

# Audit Committee



28 January 2025

<b>Title</b>	Corporate Risk Register (Corporate Risk Management)
<b>Purpose of the report</b>	To note
<b>Report Author</b>	Lee O’Neil, Deputy Chief Executive
<b>Ward(s) Affected</b>	All Wards
<b>Exempt</b>	No
<b>Exemption Reason</b>	N/A
<b>Corporate Priority</b>	Community Addressing Housing Need Resilience Environment Services
<b>Recommendations</b>	<p><b>Committee is asked to:</b></p> <ol style="list-style-type: none"> <li>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.</li> <li>2. Consider the proposed changes to the risk categories/risk subject areas outlined in <b>Appendix C</b>.</li> </ol>
<b>Reason for Recommendation</b>	The Corporate Risk Register must continue 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	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

identified, managed, monitored, and reported. The current reporting frequency coincides with the Audit Committee cycle and work programme	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
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.
  - 1.3 The Risk Register must now also be considered in light of the Government's recent White Paper on Devolution, which includes proposals for Local Government Reorganisation, the result of which will mean that Spelthorne will no longer exist as a sovereign authority within 2.5 – 3.5 years.
- 2. Key issues**
- 2.1 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** - This has been redesigned since the last Committee into a tabular format to provide the Committee with clearer information on movements in risk scoring since their last meeting. This also provides details on how these scores have been calculated from the assessment of the likelihood of a risk occurring against the impact this could have.
  - 2.2 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.

2.3 As previously outlined to the Committee, it is proposed to consolidate some risk subject areas to reduce duplication of information and improve focus on the key issues. A table of proposed changes is shown in **Appendix C** for consideration by the Committee. Further changes may be necessary in the future to add new key risks and remove any subject areas where risks are eliminated or reduced to an acceptable level.

### **Changes in risk scores and other key updates**

2.4 Six risk scores have been adjusted since the last update to the Committee, two downwards and four upwards:

(a) **1a Housing – Local Plan** **Now Amber RAG** (*previously Red*). The risk score has been reduced from 12 to 9 to reflect the fact that Environment Agency concerns over flooding in relation to some specific sites have now been satisfactorily addressed (with a signed Statement of Common Ground on all flooding matters) and the Council now moving back to Examination.

(b) **1a Housing – Development and Targets – Housing Development Programme** – **Now Amber RAG** (*previously Red*). The risk score has been reduced from 12 to 9 to reflect the Council approving a Development Delivery Strategy and site prioritisation programme to form the basis of future decision making.

(c) **1b – Housing – Affordable – Housing supply and demand** **Now Red RAG** (*previously Amber*) – The risk score has been increased from 6 to 12 due to the ongoing pressure on our Housing service and the constant increase in demand for temporary accommodation, which impacts the Council's budgets. Although the acquisition of the Local Authority Housing Fund (LAHF) units has helped to address these issues this year, the demand keeps growing and costs continue to escalate. The Renters' Rights changes and the unaffordable private rented sector add to the pressures the Council is experiencing.

(d) **3 - Financial Resilience and Commercial Assets – Commercial Investment Portfolio** **Still Amber RAG**. The risk score has been increased from 6 to 9 due to longer-term sinking fund modelling indicating that more income from the commercial portfolio needs to be set aside into the sinking funds to allow for risks associated with future pressure points, where there could be significant tenant churns. Exit strategies have been produced for all the Council's property investment assets and taken to the Commercial Assets Sub-Committee, and these are used to feed into sinking fund modelling. The need to set aside more into the sinking funds means that the Council will need to reduce the level of subsidy of services from the investment assets from the current levels of £10m to £5m by 2031/32.

(e) **7 – Corporate Capacity, Resources, Recruitment and Retention – Recruitment and Retention** - **Now Red RAG** (*previously Amber*). The risk score has been increased from 8 to 12 to reflect the increased risks of staff becoming unsettled due to the Government's planned reorganisation of local government (see 2.4(f)&(g) below)

(f) **9 - Working arrangements across LG tiers – Strategic decisions** - **Now Red RAG** (*previously Amber*). The risk score has been adjusted from 9 to 16 (the maximum possible) to reflect the Government's planned reorganisation of local government, which would replace the current two-tier (county/district & borough)

system in favour of larger unitary authorities. The Government's intention is to deliver this structural reorganisation across all Council areas in England, with the first wave of new unitary authorities in place by April 2027 and the second wave by April 2028. Spelthorne therefore faces the prospect of no longer existing as a sovereign authority within 2.5 to 3.5 years, with very limited ability to influence how this is delivered in Surrey.

(g) **9 - Working arrangements across LG tiers – Change management**

**Now Red RAG** (previously Amber) – The risk score has been increased from 9 to 16 (the maximum possible) to reflect the challenging change management requirements associated with the Government's planned local government reorganisation.

NB. It is suggested that the Title of Risk Category 9 be changed from 'Working arrangements across LG tiers' to '**9 - Local Government Reorganisation**'.

2.5 Although the remaining risk scores remain the same, there are a number of other risk categories with updates of particular note:

(a) **4 - Financial Resilience and Supporting Communities: Financial Pressures - increased costs.** **Still Amber RAG.** Risk score remains 9. Although the RAG rating and risk score remain the same it is worth highlighting the medium-term financial pressures the Council faces, which were highlighted to Councillors in a November budget briefing together with a proposed an Outline Corporate Transformation Programme to address those issues.

(b) **4 – Financial Pressures – Cost of Living Crisis and increased demand on Council services - Still Amber RAG.** Although the risk score remains 9, there are potential risks associated with new Government policies affecting possible future demands for services and meeting future policy requirements, e.g. in relation to planning and housing delivery.

(c) **7 – Corporate Capacity, Resources, Recruitment and Retention – Corporate Capacity - Still Amber RAG.** Although the risk score remains 9 there are ongoing pressures on resources due to the Best Value Inspection, external audit work and the need to progress with Spelthorne's Local Plan, which is going back to Examination in January 2025. The impact of local government reorganisation on the workloads of staff are at present unknown. Further pressures may arise if the Government confirm support for a 3<sup>rd</sup> runway at Heathrow. The register and scoring will be updated once further information is available.

### **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.

## **Proposed future changes to Risk Categories**

As previously outlined to the Committee it is proposed to consolidate some risk subject areas to reduce duplication of information and improve focus on the key issues. A table of suggested changes is shown in **Appendix C**.

Further adjustments to risk categories/subject areas and associated narratives may be necessary as the full details and implications of Local Government Reorganisation become available.

Similarly, the Committee will need to consider any emerging new risks, or any item currently on the register where the risk is reduced to an acceptable level to remove the item from the register.

### **3. Options analysis and proposals**

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 (recommended option) –**

(a) 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), and

(b) Consider the proposed changes to the risk categories/risk subject areas outlined in **Appendix C**.

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 backlog issues were addressed at an extraordinary meeting of the Audit Committee on 4<sup>th</sup> December ahead of the national cut-off date of 13<sup>th</sup> 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** – Revised Risk scoring matrix summary – level of assessed risks in the register.

**Appendix C** – Suggested changes to risk categories/risk subject areas