

Audit Committee

26 September 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 continue to present challenges to the Council and to the delivery of its corporate priorities. The approaches being taken to proactively manage identified risks and

frequency coincides with the Audit Committee cycle and work programme	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
The Corporate Risk Register and related processes provide a mechanism for regularly reviewing risks to ensure any threats to the Council and its services can be addressed/minimised.	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 The Council continues to encounter some challenges in delivering its corporate priorities due to exposure to wider externalities (including inflationary pressures and demands for housing). The approaches taken to proactively manage identified risks and mitigate their impact are referred to in the appendices to this report.
- 2. Key issues**
- 2.1 Further refinements continue to be made to the refreshed format of the Corporate Risk Register and some of the technical issues have been resolved since the last Committee. 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 prior to any planned implementation.
- 2.2 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) **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).
- 2.3 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 in section 2.6.

- 2.4 A number of key underlying themes around financial risk continue to significantly affect risks to the organisation including:
- Ongoing funding challenges for local authorities,
 - Increased demands on services, particularly in the area of housing,
 - Potential additional costs which could result from failure to focus on the Council's priorities
 - 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.

Changes in risk scores and other key updates

2.5 Although there have been some updates to sections relating to a number of the risk areas, there have been **no changes to the risk scores** for any of the risk categories since the last Audit Committee on 9 July.

2.6 Some of the key areas where updates have, however, been provided include:

(a) **1a Housing - Development and Targets** ('Alternative development delivery options' and 'Timelines for delivery'). **Both remain Red RAG**. These subject areas have been updated to reflect ongoing progress with the Council agreeing a Member-driven Development Delivery Strategy. At the 12 September 2024 meeting of the Business Infrastructure and Growth Committee (BIG), Members agreed the prioritisation of Council-owned sites for development. Specific reports are being referred to the BIG Committee to seek approval for progressing marketing to identify delivery partners, e.g. for Ashford Victory Place and Thameside House.

Following discussions at the last Audit Committee, reference to risks relating to the financial viability of the schemes contained within this category have been replicated in section on **4 - Financial Resilience and Supporting Communities: Financial Pressures increased costs**.

(b) **1a Housing – Local Plan** **Still Red RAG**. This has been refreshed to reflect a number of actions taken since the last update, including:

- Progress made with the Environment Agency (EA) around their concerns on fluvial flooding. Following the decision of Council on 18 July 2024 on a number of Main Modifications to the Local Plan (details of which are outlined in the Register) the Chair of the Environment and Sustainability Committee wrote to the Inspector shortly after to set out these decisions and ask him to agree to go back to Examination. A draft Statement of Common Ground has been sent to the EA for their consideration which, if agreed, will mean there is agreement on all substantive matters, and that a key stakeholder is now satisfied that their concerns have been fully addressed.
- How Spelthorne's Local Plan will be assessed under the July 2022 National Planning Policy Framework (NPPF) (with a lower housing target) rather than the revised NPPF issued at the end of July 2024 (as the Plan is currently at Examination).

- Ongoing dialogue continuing with the DLUHC (now rebranded as MHCLG) as a result of the September 2023 Ministerial Direction, in order to reduce the risk of further intervention.

(c) **1b – Housing – Affordable – Housing supply and demand** **Still Amber RAG** – Figures for the number of people on the housing register and asylum seekers as of 13/09/24 have been added under the Risk Description section as requested at the last Audit Committee.

(d) **1b – Housing – Affordable – Housing provision and addressing need** **Still Red RAG** - Preparation of a refreshed housing strategy is under development which will take into account suggestions generated from the meeting of councillors and officers with Professor Morphet.

(e) **2- Economy – Long term uncertainty of macroeconomic environment –** **Still Amber RAG.** A review has been completed of the level of resources and expertise required to deliver the Council's Economic Prosperity Strategy.

(f) **3 - Financial Resilience and Commercial Assets – Commercial Investment Portfolio** **Still Amber RAG.** This has been updated to reference new governance arrangements relating to investment performance, through the Commercial Assets Sub-Committee (CASC) and the BIG Committee and refreshed sinking-funds modelling undertaken. Exit Strategies are being prepared and presented to CASC meetings from September to November. These strategies are being reflected in revised sinking funds modelling assumptions.

The Council continues to engage positively with the Best Value Inspection team. Due to the General Election, the appointment of two of the Assistant Inspectors has been delayed and the BVI team are now likely to complete their work later, in November 2024.

(g) **3 – Financial Resilience and Commercial Assets - Financial pressures – increased costs** **Still Amber RAG**
Medium term financial strategy (Outline Budget) providing a framework for managing financial resources, in a planned and pro-active way, enabling measures to be implemented which may take time to deliver results ahead of when required. For example the Council is expecting significant additional pressures in 2026-27 if a Fair Funding Review and Business Rates reset happens then.

Revenue Budget targets have been put forward for making efficiency savings over the next 4 years to further safeguard the authority. New targets have been incorporated into the 2024-25 Budget. Progress against savings targets are being reported on a quarterly basis to MAT+ and councillors (as part of quarterly monitoring reports going to Corporate Policy and Resources Committee).

(h) **4 – Financial Resilience and Supporting Communities – Financial Pressures – Restricted Borrowing Levels** **Still Amber RAG.** This now references the Treasury Management options paper going to the Corporate Policy and Resources Committee (CPRC) in October 2024 looking at the benefits of drawing down medium-term pooled investments as an alternative to borrowing and partially accelerating the paying down of debt finance.

(i) **5 – Treasury Management – Return on investments.** **Still Amber RAG** - An additional risk consideration has been added relating to not aligning investments with the Council’s Environmental, Social and Governance (ESG) objectives.

(j) **6 – Climate Change – Climate change threat and impact** **Still Red RAG**
An updated climate change strategy along with a clear action tracker was approved at the Environment & Sustainability Committee on 17 September 2024. The original action plan had 72 actions but some of these have been combined to avoid duplication. The Register gives an update on progress with these as of 12.9.24. Reference is also made to the need for collaborative measures to support a coordinated approach to strategy implementation across the organisation and looking at joint service projects.

(k) **7 – Corporate Capacity, Resources, Recruitment and Retention – Corporate Capacity & Recruitment and Retention.** **Still Amber RAG.** These have been updated to outline the potential threats of staff leaving due to workload pressures, the draw of better paid roles elsewhere, and the difficulties experienced in recruiting to a range of roles across the Council.

The results of the 2024 staff survey have recently been published. This had a very high participation rate. Most scores were highly positive regarding working conditions but the area relating to Councillors scored low.

(l) **8 – Equality, Diversity and Inclusivity – Legislative requirements** **Still Amber RAG** - A section on Equality, Diversity, and Inclusivity, including reference to LGBT community, has now been included in the induction seminar for new staff. A lead officer has now been assigned to support production of an Equality, Diversity, and Inclusivity Strategy for the Council.

(m) **9 – Working arrangements across LG tiers – Change Management/Strategic decisions** **Still Amber RAG** – An update has been provided in relation to the need to develop alternative delivery options for the Building Control Service due to significant resilience issues.

The updated Register also references developments relating to the Surrey Growth Board and Surrey Business Leadership Forum.

Proposed future changes to Risk Categories

As outlined in section 2.1 it is proposed to consolidate some risk subject areas to reduce duplication of information and improve focus on the key issues. This will be discussed with the Chair/Vice-Chair of the Committee prior to any planned implementation. One such example would be under **1a – Housing – Development and Targets** where the separate Risk subject areas ‘**Alternative Development delivery options**’ and ‘**Timelines for delivery**’ could be combined into one Risk subject area of ‘**Alternative delivery options and timelines**’.

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 2.4 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 backlog issues will be addressed at an extraordinary meeting of the Audit Committee on 4th December ahead of the national cut-off date of 13th December 2024. The external audit review process relating to 2023/24 for Spelthorne is now well underway.

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 September 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 September 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.