitment and Retention**

The interrelated risks and issues in this category have been highlighted extensively as part of previous reviews. CPRC have approved a Corporate Establishment Review of the Council with a Terms of Reference setting out objectives. Future reporting to CPRC by the Service lead will highlight any actions arising.

2.6 With regards exploring a risk management software product (note earlier reference under report summary), an initial discussion with a recommended provider offered insight to likely benefits. These include:

- Improved visual presentation making the information more digestible. This may in turn facilitate greater continued buy-in regarding risk management concepts and principles which of course are integral to robust organisational governance.
- Encourages enhanced risk ownership and accountability for managing risk across the Council through self-serve data input approach (rather than feeding in updates to a single point/Officer which requires coordination of information). This could in turn contribute towards embedding of a risk management culture.

- Improved visibility and governance around system updates and audit trails
- A more efficient organisational approach to collating information rather than use of spreadsheets or word documents which can become cumbersome to maintain.
- Tracking and monitoring - automated workflows reminding risk owners to update information.
- Management information - facility to extract reports and view dashboard information.
- Methodology - Facility to continue to apply existing corporate risk scoring matrix and criteria.

2.7 There are limitations to such software as follows, in that :

- It will not enable automated identification of new risks or pre-populate corresponding controls expected (i.e., the necessary cognitive process in considering emerging risks or ascertaining controls and mitigation measures is of course still necessary, applying professional judgement and knowledge)
- As with any system it will still require a good level of input to inform the risk management information system in making it meaningful and relevant.
- There will be a cost and currently no budget has been allocated.

2.8 Other risk management software products are likely to present similar benefits/approaches in improving visual presentation and encouraging a self-serve approach for better engagement and ownership. If the procurement of any external software product were to be pursued a budget growth bid would need to be made. The Council already has a range of software in use but with the associated costs of new software it is worth exploring if any systems we have can be used and to look at options within. SharePoint and Office 365 have been developed (and are being further developed) for project management reporting. A cost benefit analysis should be undertaken considering business need. We welcome a further discussion at Audit Committee and subsequently CPRC on any next steps in taking this forward.

3. Options analysis and proposal

The revised register at Appendix A is an accurate reflection of the high-level significant risks affecting the Authority, based on consultation with Managers and assessment of risk and controls in operation.

Option 1 - To consider the contents of the Corporate Risk Register including any new or expanded risk categories, residual risks highlighted, current control actions, current mitigating actions and further mitigating actions set out in the Risk Action Plan 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 B outlines the progress made on actions previously proposed and includes new actions which should be addressed as they impact effective delivery of corporate priorities and objectives, (preferred option); or

Option 2 - To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

4. Financial implications

- 4.1 As previously reported, there are major financial implications arising from several corporate risk categories on the register (1a, 1b, 2, 3, 4 and 5), with some of these discussed under section 2.5 above. Whilst many of the current financial and organisational challenges are influenced by wider externalities, given the ongoing major inflationary pressures, increased cost of borrowing and continued impact of the Cost-of-Living Crisis strain, some of the local and collaborative measures being explored and taken forward to alleviate risks by the Council are highlighted under para 2.5.
- 4.2 If there is a strong steer to explore further the acquisition of risk management software, an assessment of all viable options (these could be in-house development or externally sought) will be necessary and the evaluation will determine next steps /any financial implications. If the procurement of any external software product were to be pursued a budget growth bid would need to be made.

5. Risk considerations

- 5.1 The Council's corporate and strategic risks impacting the achievement of corporate priorities, represent the most significant risks facing the authority. At Appendix A the broad strategic risk categories, specific risk considerations and implications are identified and articulated, as well as the current controls and current mitigation measures in place to manage these risks. Current controls are those actions intended to reduce the likelihood of occurrence of the risk event, whilst current mitigations are those actions intended to reduce the impact of a risk event should it occur. Taken together, current controls and current mitigating actions represent ways of managing risk. A risk action plan is set out at Appendix B, ensuring a mechanism to capture risk related SMART actions and assign a lead officer with target dates to monitor their progress in further alleviating the identified risks. However, to reiterate commentary under para 2.4 above, there are no simple fixes or solutions to many of the complex risks identified on the Council's Corporate Risk Register.

6. Procurement considerations

- 6.1 Any procurement considerations relating to the risk categories on the register should be identified by the respective Risk Owners and lead officers and are likely to form part of separate reporting/communications.
- 6.2 If there is a strong steer to explore further the acquisition of risk management software, an assessment of all viable options (these could be in-house development or externally sought) will be necessary and the evaluation will determine next steps /any financial implications.

7. Legal considerations

- 7.1 Some corporate risks facing the Council as identified on the register are driven or influenced by statutory requirements. For example, risk category 1b Housing – Affordable Housing – (iii) specific risk refers to the implications of the Domestic Abuse Act for the Council in terms of suitable housing provision. At risk category 8 - Equalities, Diversity and Inclusion refers to the Equality Act 2010.

8. Other considerations

- 8.1 The LGA Corporate Peer review recommendations arising from the review of November 2022 also supports the Council to address its significant strategic risks, considering overlapping themes around sustainability, developments, housing, supporting communities and finances. It remains the responsibility of designated officers to take these forward. If the Council does not effectively address the Peer Review recommendations this could impact further on risks presented in the Corporate risk register.

9. Equality and Diversity

- 9.1 The Corporate Risk Register incorporates Equality, Diversity and Inclusion as a specific strategic risk category with effect November 2022 and sets out current controls and current mitigation measures in place, as well as any further risk mitigating actions for perusal (risk action plan).

10. Sustainability/Climate Change Implications

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

11. Timetable for implementation

- 11.1 The Risk Action Plan at Appendix B shows lead Council officers responsible for progressing actions, together with target timescales for implementation. The register is reviewed and updated three times a year in consultation with the corporate management team, Group Heads and Managers. It is coordinated, analysed, and reported by the Internal Audit Manager.

12. Contact

- 12.1 Internal Audit Manager, Punita Talwar. P.talwar@spelthorne.gov.uk
01784 446454
- 12.2 Please also refer to contact names provided for Risk owners/accountable officers as well as lead Officers who hold responsibility for implementing systems of internal control and mitigating actions to manage and alleviate the risks identified against each broad risk category.

Background papers: There are none.

Appendices:

Appendix A – Corporate Risk Register – this includes (i) level of assessed risk i.e., Red/Amber/Green - RAG status of each risk category (ii) Numerical Risk

Appendix B – Risk Action Plan