

# Audit Committee

19<sup>th</sup> March 2024



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| <b>Title</b>                     | Corporate Risk Register (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>          | N/A  |
| <b>Corporate Priority</b>        | The Corporate Risk Register outlines significant strategic risks impacting the effective delivery of all corporate priorities (CARES).<br>Community<br>Addressing housing needs<br>Resilience<br>Environment<br>Services   |
| <b>Recommendations</b>           | <b>The Audit Committee is asked to:</b><br><b>1. Consider the significant strategic risks and issues highlighted in this report and present these to the Corporate Policy and Resources Committee, ensuring continued wider reporting of the Corporate Risk Register and actions 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><br><b>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 implementing risk management strategies.</b> |

## 1. Summary of the report

| What is the situation  | Why we want to do something   |
|--|---|
| The Corporate Risk Register continues to ensure that the Council’s | Exposure to wider externalities and other unprecedented pressures are |

|  |   |
|--|---|
| <p>most significant strategic level risks in relation to achievement of corporate priorities and objectives are regularly identified, managed, monitored, and reported. The current reporting frequency coincides with the Audit Committee cycle and work programme.</p>   | <p>continuing to present competing levels of crises. The worsening financial and housing crisis across local government continues to have adverse and wide-reaching effects. Consequently, the Council continues to encounter some challenge in the context of delivering corporate priorities.</p> <p>The approaches being taken to proactively manage identified risks and mitigate impact are referred to in this report and related appendices.</p> |
| <p>This is what we want to do about it</p>   | <p>These are the next steps</p>   |
| <p>Continued relevance of the risks on the register is important, particularly during current times of accelerating levels of crises, often referred to as the poly-crises, and the rapid pace of change.</p> <p>The Corporate Risk Register and related process provides a mechanism for regular review of the register, ensuring it remains current.</p> | <p>The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed. In doing so they are supported by designated lead officers (at Group Head level) who are responsible for overseeing the day-to-day management of these risks and ensuring future risk management strategies are progressed/implemented.</p>                                      |

- 1.1 This report seeks to highlight significant strategic risks in delivering the Council priorities (CARES) and objectives, current strategies to manage risks (these are defined as current controls and current mitigations) as well as any future strategies to manage associated risks.
- 1.2 Exposure to wider externalities and other pressures are continuing to present competing levels of crises. The worsening financial and housing crisis across the local government sector continues to have adverse effects, impacting communities. Consequently, the Council continues to encounter some challenge in the context of delivering corporate priorities. The approaches being taken to proactively manage identified risks and mitigate impact are referred to in related appendices to this report.
- 1.3 The format and presentation of the Corporate Risk Register has been refreshed further to implementation of an in-house system. This has modernised the look and feel of the register and promotes more focused reporting of risk management, reinforcing designated lead officers and risk owners against each broad risk category/risk subject area. It incorporates a Risk Dashboard for users of the system to filter risks by lead officer/risk category or subject area. It will also support future recording, collation and

analysis of information in the register, and over time production of tailored reports can be explored.

## 2. Key issues

- 2.1 The corporate management team and lead Committee hold collective ownership and accountability for ensuring these strategic corporate risks are effectively managed. In doing so they are supported by designated lead officers (at Group Head level) who are responsible for overseeing the day-to-day management of these risks and ensuring future risk management strategies are progressed/implemented.
- 2.2 The format and presentation of the Corporate Risk Register has been refreshed following implementation of an in-house system and central record. This has modernised the look and feel of the register and promotes more focused reporting of risk management, incorporating a Corporate Risk Dashboard for system users. Each broader risk category heading in the register (of which there are nine) is broken down into a specific subject risk area. For example, under risk category 1a – Housing – Development and Targets, there are 4 subject risk areas comprising Alternative Development delivery options, Housing Development Programme, Timelines for Delivery and Local Plan. Guidance has been provided to Managers to support better differentiation between control and mitigation whilst recognising that these are both strategies to manage identified risks. It has also been a timely opportunity to remove surplus content in the register when articulating risk management strategies and therefore a data refresh has taken place.
- 2.3 The revised corporate risk register content is presented as appendices to this report and includes the following:
  - Appendix A - Identified risks along with current and future risk management strategies set out in one document. (There is no longer a separate Risk Action Plan as future risk management strategies are reported in the same document highlighting next steps in managing the risks).
  - Within Appendix A there is summary information (visually presented) in terms of the direction of travel for each subject risk area regarding any movement of either the RAG rating, risk score or indicative future risk score.
  - Appendix B sets out the positioning and ranking of current assessed risks relating to each subject risk area, applying the corporate risk scoring matrix. (Risk owners and Lead Officers have had an opportunity to review the proposed positioning of the risks on the matrix).
- 2.4 The key headlines and updates to report across the broad risk categories on the register deemed to be emerging from the current review are set out below:
  - Financial risk continues to present a common theme weaving through many of the risks on the register in view of ongoing funding challenges for local authorities, increased service demands (in particular the housing crisis is increasing the need to spend on temporary accommodation), managing accumulated capital costs of £10 to £15m arising from the suspension of direct delivery of the Housing Development programme as well as significant annual holding costs being incurred on development sites, amid inflationary

pressures, the Cost of Living and Cost of Doing Business Crisis and the long term impact of increased cost of debt (borrowing).

- Risk Category 1a – Housing(Development and Targets). Subject risk areas include Development Delivery Options/Timelines for Delivery/Housing Development Programme **(All Red RAG – Current risk score of 12 )**

The earlier section draws out some significant financial risk implications relating to this risk category. In terms of taking forward alternative development delivery options in working towards addressing housing need and delivering housing outcomes across the sites currently owned by the Council, this will be subject to formal approval/implementation of a Member driven strategy.

- Risk Category 1a – Housing (Development and Targets) . Subject risk area - Local Plan . **(Red RAG – Current risk score of 12 )**

The delays in adoption of the Local Plan and wider risk implications have been previously reported and remain in the risk register. Further assessments are underway regarding Greenbelt sites and the strategic flood risk assessment, taking account of the River Thames scheme modelling. Any proposed modifications that may arise will be subject to decisions and communicated to the Planning Inspector.

- Risk Category 3a – Financial Resilience - Commercial Assets **(Amber RAG - Current risk score of 9)**

The risks in this section have been reviewed for completeness and expanded to incorporate risk considerations around diversification of asset holdings and major lease expiry reviews. The corresponding risk management strategies have been included in the register.

The specific risks and issues highlighted recently by an external advisor and the Council's responses are included as a separate (exempt) item on the agenda. *(Please note separate JLL report for inclusion as an Appendix along with a table drawing out the key risks arising from that review and management's response)*

- Risk Category 4 - Financial Resilience and supporting Communities.

Subject Risk Area – Financial Pressures and increased costs **(Amber RAG - Current risk score of 9) ;**

Subject Risk Area – Financial Pressures – Cost of Living Crisis and increased demand on Council Services**(Red RAG – Current risk score of 12 )**

Subject Risk Area – Financial Pressures – restricted Borrowing Levels **(Amber RAG - Current risk score of 9)**

Some of the key financial pressures facing the authority have been highlighted earlier in this section of the report. Full Council have approved a balanced budget for 2024/25, and the additional budgetary challenges ahead particularly from 2026/27 are highlighted in the register. In managing and alleviating risks relating to financial pressures, a medium-term financial strategy is in place. Enhanced approaches to budget setting such as the introduction of Zero-Based Budgeting (ZBB) are planned for implementation as part of the 2025/26 budget process, and quarterly reporting on progress in achieving targets in delivering the cashable efficiency savings programme will be coming into effect from 2024/25. The Council's financial reserves strategy

and forecast is subject to periodical review, benchmarking analysis and reporting. The Surrey wide Financial resilience review undertaken set out the position across the County which was reported as generally positive and in the context of the national picture for local authorities.

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

- 3.1 The revised register and related appendices are 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.
- 3.2 Option 1 - To consider the contents of the Corporate Risk Register including any new or expanded risk categories, residual risks highlighted, current risk management strategies (current control actions, current mitigating actions) and future risk management strategies. (preferred option); or
- 3.3 Option 2 - To recommend amendments to the Corporate Risk Register for consideration by the Corporate Risk Management Group.

### **4. Financial management comments**

- 4.1 As previously reported, there are major financial implications arising from several corporate risk categories on the register. This is explained further at para 2.4 above including examples of risk management strategies currently in place or planned to take forward.

### **5. Risk management comments**

- 5.1 The Council's corporate and strategic risks impacting the effective achievement of corporate priorities, represent the most significant risks facing the authority. The register contains nine broad strategic risk categories, comprising specific risk subject areas that align to the broader category. Risk descriptions and consequences 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 current risk management strategies. Future risk management strategies are also included in the register documentation.

### **6. Procurement comments**

- 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.

### **7. Legal comments**

- 7.1 Some corporate risks facing the Council as identified on the register are driven or influenced by statutory requirements. For example, at risk category 8 - Equalities, Diversity and Inclusion refers to the Equality Act 2010.

### **8. Other considerations**

Whilst not currently referred to as a specific risk category on the Corporate risk register, the challenges facing the external audit sector have continued to present risks across the local government sector in terms of significant ongoing delays and backlogs in external audit assurance provision relating to prior year accounts, and the subsequent limitations regarding audit coverage

and opinions. The external audit review process relating to 2023/24 for Spelthorne has however commenced.

## **9. Equality and Diversity**

The Corporate Risk Register incorporates Equality, Diversity and Inclusion as a specific strategic risk category and sets out current controls and current mitigation measures in place, as well as future risk management strategies. There are no further areas of progress to report as part of the March review of the risk register.

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

10.1 There are none separate to those in the revised Corporate Risk Register, and some updates have been made under the broad risk category 6 as part of the March review of the register.

## **11. Timetable for implementation**

11.1 Future risk management strategies show lead Council officers responsible for progressing actions, together with target timescales for implementation. The register content 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 which includes identifying new risk descriptions, high level review of relevance of control and mitigation actions being reported in context of risk area, and proposing new risk management strategies in consultation with Managers where deemed appropriate.

## **12. Contact**

12.1 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 and risk subject area.

**Background papers: There are none.**

### **Appendices:**

**Appendix A - Corporate Risk Register** – this includes related narrative content as well as (i) level of assessed risk i.e., Red/Amber/Green - RAG status of each risk category (ii) Numerical Risk score and Direction of Travel.

**Appendix B –Risk scoring matrix summary** – level of assessed risks in the register

**Appendix C-** RESTRICTED ITEM

**Appendix D-** RESTRICTED ITEM