

Audit Committee

9 July 2024



Title	Corporate Risk Register (Corporate Risk Management)
Purpose of the report	To note
Report Author	Lee O’Neil, Deputy Chief Executive
Ward(s) Affected	All Wards
Exempt	No
Exemption Reason	N/A
Corporate Priority	Community Addressing Housing Need Resilience Environment Services
Recommendations	Committee is asked to: 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.
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 implementing risk management strategies.

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 most significant strategic level risks in relation to achievement of corporate priorities and objectives are regularly identified, managed, monitored, and reported. The current reporting	Exposure to wider externalities and other unprecedented pressures are 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

frequency coincides with the Audit Committee cycle and work programme	Council continues to encounter some challenge in the context of delivering corporate priorities. The approaches being taken to proactively manage identified risks and mitigate their impact are referred to in this report and related appendices.
This is what we want to do about it	These are the next steps
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. The Corporate Risk Register and related process provides a mechanism for regular review of the register, ensuring it remains current.	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.

1.1 This report highlights significant strategic risks in delivering the Council's priorities (CARES) and objectives, current strategies to manage risks (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 challenges in the context of delivering corporate priorities. The approaches being taken to proactively manage identified risks and mitigate their impact are referred to in related appendices to this report.

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 of the Corporate Risk Register was refreshed and presented for the first time at the last meeting of this Committee following implementation of a new in-house system and central record. The look and feel of the refreshed register have been designed to promote more focused reporting of risk management, incorporating a Corporate Risk Dashboard for system users. There will be further development of the new look register prior to the next Committee to address a number of technical issues for users who have to input data, and more work will be undertaken to remove

surplus content and consolidate a number of the subject risk areas where appropriate, which will be discussed with the Chair and Vice-Chair of this Committee.

2.3 The revised Corporate Risk Register content is appended to this report and includes the following:

- (a) **Appendix A** - Identified risks along with current and future risk management strategies set out in one document, highlighting next steps in managing the risks.
- (b) 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.
- (c) **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 Since the last meeting of this Committee the register has been updated to reflect any changes in the risks outlined at the time the report was written. The key headlines and updates to report across the broad risk categories on the register emerging from the current review are set out below:

Changes in risk scores

2.5 Five risk scores have been adjusted, one upwards and four downwards:

(a) **6 – Climate Change – Climate Change threat and impact – Now Red RAG** (Previously Amber) The score has increased from 9 to 12 due to the increasing evidence that climate change is happening, which is likely to have significant impacts on our Borough. As a Council, we are continuing to work towards our own net-zero targets and reviewing and updating our climate change strategy, ensuring this is fully aligned with our Corporate Plan 2024-28. However, whatever positive action we take locally, we cannot escape the growing threat that climate change presents, such as flooding.

(b) **6 – Climate Change – Responding and adapting to Climate Change – Now Amber RAG** (Previously Red) The risk score has been reduced from 12 to 8 in view of work which has been progressed building on the Greener Futures climate adaptation strategy and incorporating actions into our climate change strategy.

(c) **6 – Climate Change – Integration into decision making – Now Amber RAG** (Previously Red) The risk score has been reduced from 12 to 6 in view of the Council achieving the bronze level on the carbon literacy hierarchy. This score has scope to reduce further when the Council achieves the silver level.

(d) **2 – Economy – Cost of doing business crisis – Still Amber RAG** the risk score has been reduced from 9 to 6 to reflect the Council securing funding for climate change audits and consultancy support for businesses, plus progress with the specified mitigating actions (including the Council completing our work on the Town Centres Strategy for 2023).

(e) **4 – Financial Pressures – Cost of Living Crisis and increased demand on Council services – Now Amber RAG** (Previously Red) The risk score has been reduced from 12 to 9 to reflect the Council's use of Local Authority Housing Fund (LAHF) funding to purchase Temporary Accommodation, which will be transferred to

the Council's Housing Company (Knowle Green Estates Ltd.). This will save the Council around £3m per annum compared to the alternative of placing in private B&B, significantly mitigating the housing pressures on the Council's Revenue Budget.

Other key updates

2.6 Other risk scores within the register remain the same as previously reported, with continuing key underlying themes around financial risk due to:

- Ongoing funding challenges for local authorities,
- Increased demands on services, particularly in the area of housing,
- Risks associated with managing the accumulated capital costs of £10-15m arising from the suspension of direct delivery of the Council's Housing Development programme and the significant annual holding costs for Council-owned development sites, and
- Continuing high cost of debt, despite recent reductions in inflation.

(a) Under **1a Housing - Development and Targets** ('**Alternative development delivery options**' and '**Timelines for delivery**') **Both remain RED RAG** Following discussions between Members and officers a new Member-driven delivery strategy is in development together with a prioritisation list for development sites.

(b) The Risk description and control/mitigating actions for **1a Housing – Local Plan** **Still RED RAG** have been refreshed to reflect the updated Strategic Flood Risk Assessment and recent interactions with the Environment Agency (EA) over their concerns around flooding issues and the soundness of the Local Plan unless further changes were made. Although the EA believe these issues can be overcome and addressed and there is an on-going dialogue between Spelthorne and the EA, there is a risk that if the matter is unresolved, the number and deliverability of some site allocations may be at risk. This could potentially impact on the ability to deliver the required 5- and 10-year housing land supply (when combined with removing the green belt sites that the Council no longer wishes to pursue - agreed by E&S committee on 29 February 2024). A decision is still awaited from the Planning Inspector on whether the Council can go back to Examination or not (once he has received the EA's comments on the revised SFRA modelling).

NB. A report is being considered by CPRC on 8 July 2024 on whether to recommend further Main Modifications to the Local Plan be agreed by Council on 18 July 2024 to address the EA's final comments which were received on 20 June and 1 July. Members will be updated verbally on that Committee decision.

(c) Risk Category **1b – Housing provision and addressing need** – **Still RED RAG** An update has been provided under mitigating actions to outline work undertaken to explore strategies for helping to address the provision of affordable housing.

(d) DLUHC's announcement (on 8 May 2024) of a Best Value Inspection (BVI) of Spelthorne has been referenced under Risk category **3 - Financial Resilience and Commercial Assets – Commercial Investment Portfolio** **Still Amber RAG** The Council is actively and openly engaging with the BVI process, which will review risk mitigation arrangements around this authority's level of borrowing and reliance on

investment assets income. Although their inspection was due to be completed by August 2024 there is a risk that this may now take longer, due to the recent announcement of the General Election delaying the appointment two of the BVI team's Assistant Inspectors.

(e) The BVI has also been referenced in **4 – Financial Resilience and Supporting Communities – Financial Pressures – Increased Costs & Restricted Borrowing Levels** **Both remain Amber RAG**. The additional budgetary challenges ahead particularly from 2026/27 continue to be highlighted in the register. A medium-term financial strategy is in place to assist in managing and alleviating risks relating to financial pressures and Zero-Based Budgeting (ZBB) will be implemented as part of the 2025/26 budget process. Progress in achieving targets in delivering the cashable efficiency savings programme will be reported on a quarterly basis. The Council's financial reserves strategy and forecast is subject to periodical review, benchmarking analysis and reporting.

3. Options analysis and proposal

3.1 The revised register and related appendices are an accurate reflection of the high-level significant risks affecting this 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, any risk categories that can be consolidated or removed, 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 2.6, above.

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

8.1 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.

8.2 It should be noted that there could be further developments under any of the risk categories between the report being drafted and this being reported to the Committee. Any significant changes would therefore be reported verbally at the Committee as necessary.

9. Equality and Diversity

9.1 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 June 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 June 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 Deputy Chief Executive, 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 Lee O'Neil – Deputy Chief Executive (l.o'neil@spelthorne.gov.uk)

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 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.